

SURE ABOUT RE-SHORING? YOU SHOULD BE

Bringing manufacturing back to the UK is a key trend, and one that can save time and money, explains director of marketing at Elite Electronic Systems, Jonathan Balfour

Re-shoring is an important trend at work in the electronics supply chain today. Many companies are seeking to bring manufacturing back home and in fact, Elite has first hand experience of this process.

In 2005, Elite entered into a joint venture with one of its customers to source cables in China, that were previously manufactured at Elite's Northern Ireland facility. A lengthy process ensued to select a Chinese manufacturer, with several trips to China, extended auditing, followed by qualification and validation of potential suppliers.

Once selection was complete, Elite placed an order. Lead times were an issue and in order to shorten times, Elite shipped components to China, but initially things were good and the process ran smoothly.

Hidden overheads

In the course of time, however, several issues emerged. Quality decreased, costs increased, lead times increased, shipping costs increased, cashflow decreased and communication became more difficult. Overall, an elongated supply chain made co-ordination tricky.

During the global downturn, these problems were magnified. At a critical stage, Elite had stock in the UK, stock at sea and another order placed. There was no flexibility, lead times suddenly shortened and the order was shipped. In a short space of time, Elite went from having two months worth of stock, to 20 months worth of stock as their customer needed less as a result of downturn.

This presented Elite with a whole new set of problems including cashflow, component obsolescence and warehousing costs.

Meanwhile, back in Northern Ireland it had invested in more efficient equipment and increased the use of lean manufacturing. As a result, it could now manufacture at home and still be competitive, without compromising quality.

Jonathan explained: "Our experiences show that there is much more to consider when manufacturing overseas than just cost of manufacture."



Director of marketing at Elite Electronic Systems, Jonathan Balfour

Time to market is the top reason for re-shoring, and Elite certainly understand this, having worked on a 30 plus week lead time on some products. Yet getting product to market on time is vital and an elongated supply chain will slow that process down. In Asia, natural disasters and political unrest have had a considerable impact in lengthening the supply chain.

Total cost

During the push for outsourcing, price of purchase was a major draw, however, OEMs considered only the cost of manufacture as a determining factor. Today, the total cost of ownership (TCO) is a more accepted method for deciding on a source for manufacturing.

Jonathan commented: "Companies are beginning to understand what the total cost of ownership really is and they realise that manufacturing in the UK could be a better option."

TCO incorporates direct costs such as components, but also indirect costs like time, shipping, hidden overheads and the cost of poor quality. Unforeseen factors can encompass: expensive overseas trips, the cost of making changes or reworking after product has been shipped. Advance purchasing or an increase in minimum order quantity can also provide set backs and companies may find themselves with cash tied up in warehoused stock or goods on water.

When you add in issues with quality, enhanced process control and protecting intellectual property, manufacturers have ample reason to re-shore.

Jonathan concluded: "The cost to manufacture is just one part of the equation when choosing a manufacturing partner. Elite has first hand experience of just that and choose our strategies wisely to ensure that all our customers understand the total cost of ownership."