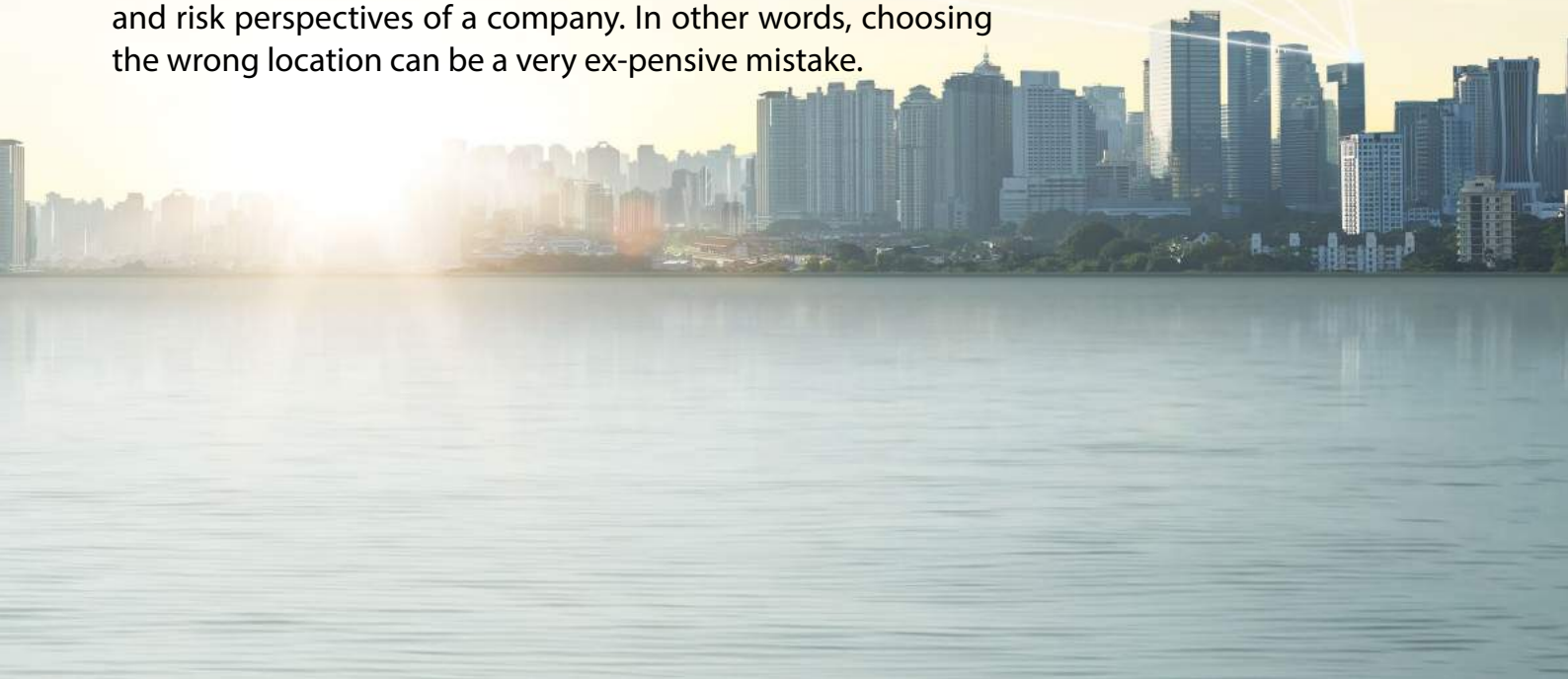


Finding the Right Location in the APAC Region for Your New Operations

Locating new operations in the Asia Pacific region can be a challenge. Whether it is a distribution center, production plant or support center, there are a lot of location factors to be taken into account. René Buck (CEO) and Sui Leng Khoo (VP APAC) of BCI Global, one of the world's leaders in footprint optimization, site selection and supply chain strategy share their experiences.

Finding the right location for new operations in APAC is critically important to your company. New operations require serious investments and have a significant influence on the operations and risk perspectives of a company. In other words, choosing the wrong location can be a very expensive mistake.



