



ELECTRONIC SYSTEMS INC.

LEGENDARY SERVICE

**An ISO 9001:2008 and
ISO 13485:2003 Firm**

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Sioux Falls, SD 57104
www.electroniccsi.com

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Minneapolis Convention Center

Minneapolis, Minnesota

Upper Midwest Expo & Tech Forum

June 14, 2018

DoubleTree by Hilton Minneapolis - Park Place

Minneapolis, Minnesota

MANAGING GROWING LEAD TIMES



By Colin Sabby, Materials Manager, csabby@electroniccsi.com

It is little surprise to our customers that lead times on electronic components are lengthening. The growing demand for components is driven by a number of factors, including the expanding use of components in automobiles and smart phones, as well as a hesitancy on the part of some manufacturers to increase capacity in fear of a downturn once they've ramped up production. It's happened before and they don't want to be caught in that same scenario. It certainly creates a challenging environment.

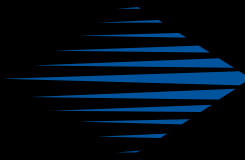
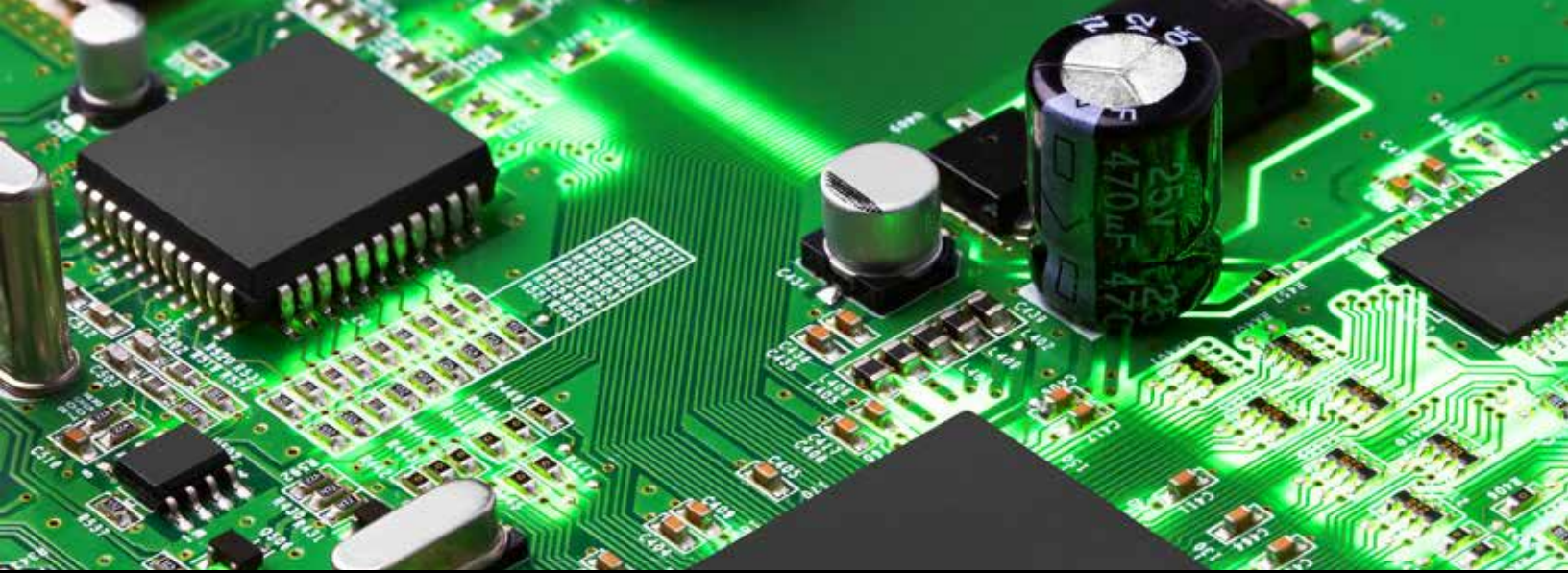
We want to assure you that ESI has processes in place to mitigate the

risk for customers. For the most part, ESI's stocking program provides our major distributors with forecasts for individual part numbers well in advance, and our suppliers take it from there. Our planners are loading customer demand and forecasts into our system, which automatically pulls that information, distributing it to these suppliers on a weekly basis. We've been told by many of our large distributors that ESI is doing the best job of providing the information they need well in advance of production, so that our supplier partners are able to deliver.

