

# Strategies for Building Your Business

Joe Arvin

**One phrase that I've come to understand as a basic truth for most manufacturing companies is this: If you're not moving forward, you're falling behind.** And if you're falling behind, one day you will not only find it difficult to win new customers, but you will be losing the ones you do have.

It's very easy to get caught up in the essential day-to-day operations of your business, but it is equally important to keep your eye on the future and remain vigilant in the ongoing pursuit of finding ways to expand your share of the market. In the end, increased market share means the safety of diversity, increased revenue, and larger profits. And to accomplish this, you must be continually and systematically reinventing yourself with the primary objective of growth. The following are some points to consider as you pursue this goal.

## Purchasing Your Way to Expansion

For the most part, the fastest way to grow your business is through purchasing a competitor or a company that complements your existing products. With this approach, you will have the experienced people, equipment, and systems already in place, as well as an established customer base. In addition, you are more likely to experience the benefit of a rapid return on your investment.

Another way to quickly increase your bottom line is to consider purchasing your key vendors. By looking at the list of outside services you require and the associated costs, you can easily develop a prioritized list of potential acquisitions. But as you evaluate this option, be sure to ask yourself this question: Can you effectively perform any of this work in-house by simply investing in some new equipment and training your internal resources?

## Ramp Up vs. Buying

When you are looking at purchasing your way to expansion, it is common to embrace what feels like the safer option—and that is slowly ramping up. Slowly ramping up certainly seems to be less risky at the onset, but in my experience, in the end, both will require a similar level of investment. When buying your way to expansion, this can take the least amount of time, but ramping up can take a very long time before seeing a return on your investment.

So now you might be thinking, "Joe, what planet are you living on? I don't have the money to buy competitors or vendors. I'm having a hard enough time making payroll."

Ah yes, an unlimited supply of money can certainly make life easier. And if you don't have money trees growing on your property, overleveraging to prematurely create an industrial empire is not advisable. But still, there are other ways to remain dedicated to the goal of growth and expansion that are less aggressive. Consider the following as other ways to grow.

## Expanding Your Product Line

As an alternative to purchasing competitors and vendors, a logical step for growth is to internally expand your current product line. For example, if you only cut gear teeth, consider moving into the make-complete arena. If you're a loose gear producer, consider expansion into complete gearboxes. After that you might consider moving into complete drive trains.

Here is another potential opportunity. If your customer takes your product and uses it in the assembly of another product, you should investigate the option of producing that final assembly yourself. The more you know about your customer's product, the better equipped you'll be to help them while providing opportunities for you.

What other products can you make

which fit your engineering expertise and factory equipment? Try this: Ask your engineers. You may be surprised what you hear. Consider making component parts that do not have gear teeth. If you do shaft work, you might want to go after shafts without gear or spline teeth. How about housing turning, making tooling for others, or performing design?

## Joint Ventures

Another avenue for expansion that doesn't require significant funding is a Joint Venture. By taking this approach and partnering with another company within your industry, you can gain the benefit of expanding your product utilizing the expertise of someone else, while they benefit from the expertise that you have.

## Optimizing Your Marketing

As I've mentioned in previous issues of this column, marketing is essential so that your potential customers know what you have to offer. Ask yourself this key question: Are you marketing your product to a specific niche or are you just casting a broad net hoping for the best? Focusing on a niche that is ideally suited to your strengths can be of significant value. Keep in mind, however, that it's almost impossible to grow substantially solely through sales and marketing efforts of your existing services or products. This will only take you so far, but it is important to be sure your existing capabilities have optimal market exposure.

Don't overlook marketing offshore—as this can result in a significantly larger pie. And if you decide to move into exporting, don't forget the importance of having local representation in those areas. These resources can provide valuable market intelligence and assist you in making the best connections.

You might be saying, "Come on Joe. I know all about the problems compet-

ing in low-wage countries. That's impossible." Generally speaking, it's tough to win when going head to head with the low wages of off-shore competitors. But don't forget about your niche market. Don't forget about your unique expertise and capabilities. These can give you a competitive edge. I know first-hand that this can work. At Arrow Gear, we grew our exports from zero to over one-third of our business.

