B2B Program Helps Montana Firm Manage for Profit

By Deborah Nash, MMEC

Coming out of the Great Recession, Montana Hydraulics/Felco Industries owners, Della and Mark Ehlke, dug into strategic planning with a team of advisors to identify and prioritize actions for real growth and future sustainability. Over several years, business had been negatively impacted by both the longevity of the downturn and coincident timing of the purchase of Felco, in Missoula. The company, a longtime supplier to and customer of Montana Hydraulics in Helena, was purchased in 2008 after its founder John C. Felton died unexpectedly. Pressure was also coming from increasing foreign competition and ever more demanding and sophisticated distributors and end users.

The 2010 strategic planning team consisted of the owners and four key employees from both the Helena and Missoula locations; Montana Manufacturing Extension Center (MMEC); Small Business Development Center; Gateway Economic Development; and the B2B Program, a collaboration between the Montana Department of Commerce and MMEC. Associated Employers facilitated the two-day session.

Marketing a Critical Focus

Marketing was identified as the most critical strategic need, and Leesa Kennedy from the B2B collaborative was assigned to lead the marketing team that included Kirt Weishaar, then safety director at Felco; and two employees of Montana Hydraulics to focus on marketing solutions. She worked closely with the team regarding sales structure, product costing, and developing product valuation. She also worked directly with the owners for necessary resource decisions and strategic direction. She encouraged them to give the sales staff the necessary authority to work with and ask for necessary information from engineering and other support staff, a team-based approach.

She coached the owners and team on how to strategically define customer segments and identify opportunities and encouraged the firm to make market segmentation and analyses the top priority. She reminded them that not every customer is a good customer and that managing for profit requires choosing segments and customers wisely and with strategy. Crucial to this focus would be a method of budgeting for marketing expenditures.

One year into the strategic marketing initiative, Della Ehlke recapped broad successes saying she had observed increased employee pride and ownership towards company improvements; realized the value of tapping resources from both external and internal sources to bolster any strategic weaknesses; defined a unique process for all types of brainstorming, action planning and follow through. She was already seeing great strides in general as a result of the B2B comprehensive marketing and sales plan that Kennedy prepared. Implementation of the plan continues.

Solid Information Key to Managing for Profit

Skills in market segmentation and targeting are key elements of improving the business outlook, according to Kennedy. “After you detail market, customer and product segments, you can manage for profits instead of just sales volume with real decision-making tools to strategically invest resources, reduce risk and maximize rate of return, or ROI.”

Effective strategic marketing management depends heavily upon a steady flow of information about customers, competitors and market conditions, using data provided by valid and reliable research methods and analyzed using proven techniques. B2B worked with the team and owners to achieve those goals and also gathered and provided independent (continued on page 4)
Different Take:
Study examines small manufacturers

Manufacturing is one of the few industries for which reliable data is available both nationally and in each state. Comparative data on manufacturing vs. other industries abounds. However, the smallest manufacturers are typically overlooked in surveys and studies of business performance, challenges faced, and opportunities.

To get a perspective from smaller manufacturers here, the Montana Manufacturing Extension Center (MMEC) and the Montana State University Extension Service embarked on a study late last year that included several focus groups and a comprehensive survey of Montana companies. Of our 3,200 firms, 1,000 owners or managers were surveyed, with 415 responding. This is an excellent response rate by any measure, and geographic location, industry type, and company size were well represented in the responses.

Let me share some of the highlights with you and extend a special thanks to Dr. George Haynes, Professor and Extension Specialist at Montana State University, who did the heavy lifting for the report, analyzing results by industry type, size, age of respondent, and other factors.

With business performance improved substantially from 2011 to 2012, Montana’s manufacturers expected even better 2013 performance with over 50% of firms expecting increased gross sales; 47% expecting increased production, and 45% expecting increased profits. A healthy 25% of those surveyed expected to make major capital expenditures in 2013, which creates a ripple effect in the economy. Over 35% of respondents indicated 2013 was a good time to expand their business.

The most important challenges/obstacles to growth were finding ways to increase demand for their product (sales) and several supply-related issues, including production costs (and availability of resources in the state), labor costs, and government regulations and taxation.

