

Abenex: Mile High Manufacturing Success

=Sony SMT Equipment Success Story=

By Zach Woodward

SUB: While many smaller EMS providers are struggling in North America, Abenex is marching to its own beat—and doubling revenues in 2008.

It's no secret that 2008 has been a difficult year for many North American EMS providers. Abenex Manufacturing, a full-service contract manufacturing organization, is not one of those struggling to survive. Led by industry veteran G.S. Bud Hering, the company might be one of the best kept EMS secrets west of the Mississippi.

At first glance, Hering's strategy doesn't sound particularly revolutionary. "The plan is to partner with customers that we take all the way from conception through design into production," he explained in an interview at his Denver facility, "as well as offer full turnkey services for people who have the products but don't have the capability to make it themselves."

Like many EMS providers, Abenex focuses on people who have a product design and need someone to make it for them. "We also offer full logistic services so that we can really take the customer's concept, make it a reality, and get it to their end customer's hands without them touching it." Abenex uses this model to serve just about any North American EMS market sector, from medical to security, consumer electronics and retail products.

Clearly, the company is not caught up in elaborate planning; rather it focuses on each order it receives with equal dedication. What seems to set Abenex apart from other like-sized EMS providers is the way Hering and his company goes about business. "We will make a single board and all the way up to millions," said Hering. "The majority of the customers we've been working with start at the concept stage, where we were doing their one prototype by hand, then increases to hundreds and thousands and so on....You never know which one might grow into your next volume customer"

From OEM to EMS...

Abenex didn't start out as an EMS provider. The company commenced operations in 1992 as Actall Corporation. By 1997, it had developed its own product—a line that would be spun off into another entity called Actall Security Products. "During that time, even though we called ourselves manufacturers, we were really outsourcing all of our engineering manufacturing services to other people," said Hering. Vendor frustration led to an epiphany. After struggling with vendor quality and missed deliveries, Actall began placing assembly equipment at its facility to build its own product. "We ended up with a lot of excess capacity. When some of the customers that we did business with started calling us and asking us ... if we could help build some of their products, we did."

By 2004, Abenex was launched as an independent entity and it had evolved into a full-fledge electronics manufacturing service. Since then, the company has “basically been doubling in gross revenues,” asserted Herning. But the EMS business started out as a push to build in-house products with older equipment; Abenex soon realized that long-term EMS growth depends on capital equipment investment. “We started with some older equipment, used equipment, and are now migrating to buying brand new equipment, the latest technology that’s out there.”

Witness what the company has done over the past sixteen months. Herning recounted, “We’ve replaced our main line ... from the screen printer all the way through reflow and inspection equipment. So everything is brand new there—highlighted by the Sony pick-and-place machines we brought in, which allowed us to increase our capacity, increase our throughput hourly and improve efficiency both in quality and in services to our customers.”

Along with the upgrade Herning is doing in technology, he’s also addressing the need for his factory floor to better utilize existing space. For example, commenting on the same pick-and-place investment, Herning said, “We’re now in a position where what used to be our main line is about half the size and with 1.7 times more of production capacity ... with the Sony equipment; as we continue to grow I could actually place two lines side by side in what used to be just on line with much less capacity.”

Choosing the Right Customers

When manufacturing so many assemblies for so many types of customers, how does Abenex identify customers who are likely to ramp up into the larger volumes that drive Abenex’s strong gross revenue growth?

“The initial discussion is: how do we make a concept a reality, and then what can we do with it from there? We’ve been very successful with keeping them throughout the process,” explained Herning. He is also quick to point out that the biggest challenges he faces in the field are convincing companies to stay on shore and manufacturing in the United States. “We have quite a few customers that we’ve moved from offshore back to domestic manufacturing,” Herning said with a smile. “We have a very favorable module that allows us to compete with offshore pricing, but really apply our quality and services to it here, so that’s very helpful for us.”

Herning and his Abenex colleagues see a trend toward moving some manufacturing back to the U.S. “China just recently introduced new labor laws, which is cutting into their cost competitiveness. We’re finding that companies are now finally paying more attention to what it costs them to manage manufacturing over there....” As the price of doing business in China rises—including soaring shipping costs—Herning sees his customers modifying their China plans. “Customers find out that they have to have assets on the ground there. They incur a lot higher travel expenses. The dollar is still falling against the Chinese RMB. Energy costs are rising.... Many people are starting to find that North American manufacturers are more efficient in a lot of ways.”

Today, Herning is capitalizing on its proximity to the Denver International Airport. "It's no accident that we are here. In Colorado, you'll see most companies down in Colorado Springs or up north in the Fort Collins area. We chose this location so that we could service Colorado customers on both ends from a central point. Plus, for customers around the country, once a customer flies into Denver, he/she can be at our facility in less than half an hour." This also helps with quick turn emergency orders where Abenex sells time in addition to its manufacturing services.

