

Going Local – 5 Reasons to Consider a Domestic EMS Provider

For most technology providers, the choice of the proper EMS partner is the single most important, non-design related decision they will make in ensuring the successful introduction of a new product or the on-going marketing of an existing product. Quality, cost, and service are most often cited in OEM surveys as the primary requirements of an EMS provider, with cost being the overwhelming driver in actual selection. Frequently, OEM's make the assumption that the lowest cost provider must be one in a low-labor cost environment and in some cases, their assumptions prove correct. However, labor cost is but one factor in determining the overall cost of an out-sourced program. In addition to "hard" costs, there are frequently soft costs that are difficult to quantify up front but which manifest themselves in downstream issues such as time-to-market, quality, total delivered costs, and stability of source.

While many factors are important in the selection of an EMS provider, we believe there are 5 compelling reasons a North American OEM should consider "going local" and strongly consider the placement of production in a domestic EMS contractor.

- 1. Time is money** – In every industry, time is increasingly the basis for competition in product markets. The old adage "it's better to be first than to be better" seems more apt today than ever. Innovation cycles are faster, the shelf life of technology is shorter, and customer demands for newer and greater functionality are seemingly insatiable. In many markets, the fastest simply wins more often than not. If your NPI speed is compromised by time and distance (and therefore delays) associated with your EMS contractor, the costs can be much more devastating than shaving a few pennies off of labor cost in the build. Selecting an EMS partner with closer proximity to your R&D function can significantly reduce complications in product launch.
- 2. Are unit labor costs really the key driver of success?** – As automation has evolved in the manufacturing processes of EMS contractors, the labor content in product has steadily diminished. Products and product families that historically had very high percentages of labor content have seen that content reduced dramatically through the deployment of shop floor automation, the introduction of lean manufacturing principles, and other efficiency

driving investments made by domestic EMS providers. In an environment of growing parity between regions on labor content in products, other factors assume prominence in the selection of an EMS partner.

3. **The cost of getting it to you** – No element of production has seen more volatility in price and availability over the past several years than transportation. From the cost of energy to bottlenecks in ports due to in-bound freight congestions, the costs associated with a long supply chain have increased dramatically over the past several years. As the developing world continues to consume more and more energy resources, these costs will continue to grow. Transportation costs, once a non-factor in reviewing sourcing decisions must now be taken into account in determining the overall cost of a program

4. **Protection of your IP** – For a technology OEM, the intellectual property incorporated in your products is everything to your business. The safeguarding of your proprietary designs, code, even your ideas for future products or additions is critical. When choosing an EMS partner, you must assess not only the integrity of the personnel in the contractor, but also the political and cultural risks associated with the country or region of manufacture. Many OEM's have learned the hard way that not all governments view private property rights in the same light. For many, this consideration is the single biggest risk in their outsourcing decision.

5. **Close collaboration benefits** – In spite of the ease of communication in our inter-connected world, many OEM's find that there is benefit in their design engineers being able to reach out and touch and interact with their EMS counterparts. Real-time improvement and innovation seem possible at a level and on a scale not possible over extended time and space. Whether the objective is speed, lower cost, enhanced functionality, or any other performance parameter, many OEM's find that they simply work faster and better in closer proximity to their EMS partner. The benefits are real: better products, delivered on-time, and at lower total costs.

When choosing an EMS Partner, we encourage you to consider these factors in your choice. Should you choose a supplier solely on the basis of low price and ignore these considerations, we believe the likelihood for poor results is increased.

We invite you to learn more about our business at Prime. Prime Technological Services has a 20 year history of providing unmatched responsiveness, speed, and flexibility in helping customers achieve their goals in commercializing technology. Visit us at www.prime-ems.com/measureup to learn more.