



**Buck  
Consultants  
International**



## NEWSLETTER - BCI Newsletter June 2014

- Location Strategies & Site Selection
- Supply Chain Strategy & Network Design
- Strategic Business Development
- Regional Economic Development
- Attracting New Investors
- Infrastructure Development

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## The new R&D battle: how companies and regions can benefit

**R&D expenditures will grow, but less in new physical centers, but more via acquisitions, alliances/joint programmes and open innovation contracts.**

**Steering R&D is changing: a more clear split is expected between Research locations and Development locations.**

**The future R&D landscape will consist of a few cross industry hot spots around the world and specialized industry specific satellites.**

These are three conclusions from a major study, conducted by Buck Consultants International and sponsored by the Paris Region Economic Development Agency (France); Flanders Investment & Trade Agency; Wallonia Export & Investment (both Belgium); BOM Foreign Investments (Brabant - The Netherlands) and Locate in Kent (United Kingdom). Besides desk research the study consisted of 24 interviews in the life sciences, high tech and ICT industries. Chief Technology Officers and Global Heads of R&D participated in this research. Participants were:

- Life sciences : Celgene, Johnson & Johnson, Lilly, Lundbeck, Merck, Pfizer, Sanofi, Teva
- High tech : Boeing, BYD, Canon, General Electric, Hitachi, Mitutoyo, Siemens, Xerox



- ICT : Fujitsu, IBM, Intel, Microsoft, SAP, Symantec, Wipro, Xilinx

### *Growth of R&D*

Global data on R&D expenditures still show a growth, despite the economic downturn in some regions of the world. In terms of R&D expenditures Europe is relatively stable, Asia-Pacific shows a 10% increase between 2011 and 2013. Particularly the large life science and high tech companies spend less R&D money in Europe. However, ICT companies all show a growth in R&D spendings in Europe. “In Europe companies will operate less physical R&D centers, but larger sometimes consolidated R&D centers”, says Mathijs Pronk, senior consultant at Buck Consultants International. Joint R&D programmes and open innovation do not require a larger number of research centers.

This study shows that in the day-to-day R&D world a split becomes visible between R(earch) locations and D(evelopment) locations. The research locations are chosen for their scientific excellence and high skilled talent base. The development locations are chosen by the business lines/divisions and focus on emerging markets in Asia and Latin America.

### *Action*

Europe is loosing ground for hosting (new) R&D centers. Many companies in all three sectors of industry keep the size of their R&D centers at best stable in this region. The majority of the R&D centers of the interviewed life science companies even decreases in size. Nearly all companies underline the importance of national R&D policies for establishing and keeping an attractive R&D investment climate: it is not only a race between companies, but also between nations. Most important elements in national R&D policies are, according to the companies interviewed: investments in public R&D (institutes, programmes), fiscal and cash incentives, attractiveness and easy access for global talent.



### *Future R&D landscape*

Around the world a limited number of locations form the (cross-industry) R&D hot spots. Examples are New York, Tokyo, Shanghai, California. In Europe the strongest R&D hot spots are London - Cambridge - Oxford and the larger Paris region. In each region of the world specialized satellites can be found. In Europe for example Basel – Zurich (Switzerland) for life sciences; Dublin (Ireland) for the high tech industry; individual French cities/regions like Grenoble, Toulouse, Sophia Antipolis for the high tech industry and in Scandinavia, Stockholm and Helsinki for the ICT sector.

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## **Africa on the rise**

**More and more companies look at the opportunities in Africa. Not only the fast economic growth of the continent in the past with more than one billion people, but also the expectation that the next 5 years 11 of the world's fastest growing economies will be in Africa, drives the interest. But opportunities go together with challenges if you want to take advantage of Africa.**



“It is with reason that Africa is called the rainbow region”, comments Josefien Glaudemans, Partner at Buck Consultants International, who is involved in a wide variety of investment projects in Africa. Across the 54 countries there is a large diversity in more than 2,000 languages and regional cultures”. Due to the colonial past, some countries have strong English, French and German languages skills, which makes it an option for Europe servicing customer support center. Costs of an agent in sub-Sahara Africa vary for the different locations, but can be as low as euro 300,-- to 500,-- per month, which is almost half of the cost in South Africa and about 1/3rd of the cost of an agent in Central & Eastern Europe. New recent customer support centers of outsourced services companies like Sitel, Stream, Sykes proof the growing attractiveness, just like the new centers of Amazon, Ericsson and Airtel.

