

Business Briefing

When it comes to sourcing, West can be best

A recent case shows that the UK can offer better value than the Far East and other low-cost destinations, says Simon Aldred

Sourcing goods from the Far East may carry certain risks, but is almost certain to be cheaper than the UK. That's the accepted wisdom. But it ain't necessarily so. One of my clients, a UK-based manufacturer of shop fittings, including stainless steel fabrications, was under margin pressure and looked to low-cost country sourcing as a solution. This was the way to make big savings, or so the client thought.

We baselined the product and completed a full cost breakdown identifying that that raw materials contributed a high percentage of the overall cost. Moreover, shipping from an overseas location was also a primary cost driver - as assembled products there was the potential for a lot of air to be shipped.

Before starting the full market test we analysed stainless steel costs against likely delivery costs in various countries including the UK, several in Eastern Europe, China, India and Turkey to identify the lowest-cost countries specific to the two cost drivers.

We concluded that Poland, Turkey and China merited further evaluation as the material costs in those countries were slightly lower than in the UK. However, it was clear that finding a cheaper supplier in the UK could also be a successful sourcing strategy.

Having completed a full RFP we discovered that UK suppliers were, as we suspected, very competitive when factoring in shipping costs.

Added to this, leadtimes were also obviously the shortest and the cost to manage the account was the lowest as there was no overseas travel involved.

Not only that but the UK suppliers were the most innovative in terms of alternative designs and manufacturing methods.

So it was a no-brainer. When you look in detail at what is involved, sourcing from the UK not only carries less risk and offers more chance of innovation, but may also be cheaper in terms of hard cash.

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