

A Rival is Born



DAVID and GOLIATH: Former employees of a business swallowed by Tyco International create a competing company in a tight niche market



At top, Mike Molyneux, do-it-yourself president of Gigavac, hangs the front door of the new business. Above, Doug Campbell, Gigavac's vice president of operations, checks out the company's new building in Carpinteria.

NEWS-PRESS PHOTOS
BY STEVE MALONE

The whole business cycle is playing out in Carpinteria and will come full circle at the end of this month with the opening of a new company called Gigavac.

The story begins with Kilovac, once a small company which, through excellent products and great customer service, grew to be large and successful before being swallowed by one of the nation's mega-corporations.

At that point, according to the story, those crucial links between the company, its salespeople and customers were broken and the whole corporate culture changed.

As a result, a handful of senior executives got together to start a rival company, one harking back to the roots of the original, one dedi-

cated to the ideal of specialized, knowledgeable customer service.

That's pretty much the story according to Gigavac, which is assuming the role of David in a business battle with Goliath, played by Kilovac, a division of North Carolina-based CII Technologies, which has now become a subsidiary of mighty Tyco International.

If the names Gigavac and Kilovac sound similar, it's because they are both in the business of high-voltage, high-performance relays that route electrical power through vacuum or gas-filled switching units.

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Key player built Kilovac market share

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Gigavac President Mike Molyneux said the company had been careful not to invite legal action over the names from such a large corporation as Tyco. Accordingly, they had worked throughout with a lawyer who is confident the names are not similar enough to provide grounds for a legal challenge.

Pat McPherson, one of Gigavac's founders and the company's vice president of new ventures and marketing, said relay switches are all over the place — in commercial aircraft radios, radar and sonar systems, heart defibrillators and magnetic imaging scanners.

He described high-voltage relays as a niche market, worth around \$20 million annually worldwide, in which there are really only two players — Kilovac, with around 80 percent of market share, and Jennings Technology of San Jose.

Mr. McPherson concedes it won't be easy to wrest business away from

Kilovac, but he knows it's possible. After all, he's built up huge market share before. He was one of the key players who helped Kilovac grow from about 20 percent of the world market to that dominant 80 percent level.

"It's all about service," he said. "Talking to customers, giving them what they want when they want it, helping people, having stock on the shelf so that you can ship immediately. The customer is the king."

He believes Tyco made mistakes when it took control of Kilovac just over a year ago. He said Tyco got rid of marketing staff, fired the U.S. salespeople and began consolidating customer service with operations elsewhere.

Mike Moschitto, director of operations for Kilovac, had no comment.

The bottom line, said Mr. McPherson, was that customers were being left high and dry. He thought Tyco might even relocate Kilovac — another reason to get out and launch a new business catering to those dissatisfied customers.

All the principals in Gigavac used to work for Kilovac. President Molyneux was a 10-year veteran; Jim Lanum, vice president of sales, was product manager for more than 12 years; and Rick Danchuk was Kilovac's financial head for seven years before he left in 1999.

The fifth member of the team is Doug Campbell, whose father, Foss, started Kilovac about 40 years ago. Doug, who joined the company in 1978 and was chairman and chief executive officer from 1985 to 1995, was tempted out of retirement in Wyoming to return as vice president

of operations for Gigavac.

The partners all have invested money in Gigavac — most of which is going toward putting stock on the shelf — and are foregoing any payment for the whole of 2003 while the company becomes established.

As a sign of their commitment, they have got stuck in cleaning, painting and preparing the company's rented 3,800-square-foot premises at Maple Avenue and 6th Street, only about 150 yards from Kilovac.

In about six months, Gigavac has found a company making high-voltage relays in a new facility in China and another manufacturer in England. Relays will be brought to Carpinteria for any finishing work and onward shipping to customers.

At the same time, Gigavac has recruited an instant sales network after approaching the sales reps laid off by Tyco, who are also being offered the chance to invest in the new company.

"The goal is that every employee will have ownership," said Mr. Molyneux.

While that's been one way to help old friends, Mr. McPherson acknowledges Gigavac also will be competing against other former colleagues still with Kilovac. But he said the alternative would be to sit back and watch Jennings come in and take over the market.

Mr. Molyneux expects Gigavac to log about \$500,000 in sales in the remaining nine months of this year and is projecting "well over \$1 million" for 2004.

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