### *Manufacturing*

Leading industrial companies experience also the advantages of investing and producing in Africa. Glaxo Smith Kline, Unilever, Procter & Gamble, Nissin Food, Kia Motor, General Electric and Tata Motors all announced new plants in Africa in the last 5 months. Further analysis of investments shows a wide variety of industries as well as origin of the investors: a.o. Europe, US, Japan, Korea, China and India.



### *Challenges*

Despite all this good news Africa still has its challenges: poor infrastructure, political instability and strict regulations. Glaudemans: “The improving political and economic stability, the increasing democracy, reforms to ease the path of investors doing business and a growing middle class attract the attention of international companies. They want to capitalize on the growth opportunities and the low costs and mitigate the risks”.

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## **Risk assessments as base for further globalization**

**“In the boardroom discussions on globalization risk assessments are underestimated. The discussion about onshore, nearshore or offshore locations is too much focused on costs and supply chain issues. But a full assessment of all types of risks has to be incorporated in the discussion as well”, says René Buck, CEO of Buck Consultants International.**



Buck Consultants International developed a Risk Assessment Method

of countries, regions and locations around the world in which 22 different risks are identified, grouped into six larger categories:

- *Political risks* such as government stability/democracy, political conflicts, religious & ethnic tensions.
- *Economic risks*, including the development of the economy, inflation forecasts and balance of government budgets.
- *Financial risks* are a.o. exchange rate (stability), foreign debts and financial ratings.
- *Transparency risks* consist for example of corruption, bureaucracy and bribery of public officials.

- *Legal risks* refer to permits, red tape and patent infringements.
- Last but not least, *natural disaster risks* such as climatic and hydrological catastrophes or meteorological and geophysical events.

René Buck is very pleased with the huge interest of the international business community in BCI's Risk Assessment Reports. "C-level executives recognize the danger of a too Western-orientated approach. A full risk assessment of potential investment locations is a very valuable and realistic contribution to a company's global footprint decision process".



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## Emirates call center flies to Budapest



**Dubai based Emirates Airlines has announced it will open its second customer contact centre in Europe with a 300 seat facility in Budapest this year. Europe is a strategically important market for Emirates and this new facility in Budapest will play a critical role in supporting the airline's growth plans across the continent.**

"We searched extensively across Europe to find the right location for this facility and Budapest ticked all the right boxes for us. Budapest offers us a population base with the right mix of languages and skill sets, as well as strong telecommunications infrastructure", said Karen Bell-Wright, Emirates Senior Vice President Retail and Contact Centre.

Buck Consultants International assisted Emirates in its location search. Karen Bell-Wright: "We found working with Buck Consultants International to be a very positive experience. The team is knowledgeable and professional. Their work was very thorough and they helped us to structure and prioritise our search criteria to gain the most of the review. We are very happy with the selection of Budapest and confident, that with BCI's support, we made the right decision."

### *Advantages*

"It is an honour for Hungary and proves the success of our foreign economic policy of Opening towards the East, that one of the most significant companies in the United Arab Emirates, our most important trading partner in the Arabic region, has chosen Hungary as the location of their second European Service Centre", said Péter Szijjártó, the State Secretary for Foreign Affairs and External Relations about Emirates' investment in Hungary.

When open, the facility will house reservation services as well as multilingual support for the frequent flyer program, Emirates Skywards. The new centre, capable of handling calls and emails in nine languages, will operate in addition to Emirates' existing contact centres in Dubai, Manchester, Mumbai, New York, Melbourne and Guangzhou.

