

FIND IT. BOOK IT. GROW IT.

A Robust Process for Account Acquisition
in Electronics Manufacturing Services

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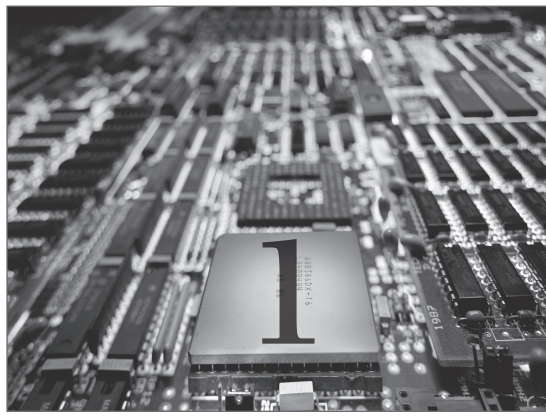
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UNDERSTANDING COMPETITIVE ADVANTAGE IN EMS OFFERINGS

INTRODUCTION

The electronics manufacturing services (EMS) industry has come a long way in a few decades. Many of the industry's multibillion dollar leaders were founded in garages or around kitchen tables. While technology transfer is a factor in many EMS companies' value propositions, most are not considered clear leaders in the development of any specific product applications. Instead, they are leaders in the rapid transformation of concepts into products, utilizing shared resources of production which are strategically placed to deliver optimum value at a competitive cost. In short, the key value proposition for most EMS providers isn't what is in the factory; it is how efficiently those resources can be used to help a customer achieve specific business goals.

That doesn't stop many EMS providers and their sales teams from focusing primarily on factory content or number of factories in their promotion efforts. And, ultimately in a field where the bulk of the marketing messages center on the same value proposition, purchase decisions will gravitate toward price. So, in a world of

Table 1–2. Range of EMS services

Range of EMS services		
PCB Assembly	Logistics	R&D/Design
System Build	Freight	Licensing
Material Acquisition	Custom Software Integration	Advanced Processes/Technologies
Enclosures	Repair Depot/Refurbishment	
Custom Components	Installation/Service/Support	

Printed circuit board (PCB) assembly, material acquisition, systems assembly, and some level of design support are widely found in the industry. Enclosures and custom components are typically offered by EMS providers with complementary business units, which provide metal fabrication, stampings, or plastic injection molding. The scale of logistics, freight, and fulfillment services may vary by tier, but even smaller EMS providers are offering these services to their systems assembly customers. Many EMS providers support some level of custom software integration within production processes. However, a smaller number have internal resources to support the actual development of custom software. Repair depot and refurbishment services are widely offered on a small scale and some EMS providers cultivate this business segment on a large scale. Installation and field service, research and development (R&D) and conceptual design, licensing of processes/technology, and advanced process development tend to be offered by only a few EMS providers. The drivers of these types of service offerings tend to be either internal expertise or the opportunity to tailor a new service offering to support a large account.

Within each tier there are variations in business model focus and variations in strategy deployment. It should be noted that not every EMS provider fits neatly into the generic model outlined for its tier.

Tier one is characterized by the following:

- Global focus in manufacturing presence, which may include leadership in identifying emerging low cost labor markets
- True purchasing power based on market position within the supply chain

be customized to support a customer's design needs, the package should emphasize the speed advantage associated with that service, and may also emphasize design expertise in the specific product technology. If the EMS provider has specific expertise in a specific technology such as RF design or design for hostile environments, that expertise and track record may be emphasized as part of the service package.

Robustness of design process

This package can also take several forms. Some companies market the general robustness of their design process in terms of speed, identification of key milestones, issues tracking, and design review methodology. If the EMS provider has specific industry expertise, that can also become part of a service package. For example, the agency approval process for medical devices may look at the rationale behind component selection or design decisions. This typically drives a requirement for greater documentation of the design process and design review meetings than found in nonmedical products. The automotive industry also has a fairly demanding product qualification process and EMS providers focused on this market may highlight a service package that ties design, prototyping, and Production Part Approval Process (PPAP) expertise together.

Project status visibility

This package is typically a combination of IT expertise and operations management expertise. The IT portion centers on the ability to link suppliers, customers, and the EMS providers to databases that show available raw material, work-in-process, and demand, ideally with the goal of providing all parties real-time visibility into changes in demand in time to adjust any supply constraints or liabilities. Operations management expertise can be touted when manufacturing personnel are actually translating system information into an efficient response on the production floor. The ability to show a factory floor with visible production status indicators, short cycle time, and minimal frozen production schedule timeframes are other selling points highlighted in this package.

