

# What's in Store

**CTE's first cost-justification and planned-expenditures survey reveals what metalcutting companies intend to buy in 2004 and why.**

**H**ow can you justify that!? This is a common query from one spouse to another after the purchase of a new "toy" or garment, but CUTTING TOOL ENGINEERING wanted to know how parts manufacturers justify their tooling purchases, so we mailed a questionnaire to 1,000 decision-makers on CTE's circulation list.

The questionnaire asked about company size, whether a financial-analysis procedure for justifying purchases is present, the type of financial analysis used to justify purchases, the dollar amount projected for 2004's tooling and equipment acquisitions, and how that total figure compares to the amount spent in 2003.

The survey was anonymous, and there was no "incentive" for participating. CTE received 224 partially or fully completed questionnaires, a 22.4 per-

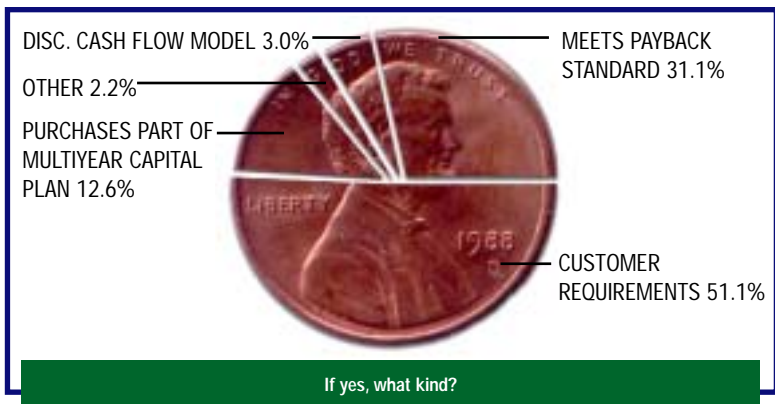
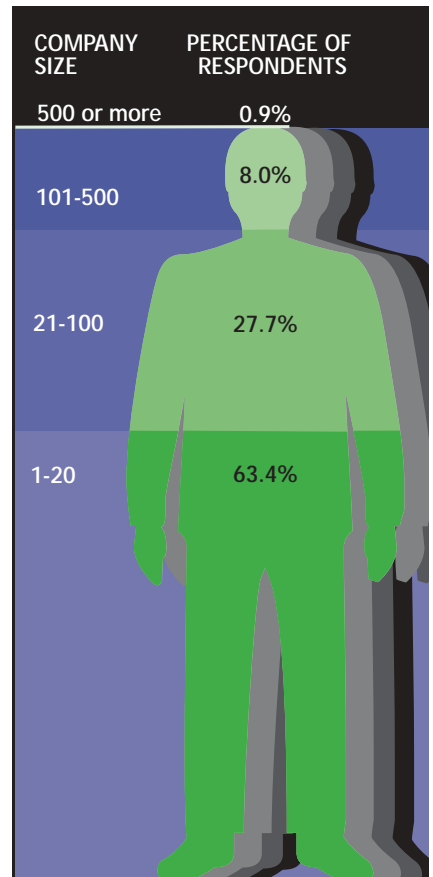
cent response rate.

Although CTE's circulation is fairly evenly distributed among small, medium and large companies, the majority of the survey responses, 63.4 percent, came from companies with fewer than 20 employees.

Of the 45 percent of the responding companies that do have a formal financial-analysis procedure, the majority, 51.1 percent, bases it on customer requirements.

When the justification is that a purchase needs to meet a payback standard, the average required payback is 2.32 years.

Turning to the project expenditures for 2004, it's no surprise that machine tools will consume the most dollars. Based on the 189 responses that indicated a planned expenditure in one or more product categories,



Average number of years for payback  
(if meets payback standard):

**2.32 years**

\$131,911 will be spent, on average, for machine tools.

Second on the list is cutting tools. The average planned spending for cutting tools is projected to be \$52,380.

At the other end of the scale, respondents indicated they will spend the least on metalworking fluids, with an average planned expenditure of \$3,355.

Compared to 2003, 46.9 percent of the respondents will spend more this year on tooling, equipment, software and accessories, 39.1 percent will spend the same and 14.0 percent will spend less.

The questionnaire also asked for comments, and from those remarking about this year's economic outlook, it appears 2004 is poised to be a good year.

Here are some of the respondents' comments:

■ "Business [is projected] to pick up."

■ "In '03 we were off 10 to 12 percent from the last 3 years in sales, but overall, '04 looks to be a good year."

■ "The bottom has been reached, but we don't believe we'll stay there long!"

■ "We finally seem to be getting busier after 3-plus years of declines. It's a great feeling."

Of course, concern about competi-

tion from countries with low-cost labor persists.

■ "If we continue to see manufacturing companies leave this country, we'll be buying much less. There's still a big problem with so-called 'cheap labor' overseas."

However, the desire to compete by automating processes remains.

■ "We believe in [adding] technology over adding people."

Same 39.1%

Less 14.0%

More 46.9%

How does 2004 investment compare with 2003?

