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What You Need to Know for 2020

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CML Poised to Be ‘More Than a Manufacturer’

Interview by the I-Connect007 Editorial Team

The I-Connect007 Editorial Team recently spoke with Chris Minard, director of business development at CML, about how CML’s business model has evolved and some of his insights about manufacturing trends around the globe right now.

Andy Shaughnessy: Chris, CML is more than a PCB solutions provider. Tell us about that.

Chirs Minard: Yes. Our new slogan, “More Than a Manufacturer,” plays off how we’ve changed very significantly over the past few years. When we were founded in Germany in 2001, we were a PCB sourcing company and were very much an automotive market supplier. We’ve been able to grow over the last 18 years and have evolved into manufacturing to provide even more comprehensive PCB solutions for our customers. Now, we’re in 16 different locations worldwide and 12 different countries with more expansion planned for 2020. All of our growth is organic, so we move into a market, hire local people located in the country, speak the native language, and, of course, operate on the local time zones.

Our expansion over the years has been very methodical and measured. We want to be sure that, as we keep moving forward and developing as a company, nothing falls between the cracks and that service levels are not affected. Customer satisfaction is our number one priority.

A lot of companies try to grow too quickly, and there are pitfalls that we acknowledged that go along with that; from our managing directors down, we are extremely careful not to do that. We want all of our customers to get the same level of support and service regardless of where in the world they’re located. Some of our core customers are headquartered in Germany but are also doing manufacturing in Asia and Mexico. Their expectation, and our goal, is that all of their locations will get the same level of services from our local CML branch, regardless of where they are located.

Shaughnessy: Are you planning more global expansion?

Minard: We are looking to expand further through vertical integration, which includes production facilities in Sichuan province. We chose Sichuan because it’s extremely acces-

sible with international flights and the high-speed train. We're also looking into some key areas in Asia-Pacific and potentially in South America down the road.

Nolan Johnson: What sort of capacity does the new manufacturing facility add, Chris?

Minard: Currently, it's at about 500,000 square feet per month. It was able growing that capacity already this year, with plans to significantly grow over the next five years with further investments and expansion. There are already measures taken that would allow us to grow the capacity by multiples. The current production area is about 15,000 square meters. Of course, it's ISO-qualified for 9001 and 14001 and with the automotive space, as well as certified for IATF-16949. We have VDA 6.3 6.5 auditors that conduct onsite trainings and audits on-site and with all of our partner suppliers. We also have certified IPC-600 and IPC-6012 inspectors as part of our outgoing quality inspection.

Being from Germany, and with many of our customers in the automotive space, quality is always a critical deliverable. We're steeped in almost 20 years of making sure that all of our factory partners, suppliers, and teams are fully qualified, inspected, and audited to maintain very high levels of quality. The company has won the Mianyang City Technology Award

in 2019, which was an acknowledgment of what has been achieved since investing in the production equipment, infrastructure, and headcount.

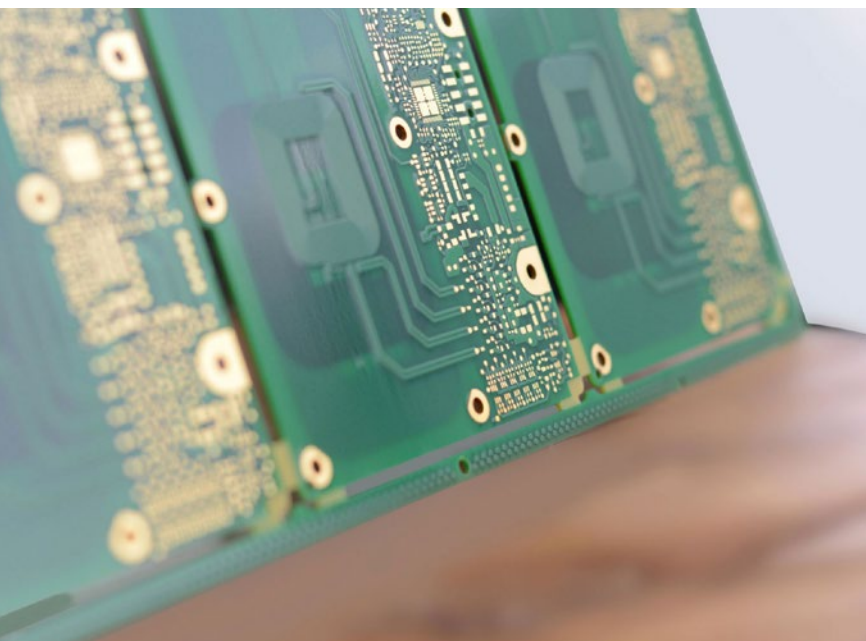
We've also launched a new venture called CML Chemistry, which is a partnership with Innotech; they are an immersion tin surface finish company. We partnered with them to bring more immersion tin solutions for our customers, and we found ourselves being engaged with Innotech hand-in-hand over time. It seemed to make sense to do something a little bit different that would benefit our customers, so why not do a joint venture with them? It allows us to have R&D and product innovations based on-site and pass these benefits onto our customers directly.