METHODOLOGY

BCI Global, for 32 years around the world active in assisting companies with site selection, has developed a robust methodology for choosing a location. In the filter down process ('from a clean sheet to a specific site or office') locations are compared on three different types of location factors.

First of all, there are cost factors, i.e. all relevant location factors with a price. Think about labor costs, occupancy costs, inbound and outbound distribution costs (including import duties), utilities costs, etc. These costs are forecasted for the next 3 to 5 years, incorporating inflation and for example, expected salary increases.

The second type of location factors relates to the quality of the business environment in the candidate locations. Availability of the right talent, ability to speak foreign languages (English), proximity of the market, international accessibility, ease of doing business are examples of factors which are important for running smooth operations, while the impact can not immediately be expressed in currencies.

The third category of location factors are risk factors. They can be at the country level (e.g. geo-political risks; financial risks like inflation and currency exchange risks; transparency risks such as corruption and bureaucracy) or at a more regional level: natural disaster risks (typhoons, earth-quakes, floods etc.) and security risks (how safe is the location for our people?).

It is clear that a software development center, a med-tech manufacturing plant and a distribution center for

high tech products have completely different requirements, but all factors fit into these three categories: costs factors – quality of the business environment factors – risk factors. BCI Global has a comprehensive framework to incorporate all these factors in a so-called Cost-Quality-Risk Matrix.

FACTORS TO CONSIDER IN YOUR LOCATION CHOICE

Based on our experience with more than 1,000 projects globally, there are 9 lessons to be learnt.

- 1 **Take a long term corporate view:** Forecast the development of your markets and take a strategic view on how the location of your new center or plant fits into the long term footprint of your company.
- 2 **Escape from a narrow scope:** Choosing the right location is like your favorite sports game: everybody has an opinion on it, based on knowhow, experiences, prejudices, 'hear say', etc. Do not focus on known locations only or immediately focus on a couple of locations. Allow yourself to include not well-known or outsider locations in your decision process.
- 3 **Set clear priorities in location requirements:** A distinction can be made between need-to-have requirements (critical location factors) and nice-to-have requirements. Make clear priorities: for the relevant cost factors for your project the priorities are clear because the total costs will tell you the differences between locations; for quality of the business environment factors as well as risk factors weighted scoring methods can be used.
- 4 **Focus on regions, not countries:** The Asia Pacific region consists of dozens of countries, that is already a hard choice. But do not forget that the differences within for example China, Thailand, Malaysia, India, Vietnam, The Philippines are huge in terms of costs, quality of the business environment and risks.
- 5 **Reach for excellence in region, site & building:** Your final choice has to be optimal on all geographical levels. A non-accessible site in a region which meets all your requirements will not work, neither does a fantastic office building in an unsafe environment with bad telecom connections.
- 6 **Plan the project's process thoroughly:** align the internal stakeholders in a transparent step-by-step process and make an implementation plan with deadlines and deliverables.
- 7 **Challenge all the information you get:** Certainly via the worldwide web there is a lot of information available about how locations score on certain location factors. A lot of that information is false, not telling the whole story and biased. One of the hardest challenges in location decisions processes is to find accurate, non-biased, up-to-date, apple-to-apple comparative information and that's why specialized location consultants exist.
- 8 **Negotiate a better deal:** Cities, regions and countries are looking for your new investment. So, negotiate the best deal possible with regional and local economic development agencies, tax authorities, site and building owners,

utilities companies (power, telecom), etc.

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Find a trusted advisor:

Location decisions are complex, as so many location factors have to be incorporated in your decisions process. Find a trusted advisor who has on the ground experience all over the Asia Pacific region, robust databases, proven methodologies and a track record in locating similar types of new operations you are considering.



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BCI Global

René Buck is the founder and CEO of BCI Global ~ one of the world's leading footprint optimization, supply chain design and site selection companies working in a variety of industries (for example high tech, life sciences, automotive, food, industrial products, electronics, software) and assisting in locating different types of operations (e.g. distribution center, production plant, customer support center, shared services center, data center).