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## Nimble manufacturers adapting to slowdown

Energy efficiency, quick response, custom products are key to surviving the recession, expert says

by Linda Strowbridge | Special to The Gazette

Under normal circumstances, Drew Greenblatt, president of Marlin Steel Wire Products, would have been forced to walk away from the large and lucrative manufacturing contract.

One of Marlin's Midwestern clients needed 300,000 custom wire forms, and needed them fast. To fulfill the contract, the small Baltimore maker of wire baskets and other forms would have to price the job, design the product, test it, get client approval, then manufacture, test and ship all 300,000 pieces. And the company would have to complete the whole process in just three weeks.

"Most people in this industry would normally look at that contract and say, 'What? Are you crazy?'" Greenblatt said. "But we are absolutely out of the norm."

In the midst of a recession that has triggered downsizing across the manufacturing sector, Greenblatt opted instead to invest in new robotics for his business. That gamble has enabled Marlin to fulfill contracts that previously would have been impossible to fill and it has pushed the company's year-to-date sales up 23 percent over last year. It has also landed Marlin in a select group of manufacturers that are in the lead of those beating the down economy by specializing in custom manufacturing.

The latest Manufacturing Business Survey by the Institute for Supply Management concluded that U.S. manufacturing activity grew in August for the first time in 18 months and posted a 4 percent sales increase. Of the 18 manufacturing sectors studied, 11 reported higher sales, including producers of computer and electronic products, transportation equipment, chemical products and textiles. The shrinking sectors included primary metals, plastics, wood products and machinery.

Federal Reserve data released Wednesday showed that output at the nation's factories, mines and utilities rose 0.8 percent in August from July. That gain marked the second straight monthly increase in output. Factory output — the single biggest slice of overall industrial activity — also rose for the second straight month, posting a 0.6 percent gain in August, following a 1.4 percent rise in July. Auto production led the way, rising 5.5 percent last month due mainly to the federal Cash for Clunkers program. But even with production of autos and parts stripped out, manufacturing activity increased 0.4 percent last month, according to Federal Reserve information.

Some manufacturers involved in defense, biotechnology, food services and energy efficiency products are reporting stable or growing sales, said Michael Galiazzo, executive director of the Regional Manufacturing Institute of Maryland.

'It's crazy fast'

The robotics purchase "was absolutely a contrarian thing to do and some people thought I should have been committed," Greenblatt said.

But this year, Greenblatt negotiated two bank loans to acquire two deeply discounted manufacturing robots. The recession, he said, had gutted the market for the high-tech machines and driven down their combined price from \$475,000 to \$290,000.

The robots sharply increased the speed of manufacturing at Marlin, Greenblatt said. One robot moves 492 feet per minute and can shape 4,500 wire forms per hour.

"It's a sight to behold," he said. "It's crazy fast."

The robots also strengthened Marlin's quality control processes. One of the new machines measures completed parts to ensure they are within one two-thousandth of an inch of the prescribed size and shape, and weeds out the unacceptable parts. Another new machine photographs each completed wire form, compares it to the design specifications and details that analysis in a spread sheet that is forwarded to the client.

"We sell to a lot of automotive, medical and aerospace companies, and these guys need perfect parts," Greenblatt said. "So we don't have a guy with a tape measure any more who is checking two or three parts out of a thousand to see if they are within one-eighth of an inch. We have robots measuring everything and ensuring we meet crazy, tight tolerances. Our clients love this stuff."

Chris Elwood, a sales engineer with Marlin, said the ability to perform high-quality, custom manufacturing at high speeds has enabled Marlin to tap a market niche.

"Nine times out of 10, when we see an order it's because everybody has waited until the last minute to sign off on the purchase and it's, 'Oh, my God, we needed this yesterday,'" Elwood said.

Chinese steel plants can't meet the tight deadlines or quality standards for such custom jobs, Elwood said.

Meanwhile, many American manufacturers have become less competitive by cutting production, slowing response time to customers and opting not to invest in state-of-the-art robotics, Greenblatt said.

