Spin Master Toys Case Report: Finding a manufacturer for E- Chargers

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**Executive Summary**

We recommend that Spin Master Toys selects Wai Lung mainly because it has about 60% available capacity in their private owner company and maybe able to follow our tight schedule.  This is critical to us since the first mover advantage is of key value in this industry. Based on our quality level requirement, our previous positive experience with Wai Lung for the Finger Bike product suggested that this company has the ability to fully cover all criteria and finish the task on time. They also put us at the top of the priority list and eager to group its business with us. We suggest to not select Wah Shing because they seem to be running at 70% to 80% capacity right now and will not have enough availability for us and it maybe difficult for them to finish each step on time. In order to implement our recommendation of Wai Lung, we need to support them with a few more engineers from our headquarters and also suggest to Wai Lung that they hire a few more engineers to improve their engineering force.

**The issue that need to be solved**

We have a new product which is the E-Charger. However, we have to find a suitable manufacturer in limited time. Also, we need to consider the manufacturer’s on time delivery, capacity, quality, technological strength, and cost.

**Industry and Business Overview**

The first mover will gain significant power in the toy industry. As a result, this is the key success factor in this market. The company’s previous success relied most on their innovated products and first mover advantages. Since our competitor is already making moves, we have to make sure that the E-charger will be in the market as scheduled, as we are already behind schedule.

**Alternatives**

**Wai Lung**

Wai Lung is a privately owned factory. We had a good experience with them in dealing with the Flick Trix Finger Bikes case half year ago. The owner, Eric, has placed our company at the top of his priorities list, which can ensure dedication to our products production. Also, the factory itself is running at 40% of its capacity, therefore, there is about 60% of unused capacity at our disposal. With our production ensured, the delivery time will not be a problem, because the factory is just one hour away from Hong Kong. Based on the Finger Bikes experience, the quality of their products is reliable. Wai Lung hired three engineers recently, who can help with the designing. Based on their quote (Exhibit 2), the total cost would be ((150.74+ 197.12)/3%)+14318.12) HK$25913.45 at FCL and ((150.74+197.12)/3%+15438.62) HK$27033.95 at LCL per thousand units. The owner has provided another payment method – the wired transfer. By using wired transfer, it can help us with our cash flow and prevent the costs from hitting the bottom line this year.

**Wah Shing**

    Wah Shing is a subsidiary of a Hong Kong public toy manufacturer, which performances well on generating revenue and has a good reputation in its industry. But, the owner was not at the company when our operations manager visited Wah Shing’s production facility. We have not been contact with them for such a long time and have no idea how they value our business. Also, there seems to be a communication problem between upper and lower managers, which will be a risk in the future. They are currently running at 70 to 80 per cent of their capacity, as a result, they would have a limited amount of capacity for us. Although they have 3500 workers and six engineers, there will be  some concerns on whether or not they can get us enough products on time. They are professional electronic toy makers and they would have more strength to help us with the design of our products if their engineers are available. From their quote (Exhibit 3), the total cost would be HK$28745.9 per thousand units at FCL, HK$29478.3 per thousand units at LCL. Because they have been in the electronic toy market for such a long time, they have the suppliers for those electronic components.

**Recommendation ( Michelle’s new version... Needs your HELP!!!!!!)**

We recommend that we use Wai Lung as our manufacturer. Since we suppose to pursuit the first mover advantage within this industry, we have a really tight schedule for our new product. Wai Lung currently running only 40% of their capacity and does not have many projects scheduled in the near future. Wai Lung has enough executable capacity to meet production requirements, while for Wah Shine, we cannot make sure that they will give our products’ production priority which means we may not get our product made on time. Besides, the owner had also put us at the top of their priority and had a strong will to expand their business with us. All these components will all supply positive support to follow the tight schedule. With we already behind schedule, it will be the supplier’s priority to design the E-Charger and to be the first in the competitive marketplace.

Another reason we are recommending Wai Lung is that the positive experience with  it half year ago.Wai Lung showed unbeatable performance for Finger Bike which was beyond of our expectation in both quality and quantity. We have reason to looking forward their great performance this time. We also formed a good personal relationship within these two companies from our previous business, which we thought is important to Spin Master Toys. The circumstance that the owner is facing gives us some strength in developing our future relationship even further. The owner may not have more opportunities to expand his business if he doesn’t get our contract, therefore, he would be willing to accommodate our needs. In the long-term, we may have more opportunities to work with Wai Lung.

Other than the reasons we mentioned above, the cost of production from Wai Lung is lower than Wah Shing. Also, it provides another payment method.

The main problem that we might face if we decide to select Wai Lung is that they do not have any experience in producing electronic parts before and do not have the suppliers for those components. We suggest to have a few engineers to Hong Kong to help Wai Lung with their new product innovation in order to minimize the disadvantage about lacking of engineer forces. We can let Haray stay in China to help Wai Lung with designing and in finding suppliers and Alex can cooperate with Haray in providing him with information.