

FROST & SULLIVAN

SMTC

2022
CUSTOMER
VALUE
LEADER

NORTH AMERICAN
MID-TIER ELECTRONICS
MANUFACTURING SERVICES INDUSTRY

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. SMTC excels in many of the criteria in the mid-tier electronics manufacturing services space.

AWARD CRITERIA	
<i>Business Impact</i>	<i>Customer Impact</i>
Financial Performance	Price/Performance Value
Customer Acquisition	Customer Purchase Experience
Operational Efficiency	Customer Ownership Experience
Growth Potential	Customer Service Experience
Human Capital	Brand Equity

A Market Snapshot: Electronics Manufacturing Services

The electronics manufacturing services (EMS) space continues to expand with the rise of Industry 4.0. As

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- Samantha Fisher,
Best Practices Research Analyst

of 2022, many original equipment manufacturers (OEM) are outsourcing operations to EMS so they can focus on core business activities. Despite the proven benefits of partnering with an EMS vendor, prevailing challenges continue to inhibit mass adoption. The market remains fragmented by several vendors, leading to competitive pricing that erode revenue potential. Moreover, the geopolitical chaos and logistics problems are influencing demand for on-shore production, which challenges manufacturers struggling with post-COVID-19 supply chain delays. Since many vendors have facilities on other continents, providing an efficient ETA

is difficult. Part availability, rapid manufacturing, and quick shipments are the standards vendors must offer to remain competitive in the market.

Frost & Sullivan estimates the EMS market will reach \$624.38 billion in 2025, with a compound annual growth rate of about 5.4% from 2020 to 2025.¹

Continued Excellence: SMTC

Founded in 1985 and headquartered in Melbourne Florida, Surface Mount Technology Centre Corporation (SMTC) is a mid-sized provider of end-to-end EMS, including printed circuit board assembly, systems integration, comprehensive testing services, product design, and supply chain management services. In 2021, Frost & Sullivan recognized SMTC for its technological expertise, unmatched agility, and customer-first mentality and remains impressed with the company's continuing innovation and sustained leadership.

Roadmap to Success: Customer-centric, Continuous, Proactive

SMTC's EMS approach goes beyond its extensive expertise and best-in-class capabilities, with customer value as a strategic imperative. Through the years, the company has earned a sterling reputation supporting its clients' path toward optimized and cost-efficient manufacturing. Unlike many competitors, the company maintains close customer relationships, including industry-leading OEMs and United States-based government organizations, and provides C-level executive engagement throughout the customer journey. Moreover, SMTC builds and designs products and services collaborating closely with a range of stakeholders and partners to evolve alongside market needs and trends. As more OEMs transition to non-core manufacturing outsourcing, SMTC is well positioned as the partner of choice.

Geopolitical chaos has continued to impact the EMS space, specifically for those vendors that work in highly regulated markets, such as SMTC. This ongoing turmoil, which largely stems from the pandemic, is impacting global supply chains. The company differentiates through its regional location; since many of its clients are North America-based, the company has on-shored much of its manufacturing to its Mexico site. As of 2022, SMTC is expanding its regional presence with five locations, five buildings, and four factories in Chihuahua, Mexico.

SMTC's customer-centric focus is a cornerstone of its success. To this end, the company targets every aspect of the customer journey to ensure it provides best-of-breed experiences. This approach manifests in SMTC's three focal points: technology, service, and costs.

- **Technology:** SMTC invests in various technologies (e.g., assembly and fabrication) to design, engineer, and test new capabilities, offering a robust portfolio filled with advanced design and manufacturing solutions.
- **Service:** The company's EMS capabilities span the entire product lifecycle, enabling it to offer comprehensive services, such as precision enclosure fabrication, product configuration, and build-to-order.
- **Cost:** SMTC remains highly competitive through its variable and scalable pricing. Also, the company offers end-to-end transparency regarding its cost modeling approach.

¹ *Global Electronics Manufacturing Services (EMS) Growth Opportunities* (Frost & Sullivan, September 2021)

SMTC prioritizes customer relationships by maintaining ongoing contact and collaborating with clients to create value and develop new solutions. The company further differentiates through its “one-size-fits-one” approach, as it customizes every client’s supply chain solution to their specific requirements. Clients receive guidance from SMTC’s design team, ensuring they select the best architecture across different parameters, including cost targets, functionalities, and time-to-market (TTM) goals. Additionally, SMTC guarantees high quality by complying with multiple regulatory organizations, including the International Organization for Standardization, Institute for Interconnecting and Packaging Electronic Circuits, and the Current Good Manufacturing Practices.

Frost & Sullivan finds SMTC’s transparent and frictionless approach and close relationships position it as a preferred vendor.

