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International Sourcing Benchmarking Study

Selected Results
Chemicals/Pharmaceuticals

CfSM – Centrum für Supply Management

About the study

The global sourcing study is the **first globally spanning study** of its kind.

The study was conducted by CfSM and University of Wuerzburg from July 2006 to June 2007.

Included are companies situated in **all important industrial nations**, as well as many other large businesses from the remaining European and Asian countries.

The study was **addressed exclusively to purchasing officers of companies doing business in industry and commerce**.

Nearly 400 companies took part in the study.

About the study

The study was supported by:

Austria	Bundesverband Materialwirtschaft, Einkauf und Logistik in Österreich (BMÖ)
Belgium	Association Belge des Cadres d'Achat et de Logistique (ABCAL)
Belgium	Vereniging voor Inkoop en Bedrijfslogistiek (VIB)
Canada	Purchasing Management Association of Canada (PMAC)
Denmark	Dansk Indkøbs- og Logistikforum (DILF)
Finland	Suomen Logistiikkayhdistys (LOGY)
France	Compagnie des Dirigeants d'Approvisionnement et Acheteurs de France (CDAF)
Germany	Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME)
Great Britain	The Chartered Institute of Purchasing & Supply
India	Indian Institute of Materials Management (IIMM)

About the study

The study was supported by:

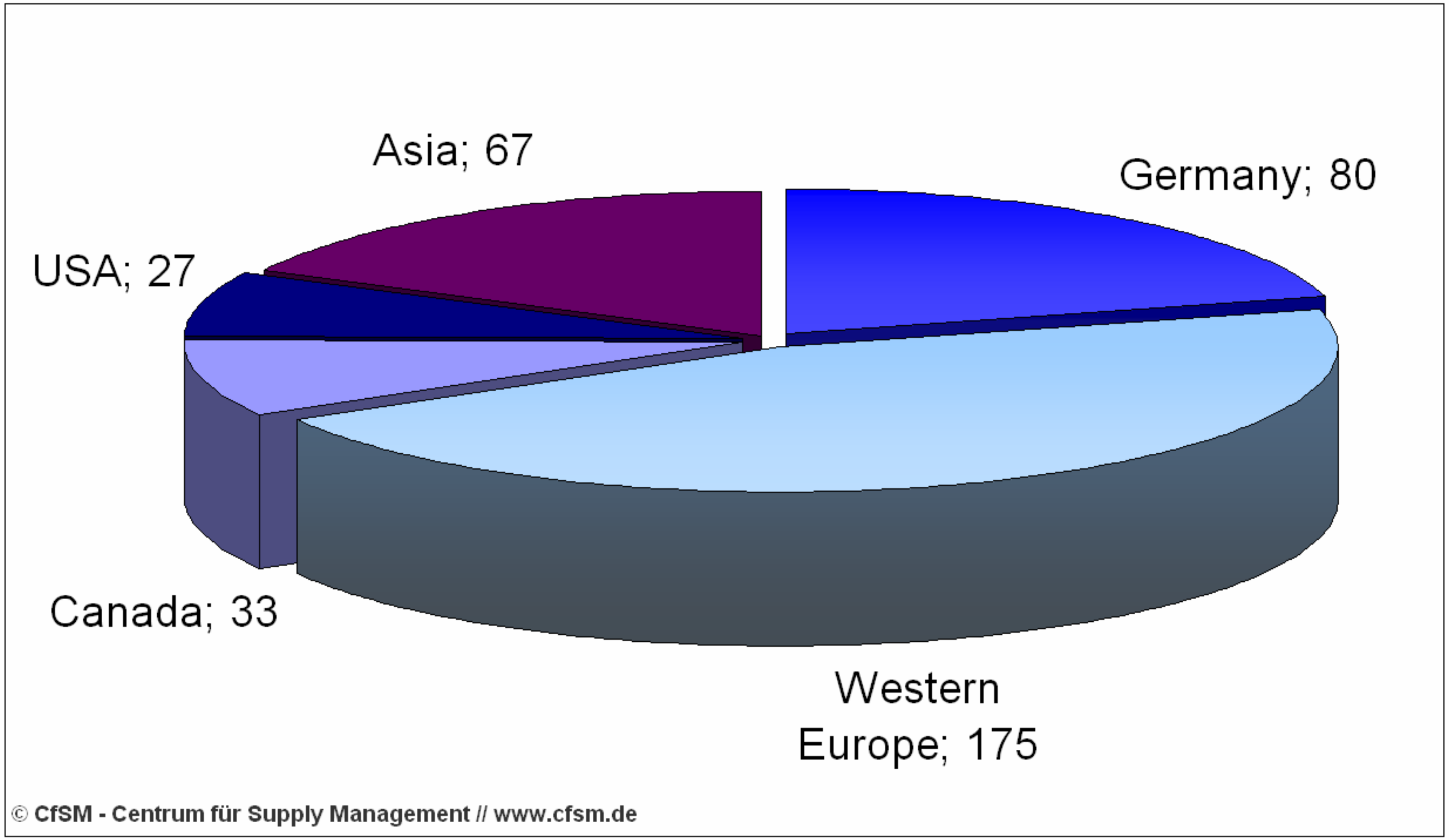
Netherlands	Nederlandse Vereniging voor Inkoop Management (NEVI)
Norway	Norsk Forbund for Innkjøp og Logistikk (NIMA)
Singapore	Singapore Institute of Purchasing and Materials Management (SIPMM)
South Africa	Institute of Purchasing and Supply South Africa (IPSA)
Spain	Asociacion Espanola de Responsables de Compras y de Existencias (AERCE)
Sweden	Inköp and Logistik (I&L) / Silf COMPETENCE
Switzerland	Schweizerischer Verband für Materialwirtschaft und Einkauf (SVME)
Thailand	Purchasing and Supply Chain Management Association of Thailand (PSCMT)
USA	Institute for Supply Management (ISM) CAPS

Company / business unit data

- **Country of headquarters**
- **Industry**

Country of headquarters

- 384 companies took part in the study
- (other countries (2) in sample not presented here)



