

Building Repeat Business

WHAT BUYERS REALLY WANT FROM GEAR MANUFACTURERS

Matthew Jaster, Associate Editor



If you're reading this, you've survived the doom and gloom of an economic downturn and business is starting to pick up. The glass-is-half-full types will put 2007–2008 behind them and focus on the future; the less optimistic are undoubtedly preparing for another financial collapse by November 2010. Whether your views

of the future are favorable or not, there are signs—paper trails and economic experts suggesting U.S. manufacturing is improving.

At the heart of this battle for financial stability are your gear customers. They've stuck by you through thick and thin (hopefully), continue to place orders (cautiously) and are always rec-

ommending your manufacturing services and products (cross your fingers). Typically, gear buyers focus on quality and service above all else, but there are other factors involved before a purchase takes place.

While it's important to read about the latest technology trends, product releases and technical information,

wouldn't it be nice to hear what your customers look for from gear manufacturers? In this article, gear buyers have been given an opportunity to discuss quality, value, customer service and how gear manufacturers can improve business practices.

(Ed's note: The participants involved in this article asked for anonymity given the subject matter. Discussions took place between two gearbox manufacturers, a medical components supplier, an engineering firm in the energy market, an automotive parts supplier and a specialty shop in off-road racing.)

Quality Remains King

Warren Buffet, investment guru and philanthropist, summed it up when saying, "Price is what you pay; value is what you get." Whether you're purchasing automobiles, heavy industrial equipment or a bulk order of gears, the same rules apply. The gear industry remains an area of manufacturing where quality reigns supreme and complex components need to perform consistently and without failure. In the gear industry, companies tend to pay for what they get.

"Where is the value in a \$1,000 gear set that fails in a race event that costs you a quarter of a million dollars to compete in?" asks the director of an off-road racing specialty shop. "There is very little demand in our industry for cheaper parts, so when we shop for gears, we want the best quality and value we can get our hands on."

This specialty shop, founded in 2005, provides power transmission components for off-road racing. The director shopped around several gear companies before agreeing to work with a few candidates, including one major gear manufacturer in the United States. "The companies we have long-term relationships with understand what we need and are willing to go out on a limb with us when we're pushing the edge harder and further. These are the companies we stick with, and we are very loyal."

One gear manufacturer was chosen for its ability to go above and beyond when it came to its attention to detail and quality standards. The specialty shop director says that reoccurring lubrication issues at one point had

stumped his engineering team, but the gear company's engineers immediately took it upon themselves to work on resolving the problem.

"We started testing some different lubrication to address the technical issues we were having. Our partner took initiative and spent a great deal of time helping us solve the problem. You rarely see this kind of commitment in our industry. People had never been this helpful before. It says a lot about the integrity of the organization, and

it's one of many reasons they remain one of our largest suppliers of gears."

A mechanical application engineer for a global gearbox manufacturer can't stress enough the importance of quality when purchasing gears. "Quality, minimum defects and good value are the most important factors," he says. "If the quality is not adequate, it's a deal breaker."

The engineer believes more emphasis on these details will lead to better products in the future, and he

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stresses the importance of further R&D on the tools and components used in the gear industry. "Quality stands out when you're shopping for gears, even more so than price in most cases. While there are plenty of options available to gear buyers, the decision is going to come down to quality, value and the service you receive before and after the purchase."

For prototype procurement, a gear buyer from an engineering firm in the energy market suggests timing

and costs are important factors, but quality is the most critical purchasing decision. "This is not the same criteria used when purchasing production gears. Quality in prototype is one of the main factors due to the fact we are proving out concepts, so we need quality gears made to our specifications. This enables us to test properly and obtain results that will be used for future development of each project. In the prototype process, we develop relationships with a few gear houses

and use them as our main vendors as long as quality, timing and value costing remain the measuring stick on each project."

