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## Increasingly important to adapt rapidly in the Electronics Branch



"The growing number of global companies that resulted from the consolidation process is one of the reasons why we have chosen to establish ourselves in England, Poland and the Czech Republic, as well as strengthen our organization in Germany and China."

The European electronics branch is undergoing major changes in the wake of the financial crisis. The NCAB Group's Vice President, Martin Magnusson sums up developments and tells about the NCAB Group's plans for the future and what those will mean for customers.

During the past few years the market for electronics products has swung drastically, which has had serious consequences on the entire branch.

"The world market has grown more volatile in its character. The normally gentle curves of a rising or falling trade cycle have been shifting so sharply recently that their pattern resemble what we see on EKG charts. It is vital that we are able to adapt rapidly," says Martin Magnusson, who was recently appointed Vice President in charge of global sales and marketing.

Following the outbreak of the financial crisis in 2008, the branch is undergoing major changes.

"Turnover in the European EMS market fell by about 20% in 2009, with the work force shrinking by about 12%. "however, during 2010 we saw strong recovery, although there is still some lost ground to be regained."

A number of players went bankrupt during the crisis, while some of the biggest EMS companies brought forward their plans to move their manufacturing bases to low-cost countries. The countries that were most badly affected by this were generally those that were worst hit by the financial crisis, for example Italy, Ireland, Spain and Portugal.



Alen Chen, QA Engineer NCAB Group Factory Management team together with Zaiyong Yi, Production Supervisor, Sunktak during an audit.

### CONSOLIDATION STRONG TREND

“With businesses falling by the wayside, the recession has led to a consolidation of the EMS branch. We’re seeing a trend towards fewer and bigger players on the market. These companies are, at the same time, becoming increasingly global and setting up manufacturing units in low cost regions.”

Of the 1300 EMS companies in Europe, 56 companies, whose turnover exceeds 50 million euro, account for two thirds of the branch’s total annual turnover in Europe; in black-and-white figures, that’s 14 of a total of 21 billion euros

“Despite the consolidation trend, small and medium-sized EMS companies are still able to grow by cleverly adapting to their local market conditions.” says Martin.

“The growing number of global companies that emerged as a result of the consolidation process is one of the reasons why we have chosen to establish ourselves in England, Poland and the Czech Republic, as well as strengthen our organization in Germany and China.” Our next step will be France, where operations will be under way at the beginning of the second quarter 2011.”

At the same time, Martin underlines that the NCAB Group’s objective is not just to establish a presence in a large number of markets. “What’s important is to be able to provide service in the markets where the customers are physically located. He says that to achieve this, the NCAB Group needs a local presence and competence. He emphasizes that: “To be able to offer a high level of service to our customers, we need to be on the spot.”

There is also an ongoing consolidation process taking place at the PCB factories in China. There, large volumes are a vital factor in ensuring that a buyer’s requirements are met. The NCAB Groups’ large and growing purchasing power is a definite advantage in this context.

“Thanks to our size, we are learning more and more all the time. This year we will be manufacturing 8000 new PCB designs and we are also continuously building up our knowledge bank in collaboration with its factories and customers.” Martin underlines.

### OUTSOURCING ON THE INCREASE

The outsourcing trend, which has come far in northern Europe has now reached central and southern Europe. An increasing number of OEM companies are now outsourcing their manufacturing operations to EMS companies.

“The outsourcing trend has also led to steadily growing demands on quality and delivery precision, with the biggest driver being the automotive industry. The NCAB Group is currently running an internal project aimed at meeting the automotive industry’s quality requirements. The objective is to achieve 10 PPM (Parts per Million). To better fulfill these customers’ demands for 100% delivering precision, the NCAB Group is continuing to develop its internal systems.

We are today working on an IPL (Inventory Planning System) in order to handle forecasts and are continuing to implement our global ERP and CRM systems at all our companies and are also developing a tracking system together with DHL Global Forwarding in order to further improve our tracking ability in the delivery chain.”

