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#32012

INFOCUS:



The American market

– Communication the key to success

As NCAB enter the American PCB market, we turned to Gene Weiner, a true veteran of the global PCB industry to gain an impartial insider report. Gene manages the consultancy company Weiner International and is a member of several boards in both the United States and Asia. He has also been active for many years in the industry association IPC and is one of a select few to be inducted into IPC's Hall of Fame.

How big is the American market for PCBs?

"No one knows for sure the size of the OEM segment and there are no recent studies available. The picture is clearer for EMS companies: annual PCB demand in this segment is worth about 6.4 billion dollars. Domestic manufacture represents about 3.4 billion of that.

Globally, despite weak current demand, there should be an average annual PCB growth of 6.5 per cent through to the end of 2015, when demand should be worth 72 billion dollars."

What are the outsourcing trends like in the American electronics industry?

"OEM companies have very largely already outsourced a lot to EMS suppliers and this general trend will continue. However, some material can be brought back in house in order to shorten the supply chains for various reasons.

In 2011, revenues of the 50 biggest global EMS companies totalled over 213 billion dollars. Hon Hai (FoxConn) accounted for 55 per cent of this. Excluding Hon Hai, growth was less than 10 per cent. The top 50 companies each had sales of over 208 million dollars and the top 10 each returned sales in excess of 1.97 billion dollars."

"The biggest challenge is to differentiate yourself from the competition and get the message across that you are adding real value for the customer."

GENE WEINER, CEO WEINER INTERNATIONAL

Do you see any backsourcing trend, whereby production is moving from low-cost countries back to the United States?

"A newly published report from IPC, which surveyed 229 companies, indicates a fairly insignificant movement in this direction. The OEMs responded that over the next three years they would move back 0.01 per cent of their global production to the US. The corresponding figure for the EMS segment was 0.33 per cent."

What is the status of domestic PCB production?

"In the United States PCB production has gone from about 2,000 facilities in 1980 to about 300 today. If I were to guess, I'd say fewer than 250 will exist in 10 years' time. Domestic manufacturing trends are towards quick deliveries, short runs, high mix, low volume, some flex-rigid boards and boards with higher layer counts. There is a dearth of young people entering the industry and virtually no government support. The majority of HDI boards will continue to be made in Asia."

What are the growth regions for EMS and OEM companies in the US today?

"There used to be a number of clearly defined regions for electronics companies – around Boston, Chicago, Minneapolis, Dallas, Florida, and on the West Coast, especially California. But in today's world of supply chain management, geography is no longer so important. The US market is national – actually international – and quality and



Gene Weiner of Weiner International gives his view of the PCB market in the US.

on-time delivery are the determining factors when companies are buying PCBs, not the geographical location.

This opens the door for players like brokers/traders, in that companies always have a variety of needs that one and the same manufacturer cannot meet. It's complicated for companies to hunt out the right manufacturer for each need by themselves."

How are the economic and political situations affecting the electronics industry?

"The economic crisis has had a severe effect, especially in the consumer and industrial segments. More company closures are expected in the next two quarters, including some suppliers of materials and equipment.

The political situation has put a severe damper on the industry because companies don't dare to invest. The future is too uncertain with regard to taxes, investments, insurance costs and government regulations. The two political parties have very different approaches on how to boost the economy and create growth. This adds to the uncertainty created by the global economic crisis."

