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Events Forenotice

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Dragon Sourcing Seminar
June 11th, 2009 (1:15pm – 5:45pm)
Best Trends and Practices in Procurement, Shanghai Jin Jiang Tower, China

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NEWS AND TRENDS

- ·Chinese procurement delegation lifts the gloom
- ·Siemens looks to increase Asia sourcing and exports
- ·India still on top of the world
- ·China Approves Tax Breaks and Subsidies for Service Outsourcing Industry
- ·Telecoms giant calls on procurement to deliver massive cost objectives
- ·Carrefour looks to local sourcing in India
- ·Public procurement goes green in China
- ·India: the sourcing base for auto components
- ·Vietnam to Offer Discounts and Extension on Taxes to Boost Growth
- ·Maersk, Baosteel to countersign strategic steel procurement agreement
- ·Toyota tweaks sourcing plan for small car plant

INTERVIEW

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General Manager, 3 Suisses China

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MORE>>

ARTICLE

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MORE>>

May. 5 2009 1

NEWS AND TRENDS

Chinese procurement delegation lifts the gloom

A Chinese procurement delegation has returned home having signed deals worth in excess of $13bn in Germany, Spain, Switzerland and the UK, according to Chinese news agency Xinhua.

The country's minister of commerce, Chen Deming, who headed the delegation, said that the investment demonstrated China's commitment "to open its market and oppose trade protectionism". The procurement will help countries tie over the current difficulties and push the global economy on to the road of recovery. On the other hand, the Chinese government has just reiterated its intention to hit its growth target of 8% in 2009 - they know they can't deliver that figure unless they work closely with the rest of the world."

Go To Top

Siemens looks to increase Asia sourcing and exports

Siemens is looking to increase sourcing and exports from Asia to help control costs. "This is an area which we are focusing on," Richard Hausmann, the chief executive for Siemens North Asia, told reporters when asked about low-cost sourcing.

Siemens, whose products range from turbines to light bulbs, also wants to increase the level of exports from China. In fiscal 2008, the company's exports from China were equal to about 10 percent of the 57 billion yuan ($8.28 billion) in total mainland sales, said Hausmann. Siemens wants that percentage to grow, but did not give any targets.

The company is forecasting mainland sales to grow about 16 percent in fiscal 2009, or double the country's forecasted 8 percent economic growth rate. Siemens' sales in China grew 19 percent in fiscal 2008.

Go To Top

India still on top of the world

India will remain the world's preferred outsourcing and offshoring location despite the problems associated with the global economic slowdown, according to a new report. The study into India's IT and ITeS industry found that although the financial crisis had caught the country's BPO industry off-guard, demand for outsourcing services would remain strong in 2009.

On one hand, conventional BPO services continue to form a majority of the total services offered by the surveyed companies, this year's study has seen conventional BPO services drop by almost 10 per cent from last year. On the other hand, service lines such as KPO, LPO, EPO and eLearning have increased its share considerably. Margins are substantially higher in these services and with companies keen to diversify, revenues from these services are bound to increase.

Go To Top

China Approves Tax Breaks and Subsidies for Service Outsourcing Industry

The State Council has approved tax breaks and subsidies to boost the growth of China’s service outsourcing industry. Here’s the main content:

1. Companies will be eligible for favorable tax policies in 20 Chinese cities, including Beijing, Shanghai, Xi’an, Suzhou and Hangzhou, which have been cited as pilot service outsourcing regions.
2. Businesses dealing with information technology, training, production materials procurement, logistics, and advertising are qualified to be service outsource providers.
3. Service outsourcing companies will also be allowed to implement flexible working hours for employees as long as it gets approval from local human resources departments.
4. The government is also offering service outsourcing companies a subsidy of up to RMB4,500 annually per college graduate employed for at least one year.

Go To Top

Telecoms giant calls on procurement to deliver massive cost objectives

BT is set to slash its procurement costs - sparking fears that the company's global BPO operations could be hit. The move described as "old fashioned cost cutting", comes as BT looks to cut up to £40 million from its global services arm. BT's chief financial officer has already hinted that procurement will be under increasing pressure to manage costs, as the company braces itself for a significant global downturn.

However, the company's Indian outsourcing partners have expressed concerns that their operations may be impacted by the 10,000 job cuts that BT expects to make as part of the plan. Some of India's major outsourcing firms currently rely on BT for a large chunk of their revenues, including Tech Mahindra, Tata Consultancy Services (TCS), Infosys, Wipro and HCL Technologies.

Go To Top

Carrefour looks to local sourcing in India

French supermarket-giant Carrefour is finalising a series of sourcing agreements with local suppliers in India as it prepares to open its first cash-and-carry outlet in India in late 2009 or early 2010. Carrefour is the latest major food retailer to extend its reach into India, with Wal-Mart and Tesco already having established a major presence in the country.

