



SOURCE
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HOW TO FIND AND MAINTAIN A GOOD OFFSHORE MANUFACTURING PARTNERSHIP



How to Find and Maintain a Good Offshore Manufacturing Partnership

Offshore OEM manufacturing is a very popular topic in industry because it's an efficient way to cut costs and add capacity to a company's in-house and domestic out-sourced manufacturing. However, to get the most out of offshore manufacturing, you must choose a reliable OEM manufacturing partner and establish a strong, long-standing relationship. Manufacturing a product, especially offshore, requires substantial experience, technology, time, and know-how.

Outsourcing is the process of transferring manufacturing and related support functions to outside companies, both onshore and offshore. It is fast becoming a pre-requisite for growth by giving companies the ability to farm out their manufacturing to contract manufacturer companies where they lack the economies of scale to compete effectively.

So, what happens when you outsource your manufacturing offshore? It's not a simple process but when it's time to explore or improve your offshore manufacturing, it's vital to get the process right or risk production delays, knowledge gaps and more. Common events that can trigger the desire to find and qualify an outsourcing partner include:

- Stronger or weaker than expected growth
- High-level changes in corporate direction
- Mergers and acquisitions
- Reallocation of resources
- Changes in management team
- Facility closures or expansions

To make the right OEM manufacturing partner selection, companies need to identify outsourcing issues and risks, address them, and ultimately establish long-term success. This success is achieved by establishing robust business processes, negotiating win/win pricing and contract terms, and investing time and resources in the relationship on an ongoing basis.

This eBook outlines how to find the best outsourcing partner and maintain a vibrant offshore OEM manufacturing partnership.



Six Benefits of Offshore Manufacturing

With shrinking product lifecycles and eroding margins, few companies can invest in the equipment, personnel, and process technology required to compete in all the areas of the market that they would like to. In addition, from time to time, companies may receive requests for production that are beyond their equipment, technology, or capacity. Offshoring presents a variety of advantages compared to other domestic and in-house manufacturing options, especially for medium-to-large volume production runs.



1. Diversity of Raw Materials

All production facilities (domestic or offshore) are keen on using high-quality materials. However, often the exact specifications of raw materials that are required for a special project or new product may not be as readily available domestically as they are offshore. Further, in the more developed offshore locations such as Taiwan, Korea, and China, the breadth of raw materials available often meets or exceeds what is available domestically in the USA. Increased raw material availability and reduced delays in production operations benefit the whole supply chain.

2. Transfer of Fixed Cost Investment Risks

When scaling a business, companies need all the capital they can get. Offshore production can help you scale on a variable cost basis, thereby minimizing or eliminating the need to deploy capital and enabling you to transfer capital risk. By avoiding costly fixed cost (sunk cost) investments like overhead, direct labor costs, and purchasing expensive equipment, your resources can be deployed in different areas, such as marketing, internal automation, or digitization initiatives.

3. Expand Manufacturing Offerings With Specialized Suppliers

Offshore manufacturing allows you to take advantage of highly specialized manufacturing processes that may not be available domestically outsourced or in-house. Suppliers with the right experience, workforce, equipment, effective quality control systems, and economies of scale can buy resources in bulk and manufacture high-quality products at lower costs and pass the savings on to you. Working with a vetted, reliable offshore manufacturer allows you to expand into specialized areas and ensures you avoid quality problems now and in the future.

4. Access to Additional Manufacturing Capacity

With the right offshore OEM manufacturing partner, you can double or triple your current manufacturing capacity quickly and reliably. And you can address issues of tight tolerances, complex assemblies, and hard-to-find materials/components and access many additional resources to tackle your most perplexing domestic product manufacturing challenges. Many offshore production facilities and infrastructure are developed with high-volume production in mind, which allows for the quick fulfillment of large-volume orders while keeping production costs low, generally much lower than domestic production (about 10-25% lower on a landed cost basis).

5. Reduced Labor Costs

Both manual and skilled labor is available at much lower costs compared to domestic labor, with similar levels of productivity. Lower labor costs significantly lower the cost of production particularly with more labor-intensive products. The tradeoff to lower labor costs is increased logistics costs (shipping and import duties); therefore, the best products for offshore manufacturing are ones with a high labor content (like sewing) and a low freight content (less bulky).



6. Manufacturing Outsourcing as a Competitive Advantage

Manufacturing outsourcing can be a competitive advantage by allowing your team to provide a wide variety of services to a wide variety of companies and to expand your customer base and topline sales while expending fewer resources. To maximize your bottom line and competitive advantage, it is important to be knowledgeable, improve collaboration, control, and ultimately speed the delivery of low-cost, high-quality products to market.

Risk Mitigation for Offshore Manufacturing

While offshore manufacturing comes with many benefits, companies must be cautious and aware of these potential challenges/pitfalls:



Language Barriers



Time Zone Differences



Currency Fluctuations



Shipping Delays



Intellectual Property Protection



Compliance with Social and Environmental Standards



Unanticipated Cost Increases or Material Changes



Failure of Product Shipments to Meet Specifications



Lack of Proper Documentation and Tracking



Misunderstanding of Specifications and/or Materials

Working with a vetted OEM contract manufacturing outsourcing company can help you mitigate the risks associated with offshore manufacturing. OEM manufacturing agreements can define the scope of services, compensation model, and create a strong foundation for future collaboration together.

