

# Some small companies grow as large firms cut costs

Niche businesses that can help bigger firms cut costs are expanding in sour economy

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Associated Press

LATROBE, Pa. — For 10 years, Conicity Technology has been trying to convince the nation's largest manufacturers — from auto companies to Caterpillar — that its products could save them millions of dollars.

The technology that extends the life of manufacturing tools was a tough sale when the economy was growing. But since the recession began, Conicity's revenue is up 75 percent.

Welcome to another side of the new frugality sweeping the country from individual consumers to global conglomerates: Small companies that offer unique ways to cut costs or help big companies retain customers are seeing their businesses blossom.

"That's the beauty of a small business," said Lynn Vos, the Savannah-area director of the University of Georgia's Small Business Development Center. Small businesses are able to roll out products quicker than corporate behemoths. "They can respond quickly to changing market forces and they're not afraid to try."

Conicity has perfected a technique known as microgeometry — a process that gives tool blades a unique shape, extending their life.

Car manufacturers, for example, use a \$200 carbide drill to make bolt holes on crankshafts. Typically, the drill

bores about 600 holes before breaking. With the Conicity edge, the same drill can make 2,400 holes. Companies such as Ford, Chrysler and GM spend upward of \$200 million a year on drills and other tools.

When the economy is booming, "it's easy to step over a small company," said Bill Shaffer, Conicity's executive vice president.

"But now they can't look away."

Shaffer estimates his technology could save them upward of \$60,000 a year on each tool. That's the equivalent of one auto worker's salary, without bonus or overtime.

That adds up when manufacturers have reached the point where they have laid off as many people as they can without halting production.

"When you get to that point, then you have to look somewhere else for cost saving," Shaffer said.

Until late 2007, companies that wanted to add Conicity's edge to their tools had to ship them to Latrobe to have them fitted in large, energy-hungry machines.

Now, Conicity offers a vending-style machine that can be leased or bought by manufacturers. With 15 minutes of training, the 20-second process can be done in-house.

Since then, Conicity has delivered 30 machines to companies nationwide, their placement noted by colorful thumbtacks on a U.S. map behind Shaffer's desk. Companies that never let him past the reception area now seek his assistance. Recently he gave his spiel to corporate bigwigs at John Deere in Waterloo, Iowa.

Other industries are also

seeking help to cut costs.

Allegiance, a software company in South Jordan, Utah, has enjoyed triple-digit sales growth in the past 18 months and has hired 14 people in the past year, said Chris Cottle, the company's vice president of marketing.

The reason: Allegiance software allows companies to survey customers and respond to feedback through a single, Web-based platform.

Besides increasing customer retention, Cottle says Allegiance software allows companies to meld their surveys. For example, rather than human resources and marketing surveying separately, they can both use Allegiance software, at an average cost of \$100,000 a year, saving money, manpower and time.

Corporate frugality is so trendy now that Allegiance's Cottle said even some of the biggest corporations are moving away from their traditional \$2 million-a-year Gallup polls and using his software instead.

Melanie Jones, e-commerce manager for Ultradent, a dental equipment company also based in South Jordan, said Allegiance allowed it to streamline how it gathers feedback, making it easier to find and respond to customers who were unhappy. And in this economy, customer retention is key, Jones said.

Ultradent started using Allegiance software in 2006 and estimates it saved about \$330,000 in sales in the first year — and more every year since.

So while Ultradent, a company of almost 800 employees and more than \$100 million in annual sales, has made signifi-

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cant cuts — including halting 401K matches, stopping subsidized lunches and eliminating the practice of cashing out on sick and vacation days — it has only had to lay off five people, Jones said.

Melissa Wegner, market

research manager at Dallas, Texas-based Texans Credit Union, said all the company's departments were charged with cutting spending to avoid layoffs.

So she began using Allegiance software in January, cut-

ting her department's research budget by 60 percent.

"Economic times are difficult, we need to cut costs," she said. "We've avoided layoffs and plan to."