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MOUNTAIN VIEW, CA – Revenues for design services offered by electronics manufacturing service providers are expected to grow to \$29.62 billion in 2018, a CAGR of 8.9%, a new report claims.

EMS providers reported aggregate design service revenues of \$11.93 billion in 2011, says **Fros t & Sullivan**.

Driving revenue gains is a broadening in service offerings, Frost says. EMS firms have evolved from offering point-to-point service to providing complete design support services. EMS providers have started developing focused strategies to broaden design revenues, as their core strategy, elevates growth in design services. Most EMS providers now have the expertise to shoulder an increasing responsibility of fully completing and leveraging designs solutions for multiple products and customers. Thus, as the overall electronics industry and design continue to evolve rapidly, EMS providers are expected to play a greater role in enabling standardization across all industries, which helps elevate the quality of the product design itself.

"Technology innovation, rapid product lifecycles and fluctuating consumer demand are rampant and abundant within the electronics industry, which causes a need for OEMs to showcase their thought leadership and idea generation capabilities," said research analyst Lavanya Rammohan. "EMS providers have the knowledge needed to enhance their customers' design and innovation capabilities, and possess a clear understanding of the associated cost, supply chain, testing and manufacturing flexibility required to ensure a successful product launch for OEMs."

Nonetheless, some OEMs continue to portray a high level of reluctance in outsourcing their designing. For OEMs, the ability to design and innovate is what sets them apart as true differentiators and defines their core services. Consequently, EMS providers have not achieved significant market penetration, particularly in niche industries like medical, aerospace and defense.

"OEMs prefer to partner with trusted EMS providers for design and engineering support. Effective branding and permanent support in innovation will be imperative for their survival and growth throughout the forecast period," said Rammohan. "In addition, EMS providers face the challenge of maintaining market shares amid stringent competition from original design

EMS Design Market to Grow 8.9% CAGR through 2018

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manufacturers (ODMs) and, to a certain extent, pure play design companies."

In order to thrive, EMS providers need to effectively brand themselves as strategic design partners as opposed to tactical partners who can save money from a manufacturing standpoint. In-house design engineering and proven test capabilities will be pivotal in order for EMS providers to partner with OEMs in future product roadmap support. Only as trust is built with OEMs, will EMS providers find themselves shouldering additional responsibility, in terms of having complete design ownership and imparting full product lifecycle support.

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