



WHERE MANUFACTURING COMES TOGETHER™



Airline cost-cutting hits aircraft component manufacturers

As airlines are forced to cut costs to survive, aircraft manufacturers are doing the same. As a result, they have turned to outsourcing, and aircraft component manufacturers like Photo Etch in Fort Worth, Texas couldn't be happier.

By outsourcing, aircraft manufacturers are finding suppliers who can do good work, on-time, for less than it would cost to do the work in-house. Photo Etch has been able to save money for customers like Lockheed Martin, Boeing and Raytheon.

According to Randy Fry, President of Photo Etch, his company's revenues grew 30% in 2005 as outsourcing has increased, and he's ready to handle the added business. In 2004, Photo Etch moved into a 50,000 sq. ft. facility, which has 10,000 sq. ft. available for an expansion if needed.

Fry says the things that differentiate Photo Etch from its competitors are tied to their commitment to lean manufacturing. For example:

1. 100% on-time delivery: Three years ago, prior to implementing lean, the company was about 70% on time. Today, it is 100% on time with several customers, with overall performance among all customers above 99%.
2. Quality product: For the past three years warranty returns have decreased over 75% to a warranty return rate of less than 1%.
3. Shorter lead times: Three years ago, prior to implementing lean, lead times were 16 to 18 weeks. Today, they are 6 to 8 weeks. By the end of 2006, the goal is to reduce lead times by another 50%.
4. Operations: Photo Etch's building layout supports lean, with available capacity to support growth of at least another 70%.
5. Estimate turnaround: The company is able to return quotes faster than its competitors.
6. Leaning commitment: Mostly everyone has been trained on the basics of lean.
7. Strong vendor base: In 2006, plans are for key vendors to make the commitment to implement lean.

In the aerospace business, lean manufacturing is almost a requirement for doing business these days. In 2005, the aerospace, defense and space prime contractors and tier-one supplier companies (including Boeing, Lockheed Martin, and Bombardier) formed a nonprofit organization called the Suppliers Excellence Alliance (SEA) to implement a single lean business system through the U.S. supply chain and make it globally competitive.

According to Michael Beason, SEA Chairman of the Board, "The supplier of the future will be capable of 99.5% on-time delivery; lead time variation of less than two hours; six sigma quality;

inventory turns in excess of 15; and year-on-year cost improvements of 5-8%. The future supplier will do all of this and still maintain a 10-15% profit before taxes."

For companies like Photo Etch with a commitment to continuous improvement, these goals are an opportunity to pull ahead of the pack.

Copyright © 2006 Society of Manufacturing Engineers