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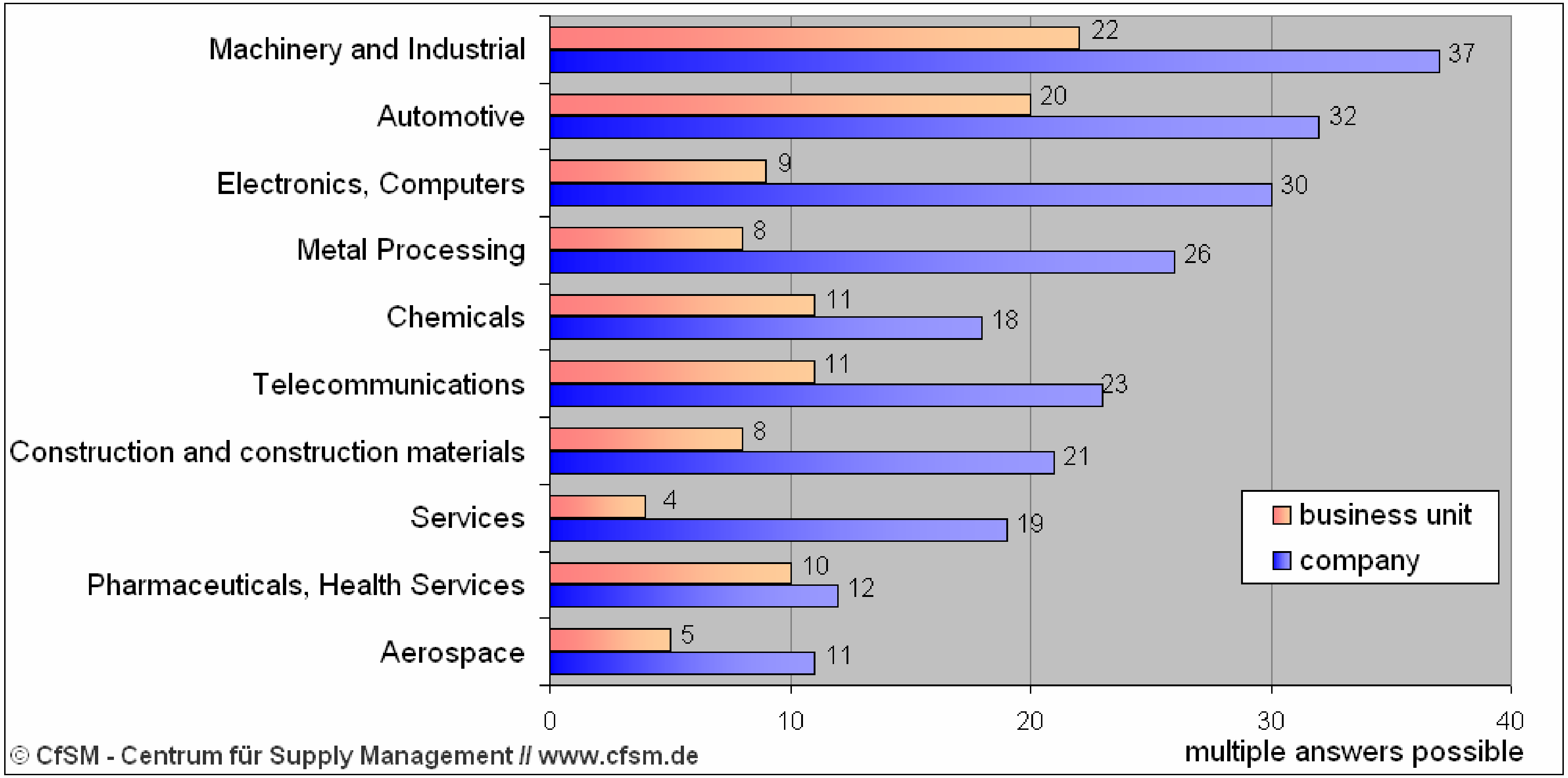
Industry where company / business unit is mainly operating in

- answers are related either to the company or the business unit/division – depending on the level of responsibility of the answering person

