





communicate is going to be problematic." Even those who can speak the native language of the country in which they are manufacturing may encounter problems. "Many Australian people speak Chinese, for example," Audrey says. "While they are mostly quite fluent in the language, discussing manufacturing in a foreign language is difficult – it's hard to understand when people are talking about industrial products or complex statistics."

Unfamiliarity with local markets may also cause issues for businesses taking their manufacturing offshore. Often, the markets of many popular destinations for Australian manufacturers are flooded with manufacturers of varying qualities. "There is massive competition within the manufacturing industry. However, the standards offered by these producers vary immensely, and Australian businesses really need to consider the quality that they require. People always look at the price first, but they need to consider other factors, particularly in a foreign market," Audrey states. "However, this requires considerable investment; it is very



# THE FUTURE OF MANUFACTURING?

By Sally Rawsthorne

LOOKING TO REDUCE BUSINESS COSTS AND INCREASE COMPANY PROFITS? OFFSHORE MANUFACTURING COULD BE ONE WAY OF ACHIEVING THIS.

**"IT'S AN EXCELLENT OPPORTUNITY TO WORK WITH COMPANIES WITH VAST KNOWLEDGE AND EXPERIENCE, ALLOWING A BUSINESS TO SAVE ON PRODUCT DEVELOPMENT COSTS."** - AUDREY SUN

Offshore manufacturing is a difficult process. But for some businesses, taking part or all of their manufacturing process offshore can provide a financial benefit, as well as other advantages such as product development, increased choice, and staff development opportunities.

While beneficial, offshore manufacturing is not without its problems. Audrey Sun, Managing Director of China Manufacturing, says many businesses that attempt to send some or all of their manufacturing

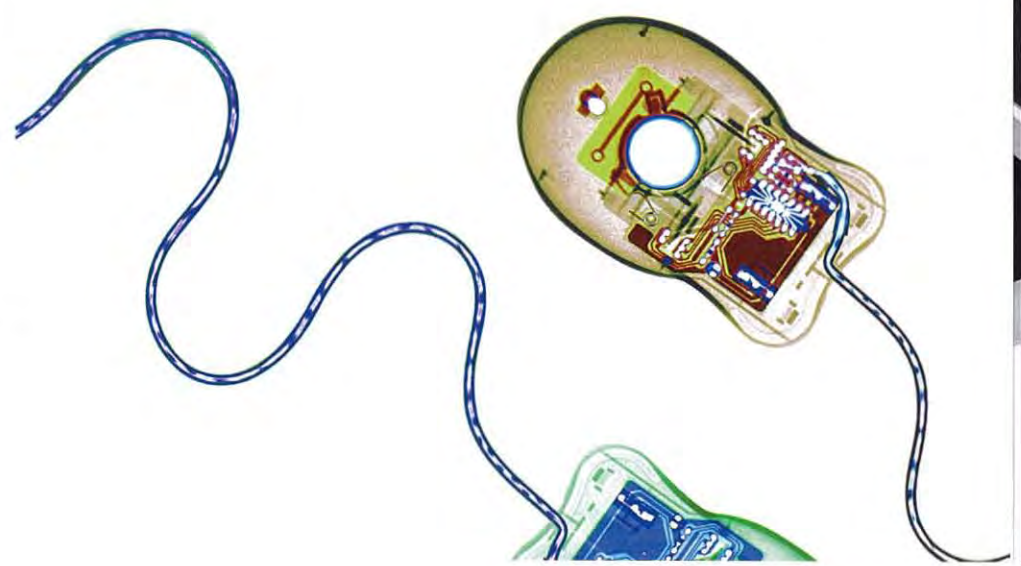
business offshore encounter a range of difficulties. "There are several common problems with outsourcing," admits Audrey. "As a foreign company, businesses will often experience a lack of resources. For example, while a Chinese business will have a comprehensive network of contacts and relations throughout China, an Australian business will obviously lack that," she says. "A related problem is the potential lack of commitment from offshore factories. Upon selecting a manufacturer with a cost-effective price, a company may discover

that the level of quality is different to what was expected, usually because the measurement of quality and standard is different. Also, as everyone knows, there are thousands of manufacturers in China, with huge differences in quality, credibility and capacity. For Australian businesses to have a competitive advantage, they need to know who they are dealing with."

Cultural differences and a lack of cultural understanding can also cause tension in the offshore manufacturing process. "It's fairly clear that there are considerable

cultural differences between Australia and China, which can affect business values and principles," Audrey states. "When dealing with a Chinese business, an Australian company really requires a deep understanding, knowledge and sensitivity to the cultural differences. When they have this cultural understanding, Australian businesses can really appreciate what's involved – the procedure, the risk and the challenge of working in China."

