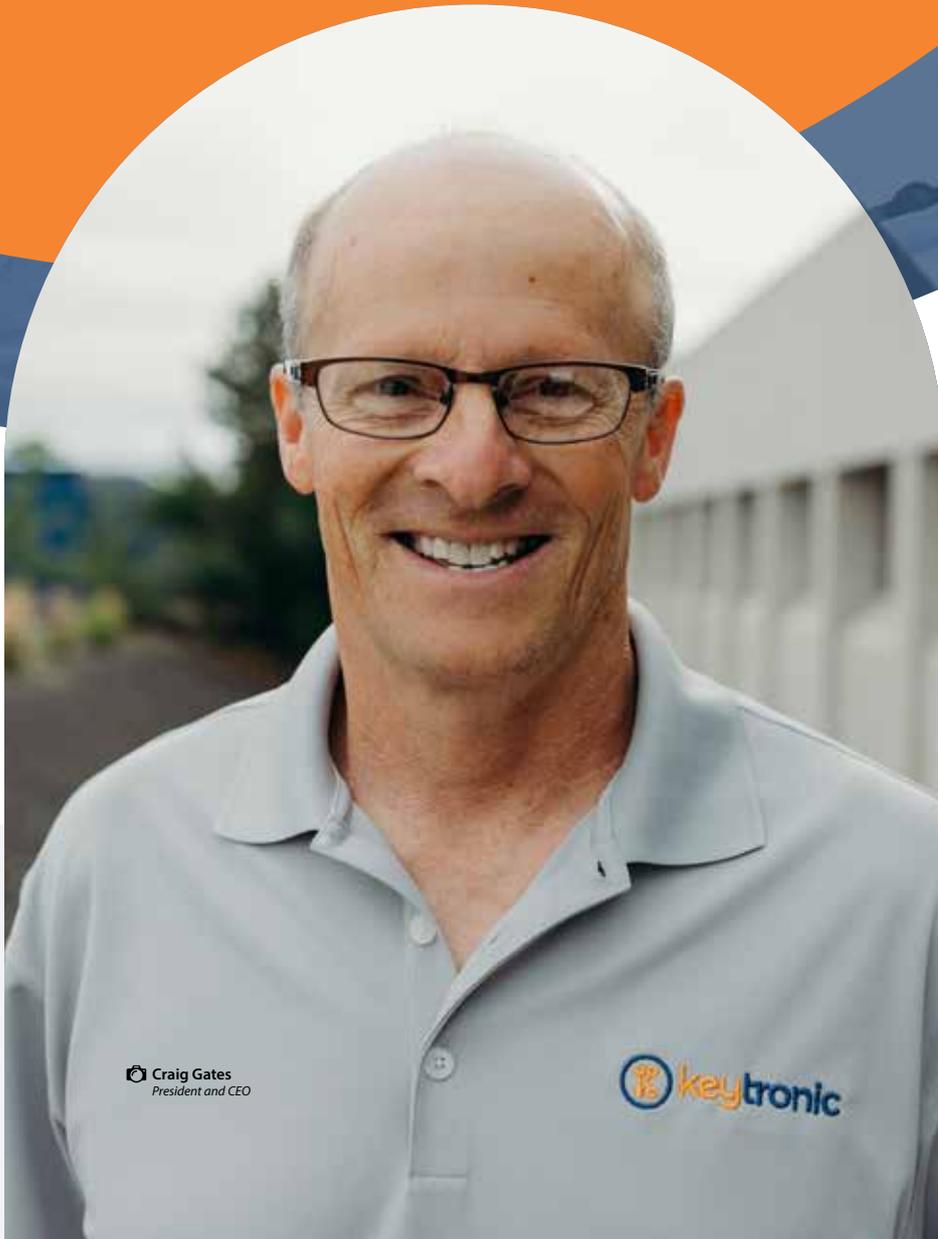


The Key to *SUCCESS*



 Craig Gates
President and CEO





Written by Paul Hutchings

I spoke with Keytronic's President and CEO Craig Gates on the phone from his Spokane office. He seems very proud of his company's accomplishments – and why not? Keytronic is still expanding after all these years (it just celebrated its 50th anniversary), having just opened its newest location in Vietnam. On the same day, the company was selected as one of the top ten metal manufacturing services companies by a key industry publication, and its almost 900,000-square-foot manufacturing campus in Mexico is doing extremely well in PCBA, plastics, metal stamping, fabrication, powder-coating, painting, and full product assembly.