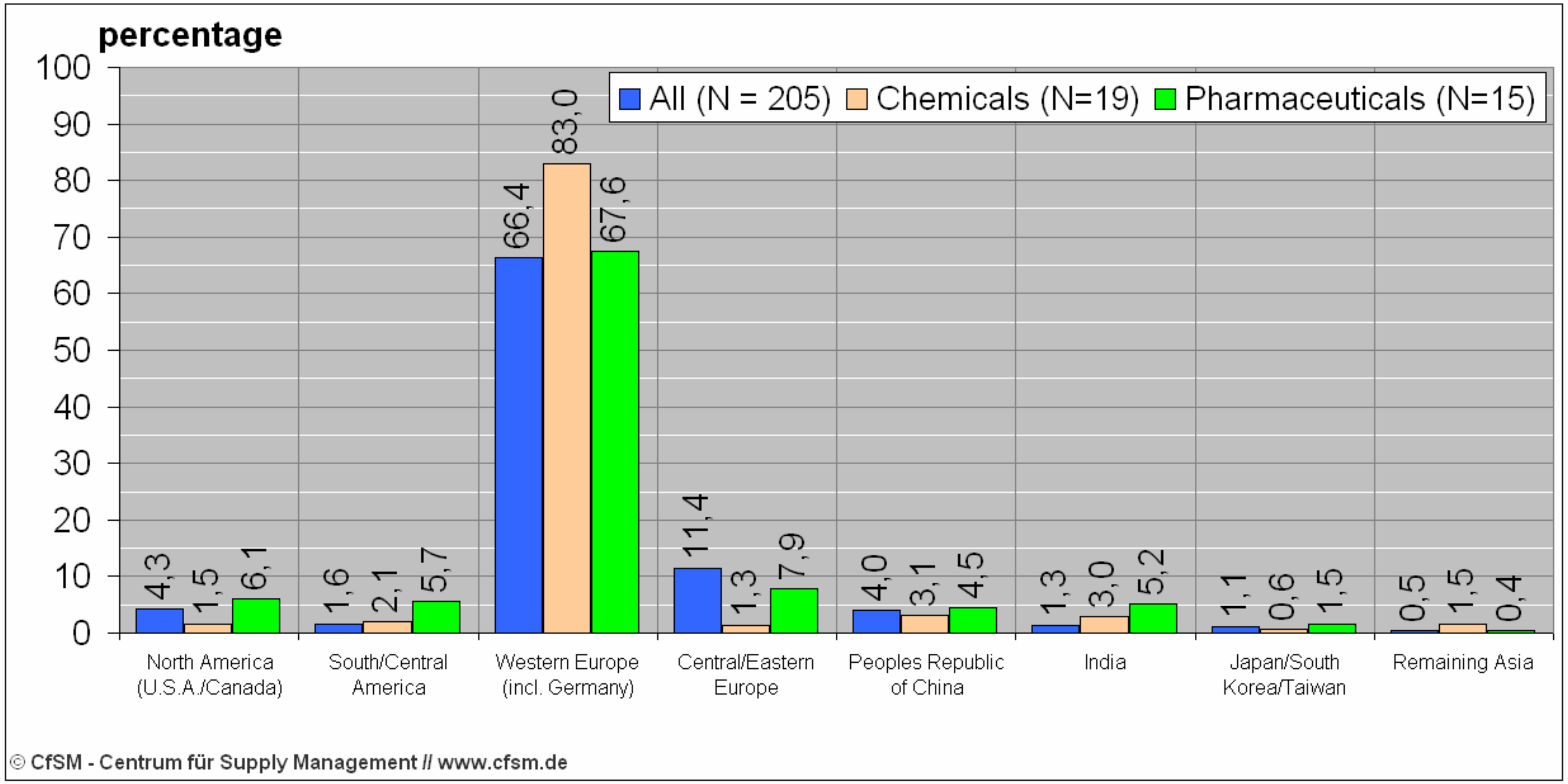


Specific Data of the Purchasing / Supply / Sourcing unit the answering person is responsible for

- **geographical regions where the total spend is consumed today and in the future**
- **sourcing regions for different consumption regions**
- **motivation**
- **potential benefits of different sourcing regions**

Geographical regions where total spend is consumed by western european companies

- Today WEC consume two thirds of their total spend in WE and can be therefore considered as being rather focused on domestic and regional production; Chemicals spend even 83 % in WE!
- Only CEE can be considered as being a relevant second manufacturing region; Pharmaceuticals are more spread than average



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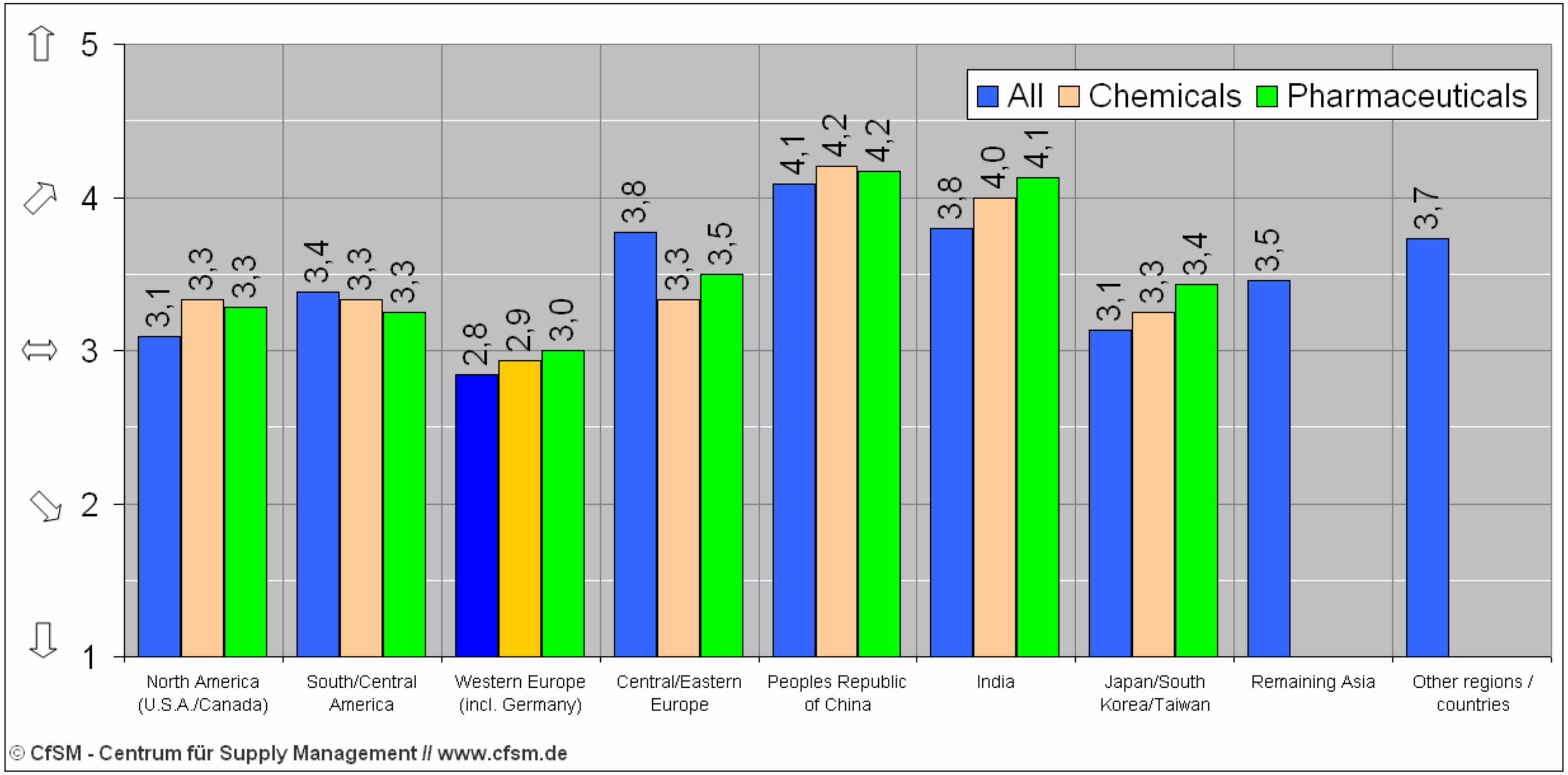
Change of consumption region in next five years (Western European Companies)

- WEC will increase production first of all in CN, closely followed by India and CEE
- Chemicals and Pharmaceuticals will increase in CN and India; CEE is on one level with NA, SCA and JP, KR, TW
- Consumption of total spend and therefore production in WE will slightly decrease