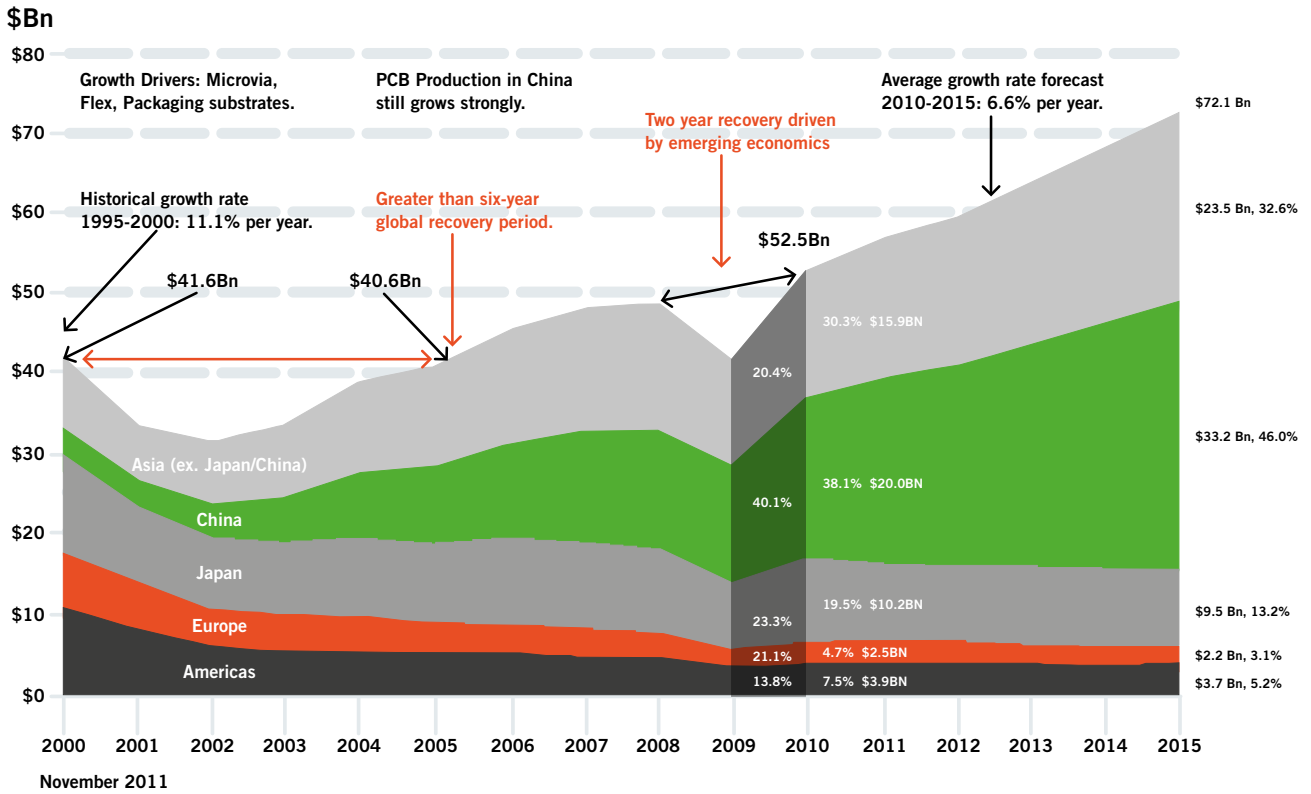
How are the various Industrial sectors developing?

"Military demand is unchanged to increasing, but will decrease if Barack Obama is re-elected. Industrial demand is mixed to down, due to the economic situation. The same is true for consumer electronics with the exception of smartphones and tablets. Medical technology demand continues to grow and the automotive industry is using more and more electronic components."

What are the technological trends like for PCBs?

"The trends are towards HDI, of which 90 per cent is produced in Asia, and embedded components. Flex/rigid boards are increasing slowly and this will continue. Stacked components (package on package) will have one of the greatest effects; 20 to 60 micron lines and insulation for advanced components are coming. Print electronics is starting to find some niches, as are embedded components. New designs and components have slowed the rate of increase in layer counts."

RECENT HISTORY AND OUTLOOK FOR THE GLOBAL PRINTED CIRCUIT INDUSTRY



Source: Prismark Partners LLC, november 2011

What are PCB purchasers thinking about?

“At the management level there is an understanding that quality is worth paying for because it reduces production risks and lowers total costs. But lower down in the organisation you often find people who just think ‘price-price-price’ and let their judgement be influenced by personal relationships when they’re buying boards. This can create major problems and cost a lot of money. That’s why it’s important for company management to be in control of purchasing and for suppliers to communicate clearly and often the benefits of buying quality boards.”

What challenges do brokers/traders face in the US market?

“The biggest challenge is to differentiate yourself from the competition and get the message across that you are adding real value for the customer. It’s possible to develop close and unique relationships with customers and partners while simultaneously using marketing to create a positive perception of your ability to deliver at the lowest total cost. Many try to do this but far from all of them succeed. That’s why you must constantly remind customers about the advantages of your company and work hard to give them added value.

I also believe in more consolidation.”

AWARD FOR MILLIONS OF ZERO DEFECT BOARDS

For the second year in a row the NCAB Group received the Zero PPM Award from Stoneridge. In the award citation, this supplier of electronics to the automotive industry stressed that in 2011 NCAB succeeded in supplying 8.9 million PCBs to Stoneridge’s factory in Juarez in Mexico with zero defects. “This award demonstrates the strength and commitment of our team in the UK, who have the global responsibility for customers,” commented Hans Ståhl, CEO of the NCAB Group. “Within the group as a whole we are constantly striving to achieve zero defects for all our customers.”

American acquisition paves the way for further expansion

The NCAB Group's acquisition of the American PCB supplier P.D. Circuits was finalised at the beginning of October. For customers on both sides of the Atlantic, the move will give NCAB advantages such as increased purchasing power and the ability to further improve quality.



Hans Ståhl, CEO NCAB Group, David Wolff, CEO P.D. Circuits and Anders Forsén, CFO NCAB Group are looking forward to jointly taking on the American PCB market.

Following the acquisition of P.D. Circuits, which is headquartered in New Hampshire on the US East Coast, the NCAB Group turnover in 2012 will exceed 85 million euro. The Group is now operational in 13 countries and has 210 employees, of whom 70 are in China.

