SERVICE BRIEF

The Price of Precision

Why DACH, the Benelux countries and France face growing cost pressures in cost-driven assemblies – and how EMS Strategy Group helps create competitive manufacturing structures and access to new markets

EMS Strategy Group | Oktober 28, 2026 | Service Brief 4

Germany, Austria and Switzerland, the Benelux countries of Belgium, the Netherlands and Luxembourg, and France have more in common than may be apparent at first glance. All of these countries have highly developed, technologically advanced electronics manufacturing industries with strong engineering capabilities, high quality standards and a correspondingly demanding cost environment. A similar profile can also be found in the Nordic countries, the United Kingdom and Ireland. Another characteristic shared by many of these locations is a comparatively high level of labor and operating costs by international standards. For demanding, complex assemblies produced in small to medium volumes, this is not necessarily a disadvantage. For cost-driven assemblies in higher volumes, however, this cost level can quickly become a decisive competitive factor.

1. The Common Dilemma

The Challenge

Manufacturers in these countries often face a similar decision. Assemblies with a high value-added content, high complexity or stringent quality and traceability requirements can often be manufactured economically close to the customer. Once the price per assembly becomes critical to market success and volumes increase, however, local manufacturing costs can come under increasing pressure compared with competitors in Asia or lower-cost European manufacturing locations. Many companies nevertheless hesitate to relocate production because of concerns about quality, control and proximity to their own development activities.

Our Approach

We do not make this decision on a one-size-fits-all basis, but assess it at product level. Not every assembly needs to follow the same path. We analyze which assemblies should remain local due to their complexity, batch size or regulatory requirements and which are suitable for relocation without unnecessarily compromising quality or proximity to product development.

2. Where Cost-Driven Manufacturing Can Be Relocated

The Challenge

The choice of the right relocation destination is often oversimplified, for example as a decision between Europe and Asia. In reality, the available options differ significantly in terms of cost, lead times, customs and trade conditions, and risk profiles. Not every option is suitable for every product.

Our Approach

We assess several relocation options for each product in context. Within the EU, Eastern European locations offer short supply chains and the advantages of the EU single market, often at lower costs than Western European locations. China offers well-established supply chains and significant economies of scale, particularly for higher volumes. India is becoming increasingly relevant due to government support programs and growing manufacturing capacity, particularly for companies with an interest in the Indian market itself.

We compare these options based on cost, risk and supply capability and support the selection and qualification of the appropriate manufacturing partner.

3. Connecting Manufacturing Strategy and Market Development

The Challenge

Manufacturing decisions and the development of new markets are often considered separately. Production relocation is primarily assessed from a cost and supply perspective, while suitable structures for new target markets are considered only at a later stage. This can mean that opportunities for a more effective regional setup remain unused.

Our Approach

We consider manufacturing strategy and international market development as two closely connected but distinct questions. The optimal manufacturing structure for a product is not necessarily the optimal structure for selling that product in a particular target market.

Brazil can play an independent strategic role in this context. For companies interested in Latin America, we assess which local manufacturing, assembly, sourcing and distribution structures make sense for the Brazilian market and how these can support the development of a regional presence. Our **Service Brief 2** provides a more detailed overview of the opportunities for electronics manufacturing and market development in Brazil. Depending on the product and business model, local manufacturing or assembly may be just as relevant as an appropriate import and distribution structure.

The decision on a manufacturing location in Europe, China or India is therefore considered independently of the question of how a company intends to enter the Brazilian or Latin American market. Where appropriate, the two strategies can subsequently be aligned and integrated.

What EMS Strategy Group Specifically Supports

Cost Analysis and Relocation Potential

We assess at product level which assemblies can remain economically viable at their current location and which are suitable for relocation.

Location and Partner Selection

We compare manufacturing options within the EU as well as in China and India based on cost, risk and supply capability and identify suitable EMS partners.

Qualification and Transfer

We support the technical and quality assessment, audits and, where required, the transfer of an existing manufacturing operation.

Market Development and Local Structures

For companies interested in Brazil and Latin America, we additionally assess which local manufacturing, assembly, sourcing and distribution structures fit the product and the intended business model.

Whether an assembly should be manufactured in the EU, China, India or another location cannot be determined on a one-size-fits-all basis. Likewise, successful market access to Brazil cannot be derived solely from the choice of an international manufacturing location. Both questions need to be considered based on the product, target markets, cost structures and the requirements for the supply chain and local presence.

EMS Strategy Group supports companies from DACH, the Benelux countries, France and other Western European industrial locations in developing the appropriate strategic structure for each assembly and each target market.

About the EMS Strategy Group

EMS Strategy Group supports industrial enterprises in the strategic and operational advancement of their electronics manufacturing. Our core expertise lies in the strategic relocation of manufacturing volumes, the selection of qualified EMS partners, the establishment of new production capacities, and the expansion of existing manufacturing structures.

Furthermore, we design resilient supply chain frameworks, conduct comprehensive risk assessments, and guide dual-sourcing strategies, with operational support through to a successful series production ramp-up.

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