



YOUR BUSINESS, WE CARE

Cost-Cutting Done Right

**The Building Blocks Of an
Eyewear Supply Chain
Designed for China**



Why China?

With rising Labor costs, Trade wars etc. Why is China still a good option for eyewear?

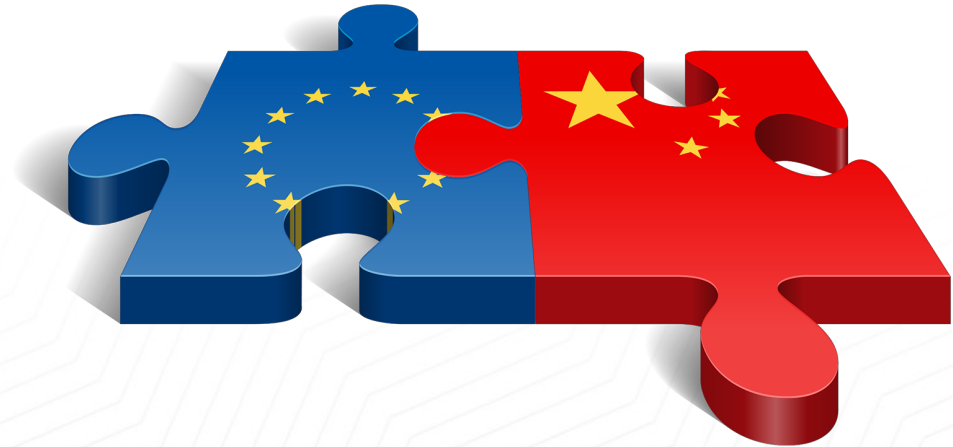
- Low-Cost Skilled Labor
- **Strategically Located**
- Low Raw Material Costs
- **Access to Cutting-edge Technology**
- Evolved Supply Chain Management (Mature Infrastructure)

20%
of total extra-EU imports

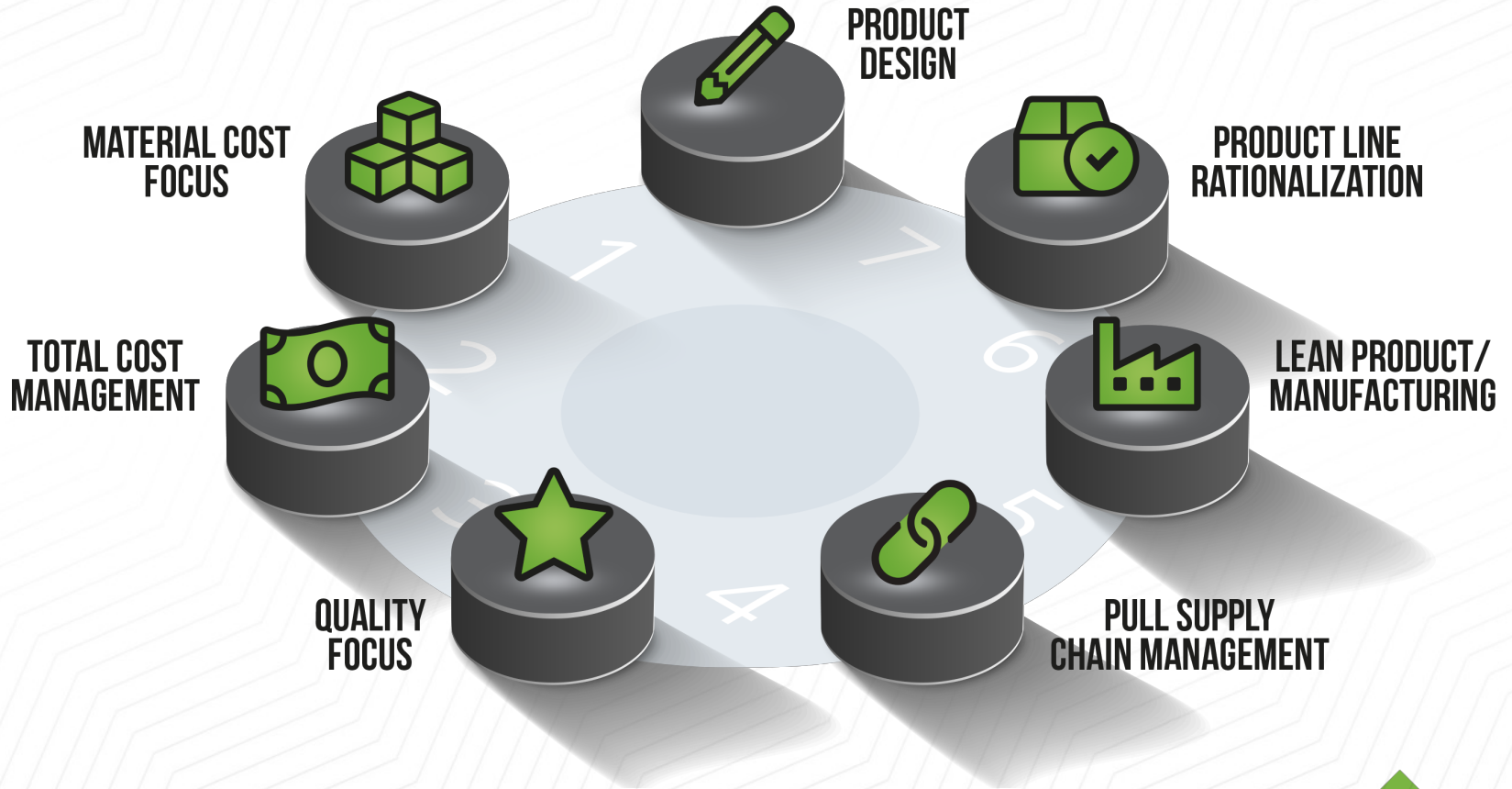
In 2017, China was EU's largest partner for imports

