

MEXICO & CHINA

Support Needed Beyond Manufacturing

By Doreen Huro Michelini, C.P.M.

For many years northern Mexico has been an area targeted by many US companies in an effort to take advantage of low cost labor. The majority of this growth has taken place near the border, mainly due to the lack of manufacturing support within Mexico to facilitate their many needs. In the past this has forced many companies to come across the border into the US for their raw materials, component and service requirements. Evidence to this is in the growth of many towns and cities along the border on the US side. In recent years the Mexican government has put more pressure on large corporations to have local content in the products they are assembling. Consequently, these companies not only asked their suppliers to re-locate near by, but to be in Mexico to comply with the government request. As these small to medium size companies started opening in Mexico they found that many of the materials and services needed to support their facilities lacking on both sides of the border. As the services slowly started to migrate south, they questioned if there would be sufficient business to support these new ventures and looked for ways to increase their visibility and attract new customers.

Last year in El Paso, Texas, six companies met and discussed the possibility of creating an alliance to increase their customer base and to support the needs of their manufacturing facilities. After several meetings the US/Mexico Border Strategic Alliance of Secondary Manufacturing Services was created, which includes companies on both sides of the border.

Specific secondary services within these companies include:

Heat Treat: Carbonizing, Austempering, Carbonitriding, Ferrite Nitrocarbonizing and annealing.

Plating: Zinc, Cadmium, silver, nickel, electroless nickel, copper, tin, nickel chrome, barrel or rack process and dyes and

chromate's in many colors.

Coating Pre-treatments: Phosphate, parts wash, shoot peen/shot blast.

Coatings: E-Coat, powder coat, Teflon, dry film lubricants, enamels, epoxy, adhesives and zinc-rich coatings.

Other Services: Packaging, tape and reel packaging, assembly, welding, parts stripping, swaging, tapping, riveting, soldering, sawing and drilling.

Unlike Mexico, those US companies that have moved manufacturing to China in an effort to supply their existing customers and capture additional sales through the local market have found those services, which are non-existent in many regions of China, readily available in the US. Although common materials and secondary services are available, those projects requiring unique materials and coatings sometimes find themselves having to develop sources in their areas or look internally for those services. Due to the culture, working with established Chinese companies to persuade them to develop new capabilities is not always easy. Although excellent businessmen, the Chinese approach new business ventures with caution. It often takes much persuasion and guarantees along with backup information and proof to convince them to expand their current capabilities. Unfortunately the work doesn't stop for the US manufacture needing these services. Once the Chinese company agrees to add the needed service, it is now up to the requester to provide support and guidance as they develop this new skill to assure good quality and compliance to any necessary standards.

Thanks to groups like the Border Strategic Alliance, manufactures in Mexico already have a support system in place to assist and grow the metals industry in Northern Chihuahua. Not

only do members of this team share the same customer base, but, more importantly, they provide support to each other. It is their mission to provide the customer a total solution to their needs, from stamping and metal finishing to assembly, packaging and inspection of the product. They now can demonstrate to their customers that the services are in place to provide any secondary need for metal without having to incur costly shipping charges or long lead times associated with moving materials across the country. Because of this relationship, the material can be drop shipped to the end customer without worry of missing paperwork or misdirection. In most cases this is a selling point to many customers wanting to take advantage of Mexico's low labor costs, but are weary of lacking production services.

For an example of success in this relationship you only have to look at Dial Tool de Mexico. Dial has the in house capabilities to stamp the metal components, assemble, and weld but needed to find a source to Powder Coat the product before shipping to their customer. By partnering with fellow alliance member Manesa, they assured their customer that they had all the processes available in the area to completely manufacture this assembly without having to ship this heavy product elsewhere for finishing, thus avoiding costly transportation charges. The relationship between Manesa and Dial also allows for better communication and quicker resolution of questions and concerns.

Another example is observed in the relationship between Manesa and alliance member Parts Finishing Group. Manesa produces heavy metal components that require a rubberized bonding for a customer in Chihuahua. Having Parts Finishing Group right next door to do this process allows Manesa control over the process and avoids large freight bills that would have been incurred moving the material to a supplier farther away.

These examples demonstrate the strides Mexico has made in accommodating and attracting the metals industry. Now those manufacturers looking to move their facilities to Mexico can be assured that necessary secondary services are readily available. In comparison, China needs to make improvements in its ability to provide these services in order to assure those who re-located their manufacturing lines there the support needed to complete secondary processes. When taking into account this scenario, lower labor costs in China don't actually mean savings. Indeed, many companies end up paying more in transportation and other secondary expenses because China still lags behind Mexico in services. **MN**

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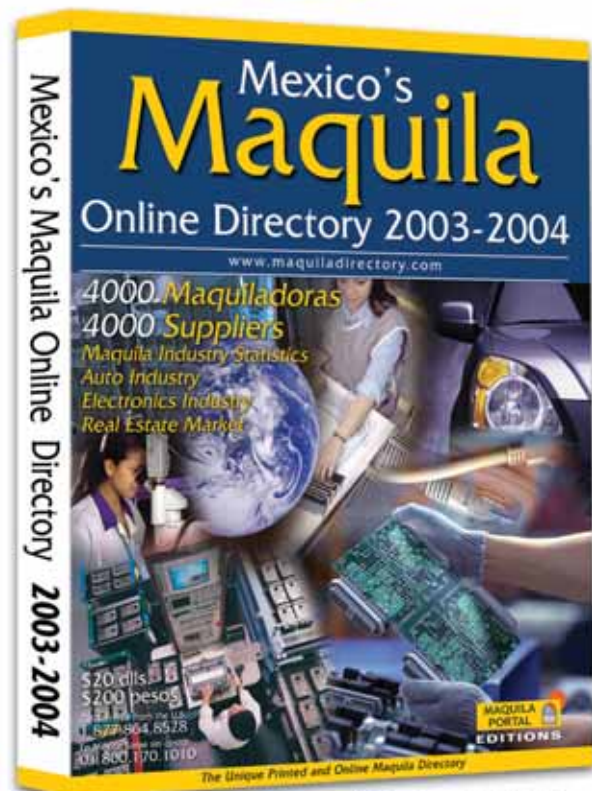
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