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# EMS Differentiation Through Branding

Susan Mucha

In the early days of the electronics manufacturing services (EMS) industry, formal marketing was a luxury in which only a few EMS providers engaged. The fact that most of those companies are now in Tier One, either through their own efforts or as a result of being acquired, is not a coincidence. Having established brands and reputations has helped them rise with the tide of EMS growth because they have managed to stand out.

## Marketing Dynamics Change

Many mid-tier EMS companies shun formal marketing programs. Their business was built on key relationships with a few core accounts, and they are looking to replicate that process with new customers.

The problem is that the number of EMS providers continues to grow. The field grew even in the most recent recession as original equipment manufacturers (OEMs) turned to EMS work as a capacity filling tactic. At the same time, OEM engineering and procurement resources are being stretched to the limit. The days of commodity specialists or engineering

personnel being dedicated completely to sourcing activities are gone. Evaluating new suppliers and transitioning new business is just one more assigned task in an ever-increasing workload.

The end result of these trends is that, even when a prospect is actively searching for a new EMS provider, the decision team may be telling EMS salespeople they do not outsource or have no needs at this time because they do not have interest in adding another company to the qualification process. Often,

this screening is based on inaccurate assumptions about the EMS provider's capabilities, either because the prospect is unfamiliar with them or remembers an outdated brand.

Further complicating the issue is the fact that many EMS providers base their marketing efforts on what their closest competitors are doing. In many cases, an EMS provider's marketing presentations or brochures are simply clones of their competitors' literature. The major problem with that approach is that no differentiation is made, then, between competitors. The copying company's value proposition is not strengthened because cloning its competitor does not present the capabilities that uniquely qualify its own brand. OEM decision teams see no value in increasing their workload by evaluating an additional supplier with no perceived unique advantage.

Another downside of failure to define a brand can be conflicting agendas within the EMS provider. Most EMS providers have some conflict between operations and sales because new account acquisition is always a process with some level of inefficiency and learning curve. In an EMS provider with a poorly defined brand, operations sees the sales function as a group of people that randomly bring in hard-to-build accounts, and sales sees operations as incapable of meeting the needs of their market. Instead of defining a core customer base aligned with the company's core competencies and then focusing the sales process on the best-fit accounts, an EMS provider with a poorly defined brand often has a high percentage of short-term projects that disrupt the production process and, ultimately, impact service to sustaining accounts. Sales and operations can become locked in mutual finger-pointing as to where the fault lies.

In an OEM, production processes can be optimized to the product mix, and new product can be introduced in a very controlled fashion. Production forecasts are often sanity-checked through a uniform process, and, consequently, production planning activities can be equally efficient. Designs are optimized to ensure high levels of component commonality and facilitate a minimal number of suppliers.

In the typical mid-tier EMS environment, 30 OEM agendas are being played out on the production floor. Suppliers can never be consolidated down to the opti-



num level, and forecasts for production planning are only as good as the forecasting ability of the individual customers. In short, even the best-run, most focused EMS facilities are controlled chaos in terms of the number of activities being managed by the business. An unfocused EMS provider in an improving economy is uncontrolled chaos because existing customers and new opportunities are competing for a limited set of resources. Lack of focus may mean priorities are set based on who is making the most noise vs. the accounts that represent the best long-term opportunities for the business.

### Brand Definition = Focus

The end result of a good branding process is that, not only does the market understand a company's focus and direction, but the company has internal consensus on best-fit accounts and resources are allocated based on strategy vs. reactionary response. Processes may be optimized to help deal with frequently occurring customer needs. Sales and operations become extensions of each other in account acquisition and retention because consensus exists on best-fit accounts. The end benefit for customers is a more controlled production environment with the capability to meet the unanticipated demand needs of its customer base quickly and efficiently.

Developing a strong brand requires establishing a shared company vision on the types of projects that represent the best long-term opportunities for the customer's business model. Typically, this development involves defining a series of criteria for optimum account size, technology, margin potential, industry linkage and service needs and then defining customers likely to fit the criteria. Once the scope of the market is understood, the next step is constructing a message or messages that get the attention of target customers. Ideally, these messages highlight the company capabilities that provide some level of competitive advantage.

A key point to keep in mind in developing a message for an EMS value proposition is that the number one fear of an

OEM decision team is picking an EMS partner who fails to deliver the proposed solution. A bad outsourcing decision may result in one or more decision team members losing their jobs because it is a very visible decision.

### Quantification is the Difference

Consequently, the most effective EMS value propositions tie to the demonstrated ability of a given EMS provider to address customer needs. Catchy slogans like "better, faster, cheaper" are easy for competitors to replicate. Documenting the quantitative value of a service provided to a customer is a lot harder for competitors to replicate because it relates to the track record of a given EMS provider. It is a stronger message because it speaks to what the EMS provider has done vs. could do.

The greater the body of material developed that quantitatively reinforces the unique selling proposition of the EMS provider, the harder the time competitors have to counter this data. Yet, if one looks at 30

EMS Websites or literature, typically less than a quarter have any quantitative definition of their value proposition. What that means is that, if you take the time to quantify your value proposition and strongly brand your company, you will still be in a minority of the industry. In short, your company will start to stand out from the competition.

### Branding Pays for Itself

Another reason many companies fail to establish a formal marketing program and brand their services is the perception that winning business through marketing activities is difficult. The EMS sell cycle is typically 12 to 18 months long, which can make tracking an account win to a given marketing effort difficult. Often, a company will dabble in marketing efforts by running a couple of ads or attending a trade show with little measurable result.

The issue that must be kept in mind, however, is that only a portion of the OEM market is looking for an EMS provider at any given point in time, and that target market is scattered all over the

world. Even if your target market is defined as the U.S., adequately maintaining a sales relationship in all potential accounts is a very expensive process.

A good marketing program establishes awareness and builds preference through automated activities such as advertising, direct mail and public relations. It also helps identify companies entering a decision making cycle by providing compelling reasons for them to ask for additional information. At that point, sales resources can be focused on an account that is ready to buy, instead of cold calling or wasted sales trips to accounts not in a buying mode.

If you add up the costs of wasted sales calls and poorly utilized sales resources, a good marketing program is often paid for in the cost savings of more efficient sales team utilization alone. A good branding effort is typically paid for in the savings resulting from avoiding acquiring just one bad-fit account. Long-term, the result of the combination of a strong brand and a good marketing program is sustainable growth, improved margins, better ability to take advantage of market share acquisition opportunities and better working relationships within the EMS provider.

Finally, an immediate reason to consider implementing this type of program is that EMS is a cyclical business. The greatest period of account movement typically occurs at the beginning of an industry upturn because many accounts now have the budget to consider switching suppliers and may be highly motivated because of changing business focus at their current EMS provider. Every EMS provider should be experiencing some increase in demand right now, but EMS providers with a focused brand and good market awareness will be picking and choosing opportunities vs. simply taking what is offered. As demand levels off, these companies will continue to have choices in new business acquisition, while their less well-known competitors may see a return to lack of unsolicited opportunities. ■

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