

Partnership Shifts Manufacturing Back To U.S.

This article first appeared in IMPO's [August 2012 \[1\]](#) issue.

ZeeVee, Inc., a developer of high definition video distribution products, recently moved its overseas contract manufacturing operations to Massachusetts from China, where it had been manufacturing since introducing its first-generation products about five years ago.

During the initial product development phase, ZeeVee had determined that U.S. manufacturers couldn't adequately support its business model. As the product line evolved, ZeeVee management reassessed the decision after factoring in scale and total cost of procurement. While generally satisfied with the relationship with its Chinese manufacturer, a product shift from consumer to commercial gave ZeeVee an opportunity to reconsider the best type of manufacturing arrangements for its business. After extensive re-evaluation, ZeeVee partnered with Suntron, a North America-based manufacturing services provider whose capabilities matched those of Chinese manufacturers, while also offering logistical, cost, and manufacturing benefits.

Eventually ZeeVee halted Chinese manufacturing and shifted operations to Suntron, which has manufacturing facilities in Massachusetts, just miles from ZeeVee's headquarters. The jobs created were a real boost to the local community, and the successful switch has given the fast-growing company lower overall costs, simpler logistics, and faster shipping time, as well as improved communications, rapid prototyping, and better response-time on manufacturing issues.

ZeeVee was originally founded in 2006 to connect home entertainment, computer, and the Internet. As the company matured, its focus changed from the consumer market to commercial HD video distribution within hotels, airports, restaurants, bars, schools, hospitals, and other areas high quality video is shown.

Before too long, the shift from consumer to commercial products began to have an impact on ZeeVee's high volume manufacturing business. In China, product builds were only performed every month or two, and the units produced were enough to last for long periods of time. The large, batch-oriented nature of production (required to keep costs low) limited ZeeVee's agility, making it difficult for them to implement a continuous quality improvement process or introduce product variations.

According to Vic Odryna, co-founder and CEO of ZeeVee, the infrequent manufacturing operations also meant the company had to tie up huge amounts of cash each quarter before manufacturing even began, on products that would not be brought to market for months. Then, the products might be on a ship for two or

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

more months, tying up cash for even longer. "It's almost like a pre-payment for the product – paying for products even before we have them in the building," he says. Other related issues included customer fallout due to damage incurred during ocean transit, and the headaches of dealing with replacement costs and insurance.

The situation led to shipping logistics issues and, eventually, Odryna asked himself if it might be time to reassess the actual cost-effectiveness of manufacturing in China. At the same time, ZeeVee also took a hard look at what benefits might accrue from manufacturing close to its headquarters in Littleton, MA. The company was eager to gain product flexibility, rapid prototyping, and design for manufacturability, which would help it sustain its high growth rates and achieve continued customer satisfaction.

ZeeVee eventually selected Suntron, an electronic manufacturing services provider headquartered in Phoenix, AZ, which provides electronics manufacturing services and solutions to support high reliability products within the network and telecommunications and other markets.

During discussions, Suntron and ZeeVee evaluated all the costs involved in the total cost of procurement (TCP), instead of simply unit manufacturing costs. Such costs include the so-called soft costs, like cash cycle times, true shipping costs, insurance, lack of flexibility, turn-around time, fuel surcharges, custom broker fees, and travel/support costs. Suntron jumped at the opportunity to demonstrate that U.S. manufacturing plants can be cost competitive. The state-of-the-art 41,000 square foot facility in Methuen, MA specializes in system design, integration, new product introduction, direct fulfillment, product life cycle management, supply chain management services, and embedded computing solutions for OEMs and large end-users.

According to Jon Saunders, Suntron's Methuen plant manager, ZeeVee benefited by the flexibility that Suntron offers over a Chinese manufacturer. "We can customize our services to what the customer needs, while larger Chinese manufacturers often offer cookie cutter approaches that don't deal well with fluctuations outside the norm," says Saunders. He adds, "We are small enough to care about the project and offer flexible services, while large enough to make a difference."

In just a short time, Suntron and ZeeVee got the manufacturing operations up and running. The return to U.S manufacturing has greatly increased ZeeVee's ability to serve its customers quickly. Suntron is working to ensure that products hit the shipping dock virtually on the same day as they are ordered; the company offers direct order fulfillment capabilities, which also improves delivery times. Domestic manufacturing results in an increased flexibility that facilitates the product configuration changes ZeeVee was looking for.

The cash cycle issue is greatly reduced because U.S. firms like Suntron do not require up-front payments for inventory. In addition, the communications benefits are enormous. Rather than waiting 12 hours or overnight and halting production until the factory is open to get an answer to any issues and questions, ZeeVee can immediately resolve issues and keep the line rolling.

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The firm is growing rapidly, more than doubling every year, and initially ZeeVee had a concern that working with a local manufacturing partner might be an impediment to growth. Their fears were assuaged because Suntron has a number of other facilities for scalability, including a manufacturing facility in Mexico. Knowing that Suntron offered other solutions should ZeeVee require other options due to expansion gave them a high comfort level. "As we grow, we are comfortable knowing we have a partner who can work with us to handle an increased volume." Suntron expects that as ZeeVee's business continues to grow and they introduce new products, they will be growing along with them, expanding to 30-35 employees. "Their success is going to be our success," says Saunders.

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