

CASE STUDY:

Evolve Manufacturing Technologies

INDUSTRY: Contract Manufacturer

US MANUFACTURING LOCATION: Fremont, CA

CONTRACT MANUFACTURERS

Contract manufacturers like Evolve provide a viable alternative to offshoring. Smaller CMs provide high quality, customer-focused service at a reasonable price.

Evolve helps its customers model the Total Cost of Ownership (TCO) when making an offshore or reshore decision.

As you enter the glass building in Fremont, California known as Evolve Manufacturing Technologies, you are struck by the manifestation of the company's total transparency philosophy. Transparency is a core value of this contract manufacturer, and Evolve's glass walls emphasize their culture of open communication.

Located in the heart of Silicon Valley, Evolve began production in the semiconductor capital equipment industry and expanded to manufacture products that serve medical, life sciences, defense, aerospace, and industrial equipment fabrication industries.¹ By providing a range of services from configuration and assembly to after-sales service and repair, Evolve provides customer-centric care, low cost, and high value outsourced manufacturing for a variety of high tech customers.

Contract manufacturers like Evolve play a critical role in the reshoring movement. They offer economically viable alternatives to offshoring and often produce higher quality products.





MEET NOREEN KING, CEO

Evolve was founded in 1999 by Noreen King, an Ireland native and an engineer by training. King strategically built her organization around her philosophy of employing a diverse workforce and prioritizing effective communication.²

King believes that everybody is equally important to the success of her company. “The guy putting the part in the box is as important as the person who tested it, who is as important as I am in this company,” she says.

King has structured her organization into teams of at least six employees on every customer project; each person has a different role, such as project leader, quality leader, technician, and so forth. This organizational structure leads to increased focus, improved efficiency, and more attention to customer details. Evolve’s staff feel valued, empowered, proud of the products they create, and they take ownership of their work, leading to high employee retention and low turnover. Many of King’s staff have been with her for years, something that is quite remarkable in Silicon Valley.

TRUSTED SUPPLIER AND CUSTOMER RELATIONSHIPS

Over the past 18 years, Evolve has developed trusted relationships with materials and parts suppliers, resulting in consistent pricing, quality, and reliability. Evolve’s procurement staff executes sourcing and purchasing for customers’ production and carefully control the supply base to cultivate trusted suppliers.³

Evolve also values a close working relationship and regular communication with its customers, enabling them to align production plans with customers’ changing forecasts. This ensures that they do not over purchase raw materials, or over produce, ultimately reducing the potential for excess spend. Evolve’s team of approximately 30 employees provides the infrastructure to be agile in a dynamic manufacturing environment.

CHINA IS NO LONGER AN OBVIOUS SOLUTION FOR PRODUCTION

Manufacturing in the U.S. is becoming just as economical as manufacturing in China. The 15 to 20 percent wage and benefit annual increases in China are closing the gap on China’s low-cost labor advantage over the U.S. Chinese wage increases, coupled with higher U.S. worker productivity, further negate China as an obvious solution. Once factors such as transportation, duties, supply chain risks, and other costs are fully accounted for in a Total Cost of Ownership (TCO) model, the cost savings of manufacturing in China is less attractive and justifiable.

Offshoring production to other lower cost regions such as Vietnam, Indonesia, or Mexico may present viable alternatives, however, companies attempting to do this often face inadequate infrastructure, lack of skilled workers and manufacturing expertise, low worker productivity, political complications, IP risks, and personal safety concerns.

¹ <http://www.evolvevmfg.com/company>

² https://www.slideshare.net/slideshow/embed_code/key/t1enx1Per4IBFd

³ Interview with Evolve’s President and CEO, Noreen King. 10 Nov. 2017.



THE RIGHT FIT BETWEEN A CONTRACT MANUFACTURER AND CUSTOMER

A 2016 survey conducted by the Reshoring Institute found that over 70 percent of globally operated companies surveyed identified international logistics costs as a primary reason why their company is considering reshoring production or locating domestic suppliers.⁴ Proximity to customers, total cost of ownership, and mitigating risks are other reasons why companies consider reshoring. A lack of transparency into the manufacturing process is another factor when it comes to raw materials, protecting IP, and mitigating risks. Working with a CM that is based in the U.S. can address these concerns.

TOTAL COST IS ESSENTIAL IN DECIDING

A critical decision factor when assessing offshoring or reshoring alternatives is understanding the TCO required to land a product in a market. Evolve assists customers with this cost modeling, margin determination, and opportunities to decrease costs by increasing purchasing power through volume buys.

According to research conducted by the Boston Consulting Group, as of 2016, the cost gap between producing in China and manufacturing in the U.S. is minimal once transportation, inventory, and other costs are taken into consideration. The lower wages of foreign workers may not provide enough benefit to outweigh IP and quality risks, unless the manufacturing process is mostly manual. When considering producing in the U.S. or offshoring, customers should assess all aspects of their total cost.

Companies should focus on researching, developing, and designing their product while the CM takes responsibility for production, assembly, and product quality. A clear understanding of a company's production objectives that are aligned to a CM's specialization will ensure a successful partnership between the two organizations. This match should not be overlooked. Finding the right fit between a company and their CM can be determined in a few ways:

- Industry expertise
- Experience with like products
- Attention to detail and quality
- Lot size requirements
- First article production review
- Seasonal or peak production scheduling and capability
- Management and leadership
- Cost

A CM like Evolve is an excellent solution for potential customers that require electro-mechanical assembly and light manufacturing.⁵ Potential customers may be in their second or third stage of VC funding and are approaching clinical trials; are struggling to maintain in-house manufacturing; need a partner to take ownership of quality and meet production specifications, output reliability, or a targeted budget.

Evolve's attention to its people, processes, and performance is impressive compared to offshoring and other available reshoring solutions. Evolve works with clients on TCO modeling to consider all factors and presents them with a reshoring option.

⁴ Reshoring Institute, Survey of Global Operations Results, 2016.

⁵ <http://www.evolvecmfg.com/why-evolve>

ABOUT THE AUTHOR

Erin Horiuchi is a Student Researcher at the Reshoring Institute. She is pursuing her MBA at Santa Clara University with a concentration in Leading Innovative Organizations and is expected to graduate in December 2018. Her BS in Marketing from Santa Clara University influenced her analytical approach to understand how to best serve employees as internal customers while developing and delivering engaging employee programs. Upon graduating, she plans to combine her five years of experience in human resources with her passion for developing engaging programs to aid an organization in strategic thinking supported by innovative teams.



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