Focus group interviews identified seven primary costs concerning manufacturers: health insurance, workers’ compensation, energy, hiring (and training) qualified employees, responding to foreign competition, raw materials, business equipment taxes.

Access to credit was more difficult than one year ago for 35% of surveyed firms. And political uncertainty is impacting business investment and growth.

A surprise finding from a policy-making view was the manufacturers’ perspective on “infrastructure.” Focus groups emphasized the lack of infrastructure for manufacturing which limits growth options.

Factors include input suppliers, maintenance organizations, experienced hiring pools, and support services rather than the traditional physical infrastructure like roads and Internet access.

With over 35% of firms selling 50% or more of their products to out-of-state customers, new dollars are brought into the state, an important factor in economic growth. A similar percentage purchase more than 50 percent of their materials and services from out-of-state suppliers. In short, these firms make substantial contributions to Montana economy by exporting products produced with goods and services purchased in Montana.

Steve Holland, MMEC Director
Montana Manufacturing Center

Crucial Considerations in Selling Your Business

By Bryce DeGroot, Guest Writer

The other day an owner of a manufacturing company asked, “How can I be confident that I will have a valuable and sellable business when the time comes for me to leave my business?”

All business owners have reason to ask Jim’s question, because a transfer of ownership is inevitable. The timing and the ideal buyer for each business will vary, but the certainty of a sale at some point is unavoidable.

For most entrepreneurs, their business is their most valuable asset, the place they spend most waking hours, and a primary part of their identity. One of Jim’s fears in a potential ownership transfer is failing to capture the full value from his two decades of building a business. Jim is part of the majority of business owners that do not have an exit or succession plan – 85% according to M&A Today magazine. With careful planning in advance of a sale, Jim can gain confidence in the success of his future ownership transfer.

There are many options to transition out of a business, including selling to a third-party, selling to management, structuring an employee stock ownership plan (ESOP), transferring to children, liquidating the assets, or leaving the business to the owner’s estate. Each exit path has unique benefits and shortcomings, including tax, legal, valuation and operational implications. Jim should sit down with his advisors to review his options and form an exit plan. It is never too early to start planning. Even though Jim doesn’t plan to sell and retire for about 5 years, we all know that life is uncertain. Having a good plan in place will help a business survive the unexpected health or other crisis. Astute business owners are always ready to sell and are never forced to sell.

Jim told me that he would be on the first flight to Hawaii after he sells the company. While I understand with his desire, especially since he has been working 60-70 hour weeks for many years, his company is not ready to have him step away suddenly. He has not build a capable management team that can run the operations. Any buyer would negotiate for him to work for a transition period to assure the operations do not fall apart. We both agreed that one of his top priorities would be to develop a management team that can replace many of his duties. One practical way to test the company’s management strength is to ask, “How long Jim can go on vacation without calling into the office?”

As Jim and I talked, it became clear that Jim knows what he will do with his time after the sale. He plans to start a new business with fewer employees and volunteer for a couple of non-profit organizations. Many business sellers have found themselves unfulfilled when they wake up on Monday morning and no longer have a company to manage. Personal planning is an important part of the ownership transition plan.

(continued on page 6)

Chamber Offers e-Certify to Obtain Certificate of Origin

The Montana Chamber of Commerce now offers a seamless export certification process by offering an online export documentation and compliance solution, “eCertify”. The certificate is required by customs authorities in many countries to validate the origin of goods being imported and acts as one of the key bases for applying tariff rates.

Montana Chamber members and those in its subsidiary, the Montana Manufacturing Council, use the service at no cost. The Chamber credits Cloud Peak Energy for committing the resources to enable registration using the convenient eCertify platform.

The Chamber has long been one of the state’s most active Certificate of Origin organizations to help businesses that need the certification to complete their transaction shipment to international buyers.

“It just makes sense for us to help exporters and freight forwarders do this in the most seamless, inexpensive manner possible,” said Webb Brown, Montana Chamber President/CEO. “We do think the electronic platform we now offer will accomplish this and hope it will encourage more businesses to explore international trade.”

With eCert you will:

• Eliminate courier costs
• Reduce administration costs and paper process
• Reduce errors
• Improve turnaround time
• Receive prompt notification of acceptance or rejection

For more information go to www.montanachamber.com.

