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METALWORKING MARKETER

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Using independent research to learn the industry's ins and outs

Information overload. As marketers, we are constantly sorting through the overload of industry information that is presented to us. While this data is incredibly helpful for developing on-target marketing plans and programs, we must remember the source. It is common for third-party researchers to present data that represents only specific industry markets or demographics.

As a b-to-b agency that services the metalworking industry, we are always looking for industry-wide insight and perspective from end users and key influencers to know how to better communicate with key decision makers and influencers. In order to keep a finger on the pulse of this ever-changing industry, we

conduct our own independent research to capture current and accurate inside perspective.

Market research. For the second year in a row, our research team conducted a Metalworking Operational Trends survey, for which qualified industry representatives participated and provided feedback. Our primary objectives were to gather industry insight regarding current trends and actions relating to business performance, and a general outlook on the U.S. manufacturing market.

The survey was conducted online and reached an expansive cross-section of the American metalworking market in terms of job function, company size, and types of equipment being used.

More than 1,000 surveys were completed and returned, with 91 percent being completed by end users of metalworking and fabricating equipment.

Companies of all sizes and types were represented in the survey. Twenty-one percent of respondents were from companies with 10 or fewer employees, while 25 percent were from companies with 350 or more employees. Participants were from a combination of OEMs, job shops, contract manufacturers and distributors.

Participants shared their perception of general business conditions at their company over the last two years. Nearly 79 percent of respondents said business conditions were between *steady* >>

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>> and *up substantially*. When compared with last year's results, a slightly higher percentage of participants reported business being *down*.

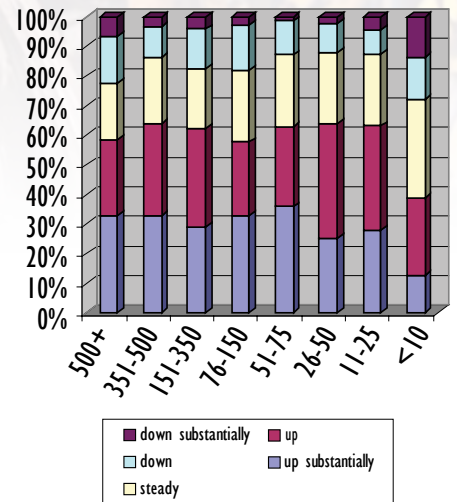
Across all size categories, more companies reported business was up than down. Companies with 51-75 employees reported the best business conditions, with the highest percentage (35.7%) indicating the best conditions, and the lowest percentage (1.4%) indicating that business was down substantially.

Companies with less than 10 employees indicated the least favorable overall business conditions, with only 12.7 percent indicating the best business conditions and 13.7 percent indicating the worst business conditions.

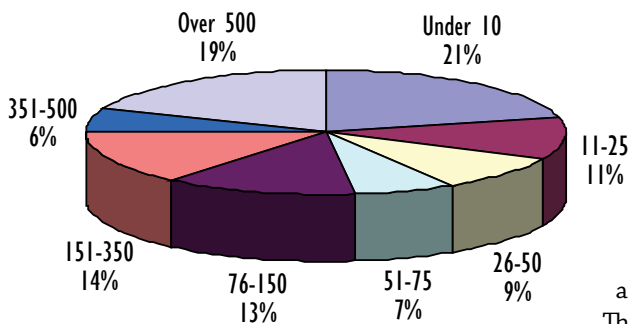
Another interesting point for analysis is the industry broken down by market segment. Overall, companies related to the energy, aerospace, military and medical markets are thriving. These growth markets are evolving technically, requiring the use of higher technology, new materials and automation.

The automotive market segment stood out as the poorest performer, reporting the highest percentage of business being *down substantially*, and the smallest percentage of positive business performance reported.

Business conditions by company size



Company size by number of employees



Participants ranked the factors they considered to be the biggest potential threats to their company's success. *Raw material costs* and *price pressures from customers* were among the top-ranking areas of concern, but finding qualified labor was ranked as the most significant business challenge for companies today.

It is interesting to note that *Cost of Labor* only ranked as the 7th biggest cause of concern. This suggests one of two things: Employers are not willing to pay what qualified labor wants, or that qualified labor cannot be found at any price. Either way, it represents a challenge that leads to important questions for every manufacturer and the industry as a whole:

Possible responses describing general business conditions at survey participant's company over the past two years

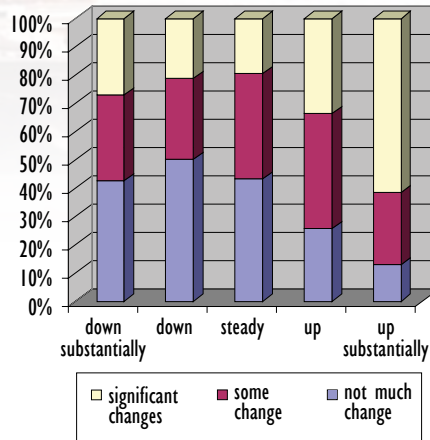
	2006 Survey	2007 Survey
I don't know	3%	2%
Business is up substantially (Elite Performers)	27%	27%
Business is up somewhat (Strong Performers)	30%	28%
Business is steady (Flat Performers)	24%	24%
Business is down somewhat (Under Performers)	12%	13%
Business is down substantially (Worst Performers)	4%	6%

- How can we attract more qualified labor to the industry?
- Is there adequate emphasis on training and education?
- Is there a business opportunity for distributors or manufacturers to provide more extensive training or job placement networks?
- Are we willing or able to pay enough to attract young professionals away from other technically advanced industries?
- How can we create a positive perception of our industry among students and graduates?

Survey respondents also rated the pace of change at their company over the past few years. Fifty percent indicated their company had undergone significant and important changes, while only 11 percent said their company had not changed very much.

The pace of change reported showed a strong correlation with business performance. A significant number of those companies indicating significant changes also reported business to be up

Business performance by pace of change



substantially. Conversely, companies that reported minimal changes also reported business to be down.

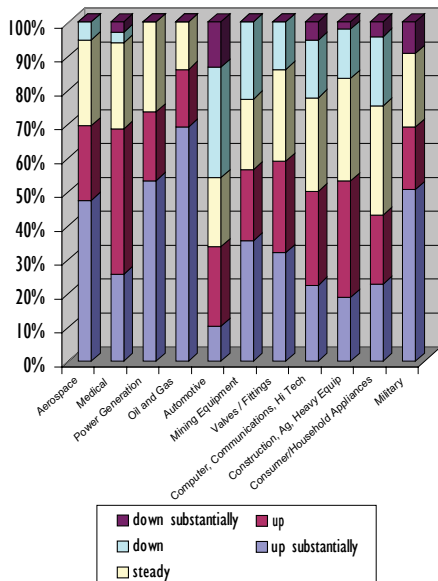
Finally, respondents were asked to share which actions their company had taken in the last year or two, and the impact each had on improving overall success. The most commonly reported process-related changes included *incorporating faster equipment*, and *reorganizing shop layout*. These changes had the strongest correlation with positive business performance.

85 percent of companies are relying more heavily on technology in an effort to increase profit margin. Eighty percent of companies reported that they invested in new technology to overcome the disparity in labor costs with new markets.

From 2006 to 2007, respondents' outlook for manufacturing has improved with 15 percent more saying the market will grow slowly, and 10 percent less saying the market is in trouble and will decline.

These results provide us marketers with critical insight that helps us make strategic decisions and recommendations around the industry's current state of affairs. It is our job to help our customers understand the industry and make decisions that will align with their customers' needs.

Business conditions by market segment



For more information?

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