

Swimming with Sharks

Don't let buying PCBs direct from Asia turn you into pond scum.

The idea of “going direct” to an offshore PCB manufacturing company has its advantages and disadvantages, and the disadvantages are more substantial than many people realize. Before you take the plunge, carefully consider whether you are a big enough fish to swim in the large, offshore manufacturing pond. Do you have the resources needed to successfully compete? Here are some steps you will need to take to avoid becoming shark bait.

Prequalify more than one vendor. No board house can do everything and the use of more than one potential partner is a distinct possibility. Check the credentials of potential vendors (such as UL and ISO certifications), study their brochures and examine their Web sites. Request a completed survey form and QC manual that includes an organizational chart. Ask specific questions relating to your production needs and ensure that each vendor can meet those needs. Request U.S. references – and call them.

Establish a primary contact person at your company. Clear communication and around-the-clock access are crucial in a successful business relationship with an Asian vendor. Miscommunication can be very costly. Your company must have a primary contact person who is able to properly communicate with someone whose native language is not English. Because of the time difference between the U.S. and various Asian countries, he or she must be available to receive calls late at night or very early in the morning.

Test potential vendors. Send several quotes representative of your typical orders to the vendors and analyze each response. Did each vendor provide a timely and competitive bid that included a delivery time frame, the cost of freight and acceptable payment terms?

Require a qualification order of a current project. Did the vendor ask a lot of engineering questions? Too many questions may mean there's a problem with the vendor's technical abilities. Did the order arrive fully complete and on time, with all required paperwork? Did the vendor provide appropriate packaging? And more important, were the boards acceptable? Did they look good?

Visit each vendor. It is important that you or a trusted representative visit each offshore facility and meet your potential partners.

Qualifying the vendor is the easy part. Maintaining a strong, daily working relationship is the hard part. Here are some important points to consider:

The vendor must be readily available. As stated, an agent from your company must be available to receive calls and answer questions at any time of the day. Likewise, the vendor must provide a reliable and easily accessible contact person who can provide needed information.

What will you do when product ordered is rejected? You must have a plan ready to implement when the inevitable problems with board orders occur. Will you be on your own to resolve these problems? What if the boards are already stuffed? In your customer's eyes, you are fully responsible for defective product. What will your partner/vendor do to help resolve the problem?

You must pay your offshore partner(s) on time. Even if you haven't yet been paid by your customer, you will need to pay your vendor on time. Otherwise, you'll run the risk of being shut down because of nonpayment.

Consider the daily headaches that are out of your control. Will your company be able to handle such potential disasters as a longshoremen's strike, SARS epidemic, typhoons and customs delays caused by improper paperwork?

There is a great deal of work involved in dealing directly with overseas vendors. An alternative is to contact an experienced PCB broker/distributor. Most good brokers have offices overseas and use English-speaking natives to handle their business. They may even have engineering and quality departments to prevent quality problems before they arrive at your door. They are fully responsible for quality and delivery. If there is a quality problem, the broker is responsible, and will make sure any bad boards are replaced. They also handle the money; most brokers have credit lines with the vendors, and can keep the pipeline full of work.

Keep in mind that while you are checking out vendors, they are also assessing you. The size, frequency and technical requirements of your orders, along with your ability to pay for those orders on time, will dictate the respect you receive as a customer. You must strive to be a big fish in your vendor's pond. ■

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