The company’s managing director in the country said that Carrefour was working closely with a domestic supply base as it expands its operations in India. "Every market we enter, we work closely with local producers, farmers, agricultural co-operatives and manufacturers... this concentration on domestic sourcing allows us to make valuable contribution to the development of the local economy," he said in a statement.

Go To Top

Public procurement goes green in China

China’s state council is to force local governments in the country to take a greener approach to procurement. According to an order published on the government website, new rules will give eco-friendly and energy saving products priority in future public purchases. The country introduced a compulsory procurement list aimed at encouraging the purchase of greener products in 2009, and the latest move is seen as a key piece of state strategy in cleaning up the country's act.

"The reinforcement reveals that China is not satisfied with the implementation of the compulsory procurement list, although it proposed it a few years ago," said Wang Conghu, professor of Renmin University of China and a government procurement expert，"The country's requirement for strict implement of the compulsory green procurement list will encourage more suppliers to go green and have their names on the green procurement list."

Go To Top

India: the sourcing base for auto components

The Indian automotive industry has grown at a staggering pace over the last few years. Despite stiff competition from countries like China and Mexico, India is increasingly becoming a sourcing base for auto majors seeking completely built-up units (CBUs) as well as outsourcing of components, an industry study has highlighted.

Global automobile majors like Hyundai, Ford, Skoda, Suzuki, and Mahindra have made India a manufacturing base for particular models of cars. At the same time, other multinationals like Toyota, GM, Fiat, Volkswagen, Renault and Daimler are making India a hub for components. Moreover, India could be a major beneficiary of increased sourcing in the auto component industry which is likely to flow contracts worth 700 billion dollars to low cost countries by 2015.

Go To Top

Vietnam to Offer Discounts and Extension on Taxes to Boost Growth

According to Thanh Nien News, there will be a 50 percent tax reduction on cars, ships, coal, chemicals, tires, engineering equipment, cement structures, automatic data-processing machines and precious stones.

The reduction measures are expected to boost production and export as the economic crisis deepens.

In 2008, Vietnam's economy grew by 6.2 percent, the lowest figure in nine years. The government is looking at 6.5 percent growth for 2009. Hotels, travel services and printing business will also be qualified for the tax cuts. Moreover, firms producing engineering equipment and construction materials, including building companies, travel agents, food and fertilizer traders will be given a nine months extension to pay taxes.

Go To Top

Maersk, Baosteel to countersign strategic steel procurement agreement

Danish shipping giant A.P. Moller-Maersk and Baosteel, China's largest steel maker, have just signed a strategic steel procurement agreement for a three-year term. Baosteel will supply steel products for Maersk for the items including containers, ships and petroleum systems, according to the agreement. The two parties hope to strengthen strategic partnership in the future by the above procurement agreement.

Maersk and Baosteel have been cooperated for over a decade. The two sides meanwhile reached consensus to further discuss other potential points of cooperation in the following several months.

Go To Top

Toyota tweaks sourcing plan for small car plant

The world's largest carmaker, Toyota, has changed sourcing plans for its upcoming small car plant in India due to rupee fluctuation against other currencies in the last 3-4 months. The company, present in India through a joint venture with Kirloskar Group, is actively considering changing components and equipment sourcing destinations in order to save on import bills.

"Depreciation of rupee (particularly against dollar) has been affecting us badly. Our company has decided to import from Japan ... some imports will happen from Thailand, Taiwan and Indonesia and some components will be locally sourced " Toyota Kirloskar Motor (TKM) Whole-Time Director Shekar Viswanathan said.

Go To Top

May. 5 2009 **2**

INTERVIEW

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In 1996, Anne obtained an MBA degree from ESSEC Business School. After graduation in 1996, Anne joint Procter and Gamble France as Financial Analyst, in the women daily care products Division. Anne joint 3 Suisses China as Marketing Director in 1997, just after the launch of the Chinese subsidiary. In 2000 Anne went back to France to work for Le Club des Créateurs de Beauté (CCB), a Joint Venture between 3 Suisses Distance Sales Group and L'Oréal for a period of 7 years. End of 2007 Anne was appointed as General Manager of 3 Suisses China. Having worked on different country strategies, Anne has strong knowledge of intercultural work and has developed a strong curiosity and open minded attitude. A believer of dialogue and relationships, she has steered 3 Suisses Faruier brand to offer the best of French fashion remixed for Chinese women, evolving around 3 Suisses core value of quality and state of the art customer service.

