

# Success Story

Market Diversification

Hotset Corporation

## Market Diversification Strategies Ignite New Opportunities

Manufacturing electric heaters for more than a quarter century made Hotset Corp. an expert in coil heaters, cartridge heaters and sensors, but it took a mindset change to turn the company into a heat innovation and engineering leader.

“There was a realization inside the company that if we stayed on our path, we would see continued decline in profit as we found ourselves in a highly competitive commodity market with increasing labor and materials costs,” noted Sales and Marketing Manager Ken Sunden.

Hotset faced several challenges with its traditional products: Cost containment had become difficult to manage as rising prices for stainless steel, nickel and specialty ceramic added to already significant salary costs for the labor-intensive products. The company also faced increased price competition from direct competitors who were moving production facilities to low-cost markets including Mexico and China.

To re-invent itself, add value to its products and services, and diversify its markets, Hotset turned to the Michigan Manufacturing Technology Center–West (MMTC–West) regional office at The Right Place.

MMTC–West created a customized assistance package to help the company understand its strategic strengths, identify new market opportunities, and prepare itself internally to compete successfully in those markets. MMTC–West partner, Blue Ocean Strategies, led Hotset through MMTC’s Market Diversification Program, which included an internal assessment and objective measurement of the company’s strengths and weaknesses. Strategic market analysis and planning followed as well as the implementation of a gated innovation process.

The multi-tiered approach was designed to not only meet Hotset’s immediate needs, but to also teach Hotset’s staff the skills and techniques they needed to continue successfully identifying, evaluating and leveraging future opportunities.

“MMTC is not just about training,” explained Regional Manager Bill Small. “It’s about strengthening manufacturers by giving them access to the knowledge and technologies that will make them more competitive. As part of The Right Place, that MMTC–West mission is a significant part of our strategy to retain and grow manufacturing investment in West Michigan.”



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*Ken Sunden, Sales and Marketing Manager, Hotset Corp.*

“With this assistance, we were able to identify areas where we were building less profitable products and were able to replace those products with higher value, higher revenue heaters and assemblies,” added Sunden. “We have identified new markets where heat is more critical to the process, where our products and services have more value.”

One of the greatest revelations to come out of that process was the company’s strategy to target markets in which heat was a critical component within the manufacturing process. Using this and other data from its new-market analysis and ideal customer profiles,

Hotset has identified high-end, precise heat management opportunities in the electric vehicle, medical and dental device, fuel cell, military aerospace, engineering services, and food processing industries. It has already secured new business contracts with medical OEMs, military, and large industrial firms. Other recent projects include:

- Developing a multi-million-dollar energy-saving opportunity, and more hygienic design for a food processing client,
- Developing a Flow Heater for electric vehicle batteries, improving their effectiveness and lifespan,
- Developing heater assemblies that are essential components in emerging cost efficient, portable detection technologies for more than 2,000 diseases,
- Creating technologies that have improved the responsiveness and energy efficiency of the hydraulic systems on U.S. military jets,
- Developing coil heater based assembly components of Mass Spectrometry systems capable of detecting per billion, and
- Collaborating with Michigan Hot Runner Companies to extend the capabilities of their existing product designs, and development of new product offerings

Focusing the entire Hotset team on the new direction and goals was also a priority for the company. To support that strategy, Hotset developed a formal, stage-gate innovation process, and is implementing a pipeline program to encourage team involvement and channel new product and service ideas into evaluation and development. The company has also developed technology road maps to help it identify and understand future threats and opportunities.

“We have trained our salespeople to identify opportunities more consistent with our new mission and vision,” Sunden said, noting that internal communications and training had extended to other teams as well. To support better interactions with clients, Hotset has also launched web-based conferencing, contact management and quoting. The quoting tool is used by customers and sales staff in developing quotes that are more specific to the customer’s requirements, and generated in less time. In recognition in these and other strategic goals, Hotset is also altering its public persona. This fall, the company will change its corporate identity and marketing to reflect its new name – Nexthermal – and new logo.

All of which has sales and revenues heating up for Hotset/Nexthermal. Last year’s fourth-quarter revenues

were the highest in the company's history. U.S. distributor ranks were up 30 percent during the first quarter of 2010 over first quarter 2009, and the company is currently negotiating a project that if awarded, would result in the largest contract in the company's history. New business has also driven a more than 15 percent increase in staff including positions in accounting, shipping, manufacturing and engineering.

"The core benefit of our training, involved brainstorming and discovering our true core strengths, prioritizing them and testing them with our customers," said Hotset President Srekumar Bandyopadhyay. "The knowledge we have with respect to heat transfer has proven to be of great interest to new markets. With MMTC's assistance, we now have a strategy and process to take advantage of that interest, creating sustainable growth for the company."

**Hotset Corporation**

1045 Harts Lake Road  
Battle Creek, MI

**Website:** www.hotset.com

**Established:** 1989

**Employs:** 55

**Products:** specialized fasteners

**Industries Served:** Packaging, Plastics, Rubber, Scientific Analysis, Hot Glue, Vacuum Applications, Die cast

**Primary NAICS:** 333994

**Revenues:** \$5-10 million

**The Bottom Line**

- 26% increase in revenue 4Q 2009 over 4Qr 2008; 15% increase 1Q 2010 over 1Q 2009
- Three years of successive growth: 2007 - 2009
- 35% revenue increase 2006 - 2009
- 15 % increase in company payroll with new staff in accounting, shipping, manufacturing and engineering
- 30% increase in U.S. distributors 1Q 2010 over 1Q 2009
- New industries served: Electric Vehicle, Medical Device, Dental Device, Fuel Cell, Military Aerospace, Food Production, Engineering Services

