



Case Study

Building Supply Chain Resilience in Asia: Country Competitiveness Benchmarking by a European Textile Manufacturer

A European textile company with a manufacturing presence in China, planned to relocate their manufacturing unit to a more cost-competitive country in Asia. Through a multi-country feasibility study of eight South and Southeast Asian countries, they were able to find the most optimal choice from a cost and operational perspective.

Challenges

Due to disruptions in the textile manufacturing sector, the scope of this research had to refocus beyond a basic market entry study and include an evaluation of different selection criteria. Local complexities and intricacies made it difficult for the client to access relevant information about the industry in several target countries and the heavy task of interpenetrating the large-scale of data collected was cumbersome for them to handle internally.

Solutions

Our Business Intelligence team conducted a comprehensive research of eight target countries across seven individual parameters using both qualitative and quantitative data analysis. The information was condensed into a ranking system in addition to several in-depth single-country reports so that the client had a good understanding of the available alternatives.

Impacts

Based on our comparative study, the client was able to shortlist several of the most cost-competitive countries for their textile manufacturing. Further, we were able to assist the client with finding relevant suppliers in the target countries resulting in smoother operations for the new textile manufacturing unit.

CHALLENGE

Textile manufacturing is the competence of many countries in South and Southeast Asia thanks to their competitive labor costs, abundant and affordable production inputs, as well as well-established textile supply chains and facilities. However, the similar offers and different cost models in each market required the client to assess the available options more extensively than they had expected. Rather than a simple market entry study, each market needed to be analyzed across a multitude of factors.

Given the complexity of the case, the client not only required a wide range of data sources combined with a wealth of local insights on the textile industry in each target country but also an effective comparative model to weigh their various options.

SOLUTION

Given the client's focus on cost optimization, our comparative study included several parameters for comparison, ensuring that the client had a detailed overview of the advantages and challenges that each of the eight target countries offered to foreign investors in their respective textile industries.

Areas for Assessment:

- ✓ Political stability
- ✓ Economic growth
- ✓ Regulatory environment conducive for investors
- ✓ Optimal locations
- ✓ General operating costs
- ✓ Labor costs
- ✓ Logistics connectivity
- ✓ Entity setup procedures
- ✓ Taxation policies
- ✓ Industry-specific incentives on offer

IMPACT

The differences in business operations when shifting production from China to the selected emerging economies were analyzed carefully so that the client knew what to expect before relocating. The opportunities each market offered and the challenges they posed were considered to allow the client to make an informed decision on the final country to select for their relocation. For instance, while Pakistan and Bangladesh had the lowest operational costs, both had one of the lowest scores with respect to political stability amongst all the countries under review. On the other hand, while Malaysia and India led on the political stability parameter, the former had one of the highest wages in the region while the latter posed significant challenges due to its cumbersome labor laws.

To collate such extensive information, Dezan Shira's Business Intelligence team planned a multi-pronged approach. Quantitative data was sourced from a variety of open and paid local government databases, market, and consumer data sources, as well as publications from international financial and research institutions. We also conducted several primary research projects to obtain practical inputs from local government officials, existing businesses, and industry experts, ensuring that the final output was in line with the objectives the client sought to achieve.

We created a scorecard to condense the information and rate the competitiveness of each candidate across all parameters. Thanks to this snapshot, the client was able to effectively and quickly review their options and merely needed to refer to the extensive study on each individual market for an in-depth understanding when necessary.

Based on our evaluation of a combination of factors such as land cost, labor cost, utility cost, import duties, and taxes, the client was able to identify the top countries suitable from a cost perspective. Together with our comparative assessment of these markets across other factors such as political and economic stability, logistics performance, as well as quality and availability of labor, the client was able to narrow down the country most suitable for relocation from both cost and operational perspectives. Further, the client also partnered with us to find relevant suppliers for their raw materials in the target locations. We were glad to note that our study was helpful for the client at not only the initial stages but was also instrumental for future engagements and operations.



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