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Upturn puts pressure on manufacturers

Thanks to China's expansion of its 3G network, there was no significant drop in the production of PCBs during 2009, despite the deep recession. With the upturn in the economy, full capacity has quickly been achieved right across the manufacturing chain.

The wheels of the global economy have started turning again in the wake of the economic recession, which had seriously impacted global PCB production and essentially brought it to a grinding halt.

However in China, political measures soon started contributing to getting production rolling again through domestic orders, although at lower levels than previously achieved.

"The Chinese authorities initiated a major project to introduce 3G telephony throughout the country," says NCAB's CEO, Hans Ståhl and adds " This has led to the PCB factories in China riding the crisis relatively well and managing to maintain a higher level of capacity utilisation than at other places."

After having fallen to 50% during the period from the fourth quarter 2008 to the first quarter of 2009, the Chinese factories' capacity utilisation reached 80% during the last quarter of 2009. With the re-emergence of foreign demand, they are now up to full capacity, resulting in longer lead times.

STRIVING TO SHORTEN LEAD TIMES

Hans Ståhl says that there was a similar pattern earlier, citing as an example the Telecom crisis in 2000.

Bottlenecks occur due to the long delivery chain of material manufacturers who downscaled during the crisis and now need to get their production going again. This applies above all to laminate manufacturers. Otherwise it is basically a matter of demand now exceeding the PCB factories' delivery capacity.

When the upturn began to make itself felt last autumn, the NCAB Group introduced measures to increase capacity and shorten lead times. All the while ensuring that these measures do not affect the high-quality demands we put on the factories.

"Our existing factories are increasing their capacity by for example, extending their plants, buying new machines, or taking on more staff. Many of them are also planning - or have already started - to build more factories," says Anna Lothsson, Strategic Purchasing Manager at the NCAB Group. "If more capacity is needed," she adds, "we will source and approve new factories. Above all, we will ensure that our buying power always gives us highest priority at the factories." The factories lead times and capacity are continuously monitored on the spot in China. The fact that there are several approved factories that meet the set quality demands gives NCAB the option of using the factory that



ANNA LOTHSSON Strategic Purchasing Manager, NCAB Group

offers the best capacity at a given time. Anna Lothsson points out that this is of course subject to the customer agreeing.

STRONG NEGOTIATING POSITION

Experience tells us that the high capacity in the factories will probably lead to higher prices, although it is difficult to predict the exact levels. Hans Ståhl underlines NCAB's strong negotiating position that stems from its considerable purchasing power and is confident that NCAB will continue to be able to offer its customers favorable prices and lead times.

It is worth remembering that total costs are more important than price. That is why we continue to tirelessly pursue our quality and improvement work at all stages of the supply chain, from design to the finished PCB.

Hans Ståhl sums it up this way: "Optimal design and reduced number of complaints will always deliver substantial savings."

NCAB'S LEAD TIME REDUCTION MEASURES

- Demanding the highest priority in the factories.
- Existing factories increase their capacity
- Sourcing of new factories
- Continuously following-up delivery precision and lead time factors
- Ability to transfer production to another factory (subject to customers agreement)