Exploding Hoverboards

Everything You Wanted to Know About Chinese Manufacturing ... But Were Afraid to Ask

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LEGAL BLACKSMITH
How to Avoid and Defend Supply Chain Disputes

New Book – Published
January 19

amazon.com
Rosemary, Age 8
My Junior Scholastic Magazines
In the 1990s and 2000s offshoring to China was the economic strategy of US manufacturers.
I helped dozens of companies move sourcing and production to China.
Labor Costs Per Hour, China vs. US vs. Europe
Even if labor costs quadruple in China, they are still far below the US

US workers are the most productive – @25% more productive than European workers and 50% more productive than Chinese workers
Between 2001 and 2011, the US lost 2.7 million jobs to offshoring. Companies and towns across America were shuttered.
2012 Presidential Elections: Both Barack Obama and Mitt Romney blamed China for America’s economic decline.

Once elected, President Obama challenged US manufacturers to bring manufacturing back.
Our Mission
The Reshoring Institute provides research and support for companies bringing manufacturing and services back to America.

Our Vision
In collaboration with the University of San Diego Supply Chain Management Institute, we provide information, research and support for companies trying to “Reshore” manufacturing. This includes topics such as site selection, tax incentives, science and math education, marketing, public relations and cost comparison development.

Our Student Interns at USD
Interns work 100 paid hours per semester on directed research in support of the Institute’s research agenda or as directed by clients.

Our Sponsors
Our sponsors are businesses that support bringing manufacturing back to America. Sponsorships are available at the silver, gold and platinum levels.
The real reason to Reshore
But Back to Hoverboards….Is Cheap Manufacturing the Reason for Exploding Hoverboards?
The science is clear on lithium-ion batteries, but the supply chains are not
About 500,000 people purchased hoverboards as Christmas gifts. Another million are considering it, according to the watchdog Electrical Safety First.

Common thought is that those at risk had bought cheaper, unbranded imports from China.

Electricians testing imports found "illegal and dangerous" plugs and "inferior" batteries that failed during charging.

But recently, a hoverboard made by Swagway, one the leading brands, caught fire in New York, and house burned down in Louisiana because of a charging Swagway.
A Quick Search on Alibaba B2B Produces 74,403 results
What Do All the Quality Problems With Chinese Products Have In Common?

- Lithium batteries?
- Poor design?
- Bad raw materials?
- Lead paint?
- Chemicals?
- Poor storage?
- Cheap materials?
Mattel’s Fisher-Price Recalls Risky Toys (2007)

Mattel announced recalls for 21 million Chinese-made toys, including popular Barbie, Polly Pocket and “Cars” movie items, and warned that more could be ordered off store shelves because of lead paint and tiny magnets that could be swallowed.
Unbeknownst to the factory’s customers, original ingredients suggested for the bead production had been changed by the factory chemist from 1,5 pentadiol to 1,4 butanediol.

Although never intended as food, 1,4 butanediol, when ingested in large quantities, had caused a temporary medical reaction in children and pets....otherwise known as the date-rape drug.
Elf on the Shelf
Faulty Heaters

Patton Electric Utility Milkhouse Heater, PUH680-WM1

333 reviews Q&A By: Patton Walmart #: 001158703

$18.84 at San Leandro
List price $29.99 Save $11.15
FREE pickup today

Care plan (optional): None

Quantity: 1
Add to Cart

Add to Registry Add to List

Sold by Walmart store

Shipping Not available
FREE pickup today San Leandro See more stores

The Patton Electric Utility Milkhouse Heater PUH680-WM1 is a must-have for garages, job sites and workshops. It fits nearly anywhere you have an outlet and can pump extra heat. It comes with a plastic milkhouse door for easy cleaning.
Chinese Drywall – Govt Control
On the Other Hand.....

- China has some of the most sophisticated manufacturing in the world
  - Textiles
  - Industrial equipment
  - Automotive

- “Made in China 2025” initiative
Medical Devices

www.hwatime.com

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Industrial machinery

www.cndxmc.com
Chinese Cars Arrive in US Showrooms - Volvo

NY Times Jan 28, 2016
Elon Musk Wants Tesla Manufacturing Plant In China By Mid-2016

Elon Musk is looking into building Tesla a car factory in China. The deal should boost Tesla Motors’ business revenue, as China is the biggest up and coming market for eco-friendly cars.

(Photo: Tesla)
Lamborghini began production of its super luxury four-door sedan, Lamborghini Estoque in China in 2012 with a price tag of around 4 million RMB (yuan) ($589,000).
So Why Are Some Products Great and Some Bad?

- Management and Control of the Supply Chain is the Key
  - Communicate
  - Negotiate (written contracts and instructions)
  - Communicate
  - Oversee (including subcontractors and suppliers)
  - Communicate
  - Test (independent labs)
  - Communicate
The First Problem:
The China Price
Is Walmart To Blame??
Chemical Burns from Flip-Flops
Is this Walmart’s fault?
Are Chinese manufacturers endangering us on purpose?
Is Lack of Education To Blame?

- China is now graduating 700,000 engineers per year
  - India graduates 350,000
  - US graduates 70,000
- Students are taught the test material - “Teach to the Test” approach
- Critical thinking and creativity are not taught or encouraged
Is Shadow Banking to Blame?
Are China’s Manufacturing Capabilities to Blame?
Is Poor Communication to Blame?

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Dear Sir or Madam,

Have a good day! ^.^

Thank you for your busy schedule in viewing this message, if you disturb we are deeply sorry.

I’m Fanny, our company is a professional manufacturer and specialized in security system for many years, which founded in 1997.

With our best price and high products performance, I think our company is your best choose.

Following is our new products specification, hope you could like them and sincerely hope we can have a good relationship in the future.

With best regards,

Shenzhen CCDCAM Technology Co.,Ltd
Are Intellectual Property or Patents to Blame?

- A tradition of copying
- WTO and other world bodies’ influence
- 10-year “Utility Patent” and 20-year patent in China
- Need a Chinese attorney to file
Are Shadow Factories to Blame?

- About 70% of all legal factories in China have shadow factories.
- Usually near the primary factory and producing the same goods at much cheaper cost.
- May violate safety and work conditions.
- Avoid paying taxes.
- Costs are averaged over the two factories to keep the “China Price” low.
- Working conditions may be unsafe, hours are longer, days off are few (16-18 hours/day, 6-7 days/week).
- Workers without work experience may start here.

You will be shown the 5-star factory, but never the shadow factory.
Is the Consumer Product Safety Commission, US Customs or Underwriters Lab to Blame?

- US safety standards are not all in place yet.

- US Customs may be allowing imports to enter the US based on safety standards for similar products. But that may not be good enough.

- Some manufacturers likely have certifications such as UL, for component parts of the board but not for the product as a whole.
The Trifecta: Product Popularity, Cost, Capacity

- Drives behavior
  - Substitute Parts
  - Subcontractors
  - Poor Communications
  - No Govt Regulations
  - Market opportunity
  - Fast response to the market

Poor Control Over Supply Chain is to blame
Beware of missing foot
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