



FROM THE EDITOR'S DESK

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How U.S. Manufacturers Are Beating the Pricing Challenges of Offshore Manufacturing

It's no secret that the lower prices of offshore manufacturers have changed the landscape of American manufacturing, prompting many product manufacturers to turn to suppliers in distant lands to manufacture their parts and components at lower quoted costs. While the allure of offshore manufacturing is easily attributed to lower labor costs, other factors have also enticed U.S. companies to set up shop overseas. Tax laws favoring multinationals have put America's manufacturing base—consisting primarily of small businesses—at a huge disadvantage. “We cannot compete in an environment that affords U.S. companies tax shelters overseas,” said the president and CEO of one U.S. contract manufacturing company, in a written response to a recent online survey from *Design-2-Part*. “Tax discount incentives hurt us more than low labor rates.”

In an environment that has encouraged offshore manufacturing, U.S. manufacturers have had to make the most of their opportunities to quote on jobs. They've adjusted to the challenge by emphasizing their strengths—particularly how they can ultimately save money for their customers while providing a part, component, or product of superior quality.

In this special issue on U.S. manufacturing, you'll find plenty of cases of innovative designs, custom manufacturing, patented processes, and creative solutions to manufacturing problems. You'll see examples of innovative products being developed by design teams and contract manufacturers; products that are not only taking the costs out of a manufacturing process, but are designed to solve some of the larger issues in today's society, in various walks of life. You'll also come across numerous companies whose quality management systems are certified to international standards, and highly valued by their clients. The common denomina-

tor to all of these stories is U.S. design, engineering, and manufacturing.

All of the qualities that have come to be associated with U.S. manufacturing—quality, engineering, and customer service, to name just three—are certainly worth paying for. What's great about them is that they are offered consistently and reliably, amounting to a “sure thing” that greatly reduces any anxiety over what you're likely to receive from your supplier. And all of them—individually and in combination—have the capability for reducing the total cost of the part or component that you're outsourcing.

Quality

Even if it didn't contribute to savings in total cost, quality would be valuable in its own right. But high quality saves money by eliminating the need for costly rework and re-inspection, as well as any attendant costs incurred in the process of correcting the problem. These costs include everything from travel expenses associated with making overseas visits to the supplier's site, to the costs of purchasing replacement materials.

Of course, poor quality could be even more costly if it's not discovered until the product has already hit the marketplace, when issues of liability may arise and end users aren't likely to forget the shortcomings of the product. It's these lingering memories of poor quality that are impossible to control and, worse yet, can impact a company's bottom line long after the problem's been corrected. But just as poor quality can be costly, high quality can be cost-saving and revenue-producing. So it's definitely worth considering quality as part of the total cost picture when evaluating a quoted price.

Engineering

Design and engineering are strong suits of U.S. manufacturing, part of its

DNA. Because they've had to be self-reliant to survive, U.S. job shops are known for their problem-solving abilities, their ability to suggest and provide more cost-effective ways of manufacturing a part. What's your recourse if your supplier can't adjust to a design or engineering change on the fly or suggest a better way to manufacture your part—one that accomplishes your design intent while maintaining quality and reducing cost? What if the supplier runs into trouble with the manufacturing process and you have to walk them through a solution, only to find there's a real communications gap due to the language barrier? Forecasting the costs resulting from these misfortunes may be difficult, but they're real, and so are the headaches. You don't want to go there.

Easy to Work with (Customer Service)

In a recent survey of our readers, we asked you what you believe are the advantages of working with U.S. contract manufacturers. The most common responses included “quality,” “ease of communication,” “service,” and “easy to work with.” Companies repeatedly stated that they valued the relationships that they had with their U.S. suppliers, and that they found them generally easy to communicate with and easy to work with. Many mentioned the advantages of working with a supplier who's accessible, who's willing to jump on a plane to visit a customer and work through problems face-to-face. Of course, language is typically not an issue.

So as not to give away too much before you read the issue, I'll stop there. But I think you get the idea. When it comes to deciding where to source your parts manufacturing services, U.S. suppliers have earned the right to be evaluated on the basis of more than just their quoted price.