

Hi-Tech Tooling Article # 2

How to Successfully Integrate Chinese Product into Your Supply Chain

By Richard Tovey, Managing Director of Hi-tech Tooling

Over the last 10 to 15 years, we have seen many Australian companies source their tooling from China, usually with disastrous results. If the primary driver was to get the cheapest price possible, poor quality and poor service levels were often secondary outcomes.

Unfortunately, "cheap" does not equal the lowest overall cost. Having tooling that is fit for purpose and can achieve production targets is essential in order to produce a finished product as economically as possible. A 10% increase in cycle time applied over 5000 shots can easily wipe out any initial savings on the capital cost of the tooling. Throw in extra down time and service costs for "cheap" tooling and the total cost difference is significant.

When cost is the only criterion for purchasing nobody wins. The supplier takes short cuts because he doesn't have the margins he needs and the purchaser loses in production and maintenance costs.

This quote from John Linder of LC Mold Inc. sums this up quite well.

Did I pay the right price for that mold?

I am always amazed at the discussion when people start talking about the price of an injection mold. One thing I have learned after 40 years in the industry is that there is nothing more expensive than a cheap mold.

Some years ago we realised that, like most other places in the world, there are both poor suppliers and very good suppliers in China. The good suppliers are highly educated, technically competent, culturally sophisticated people. They are not as they are often portrayed. If you enter negotiations with the attitude that they can't be trusted and will attempt to take advantage at every turn, your efforts are doomed to failure. What most people don't appreciate is that China has had an effective economy for more than 3,000 years. They have had a lot more practice than we have and have become very good at it.

At Hi-tech Tooling we have embraced Chinese suppliers into our supply chain, which has helped us grow our business and provided substantial benefits to our customers. The relationships we have built with our Chinese suppliers have allowed us to expand and develop our toolmaking capability and capacity in Australia. Rather than see manufacturing jobs move offshore, we have almost doubled our workforce of technical specialists as a direct result of our involvement with our Chinese suppliers.

We have learned that the key to having successful partnerships with our Chinese suppliers is to build strong personal relationships. We have spent over five years

identifying the people that we want to deal with and building relationships with them based on trust. These suppliers bring a range of competencies and price point options into our business.

In addition to our own facilities in Brisbane we now have access to technical expertise at the high end of world standards and a capacity that has enabled us to win major tooling projects and bring significant cost and lead time advantages to our smaller customers. For example, we now have exclusive and direct access to about 450 highly skilled tradesmen and designers, and more than 200 machine tools through three main Chinese toolmakers who collectively produced more than 900 injection moulds last calendar year, 80% of which were exported to Europe, the Americas and the Middle East.

Hi-tech Tooling plays a critical role in the value chain between Australian tooling customers and Chinese suppliers by providing project management, technical input, quality control and ongoing local support for repairs and maintenance. Our objective and intention is, and has always been, to add value to our customers.

- We know the specialist competencies of each of our suppliers.
- We know how to communicate the needs of our clients to our suppliers so they get exactly what they need.
- We know what aspects of a tooling project are best completed in China and what should be done here in Australia.
- We know and understand the technical issues to obtain maximum productivity from a piece of tooling and can provide that expertise to our clients on the ground here in Australia.
- And, when the tool eventually needs servicing, or a decision is made to modify it to accommodate a product change, we can provide that service as well.

There are significant benefits in involving Chinese manufacturers in the supply chain. If done well, it may not provide the cheapest up-front cost, but it will deliver the lowest overall cost in terms of longevity of the tool and production efficiency. The absolutely essential key to success is to build a relationship based on trust with the Chinese supplier yourself, or deal with someone who already has.

On a personal note, to add to the quote from John Linder, I have now been in the toolmaking industry as a toolmaker for 41 years and what I have observed, without fail, is that compromises on tooling based on cost are paid for in production costs many times over for the life of the product.