

European Chamber of Commerce – Sourcing Monitor 2014 Results

Transforming the Supplier Network in China

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ESSEC
BUSINESS SCHOOL

EME
德国联邦采购物流协会
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Materials Management,
Purchasing and Logistics

NOVAMETRIE
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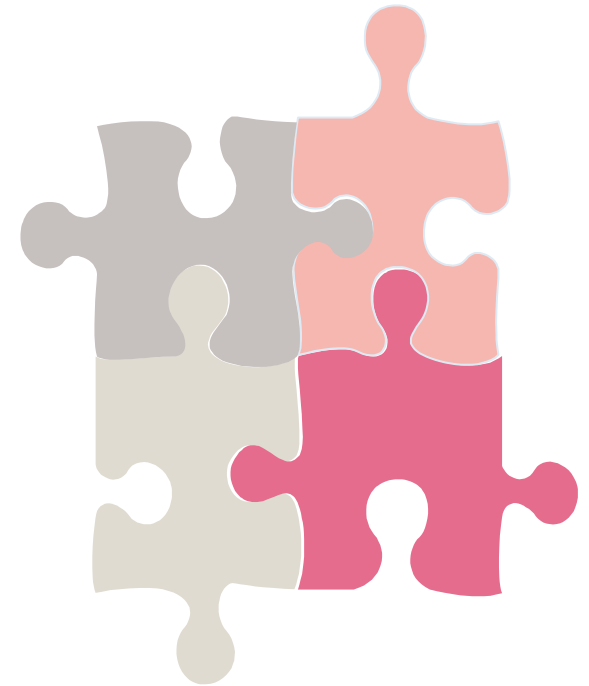
EUCC Event – Sourcing Monitor 2014 Results

Agenda

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“ 1. Selected Key Facts –
How is the Sourcing
Monitor built?

”



We are proud to introduce the 8th edition of the Sourcing Monitor, with a participation of over 500 purchasing managers in 12 countries, incl. China

8th Sourcing Monitor: Facts & Figures

Countries covered

Germany, Switzerland, Austria, France, Sweden, Finland, Denmark, Norway, UK & Ireland, Russia and China

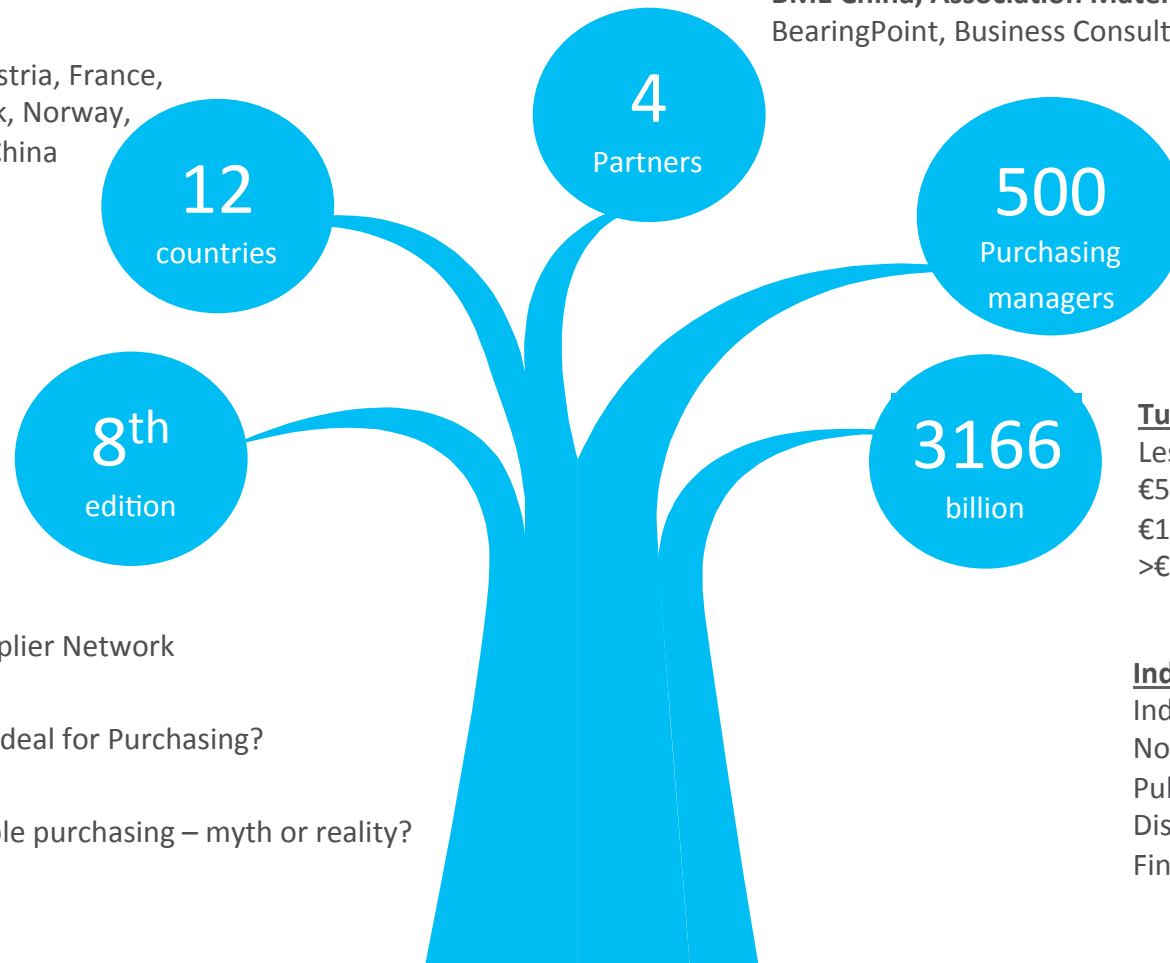
Partners

Essec Business School

Novametrie Research Institute

BME China, Association Material Management and Logistics

BearingPoint, Business Consulting



Participants

502 Purchasing Directors based on telephone survey, additional 50 face-to-face/phone interviews

Turnover

Less than €500m: 42%
€500-1,000m: 14%
€1,000-10,000m: 30%
>€10,000m: 14%

Industry structure:

Industry: 66%
Non-financial Services: 15%
Public Sector: 8%
Distribution: 6%
Financial Services: 5%

8th Edition (2014)

Transforming the Supplier Network

7th Edition (2012-13)

Innovation – the new deal for Purchasing?

