



# Associated Addition

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August 2012

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**E-mail Quotes**  
[quotes@associatedfinishing.com](mailto:quotes@associatedfinishing.com)  
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**Fax:** 507-345-5828

**Need help with:**  
**Order pick-up**  
**Brian Christnagel**  
866-345-5861 ext. 211

**Status on an order**  
**Ryan Kapsner**  
866-345-5861 ext. 246  
or  
**Jammy Harroun**  
866-345-5861 ext. 221

**Quality**  
**Alan Baer**  
866-345-5861 ext. 206  
or  
**Christine Doering**  
866-345-5861 ext. 212

## Behind the Scenes Look At AFI's Team (SNEAK PEEK)

This month we are featuring Jammy Harroun, Operations Assistant. We thank Jammy for visiting with us and allowing us to feature him as the second SNEAK PEEK employee article in the AFI newsletter.

Jammy Harroun has become a familiar name to most of our customers --- especially when they want to know when their orders will be done. One of Jammy's many roles involves talking to customers about their specific needs and timelines.

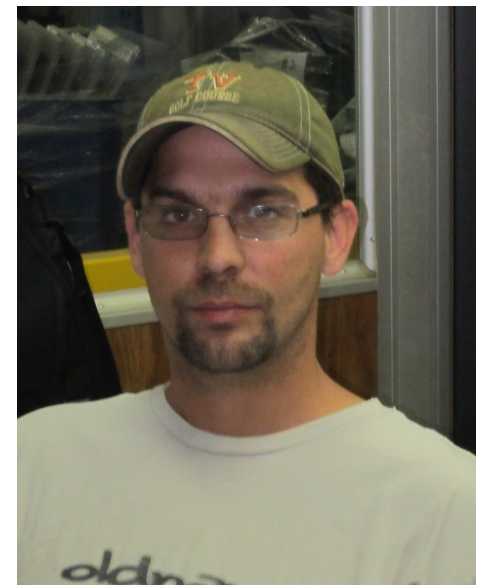
In May of 2000 Jammy started working at AFI as a packer/hanger on our paint lines. His skills were soon noticed and he was quickly promoted to a painter and soon after became lead-painter on our largest paint line. When the 2<sup>nd</sup> shift supervisor position opened up, Jammy was quickly offered the job and he held that position for 4-5 years learning all aspects of painting, powder-coating, stripping, and shipping.

As Jammy's personal life required more "family duties", he opted to move to first shift and run the liquid paint department. The duties around the liquid paint area gave Jammy the chance to develop his knowledge of both liquid and powder paint which allowed him to assume responsibility for all paint and powder equipment maintenance. This led to his current position of Operations Assistant where he and Ryan do all the production scheduling for the plant and assign tasks to all work centers.

Jammy says his favorite thing about his job is the people. "Everyone here is great to work with and I enjoy the interaction with our customers." He says the least fun part is when we don't get something done for a customer that we expected to.

Although no firm wedding date is set yet (we keep teasing him), Jammy is engaged and has a three year old daughter to keep him busy when he's not at work. Their favorite vacation spot is in Northern Minnesota. "I love the wilderness", says Jammy. He also says a European Vacation visiting historic sites is on his bucket list.

Hopefully this gave you a little snapshot of the man scrambling to meet all the expedites and **"HOT RUSH"** jobs. We are proud to have a person like Jammy representing AFI because he sets a great example for all of us by constantly improving himself. Not only is he consistently working to improve himself here at AFI and actively involved with his fiancé and daughter, but he also finds the energy to attend classes at South Central College to pursue a college degree. We congratulate Jammy on his efforts and wish him a blessed journey toward his goals.





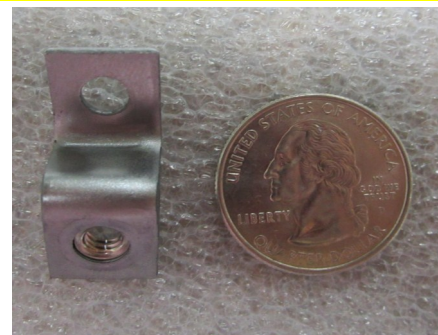
## Big Or Small We Can Do It All!!

# BIG



AFI prides itself on being a metal finisher who paints many different parts. As a job shop we paint sometimes more than twenty-five different types of parts a day. The pictures below show AFI can paint very small and big parts.

The big part (pictured left) is over 6 feet tall and 6 feet wide, plus we paint the inside too. The small part (pictured right) is sitting next to a quarter to show the size of the part. So if you have big or small parts we can do them all at Associated Finishing. Call us today.



# small

## “The Finisher Wrecked the Parts,” and other half truths

**In the battle of finishers versus customer, coming to a fair settlement can salvage a valuable business relationship.**

**The situation:** A customer outsources a finishing order to a job shop finisher and, regrettably, somewhere along the line, the substrates are damaged beyond repair. The customer expects the finisher to pay for the parts, and the job shop references its terms and conditions and “industry standards” that limit the finisher’s exposure to one or two times the processing price. What a mess.

