

## The Brighter Side of the Industry

Now that the recession is “over,” we should rejoice that nearly 600 shops survived.



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**IT'S OFFICIAL; THE** recession is over. (It must be true: they said so on the news.) Having considered and contemplated the data, economists say we are on our way to prosperity. They trace the recession's end to November 2001, which means it's been over for about 20 months. It seemed a lot longer, didn't it? Perhaps that's because for those in the circuit board industry, it has been. We as an industry went from \$43 billion in sales

in 2000 to \$33 billion in 2001 – and have pretty much stayed there. Putting aside the economists' definition, if you go by the dictum that says it is a recession when it happens to the other guy but a *depression* when it happens to me, well, then it's been a depression, and a long one at that.

As far as the North American market is concerned, ponder these statistics: As 2001 began there were 696 board houses in North America producing \$9.9 billion worth of circuit boards. Today there are 595 shops producing \$5.2 billion worth of boards. We have lost 101 board shops and nearly half of our production. That's devastation!

Here's the good news. There are 595 board shops producing \$5.2 billion dollars worth of boards. Here's to the survivors, those shops that have emerged standing on the other side. They have done things right. Most had a good plan, knew how to watch their bank accounts and cash flow, and kept their sales and marketing efforts going. Most have lost business, but maintained some level of profitability (or at least stayed afloat). Most are poised for the future, ready to take advantage of a market about to start growing – yes, growing. Demand for circuit boards will increase in the years to come. The reasons for the downturn were artificial ones; a market improvement is a reasonable and logical expectation and here's why.

If you look back, you'll see that worldwide demand for PCBs dropped by some \$10 billion. Remember that 2000 was a boom year, a real Boom Year. Companies wanted circuit boards – and wanted them immediately. Sony, Cisco, Hitachi: OEMs were forecasting needs for up to \$2 billion worth of boards apiece. Apiece! It doesn't take a Wall Street pundit to sit back and say, “Sure, but that was telecommunications and dot-coms and we all know what happened there.”

Do we really? Sure, a bunch of Sand Hill road napkin VCs were investing millions in companies selling everything from funerals to real estate in outer space online, and those companies inevitably collapsed. But does that mean that telecommunications is dead? Are we done inventing cell-

phones; has the Internet peaked; are there no electronic methods of communications left to be conceived? No way! The Internet is just getting started; we have yet to really figure out what we can do with it. Half of the world's citizens has yet to make a phone call, and online purchases last Christmas doubled from the year before. The market for telecommunications is embryonic. And insofar as the dot-coms are concerned, most of that “demand” was artificial; inflated by double-bookings, it was never really as big as it was made out to be.

Consider defense. Is that going away? Hardly, at least under the current administration. Not to get political, but now that we are mired in Iraq, defending this little “colony,” we'll spend billions more on defense components, not to mention the fact that we have opened the door to taking out every other “bad guy” in the world. And there are plenty of them, so it will take a while, to be sure. Mean-

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while, I can virtually guarantee that research into defense equipment will lead to plenty of new and improved electronic security devices.

Consider medical electronics. That market grew throughout the recession, depression and devastation. When dealing with health issues, cost comes in a distant second behind benefits. Look at the big pharmaceutical companies. Invent an aid or a cure and it will be bought and used, regardless of price.

Consider automotive. The typical car today contains more electronics than the first rocket ship. Commercial electronics? Walk your house and count the number of boards in your kitchen, your den, and your workshop. Attend a home show and see how electronics are changing appliances, entertainment centers, lighting, even bathtubs. Does this give you the feeling that electronics are a dead industry?

Just as no one would say, “This Internet thing, it's going nowhere,” no one should think electronics – read: circuit boards – are a dying business. I predict that we, the global circuit board market, will grow, and soon reach and pass the \$40 billion level. The key is, how to capture your piece of it.

Until next time, buy something with a circuit board in it. **PCD&M**

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