



## Service Stampings passes cost savings to customers: Surviving 2009

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Thomas Ondrey, The Plain Dealer

Jesse Johnson sets up Service Stampings Inc.'s 200-ton press to stamp out a series of large cogs. Orders from existing customers plummeted at Service Stampings this summer, so the company slashed its prices to pursue new work.

WILLOUGHBY, Ohio -- In January, Chris Reid was starting to think the talk of a prolonged economic downturn was overblown. His company was getting a record number of orders from its best clients.

But then the president of Willoughby's **Service Stampings Inc.** started hearing from his network of independent sales agents.

The tiny metal switch covers his plant was making for customers weren't going into MRI machines in hospitals. Fist-sized metal brackets weren't going into garage-door openers in his neighbors' houses. They were sitting in warehouses.

"[Our customers] were blindly thinking that this was just a dip," Reid said.

When his customers realized that they had built up months, even years, of parts in inventory, they canceled future orders. After a great January, Reid was facing the same question that plagued most manufacturers in 2009: Can this company survive?

Salvation came from lowering costs and chasing new business.

Like most manufacturing companies, Service Stampings had rounds of layoffs over the summer, losing more than a dozen people out of the small shop that makes tiny parts for everything from light poles to the space shuttle. Those who remained worked fewer hours.

But instead of using those cost savings to simply survive, Service Stampings Vice President of Sales Rob Stohlman said the company slashed its profit margins and lowered

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**Company:** Service Stampings Inc.

**Location:** Willoughby, Ohio

**Business:** Makes metal machine parts with stamping presses.

**Founded:** 1957

**Employees:** 31

**Challenge:** Orders for replacement parts from customers fell 50 percent.

**Solution:** The company cut jobs,

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its bid prices. Soon, new orders started arriving.

"We were able to make payroll" by selling new pieces of equipment to new customers, Stohlman said.

William Gaskin, president of the Cleveland-based **Precision Metalforming Association** trade group, said as lousy as 2009 was, it showed that many stamping plants had enough creativity and entrepreneurial spirit to reinvent themselves.

"Companies have shown more resiliency than the experts thought," Gaskin said. On average, his group's members reported a 37 percent decline in revenues through the year.

A few businesses have gone under, but he said the vast majority of his members survived, Gaskin said. He added that he did not have specific numbers on how many failed nationwide. In Northeast Ohio, he estimated that five or six stamping firms went out of business.

"Some of the consulting firms, particularly in automotive, were predicting 30 percent of suppliers would fall," Gaskin said.

Reid and Stohlman said fixing the problems at Service Stampings was more complicated than simply slashing costs and lowering prices. Radical changes to how the company tracked its financial health and accounted for its expenses also played a major role.

Reid said the company's finance chief set up a simple set up financial flags that he and other managers could look at daily instead of waiting for monthly reports. Instead of simply looking at profit and loss, the reports captured how often the company was winning bids on new work and how often its bids fell short.

"We started making corrections on the fly much faster," Reid said. "When the capture rate [of new contracts] started to dip, we could look at our pricing strategies again."

Stohlman said that he refined Service Stampings' sales and marketing strategies as the manufacturing market continued to struggle. Lots of the company's that were requesting bids had also gone through layoffs.

"These guys are all over-worked. They want this to be easy," Stohlman said. "So we're out there telling them how easy we can be to work with."

Along with the price cuts, the company simplified its pricing structure, making it easier for customers to understand Service Stampings' prices in an instant.

And, it started evaluating customers on the overall profitability of all the work sent to the Willoughby plant, not the profit or loss on any specific part. Stohlman and Reid said the company became willing to lose a little money on some parts if it meant keeping a lucrative customer happy.

Reid said the crisis of the summer reinforced the idea keeping customers happy is key to surviving, but he added that he also learned the need to constantly be on the lookout for new business and new opportunities.

Service Stampings parts cost pennies, but they go into multi-million dollar pieces of equipment, in some cases. So lowering costs to keep existing business simply would not have worked, Reid said.

"We can't go out and say, 'We're having a sale on this 50-cent part, [General Electric], so you can go out and build 50,000 more MRIs,'" Reid said.

So far, the strategy is working. After nearly a year off, re-orders from older customers are picking up, and Service Stampings continues to win new contracts. If all goes well, the plant will be back to full operations by January.

While a few workers have come back from layoff, Reid said he's going to be cautious about raising employment until he's sure



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Vicki Hale runs a hydraulic punch press at Service Stampings Inc.'s Willoughby factory. The 31-employee stamping plant uses a wide variety of presses.

cut hours and lowered operating costs. It then used those lower costs to cut prices and more aggressively pursue new business.

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A box full of metal plates awaits shipment from Service Stampings Inc.'s Willoughby factory. The company specializes in low-volume runs of small, complex metal parts.

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there's enough work to justify it.

"There's nothing like some new blood and adversity to really bring things together," Reid said.

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