



Sourcing in Low Cost Countries

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A Structured and Targeted Approach

Competitive pressures, globalisation, the desire to enter developing markets overseas together with the growth of the internet have driven a greatly increased level of sourcing of products from Low Cost Countries (LCC) at lower costs than from existing local suppliers.

Challenges abound in successfully implementing a strategy for LCC sourcing, these include:

- How to ensure there is an appropriate fit between corporate strategy and a strategy for LCC sourcing
- How to develop the correct strategy for individual product groups and prioritising work programmes
- Locating appropriate suppliers in the right countries
- Lack of internal resources, infrastructure, knowledge and senior level sponsorship to manage and implement the desired strategy

Based upon many years experience, The Consultancy Company provides a detailed step by step approach using expert consultants, with in-country knowledge, to ensure that you achieve your goals once LCC sourcing has been agreed as the right strategy for your company.

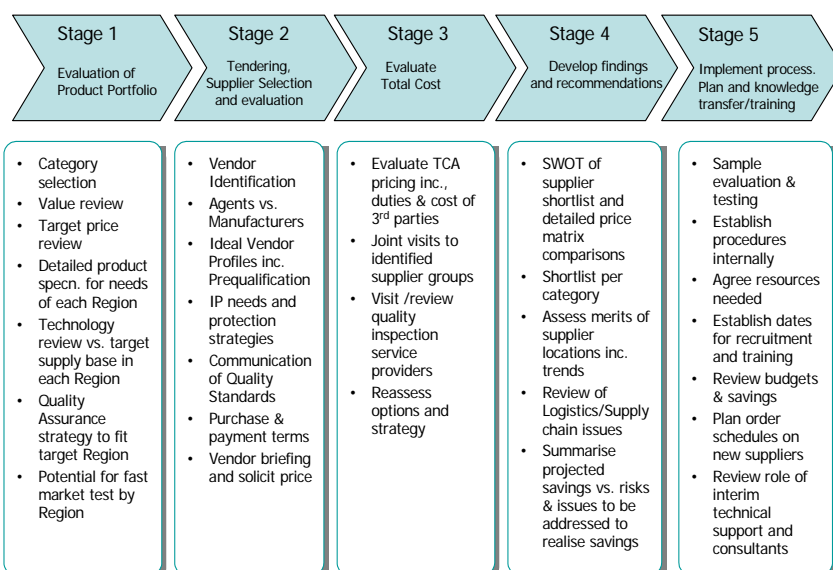


“One of the methodology’s key benefits is that it reduces the risks that can be associated with outsourcing from Low Cost Countries.”

Jeremy Waller
Consultant

LCC sourcing – a planned, integrated approach - overview of process

*Planning, data collection, intelligence, analysis,
decision making and implementation*





“Our approach to Outsourcing works and can be sustained because of our ability to research, locate and evaluate sources objectively”

Graham Barker
Consultant

Our approach

Stage 1 consists of an evaluation of the product portfolio in order to assess the scope and scale of the opportunity and to prioritise product categories for sourcing. This stage may include rapid testing of specific products in a region to validate likely savings.

Stage 2 consists of an initial sourcing round to identify potential vendors and to match capabilities against the technical, quality and intellectual property requirements of the products and the customer. Requests for information and quotation form part of this detailed process to establish a recommended list of potential suppliers and a range of pricing responses.

Stage 3 consists of visits to selected suppliers with the customer to build a full picture of suppliers' capabilities and match to the customer's requirements. This leads to a second round of specification and pricing review with a full evaluation of Total Cost of Ownership including freight, duties and third party costs. Options and overall strategy can be re-evaluated at this point.

Stage 4 is when final supplier shortlists are developed using price mapping, location reviews and risk analysis.

Stage 5 covers the final steps of supplier implementation, including sampling, testing of samples, contract negotiation and scale up of product supply.

Why this approach works....

These proven and practical techniques, using a step by step methodology, deliver because we:

- Have the resources to research, locate and evaluate sources objectively, evaluate issues e.g. Intellectual Property, technology and quality by country/region.
- Identify cost structures in target countries and establish an effective procedure to manage sourcing offshore
- Develop a clear and informed, data driven strategy for decision making and implementation
- Possess a mass of information developed from previous projects and market data, where we analyse detailed cost structures so as to be able to understand the cost spectrum of a product, facilitating negotiation power
- Leverage the clients negotiating position over the process, to maximise procurement strength
- Use a team of practical, experienced procurement specialists familiar with the countries targeted and possessing extensive networks of service providers to support the whole process

Delivering the benefits

One of the key benefits of working with our proven methodology is that it reduces the risks that can be associated with outsourcing to LCC. Our approach is tailored to the individual product and customer requirements, and managed from a wholly independent perspective. This enables speeding up the identification of opportunities and realisation of savings compared with use of internal resources, delivering tangible savings well within a fiscal year and sometimes within six months. It does this by enabling the process to be brought up to speed and maintained at that speed without being delayed by other priorities which management might face.

We work toward ensuring that the whole cost of the process is self financing with a significant payback in the short term. As an additional benefit, our clients frequently build a knowledge of LCCs which can be utilised for further development of sourcing offshore and for expansion of sales in these emerging territories. We also ensure knowledge of the overall process and best practice techniques is transferred to the customer throughout the sourcing exercise making it sustainable for the future.



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