



Stay the Course, Manufacturer

Talan Products Inc.

Fighting for a piece of the domestic Solar Energy pie requires patience, impeccable customer service, and basic business sense.

There's a big, beautiful, bright sun shining over Talan Products. Never mind the fact that the company is located in Cleveland, Ohio (which sees an average of 66 sunny days per year). The company is humming along quite nicely in the solar energy industry, thank you.

Among the other major industries it serves—including the fastener, building products, appliance, hardware, defense, and transportation markets—**Talan Products is a supplier of components to solar system manufacturers throughout North America. The company services manufacturers of photovoltaic (PV), thermal, residential, commercial, and utility scale solar energy systems.**

"Along with our core business, we contract manufacture solar attachment and racking systems, or basically the metal parts that are the structural components for solar energy generating systems," said Steve Peplin, the company's CEO whose first exposure to the industry was in the early 1980's as a solar contractor.

While Talan Products got its start in 1986, it wasn't until 2007 that the company turned its focus on the solar energy industry, and Peplin returned to his roots.

"It was basically a question of how do we grow our overall business," said Peplin. "We were a high growth company creating innovative manufacturing solutions, and we saw that solar was very innovative in the technology it used. It was a disruptive industry, as they call it. There was plenty of risk involved. And the [U.S. and state] tax credits certainly helped the industry. If they did away with that tax credit, as they kept threatening to do, there's no telling where the industry would be right now.

"It was easy to enter the market back then," he continued. "We did our research, attended seminars and conferences, and talked with people at tradeshow. It's harder to break into the industry now. It's transitioned from early adopters (or the jeans-wearing hippies, as Peplin calls them) to the suit-wearing multinationals. It's big business now and somewhat controlled by the big operations."



That said, Peplin has seen steady growth since Talan entered the market, and projects further growth as the solar energy industry and the marketplace continue to change.

"The solar industry is constantly evolving, it's always improving," he said. "Companies are looking for ways to take costs out while keeping quality in. It's a fast-evolving industry under of ton of price pressure."

Barriers to Success

Those pressures don't stop at price points. The industry has been hampered by a slew of forces which keep manufacturers like Peplin up at night.

"We face a lot of constraints, like outside competition, cost pressures, component costs, the cost of field labor and factory labor. There's a huge incentive in this industry to save on labor costs," he said.

"We've definitely been impacted by foreign competition as well. We had a utility scale customer we were pitching and were ready to



Solar panel using a racking system from Talan Products Inc.



Shipment of Talan Products' racking systems for solar installation

invest heavily into this customer. Then they found they could get the piece for one dollar cheaper in China, so they went that route. They ended up having delivery problems from the supplier that subsequently turned into some nasty lawsuits. Plus they wanted delivery in February, which is the Chinese new year holidays and a time when the whole country virtually shuts down. It creates a lot of disruption within the supply chain."

The Role of Public Policy

Uncertain and inconsistent government policies are key considerations in business operations, particularly in the energy sector.

"The national energy policy and the investment tax credit helped the business," Peplin states. "But frankly, most of the big players in the industry are assuming those incentives may not be around in a couple of years, so they've developed business models to help them survive without the tax incentives (Many states are establishing "sunset" dates for state solar tax credits, and the U.S. solar investment tax credit is set to expire at the end of 2016).

"In my opinion, the tax incentives definitely help create business. Our solar business is doubling every year because solar is at such a high growth pace.

"I think Ohio's current stance on renewable energy is bad," Peplin commented. "The states that drop support for renewable energy are identifying themselves as dinosaurs, which will definitely affect the region's ability to attract and retain qualified young workers. While other states embrace cool technology like solar, Ohio is eliminating renewable incentives and driving out the next generation of entrepreneurs. Our policymakers seem to be working backwards."

Case-in-point: The states where Talan Products' racking systems are installed all have renewable portfolio standards, or RPS. (Indiana's RPS is a voluntary program; Vermont's includes a "feed-in tariff," the first in the U.S.). **The company's racking systems have been installed in these states, along with Texas, California, Minnesota, Massachusetts, and Colorado, but interestingly Talan has no installations in Ohio, the company's home state. Ohio recently "froze" its RPS while a study commission investigates the**

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benefits and costs of the renewable portfolio standards law, which was enacted in 2008.

Business Survival Instincts

But with all of the hurdles and roadblocks that are placed before manufacturers and suppliers in the solar industry, Peplin still has "early adopter excitement" for what Talan Products does.

"I love this business," he said. "We have great customers, we know a lot of the right people and we have a good reputation. We're just a good, solid company. We work alongside our customers and develop complex assemblies, tolerances, and manufacturing methods with them. And our customers keep coming back."

Peplin believes that a good old-fashioned work ethic will ensure business success in this next-

generation industry, and believes that type of thinking will help manufacturers repel the various barriers that are thrown their way.

"We work hard to become a critical member of our customers' teams and treat our customers as partners," he says proudly. "We provide logistics, shipping, warehousing of panels, trans-shipping, job-specific quantities, whatever is required to become a close partner with the customer."

Talan assists its solar customers with design for manufacturability, and has developed a network of regional suppliers and partners who provide plating, welding, stamping, extruding, and roll forming services for their solar customers. This has led to real manufacturing jobs in engineering, sales, purchasing, customer service, management, and machine operation at Talan Products and with the company's many suppliers.

For those manufacturers looking for the easiest and shortest possible route to success in the solar industry, Peplin offers this advice: "There's no magic potion to success in this business. You just have to practice operational excellence. Build great customer relationships. Watch the basics. Cultivate a solid culture. Practice 'Business 101' which means developing a strategic planning process, innovating where you can, developing new things, and just doing everything well. That's operational excellence."

Company

Talan Products Inc., 18800 Cochran Avenue, Cleveland, OH 44110

Talan Products provides full service contract manufacturing services including metal stamping, aluminum extrusions, roll forming, welding, anodizing, assembly and packaging, serving a host of major industries throughout North America. The company employs 60 workers at its plant on the east side of Cleveland, Ohio.

Leadership

Steve Peplin, CEO
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Project Description

Building a supply chain with a design and manufacturing capability to deliver high quality, affordable solar racking systems to original equipment manufacturers throughout the U.S.