



MARLIN RISING - Check Out the Marlin Steel Blog!

LEADING AN AMERICAN MANUFACTURING RENAISSANCE



Making That Slow Dough

This niche U.S. manufacturer fended off foreign competition by radically reshaping its pricing and customer base.

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photo by Francine Mastini

Warren Buffett once said, “If you’ve got the power to raise prices without losing business to a competitor, you’ve got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you’ve got a terrible business.”

By Buffett’s reckoning, then, [Marlin Steel](#) had a terrible business 10 years ago.

In 2003, Marlin made \$800,000 selling wire bagel baskets, and it was sinking fast because of newfound competition from Chinese factories, which were selling bagel baskets for \$6—half of what Marlin’s baskets cost. “Marlin’s customers were switching to save \$200 a store. And Marlin would never be able to match its Chinese competitors on price,” reports Charles Fishman (@cfishman) in *Fast Company*.

There were no barriers keeping new global competitors at bay or preventing price-conscious customers from straying. So Marlin Steel built them within a radically rethought business plan.

In the article “The Road to Resilience,” Fishman describes in vivid detail how Marlin, now a \$5 million maker of steel products, transitioned from making wire bagel baskets for customers like Bruegger’s and Einstein Bros. to making custom baskets, hooks, and precision sheet-metal products for customers like Boeing, Caterpillar, GE, Merck, and Toyota. The baskets used to hold food; now they hold “everything from microchips to turbine blades,” Fishman writes.

The transition began in 2003, when Marlin received an inbound sales call from an engineer at Boeing who wanted 20 wire baskets. “The Boeing engineer, who had seen a Marlin ad in the *Thomas Register*, a pre-Internet manufacturing directory, wanted baskets to hold airplane parts and move them around the factory. He wanted them fast. And he wanted them made in a way Marlin wasn’t used to—with astonishing precision,” Fishman writes. “. . .The Boeing engineer needed the basket’s size to be within a sixty-fourth of an inch of his specifications.”

Marlin owner [Drew Greenblatt](#) told the engineer that such precision would cost him \$24 a basket. The engineer didn’t seem to mind. “I’m trying to sell a basket for \$12, the bagel shops are saying, ‘I’m not paying more than \$6.’ I’m ready to jump off a

bridge, and here's a guy who just shrugs at the outrageous sum of \$24. I was like, "Wow. He's price insensitive," Greenblatt tells Fishman. That aha moment led to the company's rebirth.

Marlin's experience provides three key takeaways about business model innovation:

1. Know what you're really selling.

"The lesson for Greenblatt," Fishman writes, "was that the wire basket was only part of his product. To Boeing, he was selling engineering, precision, and speed, too." Another way to frame this concept is by asking one of Harvard Business School professor Clayton Christensen's famous questions: What job are you hiring this product/service to do?

2. Re-evaluate your customer base.

"After the Boeing job, Greenblatt did a little poking around, and he made two discoveries," Fishman writes. "Factories have a huge appetite for wire baskets, which they use to stage parts for assembly; a single big factory has thousands of them. And in the United States today, factories outnumber bagel stores by a hundredfold—333,000 to 3,100."

3. To build barriers to exit, satisfy the customers who are hard to please.

They'll pay you handsomely and be hesitant to switch based on price alone. "Greenblatt wants the toughest [customers], the kind who make his competitors roll their eyes," Fishman writes, because ". . . what those customers realize is that baskets aren't interchangeable commodities."

THE PLUS

U.S. politicians are fond of visiting factories. In the video below, you can see footage of former Treasury Secretary Tim Geithner's visit to Marlin. The video, which provides glimpses of Marlin's headquarters and the equipment it uses, also reveals that Marlin exports 25 percent of its wares to 34 different countries.

<http://thebuildnetwork.com/innovation/marlin-business-model-innovation/>

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