

## LOW COST COUNTRY SOURCING - FINDING THE RIGHT PARTNERS

Finding the right partners to work with in Low Cost Countries requires knowledge, networks and experience. We believe that the interests of clients are best served by employing good independent consultancy services in the initial stages, rather than basing knowledge on information derived from other external sources with vested interests. The decision is best made using independent sources of data, as the following table illustrates.

THE CONSULTANCY COMPANY	AGENTS
<b>Focus on your needs</b>	
Represent client's interests at all times.	Represent suppliers where they have an agency agreement/commercial arrangement or, if a distributor, the principal's interests.
Strategic and detailed tactical approach.	Shorter term focus and largely tactical.
Can advise on pricing and negotiation tactics, to maximise leverage and establish a negotiation methodology to extract the best possible deal.	Will profess to know pricing, but are rarely objective, as their interests are polarised and they usually prioritise their own position.
<b>Breadth of Knowledge and Contacts</b>	
Broad spectrum of researched and known sources filtered to a shortlist.	Usually access to a smaller range of sources.
Multiple geography e.g. China, India, SE Asia and Eastern Europe.	Often restricted to preferred geography. Little knowledge of other Low Cost Countries.
Ability to cover wide range of product groups and technologies.	Usually narrower range of product groups available.
Wide direct market and product knowledge and experience. Broad Asia and international business experience. Access to established networks.	Variable experience levels and market knowledge. Tendency to protect networks.
25 years experience in Greater China. Engineering and technical products background, as well as consumer sectors.	Technical know-how may be excellent in their chosen field, but can be biased and will not necessarily reflect industry 'state of art'.
Able to compare and understand pricing tactics in multiple countries and access cost breakdowns.	Able to quote only selected prices, based on their areas of contacts.
<b>Transparency</b>	
Factories will be available for visit and audit, giving direct access at all times.	Factories used and ownership may not be identified/disclosed and sourcing may change without notification.
Data and knowledge driven staged approach including detailed comparison of options, full pricing matrix analysis and, where possible, cost breakdowns.	Reluctance to divulge full data and options, as this reduces their 'added value'.
Close working relationship established with client and full knowledge transfer as part of the process.	Not entirely in their interest to transfer know how.
Additional market data uncovered and transferred to client.	Often confidentiality issues with regard to other clients for the products.
<b>Costs &amp; Control</b>	
Input /investment costs tailored as required and falls over time.	Effectively continued fixed costs to client due to agent's commission in the cost build up.
Client can choose to take responsibility for dealing with suppliers directly or through the selection of an appropriate third party in the UK.	Take responsibility for service, spares and warranty but at a cost which is not always transparent.
Full range of quality assurance options and costs explored. Client is able to appoint independent quality control adviser at known cost and performance level agreed with them on professional basis.	May not offer independent QA. Supplier will profess to perform quality inspection role but may not perform to professional standard or at best, may cut corners and be influenced by own vested interests to ship/invoice.
Clear contractual agreement direct with manufacturer, which can be negotiated using appropriate terms.	Contractual agreement may exist between suppliers agent and client, but when tested may not be backed up by manufacturer.