

Company Profile:

RESCO Electronics



By Joe Tito

If you've been reading our Industry Profiles, the history of Baltimore based RESCO Electronics may sound a bit familiar. Their story was recently told by David Copenhaver, President of RESCO.

The company was founded in 1932 by John Bagliani, Sr. as Radio Electric Service Company of Baltimore. Radio Electric's original business was selling vacuum tubes and other electronic parts to radio repairmen. The counter sales operation eventually expanded to sell parts for TV repair as well, and grew modestly until John Sr.'s sudden passing in 1956. With two sons not yet in the business, John's wife Edith had no choice but to take the reins. By the late 1950's, Edith and her sons, by then working for the company, realized that long-term growth could not be sustained by selling to radio and TV repairmen and began selling electronic components directly to OEMs. In 1978, Edith

decided it was time to retire and turned the business over to her son, John Jr.

John had always shared his parent's commitment to growing the business. When presented with an opportunity from one of their customers to do some value-added assembly in 1990, he jumped at the chance. Overall, the distribution business had a heavy emphasis on electrical connectors which made it easy to segue into assembly work. Harnesses and assemblies gained a solid foothold as part of RESCO's business, although it remained a sideline through the 1990's. Along the way, RESCO secured several barcode



RESCO Baltimore facility circa 1950

scanning lines that were also sold to OEM's.

In 2003, David came on the scene and purchased RESCO Electronics when John retired. It didn't take long for him to realize that being a relatively small player in the electronics distribution industry was a losing proposition. The harness business was growing, yet there was no real push to market those capabilities. As David recalled, "We put our focus and resources behind the cable harness and barcode scanning businesses and deemphasized parts distribution." Fast forward to today, and less than 10% of RESCO's sales are electronic parts, with those being specialized holdovers from "the good old days," as David referred. Fifteen percent of their business is in barcode scanning equipment, with the remaining 75% being harnesses and assemblies.

As the assembly business grew, the company made some strategic acquisitions, all in the harness assembly arena. "We have actually purchased three companies in the past ten years as part of our effort to expand that part of the business," Carlo Capizzi, RESCO's VP of Accounting and Finance explained. In 2008, RESCO acquired Sherman Assembly Systems in San Antonio, Texas. Interestingly, Sherman shares a similar history with RESCO. It began in the 1930's selling tubes and electronics over the counter, moved into more general electronics distribution, then eventually migrated to assemblies.

In 2012, RESCO made perhaps its most significant addition by purchasing MorrCo Enterprises which was located

in Del Rio, Texas, but operated a twin plant (maquiladora) in Ciudad Acuña, Mexico. "The importance of the MorrCo acquisition is obvious," advised Carlo, "in that it gave us a manufacturing presence in Mexico." The most recent "bolt-on" acquisition was made in 2015 when J-RAD Technical Services of Spartanburg, South Carolina was purchased.



**Advanced Assemblies at RESCO
Acuña facility**

About 60 percent of RESCO's business is to medical equipment manufacturers. The other 40% is to what RESCO categorizes as industrial equipment OEMs. The industrial segment is a fairly eclectic group, but the largest sub-segment within the category is sales to companies making semiconductor equipment. Charles Fisher, RESCO's VP of Sales commented "Our semiconductor equipment customers have a lot in common with our medical OEMs in that product reliability and consistency of production processes are critical," adding, "the cost of failure is significant which is a common thread that runs throughout our customers."

Uniqueness

The subject turned to RESCO's uniqueness. David mentioned three areas that quickly came to mind: Their focus on continuous improvement, their ability to produce in the US and Mexico, and the core values they hold deeply."

The first area where RESCO really separates itself from other businesses is the focus on continuous improvement. At the core of its commitment to continuous improvement are a series of metrics. "As an organization, we collect data and statistics on everything," Erik Olson, Senior Manager of Baltimore Operations commented, "and we have a fundamental belief that for continuous improvement to take place, you have to have a baseline." Things like on-time delivery, acceptance rates, productivity rates, and quote response times are measured by facility and by customer. RESCO has broken these metrics down into four groups. At each week's staff meeting, RESCO's leadership team concentrates on one of the four groups so that performance against each metric is reviewed and discussed every month.

Over the last few years, RESCO has employed lean manufacturing principles to reinforce its continuous improvement efforts. Using tools like value stream mapping to reduce waste or applying 5S concepts to better organize the shop floor have been impactful. According to Tim Wunder, RESCO's VP of Information and Quality Systems "We have leveraged a number of methods to support continuous improvement throughout our organization. The use of lean manufacturing principles is a recent and highly effective example."

The second area that differentiates RESCO is having manufacturing capabilities in both the US and Mexico. Fred Morr, former owner of MorrCo and now RESCO's VP of Mexican Operations shared that RESCO's ability to manufacture in both the US and in Mexico gives it a unique competitive edge. "That has really turbocharged our growth over the past five years as it has made us extremely flexible and very cost competitive." RESCO's Acuña operation is only about a mile from the border crossing at Del Rio, Texas. According to Fred, "The response time from our Acuña facility is essentially no different than if it was located in Texas. We can export customer shipments in the afternoon and have them to UPS or FedEx for domestic shipment that evening."

The final area of uniqueness that David described was less obvious to the outsider, but is perhaps the most important. "What has perpetuated this company for close to nine decades is our ability to maintain our culture." RESCO defines this culture through a



Figure 1. RESCO's Core Values

set of six core values (Figure 1). “A lot of companies have mission statements and lists of values, but I think what makes us different is that it’s not just a bunch of words; our values define the culture of our company,” he said. They use these values when hiring, promoting, and, when necessary, dismissing employees. In fact, the values govern all the decision making at RESCO. “Most decisions become pretty easy when you are able to go back to a reference point like our core values.”

Where to Build?

Asked what determines which facility RESCO will use when quoting an assembly, Kelly Grato, RESCO’s Senior Manager of Procurement and Estimating said they have put a lot of time in



RESCO Team Baltimore

developing their quotation template. It’s a fairly complex spreadsheet that allows them to enter detailed information about what they are building and outputs the cost to build in both Baltimore and Acuña. “One of the most important attributes of that spreadsheet is that it



RESCO Team Acuña

determines the cost to build in the US and in Mexico,” she explained. Ultimately cost is the primary driver but sometimes capacity or specific equipment or tooling takes precedent. “This will come as no surprise, but the higher the labor content relative to the overall cost, the more likely it is that Mexico will be the cheaper option,” Kelly confirmed.

The Future: Growth

Growth was David’s quick answer when asked about the future. “Our biggest challenge right now is keeping up with the growth of the business.” For the past three years RESCO’s compounded growth has been over 23% per year and the staff has grown by about 50% over that period. They currently lease a 15,000 sq ft facility in Mexico but recently purchased and are in the process of renovating a 40,000 sq ft building in Acuña. And the growth is not limited to Mexico. As David shared, “At the same time we are preparing a new home for our Mexican operations, we have been renovating parts of our Baltimore facility to create more

production area. Our Baltimore production staff has more than doubled in the last year.”

David and his team are big believers that with growth comes opportunity. “We also believe that if you’re not growing, you’re dying, so there’s a pretty big emphasis in our organization on growth.” The company’s long-term goal is to maintain somewhere between 10% and 20% annual growth, with 15% being the sweet spot. “We hope to do that primarily through the organic growth of existing and new customers,” he concluded, “but as you can tell, we are not afraid to make acquisitions.”