



NEWSLETTER - BCI GLOBAL SEPTEMBER 2016

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

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Invitation for free webinar "The impact of Brexit on your company's European operations"- October 12th

Three months ago the British people chose Great Britain to leave the European Union. One of the largest economies in Europe will not be part of the unified European market anymore. What does that mean for your company's operations? What should be your contingency plan for your UK production plant(s), distribution center(s), service operations, R&D center?

A graphic where the word "BREXIT" is written in large, bold, blue letters. The letters are filled with the Union Jack flag pattern, and the letter 'X' is filled with the European Union flag pattern.

Buck Consultants International invites you for a free and practical webinar on the impact of the Brexit for

your company.

Date: Wednesday, October 12th, 2016

Time: 9 – 10 am US Pacific Time Zone

Topics which will be addressed during the webinar:

- The expected impact of the Brexit on the UK and the European economy
- Which sectors of industry will be influenced most?
- How to deal with the uncertainty in the next 24 months about how the UK and the European Union will split-up and will come to a kind of trade agreement? What is your contingency plan?
- What about the attractiveness of the United Kingdom for setting up new operations by American companies?
- How will the Brexit change the work of corporate real estate executives as far as the UK facilities are concerned?

Buck Consultants International works for a wide range of international companies such as ABB, Abbott, Allen & Overy, Amgen, Boston Scientific, BP, Chiquita, Columbia Sportswear, Danone, Dell Computer, DHL, ExxonMobil, Fossil, Fuji Photo Film, G-Star, Hewlett-Packard, Ikea, John Deere, Johnson & Johnson, Kraft Foods, Liz Claiborne/Mexx, Medtronic, Microsoft, NCR, Nike, Novartis, Philips, Samsung, Sitel, Stryker, Toshiba, Vodafone, Yamaha. The projects include development of global or regional footprint strategies, location studies for distribution centers, production plants, R&D centers and back office projects as well as supply chain optimization studies in all regions of the world.

If you are interested to participate please send an e-mail to nathalie.schouten@bciglobal.com and we'll send you the technical instructions.

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BCI Global opens offices in the Bay Area and Los Angeles

The international supply chain, location strategy and site selection firm BCI Global, also known as Buck Consultants International, opens two new offices in California. In the Bay Area (Burlingame – San Mateo) and in Los Angeles Area (Mission Viejo). BCI Global advises already many California based companies who want to increase their footprint abroad, whether it is in Europe, Middle East and Africa or in the Asia Pacific region. “We want to strengthen our presence in California. After all, California is the 6th largest economy in the world”, says René Buck, CEO of Buck Consultants International, a company headquartered in The Netherlands.



Buck Consultants International has appointed Jim Renzas as Director California. Buck: “Jim has a fantastic track record in supporting companies with their footprint optimization and site selection for new plants, distribution centers, data centers and offices”. Jim Renzas adds: “I am excited to join BCI Global. BCI has a great reputation for having extensive knowledge and capabilities in delivering high quality advice to US firms considering to optimize, expand or reconfigure their international operations in EMEA or AsiaPac. BCI Global has worked with over 1,500 companies in 50 countries across many industries and is the industry leader for companies who are searching for global expertise

in site selection for their operations, supply chain strategies and go-to-market plans. I look forward to working with many California firms with a global outlook.”

Buck Consultants International is a global leader in supply chain and footprint optimization, location

strategies and site selection. The firm employs 60 dedicated professionals. The company has a network of 10 offices:

US : Burlingame (Bay Area), Mission Viejo (Southern California), Atlanta (Georgia)
Asia : Singapore, Shanghai (China)
Europe : Nijmegen, The Hague (The Netherlands), London (United Kingdom), Frankfurt (Germany), Paris (France), Brussels (Belgium)

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Medtech companies review global manufacturing footprint

The technologies in the medtech industry are rapidly changing, while at the same time the whole industry is globalizing at a fast pace. New emerging geographies mean for US and European companies new locational challenges and new types of risks to be addressed.



The worldwide medtech industry, a broad and diversified industry vertical with over 10,000 product groups and 500,000 technologies, is still growing. With a forecasted annual growth rate of 4.1%, the sector will reach sales of nearly \$ 480 bln by 2020. But no dull moment in the medtech, as technology and innovation challenges have to be addressed, but also pricing pressures and regulatory changes. This last point (regulatory and legal context) varies per country. Take Asia as an example: more than 50 countries, varying tremendously in size, market access, regulatory approvals and reimbursement models.

