

Reprint

Is Bigger Better in the Wire Harness Business?

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Many sectors of our economy are populated with huge multi multinational companies whose very size creates a defensible competitive advantage. In many industries the immensity of these companies create competitive barriers that make it impossible for smaller companies to compete successfully. We hear that phrase, “Too Big to Kill”.

If this real size advantage applied to the wire harness industry, we would have seen a consolidation years ago. Instead, the wire harness industry continues to be highly fragmented with literally hundreds of small and medium size harness manufacturers (under \$50M revenue) serving a plethora of niche markets. The linkage between the wire harness manufacturers and their customers requires a level of service and flexibility that very large (billion dollar revenue) organizations struggle to provide.

While there are some very large wire harness manufacturers, it's not clear their size is an advantage. It's interesting to note that several of the largest harness companies have gone through bankruptcy and or been bought out at a bargain price.

Although it's conceivable that large organizations can always develop and maintain highly responsive customer driven cultures, it's not clear that has occurred in the wire harness industry. What I have observed is in fact quite the opposite; it's

not uncommon for small harness companies to be given the opportunity to replace their very large competitors. When this happens it's because a customer perceives a service/flexibility/and attitude deficiency. The lesson is that the dysfunction associated with multiple layers of management can create competitive disadvantage.

If you are a small or medium harness manufacturer why might this be interesting to you? Because if you are looking for growth opportunities, you should not discount your ability to compete with the “big guys”.

Wire harnesses customers care about one thing; getting the highest quality and best service at the lowest cost. There are absolutely no cost advantages very large harness manufacturers possess compared to their much smaller competitors. There are plenty of small harness companies who have created business models with cost structures that can beat the big guys hands down. When it comes to service and flexibility in particular, a small harness company can run circles around a much larger competitor.

I am by no means suggesting this is an easy path for small or medium size harness manufacturers to find the cracks that provide an opening to outperform the big guys; it takes a comprehensive sales/marketing effort because it's not possible to predict when you might find that opening. In a world economy that often favors the "big guy", the wire harness industry is still a place where the creative entrepreneur can find exceptional growth opportunities if he or she is truly focused on finding ever better ways to serve their customers.

After decades in the industry, I am still excited to see small entrepreneurs finding new ways every day to keep an American manufacturing industry, which is often overlooked because of the negatives of high customer concentration and labor intensity, strongly competitive in the global market place.

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