



**Buck
Consultants
International**

Attracting Logistics Customers

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Agenda

- 1 The Playing Field**
- 2 Supply Chain Management**
- 3 Megatrends and SC Structures**
- 4 The Potential Customer**
- 5 Prepare for a Winning Game**
- 6 Play a Winning Game**
- 7 Lessons Learned**

1 The Playing Field

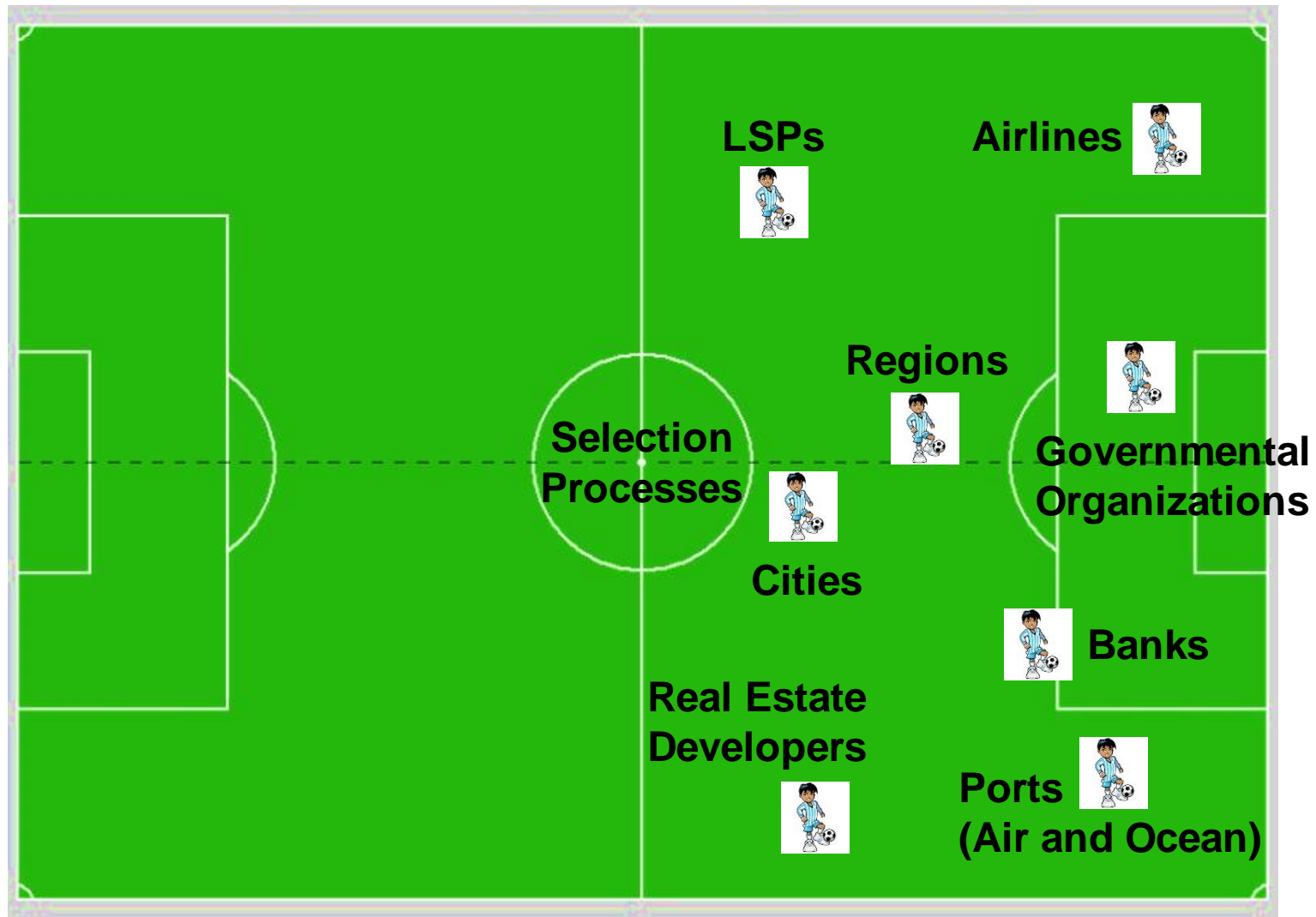
- Overview of players
- Your region versus your neighbor
- What is your service offering?



Overview of players in the field

Demand

Supply



Regional competition

- We are the center
- We are unique
- We have land
- We have warehouses
- We have personnel
- We have grants
- We have dock shelters
- We have a VAT advantage
- We have

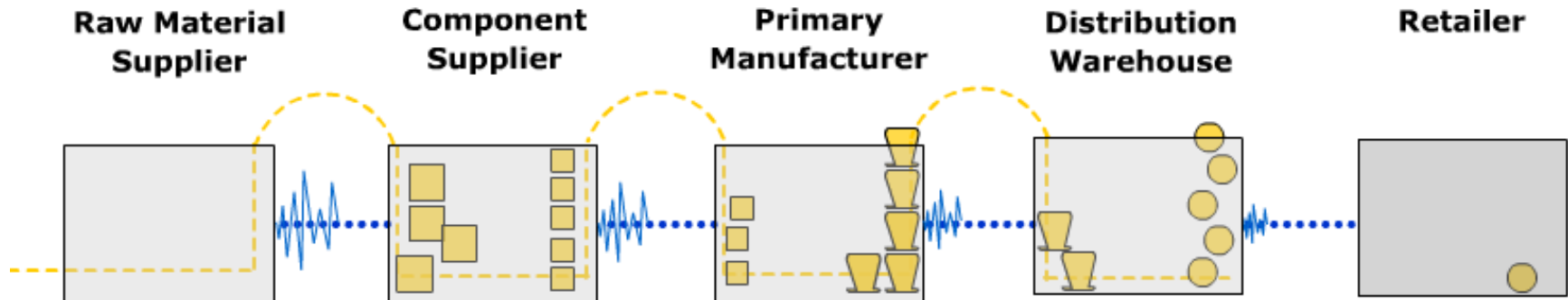


but what is the real solution?

Better understand the potential customer

2 Supply Chain Management

Supply Chain Management (SCM) optimizes the flow of products, services and related information from source to customer



Supply Chain Management

the process of planning, implementing and controlling the efficient and effective flow and storage of goods, services and related information from point of origin to point of consumption for the purpose of conforming to customers requirements

The value proposition must drive the supply chain strategy



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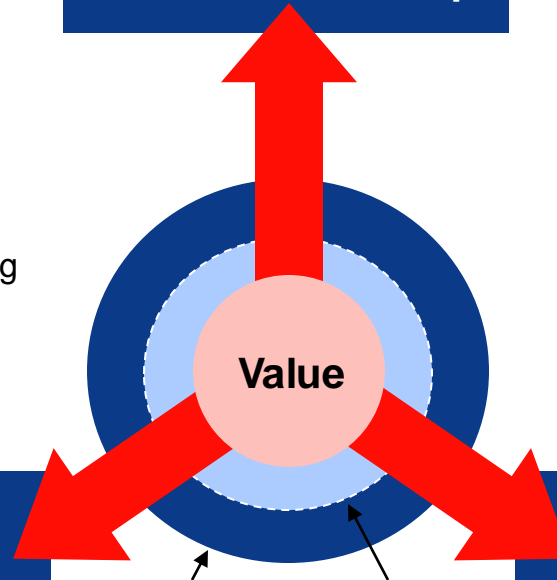
Customers' perspective

- 'They're the most innovative'
- 'Constantly renewing and creative'
- 'Always on the leading edge'

Internal perspective

- Focus on continually introducing new products into the marketplace
- 'Product is king'

Product leadership



Operational Excellence

Customers' perspective

- 'A great price'
- 'A no hassle firm'
- 'They never make mistakes'

Internal perspective

- Focus on cost and quality
- 'Process is king'



Industry Leadership
Minimum Threshold

Customer intimacy

Customers' perspective

- 'Their services are unique'
- 'Exactly what I need'
- 'They're very responsive'




Internal perspective

- Focus on identifying, understanding and serving customers
- 'Customer is king'



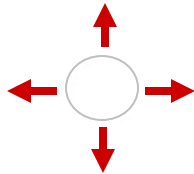
Value proposition

The different strategic focus leads to a different configuration and organization

Value discipline	Product leadership	Operational excellence	Customer intimacy
Perception characteristics			
Customer's perception of you as a provider of products and services	<ul style="list-style-type: none"> • Innovative • Leading edge • Constantly pushing new products 	<ul style="list-style-type: none"> • A great price • No hassle firm • They never make mistakes 	<ul style="list-style-type: none"> • Unique services • Exactly what I need • Responsive
Supply chain characteristics	<ul style="list-style-type: none"> • Short pipeline • Focus on eliminating tiers from the chain <p style="text-align: center;"> Agile</p>	<ul style="list-style-type: none"> • Robust • Capable of dealing with high volumes • Focus on cost <p style="text-align: center;"> Lean</p>	<ul style="list-style-type: none"> • Flexible • Individualized solutions • Linked to customer process <p style="text-align: center;"> Responsive</p>

Example: spare parts logistics networks

The World in 24 hours



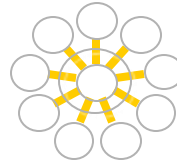
Centralized Solution

- Centralized inventory
- Shared infrastructure
- Scheduled batch-run picks
- Late cut-offs
- Consolidated transportation to customers and engineers
- Delivery on next business day



