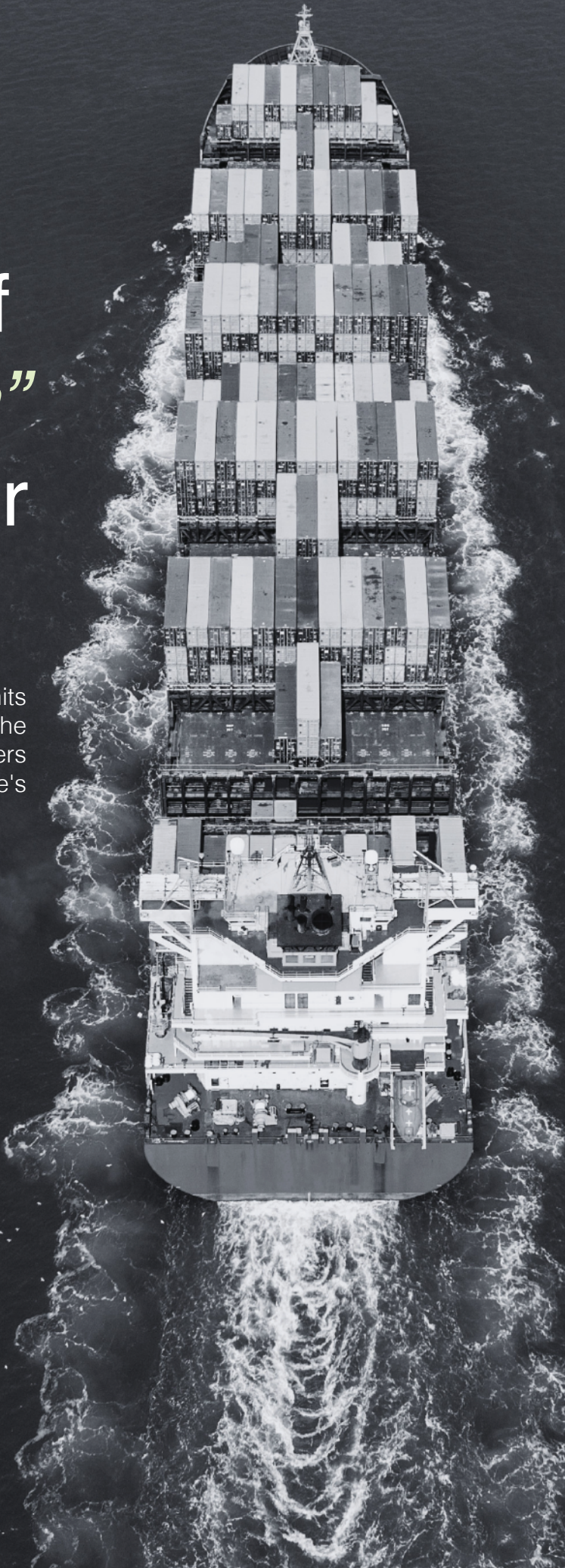


2026 BUSINESS CASE FOR RESHORING

The true cost of *“Made in China”* is sitting on your balance sheet

If you're doing £3m to £50m, ordering 5,000+ units a run, and there's a board and an exit in the picture, this one's for you. The honest numbers behind your supply chain, before someone else's due diligence team finds them first.

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(B)
Corporation



/01 PREMISE

You've outgrown the reason you went to *China*.

When you were doing 1,000 unit runs, China made sense: stock formulas, low minimums, a unit price nothing in Europe could touch. That was the right call, for a startup.

But you're not a startup any more. You're ordering 5,000, 10,000, or upwards of 50,000 units per SKU. And at that scale, three things are quietly true: **the MOQ advantage has vanished** (Chinese factories quote 5,000 to 10,000+ minimums for custom formulas, the same as the UK), **the freight market has doubled again in six months**, and **the acquirers circling your category now put supply chains under the microscope in diligence**. The question your board should be asking has changed.