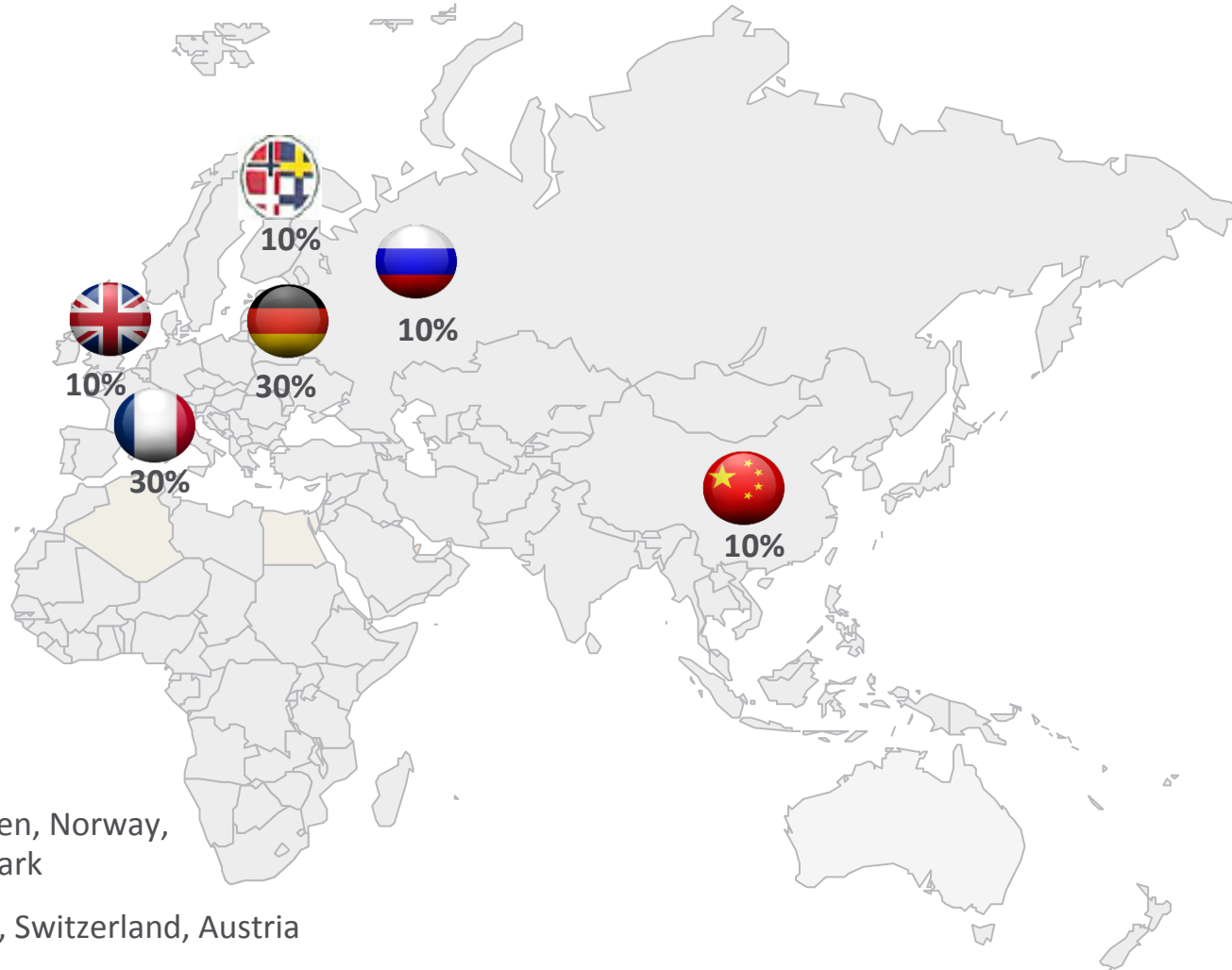
6th Edition (2011)

What about sustainable purchasing – myth or reality?

...

400 Purchasing Directors in Europe and 50 Purchasing Representatives in Russia and China participated – China participated for the first time

500 Participants across 12 countries

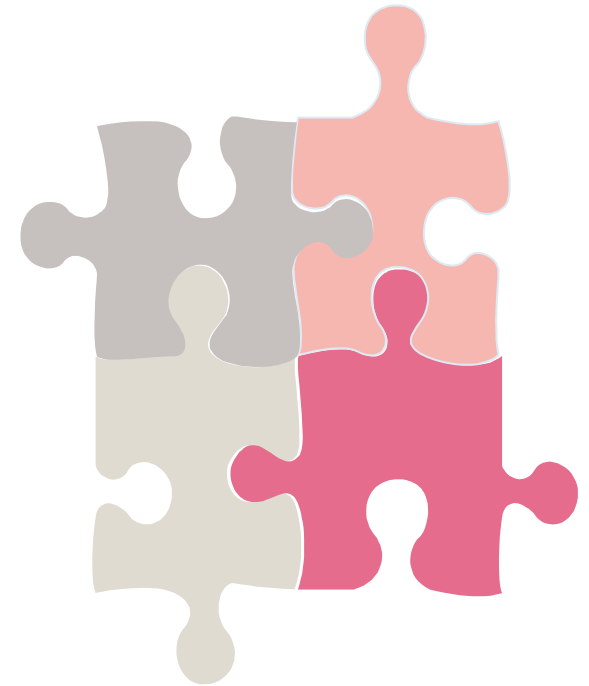


Nordics: Sweden, Norway, Finland, Denmark



GSA: Germany, Switzerland, Austria

“ 2. Selected Key Points – How is China different? ”