An EMS marketer's promotion process will be determined by the company's goals for lead generation and its budget. A key area of focus in promotion efforts will be *reach* and *frequency*. Reach is the penetration of the company's message into its defined target market. Frequency is the number of times the company's target audience sees its message. A key point to understand is that people rarely remember a message that they have just seen once. Often a message must be seen and/or heard three times before a person even becomes aware of it. This is why a husband looks at his wife strangely when she first suddenly notices a TV commercial that he has seen her "watch" several times before. It is also the reason that advertisers run commercials over and over again in a short period of time. While some viewers may remember and be irritated, other members of the target audience are just starting to realize it's there. Fortunately, in the EMS industry a marketer will rarely have enough budget to irritate the company's market with the frequency of its ads.

The EMS marketer's primary focus should be on ensuring that messages are run with enough frequency to build awareness in the company's target market.

Frequency requirements are the reason it is a bad idea to run only one ad in a publication. Some magazines routinely market their advertising by calling up companies and offering a discount on a one-page ad that they need to sell because the original advertiser cancelled. The problem is that even with a discount, a single ad strategy may be a waste of money because the bulk of the EMS company's audience will never remember seeing it. If budget constraints are an issue, it is better to run a good program in one or two publications rather than running inadequate frequency in a larger number of magazines.

Reach requirements are the reason to confine focus on a narrow target audience. Generally if a company reaches millions, it is paying for the total measured audience, not simply the part of the audience interested in its service. Placing advertisements in mass circulation publications costs more and may ultimately be less effective because the company won't be able to run them as often. More importantly, the company's target market of decision makers may be less than one percent of the readership of a large business publication.

An EMS marketer can maximize frequency and reach by having a visually consistent message across all the company's marketing

While some of these goals are complementary, others may be in conflict during the selection. For instance, an ideal EMS provider in terms of quality reporting or implementation of quality improvement efforts may not be the best provider in terms of unit price. Or, the provider able to offer the most flexibility currently is not the best provider long-term.

Industry influence factors

In addition to the individual agendas of each member of the decision team, there may be industry influences involved. For instance, industries such as appliance and automotive have mature supply base management practices relative to outsourced subcomponents. These industries tend to be not only margin-sensitive, but also requirement-heavy relative to their expectations of supplier support infrastructure and level of commitment to annualized cost reductions. Requirements may include adoption of Six Sigma, Lean Sigma or ISO/TS16949, multiyear commitments to product price, guaranteed annualized cost reduction percentages, and expanded requirements in first article acceptance procedures.

High volume electronics manufacturers, such as companies in the computer or telecommunications industry, are also mature users of outsourcing. These industries are also margin sensitive, although they may be more flexible relative to multiyear pricing and annualized cost reductions than the appliance and automotive industries, as they better understand the complexity of electronics manufacturing. Additionally, suppliers to the telecommunications equipment industry are often penalized for late deliveries and may look to include a pass-along penalty to EMS providers who fail to meet delivery schedules.

High reliability industries such as medical, avionics, and defense are characterized by specialized quality requirements and higher reporting/administrative requirements. For instance, components on a given assembly may have to be traceable back to a lot code or date code. Device history records may need to be kept and it may be necessary to pursue industry-specific third-party quality registrations such as Food and Drug Administration (FDA) registration, ISO 13485, or AS9100. Margins in these industries tend to be higher, but the cost structure is also higher. In avionics and defense, product may contain a high number of unique parts

A good contact management software package will have the ability to generate custom activity reports based on account notes made by each salesperson.

The number of viable prospects will tend to be relatively small even in larger EMS providers. This is because as company size increases, so should optimum account size. As a result, networked, off-the-shelf contact management software packages are often the best choice. Many ERP systems will include a CRM module option; however, in many cases those modules are optimized for either management of a large number of short sell cycle accounts or on the transition of quoted projects into actual production. They also tend to cost more than the simpler contact management packages and may be always a quarter or two away from full implementation as a result. In those cases, the CRM module may be a better tool for program management and quoting than for full support of marketing and mindshare maintenance activities.

It is also important that the contact management database integrates easily into daily use. A contact management program that integrates easily with e-mail, word processing, and preferred scheduling tools and shares data with handheld devices will get used.

Another element to consider is reporting capability. Most salespeople would rather be selling than writing activity reports. A good contact management software package will have the ability to generate custom activity reports based on account notes made by each salesperson. When sales activity reporting requirements align with software reporting capabilities, sales personnel can generate fairly detailed monthly reports with only a few keystrokes. When e-mail, scheduling, activity notes, and prospect qualification status are handled through the program, anyone associated with the account can immediately come up to speed on the key issues.

The process for synchronization of individual salesperson databases with a master database should also be well defined to preserve data integrity and keep all interested parties updated on account activity.