



Case Study

Improving Competitiveness in Asia Manufacturing: Cross-Country Benchmarking for Relocation by a US Hydraulics Manufacturer

An American hydraulic systems component manufacturer wanted to investigate the feasibility of moving their manufacturing operations from China to an alternate location in Asia. Through a multi-country feasibility study, they were able to select an optimal relocation destination, reduce operational costs and tariff exposure, mitigate trade war risks, and obtain more direct control over the manufacturing process.

Challenges

To successfully identify an optimal destination for relocation, the client wanted to conduct a manufacturing feasibility evaluation of five target countries. The process for collecting and analyzing the data, as well as evaluating each target country across a range of parameters was complex and timeconsuming.

Solutions

Dezan Shira conducted a cross country competitiveness benchmarking study to provide the client with a holistic evaluation of their target countries from a manufacturing perspective. The comparative study focused on 11 key indicators.

Impacts

An extensive assessment and comparison were presented in an easy-to-understand format, and the client was able to quickly shortlist a suitable country for their operations. Furthermore, we also provided support for their expansion, such as manufacturing set up and supplier identification, resulting in a smooth relocation process for the client.

CHALLENGE

The American manufacturer produced most of their products in China before exporting them to the US. However, to mitigate risks arising from the trade war and reduce costs as well as tariff exposure, the client was keen to move operations to an alternate Asian country. They also required more direct control over the manufacturing process and wanted to shift their investment to a more business-friendly environment for US companies.

As several alternatives in Asia were highly competitive and suitable for their operations, the client required our expertise to narrow down the list of potential target countries and find an optimal location to serve as an alternative to their manufacturing base in China. Due to the extensive data collection, complexity of the analysis across a wide range of parameters, as well as time consuming nature of the task - the client was unable to undertake the benchmarking process internally.

SOLUTION

To help the client effectively select an alternative location for their production base, we conducted a cross country competitiveness benchmarking study comparing 11 aspects that were crucial for determining the success of the client's operations in the new market. These areas of assessment include political climate, economic environment, regulatory and compliance requirements, location analysis, general operational cost analysis, labor review, review of logistics networks, entity structuring options, investment incentives, and taxation and tariff policies.

Our team leveraged various local government and intergovernmental databases, market and consumer data sources, research from international financial and research

institutions, as well as feedback from local government officials, existing businesses, and professional bodies to develop an indepth and extensive understanding of each market. We conducted the feasibility analysis considering and highlighting each country's individual strengths and challenges as well as quantified findings to develop a comparative matrix ranking the five target countries on 11 individual parameters.

This made it easier for the client to compare individual countries when undertaking the decision-making process, while significantly reducing the complexity usually associated with such large projects.

IMPACT

The comparative matrix our team compiled provided the client with a concise assessment of their individual target countries, allowing them to make an informed decision. For an in-depth assessment, our country reports provided a comprehensive account of the advantages and challenges faced in each individual target country.

Based on our report the client selected one of the five target countries as the new base for their manufacturing unit. Further, the client enlisted our business matchmaking services to assist

with finding suppliers for their inputs and raw materials. We worked with the client to set up a legal entity and conducted a location analysis study. This study was a detailed analysis of the selected country's manufacturing locations, local facilities, as well as available incentives, and gave the client a shortlist of the most optimal locations in their final selected country to set up their manufacturing unit. In the end, the client was able to find the ideal location for their new manufacturing unit quickly, allowing them to get their operations up and running faster and in a location that would meet all their needs.



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