

MARKETING FOR JOB SHOPS: PROTECT YOUR SHARE

SUMMARY

A few years ago, the National Tooling & Machining Association estimated that the annual total U.S. market for machining exceeded Six Billion Dollars! Since most job shops are happy with a few million, and since there are only several thousand job shops around, it would seem that we can all get our share without being too concerned. That's not so.

First of all, it's hard to make much of a profit on the first job or two for a given customer if we take into account all the costs associated with securing and handling those initial orders. Also, when a competitor moves in on an account, it's usually a surprise; it takes a while to replace that business. So it is necessary to learn how to defend your business; to protect your share of the market.

It's easy to find examples of companies, or whole industries, who neglected to protect their market share, often because they became complacent. They just didn't believe they were vulnerable to attack by the competition, and sometimes didn't even recognize the competition. American automobile manufacturers didn't seem to see the Japanese coming. American railroads ignored the truckers and airlines until it was too late.

Today, one industry that is largely composed of small businesses, the job shop printing industry, finds it hard to believe that the revolution in electronic data transmission will mean disaster for many shops. The printer tends to think that his competition comes from other printers, but this situation is changing. Several hundred databases are already available in electronic form, displaying technical and product information, financial data, and other news and facts, on the screen of any connected computer terminal.

PLAN YOUR DEFENSE

To prepare a proper defense, or an effective offense, you have to scout the opponent. Know when a competitor makes a major move in your direction, make sure you understand what is being done and how it is being done, and develop counter moves. When you are defending a market share, you need to do the same kind of things your a requires that a plan be formulated and acted upon.

The plan should ideally anticipate the future needs of your customers, so that you always have the appropriate equipment and technologies to show your customers that you can do a better job of meeting their needs. And you must remember that new technology can displace you just as easily as better performance with current technology. Electronic data on a screen can replace printed data on a sheet of paper; just visit a Sears catalog store and you will see. Soon, databases serving home computers will replace sales flyers and direct mail advertising.

To anticipate such incursions, you must know your own capabilities very well, and you must know the capabilities of your present and your potential competitors. You must also be

sure that your customers understand and appreciate your capabilities and your plans for expanding them. Communication with your customers can also help you define their future needs, and help you see how they view your vulnerable areas.

STRATEGIES

Hold meetings with your own salespeople, manufacturing managers, engineers and financial people and develop a detailed written list of your shop's strengths and weaknesses. Look at your equipment, people, technologies, systems and managers from different points of view: as a potential customer, as an existing customer, as a competitor, as one of your own managers, as a disinterested observer, and as a potential investor. Then, develop plans for taking best advantage of your strengths and eliminating or minimizing your weaknesses.

For example, if one of your strengths lies in the ingenuity of your plant manager to design and build unique tooling and fixtures so you can perform difficult jobs, make sure that your customers hear about each of those situations and that they understand how you saved money or time, or were able to

provide better quality. If one of your weaknesses is your inability to provide on-time delivery, develop a system that better predicts what can be expected in your shop and then inform your customers of the new, improved system.

Strengths and weaknesses are viewed, usually in comparative terms. When you are in control of an account, and a competitor wants to break in, your customer will compare the competition to your proven performance. You must do what you can to make sure your customer knows the good things about your services and that he understands why the bad things happen. In the job shop business, competitors often win an account on the basis of a lower price, so make sure your customers get a fair price and that they understand what the price covers.

Nobody likes unpleasant surprises, and losing an account is one of the most unpleasant surprises a job shop manager can have. Avoid them by planning, by knowing your own shop and your competition well, and by communicating. Developing more business from existing accounts is a fine way to grow, and usually a cheaper way to grow. Protecting your position with these accounts makes sense.

A STRONG OFFENSE

Of course, the best defense is often a strong offense. Knowing your own strengths and weaknesses, and those of your competition, and knowing the needs of your customers permits you to evaluate markets and accounts where new

business is available. Defending your own market share provides information that helps you find growth opportunities.

Many of the leading customers for job shop services have taken strong steps to reduce their vendor bases in recent years'. One prospective customer of ours told us that she wanted to cut her machining vendor group from 800 to 200 shops during 1985. Since we were not even on the list of 800, we had to find ways to show that there are advantages in adding us to the list of 200 survivors. The question we present is, "Can one new vendor effectively replace several old ones?"

We had learned that many of our current customers liked doing business with us because we could provide such a wide range of machining and fabrication services. Our equipment and skills are quite varied, so we could meet needs in just about any aspect of precision machining. This permits us to displace several less flexible shops on this potential customer's new and reduced vendor list. We hope she will be attracted by the possibility of doing business with one company, where she will deal with one project manager for numerous jobs, instead of dealing with several shops and numerous people.

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