



Location matters: Finding your ideal contract manufacturer (blog series)

Nicolas Avril – [Enging.net](https://enging.net) – Blog 07 – June 2024

Most hardware companies need to outsource parts or assemblies. I will argue that the choice of a Contract Manufacturer (CM) is critical to the health of the whole company. It is as much a strategic choice as it is a sourcing decision. What should be considered? Where should the search be focused on? What can be expected? This blog series will shed some light on these questions, exploring one critical CM characteristic at a time.

This second episode dives into the importance of **location**.

The optimal location for your CM is influenced by your own location of course, but also by the maturity of your documentation, by the location of your major customers, by the languages you fluently speak, and by political stability.

It is not uncommon to visit a contract manufacturer three times before starting production (one initial scoping visit, one in-depth audit, one to finalize the deal and one to sign the contract). You should also add, at the minimum, one visit at the beginning of every new production run. This costs time and money, both of which are critical to the success of a growing company. Easy access (geographically closeness or closeness to a major airport with direct flights to your home base) is therefore a great advantage.

The maturity of your product and its documentation could also impact your location choice. Should you have left many specifications open, a lot of back and forth communication will need to happen. And while an experienced and proactive CM will volunteer optimizations via emails/instant-messages etc., others might not mention them, choosing to focus on answering your question. It is always easier to perceive a slight hesitation or a desire to add something to the answer when we have the other person in front of us, in the same location.

Assuming your CM will ship directly to your customers (or to distribution centers in the country of your customers), the location of the factory with respect to your major customer base should be taken into account. Trade wars between countries result in rapid (often unpredictable) changes in the costs of bringing a hardware product to market. The [2024 change in tariffs on products being imported into the USA from China](#) shows that the

increases can be as high as 400% of the previous rate. Can you handle the unpredictability, the increased costs and added complexity to your distribution process?

Political stability of the region where you are considering producing your product is also a factor to take into consideration. This could not only impact the ease of travel, but also your CM ability to recruit qualified workers and ease of importing and exporting goods. I remember working with a company based in Ukraine before and after the 2022 invasion by Russia. Once the conflict started, men were recruited and crossing the border with Slovakia by road could take a week longer than usual because of the increased inspections and controls at the borders.

Lastly, the language you and your considered partner speak fluently (or more accurately the cultures you are familiar with) should be taken into consideration. Ways of working vary from region to region, some being matter of fact and to the point, while other valuing relationship and trust building at different stages of the relationship. Misunderstanding of a cultural approach could result in misjudgment of the motivation of the CM being considered. This being said, large international companies tend to have adopted an "international" business culture. My first-hand experience working with different business units of [Kaifa](#) (a large Chinese EMS) is not very different than working with a large North-American or European manufacturer.

Changes will happen that can make your initial geographical decision less optimal. I would not however recommend to change course too frequently (think about whether you can weather the storm instead of giving up the race). Reassessing your manufacturing strategy every two to three years seems a good approach. And when you do that, do not forget to take into account the relationship you have invested in, the trust you built, and the experience both sides of the table gained.

I am looking forward to your comments on this blog focused on the importance of **location** when selecting a manufacturing partner.

Information and disclaimer: This article is based on the work I have delivered as manufacturing and NPI advisor (through [Enging](#)), as industrialization expert teacher ([S2Xpeed](#) accelerator), and as business development director ([Kaifa Technology Co.](#))