In addition to the nuanced cultural differences between countries, a language barrier may also exist between Australian businesses and the countries in which they are manufacturing. "Language is one of the many barriers that affect companies sourcing goods from overseas," Audrey explains. "Obviously, there are other factors, but an inability to even basically





About China Manufacturing

"China Manufacturing is a strategic manufacturing, purchasing and sourcing partner dedicated to helping clients achieve competitive and hassle-free manufacturing and purchasing from China," explains Audrey Sun. "China Manufacturing provides efficient one-stop strategic manufacturing and sourcing solutions for Australian businesses."

The company works with businesses in a wide spectrum of industries, including renewable energy, industrial products, metal castings, metalworking, industrial consumables, industrial tools, building materials and supplies, plastic manufacturing and moulding, hardware, medical and dental products, packaging machinery, office furniture and promotional products.

China Manufacturing has headquarters in Sydney, with operations throughout China. The company is pleased to assist Australian businesses to manufacture in China and purchase products directly from there. China Manufacturing oversees sourcing, prototyping, mass manufacturing, quality control, assembly, packaging, shipment and contracts.

Employing native-born Chinese speakers, China Manufacturing stands apart from the competition, as it is able to effectively pre-empt and proactively solve logistical and quality problems before they arise. China Manufacturing's in-depth cultural understanding, experience and expertise in supply-chain management provides a competitive edge for Australian businesses.

**"THE EXPEDIENCY OF THE PRODUCT DEVELOPMENT PROCESSES OVERSEAS HELPS AUSTRALIAN BUSINESSES TO BECOME MORE COMPETITIVE IN THE MARKET."**

- AUDREY SUN



difficult for Australian businesses to ascertain the standard and quality without investing considerable time and resources. Often, by the time an Australian business can decide that a foreign manufacturer is appropriate, it has spent the money it would otherwise save through offshore manufacturing." This risk is hard to minimise, and often outweighs the potential gain. "Another common problem that is faced by Australian businesses is the investment risk – although the potential profits are huge, the risk posed by a lack of cultural understanding and resources, as well as an inability to assess manufacturers, is also considerable."

Overcoming these problems is often

hugely beneficial to a business financially. According to Audrey, "In terms of cost, there are many factors that offshore manufacturing helps to alleviate. Labour costs in China are less than in Australia. Also, overhead costs are lessened – when you outsource your business, or components thereof, you can save considerably in the areas of energy, equipment and building," she says. "In certain areas, like metal casting and hardware industries, the cost of compliance with environmental legislation is less. Product development costs must also be considered. As everyone knows, China is the workshop of the world. In China, there are design capabilities,

advanced knowledge, and original ideas that may not be available in other parts of the world. It's an excellent opportunity to work with companies with vast knowledge and experience, allowing a business to save on product development costs."

These opportunities for development also extend to the staff. "All businesses like to have in-house experts on staff, but doing that in Australia would cost a lot. In China, it's more financially viable to have expert procurement people or other experts in the factory," Audrey states. "Fundamentally, by establishing long-term relationships with reputable manufacturers in China, a business can save on valuable time – setting up an office or staff management overseas is costly. Working with an established business is more time and cost effective."

The benefits of offshore manufacturing to Australian businesses are not limited to the financial arena. As Audrey explains, "Obviously, an overseas manufacturer can save a lot of time and considerable resources. The expediency of the product development processes overseas helps Australian businesses to become more competitive in the market. Outside of Australia, there's a lot of choice in up-to-date products, design, development and knowledge – all of these give a lot of

power to businesses," she says.

The range of potential manufacturing partners is another advantage offered by working offshore. "Manufacturing outside Australia broadens the choice of manufacturers that a business uses. In Australia, the product may be made by one local company. When you go to China, there's a huge range of manufacturers that a company can use," states Audrey. "Membership of manufacturing associations makes them accountable, and more competitive. This range of manufacturers has advanced product knowledge and modern equipment, as well as being hugely flexible. At the moment, many offshore manufacturers are in the position to make a flexible variety of products. Similarly, there is easy access to related product categories from linked manufacturers."

China Manufacturing currently works with companies in a number of industries to help them receive all of these benefits. "We work in the energy, metal, consumables, construction and medical industries at the moment," says Audrey. In the future, even more industries may outsource to China. "It's beneficial to any business that undertakes manufacturing, distributing, wholesaling or servicing; they should at least see what's out there," she concludes. 

