

Balance key to surviving and thriving

Texcel Technology's commercial director, Peter Shawyer, highlights what is needed to survive and grow in the UK contract electronics manufacturing industry

The last couple of years have been tough for the UK electronics manufacturing market and the challenges OEMs are experiencing are rippling down to CEMs. So, what does it take to survive and thrive as a CEM in the current climate? The one-word answer is 'balance'.

It would have been hard to miss the automotive industry's catastrophic slump, with last year's UK car sales the lowest for 65-years. Any CEMs focusing on this industry will have struggled too, with no silver bullet to offset the drop in demand. Texcel has always worked with OEMs across a wide spread of market sectors, helping smooth fluctuations in demand.

It is always beneficial to have a financially balanced business and CEMs are no exception. Financially stable CEMs can reinvest profits in capital equipment, automation, productivity, efficiency and capacity. Additionally, investing in recruiting and training people, helps a business expand its capabilities.

Healthy finances also help CEMs navigate market peaks and troughs, evident during the global pandemic. CEMs financially stable pre-pandemic were best positioned to survive the last couple of years.

It has been necessary to increase component and sub-assembly stockholdings to smooth supply chain shortages and lead times. Texcel has invested an additional £2M in stock to help remain on track. The company shared some of this load with its customers—in terms of orders and contracts—but has been committed to supporting them.

Texcel has seen competitors without a sound financial foundation struggle during the crisis, either going into administration or losing business to competitors offering better service.

No-one could have predicted the Covid-19 outbreak in late 2019 or the global implications for the following two years and beyond. Chip shortages are predicted until

2023, so the industry faces at least another year of supply chain disruption, plus any other knock-on effects of the current economic landscape.

CEMs that are well balanced in terms of customer base, financial stability and ability to flex their manufacturing output are best positioned to face these challenges, survive them and thrive.

Just as CEMs' fortunes are inextricably linked to those of their OEM customers, the same can apply in reverse. OEMs are dependent on the stability of their chosen CEM to ensure continuity of supply. OEMs need to research and select their CEM carefully to minimise their risk and allow for future growth.

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