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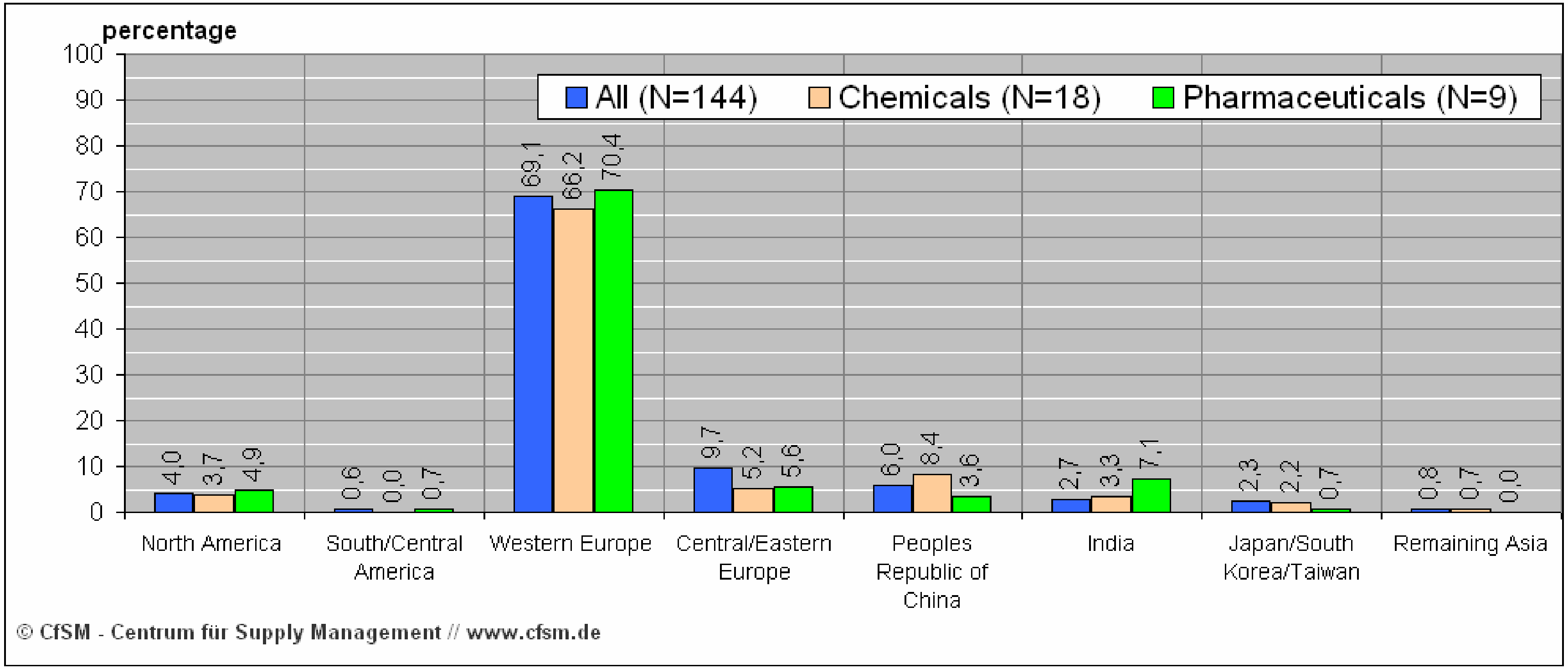
Geographical region where total spend consumed in Western Europe is sourced from

- Total spend consumed in WE is mainly sourced in this region (69%)
- Only CEE (9.7%) plays a significant role as supply market, followed by CN (6%), while others fall behind
- Today Chemicals are above average in CN and Pharmaceuticals in India
- Both industries are below average in CEE



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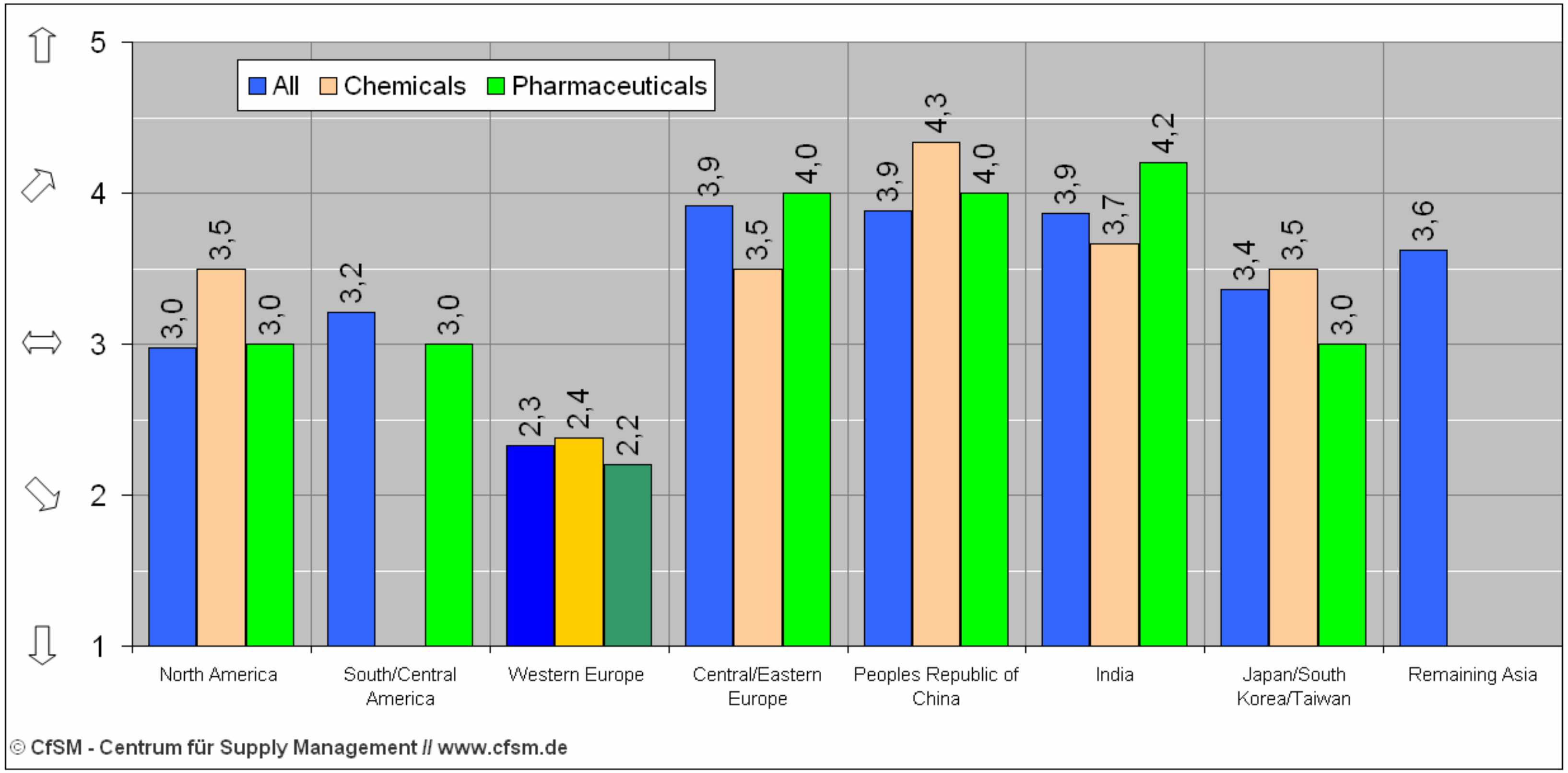
How will this change over the next 5 years (2007-2011) (Western European Countries)?