Global manufacturing footprint

“Producing devices or equipment in every geography of the world is on the top of the board agenda of all medtech companies”, says Johan Beukema, managing partner at Buck Consultants International. “Clients are interested in the opportunities, location choices and risks in countries like Malaysia, Vietnam, Mexico and China. They want to combine the growth of these emerging markets and customer proximity with overall relative low production costs, in order to really optimize their global manufacturing footprint”.



Beukema underlines that companies need to have a clear global manufacturing strategy, which has to address four questions. The *why question* is about the drivers behind such a strategy, varying from market pull to technology push. *What* refers to make or buy decisions, balancing the pros and cons of own manufacturing versus CMO strategies. The *where question* is to identify for an individual company relevant regions in the world. Last but not least is the *how question*, how to mobilize the company for change”.

Mathijs Pronk, senior consultant adds: “Buck Consultants International has a variety of tools to assist companies in making these strategic decisions. From C-level strategic workshops to complete footprint scenario simulation and location choices all over the globe. And always with a practical mindset, based on our 30+ medtech projects annually”.

For medtech companies Buck Consultants International has a specific presentation ‘Global Footprint Strategy, Scenarios & Location Choices in the Medtech Industry’ available, free of charge. Please mail:

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US automotive supplier Gentherm chooses Macedonia

Detroit based Gentherm, a global market leader and developer of innovative thermal management technologies, has opened a new production site in Prilep, Macedonia. BCI Global assisted Gentherm's European management with the site selection process: from a blank sheet covering Europe and Africa, to the exact location in the Technological Industrial Development Zone Prilep.



Gentherm, an \$ 850 mln dollar company, employs over 10,000 employees in facilities all over the world. Growing sales for customers such as Ferrari, Bentley, Renault, BMW, Porsche, Daimler, VW supported the importance for the company to grow its global manufacturing footprint. "The availability of educated workforce and excellent investment opportunities were the main reasons why we chose Macedonia", says



Jörg Evers, Vice President Automotive Europe at Gentherm. He noted that in the final selection new sites in Romania, Bulgaria, Serbia, Morocco, Macedonia and Hungary were considered. "The reason for the decision to invest in Macedonia were the qualifications of the people our project team interviewed and the professionalism of the representatives of the Government of

Macedonia". The company now employs nearly 400 employees, a number which is expected to grow to 2,000 people.

(Former) Prime Minister Nikola Gruevski and Mayor of Prilep Marjan Ristevski are enthusiastic about Gentherm's investment. "We believe that other investors will follow the example of Gentherm. When seeking access to the European market, good infrastructure, good business conditions, quality of the human resources and a government as a willing partner, the choice will fall to Macedonia".

Source: a.o. Kurir

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BCI Global strengthens market position in Asia



Singapore



Shanghai

In August BCI Global opened new offices in Singapore and Shanghai. Sui Leng Khoo has been appointed as Vice President Asia Pacific.

"From an economic point of view Asia is still the fastest growing region in the world. Not only China, but also South East Asia with countries like Singapore, Malaysia, Philippines, Thailand. Many of our US clients have growing business in Asia, which asks for dedicated advice to address the specific supply chain and location choice challenges in that region. Till now BCI Global served clients for assignments in Asia from the offices in Europe; our growing Asia practice makes the opening of an APAC office and a China office logical", says René Buck, CEO of BCI Global.

Singapore

The regional headquarters of BCI Global in Singapore will be led by Sui Leng Khoo. Born in Singapore, Sui Leng Khoo made a career as a supply chain optimization and business operational transformation expert. She held leadership positions at Motorola, Dell and Estee Lauder. René Buck: “Sui Leng is a seasoned professional with an extensive track record of successes in defining strategies, leading supply chain improvement initiatives and driving business results. With her experience of the Asia Pacific region and her inspiring leadership style, we are confident that she will build a strong team to serve our clients with the best solutions.”



Sui Leng Khoo adds: “I am excited to join BCI Global. The company has a fantastic track record of advising US corporations. Advising companies with well-thought supply chain strategies and well-based location advise for new plants, distribution centers and offices, is a wonderful challenge. I worked for 30 years for large, mainly American companies. I am eager to share my experience and partner with my esteem colleagues at BCI to provide best in class solutions for our current and new clients.”