"Our contact centres currently handle 11 million calls each year and as our network continues to grow, it is increasingly important for us to provide high quality and multilingual assistance for customers, as well as our



trade partners” added Bell-Wright. “Europe represents a significant portion of our global revenue and this new contact centre will play a key role in maintaining and stimulating this growth.”

Emirates’ six global contact centres support over 45 countries and average around 35,000 calls and emails per day. Together these contact centres have the capability of handling customer queries in 18 languages.

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## Responsive supply chains become priority in the pharma industry



**Pfizer, AstraZeneca, Novartis, Merck proof it these days once again: the pharmaceutical business is one of the most globalized industries in which new successful medicines are priority number one. But creating responsive supply chain models has become a priority as well. Why?**

“As the pharma supply chains are global the dilemma is choosing for centralization and consolidation or a set-up where proximity to the market is the main driver. It is all about the balance between costs,

service levels and risk mitigation”, say Johan Beukema, partner Buck Consultants International and Eelco Dijkstra, senior consultant Buck Consultants International.

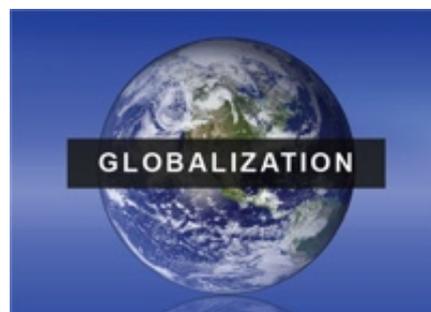
Take for example the Asia-Pacific region. Pharma companies work mainly with national distribution centers with the products being replenished from global plants. At the LogiPharma event in Singapore, Eelco Dijkstra presented recently the results of a Buck Consultants International survey which shows that 80 percent of pharma companies are reviewing their supply chains in the APAC region. Benefits of regionalisation are increased availability of products, reduced time to market and reduced supply chain costs. “On average our clients save 10-18% of their supply chain cost through a regional network redesign. But most importantly is that a regional model for the APAC-region guarantees a scalable platform for growth”, according to Dijkstra. “A strategy of postponed packaging and labeling increases the financial attractiveness of regionalization even more”.

### *Supply chain 2020*

The pharma supply chains in 2020 ask for a high level of integration of product management, commercial needs and operations. That was the main conclusion of Buck Consultants International yearly Swiss Supply Chain Dinner in Basel, organized in co-operation with real estate development company Gazeley.

Twenty-five high level executives attended this exclusive event, listening to the views of a.o. Roche Pharmaceuticals’ Head of Global Supply Chain Capabilities, Richard Groenenboom. He says: “Responsive supply chain is not only about rethinking location and size of distribution centers. Focus should be given to effective ways to manage a more complex global supply chain from an end to end perspective”. An important topic in the discussion was also supply chain segmentation. “Away from one size fits all pharma companies transform, towards a segmented supply chain with specific solutions per product and/or market channel, aiming to tailor the service offering to the exact needs of the market, and to prevent over or underservicing of specific market segments.

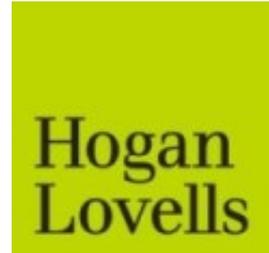
Segmentation will lead in the end to a higher supply chain performance in combination with lower costs”, says Johan Beukema.



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## Hogan Lovells to set up new Legal Services Center in Birmingham

**Hogan Lovells, a leading global law firm, is to set up a Legal Services Center in Birmingham, United Kingdom to deliver high quality cost-effective legal services for aspects of its client work. The Center will operate as an extension of the firm's London office.**



Following the recent announcement about setting up a Business Services Center in Johannesburg, the Legal Services Center of Hogan Lovells further demonstrates how legal firms are looking to reduce costs, while keeping the quality of their services at a high level. Hogan Lovells is one of the largest law firms worldwide with total annual revenues of \$ 1.7 billion, 2,500 lawyers working out of more than 40 offices around the world.

