



**Buck  
Consultants  
International**



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## How the right locations can contribute to achieving key corporate objectives

Dozens of interviews with C-level executives of leading international companies have shown that most multinational companies face 7 key strategic Boardroom challenges. These challenges together form the integral corporate agenda. Locations and corporate real estate play a strategic role in achieving this corporate agenda. That's the result of a major Buck Consultants International study, which analyzed the relation between the 7 corporate challenges mentioned and the ways how the right locations can enhance or block achieving these objectives.





**The Market Challenge.** Although different for each company and product, upcoming geographical markets are important for many companies. Today's examples are Russia (annual growth above 4%) and Turkey which GDP growth was 8.5% last year, making this market with 80 million people and growing purchasing power an interesting target market. Its geo-economic position between Europe and the Middle East contributes to the country's attractiveness. In the near future Africa will further develop into an economic growth area as well.



**The Innovation & Technology Challenge.** Innovation faces two challenges at the same time: reducing time to market while increasing the revenues of new products. For many companies open innovation is part of the response to this challenge, i.e. this includes closer co-operation with universities, technological institutes. SME's and start-ups in order to accelerate the development of new products, technologies and processes.

**The Cost Challenge.** Keeping costs of products or services low is definitely one of the corporate objectives. Choosing the right geography for a specific activity has become crucial. For example: the average total annual employers cost for a call center agent speaking English and one other European language costs in London 50,000 USD, in onshore Belfast 42,000 USD, in nearshore Budapest (Hungary) 20,000 USD, and in nearshore Casablanca (Morocco) or offshore Bangalore (India) both about 10,000 USD.



**The Service Challenge.** Not only in customer support centers, but certainly also in organizing efficiently the supply chain (from production plant to customer) service levels of a company are determined. The locations of distribution centers contribute significantly to the quality and speed of the deliveries.

**The Globalization Challenge.** For many CEOs the big question is which activity of the firm to put where? Or in other words, which activity on which shore? A growing number of companies are considering re-shoring manufacturing from Asia back to Europe or the US. Reasons include: increasing transportation costs, growing labor and real estate costs in Asia, supply chain issues, too much variation in quality, lack of protection of patent rights. The same goes for back offices due to quality issues and increasing labor market competition (read: increasing costs).

**The Talent Challenge.** Finding the right talent is very important for all types of operations: whether it is a production plant, distribution center, marketing & sales office, R&D center or back office. Buck Consultants International distinguishes 6 talent related categories: labour costs; availability of qualified labour; labour flexibility; language skills; labour relations; quality of life.

**The Risk Challenge.** More and more companies become well-aware of the risks they face. These risks vary

per country and have to be addressed thoroughly. The Risk Scan Buck Consultants International conducts for companies includes political risks, economic risks (a.o. inflation), financial risks (a.o. exchange rates), transparency risks (for example corruption and bureaucracy), legal risks (permits, red tape, patent infringements) and natural disaster risks.

*Companies can receive a PowerPoint-presentation of the study results by sending us an e-mail.*

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## Johnson & Johnson opens new European distribution center in Wallonia, Belgium

**Janssen Pharmaceutica, part of global leader Johnson & Johnson, has opened its new distribution center for pharmaceutical medicines in La Louvière, Belgium. The new DC is the result of a redesign of the supply chain. Nearly 50 million euro have been invested in the new DC, which employs 115 people.**

The new Janssen European distribution center centralizes the activities of 15 logistics centers in Europe. It reduces the number of steps in the supply chain, with medicines going directly from the manufacturing plants – Beerse (Belgium), Latina (Italy) and Schaffhausen (Switzerland) – to the La Louvière distribution center, from which they are shipped to Janssen operating companies in 11 European countries as well as to Johnson & Johnson affiliates in the rest of the world. Once fully operational the new distribution center will also ship Janssen pharmaceutical products directly to wholesalers, pharmacies and hospitals in Europe. The La Louvière logistics center has a total operational surface of 21,500m<sup>2</sup> and will handle 160 million packs of medicines a year. Buck Consultants assisted Johnson & Johnson with the international location search for this state-of-the-art distribution center.



Belgium's Prime Minister Elio Di Rupo opened J&J's new DC

### *European network*

The La Louvière distribution center marks a significant milestone for the implementation of a European integrated distribution network. "The European distribution center in la Louvière will enable us to more efficiently deliver medicines that respond to the real needs of patients. Thanks to the new structure, some of the logistical burden and administrative costs that hospitals are faced with will also disappear", says Tom Heyman, CEO of Janssen Pharmaceutica.

