EL SEGUNDO, CA – More than half of all electronics OEMs worldwide plan to reduce the number of contract manufacturers they work with during the next year, according to a survey by **IHS iSuppli**
.

Some 51% of responding OEMs, citing increased pressure to maintain profitability and streamline operations, said they would cut the overall number of electronics manufacturing services providers with which they currently do business.

“The IHS survey reveals that most OEMs want to trim their outsourced manufacturing supply base in order to bring down cost, with the consolidation of suppliers serving as the next biggest reason,” said Thomas J. Dinges, CFA, senior principal analyst for EMS & ODM research at IHS. ”While the impact of this trend is still to be determined, such a move by OEMs potentially could result in a reduction in the number of electronics manufacturing services, original design manufacturers and joint design manufacturers competing in the outsourced manufacturing business during the next 12 months.”

On average, each OEM now works with eight outsourced manufacturing partners spanning EMS- , ODM- and/or JDM-type engagements, according to the survey.

Most OEMs said they believe that outsourcing can help reduce costs, but the vast majority said they have no visibility into the cost structure of their EMS, ODM and JDM partners.

Overall, the two most commonly cited changes that OEMs say they want to make with their outsourced manufacturing services providers during the next six months are lead-time reduction and price negotiation.

Almost half of OEMs in China still don't require third-party audits of their outsourced manufacturing providers to ensure compliance with local labor laws, the survey revealed.