



NPI China vs. Mexico Manufacturing:

Sourcing Comparisons & Guidelines

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Introduction

The purpose of this document is to assist companies when deciding whether to manufacture products in China or Mexico. Both countries have their advantages and disadvantages. Companies must understand their strategic objectives and the importance of each criterion before making a sourcing decision.

The “Sourcing Comparison” on page three includes commonly used criteria used when selecting a source location. “General Product Sourcing Guidelines” are included on page four that may influence a company’s sourcing decisions. Please note that the “Sourcing Comparison” refers to NPI China. Some of the China advantages are not easily achieved without the capabilities NPI provides.



Sourcing Comparison

NPI China

- ✓ Labor + Benefit Cost (\$1.25/hr.)
 - Currency Exchange Rate
 - Transportation and Duty Costs
- ✓ Direct Materials Costs
- ✓ Tooling Fabrication Cost and Cycle Time
- ✓ Quality Performance
- ✓ Ownership Risks
 - Inventory Requirements
 - Transportation Cycle time (4-5 wks.)
- ✓ Product Launch Cycle Time
- ✓ Project Management Capabilities
- ✓ Engineering Change/BOM Mgmt.
- ✓ Quote Cycle Time
- ✓ Communication Cycle Time
 - Time Zone Differences
 - IP Protection
 - Environmental Responsibility
- ✓ Worker and Engineer Availability
- ✓ Regional Safety and Stability
- ✓ Language Challenges

✓ = Advantage

Mexico

- Labor + Benefit Costs (\$3.20/hr.)
- ✓ Currency Exchange Rate
- ✓ Transportation and Duty Costs
 - Direct Materials Costs
 - Tooling Fabrication Cost and Cycle Time
 - Quality Performance
 - Ownership Risks
- ✓ Inventory Requirements
- ✓ Transportation Cycle time (< 1 wk.)
 - Product Launch Cycle Time
 - Project Management Capabilities
 - Engineering Change/BOM Mgmt.
 - Quote Cycle Time
 - Communication Cycle Time
- ✓ Time Zone Differences
- ✓ IP Protection
- ✓ Environmental Responsibility
 - Worker and Engineer Availability
 - Regional Safety and Stability
 - Language Challenges



General Product Sourcing Guidelines

NPI China

- Small to mid-size products
- High product labor/overhead content
- Mid to high product complexity
- High volume and low product mix
- Timely product launches demanded
- High quality requirements
- Significant engineering support required
- Ownership & personal safety risk concerns

Mexico

- Large product size
- Low product labor/overhead content
- Low product complexity
- Low volume and high product mix
- Low transportation/duty cost
- Minimal FG inventory
- IP cannot be compromised
- High environmental requirements



Final Thoughts

Sourcing decisions can be difficult. Companies must develop an assessment process to determine the feasibility of where they source product. Several critical factors often influence such decisions significantly:

- Product volume
- Market location
- Product cost and complexity
- Transportation & duty costs
- Cycle time and inventory impact
- Communications
- Language and culture

Making sourcing changes to Mexico, China, or other countries can be daunting unless your company has the in-house experience and skills to handle the complex challenges of such a move. If your company does not have this in-house expertise, you should seek external resources for assistance. Many companies have suffered major financial and market losses when problems arise during this process.

If you have any questions about the content or how NPI can assist in achieving your manufacturing objectives, please call me at **614-570-5712** or e-mail me at neil.macivor@npi.com. Our company website is www.npi.com.