Johnson & Johnson operates now three European Distribution Centers in Belgium: for pharmaceuticals in La Louvière, for medical devices in Courcelles and in Beese for LifeScan products and clinical supplies. "The management team of these three distribution centers in Belgium will be centralized. The relative proximity of these three European distribution centers makes it possible to use synergies to the maximum extent, and to exchange best practices and know how", adds Tom Heyman.

For choosing Wallonia, Heyman named many location factors, ranging from good infrastructure and access to transport links (major highways, airports and ports) to Belgium's central location and close proximity to

important markets like France and Germany. He did not deny the significant contribution received from the regional government: €11 million of a total investment of €49 million.

Jeane-Claude Marcourt, Walloon Vice President and Minister of Economy and Foreign Trade, welcomes Johnson & Johnson's investment. "The group's new European distribution center not only confirms that Wallonia is the perfect location when it comes to logistical activities with major added-value, but also the quality and productivity of the local workforce. In time, this center will become an important partner for the Walloon 'Bio-logistics' chain".

#### *Large & Green*

The new distribution center was built on a 70,000 m2 site. The building itself has a surface area of 21,500 m2. 385,000 orders will be processed annually in the center, roughly corresponding to 160 million pharmaceutical packs of medicine. The environment was also an important factor in the implementation of the new center. This is why local, regional and renewable materials were used during the construction phase, with only wood from sustainable logging being used. Moreover, efficient insulation systems have been installed in order to ensure that the buildings are as energy-friendly as possible, and the installation of solar panels is scheduled for later this year.

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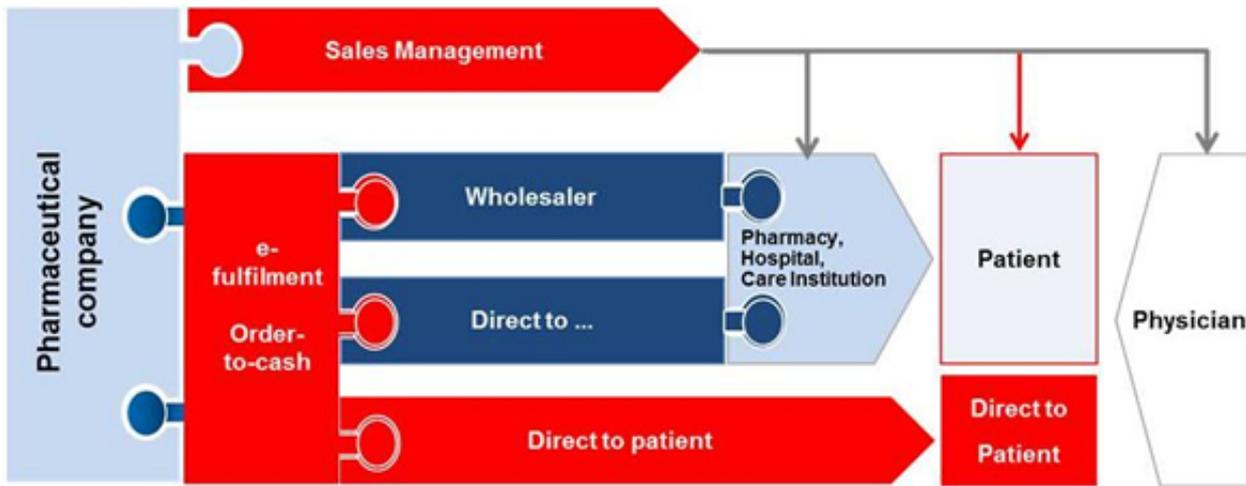
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## New challenges for pharmaceutical industry

**The pharmaceutical industry is on a necessary transformation journey. Healthcare reforms, patent expiries and increased service requirements urge pharmaceutical companies to adapt their business model. A study of Buck Consultants International identifies 8 key challenges, which ask for step changes, in which the supply chain plays a strategic change management role.**



The good times with more or less guaranteed high margins are over for pharmaceutical companies. The coming years, reduced costs, greater agility and improved speed to market - whilst ensuring the often complex regulatory legal framework in countries are being met - will form a challenging operating landscape. Buck Consultants International drafted a white paper which outlines a strategic agenda companies within the industry have to review. "Key to this agenda is the changing commercial business model pharmaceutical companies are starting to address. Pharmaceutical companies will have to turn more towards direct sales channels and therefore also direct distribution models to reduce margins in their current business. This includes direct deliveries to the patient", says Eelco Dijkstra, senior consultant Buck Consultants International.



**Changing business elements within the current business model of Pharmaceutical companies**

The white paper specifies 8 key challenges and shows what the step change should be.

