

Why Go Half Way Around The World?

“**W**hy go half way around the world, when your market is here? You can enjoy domestic lead times, with many items from stock, and experience domestic quality at import prices.” This is the question and message portrayed by Innovative Components, Inc. of Schaumburg, Illinois, a plastics processor in the niche market of manufacturing knobs, quick release pins, latches, and wire lanyards.

Today’s fasteners tend to fall into one of two categories: domestic or import. With the opening of a new manufacturing facility in Costa Rica early last year, Innovative is ready and willing to service both markets with complete confidence. “We have customers that require both types of manufacturing – domestic and offshore,” explains Owner and President Mike O’Connor. “On the domestic side, customers usually require small quantities and short lead times and their likelihood to plan ahead, hold stock, and take risks is minimal. On the other hand, customers who are willing to import generally order higher volumes, have predictable demand, utilize designs that don’t change much, and are willing to deal with a higher risk factor.”

A few years ago, Innovative decided to take an aggressive stance against the eventual threat of overseas competition in its niche market by blending the best of both worlds: product of the highest quality with the shortest lead times (domestic) and large quantities at the most competitive pricing (overseas). By determining what could be done to compete with import competition, Innovative explored its own role in the offshore manufacturing market, as the company had already been importing fasteners and other complimentary products since its inception.

Innovative explored overseas manufacturing with

two business philosophies in mind. The first was to continue to invest in the best equipment and tooling available, an original basis of the company’s success. However, as O’Connor points out, “In the U.S., sometimes having the best equipment running in the best production environment still isn’t enough to guarantee a competitive edge. However, if the same scenario can be established overseas, it becomes a

powerful strategy.” This is Innovative’s second business philosophy. “Once best practices and products have been established in a low-cost country, the threat of overseas competition, particularly from China, is less likely because the

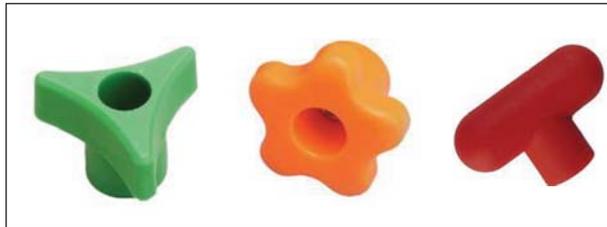
best product at a lower cost is already being produced with a high level of customer service.”

Innovative took a proactive approach and searched for an offshore production environment that would compliment its way of doing business. After researching Taiwan, India, and Mexico, sub-standard quality, long lead times, and unpredictability made these countries non-viable options. As for China, a company of Innovative’s size would have difficulty owning its own factory. While many companies in the fastener industry say that they have factories in China, what they really mean is they can buy

from other companies in China. Because Innovative wanted to guarantee control over its own quality and scheduling by actually owning the factory, a serious look at Costa Rica was considered. A comparative analysis of the two countries was taken.

Innovative researched and reviewed transit time and total lead time, difficulty of travel, time zones (Costa Rica is on Chicago time), price stability, language barriers, ownership of assets, protection of intellectual property, and unskilled versus skilled labor.

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Knobs



Lanyards



Quick Release Pins

INNOVATIVE COMPONENTS, from page

Costa Rica came out ahead of China in all categories, including total landed cost. Surprisingly, the distance from Costa Rica to Chicago is no further than the distance from Long Beach to Chicago. When one considers the additional distance from China or Taiwan to Long Beach, it is easy to see why Innovative chose Costa Rica as its choice for an overseas location.

Componentes Innovadores is the name of Innovative's Costa Rican subsidiary. It has afforded Innovative the ability to grow even further into areas that will utilize the company's expertise in insert molding and in custom molded parts. By the end of the 2nd quarter of '07, custom CNC Swiss screw machine products will be manufactured at the Costa Rican facility, while maintaining superior quality, short lead times, and attractive prices. Additionally, several other new pieces of capital equipment will expand Innovative's ability to provide secondary operations such as shaving, slotting, trimming, and drilling.



CNS Swiss & Secondaries

Established in 1992, Innovative Components has grown an average of over 20 percent each year by specializing in plastic knobs of all shapes, sizes and substrates. In addition to standard and custom knobs, other product groups range from quick release pins, pop pins and plungers, wire lanyards, and related quick assembly hardware. Continual investment in sophisticated, customized capital equipment, coupled with the use of specially designed multi-cavity tooling has afforded Innovative the ability to offer its customers short lead times, the benefits of high capacity production, flexible stocking programs, and competitive pricing.

At Innovative Components, the simple turn of a knob has opened a whole new world of opportunities. Innovative Components, Inc. is located at 1050 National Parkway, in Schaumburg, IL 60173. They may be

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