Buck Consultants International

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Location decisions for technology driven investment projects are a different game

Open innovation leads to more European R&D centres of global companies. A specific regional technology base and talent pool are the main drivers, according to recent studies of Buck Consultants International.

The technology rat race has forced companies to change their R&D strategy: more co-operation with universities, technological institutes, spin-offs and SME's in stead of doing everything themselves. This so-called open innovation is adopted by more and more companies because they recognize that they cannot organise R&D completely internally anymore and that they have to tap from talent and technology bases around the world. "For these technology driven companies assessing the technology base and talent pool of regions is imperative. Locating a R&D centre is completely different from choosing the best location for a distribution centre or call centre. Our industry experts have a thorough technological know how, which is necessary for understanding the strengths of a university or technological institute", comments René Buck, CEO of Buck Consultants International. Buck Consultants International has a.o. developed a checklist of 18 detailed talent factors, varying from total labour costs per employee and availability of multilingual skills to dealing with work councils, getting visa and working schedule flexibility. Cities and regions that want to attract technology based companies have to adjust their marketing strategy. For economic development agencies a white paper on this topic is available.

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Mead Johnson locates its new European Headquarters in Amsterdam, the Netherlands

Mead Johnson Nutrition, the worldwide market leader in pediatric nutrition, has located its new European Headquarters in the World Trade Center in Amsterdam. The company, based in Indiana (USA), develops, produces and distributes more than 70 products in 60 countries all over the globe. In Amsterdam about 30 associates are involved in the financial, marketing, sales, human resources and information management departments. Buck Consultants International investigated a large number of potential locations all over Europe for Mead Johnson, after which Amsterdam was selected as the final choice.

"There are different reasons why Amsterdam is the perfect location for our new European Headquarters" says Steve Golsby, President and CEO of Mead Johnson. "Firstly, with this choice, our European management is close to our plant and the Research & Development department. For our company, with a strong focus on scientific research and excellent operational processes, this location is crucial for the growth of our European market share for pediatric nutrition and our mission to nourish the world's children for the best start in life".
Catherine Fitzsimons, Vice President and General Manager Europe of Mead Johnson, adds: "Amsterdam has several important additional strong points, such as an excellent infrastructure, qualified and talented people and a competing cost structure. The combination of this all makes Amsterdam a great base for our European headquarter activities".
Ben Wagenaar, the project leader of Mead Johnson for this project is very positive on the involvement, realised quality and service level of Buck Consultants International. His summary: "Real professionals that have added great value during the whole process from determining the selection criteria until the final negotiations. It was a pleasure working with the Buck Consultants team, they are very customer focused and sincere".

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Key priorities in supply chain management

Question: what is for international companies the most important supply chain priority?
Answer: visibility of the end to end supply chain including the landed cost and performance by node

During the last six months Buck Consultants International invited clients and relations for a number of interactive Vice President Supply Chain Dinners. During these events in Prague, Breda, Zurich, Boston, Chicago, New York and San Diego more than 200 companies discussed the main supply chain priorities for 2011 and beyond.

According to the attendees, the first priority is to obtain a better visibility of the supply chain flows, service levels and costs, which means a clear indication of where materials and shipments are within the chain and a better understanding of the landed cost by node.
As a result of the increasing globalisation (both on the sourcing and market side) and the volatility in the economy, the importance of visibility and the capability to adjust accordingly has grown significantly. The need for visibility has been further enhanced by recent natural disasters such as the volcano eruption on Iceland. Signalling and anticipating on potential delays as early as possible is regarded as highest priority by the participating companies to improve customer satisfaction whilst keeping costs to a minimum.
On the second place trade compliance stands out, which means the compliance with all (international) legal and regulatory frameworks and safety regulations. Think of the recent recalls of products by multinationals in the pharmaceutical and toy industries.
As the third top priority is to differentiate the supply chain as many companies have a single one size fits all supply pipe whereas customer requirements, channels and product characteristics are different.
The increased number of markets served (each with their own customer requirements), the diversity of products and different sales channels will demand for differentiated, multi-level supply chains in the future.

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Forecast for solar energy in Europe: sunny with some clouds

At this moment solar energy is for consumers not yet profitable without subsidies, but this will be the case in a few years time. Although solar energy companies assess locations all over the world, Europe still has a lot to offer to solar cells and module producers.

Many Chinese, American and Japanese solar cell producers see interesting business opportunities in Europe and consider to locate offices, R&D centres and plants there, according to analyses of Buck Consultants International and also based on our own business contacts with these companies.

Nicolaas Waaning, senior consultant at Buck Consultants International and solar energy specialist, visited recently the large solar fairs in Munich and Valencia. Which trends does he see? “Grid parity, which means the same price per kilowatt hour for solar energy as for traditional energy will be reality in a couple of years. In the solar energy industry consolidation takes place due to increased competition, resulting in decreasing costs, which will lead to a decreasing price for solar energy. On the other hand, governmental budget cuts result in lower feed-in tariffs. Feed-in tariffs are the purchase prices that should be paid by the energy companies if a family or company generates more solar energy with the solar panels on their roof than they need themselves. In addition, a fascinating race between the different production technologies is taking place, it is a battle between high production cost – high solar energy efficiency cells against lower production cost – low efficiency cells. Last but not least, Chinese companies have started to dominate the world stage in a very short period of time.”
European regions who want to attract solar energy companies can only be successful with a focused strategy. Economic development agencies need to answer crucial questions, says Nicolaas Waaning: “Are the universities and technology centres in a particular region excellent in silicon based technologies or more in thin film techniques? Are you focusing on cell manufacturing, module production or R&D centres? Does the region have a competitive offering to potential investors and can you proof that? Once these questions are answered, a focused marketing plan can be developed.”

