

BUSINESS PROBLEM

There was good news and bad news when Huntington Beach, CA-based MJC Engineering built two of its CNC spinning machines for a customer in India, after being awarded the job in a very competitive bidding process. On the positive side, they made the sale and the machines were built and delivered to the customer's satisfaction. A thorough analysis of the experience after the fact, however, revealed that MJC lost money on the deal – a lot of money. "We had to do something," says MJC purchasing manager Michael Fry. "It was clear that we could not be successful in this business the way things were. Virtually all of our suppliers were here in California and the cost of parts was just not acceptable. We needed to find other sources for machined parts, weldments, and other components."

SOLUTION

The only viable solution was to try to find alternative suppliers in hopes of reducing procurement costs by about 30% to turn the business profitable. "We knew that there were hundreds of shops out there that were capable of making our parts," Fry says, "and, surely, we could reduce our costs for parts by looking to new vendors. But how could we find these suppliers? How does a little company in southern California find these guys? They don't advertise. They're all over the country."

"Our target was to reduce parts costs by 30%. We've exceeded that target with savings up to 60% on some parts."

*-Michael Fry
Purchasing Manager
MJC Engineering*

At some time before, Fry had heard about the MFG.com online marketplace from one of the company's engineers, but had had no interest at the time and simply set the information aside. After the devastating news about the losses on the order for India, he remembered MFG.com and decided to investigate further. "The MFG.com marketplace was exactly what we needed. We can upload one drawing and it's instantly available to 1200 shops. It's the perfect tool for us."

Fry started by releasing one weldment RFQ on MFG.com. Success with that first part quickly led to many more. It's been less than one year since that first experimental RFQ and now fully 95% of all its parts are sourced on MFG.com – more than a quarter million dollars in work has been contracted out in just the first 6 or 7 months. "Our target was to reduce parts costs by 30%. We've exceeded that target with savings up to 60% on some parts," Fry says.

MJC is looking for reliable suppliers that they can work with again and again. "We have about 19 or 20 shops that we think of as preferred suppliers,"

Fry says. "In most cases, now, we put out our RFQs to that group first – they have become true partners. Both our companies work together to find the best fit for us and for them."

All of these suppliers are within the U.S. "A lot of our parts are large and heavy, and require careful handling to make sure they are not damaged or knocked out of specification during the shipping process," Fry says. "So we arrange all of our own freight using logistics partners we know and trust – most of which we found through a similar online exchange."

At first, Fry was reluctant to trust MJC's work to the smallest vendors – the mom and pop, one guy in a garage or a small shop– type supplier, but

ABOUT MJC ENGINEERING

Founded in 1994, MJC Engineering & Technology, Inc. custom-builds CNC metal spinning equipment and specialty machinery. In December, 2003, MJC formed "Cobalt Global Technologies, LLC" an MJC Composite Materials Division, to provide the necessary product design, engineering, agency qualification, equipment and technology transfer needs for filament-wound pressure vessel manufacturers. Among MJC's products is the popular OSC 16.200 High Performance CNC Spinning Machine with auto loading and unloading, and the World's Largest CNC Steel Tube Spinning Machine, the OSC24.300.

experience has banished those reservations. "We have some really excellent small suppliers," Fry says. "There's Travis Sherwood of Sherwood Machining and Tooling in Havana, Kansas, for example. It's Travis and his wife and they are attentive, professional, and very capable. They rate 5 stars across the board. Another one is Arek Labedzki of W & K Machining, Inc. in Bridgeview, Illinois – phenomenal quality and great service."

MJC has set up an inspection report that they require every supplier to complete before MJC authorizes shipment. "We can't afford to ship these big, heavy parts back and forth around the country if something is not up to par," Fry says. "So we have the supplier do the inspection and send us the report. Every vendor has been happy to work with us on this and gives us everything we need."

Business is definitely looking up for newly-profitable MJC engineering. The booming demand for spin formed CNG cylinder liners that are a specialty of MJC's machines, along with the weakened dollar, are leading to a lot of interest in the machines in India, China, and elsewhere around the world. Right now, there are tentative orders for 8 or 9 of the company's most popular unit, with all of its parts except the sheet metal and conveyor system are sourced through MFG.com.

BENEFITS

- Gateway to hundreds of potential suppliers of parts
- Reliable suppliers, aggressive pricing competition
- Upload once, available to numerous potential suppliers