Key Challenges	Step change
1 Cost Pressures on the industry	From margin driven to cost driven
2 Changing Commercial Business Model	From indirect to direct marketing and sales
3 More Responsive Supply Chains	From "push" to "pull" driven
4 Information and Visibility	From black box to information highway
5 Final Mile Delivery Component	From one fits all to product/market/customer choice
6 Collaboration and Partnership	From single to collaborative supply chains
7 Leadership and Change Management	From fragmented to single chain of command
8 The role of e-commerce	From manual and indirect order2cash to online, automated and direct

Source: *Buck Consultants International*

For many companies the key objective will be to first develop a more cost efficient supply chain with the corresponding organization and infrastructure focusing on network and distribution optimization. For some pharmaceutical companies, parts of their business model will require a more agile and responsive distribution model. Here the key drivers will focus on distribution solutions with CMO's and postponement models to allow for greater flexibility and scalability beyond costs alone.

Moving forward, it is essential that the supply chain is a critical part of the financially driven business model of pharmaceutical companies. A cost effective supply chain should be integrally linked to the order to cash cycle and will play a more important role in the pharmaceutical business model of the future.

You can download the white paper [here](#).

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## EnVivo Pharmaceuticals locates European office in Leiden, the Netherlands

Massachusetts based biotech firm EnVivo Pharmaceuticals has chosen the Netherlands for its first European office. The company has a promising pipeline for safe and effective CNS treatments, in order to address diseases like Alzheimer's disease and schizophrenia.



### *Pipeline*

EnVivo Pharmaceuticals, Inc. is dedicated to discovering and developing small molecule therapeutics for disorders of the central nervous system (CNS). The company's focus is on building an integrated company and it is working to convert its broad pipeline into a range of CNS therapies that leverage novel mechanisms of action by altering the progression of diseases and providing improvement in cognitive and overall function. EnVivo's lead product is an alpha-7 nicotinic acetylcholine receptor agonist that has successfully completed Phase 2b clinical trials in both schizophrenia and Alzheimer's disease. EnVivo's other development programs include an epigenetics program based on Histone Deacetylase inhibition (HDACi), a Gamma Secretase Modulator program and a potent and selective PDE10 inhibitor program.

### *Location choice*

Anticipating further growth, EnVivo wanted to establish a European office. Buck Consultants International was asked to compare a number of European locations on location factors such as the availability of suitable personnel, size of biopharmaceutical cluster and capabilities, real estate options and expat climate. EnVivo decided for Leiden, the Netherlands. Within this university town, only 20 kilometers from Amsterdam Schiphol Airport, a large Bio Science Park exists, with already 85 life sciences companies.

"We are proud of our new location in Leiden", said Kees Been, President and CEO of EnVivo Pharmaceuticals, Inc. "We look forward to establishing our European presence as we progress our pipeline of novel central nervous system therapies". Henri Lenferink, mayor of the city of Leiden comments: "We believe this is a great decision for EnVivo, the park and our city. I am convinced that a bright future for EnVivo lies ahead". The Leiden Bio Science Park, the West-Holland Foreign Investment Agency and the Netherlands Foreign Investment Agency together paved the way for EnVivo in Leiden.

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## Synchromodal transport offers new opportunities for logistics service providers and logistics regions

Okay, we know about multimodal transport, intermodal transport and co-modal transport. But nowadays experts speak about synchromodal transport. Is that refurbished old stuff? "No", says Kees Verweij, principal consultant at Buck Consultants International, "if you use synchromodal transport well, it can offer a clear competitive advantage".

Synchromodal transport is not a new form of intermodal transport, but a well-thought use of all transport modes in parallel. For every transport order, the logistics service provider chooses the best possible transport mode,



carefully balancing time, cost and service levels. On the same corridor this can sometimes result in the use of road transport, in other situations rail transport or the use of inland barges. The logistics service provider orchestrates the transport order; how he does it and when and where, that's the responsibility of the service provider. Logistics service providers who want to offer synchromodal transport services need to think in networks. On the other hand, investing in and using these networks offers opportunities for regions who want to strengthen their logistics profile. "For both logistics service providers and regions we have developed strategic

roadmaps, which show step-by-step how synchromodal transport can be implemented successfully", says Kees Verweij.

