

Magnetics: Industry Overview by Walt Benecki

One Final Overview...

As Magnetics Business & Technology made its debut in mid-2002, our industry was beginning to witness the final gasp of magnet and magnetic core production in the United States. At the same time, production in China was building at a phenomenal pace and the landscape of the magnetics industry was to change forever.

For the past four years it has been my distinct pleasure to write the “Industry Overview” article for Magnetics Business & Technology. David Webster, editor of MB&T, had the initial vision for this magazine and there is no doubt that it has filled a critical communication void within the magnetics community. David has also been a driving force to offer valuable conferences serving our industry.

Both David and Jeremy Martin, MB&T associate editor, were generous to permit me the opportunity to share many of my experiences and observations over these four years. We covered conferences from China and Japan as well as numerous cities in the United States. We shared inputs on new technologies, new markets and other changes that affect our industry. Many readers offered their appreciation for many of my articles and for that generous feedback I’m very appreciative.

Today, the magnetics industry (both permanent and soft materials) is dominated by Chinese imports. The remaining local industry includes a few niche manufacturers and many domestic distributors and fabricators who have filled the void left by so many plant closures.

Many magnetic material producers, both in North America and Europe, have followed the lure of China in an attempt to maintain their customer base. These forward-thinking companies have invested in their own manufacturing capability in the land of 1.3 billion people. Some experiences have been very good and some have been less than good.

At the same time, many Chinese manufacturers have attempted to penetrate the North American and European markets as local producers were shutting their doors. Some of the Chinese have insisted in attempting to establish western footholds using traditional Chinese business philosophies and practices. Some of their experiences have been good and many have been less than good.

As a result, the distribution and fabrication segment of our industry is alive and well, with most participants experiencing growth and profitable operations. Although most basic

materials will continue to be sourced from China, the distributors and fabricators will remain an important and viable segment of the Western magnetics industry.

Users of magnetic materials have also experienced significant change. Those with sufficient volume requirements have found themselves establishing new vendor relationships, many across the ocean. These new relationships have often been stressed with communication issues and start-up pains. But this change was necessary as China flexed its muscle, fueled by abundant domestic raw materials and a seemingly infinite supply of low-cost labor.

Some “boo birds” continue to forecast the demise of the China economy, sighting environmental issues, potential civil unrest, massive exchange rate shifts that will dull the Chinese competitive advantage and a possible collapse of their banking system. No doubt that China will face many challenges and experience ups and downs over the next few decades. But have no doubt about this: We will continue to see China emerge and grow as an economic super power for the next twenty to thirty years. Capitalism is alive and well in China. And it is Capitalism that will over-power Communism and be their driving force for years to come.

Some experts note that one of the distinct advantages that China has over a democratic country like India is that China’s central government has the ability to move far more quickly by essentially dictating that certain initiatives (such as major infrastructure projects) should be started. I believe this observation to be valid and it should allow China’s growth to outpace India for many years.

Many of the preeminent Japanese producers continue to invest heavily in advanced technology. This positions them well to serve growth applications like hybrid vehicles and a bevy of advanced consumer electronics products. I continue to appreciate the Japanese strategy and their willingness to invest heavily to maintain a technological lead over the Chinese. Some Japanese manufacturers have also faced the reality that they must establish selective manufacturing in mainland China.

Over the past ten years the International Magnetics Association has struggled with the numerous plant closures and industry consolidation. Reduced membership has fueled a major change in this organization as it seeks a strategic path that will permit the organization to be financially viable and continue to serve the world-wide magnetics community. If users of magnetic materials and the distributors and fabricators take advantage of the expanded scope of the IMA and its reduced fee structure, IMA can continue to be a strong association serving its members. Without broad industry support, the IMA may follow the path of the many manufacturing operations that have been forced to close their doors. If this is permitted to happen, it will represent a significant loss to our industry.

The worldwide magnetic materials market is growing and will continue to play a significant role in consumer electronics, new automotive technologies and a wide range of other new applications. It is a fast-moving and exciting industry. Because of the

degree of change involved, there remains a demand for talented and forward-thinking executives who are change agents and up to the challenge of seizing new opportunities.

As the saying goes, the one constant we can count on is “change”. The character of my consultancy is also facing a period of change. As a result, I will not be able to continue as a feature writer for MB&T. I announce this with a certain degree of regret because it has been my privilege to regularly communicate with all of you. I have thoroughly enjoyed covering the magnetics industry for MB&T, reflecting on a wide range of topics including global auctions, website strategy, new and unique applications, raw material sourcing and other long-term trends that are impacting our industry.

The change that is impacting me is good because it is an indication of the success of my consulting practice and the increasing demands on my time. Thanks again to my many loyal readers. You are all very much appreciated. Possibly, sometime in the future, I may have the opportunity to write a few additional articles...just to keep in touch!

Walt Benecki is president of Walter T. Benecki LLC, a consultancy serving the worldwide magnetics industry. Walt currently serves on the boards of the Electric Motor Education and Research Foundation and the Bunting Magnetics Company. For additional information, visit his website: www.waltbenecki.com.