STRATEGIC BRIEF

Strategic Second Sourcing

Building Resilient Supply Chains Without Abandoning Proven Manufacturing Networks

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Executive Summary

Electronics OEMs face the challenge of making their supply chains more resilient to geopolitical, economic, and regulatory developments. This is not about replacing existing manufacturing locations, but about reducing critical dependencies and creating additional strategic options.

Strategic second sourcing follows precisely this approach. Proven manufacturing structures remain in place while being complemented by a qualified second supplier. Where appropriate, this can gradually evolve into dual sourcing, in which production is permanently and actively shared between two suppliers.

This Strategic Brief explains why second sourcing has become one of the most important strategic measures in modern supply chain management, how it differs from dual sourcing, and which strategic steps OEMs should already be taking today.

Initial Situation

Many electronics companies have concentrated their manufacturing with individual EMS providers or within specific regions for many years. While this approach can be economically attractive, it also increases dependence on individual suppliers and locations.

Tariffs, export controls, natural disasters, geopolitical tensions, or capacity constraints can disrupt supply chains at short notice. The objective of a modern sourcing strategy is therefore not to replace existing manufacturing, but to establish qualified alternative production options that reduce risk and strengthen long-term supply security.

Key Thesis

Second sourcing establishes the prerequisite by qualifying and approving an alternative manufacturing source. **Dual sourcing builds on this foundation** by actively distributing production between two qualified suppliers on a permanent basis.

For many OEMs, second sourcing represents the most practical first step. Whether and when it evolves into dual sourcing depends on the specific product, production volumes, business requirements, and overall risk profile.

However, the long-term success of either strategy depends on more than simply increasing the number of suppliers. Equally important is the strategic selection of suitable EMS partners and manufacturing locations based on clearly defined criteria, including:

- **Location stability:** Regions with reliable political and economic conditions reduce the risk of long-term supply disruptions.
- **Proximity to target markets:** Shorter transport routes improve responsiveness, reduce logistics costs, and can positively influence the Total Cost of Ownership (TCO).
- **Regulatory compatibility:** Comparable customs procedures, compliance requirements, and export regulations simplify collaboration and reduce administrative complexity.

- **Long-term partnerships:** Strategically selected EMS partners provide the foundation for joint capacity planning, continuous process improvement, and sustainable investment.

Assessment

Second sourcing is not intended to replace existing suppliers or traditional cost analysis. Instead, it extends an organization's sourcing strategy by creating the flexibility to respond to changing market conditions, geopolitical developments, regulatory requirements, and operational disruptions.

Whether or not this ultimately develops into dual sourcing depends on each company's strategic objectives. In either case, OEMs gain greater flexibility, strengthen supply chain resilience, and reduce dependency risks without abandoning proven manufacturing networks.

Recommendations for Action

1. **Analyze your supply chain.** Evaluate existing EMS partners and critical components with regard to technological capabilities, delivery performance, regional risks, and strategic importance.
2. **Identify suitable second-sourcing partners.** Select additional EMS partners based not only on cost, but also on technological expertise, quality standards, production capacity, geographic location, and long-term development potential.
3. **Prioritize business-critical products.** Begin with assemblies or products whose disruption would have the greatest impact on production, customers, or revenue.
4. **Start the qualification process early.** Qualifying and approving a second EMS partner takes time. Companies that wait until a disruption occurs risk losing valuable months before volume production can begin.
5. **Evaluate the transition to dual sourcing.** Once a qualified second supplier has been established, assess whether a permanent dual-sourcing strategy is appropriate. Depending on the product, production volume, and risk profile, second sourcing can gradually evolve into a robust dual-sourcing model with a defined allocation of manufacturing volumes.

Why Now?

The requirements for global supply chains continue to evolve. Geopolitical developments, regulatory changes, rising customer expectations, and increasingly volatile markets are placing growing pressure on companies to continuously review their sourcing and manufacturing strategies.

At the same time, qualifying an additional EMS partner requires significant time and resources. Companies that establish second-sourcing capabilities before they become necessary gain strategic flexibility and are far better positioned to respond to market disruptions than those that only react once a crisis has already occurred.

Conclusion

Strategic second sourcing is far more than a contingency measure for times of crisis. It is the proven first step toward a more resilient, flexible, and future-ready supply chain, regardless of whether it later evolves into a dual-sourcing strategy.

The objective is not to replace existing manufacturing locations or long-standing supplier relationships, but to strengthen them by adding qualified production alternatives.

Companies that diversify their sourcing strategy at an early stage reduce dependencies, improve supply security, and create the foundation for sustainable growth. Second sourcing establishes the capability; dual sourcing builds upon it. Together, they represent essential elements of modern supply chain risk management.

Source

McKinsey & Company – Supply Chain Pulse Survey

McKinsey's annual survey of international supply chain executives examines trends in supply chain resilience, regionalization, second sourcing, dual sourcing, and risk management. The reports are publicly available through McKinsey Insights.

About the author

Dirk Kaussen is Founder and Managing Director of EMS Strategy Group. With around 40 years of experience in the electronics industry — including founding and managing his own electronics manufacturing company in Germany — he brings deep expertise in manufacturing processes, EMS partner selection, supply chain stability, relocation projects, and risk management. His approach combines practical solutions with a direct connection to industrial reality.

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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