



# The Network News

The Monthly Newsletter of Tri-State Manufacturers' Association

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## Company of the Month

### Donnelly Custom Manufacturing

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In today's highly competitive environment, processors who want to stand out must develop and promote an identity that customers understand and value.

For many plastics manufacturers, their success or failure is based on the overall state of the economy. When times are good, production levels are up. When times are tough, plants sit idle. Today, even those manufacturers who are doing well aren't comfortable projecting what the future holds. For nearly everyone, "business as usual" has a nostalgic ring.

But there are those who are winning in today's complex business environment. They're doing so by redefining their value propositions and identifying target markets.

Unlike many manufacturers who struggle with pinpointing their unique value proposition - and fear that putting a stake in the ground may limit their market possibilities - Donnelly Custom Manufacturing (Alexandria, MN) has found a focus. It is clear about wanting to set market standards for *How Short Run Is Done*. The company's positioning builds on its business directive - to be the best short-run plastics manufacturer in the industry.

According to Ron Kirscht, president of Donnelly Custom Manufacturing, it's a deceptively simple directive with tremendous complexities. "Short run is inherently about complexity. By its very nature, it introduces a broad range of tooling, materials and presses. Our average mold generates less than \$10,000 in annual sales. At \$22 million total, we have more than 2,600 active molds, use more than 600 different materials and run 30 injection-molding machines.

When you consider all the variations, it's a complex equation."

So, why would a company choose a strategy that's difficult to execute and eliminates the long runs that most molders covet? The short answer: To gain a competitive advantage. The longer answer: To provide a greater value to customers than they can get anywhere else, one that requires specialized expertise; to attract employees who are committed to embrace, rather than resist change; to reach a level of customer intimacy that is difficult to achieve; and to develop an organization that is aligned behind a common goal.

"You can't be all things to all people," Kirscht explains. "To succeed in short-run manufacturing requires focus. You need to understand the interrelationships between engineering, operations and customer service so you can launch tools quickly, be experts in mold changeovers on the shop floor and seamlessly convert customer orders into shipments."

Donnelly's go-to-market strategy is to become the single source short-run supplier to leading OEM's that serve niche markets and have a heavy demand for a multitude of plastics components. The business model requires customer intimacy and a deep understanding of each customer's business. "Customer intimacy is key to our success. To serve customer organizations more fully, we have to develop manufacturing solutions that are tailored to a company's specific and unique needs. Over time, you become an integral part of your customer's organization," Kirscht said.

This was not always the case. Founded in 1984 by Stan Donnelly, the company's focus has always been on providing its OEM customers with value-added engineering and highly customized manufacturing and customer support services. But in 1992, Donnelly was a short-run manufacturer with 250 customers and \$6.5 million in sales. The



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...Continued on Page 5

## Donnelly Custom Manufacturing ...

Continued from Page 1

number of customers made it impossible to invest the time needed to know and serve each company well. A decision was made to shed 75% of the customer base (representing 25% of annual sales) even though it was profitable work, and to develop customers who could ultimately provide a minimum of \$200,000 each in annual sales. Today Donnelly's revenue exceeds \$22 million and the company serves only 40 direct customers. Donnelly continually seeks to add four to six new OEM customers each year who recognize the value of partnering with a molder whose expertise in short-run manufacturing and related engineering services will accelerate and enhance their success.

According to Kirscht, identifying and building a unique value proposition may not be easy, but it's been instrumental to Donnelly's success.

"For Donnelly, narrowing our focus has actually expanded our value. Limiting yourself really frees you. When you openly and honestly define yourself to the marketplace, your business makes more sense. You can speak with one voice and truly focus on becoming a 'best in class' service provider in your chosen market discipline."

For Donnelly, it's a strategy that's paying off. The company is growing and has plans to add new manufacturing capacity. Recently, Donnelly received supplier awards of excellence from three of its customers: Scotsman Ice Systems, one of the world's leading ice machine companies; Fargo Electronics, the world's leading developer, manufacturer and supplier of personalized ID card systems and printers; and Diebold, Inc., a global leader in providing integrated self-service delivery systems and services.

Kirscht concludes, "To set the stage for dependability, prosperity and success, you need to correctly position yourself and commit to excellence in your market focus."



**Ron Kirscht, President**  
Donnelly Custom Manufacturing

## \$100 Cash Drawing Introduced at TSPA Membership Meetings

You probably attend Tri-State's monthly meetings for the training and education, shared ideas, camaraderie, promotional opportunities, increased contacts, plant tours and discussion on common issues. Now, the TSPA Board of Directors is providing another incentive for you to attend - you could win \$100 cash!

Each month, everyone present at the meeting will have the opportunity to place their business card in the "hat." (Business cards were collected for the first time at the February 1st meeting in Wahpeton.) At the next monthly meeting, one name will be drawn from the hat and the name announced. If that person is present at the time of the drawing, he or she will win \$100 cash! If the person is not present, no money will be awarded that month and their business card will not be returned to the hat.

You must attend one or more meetings to get your name in the hat in the first place, and you must be present to win if your name is drawn. Business cards will accumulate from month to month, so by attending meetings regularly you will increase your chance of winning. The maximum amount that one person can win in a 12-month period is \$200 (not more than twice).

Congratulations to Nathaniel Loge from Unshippers, the \$100 cash winner at TSPA's March meeting!



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