In these times, not only does it help that we have provided long-range

forecasts, but more importantly, we have built strong relationships with our supplier partners. That is really the key. Suppliers are notifying us early when there will be challenges fulfilling a particular order. And several go the extra step to help us find alternative suppliers or components. In addition, we're able to find new manufacturers entering the market as other manufacturers delay increasing capacity.

It's difficult to predict how long this cycle will last. Some say we can expect long lead times throughout 2018 or beyond. Be assured that ESI is working hard to navigate the waters on your behalf. ♦



**ELECTRONIC
SYSTEMS INC.**

LEGENDARY SERVICE
INTEGRITY, RESPONSIVENESS, & FLEXIBILITY

WWW.ELECTRONICSI.COM • SPRING 2018

BEST IS YET TO COME

By Gary Larson, President, glarson@electronicsi.com



Electronic Systems, Inc. (ESI) had a record year in 2017, experiencing double-digit revenue growth. It was a good year, and expectations are that things will get even better.

Not only are we benefitting from an improving market, but the relationships we've built with a growing customer base are finding traction. It takes time for any manufacturing business to earn the confidence of new customers, proving to them that you can deliver on their expectations. Once that business relationship is solidified they reward you with additional business. That's exactly what we've been experiencing from new and long-time customers alike. And we thank you for that trust.

Even though we've experienced a record year, we're not resting on our laurels. This business is never easy. There are always challenges around the corner. And so, ESI is moving ahead.

First, we will continue to reinvest in this company. We will be making sizeable investments this year in new equipment that will add to our capacity and capabilities. We will update you

on those investments in upcoming newsletters.

Second, we continually look for ways to improve our processes. Inside you can read about Visual Floor, a custom software enhancing our ability to track a customer's build on the production floor—providing real-time information that boosts our ability to keep products on schedule. At ESI, we understand the importance of our commitment to on-time delivery.

Third, we go above and beyond to mitigate our customers' risks. Materials Manager Colin Sabby shares on page four how ESI's processes and solid supplier relationships are helping us navigate through the current cycle of lengthening lead times.

In other words, by reinvesting in this company, enhancing capabilities, capacity and services, and sticking to our mantra of legendary integrity, responsiveness and flexibility, we will be positioned for another record year. With your help it's only looking better at ESI. The best really is yet to come. ♦

*“ESI significantly
beat expectations
on part sourcing...
significantly
accelerating
our production
schedule.”*

—ENGINEER
INDUSTRIAL COMPANY

VISUAL FLOOR: SCHEDULE TRANSPARENCY

ESI has always placed a priority on effective communication, not only with customers, but also between the program managers and planners who shepherd a customer's build and those responsible for moving that job along the production floor. This past year, we've stepped that communication up a notch with a custom-developed software program we call "Visual Floor."

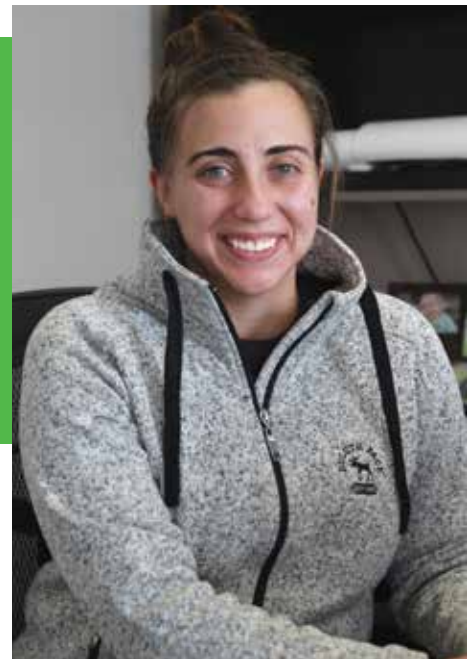
"Visual Floor provides real-time information in the form of status updates on each and every job on our production floor," says Amy Hoines, ESI Business Logistic Manager. "That means if there is any issue with that job, no matter where it occurs on the manufacturing floor, our planners can see it immediately."

The status of every job in production is visible to planners on screen. They can then utilize that real-time information to handle even more quickly issues that may arise, or communicate the exact status of a product to customers when needed. Planners, for example, can type in real-time notes to the production team with information like special customer requests, for example.

