

FINANCIAL TIMES

Suppliers switch tactics to hold on to customers

By Hal Weitzman in Chicago

Small US industrial companies that supply components for some of the world's biggest manufacturers have turned to a range of new customer-service techniques – from cutting the time they take to complete an order to communicating with customers via Facebook and Twitter – amid intensifying competition in the manufacturing supply chain.

Although thousands of small industrial suppliers went out of business during the downturn, many of those that survived did so by expanding into new sectors and winning new customers, increasing competition for business as suppliers diversified into each others' traditional territories.

Lingering worries that the companies they supply could go bankrupt and increasing competition are the top concerns of small and medium-sized US industrial groups, according to a survey of 3,400 companies due to be released on Tuesday by ThomasNet, a website for researching industrial suppliers.

"The [competition is the fiercest I've ever seen it](#)," said Nancy Simmons, president of Aero Industries, a metals distributor based in Orlando that has nine employees and whose customers include [Northrop Grumman](#), [Lockheed Martin](#) and Nasa.

In response, Aero has sought to differentiate itself by offering its customers a range of business consulting services. It has drawn on its own experience – expanding exports from 1 per cent of revenues three years ago to one-fifth now – to advise on export opportunities, giving help on logistics, markets and legal issues.

"There's been consolidation among industrial suppliers, so we're seeing bigger, more aggressive competitors, while at the same time the customer base has been shrinking," said Richard Rubin, president of Maxi Container, a Detroit-based maker of industrial packaging with 20 employees, whose customers include [Campbell Soup](#), [BASF](#) and [Ford](#).

To win and retain customers, Maxi has begun blogging, and is using social media such as Facebook, Twitter and LinkedIn. Mr Rubin said such strategies helped him win a new contract with [Akzo Nobel](#), the Dutch paint and chemicals group. Mr Rubin has also instituted a “customer of the month” award.

Perfection Spring and Stamping, a family-owned business in Mount Prospect, Illinois, that makes metal components for companies including Continental, Bosch and [Whirlpool](#), recently increased its sales team’s travel budget by \$50,000, overhauled its website and upgraded its sales tracking and reporting system.

“We’ve added 13 new customers that came through the website – half of them multinational companies and eight from sectors we’ve never served before,” said David Kahn, chief executive.

For large manufacturers, the intensifying competition among suppliers has helped drive down costs and lead times. “The big manufacturers are really beating us up on price, delivery time and quality,” said Ms Simmons.

“A lot of former automotive suppliers have transferred over to the medical equipment market,” said Mr Kahn. “They’re bringing auto-industry ideas – such as annual cost reductions – with them.”