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Despite The Worst Economic Recession In 20 Years, Award Winning March Engineering Company's Innovative Plans And Continuing Investment Helps It To Survive And Grow Stronger

“12 months ago we were faced by unprecedented challenges to the stability our Regional, National and Global economies”, says Gavin Goates, Commercial Director, PCML. “We were faced with a syndrome, an abnormal condition, where a group of symptoms came together to create a situation not seen since the depression of the 1920’s. A genuine recession coupled with a credit crunch and a rise in the cost of living, created a huge loss of confidence in both the business to business and the business to consumer markets. Confidence was further damaged by significant falls in house prices, high street panic and relentless negative reporting across all the media.”

According to Gavin Goates, as a direct result of the above customers become much more value orientated; businesses became concerned about cash flow and employees worried about their jobs, the net result was a significant cutback in spending by all.

What this meant in reality for the local economy was that Customers significantly reduced production by up to 40% in some cases, laid off employees, cancelled supply contracts and brought outsourced work back in house where engineering manufacturing capabilities still existed.

Some of PCML’s main competitors acted in predictable ways, mainly by attempting to move into their niche markets with modified service offerings trying to match their own. Also predictably many competitors adopted predatory pricing policies attempting to obtain work below cost.

However, because of PCML’s successful key account management strategy and strong customer relationships they were able to hold off the competition.

Key to dealing with the sudden loss of confidence was to understand how the needs of key stakeholders such as customers, partners, suppliers and employees had changed and subsequently adapt the organisations business strategies to the new reality.

Prospects for PCML at the time were good, their financial situation was strong, they had strong cash flow management e.g. 60% plus machine tools are paid for, they also had an excellent credit rating if needed for any short-term finance.

PCML also had a core team of personnel who were highly skilled, committed, loyal and very motivated.

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PCML's Manufacturing/Operations were sound as a result of ongoing investment in plant and equipment and their sophisticated Progress MIS planning & control.

From a Marketing and Innovation perspective they had excellent market segmentation, targeting and positioning strategies in place, they only focused on profitable business and were well advanced in the development of new and innovative customer services known as 'Capacity Watch' and 'Stock Watch'.

In summary, the key issues facing PCML at the time were:

- a. Protecting their customer base
- b. Employee engagement
- c. Maintaining their key supplier partnerships
- d. Continuing investment in marketing and innovation

To address the challenges and opportunities, PCML developed a 10-point plan, which focused on:

1. Providing Strong **Leadership**
2. Continuing To Tightly **Manage & Control Cash Flow**
3. Maintaining a Major Focus On **Retaining Customers**
4. Continuing To Provide **Outstanding Customer Service**
5. Increasing **Investment in Marketing**
6. Continuing to Concentrate on **Selling Only Profitable Services**
7. Continuing to **Invest in Staff Training**
8. Developing Online Customer Services
9. **Streamlining** Manufacturing & Production **Operations**
10. Applying a **Lean Manufacturing Strategy** Across All Business Functions

For the **past 12 months**, the Directors of PCML have provided **strong leadership** in actioning the 10-point plan in many ways.

The main focus has been on working even more closely with existing **customers** through regular face-to-face communications in order to understand the key supply chain issues that need to be addressed. By clearly understanding the issues facing key customers the Directors were able to show real empathy and flexibility in terms of payment and delivery requirements by sharing the risks.

Employee engagement through regular one to one and group communications has been key to PCML being able to respond to customers requirements both in terms more flexible working hours, the need to significantly increase productivity whilst at the same time maintain very levels of quality, all within a rigid lean operating environment. The key objective with all personnel was to encourage them to contribute to the long-term success of the business by sharing in some of the short-term risks associated with the recession and credit crunch.

Because of the credit crunch and subsequent shortage of working capital and access to short term funds, many customers have been cutting back on new orders and have been using up existing stocks instead. The result has been a significant slowing down in supply chain activity. However, in order to protect the integrity of the supply chain PCML has been working

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in close partnership with its **key supply chain partners** to develop innovative ways to stimulate the supply chain through sharing the risks.

Another outcome of the credit crunch for customers has been a significant shift in **customers' procurement policy** from long-term medium volume supply contracts to very short-term low volume demands. In addition many customers, in order to remain competitive themselves are ordering increasingly complex components on much shorter delivery schedules demanding even lower prices, whilst maintaining existing high levels of quality. As a direct result of needing to maintain quality levels, PCML has invested in an additional state of the art Co-ordinated Measuring Machine and associated labour saving software.

