

Escaping the Commodity Trap

a common mistake in Manufacturing



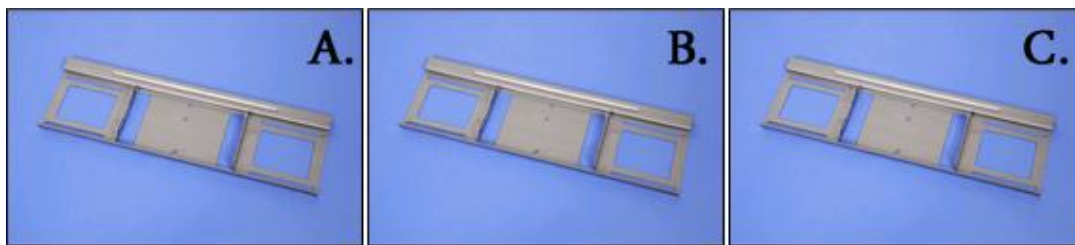
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If the parts you are manufacturing are becoming less specialized, and your manufacturing sale prices are pushed continually down, then there is a good chance you may end up getting stuck in the Commodity Trap. No one really wants to push away business, especially in a recovering economy, so how can you tell if what you're making is becoming a commodity?

In economics, a commodity is used to describe a class of goods for which there is demand, but which is supplied without qualitative differentiation across a market. What this means is that no one can tell who is supplying the commodity by looking at it, making price the only real difference.



Can you tell the difference between these brackets?

While no one really wants to turn away work in a recovering economy, but they also don't want to be caught making slim margins, or even worse losing profit, how can one identify if what they are quoting on is not just fresh bait for this commodity trap?

Here are a few ways to add differentiation to a part or manufactured good:

“If you're quoting on a new part, and you're asked to guarantee a price reduction each year, and yet your manufacturing costs are more competitive than your competition – that's a sure sign you're being setup for a trap.”

Jeremy Hahn
Chirch Global Manufacturing.

Be Responsive and Help Reduce Lead Times

In manufacturing, lead times get pushed and pushed; it's just the nature of the beast. No matter how well a project is planned, there are always things that can interrupt the supply chain. If there ever are any problems, it's up to you to make sure you not only point them out, but offer a solution to correct them.

Anyone can stand by their quoted lead times and supply a given part. If you can help to reduce lead times and communicate quickly during times of trouble, it will add differentiation to your process. Remember, the more you can make your product different from someone else's, the less of a chance the buyer will make a commodity decision.

Add a Dimensional Report in with your Quality Checks

Even if it is not required, make sure to add a dimensional report with your parts (similar to a level 2 PPAP). More often than not, it's the easier parts that have simple quality mistakes, as some operators see them as so easy, they cannot make a mistake.

Adding a dimensional report will not only eliminate mistakes, but add value by showing your customer you're going above and beyond as a supplier, helping to separate you from your competition.

If you know your part will require a full part submission warrant with a level 3 PPAP, you can still double check to make sure they are all going to the right people without any delays. Make sure to keep everyone informed, and let them know you're here to help.

Find Specialized Parts that are not Generic

If a part is more specialized, it may require your technical expertise to help suggest improvements with making the manufacturing process run easier. What may seem simple with what you do day in and day out, may still be a mystery to others.

Anytime you can add value to a process will help prevent others from easily making the same thing. Whether it's improving how a part mates with another part, changing some parameters that still meet the function of the part, or anything else that improves its fit, form, or function – that will make you stand out from other manufacturers in the crowd. This is one of the best ways to avoid being stuck in a commodity trap.

Manage Sub-Contract Operations

While this is especially true if a sub-contract operation affects your part (ie; powder coating a metal stamping) it could also relate to other components within the assembly. If you are making a part that mates with another part, working together with the other company involved, even as far as to supplying the entire assembly to your customer, can help set you a part from just making the single piece part component.

Buyers are typically looking for components to complete assemblies, and if you can help make their job easier, they will reward you for it. The more you can help with, the less they will treat your part like a commodity.

What will you take away from all of this?

These may all seem like common practices, but more often than not, companies are overlooking ways to differentiate themselves from the pack. By standing out a little here and a little there, you can quickly show your customers you add value to all of your products. Show them you're not just supplying them with a commodity part that can be easily replaced.



About the Company

Chirch Global® Manufacturing, LLC is one of fourteen companies that make up the Chirch Global Manufacturing Network. With a wide variety of manufacturing solutions available, this Network can be a single source service provider for just about any type of manufactured parts or assemblies you may need.

Learn more about www.ChirchNetwork.com.