HEIDELBERG

The World in 4 hours



Advanced Network

- Centralized backup-inventory
- Localized emergency inventory in selected cities in each country
- Shared infrastructure
- Pick-to-order 24 x 7 x 365
- Individual transportation to customers and engineers
- Consolidated replenishment transportation
- Delivery within 4 hours of order

DELL™

sgi

The World in 2 Hours



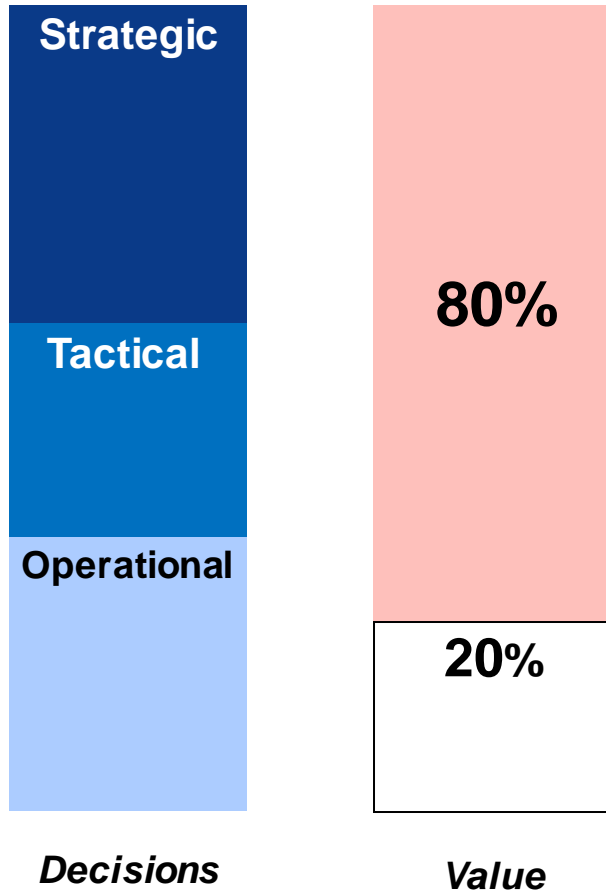
High Density Network

- Centralized backup-inventory, eventually hosted in two locations
- Localized emergency inventory using a high density storage network to achieve shortest lead times
- Shared infrastructure
- Pick-to-order 24 x 7 x 365
- Individual transportation to customers and engineers
- Consolidated replenishment transportation
- Delivery within 2 hours of order

CISCO SYSTEMS

Sun
microsystems

Focus on footprint



The majority of the value chains lifecycle costs are locked-in at the start

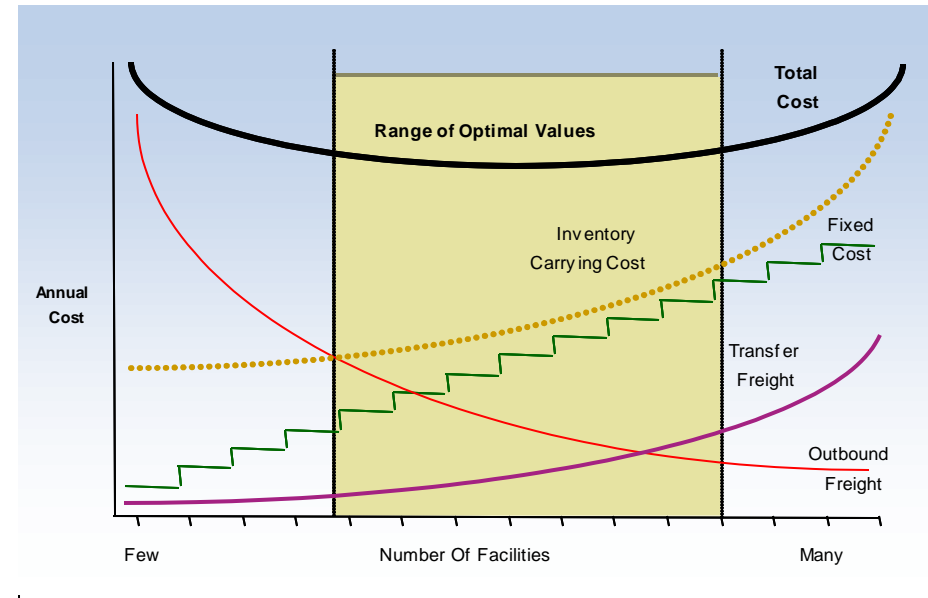
- Distribution network
- Inventory locations
- Assembly network
- In-house vs. contract manufacturers
- Logistics suppliers

Source: AMR

Network Optimization Strategy

Companies evaluate part or all of the supply chain footprint including:

- product sourcing costs
- manufacturing costs
- inventory carrying costs
- fixed and variable facility costs
- inbound, transfer and outbound transportation costs
- taking into account constraints like open/closed facilities, throughput capacities, customer service limits, product eligibility, etc.



Example: BCI Client in FMCG industry

FROM



TO



RESULTS

**Overall SC cost
from 132M€ to
117M€ (- 12%)**

**7M€ saving in
transport spend**

**OTIF from below
70% to >95%**

	FROM	TO
Locations	80	35
Transport consolidation	Not in place	2M saving
Purchasing	Decentral	Centralized
Inventory	High	> 20% reduction
On Time In Full	<70%	>95%

3 Megatrends and SC Structures

Megatrends: demand for logistic services

- Globalization of production and commerce
 - Increasing transport distances, growing demand for logistic services in global supply chain networks, new communication and integration requirements, growing competitive pressure
- The transition to a post-industrial society
 - The end of growth in industrial manufacturing in the countries of Western Europe, accompanied by an increasing demand for products individualization and more service
- Acceleration of economic activity in on-demand world
 - Just-in-time responses to customer demand, time-based competition, the increasing flexibility of logistical systems and the growing importance of asset management
- Focus on low cost and cash management
 - Shippers want maximal logistics services against low costs, less standard schedules and more flexibility. Contracts get shorter, more change in distribution network design
- Increased demand for logistics collaboration
 - Shippers collaborate together more to bundle transport and control cost and service. New DCs and services are required, and collaborations are open for renewal/extension.
- Security threats and sustainable economy
 - Growing threats to logistical systems from terrorism (incl. robbery, piracy, etc.); new political intervention against climate change, requirements for sustainable and more recycling as well as security

Megatrends: supply of logistic services



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Efficient and optimized logistics processes

New SC configuration options

Deregulation and rise of 'hybrid' service providers

Increase in logistics outsourcing

Supply chain differentiation

Development of Supply Chain Control Towers

- Process- and value chain orientation, emergence of 'pull-oriented' SCM with JIT and CRP, growing demand for process- and IT-know-how, 'Lean-', 'Process-' and 'Event-Management'
- More connections of supply networks by the 'Web', precise location, controllability and automation of flows and goods of objects as well as RFID and 'Smart Objects'-technologies
- New providers, new services and new competition from former national services, 'hybrid' third party logistics providers owned by industrial companies, growing competitive pressure
- Management of shippers to focus on core competencies, complexity and asset reduction, head-counting. Increased outsourcing of transport and logistics activities
- Every sector has own specific supply chain network features (e.g. quality controls, fresh, handling), specific tailor made logistics networks to be set up
- Logistics service providers will set up supply chain control towers to manage entire logistics networks flexibly. Data-exchange through standard IT platforms is essential for control towers

Distribution: drivers for centralization versus decentralization

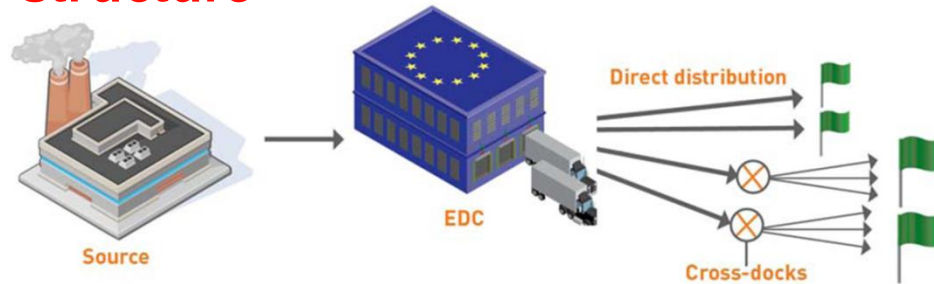


	Central execution	Decentralized solution
3 Value Propositions	Operational excellence	Customer intimacy
	Product leadership	
Local market volume /local SKUs	Low	High
Ability to forecast accurately	Low	High
Required market responsiveness	Low	High
Transport intensity	Low	High
Product value density	High	Low
Labor intensity	High	Low
Number of global suppliers	High	Low
Importance of consistent quality	High	Low

Various Supply Chain configurations

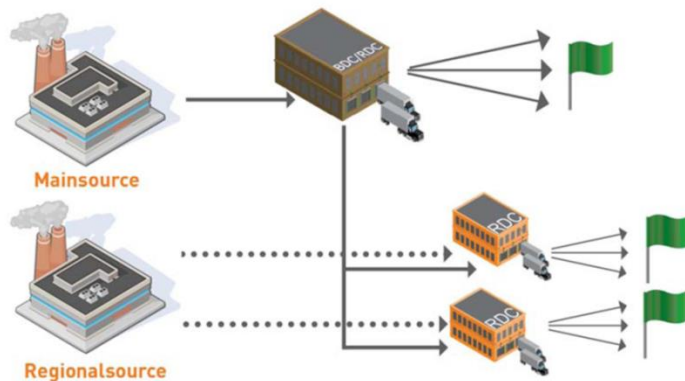
Centralized control and execution best for some companies