The company has also augmented its service offering by taking on more responsibility for Supply Chain and Procurement Management for selected customers. This involves the management of its client's procurement process and the delivery of individual components and assemblies directly to the client's production line as and when required.

As a direct result of the above, many customers are requiring quick turn around on much lower volumes of components. PCML has **invested** further in its delivery fleet by acquiring a new vehicle.

The credit crunch, as well as affecting its customers, has also challenged PCML to manage its own financial **investment** and cash flow needs very carefully. Consequently the Directors have focused on obtaining payment on time, reducing debts to a minimum, whilst at the same time continuing to pay suppliers on time to ensure best prices. Major investments have been made in managing raw materials stock, tooling stock and other consumables, both in terms of training and the acquisition of the latest computer controlled storage equipment and software systems.

According to Kevin Miller, Engineering Director, "Our recent significant investment in a second RoboCrib Industrial Vending system, which supports our Lean manufacturing strategy, has led to a direct and measurable reduction in tooling & gauging consumption and improvement employee productivity."

The Directors also needed to focus on its **employee numbers**, one of its most significant business costs. Consequently a combination of natural wastage, retirement and the decision not to replace departing employees has led to an overall 25% reduction in headcount over the last 12 months. However as a real sign of employee engagement it was unanimously agreed to freeze any pay increases for the foreseeable future as well as cut out any overtime unless absolutely necessary to meet customer needs.

Streamlining operations to fit the changing needs of customers brought about by the recession and credit crunch required some significant changes to be made at PCML's March facilities. Because of the nature of the changes required it was essential to obtain complete buy in from all employees.

In the quest to develop a **leaner business** manufacturing and production cells were re-organised with some redundant facilities put into mothballs for when demand picked up. Multi-

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skilled employees were matched to the changing needs of production with additional skills training being offered to further increase individual production flexibility. Investment continued in labour saving equipment and software and where considered redundant excess equipment was disposed of.

Finally, the Directors recognising the importance of continued investment in managing the relationship with its customers, continued to invest significantly in **Marketing** the business.

More specifically recognising how **customer needs were changing** in response to the recession and credit crunch and to help with smarter target marketing, PCML recruited its first full time Field Sales Representative. The main role of the Sales Representative was to focus on the most attractive groups, gain real insight into needs and deliver a persuasive proposition in a timely way generating only profitable sales.

The company also invested significantly in the development of a more interactive web site, as well as further development of Capacity Watch & Stock Watch online support services both for new and existing customers.

Finally, as part of its repositioning strategy, PCML **acquired 2,000 sq ft of prestigious offices** and corporate presentation facilities on the Longhill Business Estate complex and installed a new ICT network in order to further improve the efficiency and effectiveness of its operations.

The market has changed quite significantly over the past 12 months, gross margins have been driven down and market demand has changed to low volume, complex components requiring fast turn around.

PCML has maintained its long term strategy of developing pricing policies that match both the needs of its customers and its owners and has not being drawn into a price cutting war for short term survival. Never the less the recession and credit crunch has had an impact on its financial performance. Sales turnover is down by 30%, however operating profitability has remained reasonably constant, consequently PCML remains in a very strong position to continue to support its customers for the long term.

As can be seen above, PCML has continued to invest throughout the recession and will do so into the future where it supports and improves customer service.

The future looks good, particularly for employees, with overtime working reinstated, furthermore in recognition of the tremendous support and effort all employees have put in over the last 12 months, a Christmas bonus was paid to all.

Because PCML operate in a diverse range of sectors, the future also looks good for many of its customers; although some customers have reduced demand, others have increased demand quite significantly, particularly those who have invested in new product development throughout the recession and now have some exciting new products for their particular markets.

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According to Gavin Goates and Kevin Miller “**The way forward for PCML is very clear as a result of the current unprecedented market and competitive challenges we are being faced with, it is now fundamental to our survival and long term future success that we are able to continue to satisfy our changing customer needs.**

In particular we need to:

- **Produce smaller numbers of increasingly complex components within tighter specifications**
- **Deliver components within significantly reduced timescales**
- **Offer exceptional value for money as standard**

We must also focus on the critical areas of Quality, Efficiency, Productivity and Waste Reduction in our business, where we must aim to get it right first time every time.

Finally it continues to be our aspiration to be an employer of choice and to be benchmarked as the best in our market for what we do.”

ENDS

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