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Riverwood Solutions Announces Select Results of 2010 OEM Survey

Survey of Senior Operations and Supply Chain Professionals Suggests a Shift in Approach to Offshore Manufacturing in the Aftermath of Foxconn Situation

MENLO PARK, CA--(Marketwire - July 1, 2010) - [Riverwood Solutions](#), the innovator in [managed supply chain services](#) and operations consulting, today announced partial results of its annual survey of Electronic Products OEMs. The 2010 survey of senior operations and supply chain professionals covers OEMs ranging in size from \$1 million in annual sales to over \$100 billion. Survey respondents spent more than \$100 billion in the global electronics supply chain in calendar year 2009.

Findings from Riverwood's survey where significant year-over-year changes in response patterns suggest a shift in thinking by OEMs include:

- 14.3% of survey respondents believe that product cost is the single most important performance factor for measuring and managing their EMS provider. In the 2009 survey, more than 41% of survey respondents believed product cost was the single most important factor.
- 40.9% of survey respondents are concerned that under-investment by their EMS provider will hurt performance on their account. In 2009 only 25% of respondents were concerned about the level of investment by their EMS provider(s).
- 47.6% of OEM respondents say they would be willing to pay their EMS provider 2% more if product returns were cut in half. Affirmative response to this question more than doubled year-on-year, up from just 23.5% in 2009.
- 63.6% of survey respondents say that they are likely to hire remote operations staff near their EMS provider. Only 29.4% of OEM respondents reported remote hiring plans in 2009.

"Based on the these and other results in our OEM survey, there appears to be a shift occurring in the way OEMs think about their outsourced, offshore manufacturing operations, with cost becoming something less than the all encompassing focus of these activities," remarked Ron Keith .

Commenting on the results of Riverwood Solutions annual survey, Mike McNamara, Chief Executive Officer of Flextronics International (NASDAQ: [FLEX](#)), said, "For years, the users of EMS

services could often obtain very low prices for manufacturing services due to pricing structures and operating practices of some industry participants. A fundamental shift has occurred in China, driven by demographic and economic changes particularly in Southern China, that requires all EMS companies to invest more in their employees. Aside from basic wage increases, employers need to invest more on employees' health, welfare and living conditions if they want to attract and retain the best employees, This increased focus on social responsibility will undoubtedly increase costs to OEMs, but will inevitably result in greater employee commitment, productivity and quality." McNamara went on to say, "The data from the Riverwood survey seem to suggest a shift in thinking from purely lowest cost to one of increased social and supply chain responsibility, and I am encouraged that this will be a positive change for customers, employees and communities."

"Some dramatic changes in the distribution of responses to certain questions year over year are difficult to explain without some significant external shock to the system," according to Ron Keith , Chief Executive Officer of Riverwood Solutions. "Perhaps the recent deluge of negative press regarding Foxconn that has spilled over onto some of their key OEM customers can explain some of the significant shifts in executive views at key OEM users of EMS services."

Riverwood plans to release the final results of its survey in Early July.

About Riverwood Solutions

[Riverwood Solutions \(www.rwsops.com\)](http://www.rwsops.com) is an operations consulting and managed services provider that helps OEMs design, implement and manage cost-effective, highly responsive supply chains. Riverwood's team of OEM and EMS (electronic manufacturing services) industry veterans has negotiated more than \$7.5 billion in global supply agreements and launched nearly 200 products in 20 countries for numerous brand owning enterprises. The company's HOSTSM (Hybrid Outsourced Services Team) model provides clients at any stage of supply chain maturity with skilled project management in the world's innovation centers and in-country operations and supply chain expertise in the world's leading manufacturing centers. Riverwood's unparalleled experience, proven processes and unique model allow OEMs to implement and manage more responsive supply chains at a lower total cost with a long-term partner whose financial goals are aligned with their own.

Headquartered in Menlo Park, Calif., Riverwood (www.rwsops.com) has offices in Dallas Texas, Guadalajara, Mexico, Stockholm, Sweden, and Shenzhen, China.

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