EDC-structure

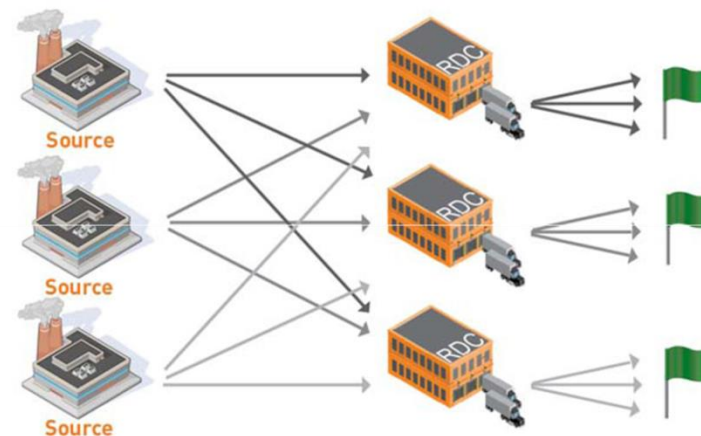


..... but decentralized control and execution due to growing importance of customer intimacy/e-fulfilment

CDC-structure

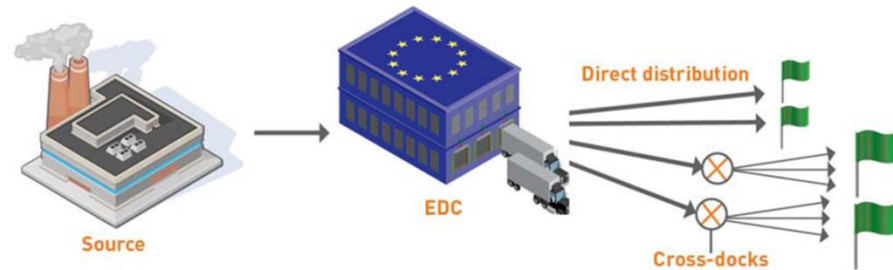


RDC-structure

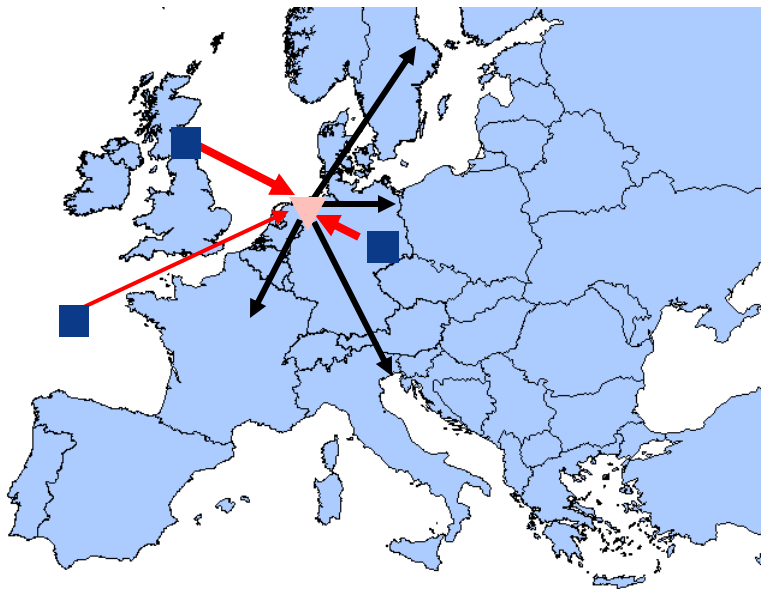


Main supply chain configurations

EDC-structure for operational excellence



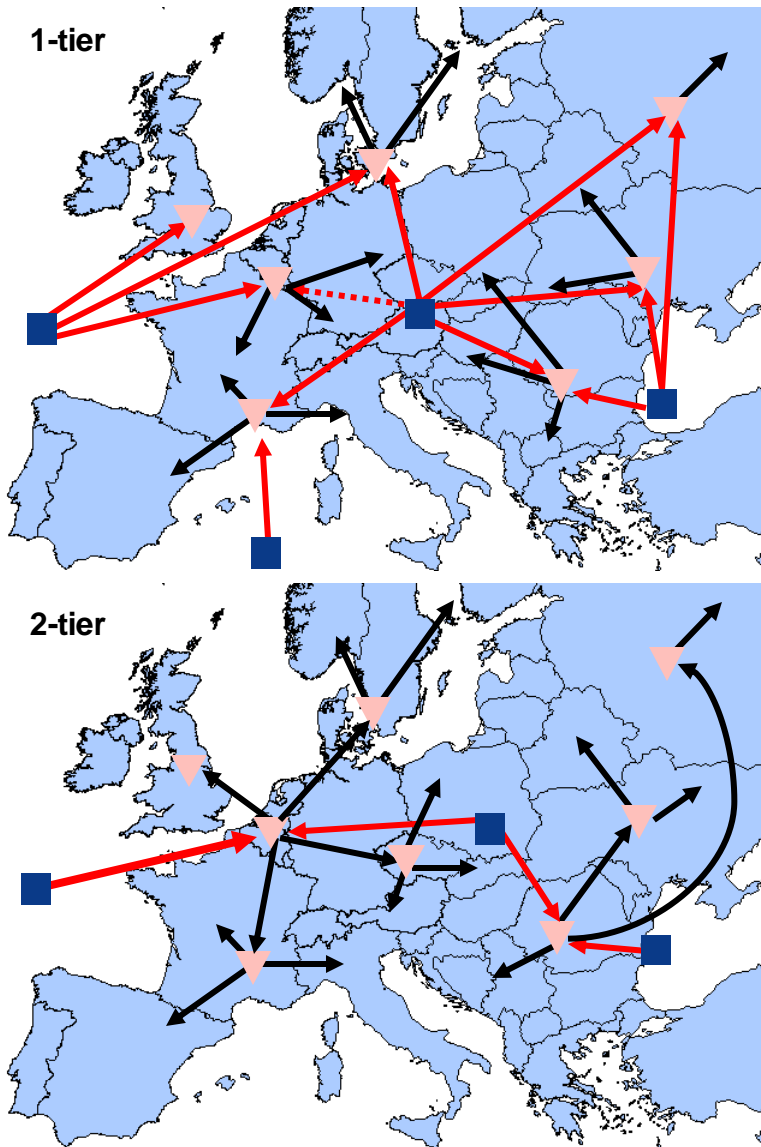
Centralized control and execution



▼ = DC ■ = production

	Characteristics
Primary production	In or near market region
Secondary production	Mainly integrated in primary production function, trend towards integration in DC
Distribution	Centralized in single Euro DC or local market DC's
Inventory	European inventory
Planning	Centralized
Customer service	De-centralized
Shared services	De-centralized but with plans to centralize

Main supply chain configurations



Trend:

Decentralized NETWORKS with central control...towards product-market specific, hybrid supply chains for more customer intimacy

	Characteristics
Primary production	Off-shore or Near-shore
Secondary production	In market/low cost region
Distribution	Regional DC's <ul style="list-style-type: none"> ● Direct sourced ● Satellite structure / X-dock
Inventory	European inventory
Planning	Centralized
Customer service	Regionalized
Shared services	Centralized / regionalized

4 The Potential Customer

The dynamics that impact the supply chain are numerous

- Rapidly and unpredictably changing markets
- A shift from mass markets to fragmented niche markets
- Fast growth of e-commerce / e-fulfilment
- Ever shortening product life cycles
- Growing pressure on financial impact of supply chain performance
- Continuous pressure to squeeze waste (both time and cost) out of the supply process
- Supply chain management becomes 'core business'



Important to understand:

- **Which sectors and sub-sectors?**
- **What is the specific view of customer?**
- **How is the customer entering the game?**

Life Sciences & Health: location factors

Factors	High value pharma / biotech	Large Pharma	Medtech	Medical Disposables
Closeness to market (COG)	-	++	-	++
Closeness of main integrator hubs	++	-/ +	+++	0
Availability of healthcare 3PLs	+++	++	0 / +	0 / +
Political Stability	++	++	++	++
Labor Market Stability	++	++	++	++
Tax, Labor. Customs Landscape	++	++	++	++
Intermodal Solutions	-	+(+)	-	+(+)
Peer Presence	++	+	++	+
Transport-related costs	+	+(+)	++	+++
Facility-related costs	0	+(+)	+(+)	+++

