

This page will spotlight issues, address concerns, and elicit answers to questions from OEMs and Suppliers alike — including all members of the Supplier community, not just your current Supplier base. Below, we list some of the issues that have been presented to us in numerous one-on-one conversations. In the next issue, we look forward to your ‘Letters to the Editor’ that will provide more insight into how Suppliers need to prepare themselves to interface with you as a strategic sourcing decision-maker. If Suppliers are kept ‘in the loop’ with respect to understanding not only current market trends and dynamics, but also your needs and expectations, they will all be better prepared to meet those needs when the call (from you) comes. Share your thoughts.

LETTER TO THE EDITOR

Editor: This comment was received from an OEM in response to supplier concerns about OEM outsourcing initiatives.

"Five years ago, we custom-manufactured (in-house) approximately 30% of the instruments we offered our customers. These were instruments that were utilized with our reconstructive implants. Today, we manufacture 10% and outsource the remaining 20%. Why? Because of the improvement in quality and the attendant economies of scale we realized by doing so. We obtained better designs, and the products demonstrated better performance characteristics, when the manufacture of the instruments was entrusted to the hands of professional 'instrument makers'. They understand the technologies, and they have the training, equipment, and personnel. The improvement in quality, and the impact on our bottom line, was dramatic."

ON THE TABLE (from Suppliers)

After reading the Supplier comments in the last issue of BONEZone, I wanted to share a different viewpoint. It is true that many of the larger orthopaedic companies are not afraid to make demands upon their suppliers — and the "Big Boys" are definitely used to getting their way.

As Suppliers, we must remember that OEMs are the customer — and we are here to serve them, and ultimately, the entire orthopedic industry. In most other industries (High Tech, Automotive, Retail & Food) the OEM/Supplier relationship is far less team-oriented, and much more dictatorial.

As a supplier to the world's largest orthopedic companies, we try our best to see ourselves (and earn the position) as a valued partner to our customers. To that end, we make every effort to understand the pressures and forces that are guiding business for the OEMs and communicate to the OEMs the forces that are affecting our business so that, together, we can try and develop reasonable solutions that accommodate both parties.

OEM's and Suppliers are united in that we are all simply well-meaning business people who are trying to create a profitable and sustainable business model.

One way to even the playing field and foster a true partnership is to make sure that one OEM does not represent an excessive percentage of our overall business. This is critical because it

ON THE TABLE (continued)

enables us to make objective business decisions and not become too reliant on one particular customer.

If the OEM has demands that are not reasonable or profitable for us, we do not hesitate to say so. We also try to develop a team environment from the beginning of any project by staying very proactive and involved during the quoting and in-loading of any new piece of business.

We do not hesitate to make suggestions that will enhance the manufacturability of, or reduce the cost to produce, an item. If we can't meet a tolerance or a requested delivery we say so, up front (obviously, barring any unforeseen circumstances).

At times, this means telling an OEM something that they do not want to hear (and occasionally, the business gets awarded elsewhere), but we believe that open, two-way communication is important because we understand that OEMs must make commitments to others based on the information we Suppliers provide, and we recognize the importance of having customers who trust you.

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