Flextronics international essay

Flextronics International case study discusses the challenges that the CEO, Michael Marks, faces in a global economy where the technology industry keeps changing at a rapid pace. Flextronics is trying to discover a new identity and not just manufacture a product for customers, but design and sell a phone to potential customers.

Flextronics went from taking the designs from companies and building them, to developing their own designs. Marks needed to decide if creating a phone and bringing it to a customer would hurt relationships with other customers that he “ builds” phones for. By doing this, Flextronics would offer a phone exclusively through one customers leaving other clients potentially upset by the decision. The strategy of this is to reduce overall cost of the phone making it attractive to the customer.

Marks was faced with a business decision that would change his company’s future strategy. With increased cost pressure from the competition, Marks needed to make a decision on the company’s future.

Flextronics Case Prep

1. What factors account for the dramatic growth of the electronics manufacturing services (EMS) industry during the 1990’s? How would you rate Flextronics’ performance during that period?

The EMS growth came from the outsourcing contract work from the communications and computer industries. As the EMS companies were able to leverage suppliers for bulk material buys, it allowed them to offer cheaper products to the OEMs than the OEMs could do in house.

Flextronics performed extremely well in the late 90’s with acquisitions vital to the business plan and solid earnings and sales growth. Just about doubled each year.

2. Does the economic or strategic rationale for the outsourcing of electronics manufacturing differ from that for the outsourcing of design? If so, what is different?

The strategy of outsourcing the manufacturing from the OEMs to EMS allows for less overhead with the OEMs and takes advantage of the buying power the EMS has for material. It makes sense to outsource manufacturing costs, but I think this differs from the design. Each OEM has a design style that symbolizes its company (i. e. Apple) and by using a EMS’s design, you are at the mercy of what the EMS believes the customer wants and not by what the OEMs marketing research says. I believe you could also run into poor quality from a EMS’s design as they are working at reducing costs and not picking the best materials. EMS may go for more function vs. design.

3. Do you believe that moving into the ODM market is a good idea for Flextronics? If yes, explain your rationale, and decide whether you would grant an exclusive relationship for Phone 4. If not, what alternate strategy would you recommend?

I think the moving to ODM may create some positives and negatives. Positives could lead to such a great design that the consumer loves your design and you bring an exclusive agreement to a OEM that you now have complete design control over the OEM and they will keep signing that exclusive agreement.

The exclusive agreement has now upset your other OEM customers and they will start outsourcing to another EMS company.

After reviewing this case study and understanding how the current phone market works. I think that Flextronics can afford to gamble on signing an exclusive agreement with a OEM. Each OEM has a different phone and you don't see many look a likes with different OEMs.

I also think that this will ultimately allow the OEM Flextronic chooses to offer a phone at a lower cost than if they came up with the design themselves.