Personal Touch

Unlike some presidents who employ a "my way or the highway" management style, Herning puts his confidence in the team he has built: "We are truly blessed to have a great staff here, and our staff personally invests in every project that they're working on. They feel a strong sense of pride...." According to Herning, such pride coupled with a "do whatever it takes" emphasis on quality and service, keep customers returning to Abenex. "We make sure that the quality is there, that they get on-time delivery, and that we do whatever is in our power to make them a successful customer. We also operate on a very basic philosophy: if we can keep our customers in business, we're going to stay in business."

Another interesting Abenex approach is that it is, as Herning called it, "a completely open facility." That means customers can come in and actually see their product on the factory floor. "One of the things that was the most important for me when I was outsourcing manufacturing was going on a tour of the vendor facilities where they'd show us everything," Herning recalled. "But when we'd give them the order and want to see how our build was coming, we would not only have no idea when the build was coming on the line, we were never even allowed in the facility when they were building it. So we took that concept and flipped it around. We offer our customers workspace here with phones, conference center and Wi-Fi Internet so that they can work out of pocket but still be in pocket. They can jump onto our manufacturing line with us so they can see how their build comes together; when we're doing manufacturability reviews for them, they can see the challenges we have. It creates better understanding between us and our customers."

"If there's a problem, I'd rather show the customer first hand," agreed Production Manager Leroy Delgado. "We'd like you to see it first-hand so we as manufacturers can help you solve your product issues and make important changes to your design that can increase productivity." Though some people might be tempted label Abenex a small, high-mix EMS provider, Herning and company are anything but typical in the EMS community. Abenex's business model appears to be reaping another year of robust growth. Herning observed, "In the next three months, the organization will more than double what it has already accomplished this year in terms of gross revenue numbers." How many EMS companies can claim that in this less than stellar year?

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Abenex Manufacturing has been steadily growing, but it took a leap of faith for them to change over their SMT line after ten years. “You know, it is very nerve racking when you make the decision that you’re going to undertake such an effort,” explained Abenex president G.S. Bud Herning.

Still, once the decision was made, “it really wasn’t so bad,” Herning said. “The people at Sony were great to work with. From his position on the factory floor, Production Manager Leroy Delgado agreed. “Overall, it was easier than we thought it would be. We had great tech support during the whole transition. We had two or three Sony techs here during the transition....They were able to actually coach us and help us through our first production runs. They made the transition very easy.”

“With Abenex’s older lines, moving it required orchestration with riggers and days of planning. The new Sony equipments were installed relatively quickly. Due to its small footprint and ease of operation, we were able to complete one line in less than a half-a-day, with everything set up and ready to go.”

Delgado added that a key reason for upgraded to the Sony line “was they offer a great partnership, they give us the quality and throughput we need, and is simple for the operators to use.” He also said that shrinking the line by 35 feet was an important value—especially once the company needs to add another line. “We can basically have two lines running where we used to have one, and potentially with more than triple the capacity.”

Was there any fear of changing over from Delgado and his production team? “With any change there’s fear, especially moving from something you’ve used for years,” he admitted. “But in the end, we’ve seen the quality of our product tremendously improve. There’s a lot less handling of products and we move at a higher volume.”

With many capital equipment vendors looking to sell new lines, Delgado wasn’t sure which vendor to choose at the beginning. “When we were in the market for new equipment, I was on the fence over what to choose and who was going to be best supporting the equipment once it’s in the factory,” he explained. “To me, support is the key. There are many equipment manufacturers out there, but how many of those will actually support you 24-7? We’re not the biggest company, but we have the same demands a big company does. And that’s why I made the decision to choose Sony. It didn’t matter to them whether we were a big fish or a small fish. When we needed the support, they gave us the support.”

When asked how they supported them, Delgado replied, “They supported us with detailed phone conversations, Web support where they actually linked up from the Web and ran the machines from their facility, or they gave us physical support within 24 hours of asking.”

SMT Lead Manuel Trujillo also felt the changeover went well. “The transition from our old line to this line went smoothly. Running the new line’s software is user-friendly and easy to pick up. The quality, from my perspective, also improved greatly.”

The software improvement was not lost on Delgado either. He commented, “Sony offers a software platform that’s very easy to maneuver through. You just take the CAD file and you blend it with the BOM. With a little bit of work, you end up with the base program....a very simple interface.”

From the factory floor trenches, Trujillo noticed some process improvements. For example, he used to do a lot of inspection with his hold line. Now, “I am 100 percent confident running product through the line without inspection. Our speed has improved dramatically. We have roll-in carts we can use if we have other set-ups to do. It’s a much quicker changeover than our previous line”.

Trujillo attributes the increased reliability to the Sony line’s design. “There’s only one mechanical part that moves in this machine. That improves quality and speed. Compared to our old line, we had table movement, feeder movement and the turret moving. Trujillo, like both Herning and Delgado, admitted to being “hesitant at first” to learning and using the new SMT line. However, he soon learned that “the software is real user friendly, the changeovers are really quick with less time setting up feeders—I’d recommend it.” president Herning agreed with his operator’s recommendation, saying, “It’s a big difference, a big cost savings for us as a company.”