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Africa on the rise for back offices

Africa is the new kid on the block for international companies that want to locate new customer support centres, BPO centres and shared services centres in the EMEA region (Europe, Middle East & Africa). Main attractors: the availability of language skills and low labour costs.

For centuries Africa has been the so-called forgotten continent. However, currently it is shortlisted for establishing back office operations by many companies. Well-known companies like Dell, Microsoft, Nokia, Sitel, ACS, Shell and HP have set-up back offices in Africa. Labour costs are low, varying from 400 euro per month in Ghana to around 1,000 euro in South-Africa for a call centre agent. Due to the colonial past Egypt and Ghana have strong English language capabilities, Algeria and Morocco are good in the French language and

South-Africa has a multilingual talent pool speaking English, German, Italian, French and Dutch.
Last year, Nynke Draisma, consultant at Buck Consultants International, visited many African countries. “We are excited about the opportunities, but do not focus on cost only. In our analyses labour regulations, international accessibility and the quality of the telecom infrastructure also play an important role. There is a growing number of African locations with a good balance between low labour costs and a medium to high quality of the business environment”.

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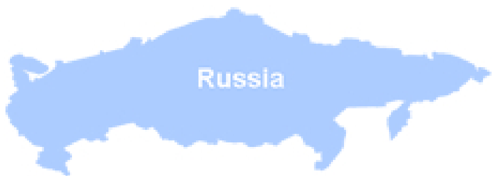
Challenges in routes to the Russian market



After some difficult economic years, Russia is on the agenda again. As one of the emerging BRIC countries the potential of the Russian market is for many companies still unexploited. Newspapers call Russia a nightmare to do business. Is it really that bad?

For a company that wants to do business in Europe the route to market has two levels: the commercial level and the physical distribution level. “But in Russia they are interlinked”, says René Boerema, BCI’s director Supply Chain Solutions.
At the commercial side the company that wants to grow its business in Russia has to define whether it wants to use distributors or wholesalers or wants to establish own sales offices and becoming responsible for the complete value chain until the customer. Assessment of potential partners is not an easy task in a country where information is often inaccurate or even misleading. By the way, established companies are more and more setting up own new sales offices to fuel their own growth and keep first-hand control.
The physical distribution challenge consists of how to get the products to the market. René Boerema tells about a recent analysis he carried out for an apparel company, mainly sourcing from China. “We analysed the pros, cons, costs and conditions of different supply chains: transporting products from China to Moscow mainly over sea, or using the Trans Siberia or Trans Mongolia railroads. But also bulk storage and cross-docks in Finland or in St. Petersburg are options. The final choice depends on costs and duties, but also on lead times, risks and flexibility”.

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Japanese companies consolidate their European operations

“Do not expect a big wave of new Japanese greenfield investments in Europe, but count on consolidation of production plants, distribution centres and back offices”. That’s the opinion of Jan Siemons, managing partner of Buck Consultants International.

A lot of Japanese companies are expanding into China, India and Indonesia in order to conquer markets and

benefit from low costs at the same time. So far in Europe the emphasis was on local country operations and multiple stand-alone business units in Europe. “At the moment we see our Japanese clients considering complete reviews of their current supply chain network, including an assessment of the footprint of their distribution centres and manufacturing plants. The changes in the European market force them to action”, says fluently Japanese speaking, Jan Siemons.
A new phenomenon among Japanese companies is the shared services centre concept. Already adopted by many American and European companies, now Japanese companies are also considering a pan-European shared services centre in which all finance and admin functions are concentrated. Japanese companies try to reduce real estate and accommodation costs. “Lowering the costs with at least 15 per cent and improving the quality of the internal back office service level is appealing to them as well.”

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New experts for Buck Consultants International

Jan Siemons

Kees Verweij

The last months Jan Siemons (47) as Managing Partner and Kees Verweij (43) as Principal Consultant have started with Buck Consultants International.

Jan Siemons will further expand the BCI consultancy activities for companies regarding their (international) location strategies as well as the strategic support to cities and regions all over Europe regarding their investment climate and marketing strategies. Jan Siemons has been involved in Ernst & Young as partner for the last 16 years, where he was respon-sible for real estate advice with a strong focus on international location selection advice.

Kees Verweij will focus within BCI on the collaboration in logistics chains, freight policies and supply chain management. Until recently, Kees Verweij was associated with TNO as Group Leader Logistics.

“We are very pleased that Jan and Kees with all their know how, expertise and networks choose Buck Consultants International as their new base”, comments René Buck, CEO of Buck Consultants International.

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Buck Consultants International (BCI) carries out research, advises, implements and performs project management in the areas of strategic business development, location selection, supply chain strategy, regional economics, real estate and infrastructure development.

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