A gear customer in the medical sector summed up quality in three simple measures. "It comes from a technical standpoint, a staffing standpoint and the advancements you come to find on the manufacturing floor. Hands down, you'll have a difficult time trying to get what you want from a gear manufacturer that is not established, highly specialized and up-to-date on the latest technology benefits. Our company has worked with a family-owned manufacturer because quality, delivery and customer service make a huge difference when it comes to purchasing gears. In a technical application, these are the three factors to consider."

An automotive supplier ranks quality, price and lead time as the items she looks for when preparing to make a purchase. "Our gears have specific tolerances that must be met for our end product to perform correctly. A good value does me no good if the gear is not to spec."

Timing is Everything

For gear buyers, specifically in the prototype arena, timing is another key to repeat business. If a gear company

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The specialized gears used in the automotive industry can cost millions if failure occurs prematurely.

can meet quick timing requirements and measure and confirm that they have made the gears to print, it makes it easier to make purchasing decisions. The gear buyer in the energy market believes in-house inspection equipment has changed the game on the prototype side of the business. "If our vendors have the in-house capabilities to inspect gears accurately and get them out to us on time, we will continue to work with them. It's that simple."

Customer service plays a large role in delivery as well. The medical manufacturing rep has received countless phone calls from customer service agents in the gear industry. "They just state the same thing over and over again. 'We'll have it in another three weeks,' 'Give us three more weeks,' 'It's going to be about three more weeks.' Sure, they were polite enough to keep us informed on where the order stood, but this wasn't exactly the kind of customer service we were looking for."

The director of the off-road racing specialty shop believes delivery issues can clearly be avoided by working directly with manufacturers in the United States. "We don't do business in Asia. We have made gear sets in the U.K. and still work with a company

there, but most of our gears are made right here in the United States. It just makes sense to stay local and build relationships."

The same rules apply to the automotive supplier that builds relationships with key suppliers and sticks with them. The gear purchases at this organization have been 100 percent domestic for more than 10 years.

When the gearbox manufacturing rep began dealing with timing constraints, his company began a transi-

tional period to avoid purchasing gears altogether. Suddenly, the company was producing gears in-house. "Delivery problems can be avoided by eliminating the amount of companies involved in a particular project. I don't have the exact number, but my guess is probably 40 percent of our gears are manufactured domestically, in-house."

A gear buyer from a U.S. gearbox and speed reducer company notes that delivery will continue to be an issue

continued



An advertisement for Reishauer gear grinding technology. The background is a deep blue with a large, stylized gear graphic. At the top, three smaller images show different types of gears: a turbine-like gear, a wind turbine hub, and a car wheel. The main focus is a large, white and blue industrial machine labeled "REISHAUER RZ 260". Below the machine, the text "Demand The Latest Technology." is written in white. At the bottom, the "REISHAUER" logo is prominently displayed in white, with "Gear Grinding Technology" underneath it. To the right of the logo is a badge that says "SEE US AT IMTS2010 CONNECTING GLOBAL TECHNOLOGY BOOTH N-7018". At the very bottom, there are five small icons of the RZ 260 machine and the contact information: "Reishauer Corporation • (847) 888-3828 • reishauer.com".

until management is held accountable for their actions. “The customers will tell you what they need and when they expect it from a manufacturer, but nothing will change unless they’re forced to. Our company would look for other suppliers if more were available that handled high-end applications and made lead time a priority. We just don’t see a lot of options right now.”

This growing concern for delivery time is a problem that won’t go away in the near future. All the companies

involved in the article agreed that they hear increased lead time pitches from sales representatives all the time and have yet to see any significant results. Many companies have cut back on peripheral customers in order to keep the regulars happy.

“It’s strange that many manufacturers have scaled back their work and yet the delivery times aren’t improving, I understand that material availability is still a problem, but you hear one thing and then you see something completely



Off-road racing depends on high-quality gear sets that don’t come cheaply. Specialty shops will pay top dollar to get the best equipment into their vehicles.



Racing events can cost a quarter of a million dollars to enter, and the components must be able to handle a variety of engineering challenges.

different. It’s an area some will want to consider improving upon.”