Johnson: Does CML offer design and engineering services as well?

Minard: We do. We recently took a step to expand our global engineering resources by adding head counts in both our German and Shenzhen offices. Our goal is to have the availability of our engineering teams to our customers at the very early stages of the design launch. We can provide DFM and DFX inputs in the NPI stage, and we hope to drive our customers to a commercially and technically sound solution; that's a value-add.

We also want to engage more robustly at this early stage of the design so that we don't get in after the fact when boards are in production status. We're hoping to remove costly re-spins and re-qualifications and offer a more complete solution to our customers, so we've put some resources into that. And we've had customers, both in Canada and the U.S., collaborate with our engineering teams in Germany and Asia to review their designs; therefore, we can help make recommendations on materials and surface finishes, etc.

Hand-in-hand with the expanding of our global engineering resources, we have further been actively sourc-

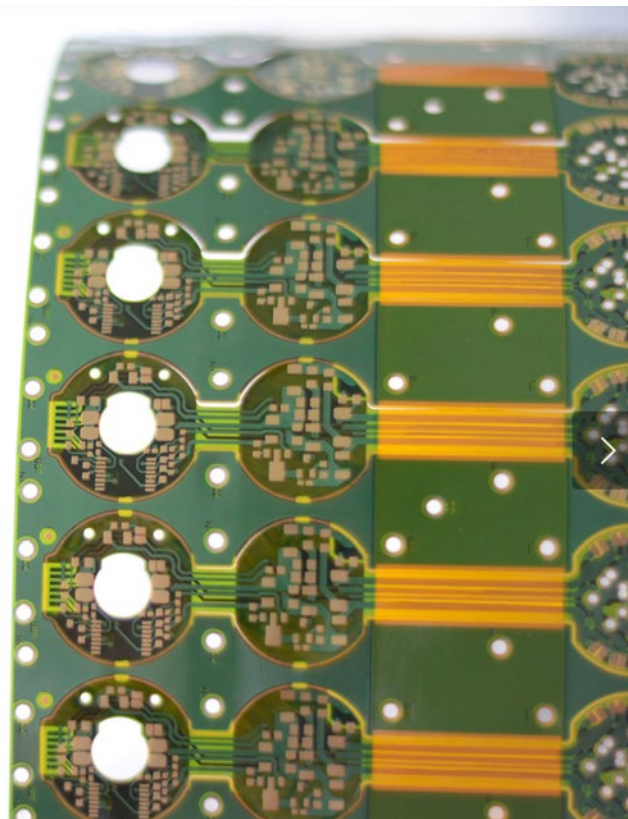


ing some new supplier partners that are more focused on advanced technologies, such as higher layer counts, high-frequency laminates, backdrill, bendables, pure flex, rigid-flex, thermal management solutions, and heavy copper. We see more of these designs from our customers, and it's important to us that we have the supplier partners in place that can service them.

If you're going to engage in these sorts of higher-technology boards, you must have your engineering backbone behind it first. In the U.S. and Canada, when you start to talk with the network and the storage spaces, you need to have a supplier partner who can engage and has years of experience and dedicated capacity in like technologies. These two things have become very strong building blocks for our team as we expand our businesses in the U.S. and Canada. Especially in Silicon Valley, where there are some of the largest and highest growth network and storage companies in the world located in one small region. I'm excited that I have the engineering and the supply base backing to confidently go into these customers with a strong technology offering.

Johnson: What do you see as your sales revenue trajectory at CML? This all speaks to the expectation of significant growth.

Minard: Like anything, it's a moving target. Our managing directors have a very long view of where they want the company to go and what we want to be in as far out as 12 years. I can't comment specifically on anything that's going to happen in 2020, but this does make a good segue into the impact of tariffs. The China-U.S. tariff situation has impacted our PCB suppliers and us in selling into the U.S. market. There were several projects that we were working on with certain customers that were going to be serviced out of China, especially Sichuan. When the tariffs didn't get lifted by March, as everyone thought at the beginning, everybody thought, "This isn't temporary or something that's going to go away quickly. What do we do?" Wisely, In the early part of 2019, we began scouting in territories like South Korea and



Thailand, where we'd had supplier partners in the past and had great relationships with. We got an early start on finding a solution for our customers.

Shaughnessy: We hear companies talk about what a nightmare the tariffs are now.

Minard: A lot of customers said it wasn't the tariffs themselves that were the biggest factor; instead, many talk about the red tape and paperwork required to pay the tariffs. If they happen to ship PCBAs out of the U.S., there was a secondary process to refile paperwork to get the tariff money back. They said it became an overwhelming dedication of resources to manage the tariff situation internally.

