

UNLOCKING GROWTH (PART 1)

The Outsourcing Decision for Small Manufacturers

By Tim Rodocker, Business Development Manager, Niche Electronics

This is the first article in a four-part series designed to offer practical insights to help growing manufacturers decide when to outsource their Surface-Mount Technology (SMT)/Final Assembly, Test, and Packaging (FATP) operations.



PART I: Is Now the Right Time to Outsource?

You've reached a 7- or 8-figure level of revenue. Congratulations! Now that you're looking toward that next level of growth, it makes sense to ask yourself a few questions about the benefits of outsourcing and how it can allow you to focus on client acquisition, strategic growth, and product innovation.

Outsourcing assigns production work to experts and allows both leadership and the Contract Manufacturer (CM) to focus on what they do best.

Here are a few other areas where outsourcing can support your growth models by taking on specific production tasks:

EASING WORKFORCE PRESSURES:

Labor challenges often signal a need for change. Skilled workers are in short supply, and staffing shortages arise when your company has to compete with other firms for those workers. Too-few or too-new employees can result in low yields, which can lead to rework that eats into profits and delays deliveries. Outsourcing SMT/FATP to a USA-based partner can reduce these types of challenges, offering access to a trained workforce without the grind of hiring, training, and retaining your own staff.

TO RECAP:

- Shortages of skilled labor disrupt production schedules
- Rework from low yields wastes time and increases costs
- Overtime expenses strain your team and budget



STREAMLINING SUPPORT ROLES:

Beyond direct labor, indirect roles like purchasing, engineering, and compliance add complexity and cost. It's challenging and costly for small OEMs to hire individual buyers, planners, and engineers for each function, which results in a small number of staff having to wear multiple hats. This divides these staff members' attention to areas in which they may not be experts, which can result in errors or slowdowns. Outsourcing shifts these burdens to a CM which already has an established team, which becomes an extension of your own.

TO RECAP:

- Purchasing staff are overwhelmed by inventory tasks
- Regulatory compliance like ISO 9001:2015 takes extra effort
- A lone engineer can't cover all technical needs cost-effectively
- IPC training demands time and resources from your team



REDUCING HIDDEN COSTS:

Overhead – and sometimes invisible – costs can erode your margins. Capital expenditure for new or upgraded SMT/FATP equipment ties up capital. Electricity and shop supplies add up. Staff training diverts focus. Supply chain disruptions and quality control issues can further complicate matters. Outsourcing to a USA-based CM can ease these pressures while improving your metrics.

TO RECAP:

- Equipment purchases strain your cash flow.
- Repairs and maintenance cause unexpected downtime.
- Supply chain delays impact delivery timelines.
- Quality issues require costly fixes and rework.
- Training costs compete with growth investments.

GROWING PROFITABILITY:

By outsourcing SMT/FATP, you can focus on growing your top line, moving the burdens associated with your Cost of Goods Sold, and watching your bottom line grow. A USA-based partner brings proximity and collaboration, avoiding the risks of overseas delays and communication problems. This shift lets you invest in what sets your business apart while a CM handles production efficiency.

TO RECAP:

- Outsourcing frees capital for revenue-generating projects
- Reduced COGS boosts overall profitability
- Local USA support ensures a reliable partnership

Making the choice to outsource is a difficult one, but if these items are things you are concerned about, you can download and complete your own **Outsourcing Worksheet** assessment on our website, and stay tuned to this blog for **Part 2: Selecting a CM Partner**. You might also want to check out our article *Four Questions To Ask Any EMS*, which can also be found on the Niche Electronics blog.

If you have specific questions about this article, or about outsourcing in general, contact me at TimR@Niche-Electronics.com for a consultation.



ABOUT THE AUTHOR:

Tim Rodocker is a Business Development Manager at Niche Electronics with more than 20 years in contract manufacturing. He has led dozens of program launches and manufacturing transfers across defense, aerospace, automotive, and consumer electronics markets.

