

## SMMs On The Rise

Mike Collins



Since 1986, American manufacturing has declined in terms of percentage of GDP, total number of manufacturing plants, and employees. But although internal cost reduction and operational efficiency programs have kept American manufacturers in the game, they have not led to top line sales growth. I feel that we are treading water, whereas we need to grow and reverse these trends of decline. The good news is that there is evidence of a resurgence of growth, and it is coming from America's small and midsize manufacturers (SMMs). This resurgence can be summed up in one word—innovation. Innovation in the context of sales growth is described as new technologies, products, and services. It also includes developing proprietary processes, finding new markets, and licensing. The progressive SMMs who are now growing are not waiting for the government to save them; they have taken it upon themselves to find innovative ways to compete.

**Finding New Markets** Some of these companies have been able to transform their businesses by finding new market niches. Oregon Iron Works (Clackamas, OR) began as a traditional welding and fabrication shop in 1945, fabricating miscellaneous metals and making parts for the dams on the Columbia River. In 1973, the company was purchased by Terry Aarnio and continued making fabricated parts for dams, bridges, and other construction projects, growing in complexity for the next 20 years. Meanwhile, their expertise in working with the Corps of Engineers and other government agencies on projects with extensive specs, helped them learn to bid on defense contracts. During this time, the company developed a marketing plan that described growth objectives and new target markets they would like to pursue. They had to overcome another hurdle when they decided to bid on nuclear work. They build containment vessels, and radiation doors for nuclear plants and parts for the ongoing clean up at Hanford, WA. The paperwork and specifications for nuclear work were an immense

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undertaking by the company, but just as with defense contracts, they learned the paperwork process inside and out. Oregon Iron Works latest project is to be the first American manufacturer of streetcars. They also recently landed a contract to build the first ocean wave energy system. The company now serves niches in hydroelectric, nuclear containment, bridge girders, space launch systems, unmanned seaplanes, streetcars, and wave energy. OIW is a great example of a fabrication shop changing to a product manufacturer, as well as a medium-sized manufacturer that knows how to diversify into other markets. Not bad for a traditional fabrication and welding shop that had \$850,000 in sales in 1975 and 12 employees, and has grown to 400 employees and \$120 million in 2009.

### **Finding Foreign Markets**

And then there are the manufacturers who are investing in finding foreign markets. Quality Float (Schaumburg, IL), makes pump floats, a hollow metal ball that is used to level the amount of fluid going through a pump (think toilet floats, but industrial). The floats can be found in everything from coffeemakers to large pumps that drained water from New Orleans. Pump floats are not a new technology but they may be very new to countries that are interested in developing water purification systems. With that in mind, Jason Speer, V.P. of Quality Float, first embarked on a worldwide tour of 10 countries. Jason also received help from the U.S. Commercial Services of the Department of Commerce. "They were a great benefit, and we continue to use their services for new markets," says Jason. He also has now visited over 80 countries and uses distributors, foreign reps, or direct sales to sell internationally. International sales grew to 26 percent of total sales in 2009.

Patented Products Another strategy is to invent a unique new product. A wrench doesn't conjure up a vision of a 21st Century innovative product, but Dan Brown, President of Loggerhead Tools in Chicago, IL, has recreated the traditional wrench into a product he calls the Bionic Wrench®. First introduced in 2005, it is unique in that one Bionic Wrench can replace 16 U.S. and metric wrenches. Based on its patented design, it is the first wrench that can distribute gripping force on all sides of a nut or bolt without slipping or rounding off the fastener. According to Brown, his differentiation strategy and decision to seek input from potential consumers were a big factor in the company's success. He believes that to be able to differentiate your design and generate sales in the near term, it is important to understand the user choice drivers and gather customer information and feedback on the design ideas. His ability to differentiate designs has been successful and he now holds more than 30 U.S. Utility patents.

### **Proprietary Processes**

Nimet Industries, a 65-person job shop in South Bend, IN, excels at licensing their proprietary processes. Nimet offers proprietary anodizing and electro-less nickel finishes. Founder Harold Gerstenkorn started Nimet's unique branding strategy in the early 1970s with the development of Nituff, which provides a durable, and self-lubricating finish for aluminum components. By the late 1970s, Gerstenkorn had 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

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that still exists as a core marketing competency today. Nimet supports their proprietary process licensing strategy with a comprehensive sales and marketing approach. The company has diversified their market and penetrated 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," says 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."

### **Conclusion**

I think that these stories make the point that American manufacturing can grow by focusing on innovation strategies. This means shifting gears from internal efficiencies to external strategies. I think this can be done by investing more in new products, new services, proprietary processes, and going after foreign markets.

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