### EARLY ACCESS TO KNOW-HOW

“Another challenge is facing the EMS companies, namely that they must be able to handle many different customers with a variety of requirements, which puts greater demands on cost control and short production lead times.” says Martin.

To achieve this calls for access to PCB know-how, as well as bringing in the EMS company and PCB producer earlier on in the production chain at the end customer. This to ensure that the correct choice is made already at the design phase. This enables us to control the total manufacturing cost while at the same time cutting lead times.

“This is where the NCAB Group comes in with its in-depth know-how within PCBs and the extensive quality control and follow up processes we implement in our factories in China.” says Martin.

Through its strong presence in China together with working closely with the factories to develop them, the NCAB group can also guarantee a high and even quality in its products. Continuous audits are carried out to keep a check on the factories in a way that would be extremely difficult for individual buyers to do by themselves.

“We carry out about 250 factory visits every year. That’s why when our customers call us, it is for them as if they were talking directly with the factory. We control the entire process, which benefits all our customers, be they large or small.” says Martin.

**GROWTH DESPITE A TIME OF CRISIS**

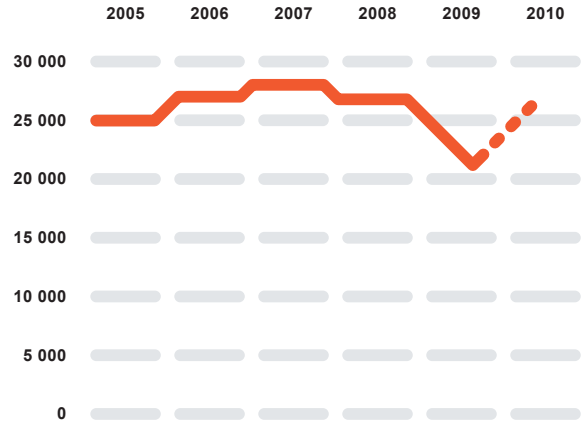
Along with the rest of the electronics branch, 2009 was a tough year for the NCAB Group. However the company managed to continue growing even during the crisis, recovering in a spectacular manner. 2010 saw the NCAB Group’s turnover grow by 80%. Incoming orders were up 93% compared to 2009. The target for 2011 is a growth rate of about 25% compared to 2010.

The NCAB Group is continuing to develop its work approach according to the integrated PCB producer (IPP) concept. The process involves integrating both with the customers and further back in the supply chain, with the factories.

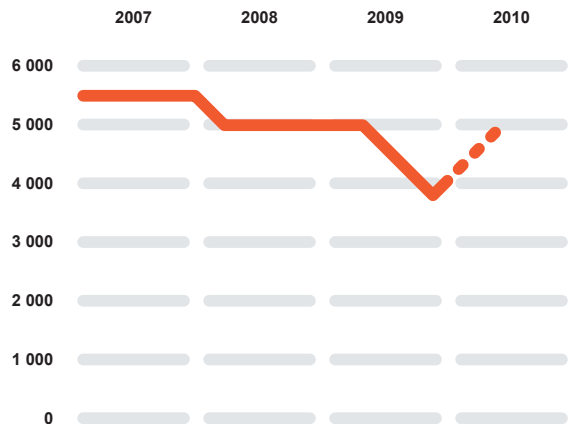
“Yet another step in the integration process with our factories is to have our own quality engineers on the spot, full-time, to monitor our orders on the production line.

With local support and early involvement in our customers projects, we can together secure the correct choice of design from the start in order to save costs and avoid problems later on in the process.” concludes Martin.

**THE GROWTH OF THE EMS MARKET IN EUROPE [MEUR]**



**THE GROWTH OF THE PCB MARKET IN EUROPE [MEUR]**



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**SAYS MARTIN MAGNUSSON, VICE PRESIDENT, NCAB GROUP.**