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Manufacturing & Technology Solutions helps busy company save thousands of dollars in shipping costs

South Dakota Manufacturing & Technology Solutions has launched a new training program that already has helped one company save tens of thousands of dollars.

Applied Engineering Inc. of Yankton, S.D. is a 49-year-old manufacturing company that employs 165 people. The company makes highly precise, aluminum components for the aerospace industry and other business sectors.

Last year, when delays in production were pushing delivery costs to unacceptably high levels, Applied Engineering contacted South Dakota MTS, which is an office within the South Dakota Small Business Development Center network. MTS and Applied Engineering had worked together in the past to improve work-flow processes and reduce waste at the plant.

Representatives of the company and agency met again in December 2014, and MTS launched a pilot training program in January 2015 that focused on streamlining office-related processes. "Within the first 90 to 100 days, we were able to save thousands of dollars," said Richard Stark, customer service manager at Applied Engineering. "Most of that was in expedited shipping costs."

Shipping expenses for the first two-thirds of 2015 were half of what they were for the first two-thirds of 2014, the privately owned company reports. Shipping costs were \$27,139 for the first eight months of 2015 compared with \$54,587 for the same period the prior year. The company's shipping costs totaled about \$150,000 in 2014 and now are running at an annualized rate of half that amount, or \$75,000.

Lean for Office and Administrative Processes training is the new offering from MTS that is helping Applied Engineering. MTS previously has offered Lean for Manufacturing Processes. Lean training is rooted in efficiency principles popularized by Toyota and other Japanese companies. MTS gears the training to help small and midsize companies.

Preparing products for delivery at Applied Engineering can involve 20 to 25 steps, so short delays can accumulate. Before the company and MTS explored the issue, delays had reached the point that to meet customer deadlines, the company was having to ship too many products at short-term, high-cost rates.

Getting products ready for delivery faster has enabled the company to take advantage of customers' willingness to pay for regular transportation costs.

"Business has increased steadily the last five years for Applied Engineering. We look for ways to supply our customers without adding to costs. This is our way to reconfigure processes," Stark said.

Operations at Applied Engineering still are being fine-tuned, but implementation of most of the latest round of changes was finished in February. Lean office training involved a close review of procedures, followed by experiments with alternative approaches. The result was a mix of big and small changes, Stark said. Some work stations were altered to create new efficiencies, for example, and emerging products that needed to be handled as a priority were more clearly identified.

Joyce Vlahakis and Donna Peterson, who work in customer service at the company, said the in-depth review seemed strange at first, but that benefits became evident. "It made you think of things differently. It actually was an improvement," Vlahakis said.

Keith Deibert, a business advisor for South Dakota MTS, said Applied Engineering served as a test site for Lean office training. "They helped us develop it; we helped them drive improvements in their processes," he said.

Manufacturers tend to pay close attention to industrial processes, which is their specialty, Deibert said. But they don't pay as much attention to office-related functions, which can account for more than half of their operations. "Most companies have hard-working, caring people. They just haven't sat back and looked at their processes. That's where we can help them," Deibert said.

In addition to experienced and certified trainers, MTS has access to public and private resources to help manufacturers prosper and grow, which is the agency's mission.

"MTS is another tool in the tool box to help companies better themselves in skills training, whether it be on the floor or in the office. They're providing a skill to make the company better and more profitable," said Josh Svatos, president and chief operating officer of RTEC Inc. RTEC is a nonprofit, technical training center in Yankton. It is a training partner of Applied Engineering and a business partner of MTS.

The South Dakota SBDC is the umbrella organization for MTS and several other statewide programs geared to helping businesses. The state office of the SBDC is hosted by the University of South Dakota in Vermillion. Regional offices are located in Aberdeen, Pierre, Rapid City, Sioux Falls, Watertown and Yankton. Brookings and Mitchell have satellite offices.

In addition to MTS, programs in the network include South Dakota Procurement Technical Assistance Centers, International Trade Center and Small Business Innovation Research program. South Dakota SBDC training programs are available at a reduced rate; other assistance generally is free.

For more information about Applied Engineering, see www.appliedeng.com. For more information about MTS, see www.sdmanufacturing.com. For more about the South Dakota SBDC and its affiliated offices, see www.sdbusinesshelp.com.

Photo information: A production line at Applied Engineering Inc., which is entering its 50th year of making machined components for aerospace, military, medical and archery applications.