and second largest for EU exports

11%
of total extra-EU exports



Cost Reduction Approaches



Cost Cutting Assessment – Practical Points to Consider to Reduce:



Raw Material Costs

Central procurement, volume



Operational Costs

Managing Orders and Quality Internally

What do Operational Costs Look like – Flights to China, Accommodation, time and time difference, language barriers, navigating local business landscapes etc.



Manufacturing Costs

Is your factory employing lean manufacturing procedures?

Are they using Six Sigma correctly or at all. What are the Internal QMS Procedures?

How Much Can You Save?



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Case Study

SAVE UP TO

67%

on **COST** and **TIME**



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Case Study

- Factory Cost: Euro 1.3
- PO Quantity: 2100 pieces for 3 SKU's
- Number of Inspections: 3 x Times (twice for re-inspection but still 2 SKU's failed QC)
- Total Cost for the inspections: €630 Euro
- Cost per frame: **€0.3 Euro per frame.**
- Considering they chose the right factory to begin with, and a single inspection confirmed quality the cost per frame would be **€0.1 Euro per frame.**
- Save 67% cost and time!!!



Feasibility Study

An analysis of a proposed project to determine whether it is feasible and should go ahead

Feasibility Studies

Economic Feasibility

Cost-benefit analysis

Technical Feasibility

Risk assessment & solutions

Operational Feasibility

Control efficiency & services

Schedule Feasibility

Timeline estimations & optimizing resources



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Cost Saving

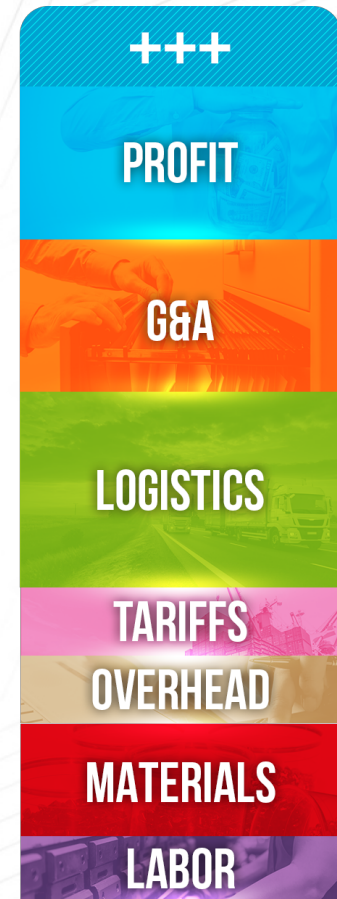
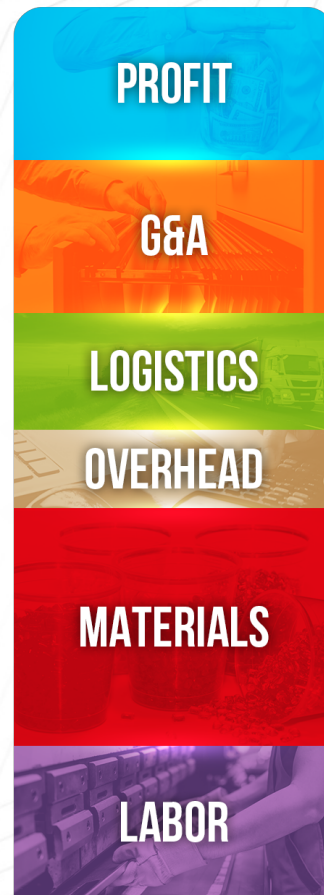
- **The Correct Factories Produce Quality Products** – find the right suppliers to produce quality products
- **Safeguard Quality** – from incoming qc to production process check to pre-shipment → It had better find quality issues quickly and have no reworks.
A ONE-TIME pass rate → no market returns = quality to win customers' satisfaction & loyalty
