GEP CASE STUDY

# TOP U.S. MANUFACTURER SHIFTS SOURCING STRATEGY

## DIVERSIFIES SUPPLIER BASE TO MITIGATE TARIFF IMPACT BY PARTNERING WITH GEP



*Faced with mounting tariff costs and a dangerously concentrated supplier footprint in China, a U.S.-based Fortune 500 industrial manufacturer partnered with GEP to revamp its global sourcing strategy.*

*Leveraging a structured, data-driven approach to supply chain footprint optimization, GEP helped the company regionalize over 2,000 SKUs, reduce lead times, improve supplier performance and strengthen supply chain resilience without increasing total landed cost.*

## OBJECTIVES

- De-risk China concentration by diversifying supply base across critical SKUs
- Shorten long and unreliable lead times impacting plant operations
- Improve quality, consistency and supply chain responsiveness
- Maintain or improve total landed cost during transition
- Build a flexible supplier strategy for scalable reallocation
- Preserve or enhance total landed cost throughout the transition

## APPROACH

- Mapped 2,000+ SKUs and flows from China to 150+ global locations
- Grouped SKUs by volume, value, lead time sensitivity, and risk
- Modeled total cost-to-serve and geopolitical exposure across options
- Simulated dual- and nearshoring supplier network scenarios
- Designed flexible volume allocation and dual-source strategies
- Piloted 150 SKUs followed by a phased global rollout

## RESULTS

- 150 high-priority SKUs successfully transitioned in six-month pilot
- Lead times reduced by 20% to 35% for regionalized SKUs
- Alternative suppliers identified for 100% of SKUs across multiple regions
- Improved supplier quality and reliability performance
- 20%+ ex-works savings through best-cost supplier mix
- 100%+ landed cost savings on tariff-impacted SKUs
- Real-time dashboard deployed for mix, risk, and performance monitoring
- Scalable dual-sourcing strategy built for future flexibility
- Significant total cost of ownership (TCO) gains and operational improvements

# Breaking the One-Country Dependence

As a leading U.S.-based industrial manufacturer with over 150 global locations, resilience had become a growing concern. More than 95% of its 2,000+ casting, forging, and stamping SKUs — sourced through 100+ China-based suppliers — were exposed to the mounting risks of geopolitical disruption, unreliable lead times, and tariff volatility.

This highly concentrated sourcing strategy, once cost-effective, had become a liability. The company needed to rebalance its supply base, mitigate risk, and maintain cost efficiency without disrupting production or compromising quality.

# Footprint Optimization With Cost-Risk Precision

GEP responded with its structured supply chain footprint optimization framework.

First, the team mapped over 2,000 SKUs, tracing product flows from Chinese suppliers to every global plant location. Through this, they uncovered key dependency clusters — specific suppliers and parts driving the highest risk exposure.

Next, GEP segmented SKUs by volume, value, lead time sensitivity, and business criticality. Roughly 400 SKUs were flagged as high-risk, either due to single-source dependency or excessive lead times. Using this segmentation, GEP identified product families most suitable for regionalization or dual sourcing.

The next step was to understand the cost-risk trade-offs. GEP developed a comprehensive Total Cost to Serve model, factoring in not just unit price, but also freight, duties, and inventory holding costs. The team paired this with a supplier risk heat map, combining performance metrics and geopolitical exposure to create a clear, data-driven view of supplier suitability.

GEP then simulated multiple supply network scenarios, testing dual-sourcing and nearshoring models across Southeast Asia, India, Eastern Europe, and Latin America. Each scenario was evaluated against cost, risk, and execution feasibility.

# From Pilot to Enterprise-Wide Execution

Based on these findings, GEP designed an optimized supplier strategy, with flexible volume allocation and built-in levers for reallocation in response to market changes. The implementation began with a six-month pilot transitioning 150 high-risk SKUs. This required close collaboration between engineering, procurement, and quality teams.

The pilot reduced lead times by 20% to 35% while improving supplier quality and reliability metrics. Encouraged by these initial strong results, the client adopted GEP's 24-month roadmap to regionalize all 2,000+ SKUs, with alternative suppliers identified across Asia, Eastern Europe, and Latin America.

Cost benefits were significant.

Optimizing the supplier mix across regions yielded 20%+ ex-works savings, while tariff-impacted SKUs saw landed cost reductions of over 100%. A real-time dashboard now tracks the client's supplier performance, risk exposure, and sourcing flexibility across the network.

With the support of GEP's team, the company transitioned to a resilient, regionally balanced supply chain, equipped with dual-source flexibility, improved operational responsiveness, and lower total cost of ownership.



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