

# Your Global Supply Chain & Manufacturing Footprint Strategy

## How to Approach China Alternatives: Mexico, Southeast Asia & Central Eastern Europe

Thursday April 27, 2023

11:00 AM EST

east  west<sup>®</sup>  
a s s o c i a t e s  
DRIVING COMPANY GROWTH IN CHINA, ASIA, MEXICO & CEE

## Webinar Agenda

### **Part 1: Brief Introduction of East West Associates**

- **Housekeeping: Questions to the Speakers**

Part 2: Webinar Series

Part 3: Introduction of Speakers

Part 4: Current Global Supply Chain & Distribution Situation

Part 5: Q&A Discussion

Part 6: Follow up

- Founded in 2005, EWA executives reside in 5 markets:  
US, China, Southeast Asia, Mexico & Central Eastern Europe
- All EWA executives have held senior management positions with P&L responsibilities for western MNCs, including Briggs & Stratton (NYSE: BGG), Bechtel Corporation and Ashland, Inc. (NYSE: ASH)

- Leading provider of Supply Chain & Operational, Commercial & Risk Management implementation

- Extensive experience in numerous key industries:

Automotive  
Metal Fabrication  
Chemicals  
Semiconductors  
Specialty Metals  
Energy & Natural Gas

General Manufacturing  
Consumer Goods  
Packaging  
Food & Beverage  
Laboratory Equipment  
Industrial Textile & Apparel

Durable Goods  
Filtration & Separation  
Electronics  
Medical Devices  
Food Technology  
Costings & Building Materials

# EWA Company Profile

East West Associates



## Webinar Series

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## Webinar Series

1. Mexican Supply Chain Trends
2. Vietnam: Development of manufacturing & supply chain network in Vietnam
3. Electronics Sourcing in China & Southeast Asia
4. Senior Executive Hiring & Background Checks in Post-Covid China
5. Relocation of Manufacturing Operations *within China*

## Introduction of Speakers

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## Introduction of Speakers

### Mark Plum

- Former President of Briggs & Stratton Asia (NYSE: BGG)
- VP Sales & Marketing, American Standard Thailand & American Standard China
- Projects in Mexico, CEE, Southeast Asia & China

### Dan McLeod

- Former Director Asia Pacific Operations-Ashland Specialty Ingredients (NYSE: ASH)
- General Manager-Eaton Corporation (Philippines)
- Director of Asia Pacific Manufacturing and Supply Chain-Hercules
- Projects in Mexico, CEE, Southeast Asia & China

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## Current state

1. Global inflation driving increased costs of labor, raw materials, and finished goods
2. Labor & other costs continue their decades-long rise in China
3. Ongoing Section 301 tariffs
4. Logistics costs moderating, but Supply Chain bottlenecks remain
5. Companies switching to “Near-Sourcing” strategies and away from dependence on China
6. Key considerations are industry/technology, scalability and closeness to end consumption
7. Less relevant to companies with operations “in China, for China”
8. Geopolitical issues make manufacturing investment decisions more challenging than ever

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## 3 Case Studies on Diversifying from China to Mexico, Poland & Thailand

1. Mexico – customer base in US & North America
2. Czech Republic – customer base in Western Europe
3. Thailand – customer base in Southeast Asia

1. Where is your market? Where will your components or finished goods be consumed?
2. Where is the availability of raw materials/components?
3. Where is the availability of labor (availability, costs and skill set)?
4. After weighing the strengths and weaknesses of 1 & 2, then deciding factor to relocate manufacturing many times is country/government support.
  - Which region, state, site is most attractive?
  - Areas to consider: do you want to purchase land & build to suit? Lease existing facility? Build to suit & lease back?
5. When considering locations review
  - Business Climate (Do they want your business?)
  - Incentives
  - Transparency
  - Corruption concerns/index

# Establishing Supplier Base in Mexico

East West Associates

1. Client was a US-based manufacturer of electronic equipment for industrial markets
2. Factories in US and China. Operating in China since 2004
3. China factory primarily supplying the domestic market, and sourcing components for US
4. Initiated search for suppliers in Mexico driven by:
  - Tariffs
  - Logistics challenges – cost, transit times, container availability....
  - Geo-Political uncertainty
  - IP protection/control

1. First commodity evaluated – Metal Stampings
  - Well established supplier base near the border
  - 80/20 distribution of parts
2. Supplier Identification & Qualification
  - Identified potential manufacturers
  - Short list based on interviews, site visits, reputation
  - Develop and issue RFQ
3. Supplier Selection
  - Bid tabulation and evaluation
  - Coordinate client visits to top candidates
  - Support negotiations – logistics, terms, trade compliance
4. Supplier Transition
  - Attend trial runs
  - Forecasting, Scheduling, Material Planning

# Establishing Supply Chain & Manufacturing in Czech Republic

East West Associates

1. US-based Global HVAC manufacturer with Jiangsu operation for Western European clients
2. Established China plant in 2001 to reduce product cost by 25-30%
3. Shipping cost to Europe at the time were insignificant
4. By 2019, labor costs & shipping increased, complicated China business environment, European DC model not efficient & geopolitical concerns
5. Client wanted to move closer to their European markets
6. EWA conducts a 4 country study (Czech Republic, Poland, Hungary & Slovakia)
7. Czech Republic was selected and a region along the Polish/Czech border was selected
  - 10 hours by truck to Berlin, solid metal fabricating infrastructure, competitive labor rates & and availability
  - City of Ostrava offered deeply reduced land costs and a package of incentives for employee training
  - Client chose to engage a developer to purchase the land and construct a build to suit facility with an initial 10 year lease package (700,000 sq. ft. 680 employees)

# Establishing Supply Chain & Manufacturing in Thailand

East West Associates

1. US – based Kitchen Appliance manufacturer located in Guangdong - Markets were China/ASEAN
2. Conducted 4 country study in China, Vietnam, Thailand & Malaysia
3. All countries met basic criteria & interested in client's 50 million USD investment (500,000 sq ft. manufacturing facility, 500 workers & 75 engineers)
4. Thailand had solid component & manufacturing base, ability to own land, the local experts to design and construct a build to suit world class manufacturing facility.
5. Thailand wanted manufacturers to incorporate R/D centers as well as products connected to the IoT & were willing to pay for them.
6. Our Client adjusted their initial investment strategy and brought their latest designed products and decided to set up a second global R/D center outside of USA
7. Thailand BOI offered a 10-year corporate tax holiday and an additional 5 years at 50 %
8. Our client purchased 40 acres and East West Associates project managed the design & construction of a new manufacturing facility

## Q&A Discussion

- What questions should executives be asking in order to determine whether to diversify their supply chain & manufacturing?
- What metrics does a company use to determine what is the best country and site location?
- What are the costs involved in diversifying supply chain & manufacturing?
- What are the unique challenges in Mexico, Southeast Asia & Poland?
- What type of industry sectors are diversifying into these 3 markets?
- What problems can we anticipate if we close our operations in China?

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### **Part 6: Follow up**

- Participants will receive a webinar survey
- Webinar recording & PowerPoint will be provided in follow up email and available on EWA website ([www.eastwestassoc.com](http://www.eastwestassoc.com))

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