



Small Ball

Small Ball is a managerial strategy used in the game of baseball. Fundamentally, it concedes that in some circumstances big plays, such as home runs are unlikely, and instead focuses on taking a series of smaller steps in an effort to

score just a few runs and ultimately win the game. In Small Ball, singles, walks, sacrifice flies, bunts, etc. are the main ingredients for success. Maybe one run scores in an inning, maybe not. However, under the right circumstances, this strategy can be very effective. In short, Small Ball relies on skill, finesse and resourcefulness, rather than brute force to be successful.

There is also a similar strategy by the same name now in use in basketball. It relies on smaller players that are faster outside shooters to outscore an opposing team with bigger players. So why bring up this topic here?

Recently we saw one large failure in the rare earth industry, as my former client, supplier and employer, Molycorp declared Chapter 11 bankruptcy at the end of June. While not quite in the same predicament, other rare earth companies are clearly struggling these days, either to establish profitable business or to finish their projects, in the face of low rare earth prices from China. Before we add to the list of rare earth bankruptcies, I would like to suggest that the time has come for a paradigm shift toward applying the ideas of Small Ball to the rare earth industry.

How could Small Ball apply to the rare earth industry?

Here are at least four things a rare earth company could do employing the Small Ball strategy.

1. Selling into niche markets. To the major Chinese players, small rare earth customers are not so interesting and they leave them alone. There is steady business to be enjoyed supplying smaller users of rare earths.
2. Collaborating with key customers. Many major rare earth customers would enjoy evaluating and qualifying better products. Better how, you might ask? It is often beneficial to users of rare earths if their supplier could remove certain impurities, adjust the physical properties, or tweak some other salient material characteristic, to optimize a material specifically for a customer's application. Someone supplying rare earths as a commodity cannot look at their product that way. However, a Small Ball rare earth company can, and would likely have many successes in doing so.
3. Being an opportunistic supplier. Given what we have seen in the past, it seems realistic to think that we will have sporadic supply interruptions or price spikes in the future, with little or no warning. A well-prepared Small Ball supplier, who has already qualified its material with several customers, can step in immediately to fill in a future disruption, at least partially. The keys to success are being organized to move quickly and realizing that the increased business will likely not last long.
4. Recycling. There are many recycling opportunities in the rare earth business. The main challenge is to identify and develop the opportunities that can actually make a little money. They need to make sense as a viable business.

The third and fourth steps would remove some of the volatility from the rare earth marketplace, so they have both commercial and strategic importance for anyone operating in the rare earth business outside of China.

So what is wrong with this approach? The first thing people will say is that it is too modest. I will readily accept this criticism. However, after watching the industry repeatedly and unsuccessfully swing for the fences, it might be an appropriate time to try a different approach, and Small Ball seems like it is worth a try.

Just as a reminder, a lively micro-brewing industry has sprung up in the US in recent years, bucking the trend toward large centralized production and global distribution of beer. Clearly, some beer drinkers favor quality over quantity, and are willing to pay for it. This model may serve as an inspiration to those of us in the rare earth business, as well.

About the Author - Dr. Stan Trout has more than 40 years' experience in the permanent magnet and rare earth industries. Dr. Trout has a B.S. in Physics from Lafayette College and a Ph.D. in Metallurgy and Materials Science from the University of Pennsylvania. Stan is a contributing columnist for *Magnetics Business & Technology* magazine. Spontaneous Materials, his consultancy, provides practical solutions in magnetic materials, the rare earths, technical training and technical writing. He can be reached at strout@ieee.org.

MAGNETICS BOOTCAMPS

Dr. Stan Trout of Spontaneous Materials will again host the Bootcamp Workshops in association with the Magnetics 2016 event. The workshops will take place on January 20th, 2016 in Jacksonville, Fla.

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