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The ETO Market:

Staying Competitive: Strategies for Engineer-to-Order Manufacturers

By: Thomas Cutler

Today, ETO manufacturers, as opposed to repetitive manufacturers, are required to use technology to stay one step ahead of foreign competition.

The ETO Institute (www.etoinstitute.org) reviewed a history of automated equipment and machine manufacturers and recognized the dramatic penetration of imports into the machine tool industry. In the 1980s only 20 percent of machine tools were imported; today 70 percent are imported. Price



has become the overriding criteria and domestic machine tool companies cannot compete with low labor cost countries. To survive, ETO manufacturers require new strategies; relying on old business models will lead to ruin.

Competitive Strategies Used by ETO Manufacturers:

Focus on niche markets. Competing based on price with a "commodity" machine builder is futile; creating a niche focus of expertise creates product and industry sector distinction. Typically, the larger, more expensive machines need more services and support and generate an alternative revenue stream.

New markets. Most ETO machine tool companies are small family-owned businesses that have traditionally relied exclusively or predominantly on the domestic market. Overseas markets represent huge growth potential for ETO manufacturers. Even domestically, ETO manufacturers are finding untapped sectors such as automotive Transplant factories that require automation equipment.

Invest in new technology. While many ETO companies do not think twice about spend \$250,000 on new equipment to make their plant more efficient, they balk at spending the same amount on ERP (Enterprise Resource Planning) software that will have a much more dramatic bottom-line impact than a single machine tool. This technology is not limited to ERP, and includes CAD, project management, PLM, and Configuration software.

Lean thinking throughout the whole organization. Lean manufacturing cuts costs and inventories rapidly to free cash and resources, which is critical in a competitive world economy. Lean supports profitable growth by improving productivity and quality, reducing lead times, and freeing resources. For example, it frees office and plant space and increases capacity so companies can add product lines, in-source component production, and increase output of existing products. ETO manufacturers that implement lean initiatives take advantage of renewed economic growth by increasing sales while controlling costs.

Article Written by: Thomas R. Cutler, President & CEO of TR Cutler, Inc., worldwide manufacturing marketing firm - www.trcutlerinc.com.