CUSTOM FORMULA MOQ, CHINA

5 to 10k

Units per SKU, quoted by Guangzhou manufacturers' own 2026 guides for custom contract manufacturing. The low MOQ offer is stock formulas only. At your scale, MOQ parity with the UK is already here.

Source: Guangzhou OEM/ODM manufacturer guides, 2026

SHANGHAI TO ROTTERDAM, H1 26

+83%

\$2,552 in March to \$4,682 by July per 40ft container. The WCI hit a 22 month high in June. The freight line in your budget has been wrong every quarter for six years.

Source: Drewry World Container Index, 2026

CHARLOTTE TILBURY x PUIG, 2020

£1.3bn

What a founder built colour cosmetics brand sold for, above the £1bn mark first assumed. Its Pillow Talk franchise alone sells one unit every 10 seconds globally, the kind of replenishment speed a slow supply chain can't keep up with.

Source: Companies House accounts via FashionNetwork, 2021; Femfounded, 2026

At Group55 we are watching several geo-political forces at play, signals that could have significant impact on supply chains worldwide. Tariffs on Chinese goods can now be announced quickly and directly, shipping lanes continue to be disrupted in the Red Sea as Asian freight rerouted around the Cape has shown; Taiwan too remains an open question that would affect both Chinese manufacturing and shipping if it escalates. Each is a reason to think about your exposure if relying on a single country of origin.

Four line items your board will eventually ask about.

Every China sourced P&L carries four exposures that don't show on the supplier quote. Each has moved against you since 2024. None is speculative: every number below is current as of July 2026.



LINE ITEM ONE № 01 · FREIGHT

Freight you can't budget for.

\$4,682

SHANGHAI TO ROTTERDAM, PER 40FT, JULY 2026

The lane averaged **\$1,420 in 2019**, peaked at **\$10,377 in 2021**, fell to **\$1,736 by late 2024**, then doubled again through H1 2026. CMA CGM's Asia to Europe FAK is now **\$6,300 per 40ft**. Six years of data; not one stable year. A budget built on a single freight number is a guess.

Drewry WCI, July 2026; CMA CGM FAK/PSS notices

LINE ITEM TWO № 02 · TIME

Year three of the long way round.

12 Days

ADDED ON AVERAGE, CAPE OF GOOD HOPE ROUTING (RANGE: 10 TO 14)

Carriers tested a Suez return in early 2026, then the Middle East escalation reversed it. CMA CGM pulled three services back off the Red Sea; Maersk rerouted ME11 and MECL to the Cape. Xeneta's verdict: a large scale 2026 return is now **"shattered."** Your 16 week China lead time isn't a blip. It's the third consecutive year of the new normal.

Xeneta, Air Cargo News, Drewry Red Sea Tracker 2026

LINE ITEM THREE № 03 · REGULATION

A UK compliance bill that now escalates.

£545

PER TONNE, RED RATED PLASTIC EPR, 2026/27

EPR Year 2 moves to traffic light pricing: plastic at **£415 green / £455 amber / £545 red** per tonne, with the red multiplier climbing to **2.0x by 2028/29**. Plastic Packaging Tax: **£228.82/tonne** from April 2026. All of it lands in the UK, wherever the bottle was filled, but a UK manufacturer designs your pack against RAM ratings at source. A distant supplier doesn't.

PackUK Year 2 illustrative fees, Dec 2025; HMRC PPT

LINE ITEM FOUR № 04 · CASH

Cash conversion your CFO can't fix.

4x

PEAK WORKING CAPITAL INTENSITY VS UK SUPPLY (TYPICALLY 3 TO 4 TIMES)

The China terms stack: **30% deposit at order, 70% at bill of lading**, then 50 to 60 days on the water, against 90 to 120 days of cover. A UK onshore manufacturer runs **30 to 60 day terms on delivery** and 14 to 30 days of cover. At a 3.75% base rate the carry differential alone is **£80,000 to £110,000 per £5m of COGS**.