Consequently, Marlin's sales are on track to reach \$4.5 million this year, up from \$3.5 million in 2008, Greenblatt said. The company has increased its workforce from 24 employees at the beginning of this year to 28 permanent and two temporary employees currently, and managers are looking at adding a third shift.

"Marlin is proof that you have to be continually innovative in manufacturing," said Gene Burner, president of the Manufacturers' Alliance of Maryland. "It's the old cliché: If you are standing still, you are probably moving backwards. That's especially true for small manufacturers."

Some have struggled

On the other hand, many Maryland manufacturers face a hard road to recovery.

"I've got members who are getting clobbered," Galiazzo said. "I know companies who have laid off half their workforce."

Structural Systems — a producer of roof trusses, wall panels, engineered wood and other construction materials — laid off 110 workers in Frederick County. Volvo cut 142 jobs in Washington County. Towson toolmaker Black & Decker laid off 700 employees nationwide. Harlan Clarke eliminated 120 jobs at its Glen Burnie printing plant. And, just this month, Solo Cup announced plans to cut 55 jobs at its Owings Mills plant after already eliminating 179 positions within the last year.

At the BP Solar plant in Frederick, the largest job cuts are still looming. The facility, which currently employs 600, is slated to shed 150 workers by the end of November.

Falling prices for solar panels necessitated the cuts, said Pete Wresler, manager of communications and external affairs for BP Solar in North America. Those prices tumbled in recent years as the cost for silicon fell, manufacturers stockpiled too many units at the outset of the recession and the industry felt the effect of a powerful new competitor.

"China has become a major player in the solar industry and they are able to create the product at a much lower price," Wresler said. "The industry is highly competitive, so the main focus for us right now is to make our operations more cost competitive."

After the layoffs, the Frederick plant will continue its silicon casting, wafering and cell manufacturing operations, and to serve as BP Solar's chief research and development facility. However, the work of the Frederick assembly line, which builds solar energy modules, will be transferred to BP joint-venture facilities overseas, mostly in Asia.

Similar competition from cut-rate steel plants in China easily could have harmed Marlin Steel.

But the company, Galiazzo said, followed three critical tenets for manufacturing in 2009. Specifically, Marlin trimmed its operating costs through energy efficiency and recycling efforts, developed systems to respond quickly to customers' changing needs and focused on custom — not commodity — manufacturing.

That formula, Galiazzo said, could help the entire state build a more robust manufacturing sector.

"The future of manufacturing lies in the ability to create new products quickly to respond to customer needs," Galiazzo said. "When you consider the research and development base we have in this state, Maryland could become number one in the nation for manufacturing. We could become the leader in product development easily."

Downturn? Not us

In Baltimore County, Control Cable is also experiencing a mid-recession growth spurt.

"As a colleague of mine says, 'We have chosen not to participate in the downturn,'" said Richard Meltzer, president of Control Cable.

Meltzer had just finishing hanging a plaque in the company's front office, marking Control Cable's inclusion in Inc. magazine's list of America's 5,000 fastest-growing companies. Ranked at 4,402, Control Cable had recorded a 35 percent jump in annual revenue from 2005 to 2008.

A decision to focus Control Cable, a manufacturer and distributor of cable assemblies for voice and data technology, on custom manufacturing triggered that growth, Meltzer said.

"Looking at the state of manufacturing in this country, you can't expect to manufacture commodities and survive," he said. At Control Cable, "there isn't a Cablizer 8000 that spits out cables all day long. We're not making thousands and thousands of the same kind

of cable. What it comes down to is a person making small batches of hand-tooled products, tailored to the customer's needs. That's the kind of business you can't outsource overseas."

The company, with 54 employees and projected revenues of \$10 million this year, has further customized its services and now offers to build communications systems for clients and wire entire facilities for voice and data services.

It is also currently pursuing ISO 9000 certification to better compete for work with technology giants, such as Northrop Grumman and Lockheed Martin, and so that "we can start selling custom products to clients overseas," Meltzer said.

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