Source: Buck Consultants International

Warehousing example for Healthcare

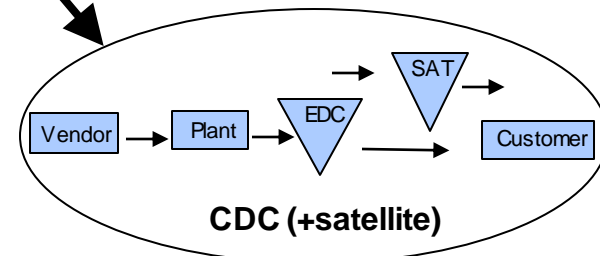
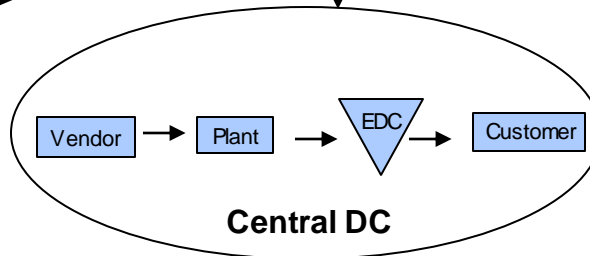
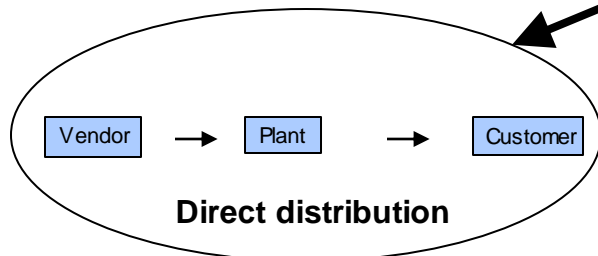
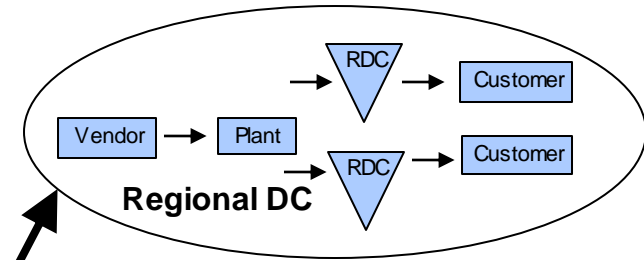
	Subsector Medtech	Subsector Pharma
Location	<ul style="list-style-type: none"> • European structure • Development (own or outsourced) • EDC model widely adopted 	<ul style="list-style-type: none"> • European structure • Development (own or outsourced) • EDC model mainly adopted by biopharma • Large Pharma consolidating into regional solutions
Building	<ul style="list-style-type: none"> • Building requirements • Temperature (Ambient, 15-15) • Staging 	<ul style="list-style-type: none"> • Building requirements Temperature (2-8, 15-25, etc.) • Narcotics • Pharma environment
Quality	<ul style="list-style-type: none"> • ISO 13485 	<ul style="list-style-type: none"> • GDP, GMP, licenses
Labor	<ul style="list-style-type: none"> • Qualified personnel 	<ul style="list-style-type: none"> • GDP trained personnel
Specials	<ul style="list-style-type: none"> • VAL (staging, kitting, etc.) 	<ul style="list-style-type: none"> • VAL (labeling @ GMP level) • Late stage customization

A different picture for different potential customers

But it is not only the warehouse location

- Industry must be looked at from a sector perspective
- Differences per sub sector in within the subsector/product
- Different SC configurations exist
- Different customer profiles per industry sector
- Example for Medtech:

PMC	Description	Explanation	End customer Leadtime	Distributor Leadtime
1	Medical disposable	Low value, fast mover	2 days	14 days
2	Medical device	High value	1 day	14 days
3	Medical equipment	High value, built to order	90 days	n/a
4	Spare part	High value, fast mover	up to 1 day	n/a



Medtech: supply chain services



Logistics, fulfilment, distribution, value added, financial and customer services include:

- 4PL
- analyses and testing
- assembly/configuration
- build surgical kits
- build, pack to order
- carrier management
- clean room storage
- cleaning & refurbishment
- client inquiries including order taking
- consignment stock
- customs clearance
- dust free shelf storage
- expiry dates control
- fiscal representation
- import/export handling
- Intrastat reporting
- order to cash
- inventory management
- KPI & business indicator reporting
- labeling & relabeling
- medical device testing
- online inventory & status visibility
- online order visibility
- order-to-cash packaging & repackaging of medical devices
- pick, pack, ship processes based on lot, serial, batch number or expiry date
- quality control recall management
- receiving
- recovery planning repair services
- returns management (quality check)
- reverse logistics
- sourcing & consolidation
- storage of ambient, cool & frozen
- surgical kits usage reporting
- tracking & tracing

What is the solution required?

Understanding the solution required

- Position of a specific site in the overall supply chain of the client
- Outsourced or Own
- Size of the building
- Features of the building
- Quality level required
- Services required (including VAL, etc.)
- Customer served (so you understand the distribution requirements)
- Licenses required if any
- Number and qualification of staff needed (e.g. training)

..... **will increase your chances to win**

5 Prepare for a Winning Game

How can you win?

- You can win when you provide the solution required
- At the right cost/quality for the customer
- And show them that you understand what they need
- And you will be there to support them in being successful in the market
- And the customer trusts you that you can do the job

Example Industry based cases



Case 1:
Medtech
CDC



Case 2:
Pharma
RDC



Case 3:
Lifestyle
CDC/e-Com



Case 4:
Agrifood
RDC



Case 5:
e-Commerce
RDC



Case 6:
High tech
CDC



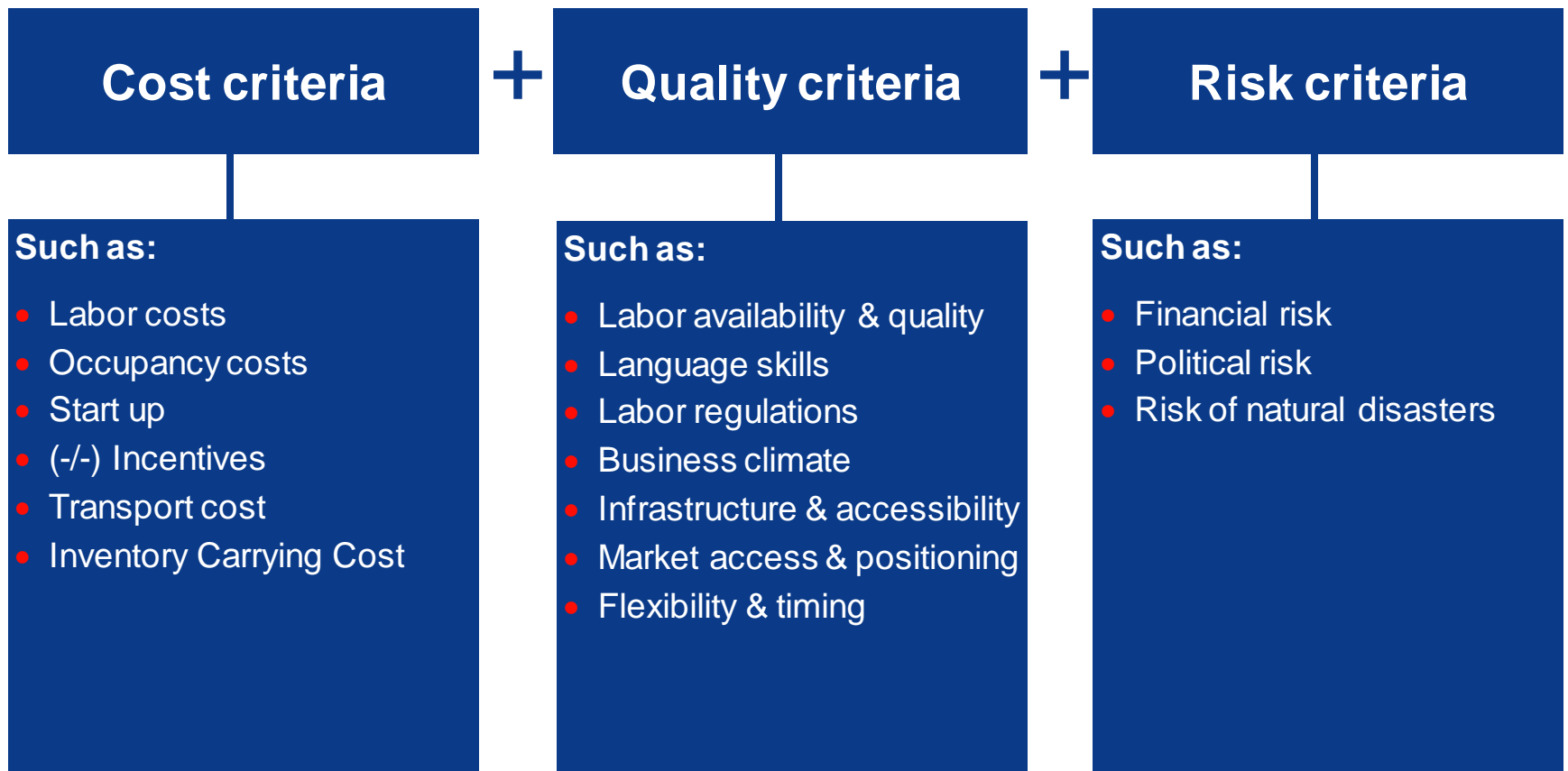
Case 7:
Chemicals
CDC







Case 8:
Spare parts
CDC

Location advice: a balanced view

In BCI's site selection approach we use cost, quality and risk criteria to develop a complete assessment of regions & locations



The Cost factors

Type	Cost factor	Example
Transportation    	1 Inbound freight cost	Inbound transportation costs from supplier to DC Calculation: Freight rates x volume per sourcing region
	2 Outbound freight cost	Outbound transportation cost from DC to market (including road taxes, etc.) Calculation: Freight rates x volume per market
	3 Labour costs	Total labour cost of the working staff in the DC Calculation: Annual employer costs x FTE x available annual hours
	4 Occupancy costs	Annual site costs based on prime market rent levels Calculation: Rent per m ² x m ²
5 In-transit costs	In transit inventory costs based on actual interest costs Calculation: Pipeline inventory value x interest rate	

The Quality factors

Quality category	Quality factors
A Infrastructure & accessibility	A1 Highway connections A2 Availability of multimodal transport A3 Proximity to airports A4 Proximity to seaports
B Labour availability and quality	B1 Labour availability B2 Flexible and temporary workforce B3 Productivity and loyalty B4 English language skills
C Labour regulations	C1 Hiring and firing regulations C2 Working schedule flexibility C3 Workers councils/unions
D Availability of transport hubs	D1 Availability of (dedicated) 3PLs D2 Proximity to integrator hubs D3 Market maturity
E Facilities and sites	E1 Availability of large sites E2 Building permits and timing E3 Availability of pre-built sites E4 Sustainable and innovative solutions
F Proximity to the market	F1 Weighted proximity to market F2 Lead time (inbound & outbound) F3 Congestion
G Customs and Taxes	G1 Bonded warehouse solutions & VAT deferment G2 Business orientation customs G3 Time to obtain licenses/rulings G4 Administrative burden
H Incentives	H1 Availability of incentives (on labour, land, real estate and taxes)