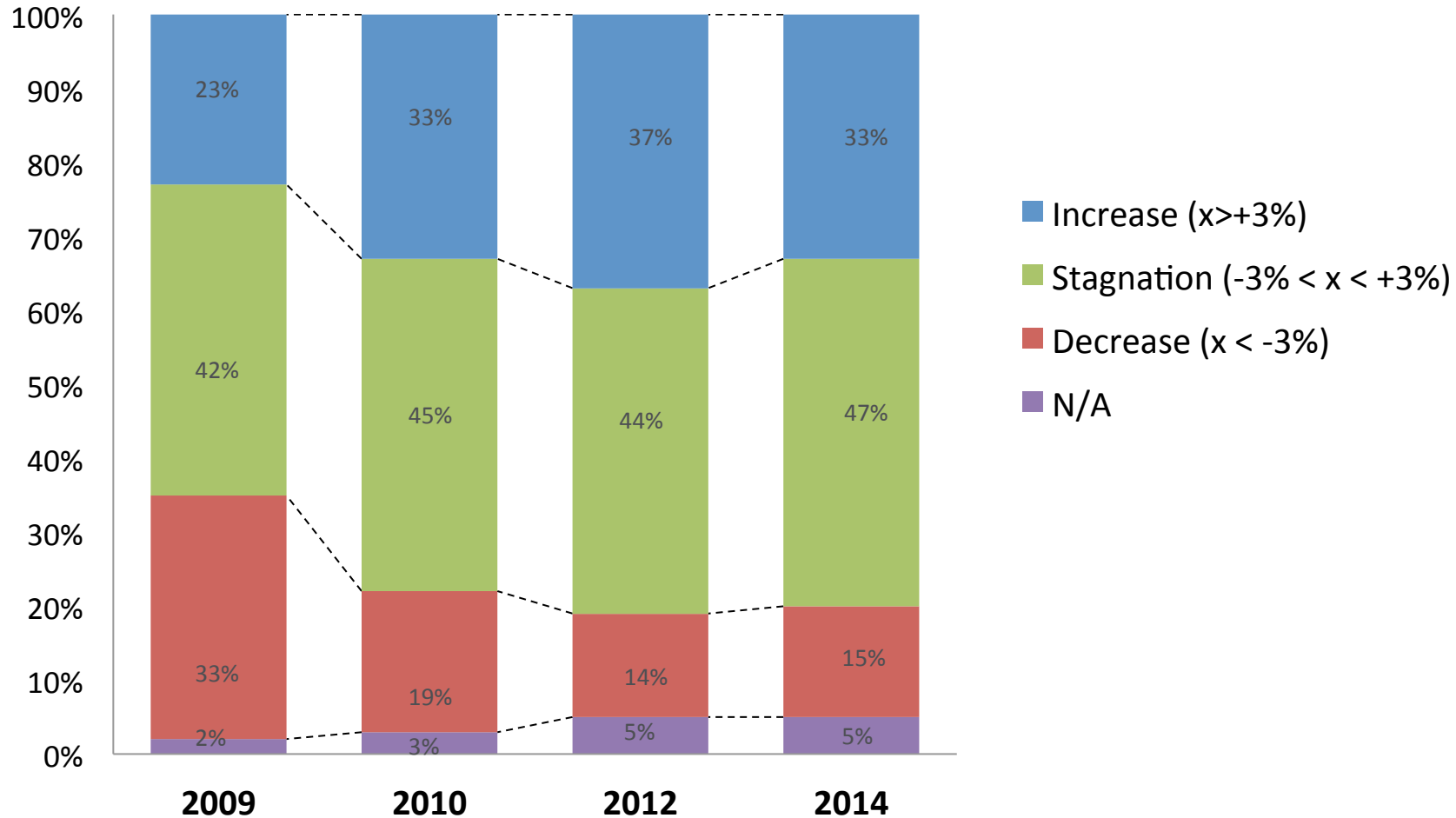
Stagnation of budget –
but not in China



Recruitment of specialists –
especially in China

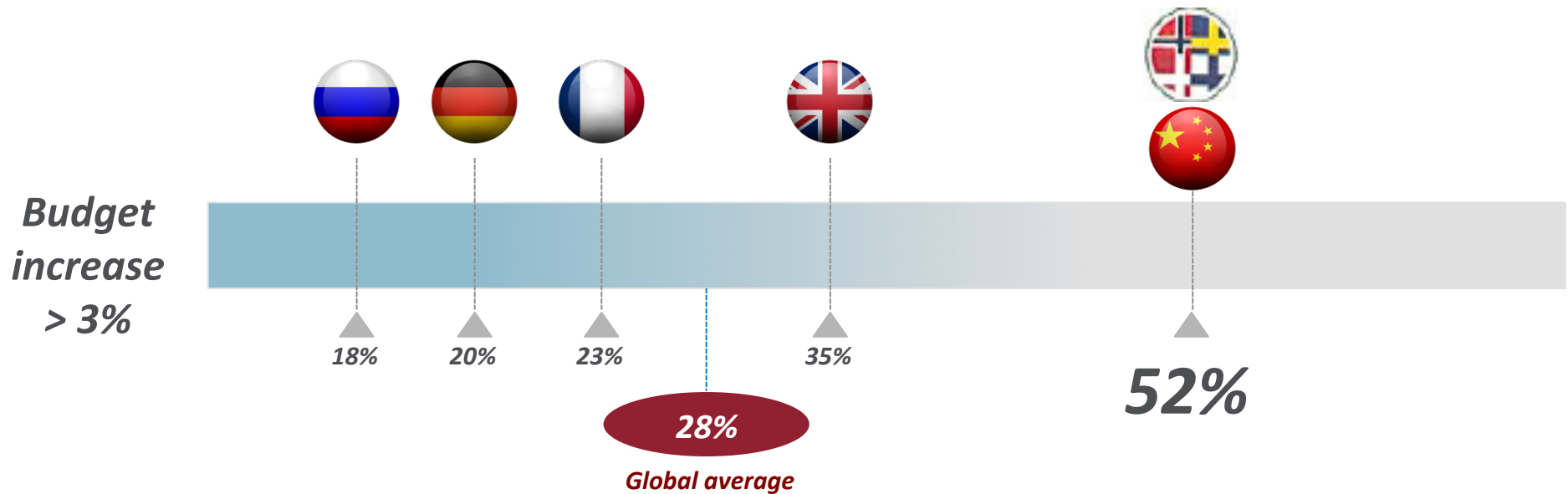
Since years, we observe stagnating/ decreasing operating budgets for purchasing depts. – almost two thirds this year compared to 58% in 2012

Operating budget evolution over the last 4 years



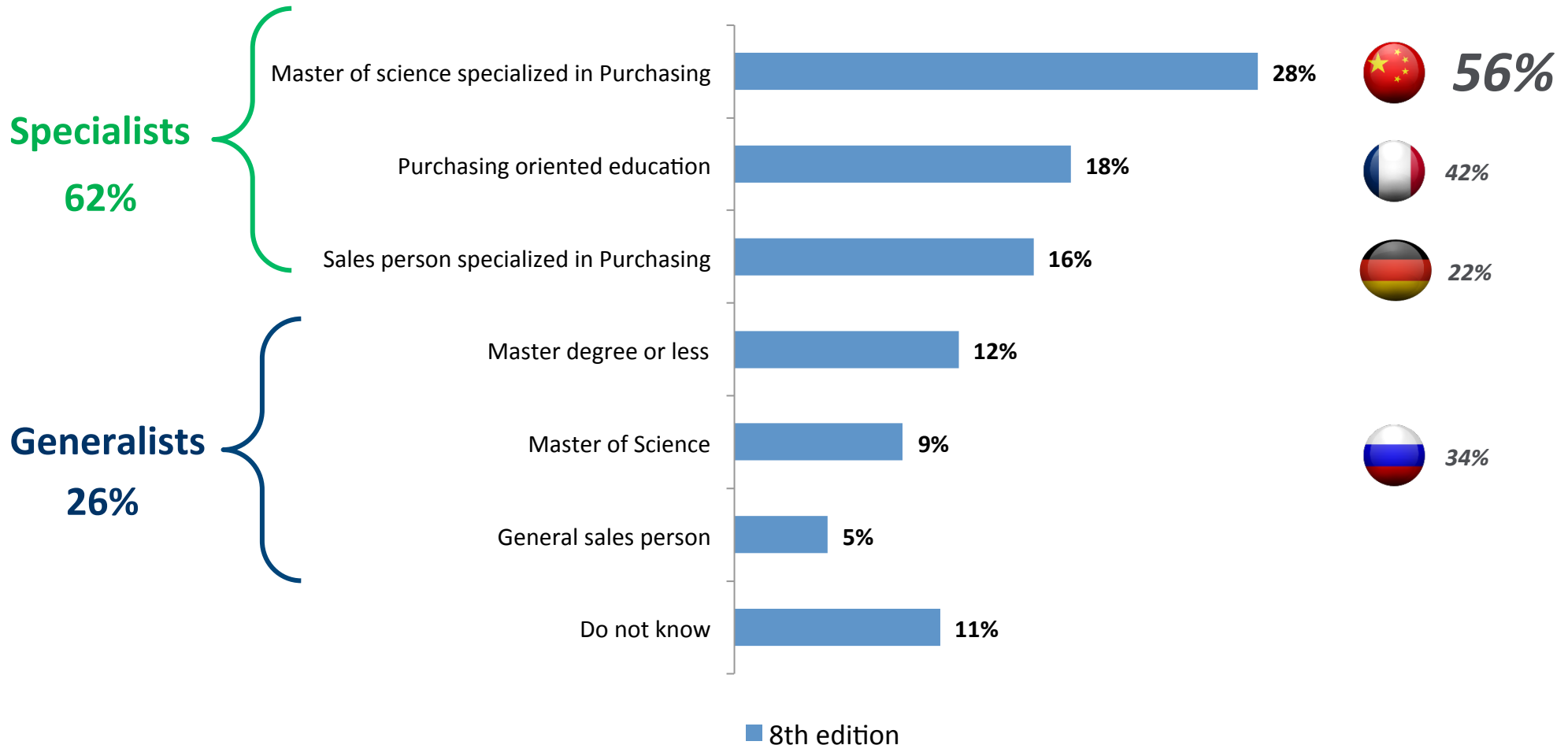
Regionally, differences can be observed – in China more than half of the respondents expect a budget increase of more than 3%

How will your operational purchasing budget develop in 2014?



