SEP STUDY





To navigate sharp and unpredictable tariff fluctuations, a global high-tech manufacturer partnered with GEP to reconfigure its supply chain with unprecedented agility. Through manufacturing footprint optimization, GEP enabled the company to rapidly shift production, inventory and routing between USA, Mexico and Europe — allowing it to minimize U.S. tariff cost exposure and maintain uninterrupted U.S. market service.

OBJECTIVES

- · Reduce tariff impact on high-value goods through agile reallocation of supply routes
- · Maintain continuity of U.S. market service with minimal tariff impact
- · Leverage Free Trade Zones (FTZ) and duty-free corridors strategically
- · Enable dynamic, repeatable supply chain reconfiguration in line with evolving tariffs
- · Coordinate inventory, plant, network and supplier strategies to minimize tariff disruption

APPROACH

- Map end-to-end material and finished-goods flows across Mexico, Europe and the U.S.
- · Re-route U.S.-bound supply from Mexico to Czechia plants during peak tariffs
- Shift high-value inventory between FTZ in Texas and Czechia warehouse locations
- · Enable real-time production realignment between Mexico and Czech plants
- · Move high-value materials from Asia to least-impacted warehouse/plant combinations
- · Restore U.S. market production to Mexico once tariff levels normalize

RESULTS

- Minimizing tariff exposure across three cycles that Mexico plants had faced (0% → 25% → 10%)
- · Seamlessly transitioning plant productions twice to manage cost and supply continuity
- · Optimizing inventory holding via FTZ transfers to reduce weighted tariff impact
- Maintaining full U.S. service without disruption during tariff escalation
- · Building agile, repeatable playbook for future tariff scenario planning
- · Protecting margins and ensuring regulatory compliance through dynamic planning



FACING TARIFF WAVES WITH NO MARGIN FOR DELAY

In January 2025, a global hi-tech manufacturer faced sudden tariff hikes on imports routed through Mexico. This threatened the cost structure of its entire U.S. business.

With the majority of its high-value supplies originating in Taiwan, Japan, China, Korea and Thailand, the company relied heavily on its plants in Mexico and a Free Trade Zone (FTZ) in Texas to serve U.S. demand.

Then came a 25% tariff on Mexican imports into the U.S. With minimal warning, the company needed to shift production and material flows quickly — or suffer significant margin erosion. The company partnered with GEP to design and execute a responsive, cross-border supply chain reconfiguration strategy.

DYNAMIC NETWORK RECONFIGURATION ACROSS BORDERS

GEP mapped the full landscape of the company's operations: the production plants in Mexico, multiple facilities in Czechia and the FTZ in Texas, each connected to thousands of trade flows from Asia.

Initially, the Mexico plants served the U.S. and some other regions, while Czechia supported majorly Europe. But with the new tariffs, this structure no longer made economic sense.

In response, GEP orchestrated a multi-stage reconfiguration as it responded to swings in tariffs:

- Stage 1 (February 2025): With U.S. tariffs on imports from Mexico increased to 25%, U.S. demand related production was moved from Mexico plants to Czechia plants and related inventories shift from USA FTZ to Czech warehouses within days. The company rerouted materials from Asia to Europe, exporting finished goods from Czechia plants to the U.S. at 0% European Union tariff.
- Stage 2 (April 2025): As tariffs changed again (reduced to 10% on Mexico, increased to 20% on the EU), GEP helped the company redirect high-value inventories back to the Texas FTZ and re-establish U.S.-bound production in Mexico to rebalance cost and risk.

During this dynamic reconfiguration, GEP leveraged the FTZ in Texas to store high-value materials and smooth out the weighted tariff impact, shifting physical flows with minimal disruption. Real-time coordination across manufacturing, warehousing and international logistics ensured agility.





A REPEATABLE MODEL FOR RESILIENCE AND CONTROL

Thanks to GEP's planning and execution, the company has been able to maintain full U.S. service throughout fluctuating tariff cycles — all while minimizing cost exposure. Production was shifted between Mexico and Czechia, with corresponding adjustments in material flows and inventory placement.

The strategic use of FTZ warehouses, reallocation of plants volume and rerouting of Asia-sourced materials ensured that the client could respond faster than competitors and protect its margin base.

Beyond short-term success, the client now has a repeatable model for future tariff shifts. GEP's engagement delivered more than tactical execution. It built a foundation for an agile supply chain reconfiguration, enabling the company to plan and act proactively in a volatile global trade environment.













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