

Dealers Deliver

more than machines

by Steve Molloy

You may think that a relationship with a used-machinery dealer involves little more than a transaction, but there are many value-added services that can sweeten the deal.

We don't usually associate the word "advantage" with the concept of "working through" someone else when it comes to purchasing equipment. Instead, we instinctively attach impressions like "additional costs," or "delays," or even "used car dealer"—the worst slight of all!—to such a relationship. But the fact is that we're buyers, too, so we share the same concerns and fears as anyone else who's in the market to purchase reliable gear machines.

Many of us have had less than desirable experiences when purchasing a new or used car, a boat, real estate, or any other major investment, and we've come away from it feeling unsatisfied, or even downright deceived. Let's face it, there are some unscrupulous characters running around out there, and I'm sure you know who to steer clear of in your particular industry. Well, the same is true for those of us who are in the business of buying and reselling equipment.

At Mohawk Machinery we buy hundreds of machine tools every year, and from such varied sources as auctions, bids, the government, the Internet, and both foreign and domestic manufacturers. And even though we try to learn everything we can about what we're buying in advance, sometimes we get "stung" just like anyone else, so we know how painful that can be. And we definitely don't want to pass our mistakes on to others: In fact, you don't stay in business for more than 50 years by passing your problems along to your customers.

During the past five decades we've learned a lot of lessons, so we'd like to pass along some of our thoughts on the business of buying used equipment.

Verification Matters

An old adage from the United States' dealings with the Soviet Union comes to mind here. Although we're not in the Cold War any longer, the idea of checking out the character and reputation of who you're dealing with is always a good idea. We recommend contacting any trade associations the dealer might belong to in order to see if there are outstanding complaints against them with the ethics board.

Request the names of a few customers in your area that the dealer may have sold machines to, and then call and ask them about their experience. It's probably a good idea to deal only with those who are active members of national and local trade associations such as MDNA (the Machine Tool Dealers Association) and AMEA (the Association of Machinery and Equipment Appraisers). And you could always check with the Better Business Bureau and the dealer's local Chamber of Commerce, of course.

An Eye Toward Equity

Look for someone who has considerable resources—such as a building, a warehouse, a staff, mechanics, electricians, riggers—because all of that has an associated cost. Machinery dealers are not unlike the people we deal with. All the manufacturers we have dealt with over the past 50 years have buildings and employees, raw materials and finished products, methods of distribution, and a sales force. The only difference is that the commodity we offer is the machinery you utilize to manufacture your finished parts.

Avoid dealing with someone who is operating out of the "trunk of his car." Sometimes these brokers are a good source of machinery, information, and contacts initially, and they may offer a price that sounds good, but with no "sweat equity" of their own invested, we've learned that they are often hard to find should a sale go sour. After all, it's easy to spend someone else's money.

True Turnkey Service

Mohawk Machinery was recently involved in a transaction on behalf of a rather large Fortune 500 company for upwards of \$200,000, but our customer wasn't allowed to see the equipment under power, couldn't talk to those who last operated it—as the former operators had all been laid off or reemployed—couldn't get any assurance from the seller that the machine would run, and couldn't get any portion of a refund or hold back money if the machine didn't work or was missing parts. In addition, the seller's attorney advised us that our company had to assure that the buyer wouldn't damage the building.

Sound like an impossible situation? Not to the machinery dealer who takes it upon itself to provide creative financing for the customer, as well as assistance in who they could use to remove, transport, and reinstall the machine, even providing operator training. With a good machinery dealer, the impossible becomes possible.

In addition, many used machinery dealers rebuild or at least recondition machinery in house. And, if not, we know of good quality rebuild houses or journeyman tradesmen who are capable of rebuilding or at least repairing a machine. When you've been in business as long as we have, no problem

is unique, because we've seen it all before—and that's an asset that only comes with experience.

Releasing the Pressure

Contrary to popular opinion, not all machinery dealers are "high pressure" salesmen. Most will put a machine on hold, allowing the customer to make the necessary travel arrangements. On request we will put the machinery under power for demonstration purposes and give the buyer a few days to make up their mind. Then there's always the standard MDNA 30-day return privilege. And if that's not enough, MDNA dealers offer additional breakdown insurance, much like they offer at the local computer store. Try getting that on eBay, or at your next auction sale.

What's the Payoff?

For the past few months we've been working with a couple of international customers on three #114 Gleason gear generators. After a series of "low-ball" offers we finally settled on a figure that we could live with. The only problem is that we never got the check. In the interim we were offered the chance to purchase the entire assets of Astron Gear—a Chicago-area gear manufacturer—where another #114 Gleason was up for sale. The only problem, our research confirmed from multiple sources, was that the machine was "an absolute piece of junk." We checked with a few reputable rebuilders that we know, and they made clear that they wouldn't even accept the machine as a "carcass."

