

# Digi-Key Taps Export Market for Growth

*Exports outside North America are expected to account for one-third of the Thief River Falls company's sales in 2010.*

Not even Digi-Key Corp. could escape the effects of a worldwide recession in 2009.

The Thief River Falls-based distributor of capacitors, resistors, connectors and other computer and electronic components saw sales drop about 6 percent last year to \$926 million—only the second sales decline in the nearly 40 years that the company has been in business.

Still, Digi-Key was seeing signs of improvement by the end of the year, thanks in part to faster-than-expected growth in international markets. The company's sales outside North America grew from just \$4 million in 2002 to more than \$200 million last year, according to Mark Larson, the company's president and chief operating officer.

"We expect foreign sales to be the single greatest contributor to growth in 2010," he said, noting that one-third of Digi-Key's projected revenue this year will come from customers outside North America.

Digi-Key, which has 2,200 employees and has moved from the 16th-largest to fourth-largest components distributor in North America in six years, owns just a sliver of the European and Asian markets—less than 1 percent. But the company is expanding rapidly in some of those regions, with sales up 160 percent to China and 40 percent to Japan.

Larson said the company is succeeding because it focuses on customer service. The firm's Thief River Falls facility—roughly the size of 10 football fields—has 600 employees who process orders by phone, Internet, e-mail and fax. Other call centers are operating in the Netherlands, Hong Kong, Japan and Korea.

According to company policy, no caller is supposed to be kept waiting for more than five seconds.

The result is a quick turnaround time on orders. Company officials say 99.9 percent of their orders are shipped within one day from their Thief River Falls warehouse. The company expects to process about 3.1 million orders this year.

Digi-Key is competing in a North American sector with more than 300 electronic components distributors, including many that operate in Minnesota.

Computers and electronics accounted for nearly one-fourth of the state's \$14.6 billion in manufactured exports last year. But with the recession, the sector's export sales dropped 19 percent in 2009 to \$3.4 billion.

Despite a difficult year, Larson, who grew up in Thief River Falls, feels good about the company's future. Digi-Key plans to hire another 400 employees in the next few months to keep up with surging customer orders. He said if 200 qualified workers applied for a job today, he'd hire them on the spot.

The company needs to expand its Thief River Falls facility and hopes that state and federal officials will provide funding for expanding the local airport so that FedEx and UPS can land some of their biggest cargo planes.

"We've gone from a market that was sluggish in 2009 to a market that is beyond good," Larson said. "Each one has its own set of problems, but I like these problems better." ■