“It is a lot of work to upgrade or change facilities to meet demand, but that just means new customers under the Keytronic umbrella.”

The company does business in five locations in the United States, and also has facilities in Mexico, China, Vietnam and the Netherlands, for a total of nine locations, all because management and staff decided to take a chance on expansion.

Keytronic began manufacturing computer keyboards in 1969. Less than a decade later, the Spokane, Washington-based technology company was recognized as the top keyboard producer on the planet, and that would continue right into this century.

But, statistically speaking, you are probably not reading this on a device that utilizes a keyboard. The company realized that an expanding product line means gearing up for the future. So, after thirty years in the keyboard industry, Keytronic changed direction to become a contract manufacturer. Gates said this evolution had its challenges, like finding different markets, creating different products, and finding different industries. Staff started with current keyboard customers to see what else Keytronic could do for them. ▶▶



▶ “The first [expansion] was to a company that we were already building keyboards for, that made printers. We were able to convince them that the control panel for a printer was pretty similar to a keyboard for a printer,” said Gates. “Once we started making the control panel for their printer, we went to another printer company and asked them to let us make the fuser and control panel for their printer.”

“Technology is Keytronic’s business, and it is pretty serious about it.”

From there, he added, staff added to the company’s capabilities until it was making complete printers. “Eventually, we got to a point where we could tell people that if we can make a printer, we can certainly make whatever thing-a-ma-jig you have,” he said with a laugh. Despite the humor, technology is Keytronic’s business, and it is pretty serious about it.

Gates said that beginning production of other companies’ items was not without its challenges. He called the technology industry “pretty simplistic,” in that companies usually like to see their exact product in the factories before they can feel confident that the company they are researching can do the job.

Representatives from a printer company, for example, would like to see assembly lines of printers in a factory to help them feel confident that their own printer can be produced there. That makes it difficult to attract new business.

“[We’ll get into a situation where we’ll say], maybe we aren’t building your exact product right now, but here are forty-five other products we didn’t know how to build once, and we’re building them right now. It worked out just fine,” Gates explained. “Those first days were tough because all we had was a factory full of keyboards, and we were asking companies if we could make their products.”

Keytronic has managed to put together an impressive list of international manufacturing locales. It has been running its U.S. operations since the 1970s, its Mexican facility since 1984, and its China manufacturing operations since the mid-1990s. It just opened its facility in Vietnam in the fall of last year and is currently exploring opportunities in Eastern Europe.



That new facility in Da Nang, Vietnam is 133,000 square feet and currently contains one surface-mount technology (SMT) line to produce electronic circuits. In the future, the facility can be expanded to three SMT lines and multiple final assembly lines without any further construction. Amazingly, it was completed within eight months of site selection.

“The biggest area of growth is in the consumer medical field.”

How did the company decide where to look next? Much like Keytronic’s Vietnamese operations, it helps to be wanted.

“It makes it easier if we have a customer who wants us in a potential area. It’s good to have an anchor customer for a facility,” said Gates. “It’s easier when someone says, ‘We’ll give you a \$20 million order to put a factory there.’ That’s just how it works.” ➤

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for your superb leadership, and to the
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▶ Going through the list of what the company does is an interesting read. The team can perform printed circuit board assembly, injection and blow molded plastics, metal fabrication, powder coating and wet painting, and full product assembly. It can help companies design and engineer virtually any product. It also has a supply chain management department that helps reduce total costs to its customers. From keyboards to just about everything technical, it has come a long way.

Gates said the biggest area of growth is in the consumer medical field. It produces infrared thermometers, humidifiers, and vaporizers, and the biggest challenge in that field is running a medical production facility offshore. But staff members get it done.

