

## **Electronic Contract Manufacturing**

### **" Why Outsourcing "**

By Paul Heller

Electronic Contract Manufacturing has grown to be \$120 Billion-dollar Industry. This industry is growing at a rate of 35% annually. What is driving this tremendous growth?

At a recent meeting of The Association For Manufacturing Excellence Champion's Group, Senior manufacturing executives were trying to justify continuing to manufacture internally; however, they found only a few very specific isolated examples where it did not make sense to outsource. The following are typical advantages seen by Electronics or Electro-mechanical Manufacturing Companies that outsource effectively with the right partner.

#### Advantages to Outsourcing

1. Manufacturing companies that outsource their production, effectively focus their resources on their core competencies typically improving engineering development, applications engineering, marketing and sales resulting in a strategic drive to differentiate themselves and grow their business.

Do you have the opportunity to truly differentiate your business through manufacturing internally?

Few companies can differentiate themselves through internal manufacturing to the extent they could by otherwise focusing on engineering, etc.

2. There is typically a 20% improvement in quality and reliability.
3. Cost of goods sold is typically improved by 30%
4. Flexibility and responsiveness are improved due to better process equipment, more expertise in manufacturing personnel and reduced purchasing lead-times with the right subcontractor.
5. Inventory turnover typically improves from 4 to 9.

It is critical that a Manufacturing Company out sources with clear objectives understood and accepted throughout the organization. They must also clearly specify the key qualifications need from their outsourcing partner. The tier 1 suppliers (>\$1 Billion), tier 2 suppliers (>\$100 Million) meet certain customer profiles. The smaller subcontractors also are playing a major role in quick turnaround smaller accounts and as 2nd and 3rd sources for manufacturing companies. There is a real value to outsourcing and a specific process to do it successfully. In addition, selecting the right subcontractor is crucial to outsourcing.