

Proprietary Brands & Diversification

Mike Collins



One of the most overlooked strategies by job shops is the development and licensing of proprietary processes.

Many American job shops believe that the outflow of work to Asian countries threatens the U.S. job shop business. While U.S. shops cannot compete with foreign competitors on the basis of high-volume, low-price parts, domestic shops can adopt alternative strategies to gain a competitive advantage. These strategies might include the creation of new creative support services, overnight deliveries, innovative products, and/or unique sales channels. One of the most overlooked strategies by job shops is the development and licensing of proprietary processes.

Nimet Industries, a 65-person job shop in South Bend, IN, excels at licensing their proprietary processes. Nimet offers proprietary anodizing and electroless nickel finishes. One of their primary strategies is to offer proprietary processes in finishing. Nimet has developed a family of NiTuff® products: a PTFE (Teflon) impregnated dyed black hard anodize, as well as anodizing in clear, blue, and red. The company also offers NiCoTef®, which is a co-deposition of nickel and PTFE. Both proprietary processes provide them a significant competitive advantage in the marketplace. They plan to continue the development of these special processes and expand their current twelve product lines.

Harold Gerstenkorn founded Nimet Industries in 1964. He started Nimet's unique branding strategy in the early 1970s with the development of Nituff, which provides a hard, durable, and self-lubricating finish for aluminum components. Bendix, an aircraft brake and fuel control systems manufacturer, was an early adopter of this

Proprietary Brands & Diversification

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

unique finish. By the late 1970s, Gerstenkorn immediately expanded his branding strategy to the international scene. He first licensed Nimet's proprietary processes to the Swiss company Altefco. Nimet's president, Jim Abbott, attributes this rapid gain of awareness to the early proprietary branding strategy that still exists as a core marketing competency today.

Diversification Strategy

Ira Abbott bought Nimet in 1981 and brought a renewed focus on strategic marketing. His vision was to provide Nimet's customers with a brand that represented quality and service. James Abbott joined Nimet in 1986 and realized that several of Nimet's large customers had operations in Europe and additional availability in Europe would further promote the Nituff brand. Together, they've achieved significant success in licensing Nimet's proprietary processes. Four other companies in addition to Altefco have licensed the Nituff process: Aluminum Surface Engineering (UK), Anox (Netherlands), Societe De Galvanoplastie Industrielle (France), and Anodizados Especiales y Duros (Spain). Currently, Nimet has not licensed any of its other proprietary finishes and approaches new opportunities to do so with caution. Nimet scrutinizes each licensee to ensure cultural compatibility and high standards of service and quality.

Although they have developed most of their proprietary processes, Nimet has also expanded their process portfolio by licensing processes from other European suppliers. In addition, Nimet has licensed a new technology (ANOGRAFIC) from Anox, a Netherlands-based Nituff licensee. This offers a new multi-color graphical anodizing process to their customers.

Nimet supports their proprietary process licensing strategy with a comprehensive sales and marketing approach. The company has diversified their market and penetrated into new industries such as injection molds, medical devices, dental, pharmaceutical, food processing, fluid power, and electronics. This diversification has expanded their market base in addition to securing a steady revenue stream. "The advantage for us is that when one industry segment is down it's hardly a blip in our sales," said Guy Ellis, the company's vice president. "We really try to diversify as much as we can to minimize the impact of business cycles on our company."

Eggs In Different Baskets

Diversification also means selling beyond local markets and customers. Nimet has expanded their geographical market across the United States. Very little of Nimet's work comes from customers very close to their facility. Leads have been primarily generated from Nimet's past advertising in trade publications and from their website. Their internal sales team follows up on leads and calls on new prospects. They believe proprietary branding and delivering a complete service package has been their best sales tool for generating leads and retaining customers.

One of Nimet's sales strategies is limiting the percentage of their capacity allocated to any one customer. Ellis said, "If it looks like a job will take too much of our capacity, we won't quote it as competitively as some companies might."

Proprietary Brands & Diversification

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Anything above 20 percent of total sales we really scrutinize to try and make sure it makes sense for us." This progressive strategy differs from other job shops that depend on two or three customers for their business and rise and fall with these customers. Ellis says, "We largely work with a variety of small components, rather than large parts. We don't do architectural parts for instance, and we don't do high volume." Nimet has focused on market niches that are 100 to 500 pieces. From the company's 1,000 active customers, they receive orders that average 100 to 200 items. Nimet averages four days from the time an order is received until it is shipped.

Job shops involved in die-casting, injection molding, and machining industries have been hit hard by foreign competition. The old model of working for two or three major customers and only offering high-quality full-service work is no longer viable. Job shops must rethink their business strategies to ensure their customers perceive real value in their services. Branding proprietary core processes is a viable strategy to consider.

Mike Collins is the author of Saving American Manufacturing, a comprehensive step-by-step strategy that demonstrates how to ultimately become an organization that will continually find new opportunities in today's fast-changing global environment.

Source URL (retrieved on 12/17/2014 - 7:12pm):

<http://www.impomag.com/articles/2009/02/proprietary-brands-diversification>