Quality factors are difficult to assess in Euro's but still have an impact on the total costs as well

The optimal solution for the customer





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Industry cases need to be reviewed using the following structure:

- Ranked score:
 - Cost ranking
 - Quality ranking
- Cost/Quality matrix
- Supply chain challenges

In the **Cost-Quality matrix**, benchmark locations are positioned based on total weighted quality scores and total 1-year costs of running a warehouse operation

-  : quality is on the horizontal axis, the more to the right, the higher the quality score
-  : costs are on the vertical axis but are reversed: the more to the top end of the matrix, the lower total annual operational costs

This means that the optimal position in the matrix is on the upper right hand corner: relatively high quality is combined with relatively low costs



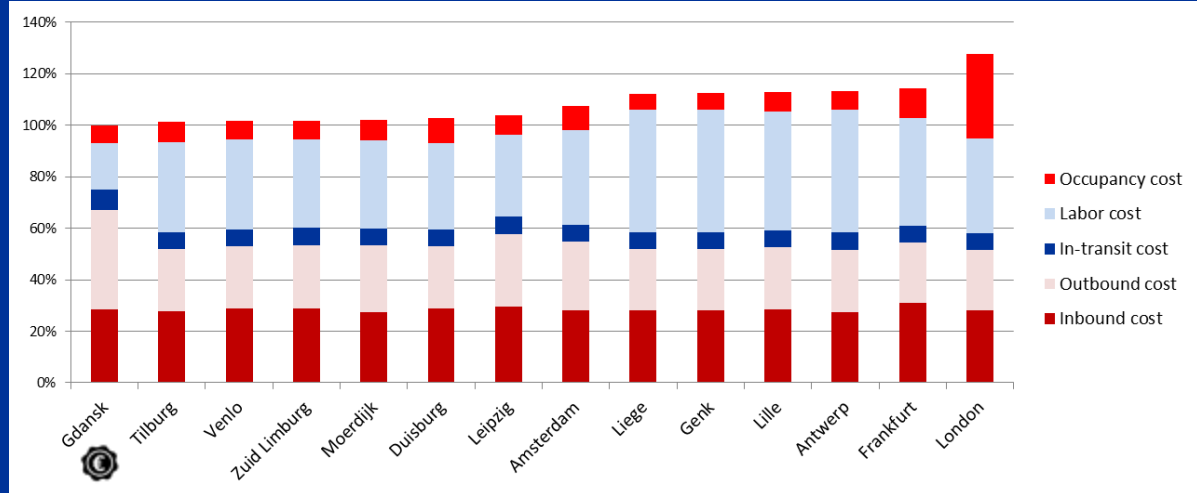
Practical Cases: E-Commerce



Characteristics of the case

- Large centralised operation (€210 million sales/4,5 million units)
- A large assortment (SKUs), with a mix of high value retail segment shoes and apparels
- Sourcing regions are Far East (80%), South West EU (10%) and South East EU (10%)
- In this case Far East inbound ocean freight is 95% of the overseas volume with the remaining 5% shipped by air. South East and South West inbound volume is 100% FTL
- Main markets are France, the UK, Italy and Germany (representing +50% of total market)
- Eastern Europe and Russia has a significant share with approximately 13%
- Outbound shipments are LTL transport (65%) and Parcel transport (35%)
- 18,500m² warehouse operation along with 124 FTE staff, including VAL activities

Cost ranking

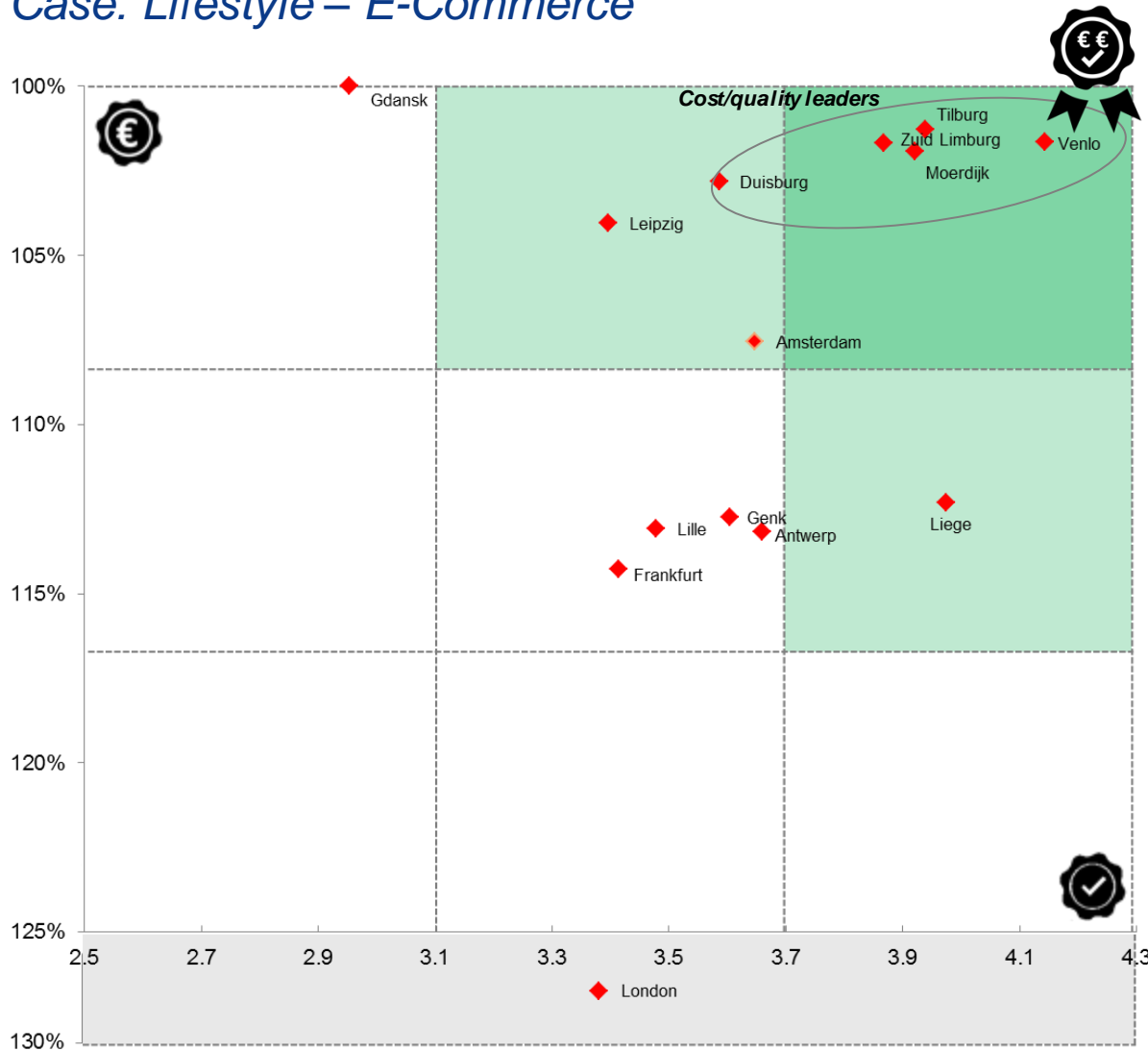


Quality ranking

Rank	Location	Total weighted score	A Physical Accessibility / Transport	B Labor / Quality	C Labor regulations	D Availability of Transport Solutions	E Facilities & Sites	F Proximity to the market	G Customs and taxes	H Incentives	Total weighted score
1	Venlo	4.14	●	●	●	●	●	●	●	●	●
2	Liege	3.97	●	●	●	●	●	●	●	●	●
3	Tilburg	3.94	●	●	●	●	●	●	●	○	●
4	Moerdijk	3.92	●	●	●	●	●	●	●	○	●
5	Zuid Limburg	3.87	●	●	●	●	●	●	●	○	●
6	Antwerp	3.66	●	●	●	●	●	●	●	○	●
7	Amsterdam	3.65	●	●	●	●	●	●	●	○	●
8	Genk	3.60	●	●	●	●	●	●	●	○	●
9	Duisburg	3.59	●	●	●	●	●	●	●	○	●
10	Lille	3.48	●	●	●	●	●	●	●	○	●
11	Frankfurt	3.41	●	●	●	●	●	●	●	○	●
12	Leipzig	3.40	●	●	●	●	●	●	●	○	●
13	London	3.30	●	●	●	●	●	●	●	○	●
14	Gdansk	2.95	○	●	●	○	●	○	●	○	●

Cost-Quality matrix

Case: Lifestyle – E-Commerce



Main Lifestyle supply chain drivers: costs, efficiency and volume, flexibility and quality of service

Conclusions

Cost perspective:

- Gdansk offers the lowest cost, the result of relatively low labour costs although transportation cost are relatively high compared to the other cases
- The locations Venlo, Tilburg, Zuid Limburg, Moerdijk and Duisburg follow at short distance on cost (less than 3%)
- Amsterdam is a bit more expensive (8%)

Quality perspective:

- Venlo offers highest quality, Moerdijk (West Brabant), Tilburg, Zuid Limburg follow closely. Amsterdam follows as a slight higher cost level
- Liege is the first foreign follower but at a higher operational cost

