

WINNING AGAINST LOW PRICE OVERSEAS COMPETITORS!

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Agenda

- ① The Opportunity is Now
- ② China - A Low Cost Paradise Lost
- ③ What the Future Holds
- ④ Alternatives for North American Manufacturers
- ⑤ Countermeasures for Market Share Preservation and Growth Strategies

The Opportunity is Now!

- ⦿ An increasing number of US manufacturing companies are moving their businesses back onshore.
- ⦿ 25 % of buyers from more than 800 companies in the automotive, aerospace, medical, industrial equipment, and consumer products industries say their businesses have returned work to North America from a low-cost region

Source: MFG.com survey, February 2011

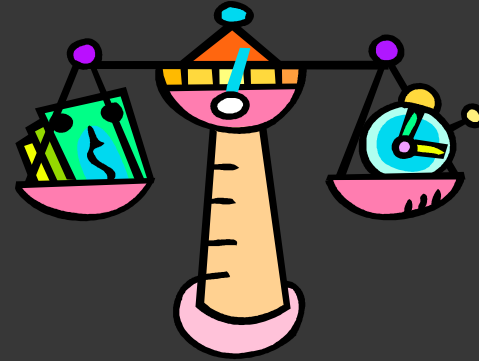
A Low Cost Paradise Lost, Why?

China

- ⦿ Labor rate increases
- ⦿ Transportation Cost
- ⦿ Exchange rates
- ⦿ Inflation
- ⦿ Travel
- ⦿ Cost of Ownership
- ⦿ Price vs. Cost

A Low Cost Paradise Lost, Why?

- Labor supply
- Past Problems
 - Delivery
 - Quality
 - Communication
 - Culture
- Preferences



A Low Cost Paradise Lost, Why?

◎ Hidden Costs

- Intellectual Property
- Employee Retention
- X Pat Packages
- Consultants
- Risk
 - Product liability



Hidden Costs (continued)

- ◎ Quality
- ◎ Late deliveries
- ◎ Demand planning
- ◎ ***Early payments***
 - ***Cost of money***
- ◎ Inventory
 - In transit
 - Storage
 - Obsolete product

Hidden Costs (continued)

- ⦿ Travel
- ⦿ Communication
- ⦿ Culture
- ⦿ Time zones
- ⦿ Emergency air freight
- ⦿ Difficult innovation / new product development
- ⦿ Poor flexibility

What the Future Holds

- Continued Cost Increases
- More Even Playing Field
- Export Reduction from China
- China Market Increase-Sales

Alternatives

- Asia – Other Countries
- Latin America
- **Onshoring / Re Shoring**



Countermeasure #1

- ◎ Fight the \$ battle
 - Cost Containment
 - Operational Excellence
 - The power of Lean
 - Eliminate waste
 - Do it right
 - \$4 Million annual savings
 - \$14 Million annual savings
 - Increase capacity w/o personnel addition
 - Quick reaction niche / flexibility

Countermeasure #2

- ◎ Competitor Intelligence
 - Survey / collect information
 - Identify weaknesses
 - Capitalize

Countermeasure #3

◎ Innovation

- Growth areas / new markets
- Niche markets
- Special applications
- Added value

Creative session – in house

Invest in an independent competent facilitator!

Countermeasure #4

- ◎ Superior Customer Service
 - Flexibility
 - Fast response
 - Service level rating
 - Surveys
 - Measure
 - Resources
 - Lean
 - Manufacturing
 - Administrative

Pulling It Together

- ◎ Apply Lean



- ◎ Invest savings

- Innovation
- Superior customer Service
- Competitor Intelligence

Future Challenge

⦿ Human Resources

- Interest in manufacturing
- Skills
- Shortage being encountered
- Skill development
- Process documentation

Questions / Comments

Thank you for
allowing me to be of
service!

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