

Are you turning away new business?

I specialize in new product development and I am a firm believer in early supplier involvement. Therefore, I routinely work with suppliers to jointly develop new materials, components or systems. However, I've experienced a new problem the past couple of weeks. On two separate projects, I've having major problems with a lack of responsiveness from suppliers. These are major projects with the potential for significant production volume. So what's the problem?

Do these potential suppliers not want to grow their business? Are they simply not interested in new customers and new applications? That doesn't seem likely. Almost every business I know wants to grow. They often talk about their growth strategy. No, I don't think it is a lack of desire to acquire new business that explains their poor responsiveness.

Do these potential suppliers not want to be involved during the development phase of a project? Do they not want input into the design? Do they not want to make sure the resulting new design is fully compatible with their materials and processes, taking advantage of their knowledge and experience? Would they rather wait until the design is finalized and then compete for the business based solely on price and delivery? Somehow it doesn't seem likely that their lack of responsiveness is due to a lack of interest. In fact when I eventually do get a response from a supplier they seem very interested and very anxious to participate even though the timeliness of their participation leaves much to be desired.

I think the problem is two fold. The first reason for a lack of involvement by potential suppliers is the fear that they will invest resources in a new project, only to lose the business based on price, with no consideration given to the fact that they helped with the development. Unfortunately this is not all that uncommon. Given the competitiveness of the market and the constant pressure to drive down costs, many materials and purchasing departments place little value on supplier participation during product development. That situation is unlikely to change anytime soon, if ever. So what is a supplier to do? I recommend that you charge a nominal fee for your engineering services and product prototyping. I know a lot of companies expect to receive free engineering support and free product samples and prototypes, but I'm not one of them. I think it is unreasonable to expect a company to donate their valuable resources hoping to get a piece of the production pie. I wouldn't do it and I don't expect anyone else to either. And speaking of competing based on only price after the development is complete, many (almost every domestic supplier) is scared of China. Given my current frustration with domestic suppliers, I thought I'd try to work with China. I did a Google search and easily found several companies specializing in the particular components I needed. So I filled out their web inquiry forms, expecting a prompt response. Guess what. Nothing. I'm still waiting for a response.

The second reason for a lack of involvement by potential suppliers, and I think the main reason, is they don't have anyone left in their organization to respond to new product development needs. Companies have truly gotten lean and mean. Unfortunately that also translates into lean and unresponsive. The business press gets excited and impressed when companies reduce their workforce. The bottom line is immediately improved, the "productivity" measurement increases impressively. But those are short term measurements. Those short measurements do not reflect the ability of a company to grow their business. If you have a company that can no longer respond to the needs of potential future customers with new incremental business, then you are in trouble.

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Take a look around you. Have you gotten so lean that you can't support the growth of your business? Are you turning away new business?

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