Overall view

- For a cost focused Lifestyle EDC/e-Commerce supply chain Venlo, Tilburg, Moerdijk and Zuid Limburg offers the best proposition followed by Duisburg
- Gdansk is cost leader but lacks quality due to market proximity
- More quality driven supply chains will focus on the Dutch locations and Duisburg area

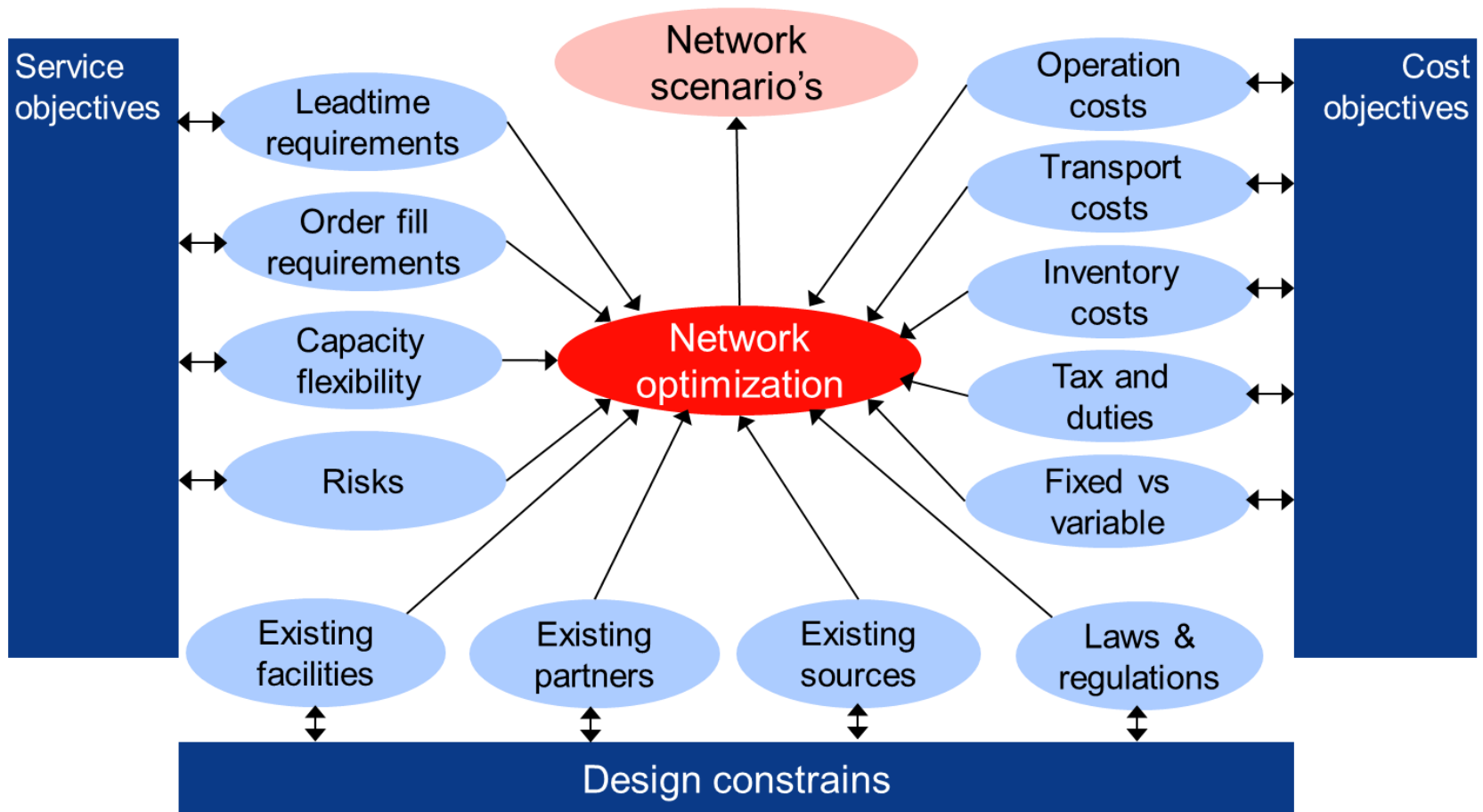
6 Play a Winning Game

The five most important Golden Rules

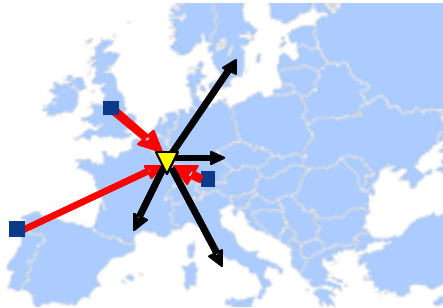
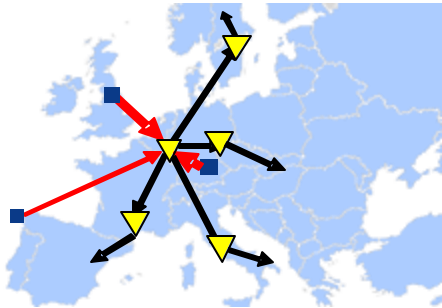
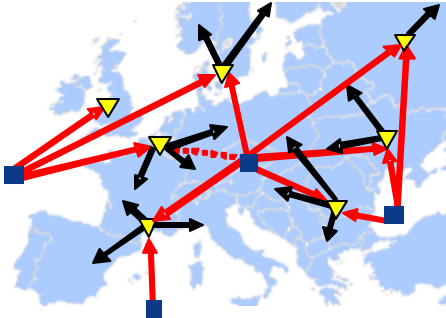
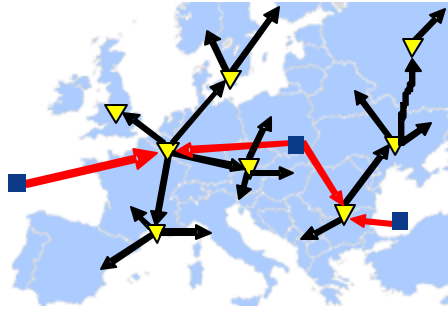
- A Position your region in new logistics networks**
- B Set up flexible multimodal services to/from the region**
- C Know the logistics 'hot issues' in your priority sectors**
- D Act upon all location criteria of potential clients**
- E Use targeted value propositions**

A Position your port/region in new logistics networks

International shippers will continue to optimize their logistics network



Different sectors, different supply chains

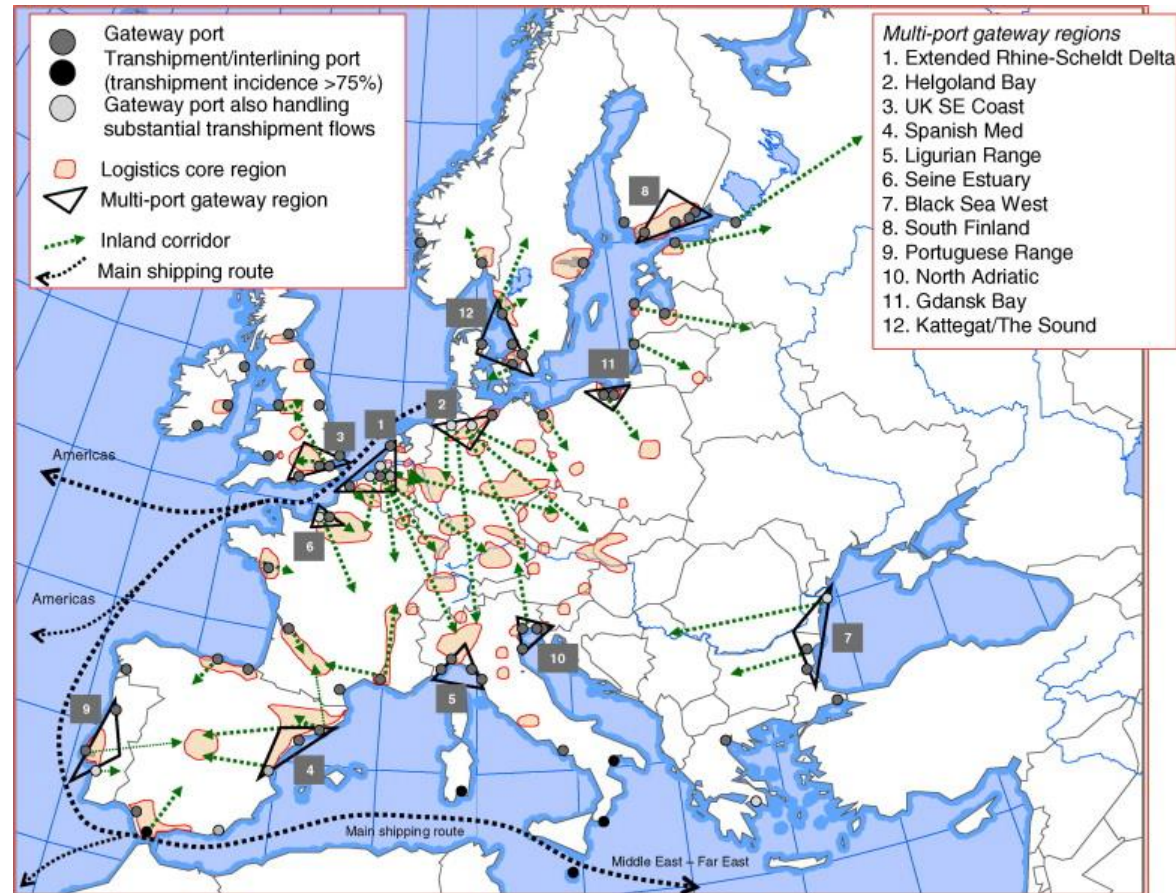
	Single tier	Two tier
<p>Central Distribution Centers (CDC)</p>	<p>Typical sectors</p> <ul style="list-style-type: none"> Spare parts Computers Microchip 	<p>Typical sectors</p> <ul style="list-style-type: none"> Critical spare parts Motorcycles Specialty chemicals 
<p>Regional Distribution Centers (RDC) and satellite DC's</p>	<p>Typical sectors</p> <ul style="list-style-type: none"> Fresh food (cool chain) Pharma/ Medtech 	<p>Typical sectors</p> <ul style="list-style-type: none"> FMCG Cosmetics Food Clothing 