**Special Savings**

Montana Manufacturing Council Members Save

Take advantage of a great saving opportunity on MMEC training and projects today. Through a special collaboration with the Montana State Chamber, the Montana Manufacturing Extension Center is proud to offer a five percent discount to all manufacturers who are members of the Montana Manufacturing Council, a subsidiary of the Montana Chamber. Not a member yet? Check out the Council at the Chamber website www.MontanaManufacturingCouncil.com. The savings you gain may more than pay the cost of membership while giving you all the member benefits offered through the Montana Chamber.
B2B Program (cont. from cover)

feedback from the voice of the customer, starting with Felco.

Kennedy talked with its customers and found that many thought the company had “died” with the previous owner, as active cultivation of sales relationships declined during the ownership transition and recession.

“It’s very typical for small manufacturers to have a customer service group and a technical engineering group that take orders and provide technical assistance to existing customers if/when they have a problem,” explained Kennedy. But from a marketing mix (promotion, advertising, public relations and professional selling) and best practices view, professional selling is the most CRITICAL factor for industrial firm success. Strategic coaching would enable Felco to sell more proactively.

Based on her recommendations to management, resources were reallocated toward a selling focus using the sales team approach. They were also encouraged to open additional contact channels in case of emergency customer needs, maintaining always accessible contact with customers.

The professional sales focus would revitalize relationship selling. It would provide more detail on customers and their needs, maintaining always accessible contact with customers.

The voice of customer shows relationships valued

Customers, like products, have a lifecycle. That cycle can be shortened through too little attention or lengthened through renewed relationship building. The B2B customer profiles revealed that buyers found Kirt very personable. He has worked at Felco for 18 years, starting as a welder. He then moved into parts sales and customer service, performing much of that business over the telephone. Weishaar himself said. Later his role as safety director was added.

“As a welder I knew how the products were made, their capabilities and that they were built to last,” he said. When moved into sales by the current owners, he confessed feeling a bit out of his element and having to overcome a big learning curve working with a database on the computer. Now he couldn’t do without it.

Kennedy herself observed natural sales attributes in Weishaar as well, such as familiarity with manufacturing tolerances, knowledge of what the products can and can’t do; the firm’s fabrication and prototype capabilities; the customers themselves; and the full complement of information on parts and add-on features that add value to purchases — attributes that build customer trust. It was her recommendation to the owners that he be promoted into professional sales. He now holds the title of “Product Specialist, Sales.”

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“With Leesa’s help we identified a need to get out there into the field and get sales going again with the personal touch,” Weishaar said. Owners approved his request to bring back a former salesman, Shawn Pabst, to help rebuild relationships and increase sales. Today, he’s very excited about his role and is expanding into promoting the fabrication services and machine joint products from the parent company, Montana Hydraulics. “On that side, there are definite opportunities,” he said.

All About Presentation

Sales is really “all about presentation,” according to Weishaar. He persuaded management to invest in decals to brand the excavator attachments. His seasoned rationale, “Construction crews are a fickle bunch. They’re more likely to scope out competitor equipment after hours, see the decal and then give the company [us] a call.”

“Think of brand as speaking to a company’s differentiation and promise. It is an important part of reaching directly to end users and delivering superior value,” Kennedy said. Customers define value and that their definition of value keeps changing in response to a mix of their needs, the nature of their buying decision processes and competitors’ product offerings.

To portray brand excellence out in the field, Kennedy recommended that the owners provide new pickups, smart phones, customer contact software and laptops to the sales force, which they have done.
B2B Program (cont. from pg. 4)

“An important part of relationship selling is having the technology available to manage and maintain those relationships quickly and easily,” Kennedy said. By providing state of the art tools, staff feel rewarded and portray the correct brand image.

Planning and managing a Customer Relationship Management (CRM) tool well improves relationship selling and creates a competitive advantage over competitors that don’t, Kennedy said. She congratulated owners on the decision to invest resources in ACT, a contact management system (CRM), and made recommendations to maximize its effectiveness by

• Planning the details of the information you want to collect.
• Setting up procedures and protocols for how the information will be entered.
• Standardizing phrasing and abbreviations for company names or address information.
• Creating drop-down lists for common terms and items that everyone would use.
• Agreeing on report formats and styles and set up templates.
• Then training the customer team and planning improvement methodology.

