

## **EMO HANNOVER: GATEWAY TO THE GLOBAL METALWORKING INDUSTRY**

### **How a medium-sized U.S. cutting tool manufacturer transformed the global challenge into an opportunity for growth!**

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Serving the vast U.S. market has been a rewarding experience for most of the established American cutting tool manufacturers. The excellent U.S. infrastructure makes it fairly easy to efficiently cover a large sales territory coast to coast. Likewise the demand for precision metal parts by key market segments, such as the American automotive, aerospace, electronics and medical industry, has created solid sales growth, a highly diversified customer base and a very manageable financial risk. Market entry barriers typically associated with foreign trade were obviously not a factor for the domestic suppliers. Companies with an appetite for more growth have also been satisfying their sales cravings by taking advantage of NAFTA, north and south of the border.

The arrival of the global economy in the 90's and the tragic event of 9/11 certainly changed this market scenario forever. Since then, especially medium-sized manufacturers have been severely impacted by constant change in the supply-chain model through intensified mergers and acquisitions activities as well as largely felt market-shifts as witnessed in the Printed Circuit Board (PCB) and mold & die industries. New competition arising from the emerging markets in China, India and other low labor cost countries certainly increased the supply sources and pressured U.S. profit margins thus creating a new global challenge especially for many smaller American manufacturers.

Best Carbide Cutting Tools, a family owned manufacturer of precision metalworking tools in Los Angeles, began serving the vast growing and large PCB industry in the mid 80's. The Nunez family remembers "We knew that we had to have an edge in the market place" and therefore started to aggressively invest into fully-automated production processes with state-of-the-art grinding machines, a rather non-typical move for a smaller carbide cutting tool manufacturer at that time. As output grew - so did sales, expertise and the dependency on key markets. With the rapid, and for many suppliers, unexpected shift of the PCB industry to the attractive low labor cost markets in China and Southeast Asia, the company suddenly became extremely challenged. "Luckily we saw the warning signs in the shrinking PCB profit margins and started to make a move into industrial cutting tools for the precision parts industry" Sal Nunez, President of Best Carbide recalls. "However, with the event of 9/11 we felt a second punch and it became clear to us that we needed to change".

Under the direction of his VP, Uwe Heinrich, the company rolled out a plan to convert the international challenge into an opportunity for growth. Key in this plan was the fundamental change in the entire organization. In manufacturing, product innovation and diversification are ideal instruments for sales growth, especially if originally competitive advantages can be transferred to reach new customers and markets. "It is innovation inside out – and product development is certainly the key driver of our growth" Heinrich says. "We maximize our quality and product performance by optimizing all major parameters of the tool-making process, specifically carbide grade, surface finish, tool geometry and coating". With that innovation in place, the company targets new market segments globally and has earned impressive results against major competitors in the U.S., Europe and Asia!

Currently with new products that can be globally sold, Best Carbide is revising its marketing and distribution strategy. Getting the attention and ultimately brand recognition is the key element of the promotional plan, making the advantages and benefits very transparent to prospective customers. Such recognition is accomplished best by a fine-tuned marketing plan that synchronizes the promotional efforts being made in catalogs, sales literature, web sites, presentations, publications and trade shows. With the focus on sophisticated tools for complex metalworking applications, EMO as the leading global trade show in metalworking is the ideal showcase for Best Carbide to make that high quality connection with prospective customers from all over the world. "We are not necessarily going to EMO to gain access to the German market but really view the show as a very cost-effective way to meet our prospective global clients. We know that you can connect an Asian customer with an American supplier by being in Hannover, Germany", Heinrich says. "That is what makes it such an incredible marketing instrument".

