

DELIVERERS

Workers' Comp Avoiding the Eight Mistakes that will Kill Your Revenue

Every business owner should understand two things about Workers' Compensation: Any mistake causes you to be overcharged. And, you CAN control how much you pay for Workers' Comp by avoiding the most common mistakes. Following is a summary of those errors as revealed at a recent seminar sponsored by MANTEC. For info on our next Work Comp Seminar, visit www.mantec.org.

Mistake # 1: Confusing Workers' Comp with other types of insurance. Workers' Comp is really a very expensive finance mechanism. For every dollar paid on a claim you will pay back \$2-\$3 over the next three years. (In addition to your paying another \$3-\$7 for lost time and materials.)

Mistake # 2: Not knowing the system. There are critical dates on filing claims, getting employees back to work and eliminating reserves. If these dates are not met you pay HUGE penalties.

Mistake # 3: Experience Mods are often incorrect or mismanaged. Your Experience Mod determines if you get a discount or pay a penalty. Any errors in the system will cause you to be overcharged for the following three years.

Mistake # 4: Delegating the responsibility to your insurance agent or carrier. Simply put, there is no financial incentive for agents or carriers to learn the system and stay on top of this for you. They simply pay the claim and charge all related costs and overhead back to you.

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Return on Innovation: MANTEC Program Renews

Starting in the third quarter, MANTEC will initiate a second round of its highly acclaimed "Return on Innovation" New Product Development Program (ROI/NPD), itself an innovative response to increased global competition faced by Central Pennsylvania manufacturers. ROI/NPD is a "soup-to-nuts" process which teaches manufacturers to greatly condense the time it takes to get from product concept to market. The result is an ability to create more predictable top line growth in an increasingly competitive global marketplace.

Typically, manufacturers with failed product launches incur sizeable sunk costs without any return on their investment. Understanding this dynamic, ROI/NPD stresses culture development, risk reduction, and utilization of best practices to sharply reduce exposure to losses.

Part of MANTEC's expanded Business Growth Services division, ROI/NPD employs the services of Ken Westray, a nationally known consultant and new product development expert who has managed over 200 successful new product launches.

The program highlights seven critical areas of the NPD process. The six-month course includes workshops, teleconferences, mentoring and coaching sessions, and one-on-one engagements with MANTEC and Ken Westray.

Each company in the program represents a different "non-competitive industry segment" and signs non-compete and non-disclosure agreements. This combination creatively allows for a unique environment of peer support through sharing of collective experiences and challenges.

Participating companies will be mentored through the best practices of new product development and assisted with market research to identify new product opportunities. Further, they will be taught how to recognize bad ideas early in the new product development process and reduce the risk of launch failures and negative financial consequences.

Despite working in a collaborative situation, each company will be shown how to develop its own "company specific" NPD process. Additionally, each company will develop a new product using what they have learned during the program.

C. L. Sturkey, a Lebanon-based manufacturer of histology products, is one of four companies currently



Nationally recognized new product development expert Ken Westray works with management from several non-competing companies participating in the first round of MANTEC's ROI/NPD Program. Participants learn how to "fast track" their product concepts to market and increase their "Return on Innovation."

participating with MANTEC in the initial offering of the program. Mike Tarsa, V.P. of Sales for Sturkey, remarked, "New Product Development teaches a 'best practice' process for bringing new products to market. Sturkey's challenge is to generate a great idea that the customer loves and then 'execute the process with excellence' so that we can earn the highest possible return on innovation. The better we use a structured process, the faster and cheaper we get to market."

For more information on ROI/NPD, please visit our website at www.mantec.org or call 717-843-5054 and ask for Patrick Meese or David Hanan.

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What's Your Value Proposition?

Business is all about creating a value proposition whereby a customer is willing to part with dollars to purchase what you are selling. If the value proposition is not strong enough, customers won't buy.

How do we create value in our products? Selling at the lowest cost is the first thing that comes to mind. However,

there is always someone somewhere who can make your product cheaper and undercut your price. Margins erode and eventually disappear.

The only way to fight and win in today's competitive marketplace is to create something new, to innovate. Innovation can be a unique

strategy, a new market or a new product. The important thing is to offer the customer something not available from the competition. This takes creativity, foresight and imagination.

We must continually anticipate future directions of the marketplace. Nine years ago, in 1997, Toyota introduced the Prius hybrid. At the time there was no market. Today you can't find one to buy. Toyota anticipated where the market was going, took the bold risk of a huge investment, and then had the patience and perseverance to wait until the market caught up with its innovation.

Hockey superstar Wayne Gretzky used to say, "I never skate to where the puck is, I skate to where the puck is going to be." In business we need to do the same. A clear vision of the future creates urgency in the present.

It's been two years since the release of our Deloitte Study, *Manufacturing Pennsylvania's Future*, which underscored the imperative of

innovation, "The Commonwealth will prosper if many more firms develop well-informed strategies that give them distinctive positions in the marketplace, based on product innovation and continuous improvement of enterprise performance."

