

From broker to overseas facility owner

Roy Shu, Shu Dental Lab, Morrisville, Pennsylvania, tells how a larger technician pool, reduced operating expenses and a desire to expand his operation led him to open his own laboratory in China.

A DECADE AGO, LABORATORY

Owner Roy Shu faced the all-too-familiar struggle of finding quality technicians and, as a result, was working 70- to 80-hour weeks to get the work out the door. “I had a staff of 12 technicians but I always found myself having to cover for someone who called in sick or didn’t show up. And forget about replacing technicians who left; I could run a newspaper ad for a year and never receive a phone call,” says Shu. “I was so frustrated and on my way to total burnout.”

Shu’s answer at that time was outsourcing to China. Because he was born there—he immigrated to the U.S. in 1974 and graduated from a New York dental technology school two years later—he speaks the language and has many connections in the Chinese dental laboratory community. After two years of outsourcing to a prominent Chinese laboratory, he decided to become a broker in 1999 and act as a liaison for U.S.

laboratories wanting to send their work offshore. “It was a way to open the door for other lab owners who were interested in outsourcing but didn’t have the proper connections to do so,” says Shu. “At the same time, it was the perfect opportunity to expand the horizons of my business.”

But Shu didn’t stop there. Eventually, he realized that he could better serve his dentist-clients—as well as his new laboratory clients—by opening his own facility in China. “Although outsourcing really helped to reduce the overhead cost for my business, it was not the best alternative. I had limited-to-no control over laboratory operations and the price was subject to change without notice. And, by opening my own facility, I was able to further reduce costs by eliminating the middleman.” He also knew that China’s large technician pool would allow him to expand his operating capacity and overall productivity.

Shu says his experience outsourcing to China gave him an edge when it came to setting up the new facility because he had an understanding of how businesses operate in China. He navigated mountains of paperwork required by customs and government agencies, and spent four months in China to ensure he found the right location in Zhu Hai, mainland China, and hired the right people. But ultimately, it gave him what he was looking for: control. “I have the freedom to make decisions, ranging from pricing right down to the setup of the facility.”

The key to maintaining that control is a trusted management team. “They act as my eyes and ears while I’m not there,” says Shu. “Plus, the lab manager owns 10% of the business, which greatly increases his incentive to manage our more than 100 employees and ensure we produce quality products.” Shu travels to China every two to three months and stays abreast

of the daily operation through e-mail, instant messaging, video messaging and telephone conversations with the managers.

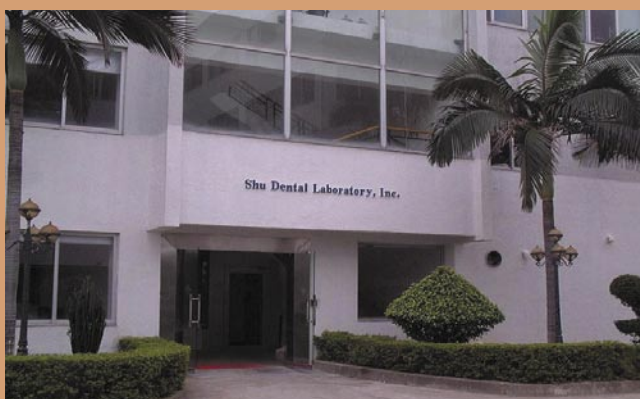
According to Shu, the greatest difficulty is “the day-to-day uncertainties,” including transportation problems, bad weather, or packages getting stalled in customs or being investigated by the FDA. “Any of these scenarios contribute to the delay of a shipment, which becomes costly in the long run. Fortunately, these incidents occur less than 5% of the time,” he says. He also says that forming partnerships with large shipping companies like Federal Express or UPS can reduce the chances of these mishaps since they have resources and connections with major government agencies.

About 90% of the cases received at Shu’s Pennsylvania laboratory are sent to the lab in China and returned nine days later. The lab in China is open 24 hours, six days a week and produces 6,500 cases per month, compared to the 1,000 cases a month Shu was producing when his Pennsylvania laboratory had 12 technicians. He has gradually decreased the size of his U.S. laboratory to four technicians to handle adjustments, shade changes, etc.

But perhaps the biggest change is Shu’s work-life balance. “After Federal Express picks up our cases at 4:30, we all go home. Initially, it was so hard to get used to; I’d sit on my sofa and think, ‘I’m free! What do I do with myself?’” says Shu. “Now I have time to see my family and participate in other activities. What a difference in my life.”

LMT

Shu Dental Laboratory, Zhu Hai, China



Shu Dental Laboratory’s China facility fabricates 90% of the work received at its Pennsylvania laboratory. “I’ve found that the majority of dentists are more concerned with the quality of the product than where it is manufactured,” says Shu.



Seventy percent of Shu’s technicians in China have more than five years of hands-on experience. These more seasoned technicians act as mentors to the less experienced employees who are graduates of a dental technology school in China.