

The Most Powerful Name in Corporate News

Electronic Manufacturing Services Provider



Michael Desnoyers
President & CEO

CEOCFO: *Mr. Desnoyers, what is the idea behind Etratech?*

Mr. Desnoyers: Etratech is what most people would refer to as an electronic manufacturing services provider or EMS. We design, develop and manufacture electronic controls and control systems for a number of different market segments. What differentiates us from a traditional or typical EMS provider is that we have a fully staffed engineering group in-house,

CEOCFO: *Are potential customers aware and are they looking for that expertise or is it more that they are surprised to find out about Etratech?*

Mr. Desnoyers: More frequently now than in our earlier years, companies are looking to outsource engineering requirements. They're often surprised to learn that a manufacturer like Etratech has it all internally. The benefit there is that when we are developing a product, we are also designing it for manufacturability. That really is one of our strong points. Often, when an opportunity comes our way, the company or a customer has gone to a third party engineering firm to design their product. They usually come up with a wonderful design, but they are really not designed for manufacturability. We will take a second look at it in order to make sure that we can handle the manufacturing effectively and efficiently.

CEOCFO: *Did you see the concept to do engineering from the beginning or did you realize it as time went on?*

Mr. Desnoyers: Ironically, when we started Etratech in 1989, the concept was that we would only do engineering! We were an independent third party: an engineering firm that specialized in the design and development of product for customers. We subcontracted all of our manufacturing. We were really just a middleman for the customer. It was somewhat opposite to what you have just described. As time went on, we realized that it would be more important for us to be in control of the manufacturing. In late 1992 or early 1993, we started to bring some of the manufacturing services in house. The major reason was that we found very few companies that were prepared to pay the true cost of engineering a product. Therefore, we actually had to supplement the engineering cost by finding a manufacturer, which has been a challenge here in Southern Ontario.

CEOCFO: *Speaking of manufacturing and challenges, what are some of the challenges in manufacturing today?*

Mr. Desnoyers: Our industry in particular is incredibly competitive. The margins are not very high or very large, yet we are in a technology field, so the input costs are very high. The equipment that we use is extremely expensive. It requires a particular skill set for both manufacturing the product and developing it. Therefore, those skill sets do not come inexpensively. The other issues that we have here are finding skilled individuals, especially from an engineering perspective. There are many talented people out there, but they do not have the experience and knowledge that we need. We have got a good mix of fresh graduates and seasoned professionals. However, when it comes to manufacturing, we end up having to do one hundred percent of the training ourselves. That is because it is a rather unique field. You cannot just go to school to be taught this stuff.

CEOCFO: *Do you find that the universities are a good starting place?*

Mr. Desnoyers: For our engineering requirements, absolutely! We have partnered with Mohawk College and we take on students from there. We get coop students from McMaster University. Because of our proximity to the rim up in the Waterloo area we tend to get a lot of people from the Kitchener-Waterloo area. Maintaining that balance of new and fresh ideas and new technologies with the experienced people that we have is very, very important.

CEOCFO: *Do you find that your customers are looking at quality more these days than a few years back?*

Mr. Desnoyers: Every customer with whom we engage tells us that quality is their number one criterion in selecting an EMS, and because of that we have one of the most stringent quality systems you can possibly achieve. However, I find that the decision invariably comes down to who has got the best price.

CEOCFO: Are you more selective in how deep you get into a project or assessing before you actually have a contract or is it just too hard to tell?

Mr. Desnoyers: No. We do a lot of work up front before we engage with a customer to make sure that there is a good fit between the two companies. We have had instances where we've engaged with a very unsophisticated customers and they just cannot cope with the demands that our systems require. The flip side is that when we find a customer that is incredibly sophisticated, we have to work with them, but we may have difficulty in convincing those sophisticated clients that there is value in giving them what they've asked for. It invariably ends up, again, back down to a cost factor. Therefore, we do a lot of up front work in making sure that we are a good match for the customer and that they are a good match for us.

CEOCFO: Were you surprised at some of these challenges in developing the business?

Mr. Desnoyers: I think in the early days, as we developed our business, we had challenges of an entirely different nature. As a startup - an entrepreneurial, privately held business in Canada - the biggest challenge was financial. We struggled to find banks that were prepared to even give us a line of credit without requiring us to give up our first-born. That has always been the case as a private enterprise. We are doing well enough now. We now have the banks asking us, "What can we do for you today," but that was probably the biggest challenge. In the early 2000s, there was quite a mass exodus of companies from North America to offshore. That is when we developed our strategy to expand to China to continue to compete. Then we had to deal with the strength of the dollar. I do not know that we were aware that we would be dealing with companies looking for so much engineering work and such vastly improved quality as a result of the horror stories circulating at that time, both out of Asia and Mexico. However, the direct competition and the competitive nature of the industry were both much harsher than I expected.