Purchasing departments prefer specialist for the purchasing function – especially in China the academic title should reflect this specialization

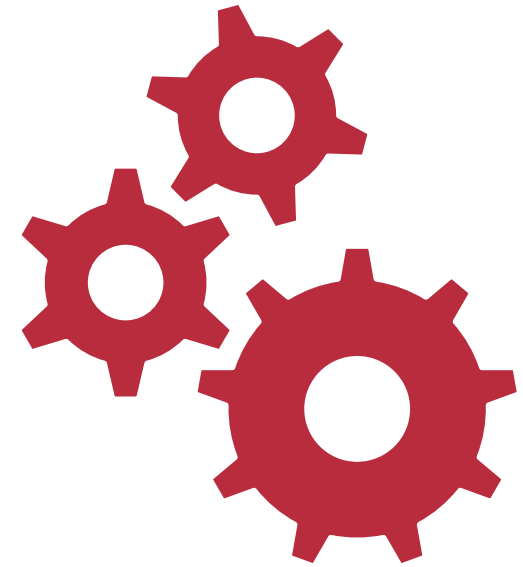
What type of qualification do you expect if hiring new purchasing managers?



“

3. Top Priorities –
What do purchasing
managers say?

”

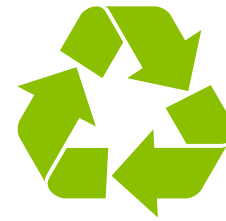




Supplier management



Increase gains

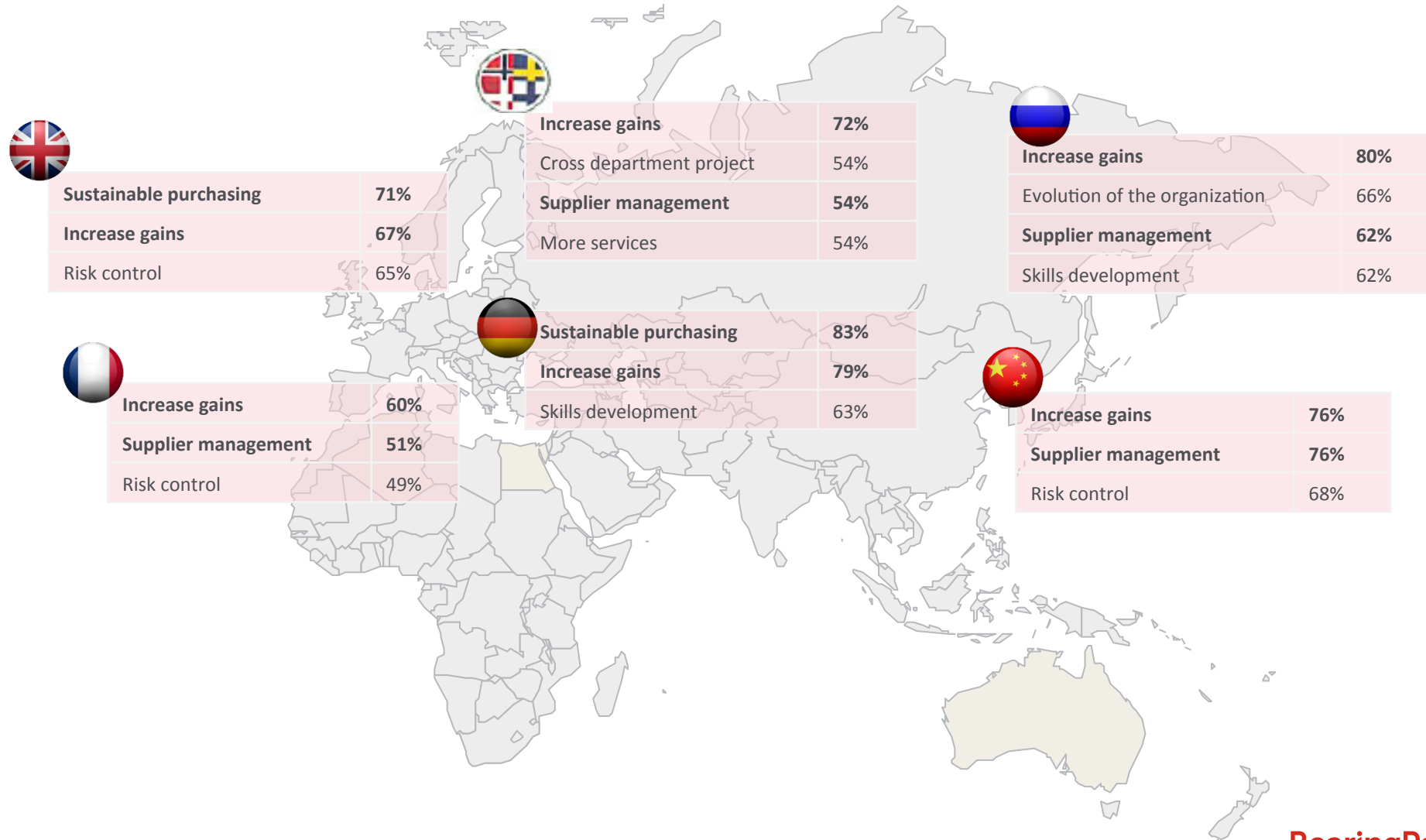


Sustainable purchasing



Purchasing Manager's priorities differ across countries – in China, Top 3 are “increase gains”, “supplier management” and “risk control”

What are your priorities?



“ What does «Transforming the Supplier Network» mean? ”



Please watch the subtitles!

Definition of “Supplier Network Transformation”

Give visibility into projected requirements

Coordinated approach with a common vision

Long-term relationships

Intimacy with suppliers (= aligned strategies)

Developing innovative solutions together

Specifying critical know-how and strengths

Creating a competitive advantage

“ 4. Definition –
Key characteristics of a
successful transformation! ”



#1 Characteristic

“ Supplier Network Transformation is part of the Corporate strategy ”

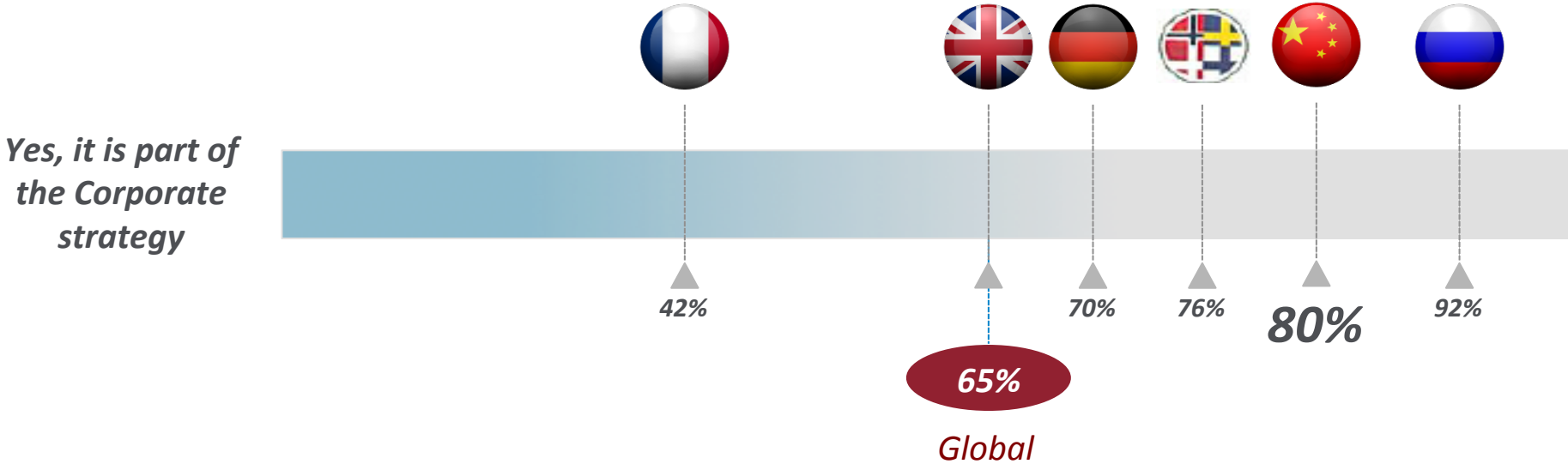
65%



China 80%

Two thirds of the participants (65%) confirm that the transformation of the supplier network is part of the company strategy – in China: 80%

Is Supplier Network Transformation integral part of your company's Corporate strategy?



