

NEW Job Shop Pricing Strategy Saves Time and Helps Them Make More Money!!

By Mike Touzeau

Argent International of Plymouth, Michigan, and Mexico City, successful and solid since 1977, had to lay off 60 percent of their work force five years ago and they were running themselves into the ground with an old school philosophy of pricing.

Cost Accounting is an old school pricing philosophy.

“We looked at business from the old cost accounting perspective,” acknowledged Chris Autterson, Business Development Manager for the past 26 years.

“We weren’t looking at the company as a whole,” he put it, and that kept them from keeping their focus on how and why they make money.

With about 80 employees in production, Argent International is a 3M Preferred Converter that specializes in design, fabrication, and distribution of custom adhesive and die-cut solutions, serving many of the major auto companies and clients in other fields, too.

Time Estimate X Labor Rate + Raw Material Cost + Markup Add a margin

Heading up an estimation team that was still using a system “right out of GM pricing principles,” as Autterson described it—estimate times multiply by labor rate, add raw material costs and a fair markup—he was looking for a way to change. “It was very complex and we would end up very inconsistent, not knowing where we were going. We found it took too long to get the pricing done. I wanted to find another way of estimating.”

Price quotes were taking too long.

In the auto services area his whole life, starting in machine tool and working his way up, Autterson figured he had found a solution after discovering Science of Business, Inc. They had developed programs specifically for custom manufacturers based on the Theory of Constraints (TOC) but customized for the job shop environment. Their throughput accounting (part of TOC) based program called Job Shop Pricing was just what they needed. He knew it was going to take a lot of convincing to get his people to look at it when so many were—and still are—tied to those old business principles.

Immediate Results and Much Faster Estimating

In March of 2014 we started the Job Shop Pricing program, working primarily with TOC Pricing Expert Brad Stillahn of the Science of Business, Inc and results were immediate, Autterson said.

Learning to reduce pricing to just three elements with the Job Shop Pricing System, he explained, they were able to save the company time estimating.

“We make more money...

simple as that.”

It also meant they weren’t shooting in the dark anymore, they now know how and why they make money. They know what they need to charge to cover all fixed costs and to make a profit – information which is often not available or inaccurate in job shops where mix changes cause volume and capacity estimates to be way off.

“It’s simplified pricing. Now it’s easier to focus on where we want to be and how we can get there and yet still meet the market price.”

Managing Capacity

“My next step is to get out into the plant and focus on our constraint and make our products move faster. We want to take what we’ve learned so far and apply it to the operations in the plant.”

“We have jobs that are lower margin jobs, so I want to find out what we can do to make those jobs hit where we want them to be. I know we can increase capacity with TOC.”

He and Brad keep in contact by phone or email on a regular basis, he said, and that’s created a relationship that goes way beyond what he believes most would expect when they hire a business consultant.

“Brad has been more of a mentor than a consultant.”

Argent calls themselves “solution designers.” They manufacture more than 20 million individual parts per month with 350 different part numbers and can produce unlimited part configurations. Like any other manufacturer, streamlining their operation to utilize their people better and get jobs through faster means they stay ahead of the competition, which makes their current customers happy and brings in new ones.

To learn specifically what Chris did to improve his pricing and quoting, watch a 17 minute webinar on “Job Shop Pricing” www.JobShopPricing.com