

MANUFACTURER SHARES PROCESS FOR SLASHING COSTS AND BOOSTING PRODUCTIVITY

Five Key Steps to Work More Efficiently and Generate Sales

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According to the National Association of Manufacturers, 2.2 million manufacturing jobs were lost in the US since the recession began in Dec. 2007. Likewise, the economy fell by 3.7 percent during the third and fourth quarters of 2009. Even capital expenditures plans - to either expand or upgrade facilities - have slowed to a crawl, down to -7.8 percent.

Although there are signs of growth and recovery, manufacturers still need to watch their bottom line and find creative ways to slash expenditures - everything from labor to equipment. Not only are companies confronted by rising expenditures and flat or deteriorating profits, they're also challenged by customers to cut prices to enable them to compete during tough times.

The Process Includes Five Key Steps:

1. Hire a consultant to scrutinize every aspect of your budget, such as labor costs, bank loans, utilities, repairs, maintenance and capital purchases. Consultants have the benefit of working with multiple companies and can pass along best business practices that may be unfamiliar to you. For example, creating a new senior position during a recession may not appear to make economic sense. Yet, one manufacturer recently did so by adding a VP of operations to its senior staff, based on the advice of its consultant. The VP was able to implement a variety of operational changes that has dramatically increased efficiency and saved money.
2. Compare utility vendors when possible. Fifteen states offer some degree of choice for electric service along with the District of Columbia. They include CA, Conn., DE, IL, Mass., MD, ME, MI, NH, NJ, NY, Ohio, PA, RI and Texas, according to Joel Malina, executive director at Compete Coalition. Obtain a copy of each vendor's agreement, ask for a history of how much money they have saved other companies and contact at least several of those companies to address any issues or problems they may have experienced. They don't need to be in the same industry. More information can be obtained by contacting the Retail Energy Supply Association (www.resausa.org). By switching services, one manufacturer is saving \$1,000 a month on electric services and is now exploring telephone and Internet service providers.
3. Retrofit older equipment: Many companies store equipment onsite or in a warehouse. Can the older equipment add value by being retooled? Retrofitting offers several advantages. Besides enhancing productivity, it can free up other equipment to perform different tasks or even allow a manufacturer to solicit new business that generates additional revenue. One manufacturer retooled an old washer and almost doubled its shop's productivity this year.
4. Sell old equipment: Many companies store equipment that may be broken, antiquated or simply too costly to repair or upgrade. Sell the equipment for scrap value. Besides earning additional income, it will free up valuable floor space in a company's warehouse or plant.
5. Reorganize workers: Evaluate how employees can be better utilized. Experiment. Move them around to different areas. Consider placing them in smaller teams. By restructuring how its 19 employees worked, Stenger says his company's work volume has increased. When comparing sales revenues during the first quarter of 2009 to the same quarter this year, he says sales shot up by more than 50 percent. "We are tracking and monitoring our labor rates much more efficiently now," he says. "We know every day whether we make money."

IN THE NEWS

Companies need to continually analyze their business operations, whether it's during an up or down economy, to stay competitive. This program can help manufacturers redesign their business operations, enhance income opportunities and maximize staff output.

This Five-Step Process was developed by Jerry Stenger, who was interviewed for this article. Stenger is president and owner of Mechanical Finishing, Inc., an 18 year-old nonunion shop in Cincinnati that provides deburring, parts cleaning, shop blasting services, soaps, rust inhibitors and new and used mass finishing equipment, primarily for the automotive, appliance and medical industries. To help avoid further declines in his company's sales and gross revenues, he implemented this nontraditional process and watched his company's revenues climb by 50 percent over the past quarter.

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He can assist your company with your metal finishing, deburring and parts cleaning needs.

Author/From the desk of Carol Patton