

Long-term relationships

Winning a contract is a big deal, but cultivating a long-term customer partnership is an even bigger deal, as SteedWebzell discovered when he visited Claro Precision Engineering

Long-term relationships between people are often about compromise, and perhaps the same can be said for the relationship between sub-contractor and customer. There has to be a little give and take on both sides if a successful union is to stay the course. However, proverbs like 'the customer is always right' and 'the customer is king' have not evolved without reason. It's a harsh reality that the balance of power in a sub-contractor/customer relationship often sees the former jumping through hoops to retain business.

But it doesn't have to be this way, especially if a sub-contractor is good at what it does: enter Claro Precision Engineering. The Knaresborough-based precision machining company has become a specialist at nurturing long-standing relationships with its customers, a fact of which managing director Martin Doxey is justifiably proud. "Of our present top 20 customers, 17 were in the same list three years ago," he says.

A retention rate this impressive is relatively rare in what has become a global manufacturing arena, so how has it been achieved? "It's all about adding value to the service you provide," explains Mr Doxey. "For instance, many of our customers are OEMs serving niche markets and we are very keen on helping them develop their products, particularly from a

manufacturing perspective. It's surprising how many customers know what they want but don't

know how to machine cost effectively. We are good at cutting metal, it's our strength, and if we can highlight design modifications that save manufacturing cost, then we have happy customers."

Mr Doxey is aware of the threat from sub-contractors based in the Far East, but he is not intimidated. "We realise that high-volume production components are going to be sourced in China or India, it's become a fact of life. Where companies like Claro can prosper is helping these companies produce their first prototypes, pre-production and initial production batches, say up to 1000-parts. By working with our customers to eliminate as much machining cost as possible, it helps them take production volumes to the Far East, confident that the part has been proven and that its design is the most cost-effective for manufacture."

MINDING THE GAP

In this manner Claro is successfully exploiting what Mr Doxey describes as a 'gap' serving the UK OEM market. "We don't want to compete for cheap and cheerful components," he says. "Our advantage is that we can produce added-value components here, as and when they are required."

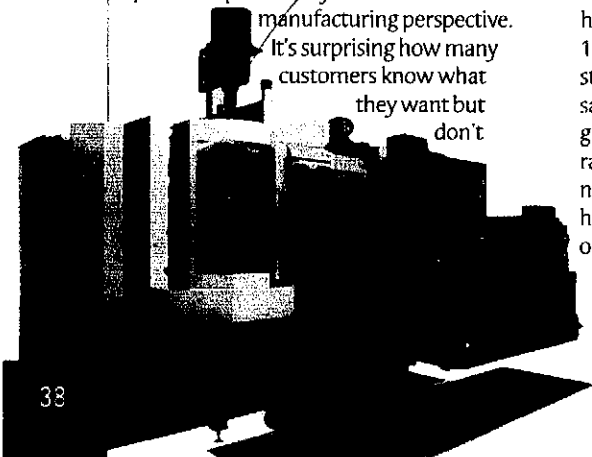
With a turnover of £3 million and 47 employees, Claro Precision Engineering has realised a steady growth target of 12-15 per cent for the past five years. "It's steady enough to be managed properly," says the managing director. "I want to grow Claro for everyone's benefit, but at a rate that is manageable. If we can attract a new customer every other month we are happy. We're not trying to chase the end of the rainbow. Our website,



www.claro.co.uk, is the source of most of our new customer introductions."

Regular investment has supported this, the latest evidence of which is a £250,000 Matsuura H Plus PC5 horizontal machining centre (left). "It's our first venture into unmanned, 24-hour operations," explains Mr Doxey, "which will help open our envelope of competitiveness." Up to 12.5 hours of work can be loaded on the Matsuura and left to run.

"The Matsuura is the first step in our plans to drive the company forward; part of a five-year business plan, and sits alongside existing investments in Bridgeport and Kitamura machining centres, Hitachi Seiki turning centres, Mitutoyo co-ordinate measurement technology, and CAD/CAM and DNC systems. We plan to make our next major investment this summer, although we may bring it forward." Mr Doxey's goal is to achieve £5 million turnover by 2008, a feat he thinks he can achieve by offering a



Far left, Claro steps into unmanned machining with Matsuura – left, precision grinding – below, L to R: Mike Lewis, sales director; Martin Doxey, managing director; Richard Wilson, production director – right, producing added-value components, not 'cheap and cheerful' ones



service different to that provided by "standard" sub-contractors.

