



East West

FREE GUIDE

# Contract Manufacturing: The Good, The Bad, and The Solution



Contract manufacturing is a hot topic and one that is widely and fiercely debated. However, when done correctly, contract manufacturing offers an array of benefits to companies looking to scale up in the global marketplace at a relatively affordable cost. The way we view it, there are three ways to look at contract manufacturing: The good, the bad and the solution.

### The Good:

- **Cost Savings** – Partnering with a contract manufacturer (CM) offers a lot of bang for your buck. Many CMs have established relationships in low-cost countries to benefit from the low cost of labor, as well as facilities and the equipment needed for mass production.
- **Quality** – The right CM should be able to ease your mind about quality concerns. Contract manufacturers have quality procedures in place that help identify defective goods early on, and employ methods to address and correct any quality issues.

- **Innovative Skills** – Great contract manufacturing companies leverage their engineering, quality and even negotiation skills. Can your CM offer engineering support to help reduce costs on your product? Does your CM offer technical design support? Does your CM have established offices overseas with staff that is familiar with raw material pricing, and know the difference between great suppliers from cheap, low-quality suppliers?
- **Focus** – Some companies are just not cut out for sourcing and manufacturing alone. Partnering with a CM allows you to better focus on what your company does best, be it marketing your product or driving sales, while your CM ensures your product is produced to your specifications.



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Manufacturing industrial textiles in one of East West Manufacturing's Vietnam facilities.

## The Bad:

- **Economies of Scale/Capacity** – Not everyone is ready for a CM out of the gate. However, if your company has a product that is already developed and has established sales, it is easier to take advantage of the reduced costs of acquiring raw materials to produce larger quantities.

- **Diversity** – Does your CM have a diverse supply chain? What happens if your supplier suddenly

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Electric motors are assembled in East West's China motor factory.



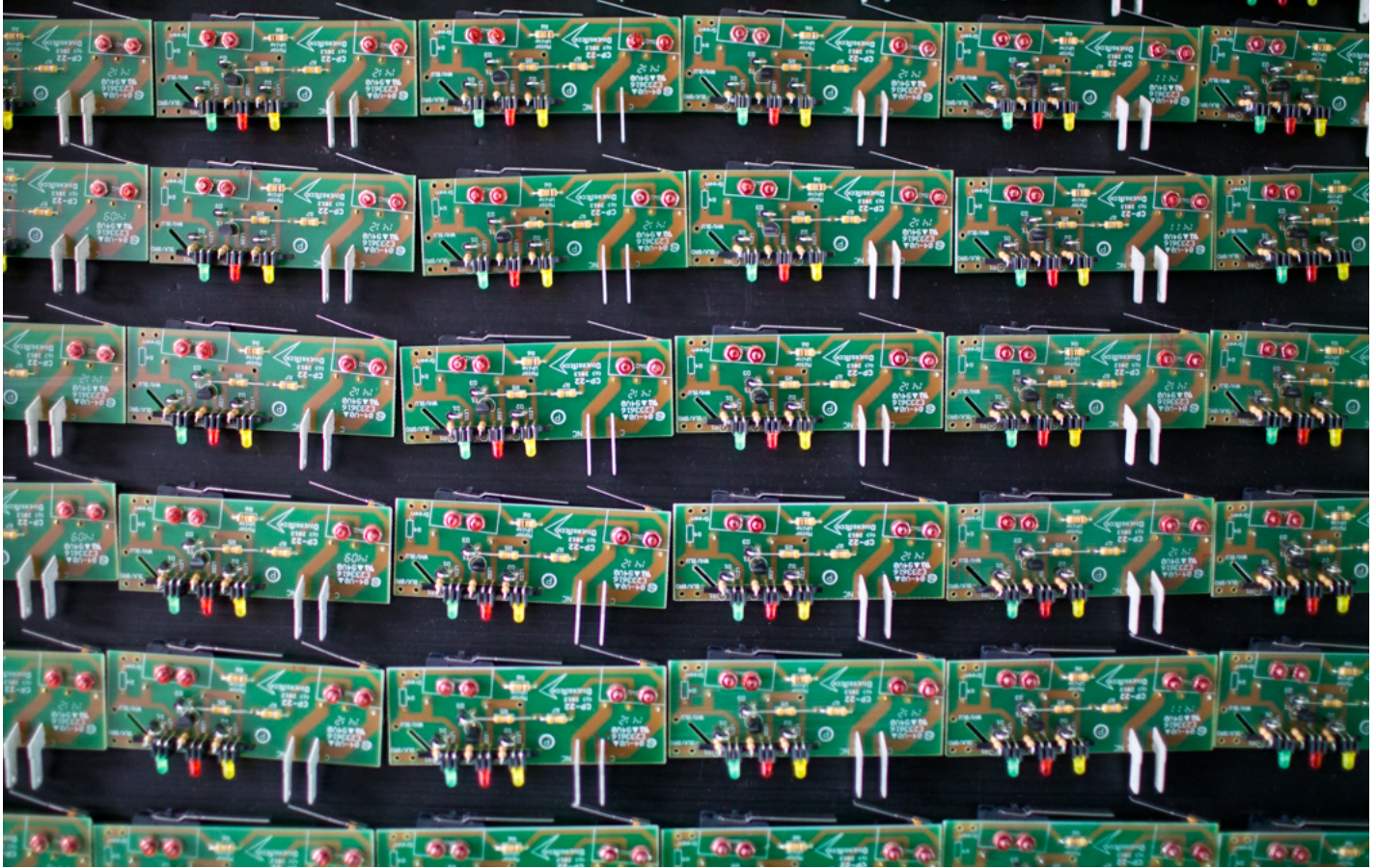
disappears? How long will it take you to find another trustworthy supplier? Ideally you should partner with a CM who offers a solution to manufacture in the optimal place for you, in addition to having a sound strategy in place should a contract fall through overseas.

- **Outsourcing Risks** – Contract manufacturing on your own brings a lot of risks. You have to deal with language barriers, long lead times and cultural differences. It can be time-consuming and flat out frustrating. Partnering with a CM, especially one that has U.S. based operations, helps mitigate many of the outsourcing risks.

- **Negative Connotation** – The topic of contract manufacturing is fraught with warring opinions. There are people who believe that if a company opts to manufacture their products overseas, that means fewer jobs in the U.S. That's not necessarily true, but it is a widespread perception and feeds the narrative that manufacturers are "taking jobs away."

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Rows of printed circuit boards manufactured in Vietnam.

### **The Solution:**

At East West, we believe the solution to reducing the risks and making the consumer more competitive is “right-shoring.” Right-shoring means you manufacture a product where it makes the most sense – and makes YOU most competitive.

Instead of asking “Is offshore manufacturing a bad choice?” or “Do manufacturing jobs belong onshore?” it’s wiser to ask “Where is the right place to manufacture?” We should all worry less about “made in...” and instead concern ourselves with finding

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*We should all worry less about “made in...” and instead concern ourselves with finding the best or most optimum place in which to manufacture.*

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the best or most optimum place in which to manufacture. From a supply chain perspective, the world is already pretty flat and getting flatter by the moment. Every manufacturer and distributor owes it to its stakeholders to be as competitive as possible in this flattening world. Partnering with a CM with a diversified supply chain not only offers risk mitigation, but can offer an indication where manufacturing would be most strategically advantageous.

Properly executed, the right-shoring model is a powerful tool which leads to heightened competitiveness in an ever-changing global landscape. Competitiveness leads to a stronger company and growth. Growth means a strong domestic economy and ultimately more jobs in the United States. Isn’t that what we are all looking for?