Value and Customer Service

What other factors will prevent potential customers from purchasing gears? Quality and delivery time seem to be standard fare in gear manufacturing, but other factors come into play before a company begins writing a check. “We also have to consider value, given the nature of manufacturing right now,” says the energy market rep. “This industry sorely needs a larger quantity of gear houses that can manufacture quickly while maintaining



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trends. I usually have to have firm customer PO's for items before placing part orders."

A disconnect between the Asian and American markets is causing some animosity in the global gear market, according to the U.S. gearbox and speed reducer representative. "Some companies overseas purposely went out of their way not to provide product upgrades or in-plant services to meet customers' application needs here in the United States. They also never

intended to support or authorize any component packaging (motor/gearbox/electrical drives, etc.) at any level. Some consider the U.S. a lost market, intentionally setting them up to fail."

He also discusses some large name mergers that have not exactly won favors in the industry.

"Several mergers that have taken place recently have really killed the gear industry. The companies involved have lost a lot of their engineering and

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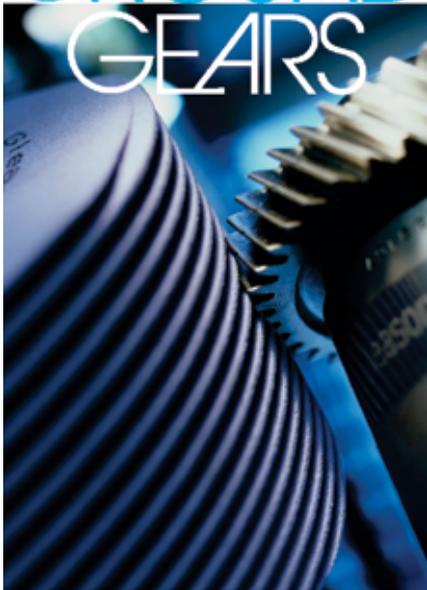
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quality requirements and value pricing. There are simply not enough options right now, especially for prototype gears. With the engineering advancements in alternative energy projects, there's going to be a greater need for quality components and I'm not sure the current market will be able to keep up with the demand. We'd like to have more options available to us so value increases."

The automotive supplier's spending habits have changed since the economic downturn. "I no longer place blanket PO's based on forecast or past

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packaging capabilities in the process. Other companies are dragging their feet on new technology; struggling to learn the industry and obtain a representative line of products to cover all the industrial markets. Another problem is the engineering staff that many companies employ. They don't work well with local service companies to bring the much needed local support in putting packages, equipment/system upgrade and retrofits together."

The finger pointing starts and ends with management according to the gearbox rep. "Management suffers from the arrogance and even ignorance that continues to drive engineering/service support and the business/management levels that attempt to service the needs of the customer. There is plenty of talk of change in company standards and product offerings, but it never seems to lead to any real initiative. Because of this, we rely on the same companies time and time again."

Familiarity tends to make gear buyers more comfortable. All of those interviewed for the article tend to stick with the same manufacturers for each project. If a gear company can practice what it preaches in terms of quality and value, they may be able to snap up some additional business in the future. "It's a specialized market, so you really have to see something significant that will make you want to change vendors," says the gearbox rep.

Most customers are completely satisfied with the gear companies they currently work with and see no need to change hands in the future. "A few years back, I took some information to IMTS regarding gear failure that needed to be addressed at our organization. I couldn't believe the amount of associates from gear companies that didn't want to bother looking at the material. Here I was, looking for potential new business and they weren't interested," says the off-road racing specialty shop director. "Thankfully, we began working with a company that was willing to answer all our questions and provide the kind of service we were looking for. We've never looked back."

The medical manufacturing representative thinks gear buyers already have a pretty good idea who the market leaders are and will continue to be in the future.

"We need highly specialized gears for our medical applications. There are only a handful of names that come up over and over again when you talk to gear customers. These are the same names that were on top ten years ago. They offer the best service support, the best technology, the best quality. I'd be surprised to find any gear manufacturer on the market that can do better." ⚙



Those involved in the alternative energy industry continue to aggressively seek technology and efficiency benefits from gearbox manufacturers. It starts with the gear sets.