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Focus: Tech Biz

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Manufacturers not making full use of tech

Michael Weiss

More manufacturers across the state use e-mail and the Internet to conduct business, but few count on technology to set them and their products apart, according to a survey conducted by Georgia Tech.

The data from 727 companies across the state, collected by Tech's School of Public Policy and its Economic Development Institute in 1999, show that manufacturing businesses throughout the state could benefit from greater use of technology and, perhaps, greater cooperation with other companies.

"It would be much better for Georgia," said Jan Youtie, an associate professor who also works in the Economic Development Institute. "Businesses could be taking their destiny into their own hands."

The study gives a mixed grade to the way Georgia manufacturers use technology.

On one hand, they seem to have embraced the Internet faster than observers would have predicted. On the other, they do not seem to be deriving all the benefits that the Internet -- as well as technology more specific to their businesses -- could bring.

The number of manufacturing companies of all sizes that use e-mail or have their own site on the Web jumped considerably since a similar survey was conducted in 1996. Back then, only 38 percent used e-mail for business, compared with 68 percent today.

Along the same lines, 59 percent of manufacturers have a Web site, well over three times the 16 percent that did so in 1996.

That growth is much quicker than the industry's pace for adoption of past technologies, such as computer-aided design. "Those adoption rates really surprised us," Youtie said.

Limited e-commerce

Though many of these businesses use the Internet, they do not take full advantage of its potential for e-commerce, Youtie said.

Most of those surveyed seemed to have a site or e-mail accounts, but did not use the site to conduct business. The percentage of manufacturers that order and sell online was just 22 percent, though that

number has doubled from 11 percent in 1996.

Boosting that figure is one of the industry's key goals, said Roy Bowen, president of the Association of Georgia's Textile, Carpet and Consumer Product Manufacturers, still known by its former acronym, GTMA.

"There's no question that the future of business is in e-commerce," Bowen said. "Not only for business-to-business, but for business-to-consumer as well."

The adoption of e-commerce depends, in part, on the sizes of the businesses involved.

Close to half the large manufacturers -- those with 500 or more employees -- use the Internet to conduct business, while only 19 percent of those with fewer than 50 employees do so.

"There is traditionally a lag in technology between small and large businesses," Youtie said. "The small manufacturers are adopting this much more quickly than they have traditionally, but there is a lag."

Innovation not a priority

Very few companies highlight innovation or unique technology as selling points for their products. Nearly half of the companies surveyed stressed the quality of the product, followed by those promoting a low price, adaptability, speedy delivery and value-added services. Innovation was dead last, with only 8 percent of respondents choosing it as a selling point.

Other data from the survey show that the firms that did stress innovation were more successful.

They reported returns on sales nearly 40 percent higher than those that emphasized low price, for instance. In addition, the average employee wage at those companies was \$31,532, more than \$2,000 per year more than the closest competitor and more than \$4,000 more than those that stressed product quality.

Moreover, Georgia manufacturers are less likely to enter into cooperative agreements with other companies that could also boost profits, Youtie said.

The trick for the state, and for Georgia Tech's Economic Development Center, which functions as a sort of business extension service, is to better disseminate new technology, as well as help manufacturers train their employees to use it, Youtie said. That can be a challenge, since many manufacturers have been forced to focus on the bottom line and the here and now.

"Companies tend to focus more on immediate needs," Youtie said. "Sometimes it's difficult for a manufacturer dealing with the day to day to focus on other things, but it's something we have to encourage."

GTMA's Bowen said that there's no reason to believe the industry won't adopt any technology that will improve business when the time is right.

"The industry today is as high-tech an industry as any that exists in Georgia," he said. "These are very sophisticated companies."

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