MANTEC has developed programs and offerings to assist companies to develop a strategic competitive advantage. Through workshops, networks and one-to-one engagements, many companies are being helped. The objective is to grow sales through the development of distinct competencies. Every business must assess where its products fall on the product life cycle. As older products inevitably mature, new products must be developed.

What is your value proposition now and what will sustain your business in the years to come? Won't you give us the opportunity to discuss with you how our programs may meet your needs?

YOUR VOICE IS



Legislators. MANTEC. Manufacturers. Put the list in any order you like, they are three points on an essential triangle, with all points working to make South Central Pennsylvania a competitive part of the global marketplace. Each year, MANTEC staff, accompanied by a number of area manufacturers, travels to Washington to visit with area legislators and keep them up to date on the progress being made in accomplishing that mutual objective. The same type of effort goes on in Harrisburg on an even more frequent basis.

As you can see from the photos on these pages, our legislators are also keenly interested in seeing firsthand what's happening here on the home front.

When you hear from MANTEC, asking you to contact one or more of our legislators on an important issue, please remember the critical role these elected officials play in your business success. Take a moment to let them know your thoughts.



HEARD!



Clockwise from upper left:

- *The MANTEC-led delegation hits the bricks on Capitol Hill;*
- *Congressman Bill Shuster (PA-9) greets Lynda Livingston, VP, Plastic Development Co., Inc., and Jean-Pierre Habets, H & W Global Industries, Inc.*
- *...and then, talks with Olson & Olson employees in Chambersburg about energy costs, healthcare and foreign competition.*
- *Rep. Todd Platts (PA-19) meets with the MANTEC Hill Day group.*
- *During a break from meetings, John W. Lloyd, MANTEC CEO, (1), confers with George Weaver, VP Marketing, Precision Medical Devices, Denver, and Ronald Staub, GM, SAY Plastics, McSherrystown.*



Manufacturer SPOTLIGHT

K-Concepts Finds That Innovation Requires some "Insurance"

By Dave Bucher

Innovation. It's become a key word in new product development. The term implies something new. Something different. Something better. And, yes, something saleable, because it is all of those things.



(l) K-Concept's Kurt Kay and John Kurcheski.

(r) The Ball Claw in some of its "patent-pending" variations.



So how do you protect your investment in innovation so you can realize a return on that innovation? Let's let the guys from K-Concepts be examples.

You may have read about this Spring Garden Township (York County) company. It's a real Cinderella story. Guy tending bar makes sketches of an idea for a neat new product. Sketches are accidentally discovered by an area entrepreneur. The two form a partnership and product takes off.

In this case, the Ball Claw was a fairly simple, though incredibly innovative, storage solution for sports balls. The innovators were John Kurcheski, who invented the product, and Kurt Kay, whose family business was chrome plating, but who saw the opportunity and stepped in to help Kurcheski set-up and run K-Concepts.

Some of his entrepreneurial advice involved keeping things quiet until they could secure a patent. According to Kurcheski, the process was pretty straightforward. They had to supply the attorneys with drawings, which were then redrawn

by a specialist into the peculiar style the patent office requires. Other than that, it was just patience and money, with the cost running in the \$10-20K range. They began the process in Fall 2005 and expect to have their patent number in early Summer 2006. He advises that "there are a lot of considerations, so having an attorney is essential, even with a simple application like ours." K-Concepts used a Lancaster legal firm.

"There are two types of patents, design patents and utility patents. A design patent covers something that already exists but to which you make unique modifications, say a coffee mug with six handles. A utility patent, which is what we applied for, covers something completely new."

To a company like K-Concepts, which wants to continue to develop, manufacture and sell their own products rather than license them to some bigger marketer, the patent process is essential. Once the US patent is received, they plan to start looking abroad. "You have to buy a patent in each country," says Kurcheski. "First we'll look at the demographics to see where we want to sell Ball Claws, then we'll begin the international patent process."

It seems the US Patent office may well have to do some innovating of its own. According to an article in *Time Magazine* (April 10, 2006) it is besieged with applications—nearly half a million in fiscal 2005 alone, with IBM taking the prize for most patents awarded, 2,974.

But as IBM surely knows, and K-Concepts is learning, getting a patent is not the end of innovation. Once you've got it, you've got to protect it. Given the worldwidel market, and the simplicity of a product like the Ball Claw, that's a formidable task. But Kurcheski believes the best defense is a good offense. "We plan to keep on innovating."

On March 26, MANTEC hosted an awards ceremony for 12 manufacturing personnel who completed the six-month LEAN Manufacturing Certification Program-Level 1. In attendance were

LEAN Program Graduates 12

Congressman Todd R. Platts (PA-19), who congratulated MANTEC and the graduates, and Melissa Kelly-McCabe of Clear Intent Strategy, Naples, New York, who was the keynote speaker for the event.

