



INSTALLMENT TWO | JULY 16, 2013

## PROFITS AND PRODUCT DIFFERENTIATION WITH SUPPLY CHAIN COLLABORATORS: BUILDING A WIN-WIN RELATIONSHIP

*For over 85 years, Kopp Glass has been a trusted advisor to OEM customers worldwide. Kopp's technical expertise and close collaboration with leading manufacturers has enabled us to develop cutting edge glass molding and engineering techniques that are responsive to the needs of industry.*

### HOW DO YOUR PRODUCTS COMPETE?

Who speaks for your customers? Are there many voices, and whose voice is most important? What are the elements of your value proposition that customers value the most, and how do those benefits differentiate you from your competitors in a way that drives the profitability of your customers? As a supplier, are you a part of the innovation or product design process of your

customers? Can you help your customers reduce waste and inefficiency? At Kopp Glass, we understand how difficult it can be to navigate these issues with customers because the rate of technological product obsolescence is accelerating almost everywhere and customers need help, notwithstanding their concerns about protecting intellectual property.

Competition based on product differentiation in ways that are meaningful to customers drives both market share and profitability. Price focused competition ultimately becomes a race to the bottom of profitability, and long-term profitability is the only true measure of performance. Who wants to win a race to the bottom?

Many of our customers are first and second tier suppliers to some of the largest OEMs in the world, and so there is constant pressure to reduce cost and generate value because of competition, where in many instances, the international economic playing field is not level. So, if product differentiation in ways that are important to a meaningful set of customers is one of the most important keys to profitability and a sustainable competitive advantage (at least for some period of time!) how do some companies stay ahead of their competitors while others fall behind as the pace of technological change accelerates?

#### MEET KOPP'S EXPERT

Robert Diana, Vice President of Operations, has over 25 years of experience at Kopp Glass. He's previously served as Kopp's IT Manager, Production Manager, and Director of Operations.

## **YOUR SUPPLIERS CAN HELP YOU TO INNOVATE**

We think that one of the most important (but often overlooked) ways to innovate and stay ahead of technological product obsolescence is to cultivate win-win relationships with your supply chain through involving them in the earliest stages of your innovation process. Although involving suppliers in their innovation process is new to many companies, we have been helping our customers in this way for almost nine decades. In our experience, the first step is to have a very deep understanding of what your customers really value. The second step is to understand which suppliers can help you the most with enhancing your value proposition, not only with cost saving design suggestions, but equally significant, suggestions for improving your products in ways that you had never considered. Just as you know more about your products than anyone else, at Kopp, we know more about molded technical glass and borosilicate filter glasses than anyone else in the world.

We are constantly amazed that so few companies make a meaningful effort to incorporate their suppliers into their innovation process. It seems that many companies worry excessively, perhaps at the behest of their lawyers and accountants, about protecting intellectual property and on getting the lowest possible unit price, while neglecting other important aspects of their relationships with suppliers. As an unfortunate consequence, the nature of some supply chain relationships has deteriorated over the last twenty years into predator-prey type relationships that virtually eliminates any possibility of collaboration based on a win-win relationship.

## **DON'T LET THE TAIL WAG THE DOG**

While risks certainly exist in innovative collaborations where intellectual property is disclosed, our experience is that there can also be substantial rewards for both parties that can't be ignored. We believe that any successful long-term innovation collaboration with customers and suppliers requires work and trust on both sides, with neither side attempting to control or coerce the other. At Kopp Glass, we work very hard to understand how our customers make money, and how we can help them increase market share and profitability with suggestions that improve their design ideas with our expertise in glass. We actively seek relationships with customers who seek win-win innovation collaborations where there is mutual respect and protection for the intellectual property of each party.

Our history of nearly nine decades is replete with instances where customers have approached us with a concept, perhaps only documented on the proverbial cocktail napkin. And through bringing the full weight of our glass engineering, mold and lens design and manufacturing expertise to bear on the problem, we have helped them to modify or create products that solve a problem of their customers in a unique way that no other glass supplier could have ever done. Needless to say, when this happens, risks and development costs decline, products come to market faster, market share increases, margins increase,

and profits increase much faster. That is the power of differentiation in ways that are important to customers.

### **WHICH SUPPLIERS ARE WILLING AND ABLE TO HELP YOU TO INNOVATE?**

How do you identify suppliers that are *willing and able* to collaborate with you on a win-win basis? Is it worth the time and effort? Again, there are no easy answers. Most suppliers are willing to talk about a lot of things, but that's pretty much where it stops. Willingness to collaborate on new products often depends on people and whether they are consumed with other, seemingly more pressing internal issues or whether they have time to invest in developing a deeper relationship with customers. If you can find a supplier who will be a willing collaborator in your success at developing new products, you will have an invaluable asset that is worth protecting and nurturing.

Once this happens, the next hurdle is to determine which suppliers are actually *able* to help you based upon your knowledge of what customers value. Do the suppliers have the depth and breadth of resources (people, experience, technology, capacity and capital) from which to draw to design and manufacture practical design ideas that will help you differentiate your products, or are they merely a hand to mouth "lifestyle" operation for their owners with inconsistent quality and delivery but cheap prices? Do they have proven "staying power," or are they built around one or two people? Do they lead their industry or do they attempt to copy what the leaders do? We believe that if suppliers don't innovate for themselves, it's unlikely they will be a good innovation collaborator for you. There are "pretenders" in every industry, and in our experience, they will waste time and other resources when it comes to innovation.

The customers with whom we collaborate are willing to change the tone of their "conversation" with us. They have demonstrated over the years that they understand and respect how we make money, and they respect our intellectual property the same way that we respect the ways that they make money and their intellectual property. In our experience, mutual respect is the foundation on which true innovative collaborations are built.

### **GO WITH SUPPLIERS WHO HAVE A PROVEN RECORD**

Aside from helping our customers to innovate, at Kopp Glass we are constantly investigating and looking at ways to add value to our products, through cost saving equipment, enabling technologies, glass compositions, learning new competencies, enhancements to our quality management system and continuous process improvement. We take great pride in our commitment to innovation, and we invite you to explore the ways in which we can help you to differentiate your products by collaborating with us.