Shanghai

BCI Global has also opened an office in Shanghai to serve the growing China market. “With unparalleled 6% economic growth annually, China is still very attractive for European and US companies. But optimizing supply chains or carrying out location studies in China has its own challenges. We are very pleased with Jeff Wang leading now our Shanghai office”, says René Buck, CEO of BCI Global. Jeff Wang has a long track record in advising Chinese and Western companies on the specifics of doing business in China. He is a recognized expert in the fast growing e-commerce market in China and the related supply chain and locational challenges. Jeff Wang: “We work already for many years successfully together with BCI Global. I am proud to be now BCI’s Director China. I am convinced that US companies with growth plans for China will benefit from the knowhow and experience with well-based supply chain, footprint optimization and site selection solutions”.



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A new perspective on supply chain risk management

Strikes at the port of Long Beach, labour disputes in France, natural disasters like an earthquake in Indonesia, a volcano eruption in Iceland grounding air flights between Europe and the US: they all disrupt supply chains. Although many companies witness the potential downside of disruptions on business continuity and performance effective supply chain risk management practices are still rare. Buck Consultants International has developed a new framework based on the concept of resilience.



“A survey BCI executed among 50 supply chain executives in various industry verticals shows that although 86% considers supply chain risk management to be important, less than 60% has a back-up plan in case a disruption occurs”, says Wesley Haaksma, consultant at Buck Consultants International.

BCI advises companies to use standard risk assessment tools in combination with establishing resilience capabilities, i.e. competences that make organizations less vulnerable to unfavorable circumstances. BCI has developed a new model for resilience assessment, using 12 organizational competence factors and 5 risk source factors, which in turn consist of 140+ sub-factors.

Factors embedded in a BCI resilience assessment



Source: Buck Consultants International

“Our approach has two main advantages compared to tools such as mapping, critical path analysis, risk likelihood & impact analysis and six sigma. Instead of finding and implementing costly and exhaustive risk mitigating strategies for every possible contingency, our approach helps to diminish the susceptibility of companies to risks without addressing specific disruptions. Furthermore, by balancing risk sources and organizational competences, an appropriate trade-off can be made between investing in resilience and facing supply chain risk”, explains Reitze de Graaf, senior consultant at Buck Consultants International.

Cases

In a just released white paper BCI presents two case studies. The first case is about European distribution network optimization from a cost and risk perspective. It shows not only how risk sources and organizational competences can be evaluated and prioritized, but also how risk mitigation costs can be calculated.



The second case deals with a stand-alone resilience assessment. Our approach consists of three phases: scoring factors contributing to supply chain resilience; evaluation & prioritization of risk sources and competences risk mitigating strategies & financial impact analysis.

Benefits

As mentioned before, the BCI framework encompasses both risk sources and competences. The main benefits are:

- instead of establishing exhaustive risk mitigating strategies for every possible contingency, our approach diminishes the vulnerability to risks without addressing specific disruptions;
- trade-offs can be made between investing and facing risks by balancing risk sources and organizational competences;
- companies with the right balance between risk sources and competences have an edge on their competitors when unforeseen events occur.

Interested in our supply chain risk approach and/or in the White Paper?

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New American agricultural machinery plant lands in Hungary



Illinois based agricultural equipment manufacturer GSI opened a year ago its first European manufacturing plant. Location of choice is Biatorbágy (Hungary), where 125 people now work in a brand new facility.

GSI, a global brand of AGCO, is a world class manufacturer of grain storage, material handling, conditioning and drying equipment, as well as a full line supplier of swine and poultry production equipment.

The 8,000 sqm manufacturing plant is benefitting from the dynamic growth in the agriculture industry – especially grain, poultry and swine businesses – in the Europe, Middle East & Africa region. The design, manufacturing and distribution of grain material handling equipment is now covered by the Hungarian plant. Buck Consultants International assisted GSI in its location decision process. Tom Powers (just retired), director Strategy and Integration of AGCO, was BCI’s counterpart: “As a former location strategy consultant, I had high expectations for Buck Consultants International when they were selected for this project. The very competent, cross-functional, and geographically diverse project team exceeded expectations. The analysis was thorough, the methodology sound, and all deliverables presented on time. I was very confident in presenting to AGCO and GSI senior leadership the recommendation to locate our manufacturing facility in Hungary based on BCI’s findings. We are very pleased with our decision to locate in Budapest and I would definitely look forward to having the opportunity to work with BCI Global again”.

