

Garbage Today, Gold Tomorrow

A robust market remains for those companies with the strategic plan to grab it.



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WHERE DO WE go from here? Is there a future for North American fabricators, or should we throw in the towel? I know where my sentiments lie, but frankly, I don't see much fight left. I get the feeling that many people think that it's only a matter of time before the entire industry is lost. Many people I talk to are throwing up their arms in disgust or shrugging their shoulders in despair. I see few directional plans and even fewer strategic plans.

On the services side, my friends seem even worse off. People seem to be just giving up.

Companies are letting their salespeople go. Rep firms refuse to deal with American board houses because they feel it is a dead industry, and service companies are wandering around aimlessly, with no plan of action.

Is this the end for the North American PCB industry? Is there a run on white flags? Hell no! I'd argue that any business, any market, any industry is over only when we say it is.

Where do you stand? Have you given up? How is your sales force? Is it strong and centered, focused on the future? Or is it nonexistent, the victim of cost control?

If it's the latter, lift that white flag right now, because you gave away your army and you can't fight a war without it.

Here are some facts for you to ponder as you hunker down in your foxhole: PCBs in North America are a \$5.5 billion industry, which means capturing a tiny percentage can make a \$10 million shop. As the American market dropped, so did capacity (45%, by some estimates), which means there are fewer shops left in this country to handle the remaining business.

Moreover, board buyers in this country are starting to realize that they have to pay attention to the financial strength of their suppliers. Gone are the days when they could say, "I'll go with the best price, and if that vendor closes, that's his problem." It's just an educated guess, but I suspect every board buyer of any significance in this country has been hurt by at least one of their suppliers going out of business, and enough so that they are more cautious in regard to the health and future of their other vendors.

American companies guilty of lowball pricing are closing their doors. In some cases they have already dropped out of the lineup; in others, they are walking dead (even if they don't yet realize it).

Certainly, world geopolitics is scaring the hell out of everyone. Between dock strikes and supply-chain security concerns, OEMs and CEMs are rethinking the idea of buying

boards offshore. They are beginning to consider that it might be a good idea to stay close to home, at least for a while.

Although globalization is upon us, there are many instances where it simply makes no sense to buy products elsewhere. Here are some examples of products that will stay here over the long haul:

- Quickturn, especially high-tech quickturn.
- Cutting-edge products.
- Low to medium volumes.
- R&D work.
- Niche products.
- Special materials.
- Mixed materials.
- Military products.

I know of examples where some of these products are being bought offshore, but it won't last. Asian shops are not set up for small batch work; they are grabbing those jobs now because they are hurting but will give them up just as

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quickly as the market gets busy. While there are instances in which military work has gone offshore (to Europe), it is never a slam-dunk. And I can't see the Department of Defense specifying boards built in Asia.

Obviously, the world is not going to stop using circuit boards. The market will rise again, maybe this year. Look around: the medical, defense and security segments are ready to pop now. As for telecom, today's garbage is tomorrow's gold. So the dot-coms collapsed. Did you know there were over 300 car companies in the U.S. at the beginning of the last century and about 297 of them had disappeared by the '60s? No one is saying, "Forget this Internet thing, it just didn't work." Instead, we are just getting started. Worldwide communications are barely on the map. This is a market segment that will come back stronger than ever.

The point is, giving up is the last thing you should be considering. Make a point to stop the defeatist talk and get back to work. It won't be easy, and it means doing things differently than we have before. But I guarantee that we can work it out. Next month we'll talk about how. **PCD&M**

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