### Sleeping With "The Enemy"

When I was at Arrow Gear, we had more customers than competitors among the members of the AGMA. We didn't think of these competitors as arch rivals or our enemies. In fact, we reached out to them to establish collaborative relationships. We did gear design for other companies. We loaned cutters and grinding wheels. In the end, these relationships led to a lot of offload work for us. We also had mutual agreements with several competitors for disaster planning. While thankfully disasters seldom happen, if one does happen to you, you can keep supplying your customers uninterrupted so they don't have to go somewhere else. And if a disaster happens to the other company, you can experience a significant inflow of work.

### Open Capacity

The open capacity of idle equipment is also ideal for securing offload work from other companies — even your competitors, and this can be a substantial means of growth. Look at your open capacity in milling and drilling, as some farm out this work. Also, look for those who farm out special gear cutting. And if you have heat treat, look here for open capacity and opportunities as well.

### Upgrades to Your Facility

As I mentioned in a previous article, in the past, you used to be able to wait from fifteen to twenty years before you needed to upgrade to new technology. Now, with the rapid advancement of technology, this timeline is shortened to approximately every five years. The harsh reality is this — if you're not investing in new equipment, you're not going to be able to compete. This doesn't always mean that you have to be purchasing million dollar machine tools on a routine basis. Even retrofitting older machines will result in improved performance, and there are a lot of very good used machines on the market. Keep in mind that smaller investments, in aggregate, can have a significant impact over the long run.

Regarding technology, it's important

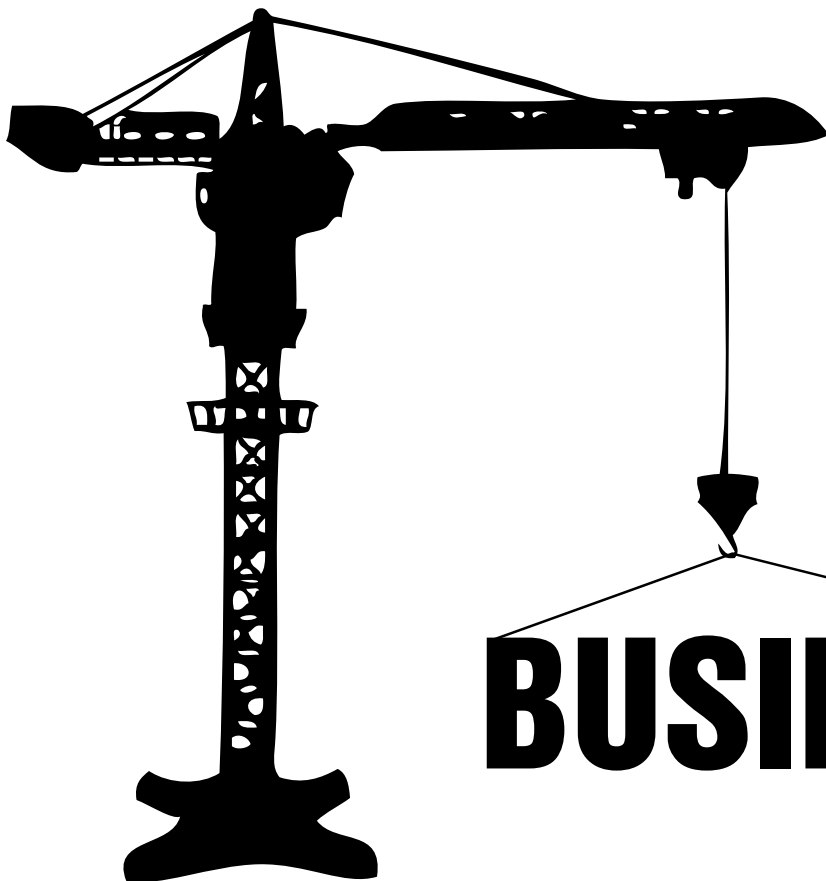
to remain educated in what is taking place and monitor these advancements closely. A valuable resource for accomplishing this is trade publications like *Gear Technology* magazine. I hope you and your team members attended the recent AGMA Gear Expo in Columbus. And don't forget the International Manufacturing Technology Show (IMTS) that will be taking place next year. Finally, be sure that you're plugged in to the marketing channels of the key machine tool manufacturers and other suppliers to be sure you're aware of the latest developments.

### Conclusion

It is my hope that these ideas will give you something to think about as you contemplate the future growth of your business.

### A Final Word

If there is a topic you would like to have addressed in this column, please send me an email at [ArvinGlobal@gmail.com](mailto:ArvinGlobal@gmail.com). Also, if you have a particular problem or question, please call me at 815-600-2633. I'm always happy to provide some free advice. ⚙️



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