



**Buck
Consultants
International**



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Contents

- ▶ **New website BCI on-line**
- ▶ **Offshoring or reshoring, that's the question**
- ▶ **Focused strategies to attract new foreign direct investments**
- ▶ **More collaboration reduces healthcare logistics costs**
- ▶ **Fortitech continues global growth with a new plant in Poland**
- ▶ **Growing sales in a tough retail market environment: e-fulfillment**
- ▶ **After market service is a different game**
- ▶ **Expansion Management Team Buck Consultants International**

New website BCI on-line

The new website of Buck Consultants International/BCI Global is on-line, with more actual information, case studies and a better search engine. You can choose between the **Corporate Services website** of BCI Global or the **Full Services Website** of Buck Consultants International.

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[Back to top](#)

Offshoring or reshoring, that's the question



Ten years ago offshoring back office activities to Asia was regarded as the right answer to cost pressures. Hundreds of companies relocated (a part of) their call center or shared service center activities to countries like India and the Philippines. But a growing number of companies is reviewing its back office strategy and considers reshoring. Why is that?

Concentration of back office activities creates quality of service advantages and cost advantages. In many cases in combination with outsourcing, offshoring to Asia still leads to lower costs. "But companies are becoming more cautious" explains Josefien Glaudemans, Managing Partner

at Buck Consultants International. "A number of companies who relocated their back office activities to Asia complain about bad communication, rapidly increasing wages, high turnover rates and lower customer satisfaction than expected." A good example is Delta Airlines, which reshored 2,000 jobs back to the US from its Bangalore based call center that handles sales and reservations. Other examples of companies reshoring activities back to the US or Europe include AT&T, British Airways, JP Morgan, Santander and Dell. Buck Consultants International has developed a new roadmap to define a robust future proof back office strategy. Offshoring is still an interesting alternative. *Reshoring* can lead to onshoring (lower cost locations in the same country) or nearshoring (lower cost options in the same geographic region). "For finance and admin functions we look for example at the strategic importance as well as the location dependency. Some activities are core and are handled often onshore like consolidation of balance sheets and tax planning. Order entry, accounts payable and receivable and general accounting activities are open to nearshoring or offshoring." A good example of *onshoring* is the strategy of Allen & Overy, one of the world's largest law firms. Two months ago Allen & Overy opened in Belfast (United Kingdom) a new strategic services center for finance, IT, business services, HR and legal support. Half of the 300 new jobs are relocated from London. Buck Consultants International evaluated more than twenty locations in Europe, North Africa and Asia (for more information click [here](#)). Wim Dejonghe, A&O's Managing partner, indicated that Belfast was not chosen because of the low cost. "Than we would have gone to Asia. We did not want to compromise on our quality focus." There are plenty examples of *nearshoring* back office activities to particularly Central and Eastern Europe. SAP, Philips, Shell, IBM, NCR and many others have chosen that route. One of the latest is Tate & Lyle, a global provider of food ingredients and solutions. With the help of Buck Consultants International, Tate & Lyle decided to open its new Global Shared Services Center in Lodz, Poland.

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[Back to top](#)

Focused strategies to attract new foreign direct investments

"Despite the economic downturn in 2012 we expect a couple of thousand location decisions for new cross-border investments around the world. Economic development agencies and inward investment promotion agencies who want to benefit from these new investments have to focus their strategy, as the competition for new projects and jobs is increasing", says René Buck, CEO of Buck Consultants International. Last week René Buck was the keynote speaker in a webinar, jointly organised with London based conference organiser Red Hot Locations, on 'New ideas and hot target groups for success in attracting foreign direct investments'. More than 90 executives from national, regional and local economic development agencies from 31(!) countries participated.



The forecast of Buck Consultants International is a worldwide increase of Foreign Direct Investments (FDI; greenfield projects excluding mergers & acquisitions) of 5% this year. "But due to economic downturn and the Euro crisis we expect 4-7% less larger projects in Europe than in 2011", explains René Buck. Buck Consultants International identified hot target groups in 2012 for cities, regions and countries aiming to grow their economies and create more jobs.

The *medical technology sector*, with nearly 400 bln \$ revenues, is still a growth industry, with an interesting combination of large companies but also numerous midsize and small companies. Also *clean technology companies* are expected to be prominent cross-border investors this year, particularly biomass and alternative fuels companies. The growth of e-commerce will lead to new *e-fulfillment centers*, a combination of logistics and back office activities.