"This system has taken the place of a lot of emails and phone calls," adds Amy. "It allowed us to put all the information you need to trace the progression of a product in one place. It is definitely an enhancement to our internal scheduling system." ♦

FROM RAILS TO CIRCUIT BOARDS

*Meet Laura Caldwell,
newly named ESI planner.*



Q. What's this about working for a railway company?

A. I graduated from Texas A&M with a civil engineering degree and worked four years for BNSF Railway. I traveled pretty much full time, supervising construction crews that did roadway maintenance, and also project management for crossing rehabs and safety.

Q. How did you end up at Electronic Systems?

A. I was living in Oregon and wanted to move to Sioux Falls to be with my significant other. My background with construction and leading a production team led me to believe that manufacturing might be a good option. I also wanted to get more into the business side of a company. I was hired last year as ESI's quote administrator and moved into the planner position this January.

Q. What does your BNSF experience bring to your new position?

A. I'm new to the electronics industry, but serving as quote administrator was a good introduction. I definitely will learn more about the industry on the job. My work with the railway provided

me with experience in dealing with people, the importance of good communication and management skills, and how to deliver a project on time—all important aspects of the planner position.

Q. What are you looking forward to in this position?

A. I'm excited about the challenge of learning a new role. There's a lot of responsibility that goes with this position, and I'm excited to take that on, as I work with customers and build relationships. My goal is to communicate with our customers and meet their expectations for on-time delivery.

Q. You're an outdoor person and a native Texan. How are you handling South Dakota winters?

A. When I travel, I like hiking, rafting, kayaking and snowboarding. This is pretty much my first winter in South Dakota and I'm still here! I know the winter is almost over. I'll make it. ♦

PERFECT ATTENDANCE

We are proud to announce that in 2017, 42 production associates were recognized for perfect attendance. For their photos and names, go to www.electroniccsi.com, click on the News/Events link and look for *ESI Recognizes Perfect Attendance for 2017*.

REACHING SPECIAL MILESTONES

30 YEARS

If **Susan Lechner** was writing a résumé, it would include her roles as ESI assembler, area leader, coordinator, AI writer and document control. She says a lot has changed since she first walked in the company door in 1988, including going paperless and the prevalence of surface mount. As one of the associates who ensures that all documentation for new builds are implemented, Susan says she enjoys the challenges and rewards. “I like seeing what a product will turn out to be,” says Susan. “I work with all departments, from purchasing to production, and it’s something different every day.” This mother and grandmother says at home she enjoys listening to 50s and 60s music. Explains Susan, “It’s the music I grew up with, and I can understand the words.”



30 YEARS

Deb Jacobs can remember the exact date she started working at ESI: Feb. 8, 1988. She was 19 and had just gotten laid off at a nearby manufacturing plant. She began in the board prep area and then began soldering. Today, she is a jack of all things production, but you can generally find her manning the coating machine. “I enjoy the work,” says Deb. “We’re always doing a variety of things, and I like that, and I always try to do a good job. I care about my work.” Yard work, camping and taking care of her dog, Buddy, consumes after-hour time. And she has a goal—getting a Harley Davidson motorcycle. “It might be awhile,” says Deb, “but it’s on my bucket list.”



30 YEARS

Laura VanGelder first worked in production and service, but has now been a material handler in ESI’s receiving department for more than 20 years. She’s come to appreciate the importance of her job. “We check in shipments, label them, and put them away,” says Laura. “We have to verify the parts are correct and that they’re put away in the right spot.” On the personal side, Laura shares her abode with three dogs. “I’m a dog mom,” admits Laura. She also gathers to watch Minnesota Vikings’ games with a group called SKOL Sisters. Watching the team lose against the Philadelphia Eagles for a spot in this year’s Super Bowl was disheartening. “But,” she insists, “I’m used to it. After all, I’m a Vikings fan.”



35 YEARS

Deb Sittig is the first ESI associate to mark 35 years with the company. When she started as a temporary production associate, Electronic Systems was just three years old. Temporary status changed to full time, and she soon moved into a clerical job, and then worked in HR for 20 years. In 2013, she was named Employee Development Specialist—a new position focused on introducing newly hired associates to the culture of ESI and the world of electronic component manufacturing. She says the 35 years have gone by quickly. “It seems impossible,” says Deb, who adds that she’s appreciated the opportunities at ESI. “I’m probably one of the luckiest,” she insists. “With my years in HR and now in this position, I’ve had the opportunity to meet everybody here, and that’s the best part. Who knows, maybe I’ll make 40 years.”



PREFERRED SUPPLIERS Q4 2017

(4 consecutive quarters):

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