

How to Diversify Production Partners

01 STEP ONE

Understand WHY **Diversifying Production Partners Matters**

A diversified production plan allows you to pivot manufacturing quickly when unexpected events occur. Today's global economic trends no longer lend themselves to relying on a single manufacturing partner without running into issues and risks. If you wait until catastrophe strikes, it's too late.

FROM 2015-2019, THE US EXPERIENCED

2015

BILLION-DOLLAR

2019

= \$1,000,000,000

 $\frac{1}{100000}$ = 100,000 jobs

NUFACTURING JOBS

A RECENT STUDY PROJECTS

PERPETUATING THE EXISTING LABOR SHORTAGE

Potential manufacturing and supply chain risks include...

Catastrophic risk: regional disasters or conflicts

• Quality risk: lapse in compliance requirements

Capacity risk: unexpectedly unable to meet quantity or lead time requests

- Labor risk: not enough skilled labor to fulfill manufacturing demand
- Financial risk: foreign exchange rate variability and part procurement changes

Understand WHAT

- Management risk: internal fraud or embezzlement scandals
- An established manufacturing partner and supplier portfolio

Market risk: increased competition on a global scale which drives up costs

allows you to adjust with fewer repercussions.

02 STEP TWO

to Consider When Diversifying Production

GEOGRAPHY A catastrophic event rarely impacts every corner of the world at the same magnitude at the same time. Consider having manufacturing partners both onshore and offshore to stay in front of regional disasters, conflicts, and delays in sourcing.

749,000

JOBS BETWEEN 2010-2018 SIMPLE SUPPLY CHAIN Consider partners with an established, short supply chain. When pursuing a new partnership, make sure you understand the electronics manufacturer's suppliers and sub-suppliers and the complexity of their component procurement.

An estimated 749,000 jobs were

Management Review)

brought back to the US as a result of

reshoring manufacturing (Supply Chain

03 STEP THREE

ASSESS YOUR PRODUCT'S NEEDS

• The materials required to make your product The equipment/tools required for assembly

Based on these criteria, formulate a multi-sourcing preliminary strategy, noting

backups, what you may want to bring in-house, and other risk mitigation steps.

Make a list of all electronics manufacturers who satisfy

Meet with manufacturers who align with your needs. Always come with your actual target prices, approximate margins, and knowledge of the weaknesses of your current supply chain partnerships. This will set realistic expectations from the start – the foundation of a productive partnership

your criteria in capabilities and geography.

Select New Suppliers

how many suppliers or manufacturers you need as primary sources and

The necessary quality/regulatory standards that must be met

Diversifying Production Partners Matters

• The current and projected exchange rates for offshore production

• The production volume required

Understand **HOW**

Consider...

Identify Suppliers

The known supply chain issues/blockages

IDENTIFYING

moving forward.

BUSINESS STRATEGY

MANUFACTURERS

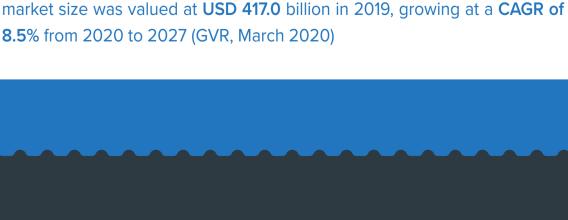
GLOBAL

Modify Your Business Strategy Diversifying your production partners will require some modifications if you're used to a single-sourcing strategy.

have more leverage for negotiation on future contracts.

Production volume may need to be spread between multiple sources, but your risks will be lower, and you'll





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boards, cabinet assembly, and more for aviation, rail, transit, OEM, and defense sectors. With unmatched quality assurance, value, and flexibility, Electro Soft is a premier partner for your next electronics build. Deloitte and The Manufacturing Institute. (2021). US Manufacturing Skills Gap Could Leave As Many As 2.1 Million Jobs Unfilled By 2030, Deloitte and The Manufacturing Institute Study Finds.

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