

E-shots Web-exclusive: An inspired business model: Select your customers carefully

By: Clare Goldsberry

A savvy custom molder adapted to the changing economic climate by abandoning a shoot-and-ship mentality and providing more services to fewer customers.

Retaining customers is a critical element to growing a profitable business. While many molders put a lot of emphasis on finding new customers, there are some big costs involved in that endeavor. Gaining new business from current, satisfied customers should be a priority for every molder.

Just ask Donnelly Custom Mfg. This custom molder in Alexandria, MN, whose tagline is "How short run is done," specializes in just that: short-run molding. (see immnet.com/articles/2003/May/2123 for an initial report). Last year, Donnelly received Diebold Inc.'s Supplier Award recognizing excellence, part of Diebold's Supplier Certification program that sets stringent supplier performance standards in strategic areas including quality, delivery, and cost. In earning the Bronze Supplier Award, Donnelly met or exceeded performance criteria: it received a score of 100% on-time deliveries, implemented 2.5% in annual cost reductions, and allowed only 810 defects per million parts.

Diebold is a long-time customer, going back 21 years. "Diebold was one of our very first customers when we opened our doors and remains one of our vital customers," says Donnelly president Ron Kirscht.

Donnelly has enjoyed this long-term strategic partnership with Diebold for many reasons, one of which was remaining focused on both its business and their customers. From the outset, Donnelly established itself as a company that would specialize in short-run molding. Its slogan was, "Short-run, close-tolerance molding," a statement that was really more of a promise, Kirscht explains.

"That promise was one that resonated with Diebold because their need for that type of service is high," he says. "We never moved away from each other. That fit that brought us together remains today, because we stayed with that original commitment."

However, in every business, things change. So how did Donnelly handle change, yet remain true to its business model? Change has to involve strategy and purpose. "We don't do things just because it's a fad," Kirscht explains. "All of our changes are rooted in our commitment to short-run molding and to our customers."

Strategic Customer Acquisition

Some initiatives Donnelly began as far back as 1991, such as the Paulson and A. Routsis programs for Certified Operator Training. "We've stayed with those programs and many of our employees, even those not in the shop, have been through these programs. It helps everyone to be more knowledgeable when working with customers and it empowers them to make their own decisions that best serve the customer," Kirscht says.

The company also implemented a manufacturing "War Room" that employees use to identify problems and deploy the needed resources to solve them. Donnelly has also been participating in lean manufacturing since 2000, and regularly conducts customer satisfaction surveys in order to identify opportunities for further improvement.

In 2001, the marketing communications program took on a new look around the tagline, "How short run is done." The company determined it would set the industry standard for short-run manufacturing expertise, and affirm its commitment to its business model. Kirscht says, "We've never strayed from that affirmation. It becomes the fabric of our organization. We have a change-ready culture at Donnelly. People will accept change because it's purposeful and strategic, not trying to do everything just because it's the latest management fad. That's how you keep customers for 20 years-you stay true to your purpose."

Another key to Donnelly's customer retention is the early adoption of new technology that offers benefits both to Donnelly and its customers. "Diebold comes to us with needs and we go back with ideas," says Kirscht. "This provides opportunities to interact more deeply with them and becomes a catalyst for change. Investment in technology is one way we show continued commitment to our longtime customers. We never let the relationship go on autopilot."

Retaining customers over the long haul also requires a "mutual investment of time, talent, and treasure," says Kirscht. "Customer retention still requires an investment of time and an ongoing commitment to what needs to happen to make the relationship more durable. We continually evaluate what we need to do to continue to make ourselves more valuable."

Customer retention involves "strategic customer acquisition"-finding and capturing customers with the right fit, right from the beginning. "If there's a fit, there's a future," states Kirscht. "If there isn't a fit, it's hard to have a future."

Foreseeing the Future of Molding



Donnelly employees participated in the company's Leadership Council Planning Meeting held last year (left to right): Dave Lamb, director of manufacturing; Sam Wagner, director of advanced manufacturing; Ron Kirscht, president; Darla Brink, director of planning and customer logistics; and Jerry Bienias, VP finance and technical operations.

To that model, the year 1992 was pivotal for Donnelly. That was when the company really looked at its book of business to determine the future. At that time, Donnelly was doing about \$6.5 million annually in sales. "We were really a shoot-and-ship molder, and we decided then that's not the future of molding," Kirscht explains. "While we did short runs and did them well, we realized that we needed to have to a broader involvement, be a deeper service provider to our customers. So we began offering engineering services and promoting early involvement in customers' programs."

However, that decision required the company to re-evaluate its customer base. Donnelly determined that, to support this type of business model, it needed companies that produced a minimum of \$200,000 in business annually and represented a strategic fit for the company in the long run. Donnelly identified those customers that fit the bill and looked for new ways to become a better partner to them, thus building its customer intimacy model. "At that point, Donnelly had about 250 customers but only about 30-40 that represented a long-term fit for us," Kirscht says. "We had to move away from those who no longer fit our model in order to grow our company and stay profitable. We couldn't be all things to all people, and we had to part ways with 180 customers. Many were profitable customers, but we couldn't grow with them and meet our goals."

The result was that within 10 years, Donnelly doubled its business with those customers who could be a long-term fit. Diebold was one of those. "Diebold wanted to reduce its supplier base and we were willing to generate cost savings for them, taking on more of their business so Diebold could achieve its goals," Kirscht notes. "This year, Diebold wanted to move to a vendor-managed inventory system where product would be shipped from their suppliers to a common site and Diebold could draw from that single site. We helped them accomplish that, as well as help them set up the same program with other vendors."

Customer retention for long-term relationships requires achieving continuous improvement, meeting changing needs with new ideas and technology, and responsiveness. While that may seem like a lot of resources for a current, satisfied customer, retaining customers is far less costly than acquiring new ones. "We never take a customer for granted," Kirscht says. "When they express a need, we respond."

Keeping the customer happy

Donnelly's key to customer retention is unwavering commitment to evolving the customer relationship in relevant and meaningful ways. Customer satisfaction surveys provide feedback in seven key areas of measurement (below) for manufacturing, customer service, tooling, and engineering.

1. Quality of output
2. Delivery lead times
3. Service ability
4. Availability of customer service people
5. Quality of service
6. Responsiveness of needs
7. On-time delivery

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