B Set up flexible multimodal services to / from the region



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- Battle of the gateways: 12 multi-port regions in Europe
- All gateways have own hinterland networks and nodes
- Shippers and forwarders choose best fitting solution
- **Region:** become a hub in these hinterland networks through flexible multimodal services



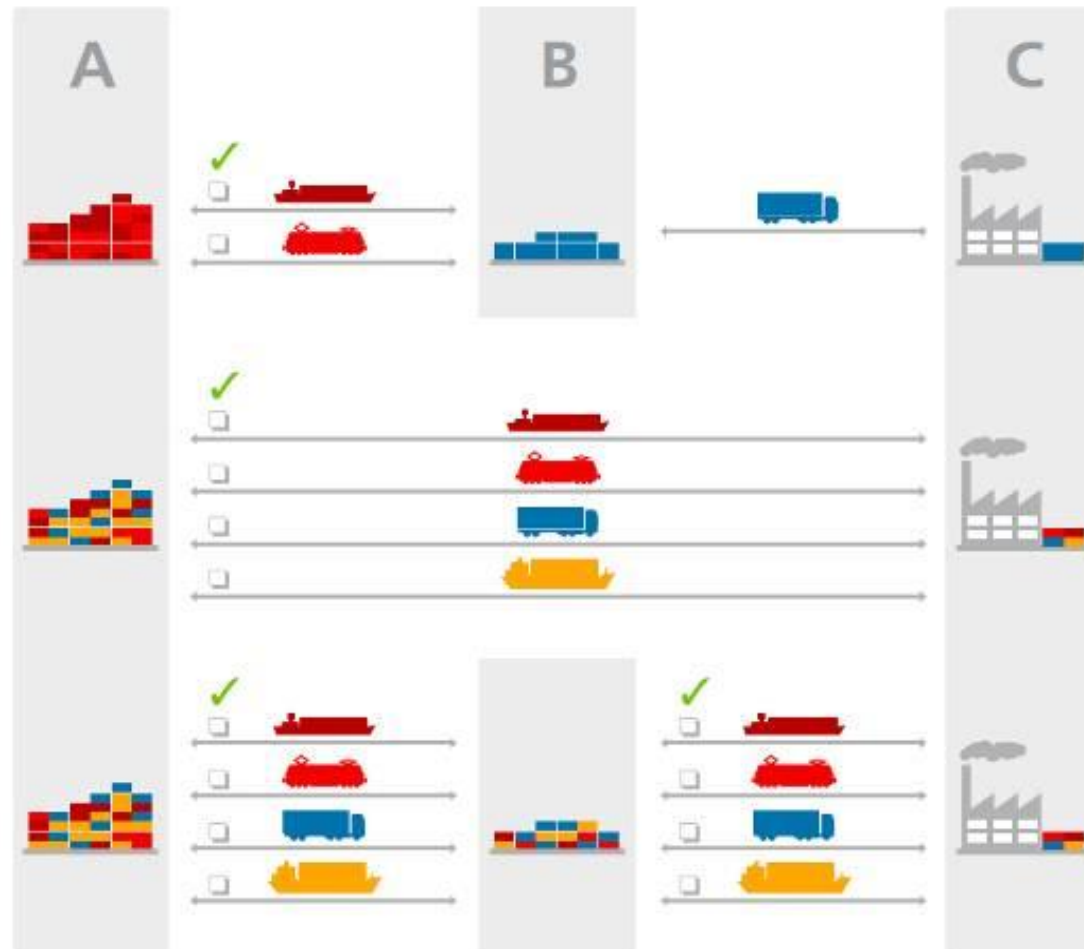
Source: ITTMA 2012

Synchromodal transport: focus on SCM

- Synchromodal: flexible switching between transport modes
- Benefit for shippers: always the most optimal transport mode

Intermodal

From A to B by rail/barge and from B to C – ‘the last mile’- by truck



Co-modal

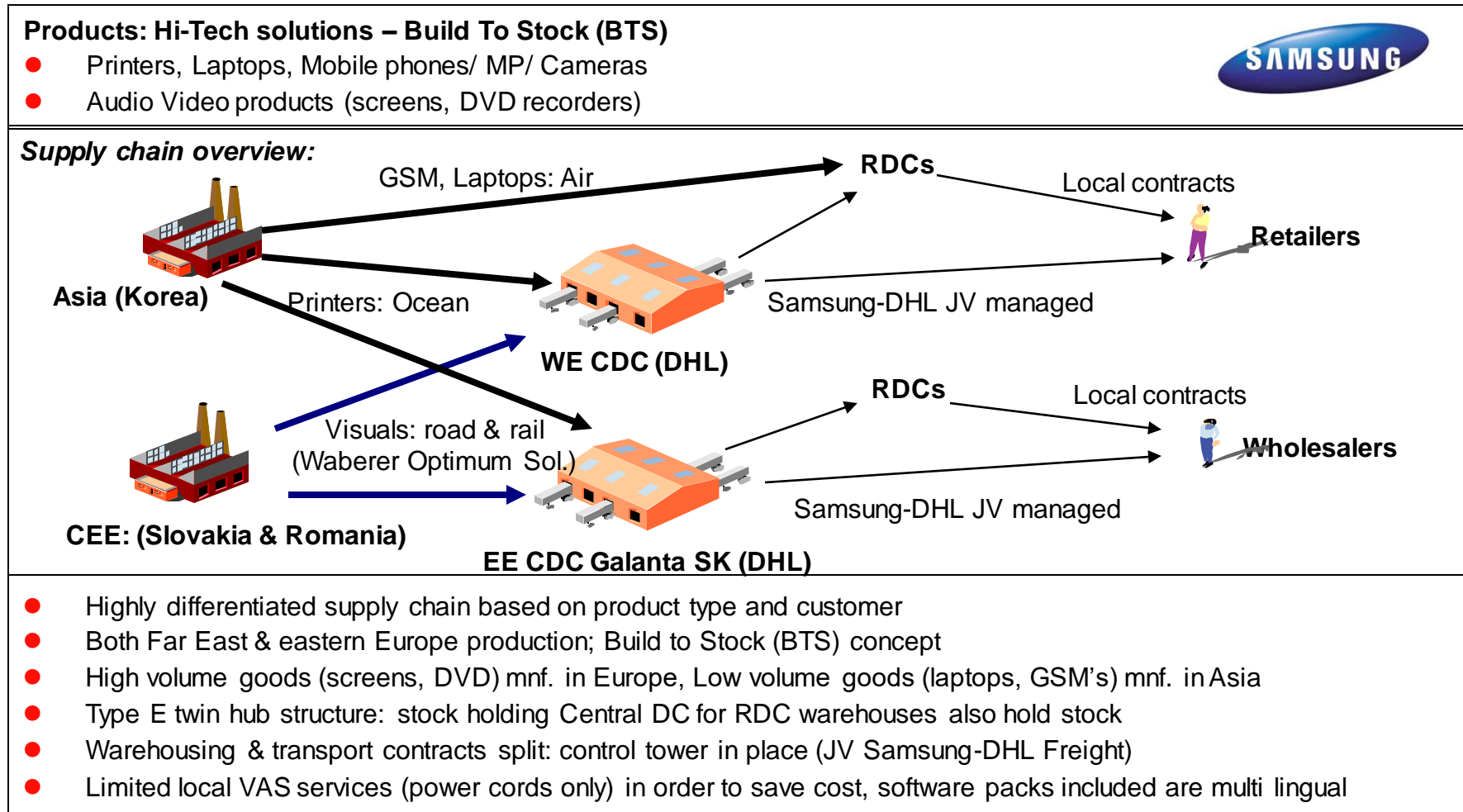
The shipper is able to choose in A out of road, rail or barge

Synchromodal

The shipper is able to choose in A, B and C out of road, rail or barge. Maximum flexibility in the network