#2 Characteristic

“Supplier Network Transformation is led by the purchasing function”

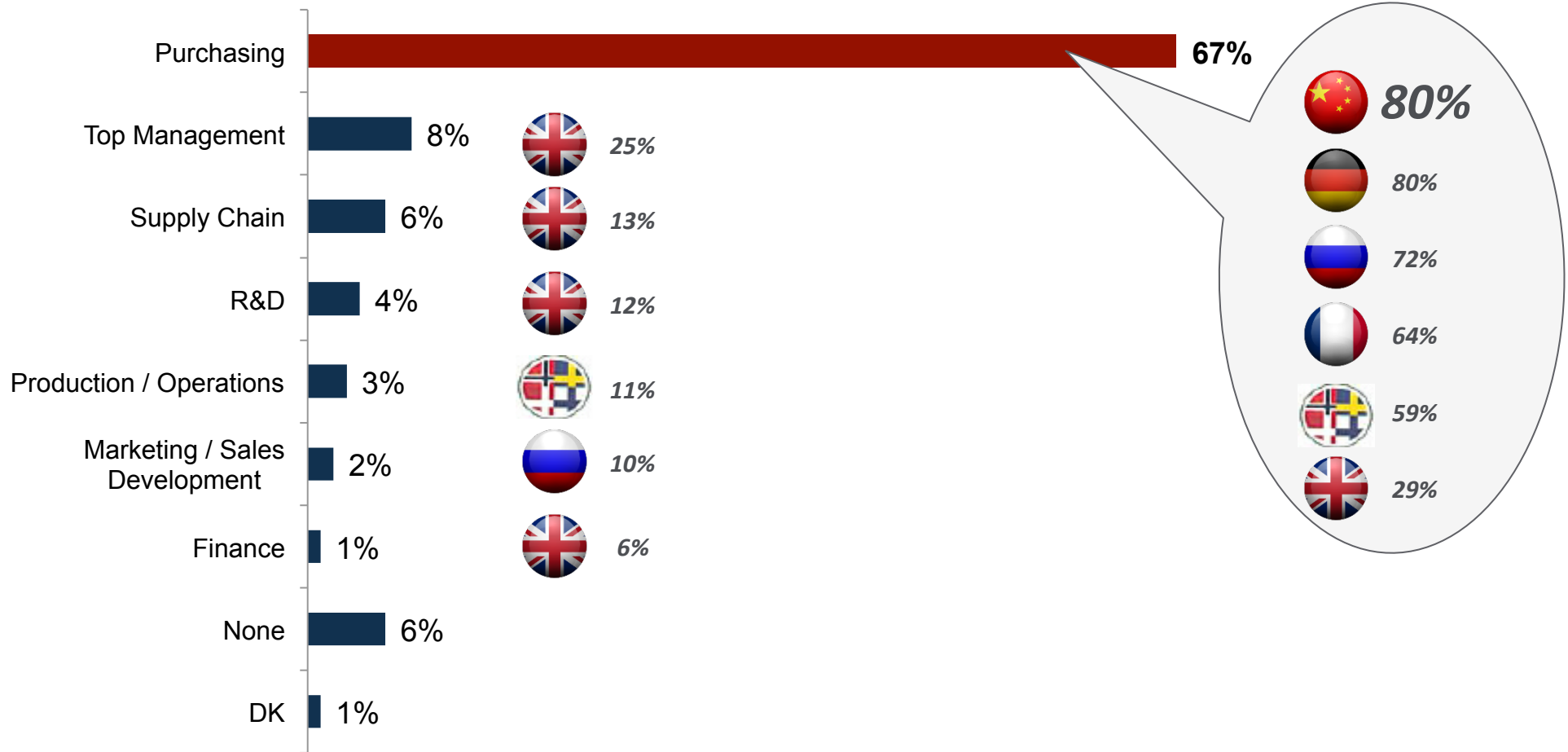
67%



China 80%

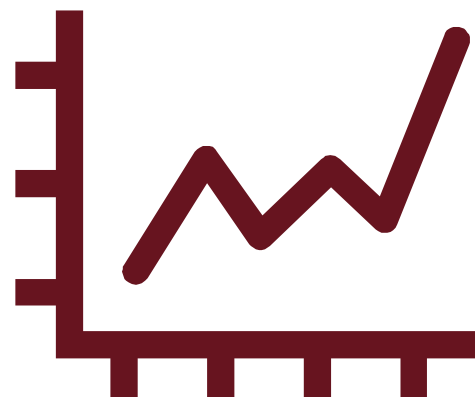
The transformation of the supplier network is generally driven by the Purchasing function – this is especially true for China

Which department drives supply network transformation projects within your company?



“Supplier Network Transformation supports the company growth”