Bank of England; standard FOB terms analysis

The MOQ advantage died at *exactly your order size.*

The reason brands go to China, tiny minimums, stock formulas, low unit price, belongs to the 1,000 unit stage. For a custom formula, Guangzhou's own manufacturers quote **5,000 to 10,000+ unit MOQs**: identical to the UK. Here's the fully loaded comparison at the volume you actually order, a 250ml haircare SKU, 10,000 unit run.

COST LINE: 250ML LIQUID SKU, 10,000 UNIT RUN	CHINA SOURCED	UK ONSHORE*	DELTA
Ex works (formula + pack + fill)	£0.74	£0.86	+£0.12
Ocean freight, insurance, port, UK haulage	£0.11	£0.00	-£0.11
QC, rework, sample & factory visit allowance	£0.05	£0.01	-£0.04
Working capital carry (110 vs 21 days at 7%)	£0.016	£0.003	-£0.013
Obsolescence & markdown risk allowance	£0.03	£0.01	-£0.02
Total landed cost per unit	£0.95	£0.88	-7.4%

At 10,000 units, the UK is cheaper fully loaded, and the gap widens with every freight spike. The obsolescence line reflects the write off risk of committing many weeks ahead of demand under a 16 week China lead time. *These are modelled, illustrative figures, not a Group55 quotation. Your own number depends on formulation, pack format and volume, which is exactly what a bespoke quote is for.

THE HONEST COUNTER ARGUMENT

Freight is the only volatile line above. Hold everything else and China only claws back the per unit edge if the rate falls below roughly **\$1,700 per 40ft**. It has touched that level once in six years, briefly, in the 2024 trough, and shows no sign of returning there.

And even at that rate, the **working capital case on the next page still stands**. It comes from lead time and payment terms, not freight, so it holds whatever the container costs.

SHANGHAI TO ROTTERDAM, PER 40FT

2021 peak	\$10,377
July 2026, used above	\$4,682
2024 trough, the one dip near parity	\$1,736
UK breakeven, below this China wins	~\$1,700

The £1.3m your growth plan is *lending to a container line.*

WORKING CAPITAL TIED UP · ILLUSTRATIVE
£10M REVENUE BRAND (£5M COGS)

China model **£1.6m to £1.8m**



30% deposit at order · 70% at B/L · 50 to 60 days transit ·
110 days cover

UK onshore model **£400k to £500k**



No deposit · 30 to 60 day terms on delivery · 21 days cover

Cash released to the business **£1.2m to £1.3m**

What would you do with it: *marketing, runway, or headcount?*

For a funded brand, working capital isn't an accounting abstraction. It's **competing with your growth budget for the same pounds**. Every pound sitting in a container is a pound not spent on the paid media, retail activation or NPD that your valuation is built on.

£1.2m released is, roughly: **a year of serious performance marketing**, or **8 to 10 months of extra runway** at a typical scale up burn, or a head of NPD, a head of retail and a content studio, permanently, from the carry saving alone.

And it compounds at raise time. Investors price capital efficiency. A brand that converts cash in 40 days is structurally more fundable than one that converts in 130: same revenue, same margin, different multiple.

THE RULE OF THUMB

Every £1 of UK manufacture frees roughly £3 of working capital tied up in a China sourced equivalent.

MODELLED FROM THE WORKED EXAMPLE ABOVE

THE UNFACTORED COSTS

Oversight, factory trips, dual UK and EU compliance, and the friction of working across language and time zones are all real costs of manufacturing far away that rarely appear on an invoice or unit pricing.

The algorithm moves in hours. Your supply chain moves in *months*.

200,000

PEOPLE ON PHLUR'S WAITLIST

When Phlur relaunched, its first fragrance **sold out in five hours**, and the waitlist sat at 200,000 people **for months** while stock crawled back through the pipeline. The demand was free. The restock speed wasn't. In the TikTok Shop era, a five day stockout ends the algorithmic moment: content gets suppressed, affiliate creators pivot to a competitor's available product, and the distribution you built evaporates, permanently.

CAUTIONARY · FRAGRANCE

Phlur

A viral relaunch and a five hour sellout gave way to a 200,000 name waitlist and **months dark** while restock worked through a long supply chain. The hype landed Sephora and Selfridges listings; the stockout burned the community that created it.