How to Create a Long-Standing Relationship with an Offshore Manufacturing Partner

Offshore manufacturing offers many attractive benefits and selecting the right partner is critical to your success. The best type of partnerships are ones that are built on strong, long-term relationships.

The following are some of the main considerations to look for when choosing an offshore OEM manufacturing partner.

1. A Good Fit

Companies have to persuade their customers to choose them over the competition. Although price and delivery are important, there is no doubt that quality is the most important of them all. While it takes years to build a reputable brand, it takes just a few instances of sub-par quality to damage it, and once the damage is done, it's very hard to recover that trust. Companies need to make sure that their OEM manufacturing partner has a similar quality focus to themselves, a superior program for monitoring product quality, and sufficient resources in the factory to monitor the manufacturing process.

2. Full-Time U.S. Office

An offshore manufacturer with strategic locations in the U.S. allows customers to communicate without the inconvenience of time differences. It promotes a closer collaboration between departments, saving time and minimizing misunderstandings and confusion. It is also beneficial to be able to meet at on-shore locations where you can visit to communicate directly with staff on the ground.

3. Speed of Response to Requests

The manufacturer should have the capacity and flexibility to make any changes, whether in design or tooling, per your request. The quicker the manufacturer can pivot to the new specification, the more efficient your production will be. Communicating through a full-time U.S. office is one way to speed up this process.

4. The Right Team and Access to Key Decision-Makers

Treat your team like an extension of your own organization—make them successful, willing to support your business, and assign them the necessary resources. Much of what your OEM manufacturing partner can achieve for you is based on the depth of relationships that you are able to build with the team that has direct responsibility for your products. Understanding and agreeing on the key decision-makers can reduce delays as you wait for them to make crucial decisions.

5. Adaptation to Cultural and Language Differences

To help mitigate the impact of the different languages and cultures of offshore manufacturing, it's important to communicate simply and directly to avoid confusion. Avoid long sentences containing jargon because some meaning may be lost or miscommunicated especially when using translation software. Written communications like email and chat tools are generally easier for others to translate and understand. It's also helpful to use visuals such as photos, presentations, graphs, and renderings whenever possible to enhance understanding.

6. Skilled Personnel and Agile Tracking Systems

The best offshore OEM manufacturing partner will have highly trained, skilled personnel and agile tracking and quality control systems. Consider their staff, their organizational skills, focus, and transparency. Do they use quality management systems to track all elements, and are you able to access your orders, costs, specs, and shipping schedules 24/7?

You should be able to access and review your new product development schedule and ensure it includes all activities and crucial milestones for feedback from the development team. Have periodic meetings to evaluate the current schedule and make any adjustments as needed. Involve the onsite engineers who understand every process, from part fabrication to line setup to assembly, and can evaluate and approve any corrective actions for a component, enhancing efficiency down the line.

Also important is having a single Tech Pack containing all the relevant data required to build a product. You should have policies regarding version numbers so people can quickly communicate what they are changing or buying. Once documentation and data are set, there should be a process to present, examine, and implement changes. These specifications should be quantifiable so that all parties understand the expectations of the project.

Why Choose Source International as Your OEM Manufacturing Partner?

Source International is an American-owned company with headquarters in Louisville, Kentucky, and operational offices in Xiamen, China and Ho Chi Minh, Vietnam. We have been in the OEM manufacturing business for more than three decades and have grown to become one of North America's largest providers of offshore supply chain solutions. We owe our impressive track record to our well-trained staff and rigorous operating procedures.

Offshore OEM manufacturing is our main offering. Our vast experience in manufacturing means our customers can find exactly the tooling, CNC machining, tube fabrication, sheet metal fabrication, plastic injection molding, compression rubber molding, extrusion, cut and sew, wood, packaging, and other production they need.

By partnering with Source International, you can rest assured that you'll get an offshore manufacturing partner who understands your business and can meet your production goals. Over 35 years in business, we have established a successful strategy unique to us. While most supply professionals begin with the product and find suppliers who manufacture it, we most often use factories in our Core Factory Network, which is a growing network of long-time partners in various manufacturing industries.

Source International takes the risk out of offshore contract manufacturing for you. We offer nearly limitless capacity. There will be no misunderstandings about quality standards or concerns about raw material availability. And there will be no delivery black holes.

We manage the complexities of the complete manufacturing supply chain and give you peace of mind by:

- Identifying and qualifying the right factory
- Verifying the materials, tolerances, and workmanship
- Auditing and testing the production
- Certifying the performance requirements
- Controlling the delivery schedule
- Benchmarking and employing best practices

Source International's offices in the United States and Asia enable us to maintain strong relationships with our customers and manufacturing partner network.

[Contact us](#) today to learn how we can add value to your offshore manufacturing supply chain.

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