Among the methods the ISO 9001-accredited company has adopted is the supply of 'kits' of parts to its OEM customers, subject to contract and suitable quantities. Rather than have a system of repeat orders for individual components, customers now have the opportunity to order 'three sets of kit number two', for example, kanban style, which will be sitting ready for despatch at Claro. This has many advantages for customers: orders become one line-item instead of several; Claro can supply all parts including those outsourced to other manufacturers; balancing stock items is resolved by Claro, not the customer; multiple suppliers, invoices and paperwork can become one order and a schedule; kits can go direct to the production line, eliminating inspection and stocking costs; and packaging can be re-used. Taking this concept one stage further, Claro also offers a fitting and assembly service, which is steadily

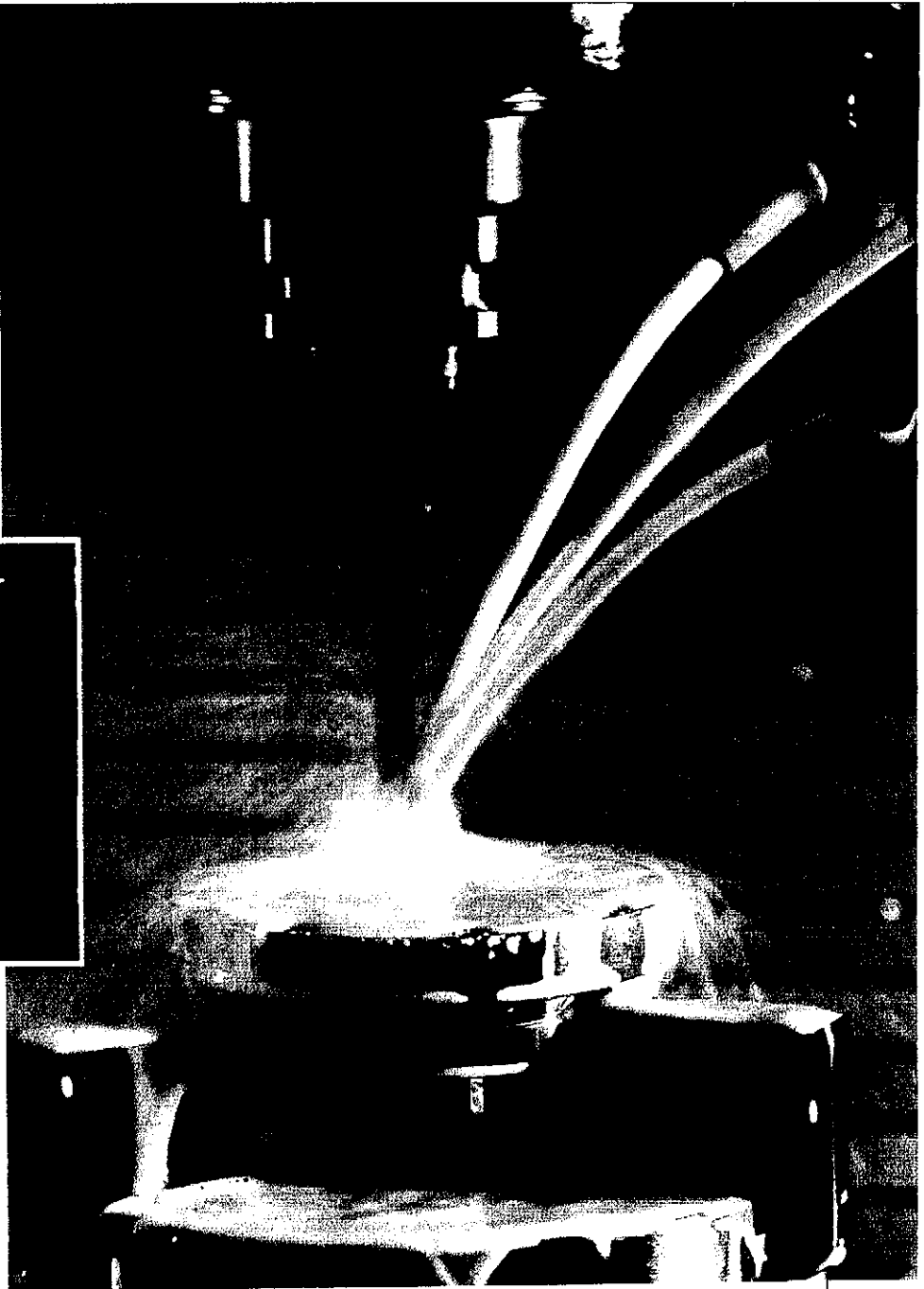
growing in popularity.