- CEE, CN, and India will become more attractive supply markets, followed by remaining asia
- Sourcing from WE for consumption in WE will decrease significantly
- Chemicals will increase their spend above average in CN and Pharma-ceuticals in India; both will not catch up in CEE compared to other industries



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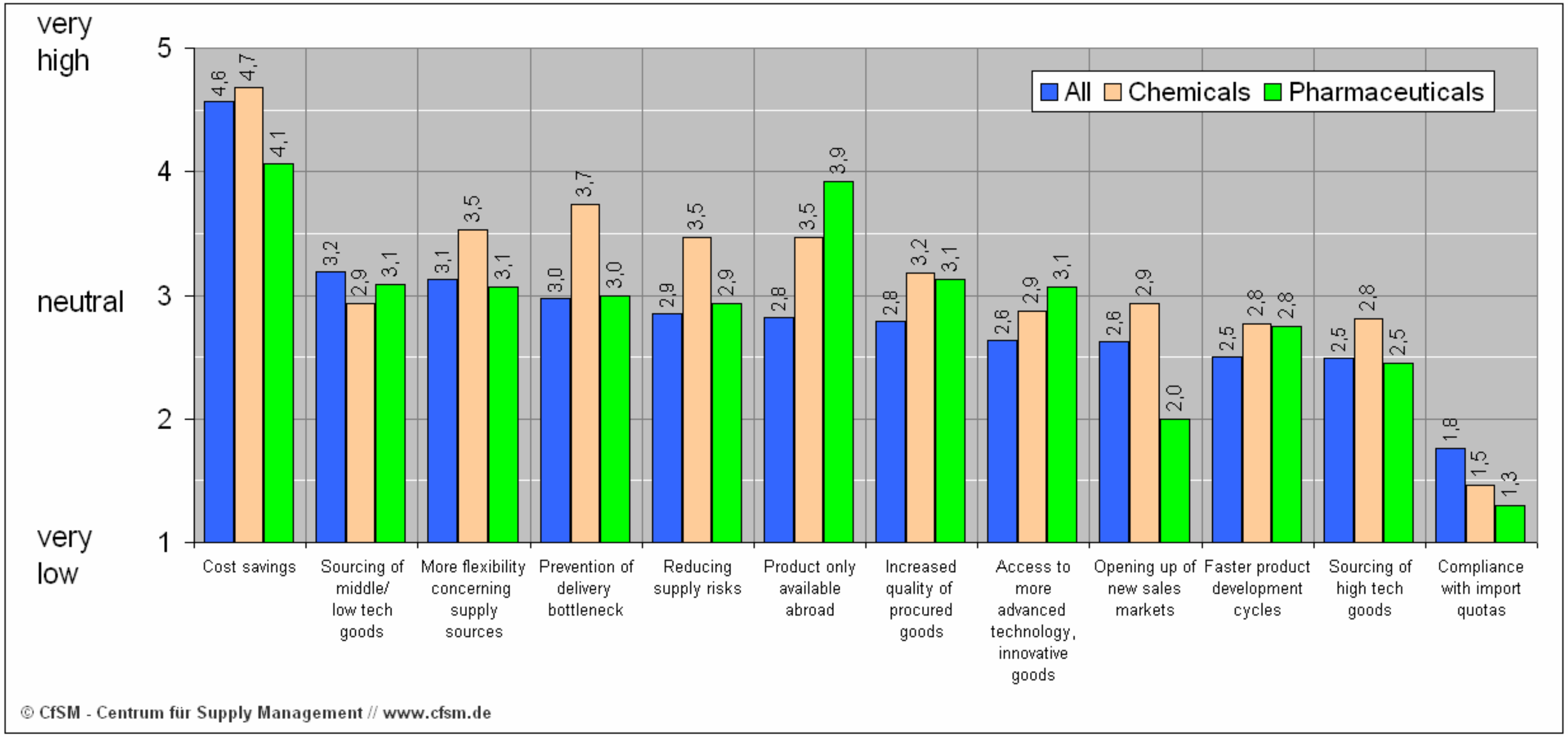
Motivation – original decision to source internationally (answered by western european companies)

- Western European Companies are only cost driven in Global Sourcing
- Pharmceuticals are the exception: Cost savings are on one level with source are only available abroad
- Chemicals are also cost driven, but flexibilty and risks of the supply chain are more focused than average



