

Increase Sales By Adding New Services

Mike Collins



In order to take a progressive approach to new opportunities, begin thinking about purchasing the things you make from the customer's point of view. Often, the customer must spend time, effort, and money figuring out how to buy your products, use your product, maintain it, store it, train their people on it, upgrade it, and dispose of it. In each case, there may be an opportunity to provide a service.

It is hard to fight the fact that things can often be made cheaper elsewhere. Services are another matter. Services usually need to be delivered and "consumed" closer to the point of sale. They are not as easy to export.

Let's take a look at 3 different approaches to offering new services.

EBC Industries

The President of EBC Industries in Erie PA, Harry Brown, saw that it was becoming increasingly difficult for SMMs (small and midsize manufacturers) to make a decent profit on high volume production work, especially if the customer was a large company with the ability to source products from anywhere in the world.

However, his customers still had to meet their delivery promises and they often needed emergency parts delivered in a matter of hours, not weeks. Says Brown: "When customers get into trouble and need parts in a big rush, price is not the priority—time is the priority".

Brown decided that this new situation being presented by his largest customers could be a business opportunity. He looked at his own facilities and did a bit of improvisation. He created a "Rapid Response System" in his shop that included special machine cells, heat treating, roll threading, metallurgical testing, and

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mechanical testing. The idea was to change the nature of some of the services he offered so that he would be able to respond in hours rather than days.

He selected his most experienced journeyman workers to man the Rapid Response part of the company 24 hours a day. These people had job descriptions that required many advanced skills and they were paid more than others in the plant. They had to agree to work at any time of the day or night and be “on call.”

This “just in time” approach to making parts for his best customers was a key strategy in gaining a competitive advantage over foreign competitors, who can always offer lower costs. This is a strategy all job shops should consider.

Ashland Industries

Ashland Industries was founded in 1930's as a contract metal finisher. The secret to Ashland's success is a unique ability to monitor the needs of their major appliance customers. Originally, Ashland and other suppliers provided only components going into the subassemblies of such as latches, drawer slides, hinges, and other hardware.

Since the appliance industry is global, the major OEMs can source parts from anywhere in the world. They continuously compare Ashland's prices to foreign competitor's prices. In response, Ashland spends considerable time finding ways to redesign parts and to change their manufacturing processes to lower their costs.

As the OEMs customers have re-engineered themselves, part of their cost cutting was to reduce their “in-house” engineering staff. Ashland responded by hiring engineers and offering to take over the design work of these modules. Once you become a true partner, adding necessary complementary services becomes a natural part of the process. In this case, they were becoming an extension of the OEMs design department.

At the same time, Ashland offered to both design new prototype designs and to test them at their factory. They developed a testing lab and the procedures to test and build many types of designs.

In addition, Ashland began doing sub-assembly work. As it turned out, their new sub-assemblies were so good that eventually they got the chance to manufacture and fully assemble the complete modules.

Any supplier company who can make headway in all of the services and requirements described above will have a natural edge over foreign competitors because of their location in the U.S. and their geographic proximity to the customer. Since many OEMs want parts just in time and often have needs for emergency services, American suppliers will always have a competitive advantage. But, geographic proximity is only a competitive advantage if you can also offer short delivery times, fast design cycles, and competitive costs.

Agie Charmilles

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Agie Charmilles is a Swiss firm located in Lincolnshire, IL, and supplies wire EDM, CNC die sinking, and manual EDM systems

“From our viewpoint, machines are increasingly more difficult to differentiate for most applications,” admits Harry C. Moser, President, Agie Charmilles Corp. “There are many good competitors, and while we think our products are the best, for a lot of applications it is getting increasingly hard to prove, and therefore we have chosen to [also] differentiate via service.”

Agie Charmilles strategy was to hire additional service engineers at a cost of about \$1 million annually, Moser says. “But by having them, we were able to cut our travel expenses by \$500,000. Instead of having people flying [to see customers], we expanded field operations to 31 locations and made it easy to make business calls by car.”

Localized service also reduced turnover since service engineers were not continually away from home, Moser adds. “That cut attrition costs by approximately \$500,000. Those two cost savings wiped out the cost of hiring for the service expansion,” he says. “And because those people increased our capacity, we increased our sales of service and preventive maintenance to our existing customer base by \$2 million annually.”

Conclusion

Services such as design, start-up, training and education, maintenance and repair, emergency services, financial services, trade-ins, remanufactured and used products, and consignments are just a few of the categories that can be offered. Here are some reasons to devote some brainstorming time to creative new services:

- The most compelling reason to offer specialized services is that they can differentiate you from competitors, oftentimes in a way that is very difficult for foreign competitors to emulate.
- New and innovative services are ways to increase sales volume, and provide the growth needed in stagnant industries.
- Creating new services can help SMMs keep customers who are considering switching to low cost foreign suppliers.
- New services can also help capture new customers in new markets.

Mike Collins is the author of Saving American Manufacturing.

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