

INDA's Small Business Newsletter

Covering Issues That Affect You

September 2009

INDA SMALL BUSINESS E-REPORT

Welcome to the INDA Small Business e-Report. This monthly e-publication provides INDA members with insight and advice on operating a successful small business in today's nonwovens industry.

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Small Businesses Brace for Flu Season, H1N1

A key Congressional panel recently heard testimony about the impact this year's flu season and the anticipated resurgence of the H1N1 virus will have on small businesses. During the hearing before the House Committee on Small Business, officials with the Centers for Disease Control (CDC) and Prevention, the Department of Commerce and the Department of Homeland Security testified about preparations underway to help small companies respond to the pandemic.

"While it is too early to tell how fast the H1N1 virus will spread, the wisest course of action is for all of us to be prepared for the worst case scenario," said Rep. Nydia M. Velázquez (D-NY), the Chairwoman of the House Committee on Small Business. "Our nation can ill afford any economic setbacks, so entrepreneurs need to take steps now to prepare for this year's flu season."

Some estimates predict a full-blown flu pandemic could cost the U.S. economy up to \$700 billion in lost productivity. Small businesses could be hit particularly hard as they generally have smaller workforces and could see their operations slowed down or even stopped if key employees have to call in sick. The CDC has issued guidelines to help employers prepare and respond to potential flu outbreaks in the workplace. Among the recommendations, businesses are urged to cross-train employees to cover for sick co-workers, stagger shifts, and allow workers with flu symptoms — or those tending to a sick family member — to telecommute from home. The CDC is expected to release similar recommendations specifically tailored to small businesses later this week. Velázquez said that the government's guidance for employers needs to take into account their size.

"Big companies usually have enough employees to continue operating, even when part of their workforce grows ill," Velázquez said. "That isn't always the case for small businesses, so we cannot assume that solutions that work for big firms will work for small ones."

During Wednesday's hearing, private sector witnesses testified about how entrepreneurs are contributing to the nation's response to the pandemic. Many of the most productive medical research companies are small firms, and Members of Congress said companies like these would be instrumental as the nation races to develop and manufacture effective vaccines. Small health care providers will be equally important, serving as the frontline for diagnosing and treating H1N1, as well as distributing the vaccine to patients.

The H1N1 flu virus first emerged last spring and quickly spread throughout the United States and around the world. Although the virus appears less lethal than initially feared, the U.S. government and health officials are undertaking massive preparations to respond to an expected resurgence in the virus this winter.

Weak Economic Recovery Expected

Don't look for the job market to turn around for months yet — Spring 2010, at best, according to a recent article in *The Kiplinger Letter*. For now, improvement is measured in how much more slowly the economy loses jobs, not how fast it gains them. By that standard, net job losses of 216,000 in August — 60,000 fewer than in July and only about a third as many as the monthly average for the first half of 2009 — is considerable progress. Still, it means a very sluggish economic recovery.

Despite an apparent pickup in economic activity — home sales are rising, new manufacturing orders are at their best in five years, and factory production is the highest in four years — companies aren't hiring. Indeed they're continuing to reduce hours, furlough workers and cut pay for those who are still employed. Odds are the unemployment rate, which hit 9.7% in August, will continue to climb in the months ahead, peaking at above 10% early next year before leveling out as the recovery takes firmer root. Counting part-timers who want to be working full-time and discouraged workers who are no longer bothering to look for employment, the jobless rate is 16.8%. Meanwhile, the average workweek has declined to just 33.1 hours.

It's no wonder consumers remain gloomy. Household incomes are taking a big hit, and that's curbing consumer spending. It's fallen in four of the past six quarters. Although we expect spending to tick higher in the third quarter of this year — largely reflecting auto sales inflated by the cash for clunkers program — growth will likely weaken in the fourth quarter. Consumer spending won't pick up much until well into next year and even then, won't be robust.

With subpar job and wage growth, it'll be a subpar recovery. For this year, we expect job losses to total about 4.5 million, with 2010 showing a small net gain. Returning to employment levels of a couple of years ago will be slow and difficult. Firms have shed about 6.9 million jobs since the recession began in December 2007. And the labor force adds about 1 million job seekers a year. To reach prerecession total employment, the economy has to create 12 million jobs over the next five years, says Martin Regalia, chief economist with the U.S. Chamber of Commerce. To do that, the economy must grow at least 2.5% annually. The three hardest hit categories for job losses in August continue to be construction, down 65,000; manufacturing, with a loss of 63,000 jobs; and financial

services, down 28,000. Jobs in health care continue to grow, adding 28,000 workers in August.