- **Product Compliance** – there are different RSL (restricted substance list) requirements and regulations from customers to countries. → no product recall and win customers' **TRUST**



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Logistical Costs



What is Your Choice?

Have your people visit and conduct QCs regularly

- **Easy communication**
- **Complete understanding of the brand requirements**
- HIGH COST
- LESS FLEXIBILITY
- LANGUAGE BARRIER
- NEED TO LEARN CHINA CULTURE, REGULATIONS AND REQUIREMENTS



Outsource to 3rd party full service Provider

- **Total understanding of the China manufacturing**
- **Complete understanding of the China regulations and requirements**
- **Professional and Fairness**
- **Reasonable Cost**
- **Flexible and one stop services**
- REMOTE COMMUNICATION AND MANAGEMENT



Set up your Own China office

- **Easy communication**
- **Global management**
- **Flexible**
- **Total understand of the requirement and cultures**
- HIGH COST
- REGULAR UPGRADE AND INVESTMENT ON SOFTWARE AND HARDWARE
- NEED TO CONSIDER AND COMPLIE TO CHINA REGULATIONS
- SETUP TIME LONG



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Cost Comparison (PO QTY 100K, 3 SKU)

	Send people to oversea	Hire 3 rd party	Set up your own office
Salary	Average Euro88K annually (1x sourcing manager)	By manday (a team)	1 x QC: Euro18K annually; 1x Order follow up: Euro28K annually
Travelling cost	Euro 1000 (round trip)	Depend on the location (within the region)	Depend on the location (within the region)
Accommodation	Euro 720 per night (assume stay 3 days)	Subject to location (local motel Euro40 per night)	Housing Allowance (Euro 1800)
Insurance	Travel insurance (Euro 150)	No	(injury, medical, unemployment, maturity, retirement insurances) Euro 1300 annually (for Euro 18K annual salary)
Cost per frame	Euro 91310 / 100K =Euro 0.91	2 Mandays Euro500 / 100K = Euro 0.005	Euro 50400/100K = Euro 0.5



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**COST CUTTING
IN THE EYEWEAR
SUPPLY CHAIN**



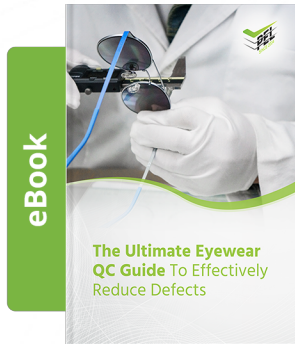
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