C Know the logistics 'hot issues' in your priority sectors

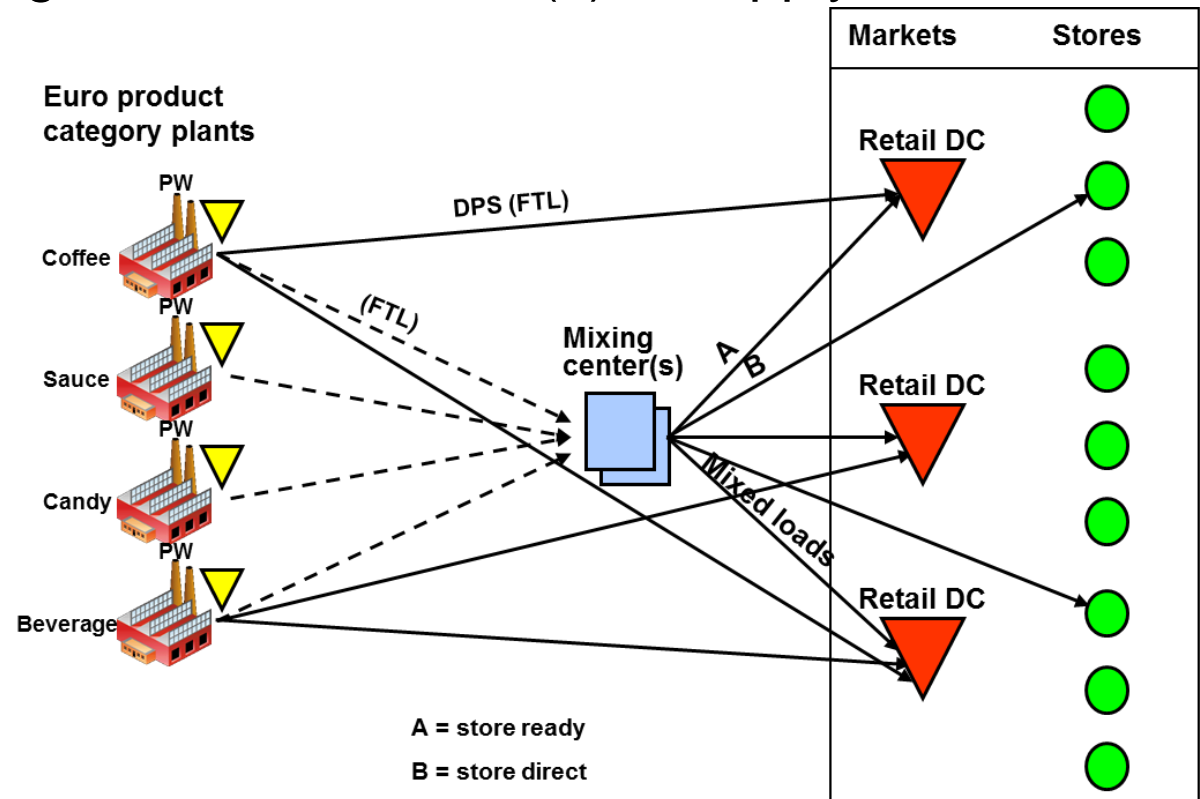
- Every business case needs an individual network approach



Supply chain designs: also in food

Food supply chain redesign

- Maximize production series and direct plant shipments (DPS)
- Maximize consolidation of smaller shipments in time windows
- Solution: New mixing cross-dock center(s) in supply chains
- E.g.



D Act upon all location criteria of potential clients

Listing of cost factors for a DC

Location categories	Relative weight	Location factors	Relative weight
1 Cost of labor	In Euro	1.1 Job title A 1.2 Job title B 1.3 Job title C	In Euro In Euro In Euro
2 Transport costs	In Euro	2.1 Inbound transport costs: from airport to DC 2.2 Outbound transport costs: from airport to DC	In Euro In Euro
3 Warehouse costs	In Euro	3.1 Rental costs DC (+ service charges) 3.2 Land costs 3.3 Building costs 3.4 Costs for utilities infrastructure 3.5 Real estate taxes	In Euro In Euro In Euro In Euro In Euro
4 Investment incentives and grants	In Euro	4.1 Capital grants 4.2 Employment incentives 4.3 Training grants 4.4 Other incentives	In Euro In Euro In Euro In Euro
Total	In Euro		

Costs will be calculated in Euro and forecasted for the next 3 years
 Quality factors (next slide) are assumed: 1= poor ; 5= excellent

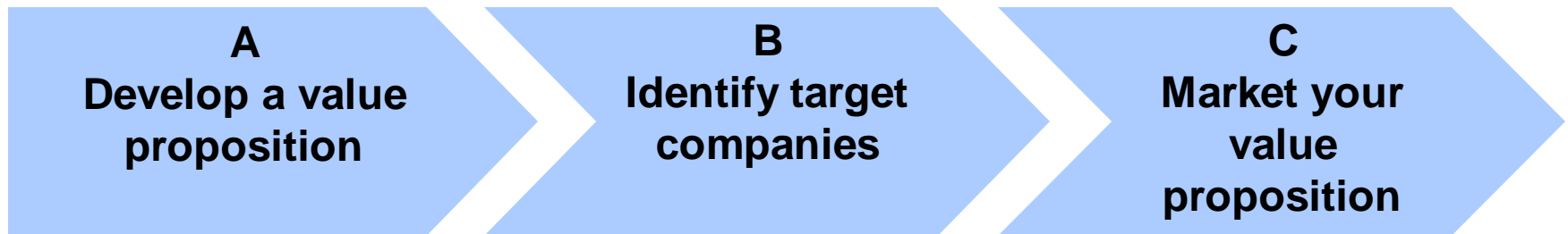
Listing of quality factors for a DC

Location categories	Relative weight	Location factors	Relative weight
A Infrastructure & accessibility%	A1 Availability of 3PL's%
		A2 Distance to international highway networks%
		A3 Distance to international airport%
		A4 Distance to international cargo hub%
		A5 Distance to customers%
B Labor characteristics%	B1 Availability of logistics personnel%
		B2 Productivity and loyalty%
		B3 Unemployment%
		B4 Multilingual skills%
C Customs%	C1 Time to obtain licenses-rulings%
		C2 Flexibility and business orientation customs%
D Language skills%	D1 English language speaking skills%
		D2 Other language speaking skills%
E Labor regulations%	E1 Working schedule flexibility%
		E2 Hiring & Firing regulations%
		E3 Turnover of labor%
		E4 Works Council involvement%
F Facility & sites%	F1 Availability pre built facilities%
		F2 Availability of suitable land plots%
		F3 Building permits / timing%
G Business climate%	G1 Corporate tax rate%
		G2 Ease of doing business%
		G3 Political, financial and economical risk%
		G4 Quality and reliability of telecommunications%
	100%		

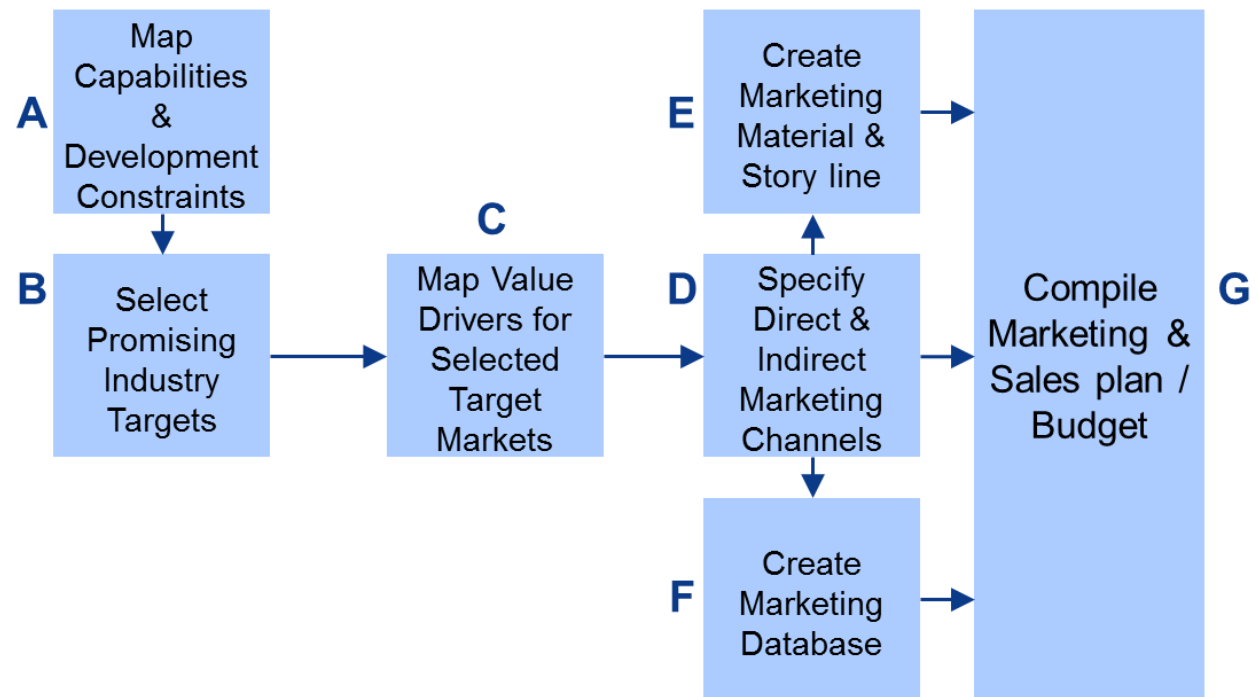
E Use targeted value propositions

The three step approach of Buck Consultants International

- A Develop a logistics value proposition
- B Identify target companies
- C Market your logistics value proposition



- Develop a value proposition
 - Focus & specifics of the industry
 - Make clear you understand their business
 - Show the potential of the European/national/regional market
 - Address challenges and how you can help to cope with them
 - Show your added value
 - Demonstrate your track record



Summary of Golden Rules

- A Position your region/port in new logistics networks**
- B Set up flexible multimodal services to/from the region**
- C Know the logistics ‘hot issues’ in your priority sectors**
- D Act upon all location criteria of potential clients**
- E Use targeted value propositions**

7 Lessons learned

- 1 Understanding the customer requirements is key**
- 2 Work from a service industry perspective**
- 3 Assess the opportunity**
- 4 Sell what the customer needs**
- 5 Clear communication helps the deal**
- 6 An existing relationship will support the deal**
- 7 Be pro-active and amaze the customer**
- 8 Be ahead of the game**
- 9 Team up to get the best result**
- 10 Sell added value.....don't sell added cost**