According to Hogan Lovells regional managing partner for the UK and Africa, Susan Bright: "We are constantly looking for cost-effective solutions for our clients in relation to fee arrangements and the provision of legal advice. Hogan Lovells has for many years been a leader in this area, with initiatives such as our real estate outsourcing service, our Alicante office for Europe-wide trademark portfolio work, our bespoke offshoring arrangements for certain litigation projects and our use of alumni, contract lawyers and paralegals for a range of work including document reviews for litigation and corporate projects. The Legal Services Center will extend the range of options we already offer. We are delighted to be establishing the Center in Birmingham which has a significant and high quality legal community."

The office capabilities will be developed over time in response to client demand but it is expected to comprise up to 20 lawyers initially at the start by autumn this year. The Birmingham team will do work such as such as leasing and licensing of premises, the preparation of formal documentation for the completion of transactions, some intragroup reorganisations and minor contract amendment.



Buck Consultants International assisted Hogan Lovells with the assessment of 12 selected locations all over the UK in which the cost, quality, availability and competition for legal talent was included. In addition other factors such as real estate, travel time / cost, investment incentives and the quality of life of the different locations has been taken into consideration. Nick Cray, Hogan Lovells Chief Operating Officer, said "Following on from their excellent work on our global back office project, we had no hesitation in using Buck Consultants International again for the analysis of potential locations."

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## Dubai, center of the booming economy of MENASA

**MENASA, the geographic coalition of Middle East, North Africa and South Asia, is one of the booming economic region in the world. Double digit economic growth, growing middle classes with an increased demand for goods. And as a gateway to all these promises: Dubai.**



The MENASA-region including India comprises of more than 20 countries with 2.2 Billion inhabitants. From a logistics perspective Dubai offers via seaport and airport gateways great regional connectivity resulting in lower costs and better service.

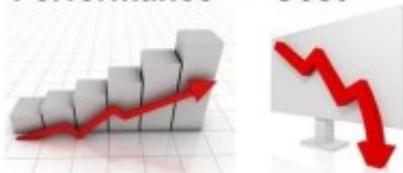


The Management Board of the new airport DWC Al Maktoum asked Buck Consultants International to develop a strategic vision and a logistics cluster plan “We have detailed the value proposition for 6 industry segments: Fashion retail; life sciences; perishables; IT & telecom; oil & gas; spare parts”, says Eelco Dijkstra, project leader for this assignment. Key enablers for growing the logistics cluster is increasing demand for high value logistics and related services. With detailed roadmaps, action plans and databases with companies to target, Buck Consultants International assisted DWC.

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## New product: Supply Chain Assessment Tool

**Performance + Cost**



**Do you recognize one or more of the following questions: Does our supply chain provides the right service to our customer? What is the performance of our supply chain? How to reduce cost in the supply chain? The new BCI Supply Chain Assessment Tool (SCAT) can give you the answers.**

“The focus of SCAT is to rapidly identify opportunities to optimize supply chains and develop a road map for 2-4 years ahead, based on an efficient and effective standardized methodology”, says Carlo Peters, senior consultant at Buck Consultants International.

The review starts with a pragmatic way of assessing the current state of a company’s supply chain via (limited) data analysis, process analysis and interviews. Using benchmarking data a supply chain score card is created which shows the gaps to improve. Peters: “We size and prioritize the improvement opportunities and create a road map for the next years to come”.

The SCAT tool is a great success because it is fast, furious and tailor made but also because different functions within a company can benefit from it:



- Supply Chain VP/Director/Manager - how to develop a strategic action plan?
- Marketing & Sales - how can the supply chain help to facilitate new business and growth?
- Customer service VP/Director - how can the supply chain contribute to the visibility and service to your customers?
- CFO/Controller - how to reduce cost in the supply chain?

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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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