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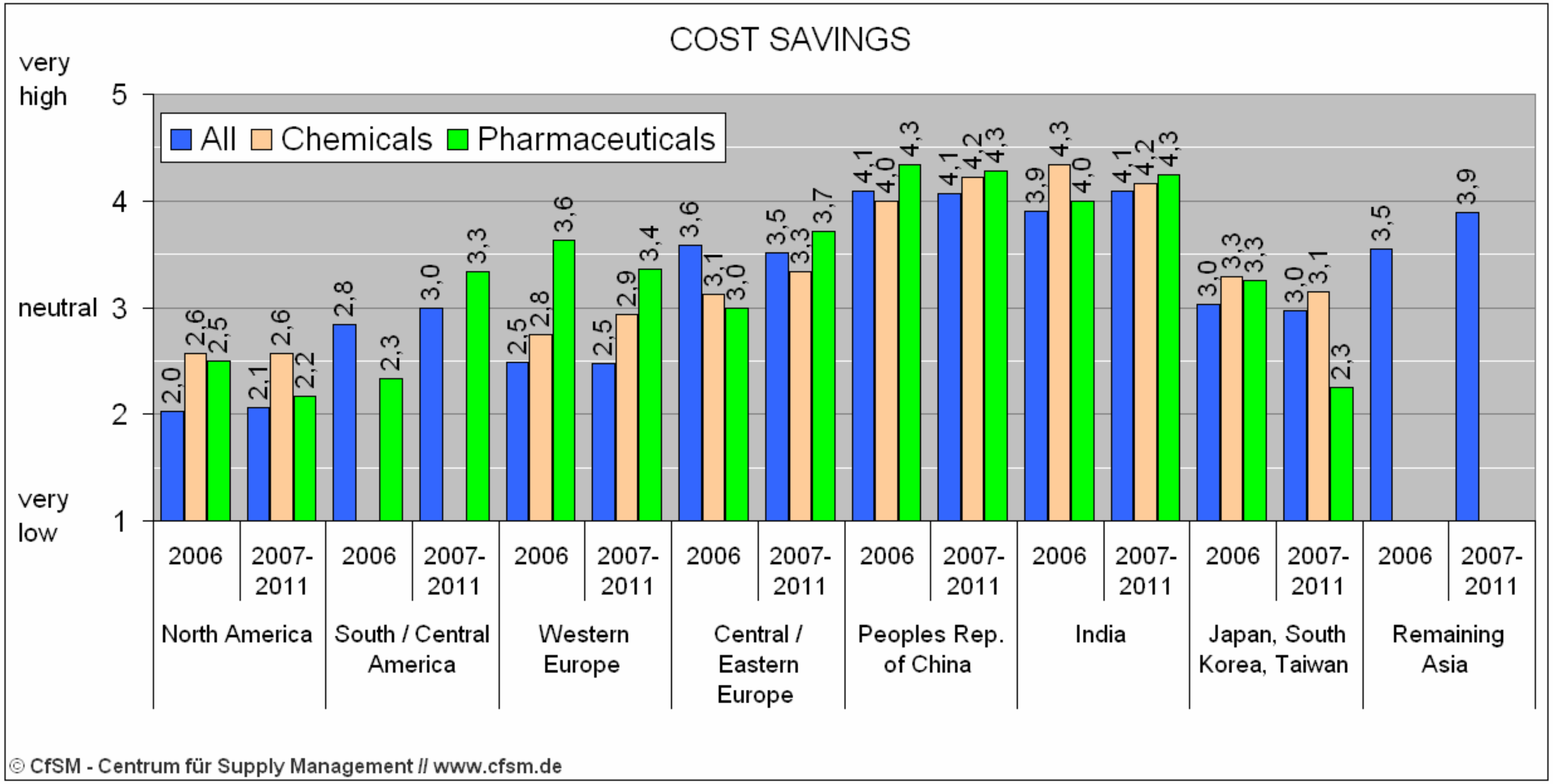
Benefits for supplies from sourcing regions today and for the next 5 years (answered by Western European Companies)

- Today highest potential for cost savings are supposed in CN and India; both industries are slightly above average
- Pharmaceuticals suppose interesting potentials still in WE on one level with CEE and above the „rest of the world“



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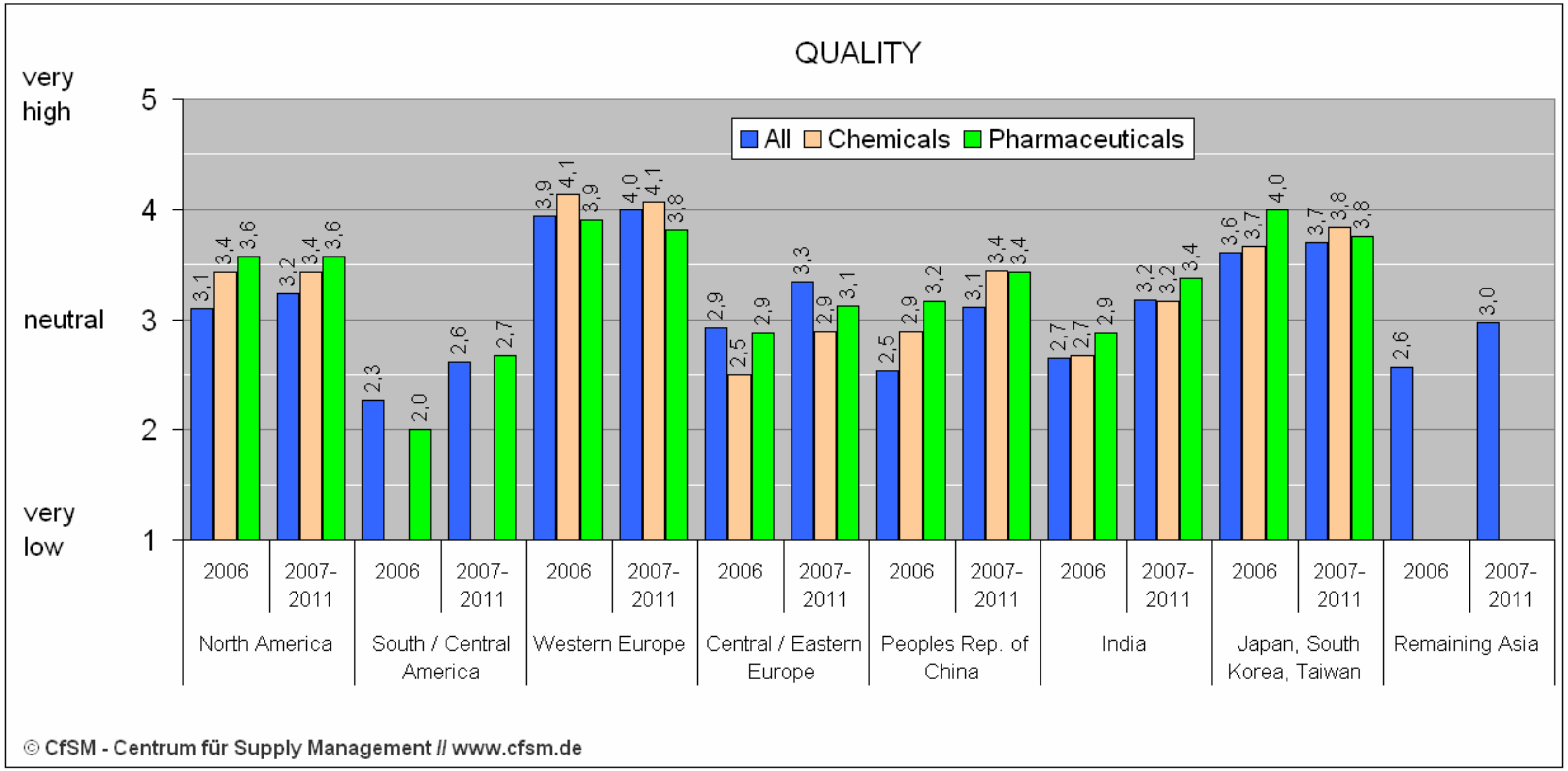
Benefits for supplies from sourcing regions today and for the next 5 years (answered by Western European Companies)