Proven Customer Journey Support

With its customer-focused strategy, SMTC consistently brings best-in-class solutions and services to the market. The pandemic highlighted new vulnerabilities and challenges, requiring OEMs from all markets and industries to value and evaluate supply chain resiliency. While the world has almost fully recovered from COVID-19, supply chain issues continue to restrain every market and industry. As a result, supply chain agility is the minimum requirement. SMTC anticipated this challenge at the start of the pandemic, advising clients to purchase surplus in preparation. More importantly, the company expertly navigated the geopolitical waters in 2020 when the “In China for China” strategy (i.e., foreign investors manufacture

“Time-to-market is one of the key factors that determine success in today’s competitive world. SMTC is able to deliver products on time and enable customer success, Thanks to its exceptional supply chain agility and inventory procurement strategies, which is challenging given the prevailing supply disruptions in the post-pandemic world.”

***- Prabhu Karunakaran Industry Principal,
Industrial GOA Practice***

goods for local consumers as opposed to international markets) disrupted the manufacturing hub. Thus, SMTC closed two China facilities and moved almost all operations to Mexico. However, the company realized that many of its customers (new and existing) still have suppliers or manufacturing partners in China; thus, SMTC has an Asia-based team that it can deploy to move products from China to its Mexico locations.

Also, SMTC leverages its Silicon Valley-based New Product Introduction Technology Center to support new and existing clients in bringing novel products to market. The technology space also enables customers

to engage with SMTC and leverages its extensive supply chain ecosystem, engineering expertise, and manufacturing capabilities for Quick-Turn prototyping and high-mix, medium- to low-volume production.

The company's customer acquisition and loyalty success stem from its ongoing commitment to understanding and exceeding its clients' requirements. SMTC's constant communication with its clients throughout the customer journey differentiates it from the competition, enabling it to address client needs competently and completely. The company goes to great lengths to ensure seamless technology integration. SMTC is unique in its purchase process as it offers complete transparency starting from the first encounter. It maintains a relatively small customer base (less than 100 clients), enabling it to deliver personalized and knowledgeable service to every client. SMTC's dedicated team meets with clients to assess their unique needs and gain a robust, holistic understanding of their business and operations. After the initial evaluation period, SMTC delivers innovative solutions to enhance its clients' competitiveness, TTM, and profitability.

Positioned for Growth

Since its inception, SMTC's sterling reputation and customer-centric framework have led to its coveted preferred partner status. Over the years, it added a range of new customers to its established base. SMTC incorporates customer feedback into its roadmap to maximize short-term growth opportunities while providing a path to future revenues. The company presently focuses on three key growth businesses: semiconductors, electric vehicle (EV) charging, and data centers.

Semiconductors

The company has a long history of supporting the semiconductor space. While the pandemic significantly impacted chip orders, the industry bounced back quicker than expected, resulting in longer lead times and logistics problems. Semiconductor parts are unavailable because of supply disruptions of materials, components, and equipment to the fabs (manufacturing facilities that transform raw silicon wafers into integrated circuits). Thus, demand far exceeds production. By on-shoring its manufacturing facilities, SMTC alleviates much of the logistical problems, resulting in a quicker TTM as clients can receive their components faster than off- or near-shore operations.

EV Charging

SMTC is focusing on the growing EV charging market, which includes building complete systems for direct current fast charging (DCFC), representing a significant growth opportunity. SMTC and its EV charging partner, ChargePoint, have expanded their collaboration to maximize DCFC production, establish a Level 2 charger manufacturing line, and create new manufacturing jobs. The company forecasts the expanded facility will produce 10,000 DCFC dispensers and 10,000 Level 2 chargers by 2026.

Data Centers

The company targets data centers by working on power distribution units to help its clients manage power. Continued digitization, cloud adoption, digital content consumption, and advanced technology implementation feed data centers and services demand. SMTC's regional access and keen expertise enable clients to expand their facilities rapidly with little to no supply chain problems.

While evolving from a service and technology standpoint, SMTC never loses sight of its customers' perspectives. Its brand maintains its North American presence while meeting customer-specific needs. Given today's landscape, Frost & Sullivan believes the company is well-positioned to increase its market share in this highly competitive EMS market.

Conclusion

Customer-centric strategies help companies safeguard leading positions in markets, but only if the approach is authentic and the implementation seamless. SMTC incorporates customer-focused strategies and exemplifies best practice implementation. By targeting technology, service, and cost, the company brings end-to-end value to its customers, resulting in lower costs and time to market. Moreover, SMTC capitalizes on its on-shore manufacturing to avoid significant supply chain problems, differentiating it from other vendors. This overall customer-first approach offers immense value to existing and new customers and solidifies SMTC's reputation in the market.

With its strong overall performance, SMTC earns Frost & Sullivan's 2022 North American Customer Value Leadership Award in the mid-tier electronics manufacturing services industry.

What You Need to Know about the Customer Value Leadership Recognition

Frost & Sullivan's Customer Value Leadership Award recognizes the company that offers products or services customers find superior for the overall price, performance, and quality.

Best Practices Award Analysis

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Business Impact

Financial Performance: Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Acquisition: Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

Operational Efficiency: Company staff performs assigned tasks productively, quickly, and to a high-quality standard

Growth Potential: Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

Human Capital: Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