"We've been considering moving into the US market for a number of years," explains Hans Ståhl, CEO of the NCAB Group. "We can now quickly get up and running with an organisation which is based on exactly the same concept as ours. Just like us, P.D. Circuits has a highly competent organisation based in China, a clear customer focus in everything it does, and, perhaps most important of all, superb quality figures. We also have great confidence in the people who work for the company."

A NATURAL INVESTMENT

Growth has long been an important goal for NCAB because purchasing power is a prerequisite for pushing through demands on quality, logistics and price from the factories in China. Europe still offers large potential for growth but today that is more about growing with the companies NCAB has already established rather than entering into new countries. As a result, to now invest in North America is a natural decision.

"We already have some existing customers in the United States," explains Anders Forsén, CFO of the NCAB Group. "It has worked well and we feel our model is in demand in the American market. P.D. Circuits' success is one proof of that."

The company, which will now become NCAB's organisation in North America, was founded in 1990. In the early years, P.D. Circuits made its own PCBs but since 1992 it has helped customers to find manufacturers with the right skills to meet their specific needs.

CUSTOMERS THROUGHOUT NORTH AMERICA

At first the company only used PCB manufacturers in the United States but at the end of 1994 it began to outsource production to

Taiwan and five years later it began moving production to factories in China. In 2006 P.D. Circuits opened an office in China. The company also expanded its US customer base, first from the Northeast to the entire East Coast, and then, starting in 2005, to the Midwest. In the past two years the company has also begun working the West Coast. P.D. Circuits also has customers in both Mexico and Canada.

"About a quarter of our customers are OEMs and three-quarters are EMS companies," explains David Wolff, the CEO of P.D. Circuits, who will now become head of NCAB Group USA.

P.D. Circuits current customer base operate in all of the major market sectors. The manufacturing industry, which often requires PCBs approved to IPC Class 3 standards, is the largest sector. P.D. Circuits also supplies PCBs for medical and telecom equipment, computers and peripheral devices, and for use in the defence, energy, automotive and aerospace industries.

THE SAME CONCEPT AND PHILOSOPHY

David Wolff also emphasises the strong similarities between the two companies which will now become one:

"We've developed in completely different markets but our concepts and philosophies are remarkably similar. In many cases we've developed processes that are almost identical. Above all, we're completely focused on supplying high quality at the lowest possible price.

What's so good for us is that without changing our processes in any crucial way, we will gain access to the resources and buying power which exist in a company that is five times larger than us. This will be a huge advantage for our customers because we can further reduce their costs. The increased purchasing volumes which the merger brings with it will also benefit European customers in the form of better conditions."

"P.D. Circuits is bringing us a lot of expertise," Hans Ståhl adds, "and I'm convinced that there are areas where we can learn from them and develop our own working methods."

“Even though the similarities are strong,” David Wolff continues, “there are differences in how we do things, and over time we will jointly identify the working methods that best serve our customers’ interests. However, this will be a gradual process in which we will always put the customer first.”

GROWTH IS THE GOAL

One of the Group’s major goals in the United States going forward is growth. As Hans Ståhl points out, the American market is bigger than the European one, which could theoretically mean that NCAB should become bigger there than in Europe.

“The goal is that within five years half our turnover will come from the US,” Ståhl says.

“P.D. Circuits has always been growth focused,” concludes David Wolff. “Our customers appreciate the concept we offer, but no American company has succeeded in becoming as large as NCAB. As was said earlier, size and buying power are important in order to be able to offer customers a truly competitive alternative. Everything then revolves around what we deliver. If we stick to what we’re promising, then good things will happen.”

FACTS P.D. CIRCUITS

- Founded in 1990.
- Ceased in-house production in 1992.
- Began offshore production in Taiwan in 1994.
- Began moving production to China in 1999.
- Has had an office in China since 2006.
- ISO certified since 2004.
- Is ITAR certified (for production for the American defence industry) since 2005.
- Annual turnover of about 15 million euro.
- Was wholly acquired by the NCAB Group in October 2012.

Would you like to learn more about the PCB market in the United States?

- » **IPC – Global trade organization and leading source for industry standards, training, market research**
- » **PCB007 - The leading real-time, online magazine for the PCB industry**
- » **Weiner International Associates – watch for additions and changes within the electronic Industry**

Subjects we have covered earlier

Do read our earlier newsletters. You will find them all on our website, www.ncabgroup.com/newsroom/

» **Reforms**

2012 06 25 | NEWSLETTER 2 2012

» **Securing quality**

2011 11 09 | NEWSLETTER 3 2011

» **Sustainability**

2012 04 05 | NEWSLETTER 1 2012

» **Controlling all details ensures quality**

2011 06 18 | NEWSLETTER 2 2011

» **Customer Relations**

2011 12 15 | NEWSLETTER 4 2011

» **Adapting to a changing Electronics Industry**

2011 03 16 | NEWSLETTER 1 2011

Are we taking up the wrong subjects?

We are always looking for interesting subjects that we could take a more in depth look at. If there is something you would like to learn more about, or perhaps you would like to comment on anything we have written, do get in touch with us and tell us more.

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