**In Defense of the Customer:** The labor and materials invested in the product are lost. For example, consider a 1,000-unit order for a precision machined part carrying a unit value (customer’s production cost) of \$5.00. If the order is a total loss, the customer is out \$5,000. Assuming the order was time-sensitive, it’s likely that the incident caused a scheduling disruption in the customer’s operation and even possible that it caused an order to be late to its customer. The customer feels justified in asking the job shop for a credit or rebate in the entire amount of the customer’s cost of the parts.

**In Defense of the Finisher:** On one hand, the finisher wants a satisfied customer. On the other hand, the value of the parts themselves often bears little, if any, relationship to what the finisher is paid to process them. Let’s assume that the 1,000-unit order referenced above is mass-produced by the finisher. The finisher may only charge a matter of pennies—let’s assume ten cents to process the part. If the finisher’s direct profit margin (i.e., the sales price less the finisher’s direct cost of processing divided by the sales price) is 20%, the finisher’s direct profit on this part is two cents. While every instance is different, in this example, the value of the parts is 250 times the finisher’s profit on the part. If

the finisher provides a credit for the \$5.00 value of the part, the finisher would have to run another 250 orders just to get back to even. The finisher can’t charge enough to process the part to cover this kind of exposure, which is why it limits its risk in its terms and conditions.

**Who’s Right:** They both are! And the sooner they both realize this, the more likely an amicable settlement will be reached.

**The Bad Resolution:** The finisher digs its heels in and refuses to agree to a penny more than the price of the service. The customer does likewise and insists on being paid for the value of the part. The customer moves future work to a new supplier, often at a higher per unit cost and/or at the expense of quality or service. Assuming there is an open account payable to the finisher, it is not paid and instead is net against the cost of the damaged parts as the finisher considers its legal options. In this case nobody wins.

**The Ideal Resolution:**

- 1) Each party ponders the situation from the other party’s perspective. As the proverb goes, seek first to understand, then to be understood.
- 2) Discuss the cause of the incident and how to keep it from happening again. Was the finisher entirely at fault, or are there other circumstances such as substrate condition, packaging or poorly communicated material type that contributed?
- 3) The finisher determines the floor, or low end, of the settlement range. This should be some function (say two or three times) the sales price of processing the order. This number probably stings a bit, but face it: The finisher wrecked the parts.

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- 4) The customer derives the ceiling, or high end, of the settlement. This should equate to the customer’s direct cost of labor and materials, less whatever scrap value remains in the parts. As the goal ought to be to set the ceiling at an amount equal to the customer’s direct “out of pocket” cost to reproduce the parts, adding overhead or burden is not appropriate.
- 5) The customer and the finisher engage in open discussion to find a settlement range amount that both can live with. It is unlikely they will both like the number or even think it’s fair. The key words are “live with.”
- 6) The two agree on a period over which the amount should be credited to the customer. The higher the settlement amount, the more appropriate it is to stretch out this period by tying credits to future orders. Doing so enables the finisher to retain the customer and to offset the cost of the settlement against future revenue and margin.

The damaged part situation is an ugly one no matter how you look at it. With a little understanding and creativity, though, often the customer and finisher can reach an agreeable resolution that enables a valuable business relationship to survive.

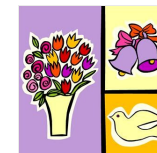
Article written by Matthew Kirchner CEO, American Finishing Resources, LLC. Printed with permission

## Congratulations

Josh McClain & Megan Stelter

Married - May 26, 2012

We wish them many years of love and happiness.



Dexter Oswald & McKinze Milton

Engaged - June 27, 2012

## AFI RECYCLING HELPS OTHERS

MRCI work source of Mankato has placed recycling containers around our plant. For 2011 AFI



was awarded two certificates for collecting 661 lbs of cans and bottles, and 101 bags of shrink wrap. MRCI takes care supplying the containers and collecting on a monthly basis. This helps keep our plant clean and helps our community too.

## AFI Picnic



AFI Company Picnic at Bray Park on July 20, 2012. We all enjoyed the burger bar, Bingo, and Bean bag Tournament. The beach was wonderful for those that wanted to swim. Some even camped overnight at the park. Great summer fun for all.

New addition to the picnic was a bean bag tournament. Thank you Lucas T. for your work putting this together. It was a success.



The kids all received a bag of toys for the beach and bubbles, they really did enjoy the bouncy house.

No you’re not seeing double, it’s the twins, Becca & Melissa. Jesse and Bill just hanging out. Nice t-shirts all, and ladies nice sun glasses too.



Thank you to all our vendors who donated prizes for the picnic. We really do appreciate you. Thank you to all who helped in any way, and those who came and enjoyed the food, fun and fellowship.

The Picnic Committee