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Capital Spending to Increase as Machine Shops Seek Productivity

Brought To You by Lenox Industrial Metal Cutting Blog | Dec 07, 2017

What You Need to Know

Machine tool consumption peaked at $7.5 billion in 2014, and then contracted 3 percent in 2015 and 7 percent in 2016.
Shops need to increase productivity in order to remain competitive in a global manufacturing marketplace and to counteract the much-talked-about skills gap.

Thanks to an unstable marketplace, capital spending among machine shops and other metalworking companies has been down for the last several years. However, new reports suggest a rebound in the near future.

According to data from Gardner Business Intelligence (GBI), machine tool consumption peaked at $7.5 billion in 2014, and then contracted 3 percent in 2015 and 7 percent in 2016. Based on GBI's ***Capital Spending Survey,*** projected total machine tool consumption in 2017 will be down an additional 1 percent. However, as reported ***here*** by *Modern Machine Shop*, the survey also shows that demand for core machine tools will increase in 2017 by 9 percent. In addition, GBI's new econometric model for machine tool unit orders indicates that the rate of contraction in overall machine tool demand bottomed in July 2016 and will improve through the end of 2017.

Steven Cline, Jr., director of Market Intelligence at GBI, says the driving force behind the projected rebound is the need for increased productivity. "Shops need to increase productivity in order to remain competitive in a global manufacturing marketplace and to counteract the much-talked-about skills gap," Cline writes in *Modern Machine Shop*. "More and more shops are turning to lights-out and/or unattended machining to achieve this increase in productivity, but new equipment, including machine tools, workholding and automation, is needed to run lights-out."

As reported in the news brief, "***Strategies for Training and Maintaining Talent in Industrial Metal-Cutting Organizations***," industrial metal-cutting companies have spent the last few years investing a lot of time and resources into their workforce. This has helped boost productivity and address some of the skills gaps, but the GBI survey suggests that shops are seeking a balance that requires investments in both human capital and equipment.

For example, Speedy Metals, an online industrial metal supply company and processor, recently upgraded its band saws to improve efficiency. "We had been searching for a reasonably priced, high-production band saw to add to our saw department and boost our production," Bob Bensen, operations manager, tells ***Modern Metals.*** "We needed a reliable band saw that was going to stand up to the rigors of our fast-paced environment."

Bensen went on to say that the new band saw, which has nesting capabilities and allows his operators to cut a variety of metals, has improved productivity. This, he adds, has given Speedy Metals a competitive edge and allows his company to continuously offer same-day shipping on quality parts and customized saw cuts that meet the closest tolerances.

Similarly, metal-cutting companies like Aerodyne Alloys are investing in new metal-cutting tools to further improve efficiency. Working with hard-to-cut metals like Inconel 718 and Hastelloy X, the metal service center decided to upgrade from bi-metal blades to carbide-tipped blades to get higher performance out of its band saws. After upgrading to a carbide blade, Aerodyne was able to tackle hard, nickel-based alloys, while also improving cutting time on easier to cut materials like stainless steel. According to a ***case study***, this helped improve operational efficiencies at Aerodyne by up to 20 percent.

Of course, not all capital investments offer a good return. If your shop is considering investing in new equipment or tools this year, be sure to measure cost against productivity. According to the white paper, ***Selecting the Right Cutting Tools for the Job***, managers need to weigh the following:

- Upfront costs against overall operating and maintenance costs
- Long-term productivity of a machine and its intended use
- Equipment and blade life, as well as cost per cut

There is no question: Staying competitive in today's market is tough. Demands for high quality and quick turnaround continue to increase, while cost pressures and issues like the skills gap remain.

How will your shop respond? As the GBI survey suggests, it may be time to consider making some capital investments to ensure that your team is fully equipped to meet demands.

Key Takeaways

- Industrial metal-cutting companies have spent the last few years investing a lot of time and resources into their workforce. This has helped boost productivity and address some of the skills gaps, but shops are seeking a balance that requires investments in both human capital and equipment.
- Not all capital investments offer a good return. If your shop is considering investing in new equipment or tools this year, be sure to measure cost against productivity.

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