

Case Study: Stewart Industries

Stewart Industries launched in 2000, providing just-in-time assemblies that feed main production lines of automotive manufacturers. In 2011 the Battle Creek-based company wanted to explore other industries and became one of the first participants in Michigan's statewide Economic Gardening® program, going through two additional engagements in late 2014 and 2015. The three rounds have dramatically impacted the company's identity, capabilities and competitive strategy, says CEO Erick Stewart:

“The Economic Gardening process really helped us define who we were in the marketplace as we got ready to enter other sectors,” says Stewart. “Each round taught us something and has been very important to our growth and development.”

In the first engagement, Economic Gardening researchers identified potential customers in aerospace, renewable energy, construction, military, high-speed rail, agricultural and recreational industries — along with specific risks inherent in those sectors and potential competitors. They also made recommendations for revamping the company's website.

“Although our old website was visually pleasing, it was just an electronic brochure and somewhat misleading about what we really did,” Stewart says. In contrast, the new website shows the breadth of his company's capabilities — from product versatility to working with all types of materials including rubber, aluminum, steel and foam. The website also explains how industries can benefit from subassembly, which remains a newer concept for some manufacturers.



Erick Stewart of Stewart Industries in Battle Creek, Michigan

In Stewart's second and third rounds of Economic Gardening, the research team:

- Took a deeper dive into the new industry sectors they had identified previously, providing data about revenues, profits, and past and projected growth.
- Produced detailed lists of prospective clients in these industries, including corporate demographics and information about the materials and services they specialize in.
- Investigated automotive customers that have supplier diversity requirements.
- Identified prospective clients for metrology services, an area that Stewart was thinking about adding.

Stewart says the information provided by the research team was compelling — and prompted him to make changes in his internal structure. “When you finished an Economic Gardening engagement, it's not like you immediately jump into the deep end of the pool,” he explains. “There is a transition period

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before you reach out to the prospects identified by the researchers. I needed to fix my own house to move up the road.”

That transition included dramatically increasing production efficiencies, and Stewart Industries has moved from being 85-90 percent efficient on 50 percent of its assembly lines to being 98 percent efficient on 95 percent of lines. “We’ve also seen leaps and bounds in improved quality,” Stewart adds.

The payoff: Stewart Industries is now attracting customers from new industries, such as medical supply — and new customers in the automotive space.

The metrology research was particularly important for Stewart and gave him the confidence to invest \$500,000 in a metrology lab with high-end equipment to begin offering dimensional inspection services. The new division should bring in an additional \$2 million to \$2.5 million in revenue per year, Stewart says. “This may not sound huge, but it gives us exposure to customers that might not have looked at us otherwise.”

Stewart Industries has also expanded into new product areas, such as ignition coils and roof racks for vehicles — the latter which attracted two new OEM customers in 2015. “This is a dramatically different space for us, and has helped us get ready for other types of products,” Stewart says.

Another plus, the new products and services are more profitable. For example, in contrast to the company’s traditional assembly business, which had margins of about .5 percent, the roof rail racks generate margins of about 4 percent. Stewart aims to push margins on all offerings to 8-10 percent and grow annual revenue beyond \$50 million by 2021 — up from about \$35 million in 2015.

Since entering the Economic Gardening program, Stewart’s staff has grown from about 75 to 90 employees. “That may not sound dramatic, but what’s different is that we’re adding more high-paying jobs,” Stewart says. Indeed, the new metrology division already created four positions in the \$55,000-\$75,000 range, and Stewart plans to add several more of these jobs later in 2016.

“Economic Gardening has helped us move from being a small, one-dimensional business of building assemblies to being a dynamic, multi-dimensional company with a continuum of services,” says Stewart. He points to tool building, coordinate measuring machine (CMM) services, and program controls for mistake proofing — work that previously had to be outsourced.

Stewart says this research also gives him a tremendous advantage when meeting with potential clients. “I have information they wouldn’t expect me to have, so when I get in the room with them, I’m more prepared and dynamic because I’m already in tune with their needs.”

“Economic Gardening has given me the structure and horsepower to make key decisions in the growth of my company,” says Stewart. “It’s been an entire game-changer.”



The National Center for Economic Gardening is a partnership between the Edward Lowe Foundation and Chris Gibbons. NCEG helps state and regional organizations establish Economic Gardening networks, delivers Economic Gardening services and maintains national standards in training and certification. To learn more, visit www.edwardlowe.org.