

Innovation, design freshen “Made in Taiwan” tech label

By Sheena Lee

TAIPEI, Jan 8 (Reuters) - Taiwan’s computer makers are morphing from simple contract manufacturers into designers and innovators as they fight for survival in a competitive sector.

Four out of five new notebook computers are now designed on the island, as firms making everything from cellphones to PCs move from a “do what you’re told” mentality to a “let’s innovate” one, transforming the “Made in Taiwan” label.

The change is partly driven by new business opportunities, but also by sheer competition as companies try to set themselves apart with their innovative design.

Some of the world’s top electronics makers, from PC makers Dell Inc. and Hewlett-Packard Co. to cellphone makers Nokia and Motorola, are looking to domestic behind-the-scenes players with names like Quanta Computer Inc. and Asustek Computer Inc. to not only make, but also design their latest gadgets.

Dell, the world’s top PC maker, said that over 50 percent of its notebook PCs are now designed in Taiwan by its locally based team working closely with its manufacturing partners.

Dell, whose top Taiwan manufacturing partners include Quanta, set up its design centre in Taiwan in 2002 with 50 people for PC and notebook development.

Since then the facility has grown more than six-fold to 330 staffers.

“We still plan to further expand our design team in Taiwan as it is an important part of our business,” said Shane Cheng, Dell’s regional director.



A man uses a laptop to access the internet at a convenience store in Taipei in this December 8, 2006 file photo. Taiwan’s computer makers are morphing from simple contract manufacturers into designers and innovators as they fight for survival in a competitive sector. REUTERS/Jameson Wu

Value Added

As competition in the fast-paced IT world intensifies, Taiwanese firms are trying everything they can to give their clients added-value services.

Taiwan computer makers such as Quanta, Asustek and Lite-On Technology Corp. have all created their own design teams, earning reputations as new product pioneers and winning awards in global competitions.

“Over 80 percent of the world’s notebook computer design is outsourced to Taiwan now,” said JP Morgan analyst Alvin Kwock.

Having design teams close to the manufacturers has also become more strategically logical for foreign tech firms, said Kwock. Most final production is done nearby, in mainland China.

Contract makers are using their design capability to distinguish themselves from one another, realising sophisticated design capabilities can attract customers who want everything from MP3 players to mobile phones and laptop computers.

“At some point you can’t compete on cost alone, so you have to turn to design,” said Markus Wierzoch, a product design manager for Asustek.

The move to design marks a coming of age for Taiwan firms, which have migrated from pure manufacturing work, or Original Equipment Manufacture (OEM), in the 1980s to a new type of work, called original design manufacturing, or ODM, starting in the 1990s.

As competition heats up, the level of design services offered in Taiwan has increased as well, as players try to distinguish themselves in industries where margins are already razor-thin.

As a result, the island is earning a name for its new generation of young engineers and designers who are winning awards in global competitions for their work.

“Perceptions regarding Taiwan’s design has really changed a lot in the past five years or so,” said Wierzoch.

While awards may be a pat on the back, the Taiwanese firms are less motivated by prestige and payment than by sheer necessity.

Quanta Computer, the world’s largest notebook contract maker, whose main clients include Dell and Hewlett-Packard, said its design development services are provided almost free of charge for big customers since competition is so intense.

“It is what Taiwan makers have to do to survive,” said JP Morgan’s Kwock.