Another trend revolves around *headquarters*. BCI expects a growing importance of divisional headquarters and a further split of regional headquarter activities. Value adding activities, R&D, shared services are no longer concentrated (for example at the European headquarters of a company). These activities all find their individual optimal location. *Reshoring back offices* from Asia back to the US and Europe is also an important trend European regions and US states can benefit from.

Attraction of *R&D centers* established by tech companies requires a focused strategy from economic development agencies. The proposition they have to bring forward should be targeted and comprehensive (e.g. possibilities for technological co-operation, availability of talent, venture capital, science & technology parks, networks) in order to gain the attention of potential investors.

For economic development agencies and inward investment promotion agencies Buck Consultants International has a copy of the webinar presentation available.

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[Back to top](#)

More collaboration reduces healthcare logistics costs



The cost pressure on the medtech industry is increasing, which means that also the supply chain professionals in that industry have to take a closer look at cost levels. More collaboration in the supply chain is often mentioned as a way to achieve that goal. Buck Consultants International takes a closer look at the various forms of collaboration.

Collaboration can be found in horizontal directions (two manufacturers bundling forces) or vertical directions (collaboration between manufacturers, logistics services providers and hospitals). Johan

Beukema, partner at Buck Consultants International, comments: “Both forms of collaboration get more attention at the moment. Horizontal collaboration in medtech for now still stays relatively simple e.g. sharing of line haul capacity to integrator platforms. Vertical collaboration has really gotten more attention over the last 12 months. Currently, this is mainly driven by leading manufacturers who set up, on an individual basis, programs to work better together with hospitals. Ultimately this will include a.o. mutual process optimization and some level of systems integration.” A key question towards this vertical collaboration is whether this in the end will contribute to more standardization across the industry or whether it will lead to a scattered landscape of individual collaboration initiatives between single manufacturers and hospitals.

At the Logimed conference in Berlin Johan Beukema presented, together with Healthcare Logistics Forum representatives of Medtronic and Life Technologies, roadmaps for companies in the medtech supply chain who are open to more collaboration. “In the context of the HLF we are now working with 5 companies in a pilot towards in-depth collaboration in distribution. An organizational model is being developed in which an independent party will act as information broker.”

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[Back to top](#)

Fortitech continues global growth with a new plant in Poland

US based Fortitech develops and produces custom nutrient premixes (vitamins, minerals, nutraceuticals) which are added to more than 30,000 products of food, beverage and pharmaceutical manufacturers. To serve the growing customer base in Europe, Russia, the Middle East and Africa, Fortitech will open Mid-2012 a new plant near Poznan in Poland.



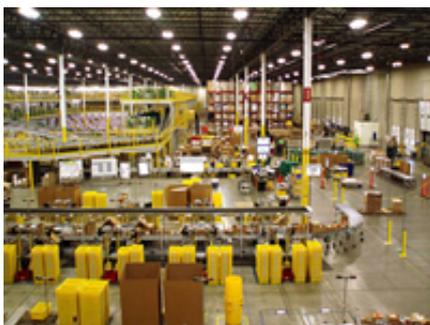
Fortitech has already a production facility in Gadstrup, Denmark. But the growth of the business particularly in Southern and Eastern Europe asked for a new facility. Buck Consultants International guided Fortitech through the whole location decision process. Nicolaas Waaning, senior consultant and project leader of the Fortitech project: "A robust location choice means organizing a transparent process, with multiple countries and regions as a start and one final location at the end."

Walter Borisenok, CEO of Fortitech, is enthusiastic about the new location. "This is the third largest Fortitech facility worldwide, an important milestone after 25 years." Borisenok is very positive about the support of Buck Consultants International: "The BCI team has completed the job within a short timeframe. Their reports were always loaded with good data but with a good helicopter view as well, thanks to the methodologies BCI uses. We are now constructing the facility and have not come across any surprises. That's the best compliment I can give."

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[Back to top](#)

Growing sales in a tough retail market environment: e-fulfillment



More e-commerce means more e-fulfillment. But the challenge to organize the logistics behind the webshop in a short and efficient way is huge. "If you add clicks to the bricks you add headache as well" says Patrick Haex, Managing Partner at Buck Consultants International.

