

Manufacturing In China And Vietnam: A Perspective

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Those of us who work in China have seen numerous changes in just the past decade as the country evolves from an agrarian society to an industrial one. The speed of the transformation has been astonishing, and the process is far from complete. Now Vietnam is emerging as a player in the global manufacturing market, although there are still a number of challenges to be met when working in this country.

Ten years ago, Jeff Sweeney and I co-founded East West Manufacturing (www.ewmfg.com [1]) in Atlanta to bring U.S.-based companies both the cost-savings and speed to market offered by Asian manufacturing, along with the quality control Western companies demand. We began by forging partnerships with a number of manufacturing facilities in China, Thailand, Vietnam, Taiwan and India, and later, we purchased factories for our team to operate in Changzhou, China and Ho Chi Minh City, Vietnam.

Looking back over a decade, it's interesting to compare the China of the mid-1990's to the China of today. Back then, China's laborers had a well-deserved reputation for their strong work ethic, and the costs of manufacturing were among the lowest in the world. However, the country's poor infrastructure, low-tech suppliers, and inexperience with quality control posed difficult challenges. Companies could manufacture products quickly and cheaply in China, but distribution was difficult and product quality was almost never up to U.S. standards.

Fast forward to 2011. In a remarkably short time, China has built modern freeways, high-speed trains, subway systems and five-star hotels to host business travelers from around the globe. There are high-tech suppliers in place who actively promote their capabilities internationally. While the laborers still work extremely hard, there is a new emphasis on work/life balance along with a new focus on product quality. The trade-off? The cost-savings of manufacturing in China versus domestic

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manufacturing have been cut in half.

Chinese leaders must continue to address the country's population size, income disparity, inflation and corruption. However, the Chinese can be proud of their country's momentum, adaptability, and far-sighted government. It's important to note the innovation coming out of China where the average lead time to obtain a patent is 2 to 3 years, versus the 8 to 9 year timeframe in the U.S.

As for Vietnam, the country is still in the early stages of its industrial evolution. While labor costs are very low — approximately one-fourth what they are in China — the country suffers from poor infrastructure and supplier base, a lack of talented management and engineers, and an abundance of red tape. However, Vietnam can be a successful location for some manufacturing as long as companies import their own management and technical expertise.

Moving forward, Asian countries will develop special areas of manufacturing expertise, as China is already doing with high tech equipment. Vietnam will follow the example of its neighbor to the west and continue to develop the infrastructure and capabilities needed to compete, probably at the expense of some of the labor cost savings. As for the U.S., our government must incentivize investment and reduce corporate taxes so our businesses can compete successfully worldwide.

Years ago, offshore manufacturing was only feasible for the largest of firms, but now smaller companies are finding value in manufacturing all or part of their products in Asia without sacrificing quality. For U.S.-based companies, the cost-savings might allow products to be more competitively priced, resulting in greater market share. As China and Vietnam, along with other Asian countries, continue to develop manufacturing expertise, their efforts can spur us to revitalize America's entrepreneurial leadership so we can maintain our historic role as the pace setter in the new global manufacturing market.

About East West Manufacturing

Founded in Atlanta in 2001, East West Manufacturing is an expert in the planning, design, and implementation of offshore product manufacturing for original equipment manufacturers and distributors. The company's transparent supply chain, on-site quality control and logistics systems reduce the risks and complexities of offshore manufacturing. Working primarily in China and Vietnam, EW draws on its expertise to act as a customer advocate throughout the manufacturing and supply chain process, including negotiating contracts, providing translation services, and navigating cultural differences. For more information, visit www.ewmfg.com [1].

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