Production

“Opening our first manufacturing plant in Europe is a key step to increase our international presence and deliver quality products and dependable solutions” explains Thomas Welke, Senior Vice President of the Global Grain and Protein division of GSI. “When we decided to expand, we wanted to be able to accomplish three objectives: speed of delivery, flexibility of product design and the ability meet local customer needs,” Jason Colwell, Director of Business Operations: “With this new Hungary manufacturing plant, we achieve all of them”.

Jason Colwell explains also the choice for Hungary. “Central location played an important role in deciding to open the plant in Biatorbágy as our main export markets in the region are Russia, Ukraine as well as Hungary and the neighboring countries. Now we can deliver tailor-made material handling equipment designed and manufactured locally”. In addition to this, the favorable investment conditions, great logistics and infrastructure helped GCI to decide on this location, also taking advantage of the professional workforce as well as quality local suppliers.

Distribution

In addition to manufacturing material handling equipment, the factory also functions as a training and distribution center for GSI’s complete portfolio of grain, poultry and swine equipment. Together with the additional 2,000 sqm office and warehouse building, GSI Hungary Ltd. has created 125 jobs by hiring design engineers, quality engineers and colleagues to support logistics and purchasing department as well as several skilled blue collar workers (CNC operator, welder, etc). The number of employees is expected to grow exponentially as GSI plans to triple the production of the Hungarian plant in the next two years.

AGCO

GSI is a global brand of AGCO, a global leader focused on the design, manufacture and distribution of agricultural machinery, which has been present in Hungary already since 2011, when a shared service center opened its doors. That year was also marked by the decision that the company,



famous for their brands Challenger®, Fendt®, Massey Ferguson® and Valtra® now aims to deliver complex agricultural solutions and acquired GSI Group specialized in grain storage and handling, poultry and swine systems.

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What does Brexit mean for your company?

On June 23rd the British people voted to leave the European Union. The financial markets reacted negatively, but the UK is still the fifth largest economy in the world. It's an export driven economy, for many American and Asian companies it is an important country for production and services operations and London is a world financial center. So what does Brexit mean for your company and how can you address the Brexit challenges?

See invitation for free [Brexit Webinar on October 12th, 2016](#)

The United Kingdom's vote to leave the European Union raises many questions, most of which are unanswerable at this time. No one likes uncertainty, least of all the corporate world. However, there are three steps for companies impacted by the Brexit:



1. *Brexit Impact Assessment*, which includes a.o. assessment of the financial situation, the expected business implications, the future competitiveness of UK operations. Of course, this depends heavily on your UK operations: a marketing and sales office, production plant(s), regional headquarters, back office and/or R&D-labs;
2. *Review of the current European Footprint based on Scenario Analysis*. Developing scenario's (with for example various levels of relocating activities) and assessing them for strategic drivers and operational impacts is a smart way to get an understanding of feasible responses for your company to the Brexit;
3. *Find a new location* for certain activities if necessary. This asks for an accurate and up-to-date comparison of what countries, regions and cities have to offer from a cost, quality of the business environment and risk perspective.

These steps are part of the special Brexit Contingency Plan developed by BCI Global developed for companies that require assistance in this matter.

Trade tariffs on goods and services

The result of Great Britain leaving the European Union will be tariffs on goods and services imported into the EU, as these apply to other non-EU members as well. Some examples: for cars it is 10%, for medicines 5%, for certain financial services it is up to 40%. There is a chance that trade agreements between the UK and the EU are agreed upon which avoid or decrease these tariffs. But than the UK government has to break some of the Leave EU-campaign promises. We expect the majority of the companies with UK operations will not wait for the uncertain outcome of at least two years of negotiations.

Lengthy and tough negotiations

It is foreseen that later this year the British government will officially give notice to the European Council of its intention to leave the European Union, followed by a two year period of negotiations. The UK does not want to adopt EU regulations and wants to stop immigration (mainly from Central and Eastern Europe) and the arrival of refugees. But the concept of the European Union is based on the same regulations in all member states, in order to guarantee free movement of goods, services, people and capital. The starting position of the EU will be a combination of 'out is out' and not 'Europe à la carte' (yes to free movement of



goods, capital and services; no to free movement of people). So, lengthy and tough negotiations are ahead, with an uncertain outcome. Migration status between the UK and EU is another big unknown. As with tariffs, there is no way to predict what kind of migration arrangement will ultimately be negotiated between the UK and EU. At the moment 3.3 million EU inhabitants live in the UK. Their 'right to stay' is uncertain, so it could have dramatic effects on the ability to recruit and retain talent. Companies will want to assess various outcomes to gauge the sensitivity of their own operations to potential changes in migration laws.