More and more retail revenues are earned via the internet across the globe whereas the traditional physical retail is facing tough economic times. However, setting up a successful e-fulfillment solution across borders is not as easy as it might look at first instance. An e-fulfillment operation is more complex than a regular distribution center. Haex: "A distinction can be made between front office, the logistics operations and the back office. The front office includes assortment choice, webdesign and e-marketing. The logistics operations consists of warehousing, order picking, shipping and handling returns. Back office activities are typically customer service, inventory control and all finance-admin activities." Key challenges involve the large degree of returns, last mile logistics to deliver products to residential areas, international sales for companies with a domestic retail/webshop model (e.g. import duties, VAT, languages, pricing, compliance) and the fragmented supplier base to link all functions into one with a multi region scope. Buck Consultants International assists retailers with development of their European e-fulfillment strategy which could lead to either a location choice for an e-fulfillment center or the identification of the best e-fulfillment provider. In this last category we distinguish regular 3PL's with e-fulfillment capabilities and dedicated e-fulfillment providers like Docdata, Netrada and Arvato to name a few.

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After market service is a different game

Having a quick fix for that one obsolete part in your television set, not waiting too long for a new substitute part in your car and a quick delivery of an element which makes a machine running again, we all recognise the value of spare parts. "Organising the after market supply chain is becoming critical to companies in industries like industrial and medical equipment, high-tech and electronics and automotive. Not only in the US or Europe, but also in emerging markets like Russia, China, Middle East and Africa. "Due to its different characteristics after market supply chains are often decoupled from the finished good chain" says Carlo Peters, senior consultant at Buck Consultants International. But where to locate the spare parts stocks?



CAT Logistics and Buck Consultants International organised a seminar in Brussels to take a closer look at after market services. Usually after market service aims at a mix of customer loyalty, turnover maximisation and brand protection (it is important for a high edge brand that its machines are repaired with own brand parts, the right tools and expertise).

"Optimizing after market supply chains means differentiation of the supply chain solutions for each product/market combination", explains Carlo Peters. "You have emergency stocks of a limited number of SKU's very close to the customer to support quick replacement of critical parts and to keep downtime as low as possible. Typically, this service is within 2 hours. Delivering within 8 hours asks for country/regional stocks from which customers can be supplied with spare parts still on a same-day basis. The third solution is delivering within 24 – 48 hours, mainly from centralised locations".

A big challenge within these differentiated set-ups is the allocation of SKUs within the network. In other words: which part will be stored where? This is such a challenge a.o. because of the typical 'long tail' that can be observed when dividing the full parts portfolio into fast running, medium running and slow running products. In spare parts one often sees a very long tail of individual SKUs that show a very limited demand, but which still needs to be available because there is always a chance that a customer needs the part, especially when it is a critical part. Mostly the 'long tail' slow moving products are stored in a central location. In this way total inventory and the risk for obsolescence can be kept low as there is a better inventory visibility and the stock can be held for different markets at the same time.

"Spare parts supply chains are currently being optimized in developed Western markets, but we also see a lot of movement in emerging markets. As sales of finished products in these markets are growing, also the demand for spare parts is growing. And as markets are maturing, typically the customer requirements and expectations become higher and higher. Therefore many companies are now exploring what the best structures are for spare parts supply chains in the major emerging markets like Russia, China, the rest of Asia-Pacific, Middle East and Africa", Carlo Peters observes. Challenges in those markets are a.o. to find the right distribution networks to be able to reach customers in the required lead time, to identify professional and reliable partners, to find ways to prevent very scattered spare parts stocks in those markets (e.g. by setting up regional central warehouses with small local stocks around it), and to keep the networks scalable and flexible as nobody can forecast exactly how the future will look like in those markets.

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Expansion Management Team Buck Consultants International

Josefien Glaudemans has been promoted to Managing Partner Location Strategies, Site Selection & Marketing Strategies. She heads up the consultancy practice in which companies are advised on location strategies and site selection as well as the advisory services for cities and regions regarding their marketing strategies.



As of January 1st, 2012 **Peter Colon** was appointed as Managing Partner Freight & Transport. He leads the group of experts who advise seaports, airports, container terminal operators, companies and authorities on their freight and transport strategy and the implementation of that strategy.

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[Back to top](#)

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