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Risk Free Cost Reductions

Low Cost Country Sourcing: *Is it still a Viable Option for your Company?*

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Looking back fifteen or twenty years, large corporations utilized low cost country sourcing (LCCS) in order to maintain their competitive edge in their respective marketplaces. As time progressed, smaller companies followed suit. In many cases, finding/developing/investing in LCCS suppliers resulted in cost savings of 50% or more.

Initially, most LCCS activity centered around the People's Republic of China (PRC). As China's infrastructure & labor costs increased steadily over the past ten years, India and several countries in Eastern Europe became more attractive.

1. In the last decade "lean principles" efforts focused on eliminating all forms of waste including inventory and transport. Companies sought smaller lot sizes with more frequent deliveries which made it difficult to supply from the Greater Asia Region (GAR). As a result, large corporations invested less time on the LCCS approach.
2. While cost reduction opportunities still exist for certain commodities in the PRC, many smaller companies have switched their focus to India, Malaysia, Vietnam, Turkey, Eastern Europe, and Mexico to take advantage of the lower cost of materials.

The question you must ask.....At this stage, is LCCS the right approach for my company? Or is it too late to engage?

Before you answer these questions or try to sell this concept to your management here are a few points to consider when deciding on whether or not the LCCS model fits.

- 1) Does the product you are looking to source have:
 - High material content
 - High labor content
 - High degree of product standardization
 - Robust specifications
 - Longer delivery cycle
 - High potential for savings
 - Long shelf life?

If the answer to the above questions is “Yes”, then you should seriously consider using the LCCS concept.

- 2) Next you must quantify the timing/costs/risks associated with implementing the LCCS concept including:
 - Local / regional support for communication and coordination of efforts (accreditation, quality, logistics)
 - Length of time it will take to qualify the new supplier
 - Cost savings potential versus source of supply changeover/accreditation costs
 - Transportation and logistics (lead time and costs)
 - Surety of supply (based on demand and lead times)

Remember, if you do not have experience in this area be cautious not to oversell the LCCS concept until you have the data/facts and have selected the commodities that fit. **The benefits may be compelling. Don’t underestimate the risks.**

Paladin Associates Inc. has extensive experience in the LCCS area, including “local” support in some regions. Please contact us to discuss in more detail, in order to get the LCCS concept started at your company!

Paladin Associates Inc., a Sourcing Cost Reduction firm, offers strategic sourcing expertise for multiple commodities to secure “fast track” quantifiable savings and long term cost reduction programs.

We can help you with technology implementations such as spend analysis and eSourcing as well as sourcing process improvements, skill training and staff development while delivering bottom line savings with a guaranteed ROI. For more complete information, visit:

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