

East West Associates
Site Selection & Relocation Approach



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East West Associates [EWA] advises large and mid-size clients how to establish or improve international manufacturing operations and global supply chains.

- International site selection. Establish new manufacturing plants & offices.
 - Evaluate alternate plant locations. Assess transportation logistics, plant set-up costs.
 - Negotiate incentives and tax benefits with foreign governments.
 - New facility construction oversight, factory set-up, employee qualification & hiring.
- Supplier identification and qualification, RFQ pricing & negotiations, supplier audits & improvement
- Development, implementation of global manufacturing footprint and supply chain strategies
- International Executive Search. Interim general management. New Plant employment. Training.
- Performance assessment & process improvement of existing operations
- Managing manufacturing plant & office closures, relocations, consolidations

EWA Advisors in 5 Regions



EWA executive advisors previously held senior management positions with P&L responsibilities for western multi-national corporations, including:

- ✓ Briggs & Stratton Asia (NYSE: BGG)
- ✓ Fischer Mexico
- ✓ Trane
- ✓ American Standard Thailand
- ✓ General Motors Automotive Poland (NYSE: GM)
- ✓ Fluor [NYSE: FLR]
- ✓ Eastman Kodak Asia (NYSE: KODK)
- ✓ Bechtel Corporation China
- ✓ Robertshaw, Mexico
- ✓ General Electric Appliances Poland (NYSE: GE)
- ✓ Ashland, Inc. China (NYSE: ASH)
- ✓ Owens Corning (NYSE: OC)

In addition to executive operations experience, EWA advisors have in-country “boots on the ground” familiarity with local cultures, laws and business practices. EWA takes a client’s 5000 ft. strategic objectives, and implements on-the-ground, pragmatic, cost-effective solutions.

EWA can perform or assist with client's global footprint analysis.

To decide precisely where to establish new facilities and create new relationships, it takes an experienced analysis of multiple factors: *Labor availability. Production costs. Tariffs. Challenging regulations. Political tensions. Taxes. Foreign Direct Investment Incentives. Business-friendly geographies. Supply chain options.*

EWA advisors assess the global dispersion of a client's operations, products & markets, and will recommend steps that control costs, avoid duplication, and maintain or increase production efficiency and quality.

EWA dives into the details to streamline operations, and to comply with local rules, regulations, customs, and authorities in carefully considered geographies. Knowing with confidence what steps to take – and implementing well – will have a significant impact on your future operational stability and financial outcomes.

EWA's Global Manufacturing Footprint Services include:

Manufacturing Footprint Assessment

Plant Rationalization & Consolidation

Plant Closure Planning

Contract Manufacturing Options

Manufacturing Footprint Strategy Development

Product Line Rationalization

Outsourced Assembly Options

Supply Chain Services

1. At Client Headquarters

Q&A discussion to understand thoroughly your business, markets, manufacturing operations, supply chain configuration

- Size & location of key markets/customers
- Business operating model
- Scale of business and operations
- Degree of reliance on suppliers (raw materials, part suppliers, contract mfg.)
- Current and projected manufacturing & supply chain network capacity
- Tariff exposure from recent or potential trade policies
- Financial priorities & constraints

Key decisions: *current* manufacturing footprint *vs.* *future state*

Decide on current manufacturing footprint options:

Expand or improve performance of existing manufacturing operations?

Close, downsize, or relocate existing plants?

Consider future manufacturing location and options:

Buy land and build plant from scratch?

Buy or lease existing (or new) manufacturing facility?

Contract manufacturing?

Assembly-only, import manufactured components?

Compare current footprint to future state. Determine next steps.

2. Field Interviews

A systematic review of client's commercial, technical, and operational information & data to document *current state* and desired *post-relocation state*

- Current manufacturing footprint
- Current supply chain capabilities
- Product and production scale
- Inventories: status & delivery lead times for key materials, components or finished products
- Current landed-cost basis for key products & components
- Impact of current & expected tariffs & logistics costs
- Labor costs, headcounts & projected wage inflation
- Current & expected availability & stability of direct, indirect, and professional labor

3. Analyze important *in-country* factors

- Trade agreement situation for client products & components
- Most likely in-country regions to consider...and which to avoid
- Labor costs; labor availability; engineering skill sets; partnerships with local trade schools, universities
- Local component & raw material availability
- Local corruption considerations
- Employee & management safety
- Manufacturing & assembly infrastructure by region
- Global, regional & local shipping complications & freight costs
- National, regional & local government taxes & incentives (and disincentives)
- Ease of establishing business entities & permitting
- Local economic trends and general business-friendly environment

4. Meet with Client Decisionmakers

- ✓ Determine makeup of landed cost (materials, factory costs, freight, tariffs, inventory value)
- ✓ Agree upon current baseline parameters (supply chain, product distribution, processes, costs, capacity requirements)
- ✓ Final decision on manufacturing facility options:
 - Buy land and build plant from scratch
 - Buy or lease existing manufacturing facility
 - Contract manufacturing
 - Assembly-only, import manufactured components
- ✓ Decide upon target parameters, priorities, and goals for future state. Examples:
 - Landed cost targets
 - Quality measurement
 - Inventory factors
 - Transportation to/from key markets
 - Customer delivery performance
 - Sourcing/supply chain parameters
 - Reliance on key suppliers
 - Minimize tariffs, taxes, logistics interruptions

5. Present final analyses, recommendations & timeline to client management

- ✓ Go/No go decision
- ✓ Begin detailed planning & implementation

Plant Construction Implementation, Project Management

EWA can manage the overall project to establish the operation – develop project plan & budget, manage execution, and track schedule & spending.