- Today CN and India are clearly behind WE for quality reasons
- Both industries rank CN today and in future above average
- CN and India will close the gap to WE step by step and are seen on one level with NA in five years time by Chemicals and Pharmaceuticals; CEE will fall behind



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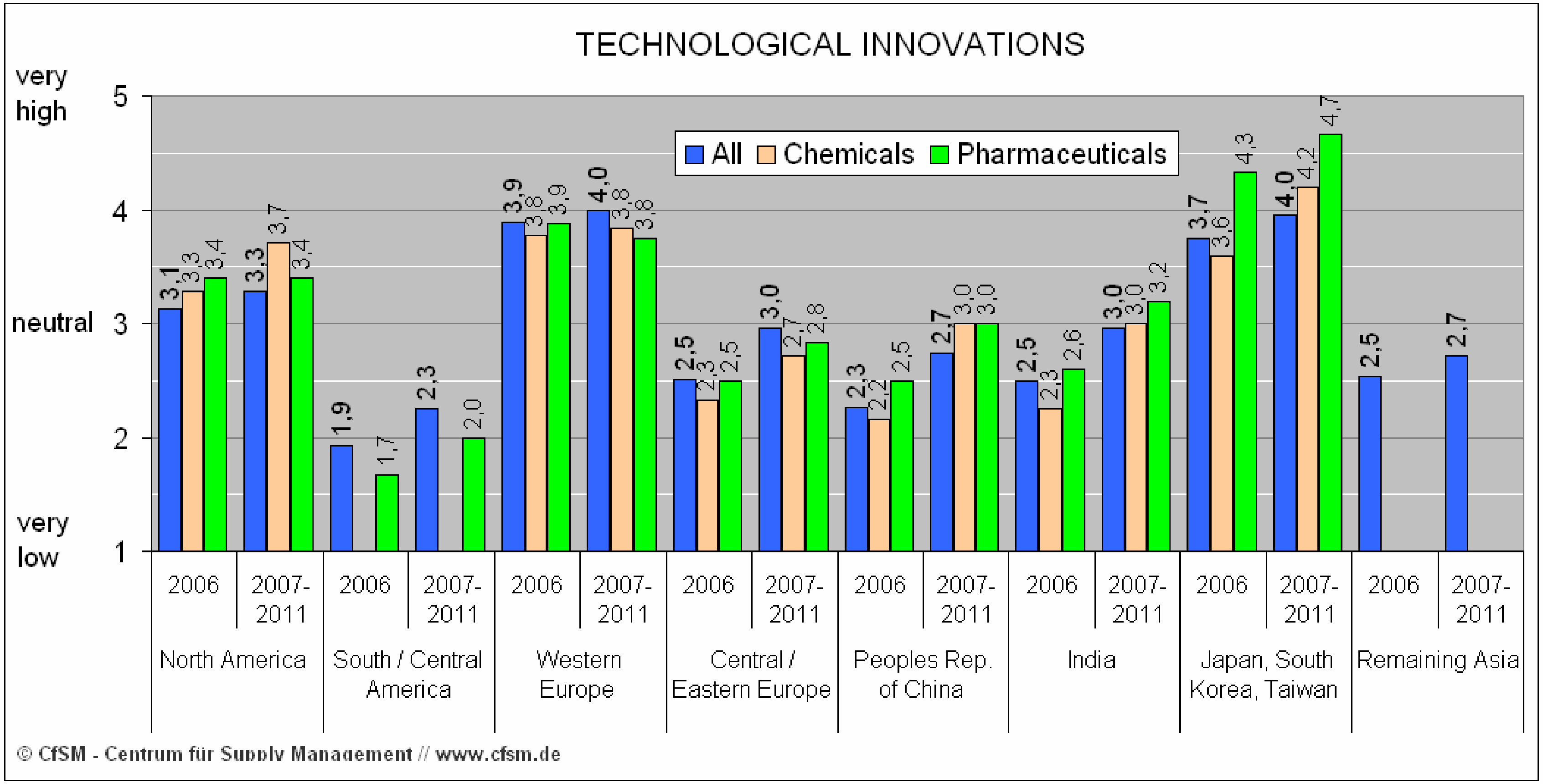
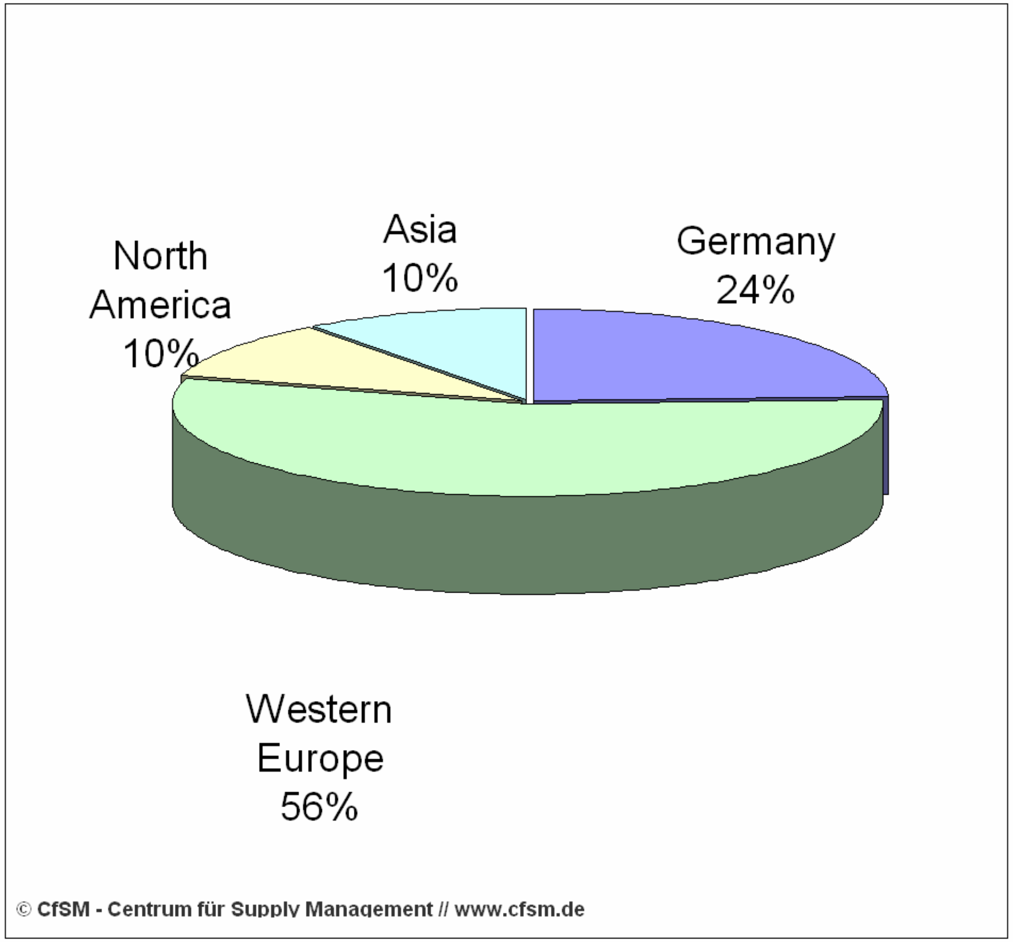
Benefits for supplies from sourcing regions today and for the next 5 years (answered by Western European Companies)

