



Providence Enterprise

Full-Service Global Contract Manufacturing



IT'S JUST NOT WORKING OUT:

How to Know When It's Time to Change Contract Manufacturers

If you are unhappy with your contract manufacturer's (CM) initial performance, there are ways you can help bring them up to par. But what do you do when, in spite of your best efforts, your CM keeps letting you down?

A tough decision

There are times when the healthiest thing you can do for a relationship is call it quits. This is as true for business partnerships as for personal ones. While there are many reasons for break-ups, it often boils down to: This is not working for us now and we don't see it getting any better in the future.

What does this mean in a **manufacturer-CM relationship?**



When the bad outweighs the good

The biggest red flag is that your CM does not value what you do. In fact, they appear to play fast and loose with things that are important to your business: revenues, margins, product quality, brand, efficiency, supplier relationships, customers, and your team, among others.

For example, you may want to re-evaluate your partnership if **your CM continuously:**



Racks up unexplainable costs

Is your total cost of ownership (TCO) way above the initial quoted budget? If so, by how much? Can your CM justify those extra expenses and regular price increases that are way above market average?



Hurts your reputation

Social media has made it far easier to become infamous than famous. From bad reviews to product recalls to – in worst case scenarios – lawsuits, a damaged image is hard to bounce back from.



Blunts your competitive edge

A manufacturer's competitive edge comes from their innovations and how quickly they get them to market. A CM that either leaks or fails to protect your intellectual property (IP) effectively provides competitors with a shortcut to plunder your share of the market.



Takes you for granted

Sometimes you find that the your CM's early days enthusiasm starts begins to wane. They take longer and longer to respond to all concerns, emergency or not – from questions about invoices to product revisions. A CM whose performance takes a dive after the honeymoon period and gets progressively worse with time, is not someone who values long-term relationships.



Fails to meet your standards

Here we mean the basic standards outlined in your contract and SLAs. How can you trust a partner who agrees to requirements they cannot deliver?



Racks up unnecessary costs

Does your CM often make errors or bad choices that your company has to pay for? For instance, did a mistake at the design stage force the project to stop mid-production and send everyone back to the drawing board? Have you had to pay fines or other penalties accrued from last minute schedule changes?



Fails to notify you when there's a problem

Communication is key to a healthy partnership. Even when news is not great, it's better to be informed early than to discover too late. Especially if it's a serious issue, such as a security breach or major deviation from plans.



Shows no improvement

When you have taken every step to address the shortcomings but your CM is unresponsive or shows no progress, they are not likely to suddenly get better in the future.



Makes additional work for your team

A clear red flag is when your team has to go into overdrive to do damage control. If your team has to manage stakeholders (from suppliers to logistics providers to buyers) because your CM has become the bottleneck in your supply chain, if your accounts department spends way too much time correcting errors and chasing paperwork, if schedules are frequently disrupted because of changes and delays – especially last minute ones, your CM is clearly not doing their job.

When you know, you know

It is up to you decide how many strikes before a CM is out. Sometimes all you need to rectify behaviour is to be clearer on expectations. Sometimes, in spite of your best efforts, substandard performance stays level or drops even further.

The role of a CM – or any partner – is to:

- ✔ **Add value**, not subtract it.
- ✔ **To make less work for you**, not more.
- ✔ **To make you feel at ease**, not keep you up at night.

If instead of advancing your goals, your is dragging you back, it's time to move on.

What's next?

You still need a CM and obviously do not want to put yourself through this mess again. The good news is that lessons have been learnt, empowering you to **make a better choice**. You now know what questions to ask. You are ready to form a new partnership, this time with a CM who works as hard to achieve your goals as you do.



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Thinking of
switching up on
your CM?

 **CONTACT US**

to learn how
we can do better.

About Providence Enterprise

Providence Enterprise is a Hong Kong contract manufacturer with manufacturing in China & Vietnam. We specialize in electronics, electro-mechanical assemblies and high-volume disposables. We are FDA registered and ISO 13485, ISO 14971, ISO 14001, ISO 27001, IATF 16949, and ISO 45001 certified. Our capabilities include fabricating tooling for silicone rubber and injection molded plastics, clean room injection molding, electronics, clean room assembly, and sterilization.



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