Fast forward three months to auction day, when these same two international buyers locked horns and drove the price to an astounding \$80,000—\$90,000 or more once you enter the buyer premium and rigging—and the tooling was extra. Without disclosing our deal, as they may yet buy our #114s, they could almost have bought two and got one for free. Our machines were cleaned, painted, cycled under power, came with an impressive amount of tooling, were loaded on the truck, and included a 30 day money-back return privilege. So if you're left scratching your head wondering why people buy at auctions, welcome to the club: They would've been better off hiring a qualified machinery dealer to bid the machine for them.



Mingling in the Market

Some people take the time to research and manage their own stock portfolio, and some rely on professionals to handle their accounts. The same is true with the different types of machine tool buyers we encounter. Some would

rather stand around at an auction all day just for the chance to buy a good machine. Sometimes they pay too much (ie: more than a reputable machinery dealer could sell them the same machine for), and sometimes they go home empty handed. The same is not true with the stocking machinery dealer. We advertise what we own, and we will accommodate you like a real paying customer, not just another face in the crowd.

Around the Corner

The best part about my job is having the ability to tour plants of all types and sizes and see how other manufacturers solve their problems. We've closed down and liquidated everything from a nine-day, \$26-million machinery and real estate sale of a Superfund site; a five-day auction at McClellan Air Force Base; another at Kelly Air Force Base; made cash offers to buy facilities as large as the former F-15 manufacturer Northrup-Grumman; toured Lockheed-Martin and Boeing facilities with F-22s and C-130s on the assembly line; and sold, rigged out, and moved two machines in one year that each weighed 1.5-million pounds and filled 49 truckloads to our 200,000 square-foot warehouse in Cincinnati, Ohio.

It's been fascinating for me to see new manufacturing processes under development, from the time I was 10 years old and accompanied my father to a plant inspection where they were laser welding paper-thin turbo fan blades to a rotor—long before the advent of lasers being used in CD players. In fact, I was still playing records on my hi-fi turntable at the time.

Since then I've witnessed amazing processes such as solid modeling, electro chemical milling, hydroform and fluid-cell pressing, stretch-wrap forming, metal spinning, shear forming, magnetic super-conductive pressing, tape lay-up filament winding, powder metal, and high inertia gear pressing. Keeping up with advances in manufacturing allows us to make educated decisions regarding the properties and equipment we purchase, which our customers benefit from as well.

Appraise Your Worth

The past four or five years have seen a mass exodus of manufacturing plants going offshore, and never before have we seen such a proliferation of companies going out of business or downsizing. In addition to purchasing individual machine tools, I personally spend three to four days a week evaluating companies that are contemplating a consolidation, a downsizing, or a complete plant closure. In the last year we've liquidated three old-line gear companies that were more than 100 years old. Sometimes it's a management issue, and sometimes it's about labor demands, health care, EPA, OSHA, or tax pressures. More often than not these companies hadn't updated their machinery for 20 years or more. It's a shame to see hundreds of employees out of work when a different machine, process, or procedure might have been the saving grace.

If only a used machinery dealer had been consulted earlier in the process, because many times we can help stop the bleeding. Much like any other professional—a doctor, accountant, or a lawyer—at least you will know where you stand. Denial is often the kiss of death in the

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business world. I cannot begin to tell all the stories I've collected of companies that hang onto unproductive and unprofitable product lines that take 70 to 90 percent of their time, and ignore or fall behind in what should've been their core business. Often they were too close to see that their customer base had evolved from what they "had always done."

Something as simple and inexpensive as an equipment appraisal—along with accurate sales reports presented to your accountant or bank—can prolong production and improve the business climate. As unbiased and uninvolved observers, a used-machinery dealer can, at the very least, give the manufacturer a true picture of what his assets are worth. We recommend a complete machinery health check every five years, in the form of an equipment appraisal.

Machinery Placement

Whether you're contemplating selling a machine or a machinery package in the next six to 12 months, need to better utilize floor space, are outsourcing your product, or you are shutting down completely, it is advisable to contact a used machinery dealer early in order to determine what your options are. An auctioneer might be able to help you the day of the sale, but if you wish to remain in business for the long term—or require pricing, outsourcing, or market knowledge—there is no substitute for a knowledgeable and trustworthy used machine-tool dealer. After all, you need to sell your

surplus equipment when it becomes unproductive, and we need companies to sell to. Think of us as your "plant doctor." Put your buying and selling needs in our hands, and your manufacturing concerns will remain healthy and viable well into the future.

Value Added

Recently I've noticed that a lot of the older equipment is being replaced with more-productive CNC machinery. What with the inexpensive imports flooding the market—coupled with many old-line manufacturers such as Maag, Pfauter, and Fellows going out of business, compounded with the fact that many older U.S. and German-built manual or old generation CNC gear generators, grinders, hobbers, and shapers are no longer being supported by the manufacturer—the survivors in our business are the dealers who can assist the young entrepreneur in gaining a foothold in the manufacturing business by selling them older-technology machinery and providing training, parts and service, and financing, all at an affordable cost.

At the same time we must continue to keep in contact with the Tier 1 automotive, aerospace, and general commodity manufacturers who wish to upgrade to a later CNC generation machine, without the substantial cost and delivery delay of a new machine. These are just a few of the services that today's resellers must provide—and what you must look for when dealing with a used-machinery dealer. ■

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