"I commend these graduates and MANTEC, Inc. for taking steps to ensure that South Central Pennsylvania's manufacturers are poised to compete with anyone in the world," said Congressman Platts during his remarks to the group. Graduates included:

- ★ Greg Petersheim, Paradise Custom Kitchens, Inc.
- ★ Chad Enck, Fenner Drives
- ★ Joseph Schmadel, New Holland Concrete
- ★ Mark Leach, Advanced Interconnections Corp.
- ★ Troy Billet, Billet Industries, Inc.
- ★ Dave Swope, Jr., ESAB Welding & Cutting Products

- ★ Tony Liuzzo, J. Walter Miller Co.
- ★ Matt Zeamer, Fenner Drives
- ★ Dale Miller, J. F. Rohrbaugh
- ★ Ron Deegan, Littlestown Foundry
- ★ John Stonesifer, Littlestown Foundry
- ★ Bill Ryan, Pennex Aluminum

Workers' Comp

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Mistake # 5: Premium audits are responsible for many overcharges. Would it surprise you to learn there are 17 types of remuneration you do not need to pay Work Comp on? Almost 70% of the audits have errors and they all benefit the insurance company.

Mistake # 6: Ignoring problems all year and trying to solve them by quoting. Quoting does not fix any of these problems and only gives you a false sense of saving money while your Experience Mod and your premium continue to rise. It's not uncommon for employers to be paying 200-300% more than they should be, even though they get quotes every year.

Mistake # 7: Giving non-occupational medical doctors free access to your checkbook. You will pay HUGE penalties if your employees are not back to work as soon as they are physically able.

Mistake # 8: Huge claims often start on date of hire. It is often the case that up to 75% of the financial burden is caused by fewer than 10% of employees.

RFID

Continued from rear page

badges, and to record and transmit information on temperature, humidity, altitude and pressure. If you've ever used a FasTrak, I-Pass or EZ Pass in a highway toll booth, you've already experienced one of the benefits of RFID.

So What About Me and RFID?

The ultimate (and theoretical) goal is to reduce inventory to a point where a single item is delivered to the shelf just as the customer reaches for it. This means that the ability to track and control inventory is a key factor in reducing overhead, shipping expenses, stocking fees and "shrinkage" due to loss, theft or damage.

The recent interest in RFID has come primarily from large manufacturers and others who are continually looking for technologies that can improve their productivity. But, like the now-common bar code, you can expect that all levels of manufacturing and distribution are eventually going to have to adopt this new technology.



Joseph Schmadel (r), New Holland Concrete, receives congratulations from Congressman Platts on receipt of his LEAN Certification. MANTEC's John Lloyd looks on.



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RFID: LEMONS OR LEMONADE?

Part 1 of 3

By Rick Korchak
RFID Practice Area Coordinator
National Institute of Standards and Technology
Manufacturing Extension Partnership

Next time you're in a supermarket or a department store, try finding an item on the shelves that doesn't have a bar code. Bar codes are everywhere – they've become an integral part of our lives and an example of a relatively new technology that is now so widely used that it's taken completely for granted.

Bar coding was first used in retail on June 26, 1974, when a pack of Wrigley's Juicy Fruit chewing gum rolled down the conveyer belt and flashed under the scanner at Marsh's Supermarket in Troy, Ohio. If you are more than 30 years old, you probably remember grocery store checkout lines before bar codes and scanners. Every item was manually priced and the cashier had to enter the numbers on a cash register keyboard – and make change without computer assistance – how quaint! Mistakes were frequent and a trip through the checkout line took an eternity.

Bar coding changed all that, but not without controversy. It was a new technology. It was expensive to implement. Retailers and consumers didn't like it. It took many years for bar coding to become ubiqui-

tous and some thought the technology would never be widely used.

Fast Forward to 2006

This tale is now replaying itself with another technology from the same family tree. RFID, or Radio Frequency Identification, is rapidly becoming the buzzword of the 21st Century's first decade. It will affect us all and seems destined to have benefits – and consequences – far beyond bar coding.

Several very large organizations, including Wal-Mart, Target, the Department of Defense and others have begun to implement RFID technology to identify and track items throughout their extended enterprise. They are starting to require the use of RFID by their suppliers, and these mandates will eventually affect every organization in the supply chain, right down to the smallest manufacturer, distributor and retailer.

When will this happen? Wal-Mart required its top 100 suppliers to be RFID compliant by first quarter 2005, and they expect the rest of their suppliers to be using RFID within the next two years. The Department of Defense also expects all of their approximately 45,000 suppliers to become rapidly RFID compliant, as witnessed by their fiscal year 2005 contracts.

And it won't stop there – large original equipment manufacturers (OEMs) in the aerospace, automotive, food and other industries have also started implementing RFID technology. Within the next few years, RFID compliance will be expected by virtually every supplier in every industry sector.

So What Is RFID?

RFID can be thought of as the next generation of bar coding. It can generally be defined as a non-contact technology that can automatically capture data. RFID can be used to remotely identify, track, and communicate item and product information.

For example, if the local retail store receives a pallet with a variety of consumer products all packaged in different cases, each box and every item in the boxes must be individually scanned with a bar code system. An RFID system could allow the entire pallet and all its contents to be read as it passes by an antenna and reader, and each item can be identified and entered into the store's inventory without human intervention.

As RFID technology matures, more applications are becoming apparent. For example, the technology is currently being used in "smart" cards and security

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