BeautyMatter, brand reporting

CAUTIONARY · PRESTIGE COLOUR

Makeup by Mario

\$300m in retail sales, and an exit process run by JP Morgan, with buyers publicly noting **"difficulty managing its popularity, with customers complaining of empty stands in Sephora stores."** Supply discipline showed up in the deal narrative.

Business of Fashion, 2025

COUNTEREXAMPLE

Rare Beauty

When a viral holiday TikTok hit 2m views, the mini sets sold out in two weeks and were restocked at pace. Analysts note the brand's edge: it **"met the moment with supply"** while celebrity rivals fizzled after first hype on the back of stockouts.

new/day studio case analysis

A shorter reorder cycle turns a viral spike into revenue. A 16 week cycle turns it into a screenshot. For a brand whose growth channel is TikTok Shop, Sephora ranging or Boots feature space, restock speed isn't logistics, it's marketing infrastructure. Closing that gap depends on planning raw material and packaging stock alongside your manufacturer well before the spike, not after it, which is exactly the kind of conversation worth having early. The brands that convert virality into sales are the ones with that plan already in place, not the ones improvising once the order book fills up.

THE SHELF DOESN'T WAIT. NEITHER DOES THE ALGORITHM.

Your supply chain will end up in a *data room*.

UK beauty and personal care is in an exit cycle worth watching closely. DC Advisory's 2025 review found roughly **80 beauty assets sitting in British private equity portfolios** awaiting exit, with UK activity so far driven by strategic buyers such as Unilever's purchase of Wild and Ulta's acquisition of Space NK for more than £300m. The same review points to tariff policy and supply chain pressure as the reason 2025's global beauty deal volume started slowly, evidence that buyers are now pricing supply chain risk into their offers, not overlooking it.

Source: DC Advisory, Global M&A Shaping the Future of Beauty, 2025

£230m

Wild x Unilever

Five years old, UK & EU made and the UK's number one refillable deodorant brand by 2025. Revenue reached £46.9m in 2023, up 77% year on year, with a first pretax profit of £509,000. Cofounder Charlie Bowes-Lyon told WWD the product was expensive to make and hard to margin even at that scale, exactly the kind of supply chain question a buyer prices into the deal.

Source: WWD, 2025; Business of Fashion, 2025

\$1.1bn

Medik8 x L'Oréal Luxe

The science led British skincare brand, majority acquired from private equity firm Inflexion in June 2025 at a reported 20 to 25 times EBITDA, one of the richest multiples in recent beauty M&A. Medik8 formulates and manufactures every product in house at its own UK innovation centre, a structural advantage Beauty Independent and Inflexion both point to directly.

Source: Beauty Independent, 2025; Inflexion / L'Oréal press release, 2025

\$1bn

Rhode x e.l.f.

Hailey Bieber's skincare line sold for up to \$1bn in May 2025 on \$212m of trailing net sales, alongside Bansk Group's purchase of Byoma and Ulta's acquisition of Space NK for more than £300m. Together, 2025 proved the exit path for founder led beauty is wide open, for the brands that survive diligence intact.

Source: e.l.f. Beauty press release, 2025; CNBC, 2025

WHAT THE DILIGENCE TEAM WILL ACTUALLY ASK, AND WHAT UK MANUFACTURE ANSWERS

- 01 Single source concentration.** "What happens if your one Guangzhou supplier fails, reprices, or gets caught in a tariff round?" A UK manufacturing relationship, primary or dual source, converts a red flag into a resilience slide.
- 02 Gross margin durability.** Buyers stress test your margin against freight volatility and FX. A margin built on a \$1,700 container assumption fails the test; H1 2026 alone would have cost it 300+ basis points.
- 03 Inventory quality.** Aged stock, near dated liquids, and write off history are all interrogated. 100+ days of cover means more of all three. 21 days means a cleaner balance sheet at completion.
- 04 Claims substantiation.** Sustainability claims on a China supplied product invite CMA Green Claims scrutiny. B Corp certified UK manufacture with 98% UK sourced components substantiates the claim instead of undermining it.

