

In and Around the Trade

Strange Times Call for Strange Bedfellows

By Joe Brown

The unprecedented challenges in the tool and die industry have brought a surge in the interest to pool resources, even if those involved may seem like strange bedfellows. The recent trend, at least in the Midwest, has been a rise in coalitions. A coalition usually forms when individuals or companies in similar fields come together in order to achieve mutual benefits or overcome obstacles. The coalition described here illustrates how companies that have long been competitors in the tool and die industry have changed their approach for the good of the industry and each other, rather than continue to beat each other down quoting on the same jobs.

So why would competitors legitimately join forces and fight these common problems together? It goes beyond the old adage of “strength in numbers.” Rising raw material costs, cheap overseas labor, shrinking demand and now a suffocating credit market have created turbulent times. The playing field has become so uneven due to currency manipulation and foreign governmental policies that encourage exports while discouraging imports.

Other factors leading to the formation of a coalition in the tool and die industry include:

- Overcapacity, by as much as 50 percent;
- Heavy dependency on work in the automotive industry; and
- Reduced demand from the automotive industry and increasing carryover of tools for multiple programs.

The bad news is that many of these issues are here to stay. Yet the good news is that we can pool our resources to reduce costs and make our quotes more attractive globally. According to ***A Collaborative Business Model for the Tool and Die Industry, September 2002 (Center for Automotive Research)***, “Collaborative efforts can drive tooling costs down 40 percent.” Here’s how:

- Manufacturing and engineering efficiencies—10 percent
- Coalition efficiencies—5 percent
- Product-design input—10 percent
- Lean-tool standards—5 percent
- Functional build—10 percent

One such coalition, the Global Tooling Alliance (GTA), consists of 19 Michigan companies (soon to be 20), including tool and die shops, moldmakers, specialty tool shops and metalformers, formed with the assistance of the Michigan Manufacturers Association. I recently got an in-depth look at the infrastructure of this coalition from GTA president Gary Kimmen, president of Top Craft Tool. Family owned, Top Craft specializes in tooling and fixtures, and the building of special machines and automated systems.

When asked about the underlying philosophy behind the coalition, Kimmen responded: “Global Tooling Alliance LLC is its own corporation. Our goal is to land large contracts that utilize all of the companies in the alliance, with their diversified manufacturing services, to provide a complete, quality product. We also use the group as a tool to promote each individual company in its own right. We cover almost the entire manufacturing spectrum. We have companies that specialize in molds and dies, stamping, automation, tooling and other unique manufacturing processes. We have a dynamic group of people representing companies with state-of-the-art technology and education programs, who exhibit, along with their great intelligence, a passion for the industry. Many of the company owners have grown up in this business; it is a handed-down trade, a generational art that is a part of who they are.”

GTA is modeled similarly to a functioning business. The companies are divided into four divisions to address, when required, project management, standard processes, quality tooling and standards, and sales and marketing.



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The benefits of these coalitions are tremendous. In addition to the significant cost savings realized, the companies meet monthly to share ideas and information, discuss business, pool resources and network. The financial impact includes property-tax abatements, no personal property taxes and, to the chagrin of many, no Single Business Tax or Michigan Business Tax.

GTA has pooled its resources to participate in some activities that as individual companies would have proved economically difficult to justify. For example, earlier this year it exhibited at the SAE (Society of Automotive Engineers) Conference, a \$5000 investment that cost each coalition company only about \$300. After the show ended, coalition members compiled a list of all of the contacts acquired and shared it with each other.

Members also serve as sounding boards for each other, to discuss ideas and concepts. In a heavily commoditized and saturated market, we must succeed at the variables we can control, because heaven knows there are many we can not. Perhaps the most powerful of these is the creation of ideas and the transfer and flow of information.

You may be wondering, "How do I get my company involved in something like this?" An interested company first fills out an application. Then GTA members follow up with an investigation. They visit the facility and determine what kind of value could be provided. Then, during their monthly meeting, they vote on the applicant. If they are voted in, then the application and perhaps letters of recommendation are sent to their lawyers who handle the due diligence with the state government. The law firm files the papers and completes other necessary requirements. If Michigan officials agree that there is a value-added proposal, they can accept.

Kimmen is particularly fond of the effective communication between the coalition's companies. "The sharing of ideas and learning ways to increase profitability have been a life raft for Top Craft," he says. "For example, we became more familiar with the research and development tax credit through our coalition meetings, which was a tremendous help. Our time spent researching, developing and designing over the past four to five years has increased significantly. We provide these services for our customers with the hope of winning a job. However, with all of the time and effort put into a design for a quote, competition is fierce and you only get a small percentage of everything you work on. Utilizing the R & D tax credit really helped this past year."

The GTA is one of many coalitions driven by the Michigan Economic Development Corp. (MEDC) as part of its efforts to establish Tool & Die Recovery Zones in Michigan. "The Tool and Die Recovery Zone program exemplifies the types of innovative steps we are taking to create an environment where tool and die companies can thrive," says MEDC president and CEO James Epolito. "Although this has been one of the nation's hardest-hit industries in recent years, the collaborations created through this initiative are helping many Michigan tool and die companies compete and grow in the global economy."

If you're located in Michigan, then I suggest following up with the MEDC to inquire about future opportunities. For companies located outside of Michigan, I strongly urge you to contact your state government representatives and ask them to look into the precedent set by MEDC. If I can be of any assistance, please contact me and I will answer any questions I can or steer you to people who can. Also,

Tool & Die Authority writer Bob Quinn, of Revcam, located in Romeo, MI, would be a great resource.

For more information on the Global Tooling Alliance, visit www.globaltoolingalliance.com.

Joe Brown has been working in the sales, marketing and public relations side of the tool, die and stamping industry for approximately six years. His background is primarily in marketing and business administration. Recently he has created a platform for those involved in the industry to share their hopes, ideas and concerns with a rapidly growing tool and die industry blog. He received his BA from Michigan State University and will add MBA, Wayne State University, in early 2009. Joe Brown oversees the website and blog, Will the Tool & Die Industry Ever Recover? www.toolanddieing.com