- Today all LCCs are clearly behind WE
- In the next years they will catch up a little but won‘t be able to close the gap
- Pharmaceuticals: JP/KR/TW will increase their strong position



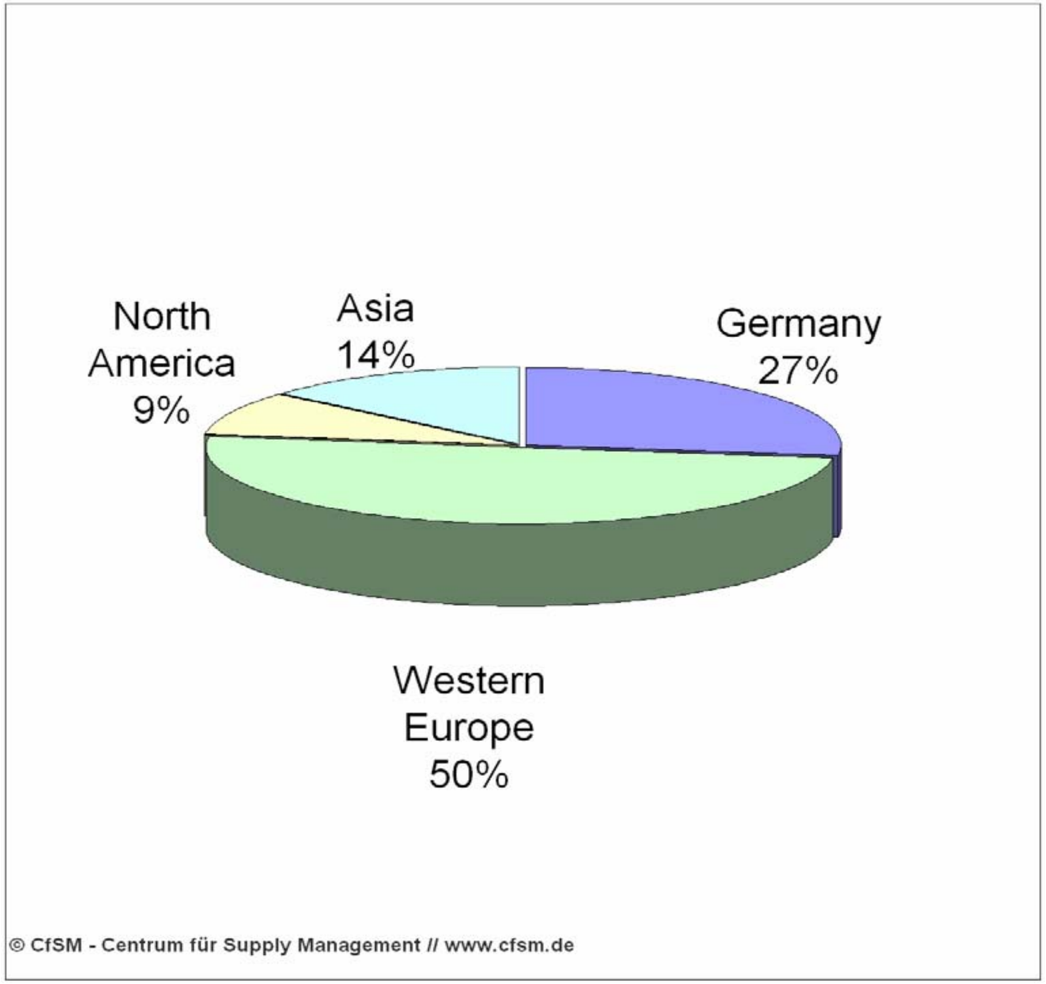
Analysis demographics

Analysis demographics: Chemicals



	occurence
PR China	3
Germany	7
France	2
Italy	1
Netherlands	2
Austria	1
Sweden	2
Switzerland	2
Spain	6
USA	3
sum	29

Analysis demographics: Pharmaceuticals



	occurence
Belgium	1
PR China	3
Denmark	1
Germany	6
UK	5
Sweden	1
Spain	3
USA	2
sum	22

Further perspective of evaluation

- “average” vs. “best-in-class”
- view of north american and asian countries and companies
- view of different industries
- view of companies with different sizes
- view of different products (raw materials,semi-finished, finished)

Further statistical evaluation

- most competitive factors and competitive position in the industry
- total spend today; changes over the past 5 and the next 5 years
- highest purchasing officer (rank, reporting)
- purchasing/supply operating expenditures (budget) today; changes over the past 5 and the next 5 years
- purchasing/supply operating expenditures (budget) for international sourcing today; changes over the past 5 and the next 5 years
- net effects of hard savings today; over the past 5 and the next 5 years
- number of employees assigned to strategic tasks; share related to all employees in purchasing/supply organization; changes over the past 5 and the next 5 years

Further statistical evaluation

- key performance indicators to which the superior set targets
- strategic behaviour of the supply organization
- institutions/organizational designs to support international sourcing
- locations of the purchasing organization

in-depth analysis

- influence on share of international sourcing (size of enterprise, international sourcing experience…)
- differences in sourcing pattern acording to geografical regions
- correlation between benefits of a sourcing region and the share of international sourcing
- correlation between success of international sourcing and the structure, size and budget of the purchasing organization
- etc.

Contact

For an in-depth benchmarking according to your company profile

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