Five Secrets of Great Innovation

While the economy and flu epidemics remain major concerns to today's small business owner working to keep his business on track, the show must go on. So what does it take to succeed with a great new product? Business expert Steven D. Strauss offers this advice:

1. **Think of things that never were and ask, "Why not?"** Bobby Kennedy's famous motto is an apt description of the first ingredient necessary to create a successful new product. Terrific products come from terrific ideas.
2. **Tap the power of one:** Whatever successful product you look at, you will invariably find there was some man or woman steadfastly committed to its success. Ed Lowe was nothing but a young, ambitious veteran with tons of unsold clay when he decided that he had a better cat litter. He single-handedly invented a new industry.
3. **Keep it simple:** If you are going to offer something new and improved, make sure it's simple and does one or two things very well. People famously cannot program their VCRs, but they don't have to program their DVRs.
4. **First is best.** Getting your product to market first can mean the difference between having a winner and being a loser. Post-its were first. Pampers were first.
5. **Try, try again.** When Dr. Percy Spencer noticed that the chocolate bar in his pocket melted after standing near a magnetron tube, he realized something unique had occurred. Yet it would take almost 20 years of trial and error before Raytheon could turn that into the first microwave oven.

Forging New Partnerships in Today's Global Value Chain

The Manufacturing Institute, a research and education arm of the National Association of Manufacturers, an industry trade group that advocates on behalf of members to enhance the competitiveness of manufacturers, offers some excellent advice about how to thrive in today's global market. Here's what they have to say:

Small and medium-size manufacturers (SMMs) must commit to innovation and new ways of doing business — in products, processes, technologies and strategies — that free up assets and open up selling opportunities. A focus on innovation will keep you from becoming a stagnant operator (incapable of improvement) or a commodity player (always under price pressures).

High-quality products and on-time delivery no longer guarantee success. Customers everywhere are looking for lower costs and more — more support, more value-added services, more innovation, more help in satisfying their customers — and they're willing

to look anywhere to get it. Successful SMMs are strategically aligning their organizations to deliver extra value around the globe, from the simple (ensuring that materials are delivered in right-sized containers at the right time) to the complex (taking over lifetime responsibility for industrial equipment, including maintenance) to the new (developing products for end-customers).

In order to deliver more than just good products, SMMs must first recognize that the old equation of success — price = cost + profit — no longer works. With competitors springing up around the globe, SMMs must improve constantly to maintain profit and survive. From an operations perspective, successful SMMs have already embraced lean manufacturing and other forms of operational change on their plant floors and are now pushing the same concepts beyond their factory walls (e.g., front office, product development, accounting) and into their own value chains.

There are many paths to manufacturing innovation. We are highlighting some of the ways in which innovation manifests itself in today's manufacturing.

1. Innovating by Mastering Lean

Operational excellence these days is often tied to a true application of lean manufacturing. Some see learning lean as straightforward as:

- Reading and absorbing the lessons in *The Toyota Way*;
- Focusing on big piles in your plant; and
- Figuring out one piece flow so that employees never put a part down until it is sent out the door.

Companies that have succeeded with lean recommend that senior management have a strong buy-in to the program to make it effective. There must be a lean champion in your company to make these changes happen and make them stick.

With lean, work cells are often clustered to make the flow of goods faster and less complicated. Moving large pieces of equipment around to do this may seem daunting to some managers. Kellie Johnson of ACE Clearwater has some helpful advice for someone just getting started. She says, "There are other ways to accomplish your lean goals without always moving large machinery. We call it 'virtual cells,' co-locating people as much as possible. When we set it up, we identify a team leader who has the overall responsibility for keeping the product flow going. Then, it's all about flow, whether that person is right next to you or on the other side of the floor."

2. Innovating Through New Products

Lean and other state-of-the-art improvement approaches enable SMMs to innovate how they do what they do, the processes and operations. But you must not forget to innovate the who and what. A culture of innovation should permeate within the company, fostered by CEOs rewarding innovative ideas and risk-takers — those always on the

lookout for new products, new market opportunities, i.e., an old product applied in an innovative way, and new ways of doing business.

Some manufacturers believe they can't compete against foreign competition. That's not the case for James Knott, president and founder of Riverdale Mills Corp., Northbridge, MA. In 1979, Knott bought a mill dating to 1852 and quickly set out manufacturing wire lobster traps. The business grew dramatically, as the exuberant Knott convinced the lobster trade to replace heavier wooden traps with his products.