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## Apparel leader VF conquers Chinese market

**The people in China spend more money on their clothes. So it is no surprise that VF Corporation, with its well-known brands such as Lee, Wrangler, Timberland, The North Face and Vans grows very rapidly in China. As a result a new distribution system was needed.**



VF is the world's largest apparel company: about \$ 10 billion annual revenues, 30 dynamic lifestyle brands, sold in 150 countries through 47,000 retailers and 1,000 own retail stores. Headquartered in Greensboro, North Carolina, the Global Supply Chain Organization, based in Hong Kong, oversees the production of 500 million items annually at more than 1,400 owned or sourced facilities in locations around the world.

Asia is very important to VF, both from a sourcing and sales perspective. The growing Chinese market is now serviced from three warehouses based in Guangzhou, Shanghai and Beijing. The first two act as a central warehouse for a selected number of brands and deliver to the other warehouses and wholesale customers.

Buck Consultants International has reviewed the current network structure taking future growth and market requirements into account. The outcome of the DC network review was to centralize inventory into a Central Distribution Center (CDC) in the East China region and support VF retail activity with satellite DC operations in Beijing and Guangzhou supplied from the CDC.

BCI conducted a site selection process and made a trade-off between insourcing and outsourcing the operation. Based on BCI's recommendations, VF has selected Kunshan, Zhangpu town to locate its CDC; VF's preference is to control the building, design, construction and partial fit-out of the CDC.

A third party logistics service provider (3PL) is selected to manage and execute the operation. BCI made an overview of the 3PL market in China and managed the entire RFQ process including the contract negotiations.

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## Fashion and lifestyle companies need a new business model

**European fashion and lifestyle companies have to migrate to a cross-channel, high speed, end-to-end value chain in order to stay competitive in a very dynamic environment. That's the main conclusion Buck Consultants International draws in a study, commissioned by DHL Supply Chain.**

The report is the result of an industry wide research and interviews with leading companies such as Levi's, Foot Locker, Adidas, Polo Ralph Lauren, Urban Outfitters and VF. The study identifies and discusses eight key developments from a supply chain management perspective, from within the European fashion and lifestyle sector.



- First, overall growth in retailing will come more and more from online retailing and less from physical stores alone. Cross Channel retailing, a hybrid between online and physical stores, will require greater and more cost effective supply chain management.
- Second, strong growth opportunities in new geographic markets (Russia, Turkey) will require a different supply chain strategy to that of more developed markets in Western Europe.
- Third, greater visibility within the supply chain will enable companies to make more informed business decisions related to routing, pick/pack and postponement decisions for key customers and markets.
- Fourth, the ability to take new products to market faster than the competition requires speed and flexibility. Key is having an agile supply chain to support the business model to take advantage of opportunities and respond quickly.
- Fifth, in reducing time to market it is equally important to look at the total time to market cycle, which includes the design and manufacturing phase. Near-sourcing closer to key markets is increasingly being explored as traditional production sources in the Far East become more expensive. Using a better combination of transportation modes is another option to explore with regards to improving speed to market.
- Sixth, moving the pick and pack process upstream to the point of origin allows orders to be picked/packed and shipped directly from source to key markets and/or customers, bypassing a European distribution warehouse.
- Seventh, the hanging garment business in Europe seems to be on the decline from a logistics service offer perspective.
- Finally, having an excellent organization open to innovation and change is key to migrating to a high speed end-to-end value chain. Horizontal and vertical collaboration in which the supply chain professional plays an integral role is vital in this journey of change in which the future supply chain plays a more strategic role.

## Control Towers, hype or success formula?



**Organising transport within a company or a chain of companies in a better and more efficient way, that's what a control tower should do. "We know that there is a lot of discussion about control towers. But we help companies to make the business case and even more important, help them to implement", says Carlo Peters, senior consultant at Buck Consultants International.**

A control tower is an organisation with systems and communication interfaces to establish efficient control of all sub-processes and communication with all parties involved in the transportation of goods. All activities between a transport order and the freight payment can be brought together in a control tower. The control tower identifies on a daily basis consolidation opportunities beyond the individual business units, chooses the best transport mode and provides visibility to customer, suppliers and partners. The results? Increased reliability of deliveries, the opportunity to anticipate in case of danger, better information flows, improved understanding of freight invoices and -last but not least- cost savings. Nowadays, companies like Kimberley-Clark, Unilever, Samsung, Philips and Scania have already one or more control towers.

ABB, the 38 bln. \$ revenue international leader in power and automation technologies, is a good example of a multinational for whom Buck Consultants International compiled the business case for implementing multiple control towers. The business case showed not only that consolidation of cross business units inbound and outbound transport flows leads to substantial cost reduction, but that also a higher service level can be reached. Thirdly, with the implementation of a Transport Management System tracking and tracing as well as control of invoices will improve. Structured data flows will stimulate continuous process improvements.

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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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