

# MANUFACTURING MATTERS

Interview with  
**DAN CROTHERS**  
**MANAGING DIRECTOR**  
**FERMIONX**



In a series of interviews with the partners of Knill James, manufacturers talk about their ambitions and reveal the issues which are mission-critical for them to address in achieving their goals.

The interviews will be brought together as a report to be published by DECISION magazine and then as a digital book.

IF YOU WERE playing cards with Dan Crothers, then this is the moment you realise he's about to play a trump card. "We're not unique in being a contract manufacturer," explains the managing director of FermionX, "but making our own branded products as well as our customer's components mean we live and breathe all the issues that our customers face and can pre-empt and plan."

But could there be a potential wrinkle? "Customers need to be convinced that lead times won't slip if there is an increase in demand to make our own products, that they're not less important to us, but good communication and openness gets round that one," says Crothers.

The contract manufacturing arm of FermionX, C-Tech Electronics, makes electronic assemblies for anything from laboratory equipment to the oil and gas, data control systems, marine and aerospace industries, while the own brands Seward Stomacher lab blenders and Airbox Sampling Products supply microbiology testing equipment and air sampling products for the asbestos industry respectively.

Actually the three businesses had already worked closely together before coming under common ownership, with the original brand of C-Tech Electronics

doing contract manufacturing for both of the others. They all became part of the combined FermionX group after a 'soft merger' in 2016. Crothers explains: "We knew each other well and that allowed us to do a merger from a position of strength; we could hone in to what we needed to do to create efficiencies and streamline costs and processes. We were able to look top-down at what we wanted the company to be, see what was doing well and not so well and combine the best from each."

One of the results has been a stronger board. Crothers explains: "There are also two new directors as part of the restructure. It's well balanced, and we now have the breathing space to look closely and objectively at the business."

He predicts that contract manufacturing in the UK will continue to focus on providing value added services, such as providing design expertise. "That will allow us to talk to customers at an earlier stage," says Crothers. "Design for manufacturing is a critical pathway; the sooner you can introduce that stage the better the final product and outcome in terms of developing cost efficiencies, the supply chain, and obsolescence planning."

What is a challenge though is gaining an audience with potential new customers both in the UK and Europe to achieve

plans to double turnover to £10million in five years. "With purchasing managers getting increasingly busier, it's harder to get face-to-face meetings," muses Crothers. "Then the engagement process is much longer and there are more hoops to jump through."

"For our own brands we see more opportunities in export than in the domestic market. Our products are niche and very well established in the UK, so this country is quite small in terms of growth potential," says Crothers. To manage Brexit, an option for FermionX would be to open a European office.

But there are Brexit issues over which Crothers or any other managing director for that matter has been able to address. "What will the future hold from the point of view of things like CE marking (the certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area)?" wonders Crothers.

"Product being sold into Europe will still need that, but will UK companies still be able to self-certify or will new testing arrangements be needed? Then there is the issue of intellectual property such as design registrations and trademarks - how will this change?"

Then there's possible changes to innovation funding through UK and EU bodies, and vital to many manufacturers. Crothers doesn't feel that the government has made the landscape clear. "There is pressure from the government to increase through exports and design and innovation and that won't happen by itself," he says. "Innovation grants are a vital pathway."

Another specific challenge for the electronics industry as a whole has been a shortage of particular components. "For about a year, there have been bottlenecks due to availability of components such as capacitors and resistors, because the supply chain is taking time to catch up with increased demand due to the internet of things and the development of electronic vehicles," says Crothers.

"There have been situations where suppliers have been limiting how much each manufacturer can buy, and that creates cost and availability implications. Component prices can change by 200% or even 300%; one tiny component can jump from 0.1p to 12p. That makes quite a difference to a full assembly price, and we have to take a position on how much of that we can take on ourselves and how much we have to pass down to the line customer while still being able to maintain long-term relationships.

"Looking on the bright side, it shows that there is growth in the market. It's just getting over those initial hurdles in keeping with our company motto of 'we hand back solutions, not problems', and making sure that communication with customers is pro-active and transparent."

One way of achieving that, says Crothers is making some of the company's management information - such as on-time delivery statistics - publicly available by putting it on their relaunched website. "Manufacturers are having to demonstrate value added, and one way is through honesty and integrity and openness," he declares.

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The specialist manufacturing group at Knill James provides in addition to audit and tax services:

- Strategic development and business improvement consultancy services, encompassing 'lean manufacturing' guidance.
- Advice on profit maximisation through examination of product and unit costing and implementation and management of stock control systems.
- Assistance with evaluation of proposed investments and examination of options for financing decisions.
- Production and analysis of benchmarking reports, examining Key Performance Indicators against peer group and competitors.
- Advice on optimisation of factory plant and machinery tax allowances.
- Guidance on Research and Development Tax Relief.
- Management of cashflow especially where exposure to exchange and interest rate volatility is involved.
- Assistance with management accounting systems and the production of internal financial reports.

### Knill James

One Bell Lane, Lewes BN7 1JU  
Tel: 01273 480480

3 Queen Square, London WC1N 3AR  
Tel: 0207 843 9466

Email: [info@knilljames.co.uk](mailto:info@knilljames.co.uk)  
Website: [www.knilljames.co.uk](http://www.knilljames.co.uk)

Researched and published by  
DECISION magazine  
[www.decisionmagazine.co.uk](http://www.decisionmagazine.co.uk)