"I think our size also helps," states Mr Doxey. "A sub-contract manufacturing business works best if it isn't too large. We prosper because we are small enough and don't have all the bureaucracy that goes hand-in-hand with larger organisations, but we are of sufficient size to have robust quality systems and full traceability. If we expand beyond 50 employees we may need an additional operation to maintain our high-efficiency status."

In terms of the industries served by

Claro, the majority of its clients operate in the medical, aerospace, telecommunications and microwave sectors. The company has targeted the medical industry as a key growth market and this now represents 40 per cent of its turnover. Recent manufacturing successes include heart valves, knee surgery devices and low-volume implants such as spinal implants that join two detached vertebrae, which is thought to be the first of its kind in the world.

Whatever the industry, Claro carefully





Management buyout

Martin Doxey, along with colleagues Mike Lewis and Richard Wilson, led a management buyout of Claro Precision Engineering last year. A chartered engineer and ex-DTI employee, Mr Doxey had wanted to buy into an engineering company for some time. "I had tracked the fortunes of Claro for many years and when I heard that the previous managing director, Howard Chadwick, was approaching retirement, I approached the company and became a non-executive director of Claro in 2002."

The buyout was sealed in July 2004. The outgoing Mr Chadwick said at the time: "We have worked hard to ensure a situation whereby the existing management team is strengthened enough to take the business forward. We have total confidence in them; they are an excellent and dedicated team; totally dedicated to Claro."

A change at the helm often leads to an uncertain period of transition, yet eight months on, Mr Chadwick's statement certainly holds true.

spreads its risk. "We have no more than 25 per cent of our income tied to one customer at any one time," says Mr Doxey. "In the past the company has had bitter experience of significant customers turning off the tap. We don't want to be vulnerable and this policy works well."

Despite its success in cultivating long-term customer relationships, Claro is not immune to the infamous demands of cost-down exercises. "We constantly witness price pressure," he says. "In our experience it seems to be the buyer's job to squeeze 10 per cent out of the price once in a while, however, there is a limit to how many times this can be done."

"On a number of occasions we have lost customers that have obtained slightly better prices elsewhere, but most have come back. There is a lot to be said for quality of service and support. Having said that, we are always examining our in-house costs and methods of continuous improvement, whether it involves process scrutiny, investment in new equipment, factory layout adjustments or improvements to environmental and waste controls. If we achieve savings then we are always prepared to share these with our customers."

Of course, many OEMs now pursue single-source supply, which often imposes hands-on management of lower tier companies. Fortunately, many of Claro's

OEM clients are relatively small developers of niche products, yet even Claro is starting to see this trend.

"One or two of our aerospace customers want to audit our systems. Traceability in the aerospace industry is critical and, provided there is a confidentiality agreement in place, I don't mind. In fact, in many instances it can help provide an insight into improvements to which internal staff may be 'blind'."

GLOBAL PERSPECTIVE

Cost-down exercises and customer audits may be a burdensome part of modern manufacturing but they undeniably force sub-contractors to wholeheartedly assess their place in a globally competitive arena. At present it is clear that China commands the position of 'matador', a fact that Mr Doxey philosophically appraises. "China and India are prepared to work for very little money and are subsidising our standard of living. In my view this is a nice but temporary situation. Once we globalise fully and these Far East countries want higher value contracts, the situation may change. China will become more affluent and its people will want a greater say in their own affairs. I'm not saying it will, but what happens if it all goes wrong?"

"In the UK we have already been through this transition and we survived largely because we are inventive, hard

working people. We are lucky in the UK to have full employment. The downside is that not everyone wants to work in a factory, but I think there is something good and satisfying about making a real product: about adding value to real material. Manufacturing in the UK may contract a little, but it will always be here."

Claro takes its people development seriously. It has Investors in People recognition and is a SEMTA training assessment centre. The company currently has three staff undertaking NVQ qualifications and it employs one apprentice every year. Claro was awarded the GTMA World Class Golden Globe in 2003 and 2004 for its philosophy of continuous improvement through TQM and its high levels of investment in people and equipment.

"You can tell a Claro part," concludes Mr Doxey, "it's clean, features tight tolerances and you can hold it in your hand. Not exclusively, but typically that's us," he says. Yet Claro is not a typical sub-contract precision machining company. Mr Doxey and his team have become adept in progressive thought: of ways to advance the company. And on long-term relationships, Claro is proof that 'going steady' means going forward.

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