I think we're all looking cautiously to 2020 to see if the U.S. and China resolve their issues related to trade, whether the confidence comes back into the marketplace or whether the spending rebounds. Things have slowed on a global basis. Anything that changes the Chinese economy creates an impact for anybody located in China, as we are. But the good news is we moved ahead with well-thought-out



processes, so it didn't have an impact on all of our expansion plans and investments. All of those things were already well into play for 2019.

Johnson: What are your ideal customer profiles?

Minard: In Europe, and especially in Germany, the automotive space is where it's at; it's still where all of the major automotive projects are being both designed and purchased. For us, moving into the U.S., there is a significant tier of up-and-coming networking and storage customers in Silicon Valley that we'd love to engage with. We have aligned ourselves with a couple of supplier partners that are perfectly positioned to support that sector of the market. I know that market well. Beyond that, on the commercial side, having dealt with a few IoT home automation customers and all of the big consumer players, we have three or four factories that are perfectly aligned with those technologies.

What CML's model allows me to do for my customers is to find them the best technology and commercial fit. If the two-layer board goes to one factory, rigid-flex to another, and HDI goes to a third factory, we can get them the best factory technology fit and the best price, and the boards come out with the CML proudly displayed on the boards.

Shaughnessy: It sounds like a lot of what you do involves educating the customer.

Minard: Correct. And I've had an opportunity to chat with a few of my good contacts in the EMS world, especially onshore in the U.S., where their commodity managers manage not only PCBs but perhaps enclosures and maybe some mechanical stuff. Their time is extremely valuable to them. When you get a company like CML that can come in with eight different factories at their disposal that can do anything from a single layer IMS for LED lighting all the way up to the 24-layer board in a high-tech space, the customer doesn't have to send it out to six companies to get quotes back anymore; CML can handle it all. That is a great time saver for them and helps streamline the supply base. Beyond that, we can offer a common engineering resource that can support all our factories.

Shaughnessy: That's cool. Is Jurgen Kaulich a big part of this?

Minard: Yes. Juergen is our engineering director and, while he's based in Germany, he spends a lot of time in Asia. He manages his teams in Germany and Shenzhen and has made their role more proactive; their goal is to be engaged as early as possible with our customers.

For example, I was talking to a customer out of Canada that said, "I don't need another PCB

shop. I've been dealing with a variety of companies, and they all give me similar pricing. But in the last six years, I haven't had anyone look at my board and tell me what I could change to make them more manufacturable. What can I change to create some cost savings?" That was a perfect opportunity for me to organize a conference call with Juergen and his team in Germany. We looked at a few of their designs. We offered some alternative solutions as far as materials and solder mask went.

On one of the boards, we saved them a fairly significant amount of money, which they were extremely happy with; that opened the door for them to say, "This is worth something to me." Juergen and his team played a critical role in that. It's huge to have someone on the other side of the phone to share ideas back and forth and ask questions and get answers in real-time. Adding human interaction goes a long way in our service model.

Customers begin to think, "Maybe I'm not only going to be a price-first guy, but there might also be a lot of value in the fact that I have somebody who I can reach out to on any given day to collaborate with." A certain segment of the market seems to have a need for that, and our model and teams can offer great solutions. I had always seen that as a distinct advantage in CML's setup because we could service those personal service level needs.

Johnson: You mentioned that strategically, your management team is planning even as far out as 2030, and we talked about tariffs; let's bring those two things together. Am I correct to read between the lines that your management team and your projections don't see the tariffs as being a long-standing, long-term issue?

Minard: The plans moving out to 2030 or beyond are more about infrastructure and our global footprint. Since CML only entered the U.S. market in 2018, the amount of business we're doing in the U.S. as a portion of the overall company revenue was not that significant. Now that we have tariff mitigating solutions in place, we don't believe they will impact our long term growth plans for the U.S.

The U.S. market is going to be a major market for CML; we're already working on a three- and five-year plan. So, you could say that the tariffs were not factored in what we're looking at, but the reality of this situation is our long-term plans as a company have a lot of walls in place that we're building around. The tariff wasn't something we all foresaw in early 2018. But we did our due diligence, took the action plan early in 2019, and put into play a couple of new plant options in South Korea and Thailand, which was a solution that worked out great for our customers.

We don't have any barriers in front of us now. If the tariffs stick for the next five years, then we have solutions in place. If the tariffs go away, then we're back to having dual regional source options for our customers. In the long-term, I hope that the U.S. and China can come to an agreement, as the tariffs have global impacts.

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CML is 600+ strong today, and we don't know if that will double, triple, or quadruple in the future. We need to strive to keep our business cost-efficient and service-oriented for our customers. There's confidence when you work for a company, such as CML, that is engaged in the long-term journey and want their employees to be a big part of that.

Johnson: Thanks for speaking with us, Chris.

Minard: Thank you for the opportunity. **PCB007**

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