

# AUSTIN BUSINESS JOURNAL

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TIPS FOR SMALL BUSINESS SUCCESS

## STRATEGIES

### M A D E T O o r d e r

*Cypress focuses on meeting rising customer demands in competitive manufacturing industry*

TOMMY PERKINS / CONTRIBUTING WRITER

**T**om Lonsdale is holding a piece of rubber with six magnets embedded in it.

It's a new kind of oil filter and, in Lonsdale's eyes, it could be the next big production run for Cypress Industries Ltd.

That's from a manufacturing CEO whose company counts as customers blue-chip giants such as Solecron Corp., Dell Inc., Cisco Systems Inc. and Sun Microsystems Inc.

Being an entrepreneur himself, Lonsdale has a soft spot in his heart for inventors.

"If you don't take care of them on the front end, they won't take care of you on the back end," says Lonsdale, alluding to the soaring success of some inventors' products.

New products from inventors account for 20 percent of Cypress' business, Lonsdale says. Inventors

#### LESSONS LEARNED

**STARTING** your own company is a marathon, not a sprint. It takes serious reinvesting and faith. **CUSTOMERS** are first. If they're not happy you probably won't be around for much time. **BE TRUE** to your employees and treat them fairly.



Tom Lonsdale is CEO of Cypress Industries Ltd., which deals with products for a variety of industries.

SARAH KERVER / ABJ

# CYPRESS: Company uses Austin site for lower-volume product manufacturing

call on the company for any combination of design, packaging and shipping, licensing and distribution.

Meanwhile, the demands of Cypress' larger customers can be every bit as complex.

Batch sizes number in the thousands, the proprietary components often must be built in Austin and the non-proprietary pieces must be built in Asia.

Cypress also may have to hold its customers' inventory for as long as four months.

"Before 2000, you could get orders for six months' worth of products," Lonsdale says. "Since the downturn, people want one to two months' orders. They'd rather pay the additional freight than risk the inventory costs."

Lonsdale founded Cypress in 2001 with partners Bill Benker, now director of sales, and Brandon Freeman, Cypress' chairman.

The trio bootstrapped the venture until last spring, when the company accepted its first round of outside funding in the form of a line of credit from Silicon Valley Bank. Revenue has leapt 400 percent since 2003, and Cypress needed the funding to accommodate its rapid growth and, in particular, to plug holes in accounts receivables.

"It was tough initially," Lonsdale says of going a year without pay. "It was good having a supportive wife who works. [Bootstrapping] may cause you some more

pain financially, but I'd rather spend my time answering to customers than to investors."

Nationwide, both large and small firms expect their sales will rise by close to 4.9 percent over the next year, according to the National Association of Manufacturers. That's a decline from an expectation of 6 percent growth last quarter and the mildest forecast since the third quarter of 2003.

For smaller firms, sales also are expected to increase by 4.9 percent over the coming 12 months. This is an improvement from the 4.4 percent anticipated in the third quarter but a little lower than the 5.1 percent expectation for the fourth quarter.

Still, NAM projects the manufacturing recovery to remain largely on track for 2005.

Cypress' growth came from several areas, most notably from its electronics business, the launch of its industrial division and its new plastics and tooling manufacturing capabilities. Along the way, the company signed up hundreds of new customers.

The company responded to the higher demand by buying space adjacent to its original Pond Springs Road headquarters, giving it a total of 14,500 square feet of offices. About a quarter of that space is dedicated to sales and administration, with the bulk going toward manufacturing space.

Cypress devotes its Austin manufacturing operations to low- to moderate-volume

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## CYPRESS INDUSTRIES LTD.

**WHAT IT DOES:** Manufactures metal, plastic and electronic components and products

**EMPLOYEES:** 18

**REVENUE:** About \$5 million

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prototype and production runs before transitioning products to its higher-volume operations in China. The company employs 18 full-time people in Austin and plans to hire an additional 10 people — five in Austin, and five in its China sales office.

With such a wide array of runs, materials and customer sectors, there's still more complexity when it comes to dividing up the company's sales and marketing efforts.

"Each product line has its own sales team," Lonsdale says. "But we want customers to have one consistent point of contact, which allows us to cross-train our sales force."

It's axiomatic that happy employees yield happy customers and, cross-training and advancement opportunities aside, the walls of Cypress' Austin office display numerous photos of employee events.

For example, "Ranch Day" at an employee's ranch included roping, skeet shooting and other activities. In China and Taiwan, basketball tournaments are the norm among Cypress' employees.