



Factory relocation to the Far East



“Preparation is the key to successful relocation. It is important not to come to the table with preconceived ideas but to look at costs, taxes, expenses and logistics in detail and undertake extensive research on the ground; good contacts in China are essential.”

Tim Richardson
Managing Director
The Consultancy
Company

Factory Relocation to the Far East

In an increasingly competitive market place, many manufacturers are feeling the effects of relentless - and increasingly high quality - imports from China. Often the only way to remain competitive is to take advantage of the savings that low cost economies can offer producers.

The Client

Automotive Products, a £30 million first tier automotive supplier operating in a highly competitive market, were seeking rapid cost reductions through the relocation of major elements of their manufacturing to low cost economies.

The Challenge

To ensure internal resources were not overwhelmed by undertaking a project of this complexity, Automotive Products requested The Consultancy Company to research and manage the relocation process for them. Challenges included a workforce steeped in tradition and resistant to change, with concerns over the future of the UK operation. Our consultants found there was a need for a better documentation process. In addition, many products were over-engineered for market requirements, adding unnecessary cost to the operation.

The Solution

Working closely with the client we established programmes for the identification of products that could safely be manufactured in China and the processes, skills, training, capital equipment and tooling that would need to be relocated to support their successful production.

Using our extensive knowledge and experience of the region, we advised Automotive Products on the refurbishment of their equipment in order to meet factory regulations imposed by the Chinese authorities. We also guided the client in the establishment of quality standards and the legal entity in China.

Our consultants developed formal written procedures for recording and transferring key information and developed stock build programmes to ensure supply continuity during the transition stage. In parallel, we led a programme to identify all components that could potentially be sourced in China and assisted in establishing a complete new vendor base that would both support the Chinese factory and on-going supply into the UK. The project quickly moved ahead of schedule and was completed in timescales that were previously considered impossible.

Benefits

As a result of this relocation project, Automotive Products subsequently enjoyed:

- A 40% reduction in the cost of purchased parts.
- A 30% reduction in manufacturing costs of transferred product.
- A complete new vendor base established in China.
- A new Chinese factory able to expand into new ranges - £6 million annual sales opportunity.

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