# Manufacturer Viability: Is It An Issue?

Choosing a product or manufacturer used to be a lot easier. While it was full of complexities, your focus was traditionally on the product and its merits. You made a list of what your objectives were, compared features and functionality, and occasionally did a shootout. Sometimes you used an expert to help, but the product or the system was the main focus.

Selecting an integrator was simpler as well. You checked references, called around, and looked at prices and past performance. Maybe word of mouth played a bigger part or made you predisposed to liking someone, but rarely did you venture into the financial aspects of the selection process.

As a result of the down economy we are presently living through, most clients of ours find they no longer have the luxury of just looking at part of the picture. The financial story behind a manufacturer, vendor or integrator is now a major part of the consideration process. In fact, it’s the first point of review on most projects. Considering the financial longevity of a supplier will impact so many aspects of your project, it’s foolhardy not to give *due diligence* its due diligence.

**Gauging a Manufacturer's Viability**
Financial stability is arguably more important in a manufacturer than an integrator. If an integrator goes under, another integrator can usually be found to complete the project and support the system. In fact, if the payment terms and project supervision has been structured properly, replacing an integrator is usually nothing more than an inconvenience. Not so with a manufacturer.

Look for firms that are profitable and have the resources to withstand an extended downturn. Many start-ups or companies that are expanding rapidly are heavily reliant on venture capital. While this funding was readily available several years ago and is starting to materialize again, not all of the business plans that qualified for vast quantities of money will receive such largesse today. Our clients are extremely risk averse in this area; there are just too many good companies to choose from to take too many chances that a key partner will disappear.

A company being acquired by another company is not usually a good sign either. While this is harder to predict, a knowledgeable industry expert can usually gauge the likelihood of this happening and steer you clear of companies on the edge. Even a merger of two strong companies usually has casualties as duplicate product lines are rationalized and eliminated. Development can change focus, and upgrades that have been promised may never materialize.

One example of this is the acquisition of GE Security by United Technologies Corp. (UTC); it remains to be seen how the pieces all fit together. Will both fiber optic product lines remain? Is there duplication in the embedded DVR lines? With smaller companies, the issue is even more pronounced. GE acquired Covi Technologies some time ago, and another merger later that product line and technology has (from outward appearances) disappeared.

Financial difficulties often lead to staff reductions which can impact end users even after the system is installed. In an increasingly software focused world, lacking staff to perform comprehensive bug fixes and upgrades often forces a system user to perform costly system upgrades long before they are planned or put up with deficiencies that can compromise the safety and security of a facility.

In difficult times, the natural selection process doesn't work as well either. Manufacturers are less likely to walk away from a job, even if they know their products aren't a perfect fit. We've seen many projects where the manufactures simply misrepresented their products to get the job, or promised an upgrade that never materialized. While this is sometimes the nature of the competitive sales process — promise anything to get the job — it is particularly evident during lean times. Sometimes it takes some skill to determine what's "real" and what is an empty promise.

**Integrators Make Promises Too**

Manufacturers aren't the only ones suffering during lean times, and the "promise anything" approach is used by integrators as well. For example, on a recent project where bids were opened and read publicly, pricing ranged from $215,500 to $601,000 for a system that was tightly specified. Since there were almost no variables (product performance requirements demanded stringent compliance), each bid reflected an identical system.

While a competitive environment contributed to the wide range, in many cases we see integrators bidding jobs at or below cost just to get the work. They may feel they will make it up on change orders or they will make substitutions that will save them money — the end user can benefit if a low bidder such as this is monitored closely — but it can create delays in completing projects as there's no money left in the job to send people back to clean up the loose ends. In our experience, the jobs that tend to drag on forever often do so because they weren't profitable for the integrator.

If an integrator is taking on work for little or no profit, the obvious question is "Will they be around to support you in the future?" If this is a concern, the best an end user can do is ensure everything is documented properly. Transitioning to another integrator is a nightmare without proper drawings and installation "best practices." This means that wiring should be identified and routed neatly and logically. If you have to pay another integrator to troubleshoot or clean up the mess later you are certain to lose more than the low-bidder savings you realized initially.

So what can you do to prevent this from happening? While everyone asks for financial information and references, few people check them. Add that to your checklist, and make sure someone on your procurement team has an ear to the ground and knows what is going on in the industry and in your market. But overall, the old adage has never applied more than it does now — "If it seems too good to be true, it probably is."