

EXPEDITORS WAREHOUSING & DISTRIBUTION

Building a Resilient VMI Supply Chain

A large global PC manufacturer and Expeditors share a strong partnership spanning over 25 years, built on a foundation of collaboration and innovation. The establishment of Vendor-Managed Inventory (VMI) warehouses in El Paso in 2005 marked a significant milestone in this relationship.

OPPORTUNITY

The key advantage of the VMI warehouse setup was leveraging Expeditors' robust presence at the El Paso-Juarez border. This strategic location complemented our client's decision to expand its manufacturing footprint in Mexico, particularly in Juarez. Together, these factors enabled a streamlined supply chain, enhanced cross-border operations, and a significant boost to our client's manufacturing efficiency.

The primary objective of the VMI warehouse was to support our client's manufacturing in a lower-cost environment while ensuring efficient service to the North American market—their largest commercial market.

CHALLENGES

In 2017, the introduction of Trump tariffs created significant supply chain disruptions for global manufacturers, including our client. These tariffs drove rapid changes in manufacturing strategies, prompting them to shift more production from China to Mexico to mitigate cost impacts. This sudden shift created a critical need for additional VMI space in El Paso, a market already constrained by high demand for warehouse facilities.

OUR SOLUTION

Expeditors relied on its long-standing relationship with our global PC manufacturer client, particularly within the VMI environment, to navigate these challenges. By working closely with our client's manufacturing, logistics, and compliance teams, Expeditors ensured alignment on rapidly evolving requirements. Through strategic collaboration, the team was able to secure and optimize the necessary warehouse space to support our client's increased manufacturing needs in Juarez, maintaining supply chain stability during a turbulent period.

RESULTS

As a result of the 2017 tariffs, we successfully collaborated to expand the VMI footprint within a free trade zone (FTZ) environment. This expansion not only accommodated the increased manufacturing demand but also leveraged Mexico's import privileges to optimize inventory placement closer to Juarez manufacturing operations.

In collaboration with a global PC manufacturer, Expeditors explored and implemented alternative supply chain solutions, including ocean routing through Mexico. By routing goods from suppliers through the port of Manzanillo and up to Juarez, the team avoided West Coast port congestion, ensuring timely delivery of critical manufacturing components. Additionally, these strategies enabled our client to capitalize on Mexico's import advantages, further streamlining operations and enhancing supply chain resilience.