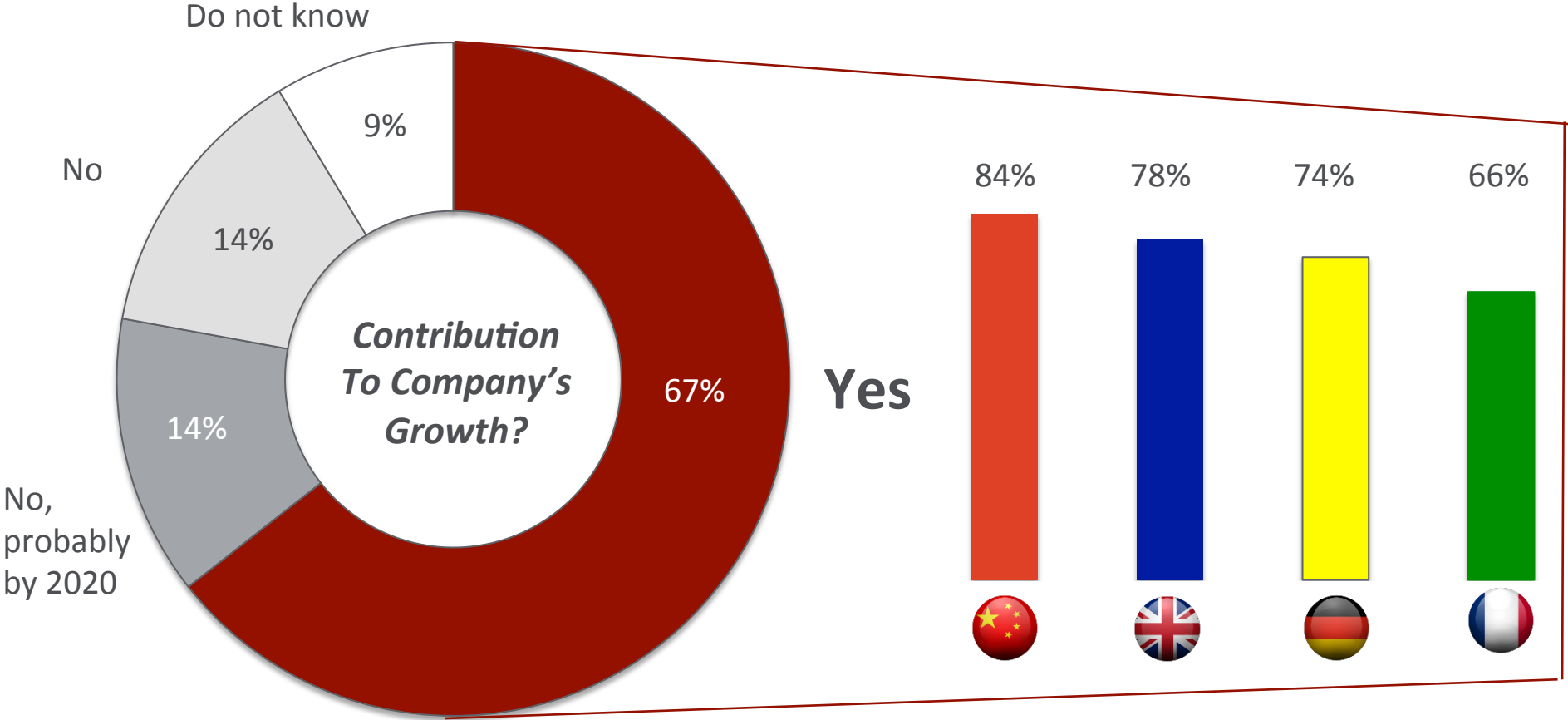
67%



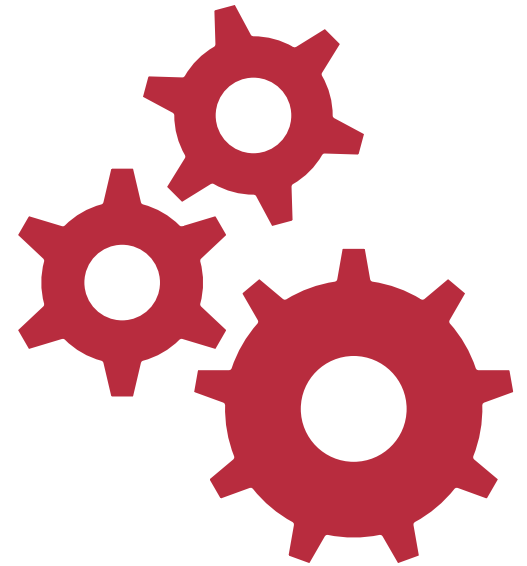
China 84%

Two thirds (67%) of global respondents confirm that the supplier network transformation contributes to the company's growth – 84% in China

Does a transformation of the supplier network contribute to the company's growth?



“ 5. Factors – What drives the transformation? ”





Seeking for know-how



Cost cutting

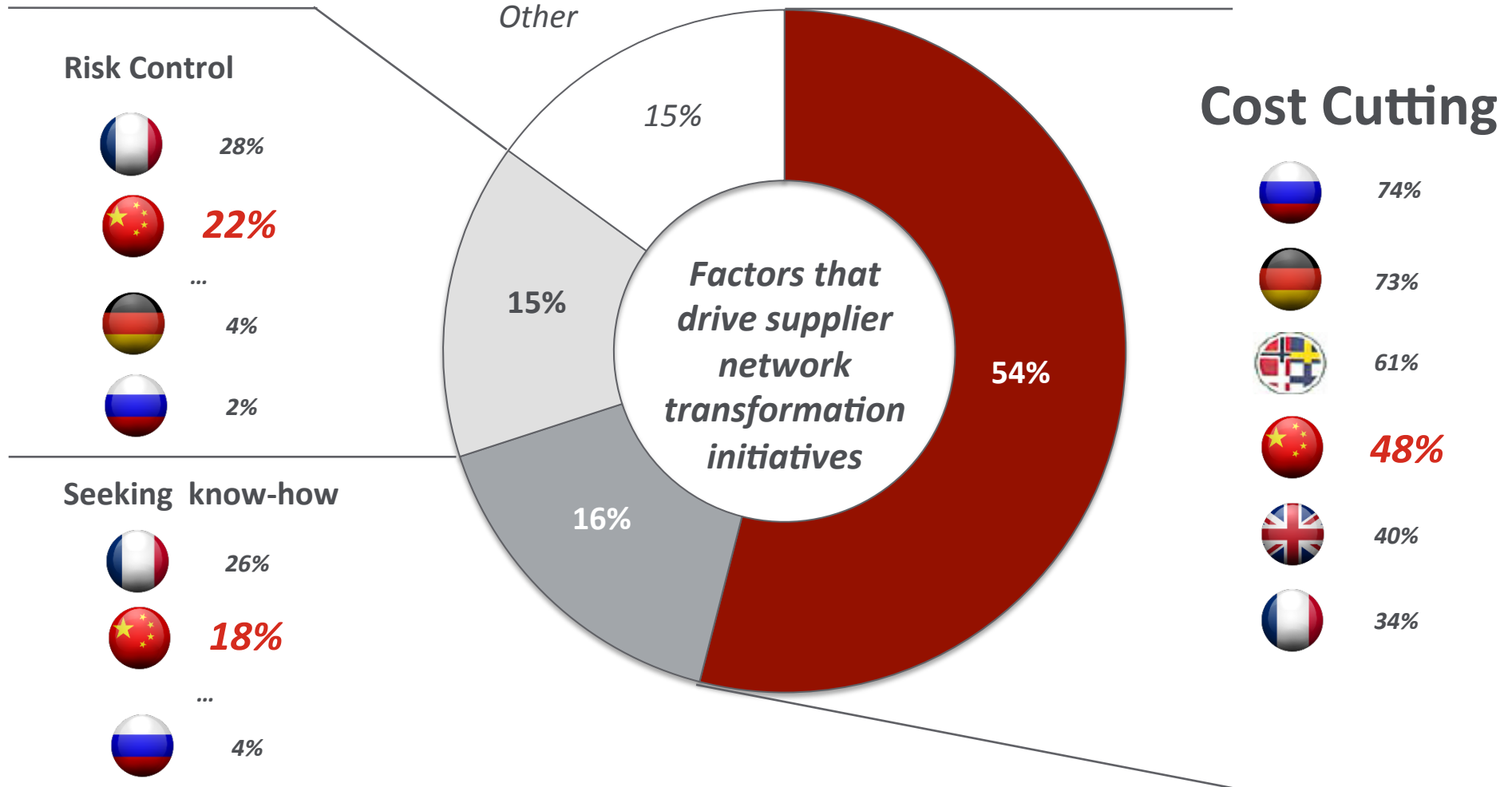


Risk control



Investing and developing new types supplier relationships is driven by three factors – cost cutting, seeking for know-how and better risk control

What are the factors that drive your supplier network transformation initiatives?

