

# Grand Theft Product

By Chris Alston

I have been trying to determine the best way to approach this subject, as it is certainly a hot point in our industry. I don't consider it a problem when someone builds on a prior idea or makes a similar item with different features than an existing product. I have been in this industry over 30 years and have certainly had a large number of my products copied, adopted, and knocked off. I suspect this is the case in every industry. One of my favorite declarations about this is: "There is no such thing as a new idea, just new collections of ideas". The vast majority of products in any industry are logical progressions of existing products that change as the industry matures. Even in a new market, it is very rare to find a truly revolutionary new product. I have been around a while and I have seen the natural progression and the evolution of our industry. There is a growing trend that I feel needs to be addressed. Since the industry changed to a more centralized distribution system, a large number of products are handled by a very small number of distributors. The industries smaller distribution companies have disappeared. This left the manufacturers in an undesirable place. With fewer distributors to market to, some very ruthless business practices have become all too common.

The distribution system is so centralized that if you have a main stream product and can get them to sell it, you can be a successful company with just 2 or 3 customers. This creates a huge opportunity for enterprising individuals that are driven solely by money. Now there is nothing wrong with earning money and everyone needs to make some. But an industry like ours requires that there is passion for the product, not just the money. If you are able to make something that looks like an existing popular product at a substantially reduced cost, the large distributors will buy it because they can make more money on it than the item it was copied from. The copies are almost always made offshore.

The stories you have heard about offshore pricing are true. Let me give you an example. A very good friend of mine owns a company that makes a product for the truck market. They make so much of it that they use over 100,000 feet of tubing a month. They were having trouble keeping up with demand so they decided to make some of it offshore. The price quotes they got for the finished, delivered product were about 10% less than what it cost them for just the raw material in America. Oddly, the material being used offshore started out as scrap purchased from America. Since steel is a global commodity (like oil) its global price is pretty much the same. Why does this matter and why should you be unhappy about it?

The only way a country can sell items that cheaply is their government is subsidizing the process. These countries need U.S. dollars so bad that they will do anything to get them. They have found a base of people who have seized the opportunity, to use this cheap product resource to drastically alter the state of our industry. An import manufacturer takes a product that is very popular and has reasonable volume, and sends it to his offshore supplier. The offshore supplier, desperate for U.S. dollars, offers to reverse engineer the part and make a copy for a very low price. The import manufacturer now has

no design investment he didn't have to figure anything out. There isn't even a marketing investment, because they chose a part that already sells. There is no customer support required he is going to sell through the big mail order companies. Not only is his manufactured cost low but, all his overhead is much lower because he didn't need the normal staff or capital investment that is required. The large distributor is happy to sell it because he has a lower selling price and more margin, the holy grail of retail. Customers are too willing to buy this stuff because they are assured it is just like the real thing only cheaper. The reality is it is not the real thing. As a consumer, you need to be aware of that.

Your project is an investment, buy investment grade components. If you think the cheap knock-off stuff is fine, answer this question. If you went to buy your dream car and there were two identical looking vehicles; one was built with recognizable name brand components and the other was built with copy parts, which one would you want? Which one would be worth more money? The answer is obvious when you look at it from the completed project perspective. Everyone wants to spend the least amount for components but the "no name" components can never be as good as the original part it was copied from. The simple truth: When an item is copied, the person who copies it can only copy what his experience allows him to recognize. For a copy to be at least equal to the original, it is required that the copier has at least an equal understanding of the products manufacturing methods and its design intent as the original designer. How many offshore manufacturing companies have designers that have an intimate understanding of the American automobile aftermarket and all of its issues related to performance and styling? The most likely answer is - none. Add in that the primary reason this product is offshore is to lower the cost.

If we were looking for some super secret performance advantage, we would be making it in America where all the talent and passion are. Yes, it is that simple, the only reason parts are made offshore is to get them for less money. Is it possible that in the quest to save money, they modified it a little to make it cheaper or perhaps they missed the important points that made it work correctly? There is a very important life lesson here. You get what you pay for. Products made this way with no design ownership; no brand, no promotional budget, no engineering, and no responsibility to the end-user are just cheap copies.

I am not saying that everything made in off-shore is junk but, I am saying that most everything made offshore was made there to save money. If you want to purchase those parts then you need to deal with the truth: "They are cheap copies".