Knott met some skepticism, but eventually the Riverdale Mills Aquamesh displaced as much as 90% of the old wooden traps used in North America. However, due to the longevity of the Riverdale Mills wire baskets and the gradual emergence of foreign competition, Knott faced an eroding market.

Since he'd grown his wire operation using state-of-the-art equipment and computer technology, Knott began looking for all the other markets — agricultural fence, aquaculture, custom fences, land management, wirewall fences (such as those in prisons) and cooling towers — for which he could make products. Lobster traps, which once accounted for 100% of Riverdale Mills products, now make up just 30%. One-fourth of Riverdale Mills products are shipped overseas.

3. Innovating by Smart Use of Government Programs

Tapping into federal and state programs and procurement is a third way to get your company into new markets. This includes not only outright sales to government but also taking advantage of the research and advanced technology grants that are available to help you realize your potential. Collaboration with governments is an ingredient for some companies in giving them a stronger role in the value chain.

The [NIST \(National Institute of Standards and Technology\) Manufacturing Extension](#) centers have worked extensively with companies on lean over the last decade, but recognized that process improvements and cost savings were necessary but not sufficient for long term competition in the global economy. So [NIST MEP](#) launched a new growth services product line — Eureka! Winning Ways — in the spring of 2007 that provides a proven, structured process for helping companies grow with respect to new products, new markets and new sales. The service helps companies think about opportunities for growth, narrows those ideas down to the few most likely to succeed based on research and supports the company as they explore feasibility and implement the most promising ideas. Most importantly, it creates a renewable process for generating new ideas that can be explored and implemented over time.

4. Innovating with Sustainable Manufacturing

The interest in products that reduce pollution and energy use is growing, along with concerns over global climate change and greenhouse gases. Forward-looking companies are searching for ways to improve current products and processes and tap into the

public's new "green" priorities. Manufacturers that respond to this new interest with innovative products and processes will be ahead of the curve and see their businesses grow. Larger companies are increasingly expecting their SMM suppliers to produce parts using the three green principles of reduce, reuse and recycle.

SMMs have an advantage because they are often nimble in responding to market shifts. The CEO of multibillion-dollar chemical conglomerate Huntsman Corp. says it's easier to engage small companies as suppliers in creating formulations for the green market. "We can work with large companies and it will take a year to change the mind-sets about these long-held formulations," says Peter Huntsman. "But we are seeing an explosion taking place with the smaller operations that make end-use products for consumers."

SMMs are being pushed by large companies such as Procter & Gamble, General Motors, Toyota, United Technologies, Caterpillar and Whirlpool to join the green movement. Toyota views environmental stewardship as not only good citizenship but also good business. Toyota recognizes the environmental impacts beyond its own facilities and encourages and supports its 500 parts and materials suppliers' efforts to protect the environment as part of its Green Supplier Guidelines. For example, 98% of its North American suppliers have become certified by the International Standards Organization for meeting very specific environmental standards as a requirement to supply Toyota. Toyota also requires suppliers to eliminate the use of 450 toxic chemicals through its global chemical ban list and requires compliance systems for the handling and transportation of hazardous materials.

INDA MEETINGS CALENDAR

2009

[Filtration 2009 International Conference & Expo](#), November 17-19, Navy Pier, Chicago, Illinois

2010

[Vision 2010 Consumer Products Conference](#), Sheraton New Orleans, New Orleans, Louisiana

[IDEA 2010 International Conference & Expo](#), April 27-29, Miami Beach Convention Center, Miami Beach, Florida

[INDA Nonwovens Training Course](#), May 11-13, INDA Headquarters, Cary, North Carolina

[INDA Elementary Training Course](#), June 8-9, INDA Headquarters, Cary, North Carolina

[World of Wipes \(WOW\) 2010 Conference](#), June 21-23, InterContinental Chicago, Chicago, Illinois

[INDA Nonwovens Training Course](#), August 17-19, INDA Headquarters, Cary, North Carolina

[International Nonwovens Technical Conference \(INTC\) 2010](#), September 20-23, Hilton Baltimore, Baltimore, Maryland

[INDA Nonwovens Training Course](#), October 19-21, INDA Headquarters, Cary, North Carolina

[Filtration 2010 International Conference & Exposition](#), November 30-December 2, Pennsylvania Convention Center, Philadelphia, Pennsylvania

THAT'S ALL, FOLKS

We would love to hear from you. Just email us at [mjacobson@inda.org](mailto:mjacobsen@inda.org) to let us know how you are getting along.

Michael Jacobsen, Editor