There is no need to panic, yet. The UK will stay at least for two years in the European Union. The boardroom question, however, is: can we afford to wait and see what the results will be of the two years negotiation process or do we have to act now?

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Omni channel in retail is hot: order anywhere - fulfill anywhere

Many brand owners and retailers still have a P&L for each distribution channel: one P&L for their retail channel, one for e-commerce and one for the wholesale channel. Logistics is also organized per channel ('silo'). But if you put the customer in the center, you need an omni channel strategy to accommodate buy everywhere – shop from everywhere - return to everywhere.



That e-commerce is growing is not new. Internet sales in the UK topped 112 bln euro already. But also online sales in Germany, Sweden, France and the Netherlands are in the range of 7.5% – 12% of total retail sales (UK 15%).

"In order to create one brand and shopping experience, brand owners and retailers cannot make a distinction anymore between the online world and the brick and mortar world. Omni channel is the way forward", explains Patrick Haex, managing partner at Buck Consultants International. Research shows that 70% of the customers expect to view in-store inventory online, but only less than 1/3 of the retailers is able to fulfill this expectation. Interesting fact: only 1 out of 3 customers are likely to visit a store if they do not have visibility to the item's in-stock status.



Buck Consultants International recognizes various fulfillment models: drop ship from the vendor to the customer (Lenovo, Apple, KidKraft); dedicated distribution centers for e-fulfillment (Urban outfitters, Tesco, Esprit); combination centers with stores and on-line costumers serviced from the same distribution facility (Mango,

GAP); distribution via stores (Ikea, Staples). Patrick Haex: "Hybrid fulfillment networks are emerging to unlock the inventory in the chain and sell products at full price rather than mark down the inventory".

Regarding locations of fulfillment Patrick Haex comments: "Companies migrate closer to the end consumer. You have to be fast when it needs to be fast to win the sale. For same or next day delivery we advise for larger metropolitan areas such as London, Paris, Moscow and Shanghai, rapid fulfilment centers".

Buck Consultants International has made a tool to assess transport & delivery to define best in class e-commerce networks. "Given the fragmented European carrier landscape and the high costs of integrated parcel shipping, brand owners or retailers need to be able to connect with many carriers. We have an excellent understanding of which carrier in all geographies of the world can deliver and perform according to the specific requirements of a client."

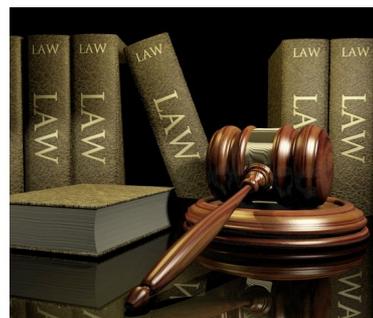
For more information about e-fulfilment, from network design to transportation management and warehouse design, contact:

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London based legal industry reconsiders locations

The legal industry is looking for new support business models and new locations as well. The mantra is not anymore 'London, London, London'. There are new kids on the block in the UK, Europe and Asia. Norton Rose Fulbright and Dentons recently announced new locational support strategies, following examples of Allen & Overy (see [here](#)) and Hogan Lovells (see [here](#)). "Buck Consultants International is clearly the preferred go to location advisory firm for legal firms, as these new projects show again", says Josefien Glaudemans, partner at Buck Consultants International.



Dentons

Dentons, a global top 20 legal firm, announced its new shared services strategy with the announcement of a new business service center in Warsaw, Poland later this year. Dentons Business Services EMEA (DBSE) will supply business services for lawyers and professionals predominantly in the firm's UKMEA and Europe regions across finance, business development and marketing, human resources and IT. By pooling together in one location certain tasks currently performed across numerous offices, Dentons will be able to leverage both regions' combined scale and resources more effectively, and create better service for its clients as a result of achieving greater efficiencies within the business. "We are always looking for new ways to better serve our clients", said global chairman Joe Andrew. "After the firm's rapid expansion of the past few years it is a logical step for us to leverage our scale and resources more effectively, while continuing to invest in harmonization so that we can achieve our objective of building the law firm of the future now."

"Warsaw offers us a number of advantages over other locations, but the key appeal to us is its mature shared services market with experienced and available staff," said UKMEA CEO Jeremy Cohen. "We are the largest law firm in Poland with a reputation for quality stretching back over 25 years, which will make the DBSE an attractive proposition to the multi-lingual business services workforce that Warsaw is renowned for."