In fact, doing business internationally is how Keytronic got to where it is today. It has been doing business in China and Mexico since what Gates called the “keyboard days,” and from there, it learned to run offshore facilities. “That was a big leg up for us. I think it provided a huge competitive edge for us,” he recalled. “All we had to do was convert facilities from keyboard manufacturing to whatever was needed.”

Gates describes the last year as a strange one. He is proud of the company’s facilities in China but says he is hearing that diversification is in the air for production, as companies are looking to expand in their locations.

Keytronic representatives, he said, have been saying for several years that some products are big and bulky, and can be cheaper to produce in Mexico. Others are catching on. “There’s been a sea change, where people are looking at the total cost of doing business, and a lot of people are getting to the point where they are getting pushed off the cliff to say that they need to spread the risk and they cannot be so China-centric,” he said. “That’s good for us because we’re strong outside of China as well as inside of China.”



As a result, he said, companies that are coming to Keytronic for their manufacturing needs are looking to diversify their business into Mexico or even Europe. Gates admits it is a lot of work to upgrade or change facilities to meet the demands, but that just means new customers under the Keytronic umbrella.

These are companies like Skybell, which recently selected Keytronic to manufacture a line of Wi-Fi video doorbell products and accessories. And Helius Medical Technologies wanted to manufacture a line of portable neuromodulation stimulators, which help patients with mild to moderate traumatic brain injury by delivering neurostimulation through the tongue into two major cranial nerves, increasing the flow of neural impulses directly into the brain stem and cerebellum.



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Coming up, the company will be taking part in new programs involving electric vehicle charging infrastructure, LED lighting, oil and gas sensors, and flight control for experimental aircraft. To prepare for all that, the company will continue investing in new capacity at all its facilities. It will also see a significant increase in its sheet metal capacity to address demand. "We remain optimistic about our opportunities for growth in fiscal 2020 and beyond," Gates said in a press release last year.

"In the future, the facility can be expanded to three SMT lines and multiple final assembly lines without any further construction."

Gates has been with the company for thirty-seven years and is happy with the directions Keytronic has taken in that time. The accolades have been coming in. Last December, Keytronic was selected by a technology industry trade publication as one of the top ten metal manufacturing and services companies.

The company has also been using solar power through a local solar electric production program in Washington State, in an effort to bring clients' costs down even further.



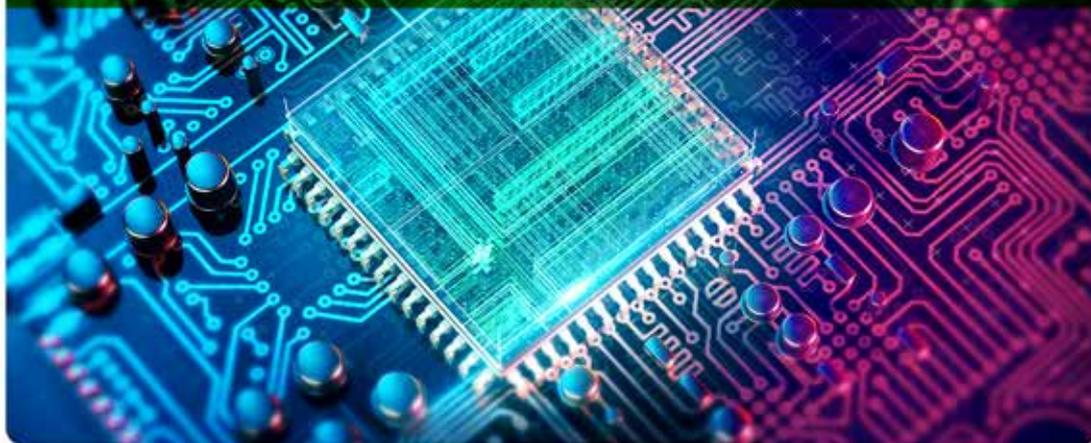
Change is good, and Keytronic knows this from experience. The end of the latest quarter shows a company-wide revenue of \$116.7 million. That is only down from the previous year because of retooling at the Mexican facility. Like all companies, there are highs and lows, but with a past like Keytronic's, it is easy to see a bright future. ■

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