



FROM BASKET TO GASKET

How an equipment company successfully expanded into China

By Bogard Lagman, Executive Vice President, Charles Ross & Son Co.

Guanxi. That is Chinese for “relationship.”

After successfully establishing two manufacturing plants in China, we sometimes look back at what we did and it all seems to fall back to relationship, or “Guanxi.”

Based on our experiences in China, Guanxi made the difference between success and failure. In the early 1980s, we participated in a major chemical show in Beijing. The exhibition was extremely busy. Groups of Chinese dropped by our booth, inspected our products very closely and devoured our brochures, which we had produced in Chinese.

At that time, most — if not all — of the Chinese tradeshow visitors (and even those on the streets in Beijing) wore the traditional blue Mao suits. Today, one seldom sees such notable attire.

Aside from getting an exhibitor’s booth, we were also invited to give a talk on specialized mixers as used in the chemical,

adhesives, pharmaceutical, food and other process industries. The Seminar was jam-packed with hundreds of Chinese technocrats who were anxious to see technical information from overseas — especially from the United States.

In the audience was a group of Chinese who, we later learned, had been managing and operating one of the most recognized mixing equipment factories in China. We also learned that the Chinese higher-ups in national industrial development had sent this group to listen to our talk and assess our company’s background and capabilities.

After the seminar, that group introduced themselves to us and later visited our booth. Good Guanxi had begun!

Our Guanxi with this group grew stronger as we visited their factory in Nantong, Jiangsu Province, in the mid-1980s. They, in turn, visited our plants in New York, Georgia and Florida in the late ‘80s.



Ross Wuxi
Equipment Co. Ltd.



FROM BASKET TO GASKET

Since our first literal step on Chinese soil in the early '80s, we began to see and appreciate the huge market potential for our type of equipment in that vast country. China was changing from a mere producer of traditional consumer items into a giant manufacturer of industrial equipment and materials. That led us to aggressively promote our line of mixing and dispersion equipment not only to the chemical industry but to the cosmetics, electronics, and many other process industries.

By actively visiting customers in China and receiving Chinese delegations to our U.S. plants, we began to successfully obtain orders for single machinery and for complete turnkey plants as well. We have supplied double planetary mixers to China's largest dry cell battery producer, VersaMix multi-shaft vacuum mixers to large Chinese cosmetics manufacturers, and planetary dispersers to some of the largest multinational electronic thick film paste producers in China.

ESTABLISHING A Foothold

In the mid-'90s, we decided to have a foothold in this huge market; thus we contacted our long-time friends from Nantong. They were the same group with whom we had established continuing good Guanxi for more than a decade.

With plans to establish a manufacturing operation in China, we visited our old friends in Nantong and, because of our long-time good relationship, successfully established a joint venture plant without delay.

As in many other joint ventures in China, we provided the technology, specialized production equipment and cash, while our partner provided the land, workshop and office buildings, equipment, cash, and the workforce.

Named Nantong Ross Mixing Equipment Co. Ltd., this joint venture plant has evolved into a major industrial mixing equipment manufacturer in China. Due to this plant, we have become the world's largest supplier of ribbon blenders.

It is important to note that our joint venture plant does not manufacture our entire product range, but only a few selected product lines that are best suited to our target markets in that

region. The products are sold primarily within China and to its neighboring countries in East Asia.

The game plan for our joint venture plant was to specialize in the production of just a few product lines and to be the absolute best on those lines!

FROM JOINT VENTURE TO WHOLLY OWNED

While fully operating our joint venture plant and selling its product lines in China, we continued to also sell our U.S.-made mixing equipment to that enormous market.

In our travels from the industrial zones in Jiangsu Province to the industrial developments in Fujian, we realized that we can do much more if we offer many more of our product lines made in China.

Because we do not want to dilute the outstanding efforts of our joint venture plant by consistently knocking out high quality products from its set of product lines, we thought of starting another plant in a different location.

And because foreign companies had recently been allowed to put up their own plants in China, we opted for a Ross wholly owned plant instead of a joint venture.

Guanxi, once again, kicked in. A long-time associate and friend, George Lu from Wuxi City, helped us set up the plant in a modern industrial development that is adjacent to the new Huning Expressway that goes from Shanghai to Nanjing. This modern super-highway will eventually lead to Beijing.

Located in Wuxi City, which is about 2 hours by car from Shanghai, our wholly owned plant was named Ross Wuxi Equipment Co. Ltd. Its inauguration on Oct. 15, 2003 was quite memorable to our Chinese guests, associates and customers as it happened on the same day that China propelled its first astronaut into orbit.

Despite the heavy rains that continued for days on end, it was remarkable that our new plant was completely built ahead of its target completion date and within budget. This is due to George, and to his uncle—who happened to be a very important official in the Wuxi City government. That's another story, but definitely a good Guanxi!

The game plan for our joint venture plant was to specialize in the production of just a few product lines and to be the absolute best on those lines!