Relationship Selling

The focus of the sales person is not just to overcome objections and close a deal, but to be a resource through helping to solve genuine problems that their customers are experiencing. They take time to acquire a deep understanding about their customers’ businesses, Kennedy said.

This selling style can be applied to distribution channels, as well, and she coached the sales team on how to influence the distribution channel. Recommendations included using testimonials to tell their stories, demonstrating brand strength and creating sales goals for that particular segment.

“Experienced buyers recognize a wide range of selling techniques and know the difference between a selling technique and a genuine interaction detailing value,” she said. Decision makers (DM) need a compelling reason to spend or change. Building relationships with DM by listening to their needs and providing measurable value to their operations, makes their jobs easier. In turn, they respond more readily to additional sales offers, allowing you to gain market share without lowering prices.”

Turning customers into both repeat buyers and spokespeople for your company has exponential returns. “In a highly competitive market, the decision to buy may come down to comparing sales reps,” she said. “People like to buy from people they like!”

“Every business has the choice to be passive and get the business that comes to them [from past reputation, show referrals and trade advertising] or they can exert influence on their future — step into their power. Management at Montana Hydraulics/Felco has done that,” she said. And the investments are paying off.

Efforts Pay Off

Felco’s biggest sellers are its buckets. It also sells compactors and a wide variety of attachment options and replacement parts.

“I explained my expectations to the owners and where I wanted to take the company,” Weishaar said, motioning to a whiteboard where sales goals and

(continued on page 6)
News from Manufacturing Neighbors Across Montana...

Zinc Air, Inc. Changes Name to ViZn Energy Systems, Inc.

Zinc Air, Inc. announced a name change to ViZn (pronounced VISION) Energy Systems, Inc. http://www.viznenergy.com. The name change, coming just months away from their commercial launch, better reflects the company’s unique technology … Read More…

Heliproz Moves Downtown: Targets Ag with Data-gathering Aircraft

Heliproz Inc., a designer and marketer of electronic helicopter kits, has moved from its location in Lockwood to downtown Billings, 2341 1st Avenue South. The 11,000 square-foot new location meets the needs of Heliproz for shipping and receiving, as well as walk-in for retail. … Its focus has been on providing the agriculture industry with “drones”, or small, remote controlled aircraft that enables the use of near-infrared spectroscopy, which allows farmers to quickly, easily and economically gauge the needs of crops in terms of moisture, fertilizer, insecticides, etc. Read More… http://www.bigskybusiness.com/index.php/business/montana-business/3124-heliproz-moves-downtown-targets-ag-with-data-gathering-aircraft

Only Remaining Sawmill in Missoula County Receives Large Loan from State

Pyramid Mountain Lumber http://www.pyramidlumber.com/ in Seeley Lake is receiving a $650,000 loan from the state for improvement projects, according to a recent announcement by Gov. Steve Bullock. The loan will fund three different capital improvement projects - two designed to increase sawmill production and the third to improve the clean-up process and provide some cash flow. The project will help retain 140 current jobs. Read More… http://www.flatheadbeacon.com/articles/article/pyramid_lumber_in_seeley_lake_receives_large_loan_for_improvements/34658/

Gluten Free Mama Owner Named SBA Small Business Person of the Year

A Montana manufacturing firm owner, Rachel Carlyle Edington, was named 2013 SBA Small Business Person of the Year this summer for a business with fewer than 10 employees. Gluten Free Mama Kitchen, LLC. http://www.glutenfreemama.com/ Polson, manufactures and sells gluten free flours and product mixes to grocery stores and health food retailers throughout the United States.

