

## DESIGN NOTES

### Survey Provides Insight into Outsourcing

This month's column presents press release information about a survey conducted by Venture Outsource. Their online survey, "Eyes on Electronics Outsourcing Industry 2006" includes inputs from several hundred respondents — OEMs, electronics manufacturing services (EMS) providers and original design manufacturing (ODM) companies, as well as suppliers to these companies. Some survey findings reveal:

- The majority of OEM survey respondents provide products or services to the Industrial Electronics; Networking Infrastructure Electronics, Consumer Electronics, Military & Defense Electronics, Avionics & Aerospace Electronics, Automotive Electronics, and Medical Electronics end-market segments. Many of these segments are among the fastest growing outsourcing segments in industry.

- Electronics OEM survey respondents are segmented into OEM companies currently outsourcing and OEMs not/yet outsourcing, at 63.7% and 36.3%, respectively. The majority of OEM survey respondents hold either managerial or director-level positions.

- Electronics OEM survey respondents identified "reducing the amount of time it takes to introduce new products into the market" as one of their key business objectives.

- OEM survey respondents indicate they are currently engaged with these EMS and ODM companies: Solectron, Flextronics, Foxconn, Celestica, Jabil Circuit, Benchmark Electronics, Plexus, Nam Tai Electronics, Sanmina-SCI, Elcoteq, Pemstar, plus other providers "written in." Other portions of the survey ask OEM respondents to rate these EMS and ODM companies across certain criteria.

- Many of the EMS/ODM companies polled indicate they understand their OEM customers' market cycles and product technologies. However, a portion of the OEM survey respondents in certain end-market segments agree with this while other OEMs (serving different end-market segments) do not.

- Some of the technology applications identified as currently in use by OEM, EMS/ODM, and supplier companies include Internet portals, manufacturing floor management systems, ERP applications, customer relationship management (CRM) tools, and product lifecycle management (PLM) software. Based on this, respondents (by end-market segments served) indicate which applications they are not currently using but may plan to do so within the next twelve months.

- The survey assesses the impact of China-based vendors in company supply chains. Additional geographies (other than China) attractive to OEMs and EMS/ODM providers for outsourcing electronics design and manufacturing are also identified. India rates high as a source for outsourcing electronics design while Mexico rates higher than India for manufacturing. Additional countries evaluated for these two service areas include Vietnam and Thailand, among others.

- OEM survey respondents indicate they believe the percentage added to an outsource providers' procurement services (i.e., profit) is higher than what outsource providers survey respondents indicate. Survey respondents engaged in this segment also respond to a number of questions pertaining to specific management practices by EMS and ODM services and, how EMS and ODM companies differentiate from one another.

- Survey respondents from EMS and ODM companies cite "finding new business opportunities" as the number one challenge they face. Differentiating their organization in industry also rates high on the list of challenges identified for EMS and ODM companies.

Other areas in industry the survey examines closely include identifying periods throughout the year when OEMs (by industry end-market segment) engage more heavily in request for quote (RFQ) and request for proposal (RFP) activity with outsourcing partners or, potential partners.

Additionally, the importance of lean manufacturing as a service offering provided by outsource providers and, its importance as it relates to OEMs when selecting an outsource provider is also examined.

Venture Outsource is a technology consulting firm. A detailed report is being prepared and is available for a fee from the company [*like most extensive industry surveys —ed.*]. They can be reached by telephone at +1 408-292-3271 or by e-mail at [mzetter@ventureoutsource.com](mailto:mzetter@ventureoutsource.com). Web site: [www.ventureoutsource.com](http://www.ventureoutsource.com)

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*Editor's note—This press release provides only an overview of the survey results, but with a few interesting details. Even without much detail, I found it useful to see what the major issues are in outsourced manufacturing. Although the emphasis in High Frequency Electronics is primarily on design, we like to stay in touch with the manufacturing realm.*