



WHERE ARE WE NOW?



The struggles of the manufacturing economy in 2009 are well documented. Even among those of us with long careers, most of us have never seen activity come to a screeching halt the way it did last year.

2009 was tough on all of us.

So, what should we expect in 2010?

Technically, the experts tell us, the U.S. recession ended in the summer of 2009. According to the Bureau of Economic Analysis, the real GDP growth rate was 2.2% in the third quarter of 2009. That's a positive sign, but there's still a long way to go, particularly with unemployment at 10%.

Many gear manufacturers I've talked to were able to weather 2009 due to enormous order backlogs. One gear manufacturer told me his backlog in 2009 was the largest it had ever been, and they were shipping gears throughout the year based on 2008's orders. But now, those backlogs have dwindled down to just a few months' activity, and the manufacturer is looking at 2010 with apprehension. If they don't begin taking new orders, 2010 could be a far worse year for them than 2009.

That gear manufacturer was one of the lucky ones. He still has a backlog. A lot of companies' business disappeared much more quickly. It didn't help that the auto industry for all intents and purposes shut down last year. Thanks to Cash for Clunkers and similar programs overseas, the auto makers are manufacturing cars again, but their production is

nowhere near the levels it has been at in recent years.

Most other industries have been quiet as well (see our article on big gears, p. 71). Even the wind power industry is hard to predict, between government wishy-washiness and financing issues.

After Gear Expo, we reported seeing signs of quoting activity among suppliers to gear manufacturers. Quoting for cutting tools, workholding and fixturing was robust. One cutting tool supplier I spoke with has a customer who recently implemented a third shift to keep up with the demand coming from—believe it or not—the auto industry.

According to the U.S. Machine Tool Consumption report, sponsored by AMT and AMTDA, machine tool orders were up 16% in November 2009 (their most recent report, as of this writing). Although that was a big jump over September, the activity level is still well below that of 2008.

In addition, lately, I've been hearing that a number of gear machine tool manufacturers have begun seeing increased orders. One gear machine supplier sold three machines in the last quarter of 2009. Another I spoke to sold 10 from stock.

So there is activity in the gear industry, although much of the evidence is anecdotal and not yet widespread. As with any recovery, certain industry segments will pick up first, and others will lag behind.


But no matter where you are in the recovery process, it's important to talk to your customers about what

you do best. Make sure you're communicating your core competencies, so when they come looking for suppliers, your strengths come to mind. Advertisers and agencies are again taking a strong look at their marketing and advertising—seeing if their message needs focus, clarity and greater exposure.

But I'm not just talking about advertising. You need to have effective communications with your customers throughout your organization. That includes your receptionist, your CEO and your sales engineers out in the field. It includes your website, your e-mail and your telephone answering system. Are you taking advantage of every opportunity to tell your story?

It's also a great time to examine those other aspects of your business that could or should be improved. What can you work on now that you'll be too busy to do when the order books fill up? What are the things you neglected during the busy times? Maintenance? Employee training? Research and development? Your company website?

Things appear to be picking up in some areas of the gear industry. But chances are, you've still got some time before things get really hectic. Make the most of it.


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