"We are demonstrating that Canadians and Canadian manufacturing have the technology and the wherewithal to compete globally." - Michael Desnoyers

CEOCFO: What types of companies tend to turn to you for services? Is there a common thread?

Mr. Desnoyers: I do not know if there is a common thread. Companies that choose to partner with us are generally drawn by our strong quality systems and our internal engineering capabilities, which can help them. There are very few companies among our clients that have their own internal engineering organization. Very few just want to hand something to us and say, "Here, build it." That is more what I call commodity. That's why the companies that we target and the ones with which we've had the greatest success are the ones that are looking to utilize our internal engineering resources.

CEOCFO: How do you reach potential customers?

Mr. Desnoyers: We have a marketing group, and they execute most of our marketing online and via email. With the advent of social networks we now publish content on social channels like LinkedIn. We still attend the odd trade show, and occasionally exhibit. However, the vast majority of new opportunities come to us come via the internet.

CEOCFO: Are there particular kinds of projects that you would like to work on or prefer to work on?

Mr. Desnoyers: I am sure you have heard of the phrase, "the internet of things." While we're not yet experts, I would say that our company is becoming very skilled at developing products for customers to access through smart technologies, whether they are part of their own network and talk amongst themselves or whether they would interact through a smartphone, wherein we would develop an app for that customer. Whether through a household or industrial application, we have become quite adept at wireless technologies.

CEOCFO: What is the key to keeping up with technology, manufacturing equipment and engineering changes?

Mr. Desnoyers: For us, a big part of that comes from partnerships. We also tap into our younger engineers, because they are in tune with the latest technologies. We have got quite a network of field application engineers from our supply base who visit us on a regular basis. They will bring in engineers from leading manufacturers and tell us what their new technologies are. One of the benefits of being in so many diverse markets is the diversity of technologies. Although the level of complexity is often about the same, each vertical utilizes different technologies, and we get to see all of these things and then determine how we can apply and share them amongst our different markets. That has really been a major benefit to us. We certainly invite everyone on our staff to attend trade shows and seminars and things of that nature just to keep them ahead of the curve and tuned into what is happening.

CEOCFO: What is ahead for the company? What might be different a year from now?

Mr. Desnoyers: We have facilities here in Canada. We have a wholly owned facility in Asia. We have a sales and marketing partnership with a company in the United States, with perhaps a view to acquire that company sometime in the

future. A year from now, we hope to have a similar partnership with a company in Europe, with an eventual longer-term goal to potentially acquire them. We are trying to cover all the various aspects or areas where opportunities exist. However, regionally, it gives provides an opportunity for our customers. For example, if a European company is manufacturing or distributing here in North America, we have got the facilities there and visa versa. If it has the right mix requirements, we can do the work offshore, but we are the coordinators.

CEOCFO: *Etratech was recognized, just recently, as one of Canada's Top 100 Small and Medium Employers. What are you doing to warrant that recognition? What is the company approach?*

Mr. Desnoyers: We are trying to think outside the box. Every company offers compensation and benefits. We are trying to create a work environment that everyone truly enjoys. As I said, we are in a very competitive environment, so we have to work hard and we have to work very efficiently. However, if we take this year as an example, was not a single month where we didn't offer a special event for our staff. For St Patrick's Day, we held a potato toss and gave out prizes. We give scholarships to our employees' children if they go on to post secondary education. We encourage volunteerism amongst our employees and we are prepared to give them time off when they go and volunteer. We have got a flextime system here: as long as you are here by a certain time in the morning you can leave at a certain time. You do not have to put in a forty-hour workweek, but you have to come in and work, and get your job done over the full month's period. We aim to be very flexible in that regard. We recognize that there has got to be a work / life balance and we are always coming up with new ideas to try to recognize peoples' contributions. Right now we have a plan is to become a one hundred million dollar company by the year 2017. We show everyone within the organization how they are going to contribute to that and then how we are all going to benefit from it.

CEOCFO: *Why is Etratech noteworthy?*

Mr. Desnoyers: Etratech is noteworthy because we can provide a level of service and technology that goes far beyond a typical EMS provider. We have the quality systems, track record and recognition to demonstrate that to our customers. Other than the fact that we are very, very proud of the fact that ninety percent of everything that we produce we export, we are carrying the name of Canada throughout the world. We are demonstrating that Canadians and Canadian manufacturing have the technology and the wherewithal to compete globally.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine



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