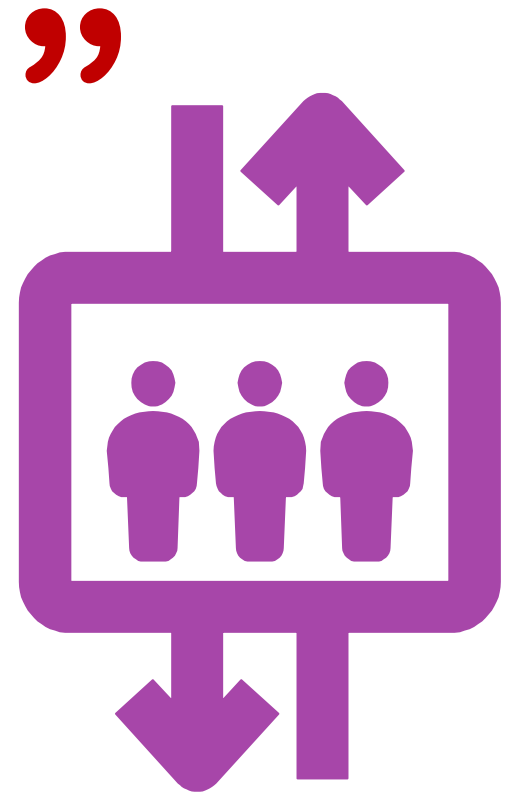


Key goal of these initiatives is to develop strategic partnerships (76%), developing alternative supply sources (57%) and optimizing logistics (57%)

What are the top priorities for your supplier network transformation initiative?



“
Overcoming two main
barriers to supplier
network transformation



Two main barriers need to be overcome to transform the supplier network successfully: *Executive Glass Ceiling* and *Purchasing Maturity Wall*

Barriers of Supplier Network Transformation

Barrier 1: The Executive Glass Ceiling:

The need to convince the executive board of the strategic importance of supplier network transformation

Barrier 2: The Purchasing Maturity Wall:

The need to develop Purchasing Team Skills to carry out supplier network transformation by redesigning supplier relationship approaches.

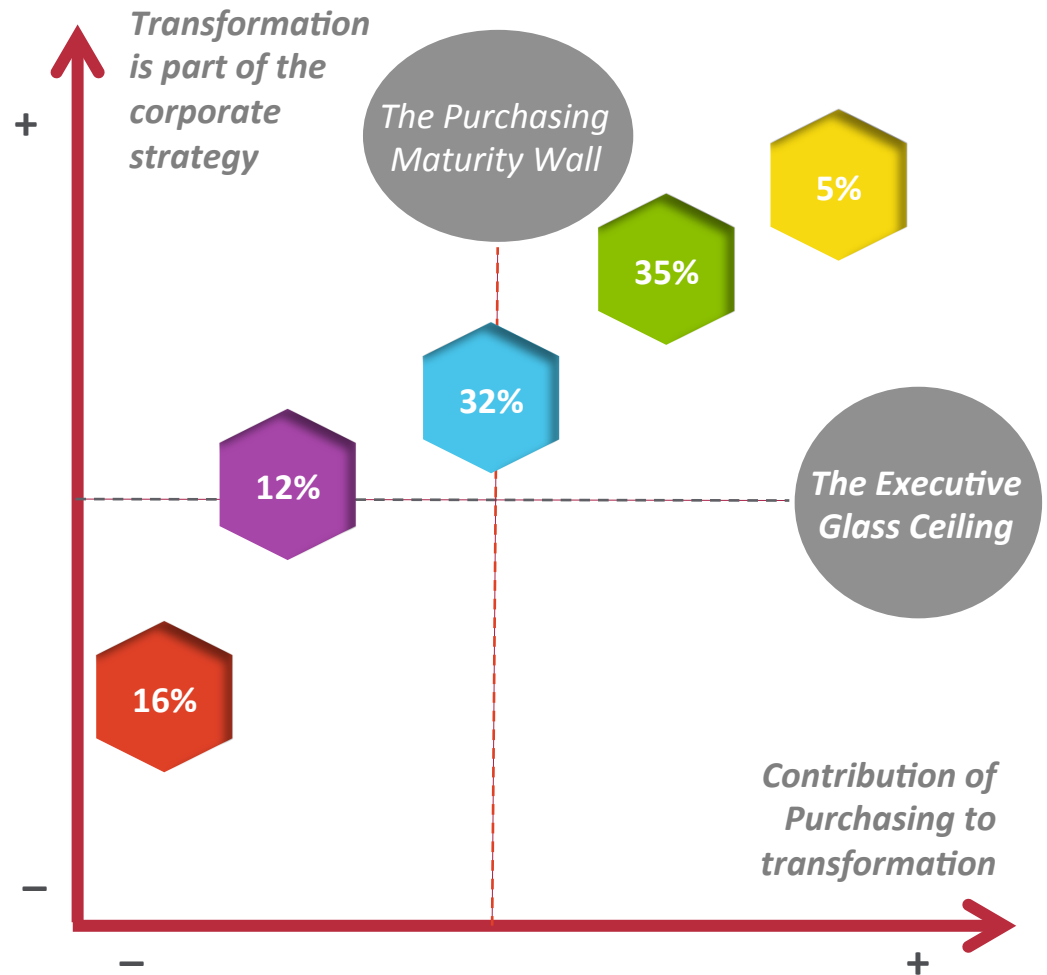
- 
- 83% of respondents said they felt the Purchasing function is contributing to the supplier network transformation
 - Only 15% felt, that they have reached a level where they are fully contributing to the transformation

Depending on the success of the participants to cross the Executive Glass Ceiling and the Purchasing Maturity Wall, we have categorized 5 groups

Overcoming the barriers to supplier network transformation

- Transformation as part of corporate strategy
- Purchasing Maturity in terms of transformation

- Best in Class
- Global Players
- Strategic Opportunist
- Aspiring Practitioners
- Local Operators



“

Obstacles –

What are typical challenges?

”