/07 FOR FOUNDERS WITH BOARDS

A five threshold test for the *scale up stage*.

Calibrated for funded, founder led brands. Three or more "yes" answers and reshoring stops being a sourcing question and becomes a board agenda item.

RESHORING VIABILITY: FIVE THRESHOLDS FOR THE FUNDED BRAND

01

RUN SIZE THRESHOLD

Are you ordering 5,000+ units per SKU per run? If yes, the China MOQ advantage no longer exists for you, since Guangzhou custom formula minimums are the same as the UK's. You're paying the freight, transit and working capital penalty for a flexibility you've outgrown.

02

MARGIN EXPOSURE THRESHOLD

Did H1 2026 freight move your landed cost by more than 2 points of gross margin? Shanghai to Rotterdam rates rose 83% in four months. If your margin bridge felt it, your budget is carrying an exposure your board hasn't priced.

03

GROWTH CHANNEL THRESHOLD

Is TikTok Shop, Sephora, Boots or Superdrug a top three growth channel? Viral and retail demand both punish 16 week restocks, algorithm decay on one side, ranging risk and OTIF scrutiny on the other. Restock speed is now marketing infrastructure.

04

CASH CONVERSION THRESHOLD

Is more than £750k of your balance sheet sitting in inventory and supplier deposits? That's growth capital lent interest free to a supply chain. At £10m revenue the UK model typically releases £1.2m+, a year of performance marketing, found down the back of the sofa.

05

EXIT HORIZON THRESHOLD

Do you intend to raise or exit within five years? Diligence teams now discount for single source China dependency, margin fragility and unsubstantiated claims. Supply chain moves from an ops question to a valuation question the day the process starts, which is 18 months later than the right time to fix it.

Three or more, and the conversation isn't "whether": it's which SKUs move first, and what the transition looks like without disrupting a single retailer order. That sequencing is a solvable, well established problem. It starts with a number.

A CONVERSATION, FOR FREE

We make liquids *Up North.* Runs start at 5,000.

Group55 is a B Corp certified UK contract manufacturer of beauty, personal care, household and pet care liquids, built for brands at scale. Funded, founder led, in retail, ready to stop lending their growth capital to a container line. No deck. No pitch. A sample, a number, and a supply chain that turns up.

ONE REASON NOT TO SIT ON THIS

You're reading this as Q4 planning starts. A 16 week China lead time ordered now lands stock in November. Ordered after the summer, it lands in the new year, straight into the peak season squeeze. **The brands that move first are the ones on the shelf when it counts.**

A SIMPLE OFFER

**Send us your spec.
We'll send back a number
your board can test.**

A formulation brief, a bottle, or your current Chinese quote, whatever you have. We'll return an honest UK manufacture quotation, lead time and MOQ, plus the working capital comparison at your volumes. No commitment. It moves at your pace.

Speak soon,
Jonny Naish, Sales Director Group55

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B Corp certified. ISO 9001. ISO 22716 (Cosmetic GMP).
COSMOS Natural & Organic. Sedex member. 135,000 sq ft /
8.5 acre site. £1.8m onsite solar. 98% UK sourced components.
Liquid manufacturing and brand operator partnership, on one
site.



REFERENCE

Where the numbers *came from.*

Every figure in this briefing is drawn from a named, checkable source. This page gathers them in one place, grouped by subject, for anyone who wants to trace a number back to where it came from.

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- Group55 certifications: B Corp, ISO 9001, ISO 22716, COSMOS Natural & Organic, Sedex
- Group55 site and production data, 2026

Figures presented as worked examples (the total landed cost table on page 4 and the cash conversion comparison on page 5) are illustrative models built on the rates above, not Group55 quotations. Company financials cited (revenue, profit, deal value) reflect the most recently reported public figures at time of writing and may have been revised since. Where a range is given, the mid point or a representative figure is used in the main text.