Norton Rose Fulbright



Norton Rose Fulbright, another large legal firm, announced recently to move nearly 60 London support jobs to Manila in the Philippines as it relocates 170 jobs worldwide. The firm is opening a business services centre in Manila in September 2016 to handle marketing, business development, HR, document production, IT, finance, compliance and knowledge management work.

Mark Whitley, the firm's global chief operating officer, said: "This change will mean that we will have to take some tough decisions regarding our people. We fully appreciate that this will be a difficult time for some of them.

According to Whitley, the move is part of the firm's 2020 business transformation strategy, which has the goal of creating a "globally integrated and efficient service". The centre, with a dedicated team of about 170 people, will service the firm's global offices across Australia, EMEA, Canada and the US.

A Norton Rose spokesperson said the firm had conducted "an extensive review" before deciding on the moves: "The criteria we used to select our preferred locations were quality, risk and cost and, having

considered all options, we decided that Manila best fulfilled our criteria. Manila is a business service hub, with a well-developed infrastructure, a large, English-speaking labour pool and a strong professional services culture."

Source: a.o. *Legal Week*

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How to optimize spare parts delivery in the Middle East and Africa?



Customers all over the world expect the same for spare parts deliveries: same or next day delivery, products always available, choices for delivery points. And in the US and Europe that is not a problem. But how to deliver spare parts and meet these expectations in Saudi Arabia, Kenya, Nigeria, Iran, South Africa?

A survey of Buck Consultants International shows that in reality the difficulties in emerging markets can be many. Customs inefficiencies (timing, documentation), import restrictions, limited service / geographical coverage and security issues do not match with high customer expectations.

To build a customer focused and cost efficient spare parts supply chain, four key building blocks are needed, explains Carlo Peters, principal consultant at Buck Consultants International. "The distribution center network is the starting point. Routing is important as we see more and more direct delivery to the customer from the supplier or plant instead of a distribution center. The third building block is inventory segmentation and planning. Let's not forget that the vast majority of the spare parts deliveries is for only a limited number of SKUs. The last building block consists of the management and service of transport through various modalities". With these building blocks each company can optimize their specific spare parts supply chain, keeping service levels high and costs as competitive as possible.

MEA

Growth of business in Africa and the Middle East leads to new routes-to-market strategies. Srinivasudevan, senior consultant at Buck Consultants International, explains the dynamics in spare parts supply chains. "The starting point for many companies is a European spare parts hub serving Middle East and Africa (*Figure 1*). As business expands a company might need over time a regional hub in for example the United Arab Emirates for Middle East and East Africa, and a hub in South Africa to cover the southern part of Africa, while the European hub still services customers in North and West Africa (*Figure 2*). A logical next step could be a regional solution with various hubs in Africa (*Figure 3*). However, due to the lack of seamless customs processes and appropriate infrastructure this is not (yet) feasible. A good alternative is consignment stock of critical spare parts at strategic customers or locations".

Figure 1



Figure 2

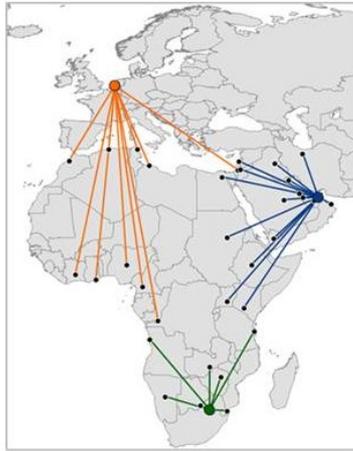
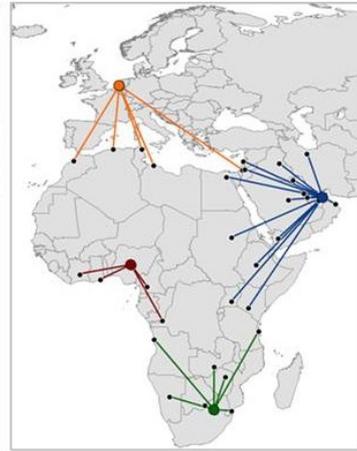


Figure 3



Source: Buck Consultants International

Interested in our dedicated presentation for spare parts supply chains in Middle East and Africa?

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Do you know anybody who would like to receive our newsletter, please send an email with name, function, organisation, telephone number and email address to silvia.groen@bciglobal.com.

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