Property Set Up

- Finalize purchase and/or lease terms & contracts.
- Research/recommend architects, design firms, general contractor.
- Coordinate & oversee design of shop floor, office layout.
- Issue RFQs for fit-out, offices, equipment placement, equipment hookup.
- Prepare, execute construction contracts.
- Coordinate equipment deliveries.
- Oversee fit-out, equipment setup/hookup, office setup.
- Oversee City Inspections, Occupancy Permits. Coordinate inspections.

Project Close-out

- Coordinate move in.
- Coordinate completion of punch list items.
- Assist with administration details (bank, audit, bookkeeping, etc.).

Hiring & Staffing

- Develop position descriptions, hiring budgets.
- Recruit, interview managers (Plant Manager, Engineer, Finance/Admin).
- Engage HR service provider to hire workforce; manage payroll & compliance; on-board new employees.
- Perform Background/Reputational Checks of candidates for sensitive positions.

Develop local Supply Chain

- Develop “focus list” of component and raw material suppliers, logistics partners.
- Audit suppliers on-site.
- Issue RFQs, clarify and analyze responses.
- Assist with selection of suppliers.

Site Selection Case Study 1

Background - \$1.4B global manufacturer with plants & supply chain networks in the US and China, with customers in the US and Western Europe.

- Company served European customers from China facility, resulting in logistical delays, high shipping costs, and annual increases in Chinese labor costs.
- Company wanted to move their manufacturing and supply chain closer to European customers.
- Company hired EWA to assist in establishing a Western European plant and local supply base.

Deliverables

1. EWA conducted a country site selection study in Poland, Czech Republic, Slovakia, and Hungary to determine the best country and region to locate a new manufacturing plant and supply chain network.
2. EWA narrowed down the location to 3 qualified sites in Poland and the Czech Republic. The BoD approved the recommended qualified location in Poland.
3. EWA negotiated land purchase costs and training incentives with Polish officials.
4. EWA identified Polish & Czech suppliers and contractors.
5. After the new Polish operation was completed, company downsized Chinese contract manufacturers and European distribution centers.

The Polish plant continues to serve the client's Western European customers and is currently being expanded.

Site Selection Case Study 2

Background - \$1.8B global manufacturer with plants & supply chain vendors in the US, Europe and China.

- China plant had reached capacity. Government officials did not allow expansion of operations.
- China plant customer base is 30% China, 70% Southeast Asia.
- Decision was made to minimize China footprint. EWA engaged to identify the right country and property locations for a new manufacturing operation to support growing sales in SE Asia.

Deliverables

1. EWA conducted a site selection study of Vietnam, Thailand, China & Malaysia as the location for the new facility.
2. Based on availability of greenfield sites, lease buildings, land sites, skilled labor, supply chain vendors, potential tax incentives, EWA recommended Thailand. Board of Directors (BoD) approved EWA's recommendation.
3. EWA conducted a search of multiple greenfield sites, and narrowed selection to 3 Thailand locations.
4. EWA negotiated corporate income tax incentives with Thai government, worth 29.7M USD over 10 years (vs. staying in China).
5. EWA presented final recommendations to the senior executives who reviewed with the BoD. Project was approved.
6. EWA Project Managed factory design, construction, start-up through ribbon cutting.
7. EWA identified Thailand-based suppliers.
8. EWA recruited and hired senior executives.

The Thailand plant continues to serve customers in China and Southeast Asia.

Background - \$1B+ global manufacturer with plants and supply chain networks in the US and China.

- Company's primary market is US, but cost structure of US manufacturing & supply chain was too expensive to remain competitive.
- Company needed to evaluate alternatives to their US manufacturing & supply chain network.
- Company's primary manufacturing plant is located in the Northeast US.
- Company hired EWA to conduct a site selection & financial evaluation of a manufacturing plant in Mexico.

Deliverables

1. EWA conducted the site selection search in Mexico and Southeast US.
2. EWA analyzed cross border distribution facility in Texas.
3. EWA identified site criteria to compare the potential establishment of a facility in Mexico or the US.
4. Criteria for the cross border distribution facility and establishment of the mfg. plant included: Availability of skilled labor. Labor cost. Labor availability. Property costs. Lease rates. Available sites & buildings. Component suppliers. Raw material suppliers. Transportation & logistics costs.
5. EWA produced final recommendations for the senior executives & Board of Directors.

For specific examples of EWA site selection reports for clients, please open:

ADDENDUM_EWA Site Selection SAMPLE REPORTS.pptx

East West Associates Representative Clients



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Introduction to East West Associates [EWA]

Global Manufacturing Footprint Analysis

EWA Site Selection Methodology

EWA Site Selection Case Studies

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