

# Thinking about .....

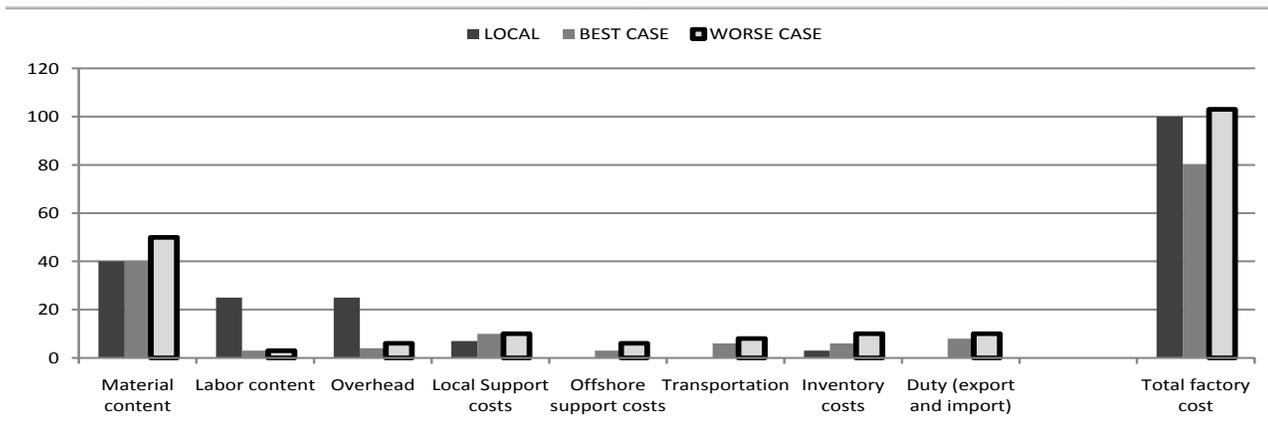
## ...More Balanced Sourcing???



**Before you make or continue to make that “balanced” off-shore or out-sourcing decision, let us help you with these questions????**

**Q1. Do you understand the benefits and hidden costs of going offshore or out-sourcing versus Local as well as the many sourcing and logistics issues and options that must be optimized for success?**

*A. The chart below shows that in qualified cases it IS possible to see a 20% net gain in operating costs by going offshore, but ONLY if all the product and source relationships and all the detailed support and logistics are Best Case optimized. However equally, it does not take much poor optimization or uninformed decision making to see an overall worse case **net loss** in the off-shore (outsourcing) journey. Many organizations have experienced this chart the hard way... let us brief you on how to avoid such a bad experience.*



% of Total Cost	OPTIMISED		NOT OPTIMISED	Issues
	LOCAL	OFFSHORE	OFFSHORE	
<b>Material content</b>	40	40	50	Foreign country materials may need harmonizing with your designs
<b>Labor content</b>	25	3	3	A clear advantage, but product skill and training may be an issue
<b>Overhead</b>	25	4	6	A lack of foreign management capability may effect other hidden costs
<b>Local Support costs</b>	7	10	10	Your internal support for offshore will be an adder to your business costs
<b>Offshore support costs</b>	0	3	6	Support at offshore site will be an adder to your business costs
<b>Transportation</b>	0	6	8	These added costs can also be effected by containerization skills and knowledge
<b>Inventory costs</b>	3	6	10	longer line of supply and maybe associated forecasting will attract inventory
<b>Duty (export and import)</b>	0	8	10	Brokerage, duty and insurance will add to the costs
<b>Total factory cost</b>	<b>100</b>	<b>80</b>	<b>103</b>	Baseline set on local supply

**Q2. Is your sourcing journey balanced with a strategic advantage not just a panic reaction to your existing local cost base or market price pressure?**

*A. We can help with a “balanced” strategic sourcing plan and assist coordinate the sourcing activity ,... Looking at your own local costs and benefits as well as the offshore opportunity is essential to making the correct decisions. Also it is important to develop an understanding of the material commodity markets to ensure that the correct comparisons are being made.*

**Q3. Have you balanced your local capability with that available offshore?**

*A. Considerable hidden costs exist even if all go right with the offshore journey and it is sometimes better to use a balance of offshore and local supply across your food chain to get to the correct place.*

*A. We will use our current experience to explain to you the cost tradeoffs between local and offshore*

*A. Sometimes it may be still more effective to improve local internal costs and if necessary improve them to make them competitive, especially after the alternative off shore costs are better understood.. Ok we better talk!!*

**Q4. Have you correctly selected which products or services within your portfolio to offshore and how should they integrate with your internal or local capacity?**

A. In the event that you have decided that some work must go offshore Let us help you with your balanced sourcing activity....After the true costs are well understood and you believe your local manufacturing base costs are optimized and the offshore opportunity makes sense then we can assist in targeting the products and processes to offshore so that it is done in a balanced low risk manner.. Some Local manufacturing capability should probably always exist and must be highly productive and flexible to compliment the lower cost longer delivery cycles from offshore

**Q5. Have you fully assessed the risks to your customer delivery/quality and intellectual property?**

A. The Implementation will require some changes in the way you do business in terms of ordering, inventories, quality checks, how information and approvals are undertaken. How you develop a performance trust with the supply partner. We will explain some checklists that need to be reviewed.

**Q6. Do you know where the political business world is heading and what changes are evolving?**

A. Understanding the trends in currency, tariffs, transportation, taxes, incentives, and commodity prices will be essential in your own specific market sector.. We will profile all these and model them to ensure the decisions you make are balanced into the future.

**Q7. What is the strategic opportunity to offer your products and services to this foreign market?**

A. Buying low cost labor should only be short term strategy and the longer one is a global market awareness driven plan.

A. You need to fully understand the future local foreign market expansion available to you if you support or develop local foreign product capability and do you understand the requirements of this market and how to plan to supply within that market.

A. Have you considered the Joint Venturing and partnering possibilities and how that may happen?

**Q8. Have you selected the supply base you will use?**

A. If you have not yet selected the supply base we can ensure that a lot of these questions get answered correctly up front as part of a sourcing journey and we can assist find the correct partners and ensure the overall business plans make sense. *Then we will teach your team how to develop an ongoing offshore relationship.*

**If you had trouble with the answers to ANY of these questions?? ..... then give me a call!!**

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