Incompatible with home standard



Budget constraints

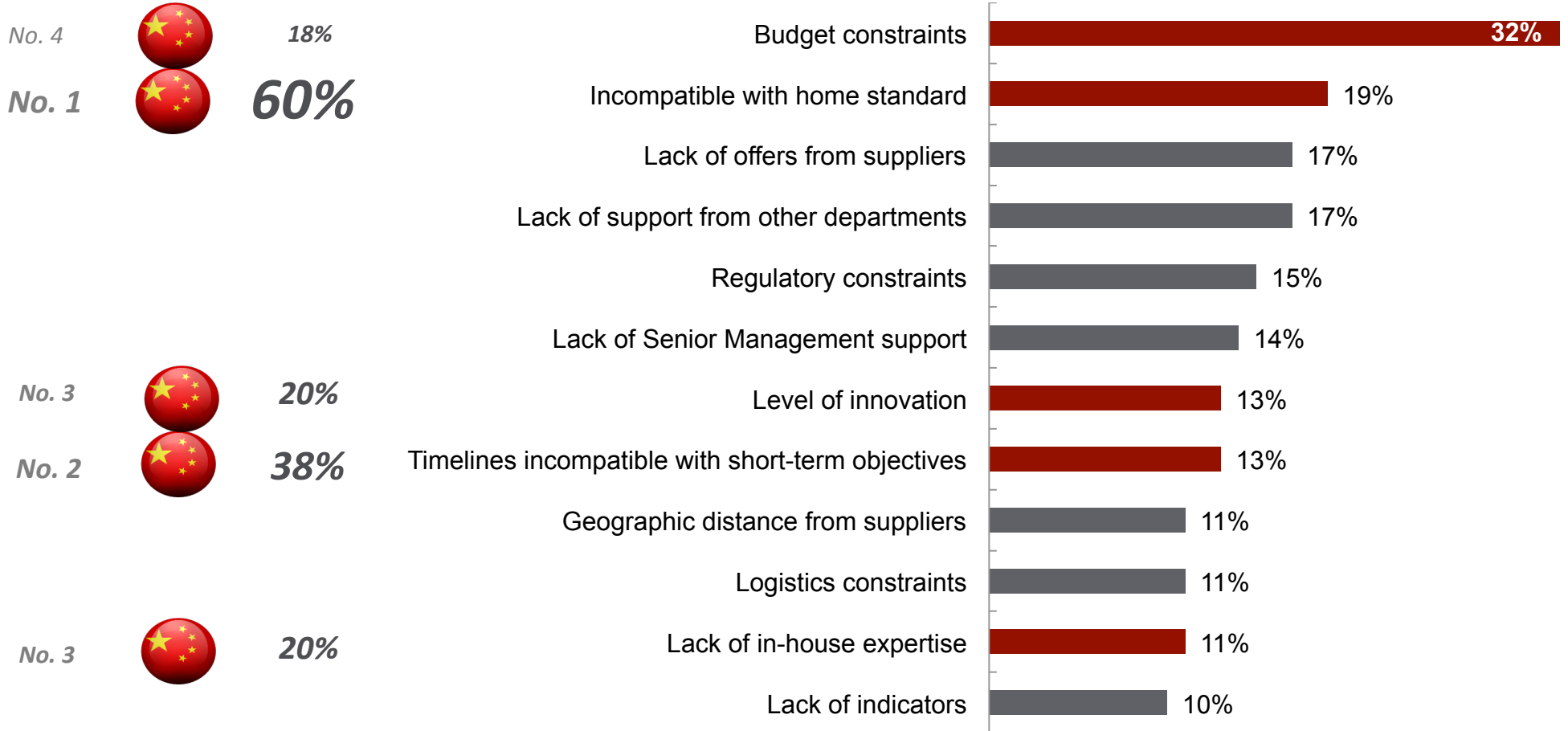


Lack of support



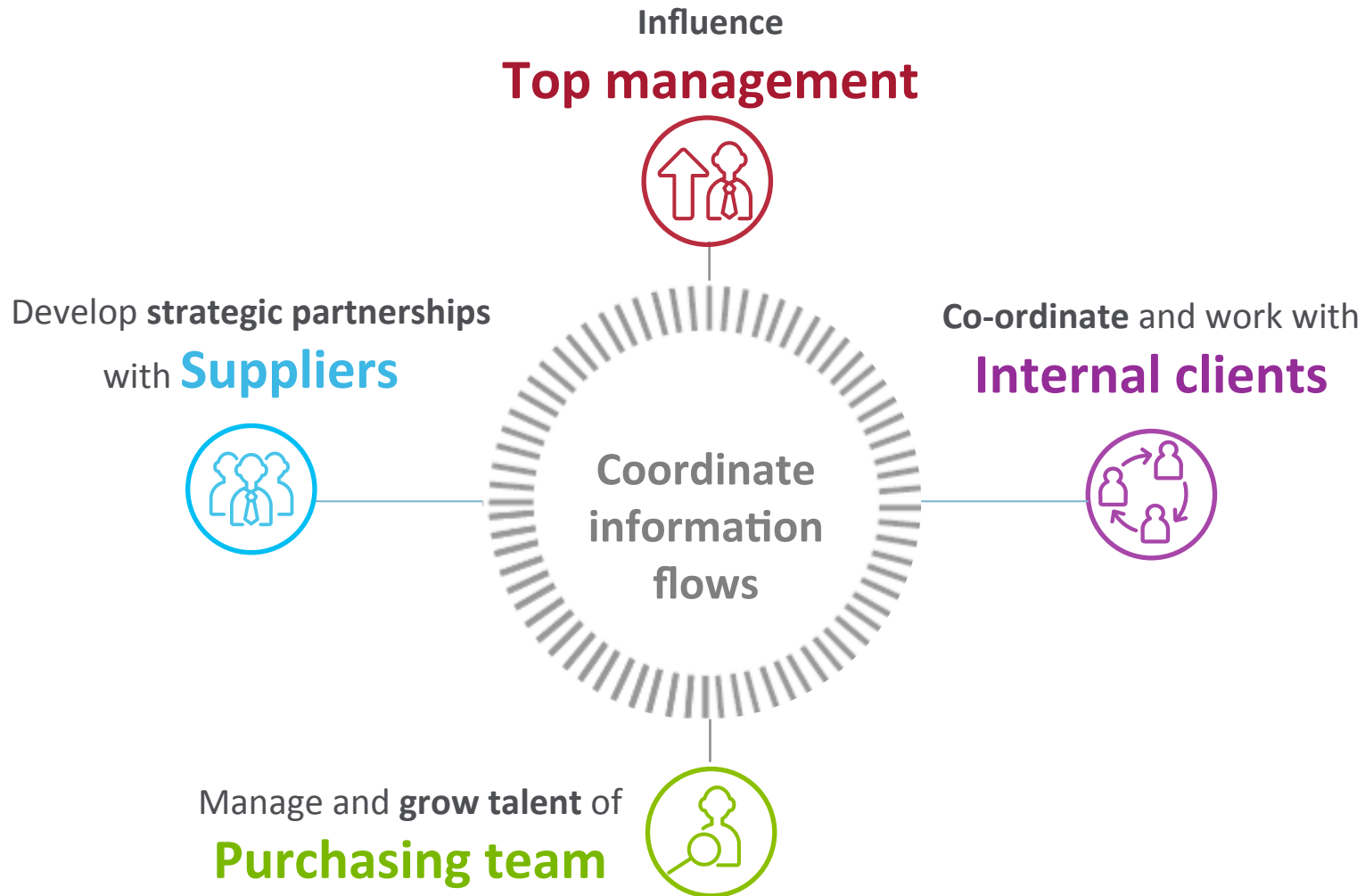
Across all participants, budget constraints are the key obstacle – in China, companies are challenged by incompatibility with home standards

What are key obstacles for the set-up of a supplier transformation initiative?



We strongly believe that purchasing departments need to step up based on five attack points to maximize the use of their own supplier networks

A five-pronged roadmap to launch supplier network transformation



BearingPoint is the right partner for your Supplier Network Transformation Initiative

Strengthen the positioning of your Purchasing Department!

In a fast moving environment Purchasing organizations are asked to highly contribute to the competitiveness of the business.

As a business partner, the Purchasing function needs to:

- Engage and implement performance programs
- Anticipate risks and secure sourcing execution
- Demand innovation from suppliers
- Propose total cost of ownership approaches to support new business developments

Thanks to its deep integration with internal clients and suppliers, the Purchasing function is evolving into a position of influence, increasing its value offer and helping the business make the most profitable and sustainable decisions.

Our Services

- Transformation Program
- Performance Improvement
- Skills Development
- Information Systems Optimization

Together with you, we define and implement your Purchasing Strategy, Performance Program and Sourcing Services for China/Asia.

We have 32 wholly-owned subsidiaries in 20 countries

Our global footprint



Abu Dhabi • Amsterdam • Berlin • Brussels • Bucharest • Casablanca • Chicago • Copenhagen • Donetsk • Dubai
Dublin • Düsseldorf • Frankfurt • Geneva • Graz • Hamburg • Helsinki • Leipzig • London • Malmö • Milan • Moscow
Munich • Oslo • Paris • Shanghai • Sibiu • Stockholm • Stuttgart • Vienna • Walldorf • Zurich

We are a European partnership, founded in 2009 with €550m in revenues

Facts and Numbers

 **20**
Countries
with direct presence

 **32**
Offices

 **35**
Reach via
Global Network

 **3,350**
Headcount (2013)

 **553**
m EUR – Revenues
(2013)

Revenues growth

 **8.9**
percent

 **2009**
Foundation date as
BearingPoint European partnership

We work in

 **140**
Partners

 **70**
countries

8th Edition of the Sourcing Monitor: Transforming the Supplier Network

(please take a copy!)

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