Family Businesses Honored

Among companies honored during MSU Family Business Days this fall were Spika Welding and Manufacturing of Lewistown, Orange Apiary of Laurel, Big Sky Business Journal of Billings, Langlas & Associates of Billings, Buffalo Restoration of Bozeman, Steamboat Dry Goods of Wolf Point, Tri-County Implement of Sidney, Clausen and Sons of Havre, and Laundry Loops, Inc. of Bozeman. This is the 20th year that the Jake Jabs College of Business & Entrepreneurship has recognized family businesses for their accomplishments. Read more about these companies at http://www.bigskybusiness.com/index.php/business/montana-business

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B2B Program (cont. from pg. 5)

accomplishments are posted. From 2009 to 2010 bucket sales increased by 10 percent. Since Weishaar has been assigned to lead Felco sales, he has increased and surpassed sales goals annually. In 2011 sales were up over 40 percent from the previous year. At the end of 2012, sales increased by another 56 percent. “That’s several years of significantly increased sales. We’re definitively going in the right direction.”

Profit margin at Felco had doubled when comparing the first 5 months of 2011 to the same period of 2010. “I do believe that our companies have realized success based on the application of the B2B marketing and sales plans,” Della said. “With those in place only about six months and the economy continuing it’s same lethargic path, I believe that the major benefits will come to light at some future point in time.”

Montana Hydraulics/Felco is working with Todd Daniels, MMEC’s field engineer in Helena, to achieve ISO Certification by January. Mark Shyne, from MMEC’s Bozeman office, has been assisting. Internal audits have been completed, and pre-assessment is scheduled for December. Certification for their quality management system will pave the way for new customers.

Selling Your Business (cont. from pg. 3)

I told Jim the story of a recent client who wanted to sell their company and planned to reinvest the proceeds in income producing assets. However, after they started the sale process, they concluded that passive investments would not produce enough income to make a sale worthwhile. This scenario can be avoided with a personal financial plan guided by a trusted financial advisor or wealth manager. Read more about what buyers look for in the business world… Part Two on the MMEC website.

Editors Note: Bryce DeGroot is the president of Compass Advisors, a merger and acquisition firm based in Bozeman, phone 406-282-6000 ext. 801.
The Montana Department of Commerce Business Resources Division recently announced a great service for Montana small businesses with the implementation of an online grant management system for its economic development grant programs.

The system, known as http://www.FundingMT.org, will be used for both application submittal and grant management in efforts by the Bullock Administration to increase government efficiency and accessibility.

“This is an incredible tool for Montana’s small businesses, local governments, and economic development organizations,” said Commerce Director Meg O’Leary. Committed to aiding these entities in the creation of quality jobs for Montanans, she added, “FundingMT allows users to view, access, apply for, and track state funds all under one roof. Commerce is proud to make such a powerful tool available to Montana’s job creators.”

Programs in the new grant management system are:

**Primary Sector Workforce Training Grant Program** ([http://wtg.mt.gov](http://wtg.mt.gov))
- Grants to small businesses for training of new full-time and part-time workers.

- Grants to local governments to assist businesses with expansion efforts that result in new job creation.

**Community Development Block Grant — Economic Development Planning Grants** ([http://cdbged.mt.gov](http://cdbged.mt.gov))
- Planning grants to local governments that can be used for a variety of planning activities to assist with local economic development.

The online grants management system can be accessed at any of the above program websites or by visiting the Funding MT website at [http://fundingmt.org](http://fundingmt.org). Individuals who are unable to access the system should contact the appropriate program staff for an alternate application method. For additional information about the programs in the Business Resources Division of the Montana Department of Commerce please contact Andy Poole, Division Administrator, at apoole@mt.gov.

### FundingMT.org to increase grants access and efficiency

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Providing systems and solutions to help Montana manufacturers innovate, plan, perform and grow.

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SAVE THE DATES!
SafetyFestMT Goes on the Road
Dec. 16-20, 2013, Helena;
March 24-28, 2014 Missoula;
May 20-22 Miles City and August 12-14 Havre.
Sessions are free to any Montana worker. Safety topics from broad issues like creating a culture of safety in your company to OSHA-Authorized training. Educational outreach by MT Department of Labor in cooperation with WorkSafeMT. Details at http://www.safetyfestmt.com/

Invest in Success, Small Business Conference
April 16-17, Butte, Montana Tech. Hosted by SBDC.
Note: date has changed. Details soon at http://www.regonline.com/investinsuccess

Compete Smart Manufacturing Conference
Oct. 9-10, Billings MT
Mark Your Calendar. More details soon!

www.mtmanufacturingcenter.com