3 Suisses

As part of Otto Group, the largest mail order group in the world, the 3 Suisses International Group is a French group of international proportions. Founded in 1932, the 3 Suisses International Group is working in 4 activity sectors: textile and home, office supplies, financial services and corporate services.

Focusing on its core business and its expertise in multi-channel distance selling via the Internet, telephone and catalogues, the 3 Suisses International Group is now established in 15 countries in Western and Central Europe and Asia with 13,148 employees worldwide. 30% of the Group's turnover is generated outside France.

3 Suisses China, a subsidiary of 3 Suisses International Group first came to China in 1997. It has now developed into one of the largest distance seller company in China, focusing on women's clothes, with more than one million members.

Procurement at 3 Suisses China

Independent from the company's global sourcing office, 3 Suisses China buying office is sourcing almost 100% of the products locally for the Chinese market except the designers' collections, which the company normally imports from France. The buying office in China is made up of 8 members, including 1 buying manager, 2 senior buyers, 1 junior buyer, 1 assistant and 3 quality control people.

When it first established itself in the Chinese market, the Chinese buying office was totally separate from the Company's global buying office. Although this process has not been easy, Anne has tried to increasingly integrate into the global sourcing team in order to benefit from its larger order quantity. However, considering the different objectives and schedules of launching each season's catalogues, Anne indicated that the Chinese buying office is still quite independent and not much integrated with the company's global procurement functions.

The Chinese sourcing office as well as the global sourcing office do have Low Cost Country Sourcing program driven by their headquarters. Despite the fact that Chinese sourcing office is sourcing all its requirements from China, the global sourcing office tends to buy less in China than before. As China's cost position has increased over the years, they are now buying increasingly from other Asian low cost countries such as Vietnam and India.

Quality, time to market and price are the 3 main elements that Anne uses to measure the performance of their procurement function. Taking quality for example, as Chinese customers do have higher expectation about 3 Suisses products compared to most local Chinese brands, quality control is a key point of focus in the company. Being a fashion company, production flexibility and on time delivery are also crucial performance criteria. The objective of the Chinese sourcing office in the next 1 to 3 years is to identify and qualify more factories that are capable of supplying the quality fabrics and materials that are needed to comply with 3 Suisse strict specifications. This objective will in all probability double the current work of their buyers.

Using some of the tools that Dragon Sourcing has developed for 3 Suisses, the buyers have now a better visibility on the status of their production orders, and on expected delivery dates. These tools are used on a daily basis and help the company to secure their objectives in terms of "time to market".

When looking at the challenges that 3 Suisses is faced with relating to procurement, Anne indicates that her biggest issue is quality consistency, i.e.: the ability of always being able to deliver the same level of product quality and offer the clients the best quality that can be found in the supply market. According to Anne, having set up this local buying office has given 3 Suisses significant advantages: (1) it has greatly facilitated communications with the suppliers, (2) it has streamlined the whole sourcing processes, and (3) significantly permitted to improve time to market which is critical in the fashion driven industry.

Go To Top

May. 5 2009 3

ARTICLE

India: A Growing Link in the Global Supply Chain

A look at the nation's success stories, and the challenges that persist, in autos, oil, power, steel, and electronics

By Samir Das
Business Week April 10,2009

With more than 500,000 new engineering graduates each year, India is in a strong position to be an engineering powerhouse. But while India is one of the biggest players in the services and information technology sector, the same cannot be said of our supply chain and engineering capability. India's manufacturing exports still amount to less than 10% of gross domestic product, whereas more than one-third of China's GDP comes from manufacturing.

India still doesn't have the most congenial business environment. Bureaucratic hurdles and a tough approvals system for setting up new businesses are not as severe as in the past, but they continue to create bottlenecks. Land acquisition is a major hindrance to setting up new plants, as the problems of Tata Motors in West Bengal last year demonstrated. Illiteracy and unskilled labor are disincentives to modern organizations that thrive on high productivity. So, too, are infrastructure problems such as clogged ports and roads, power failures, and water shortages.

In spite of these many challenges, India is slowly but surely making a mark in the global supply chain. We are still a long way behind China and Japan, but there has been definitive progress. Here, the challenges and success stories, by sector.

Automobiles

The Indian triumph in the auto supply industry is well known. A small set of Indian manufacturing companies are vendors of choice for global automobile multinationals that purchase small parts. These suppliers are valued for their reliable, high-quality products and on-time delivery. Four Indian auto parts companies have received the coveted Deming Prize for excellence in quality. The next challenge for Indian component suppliers is to upgrade from supplying simple parts to complex assemblies and transmissions.

The transition to high-end manufacturing already is in progress. In the automobile sector, quality is crucial for the top players. And in a vote of confidence for India, leading carmakers such as Hyundai, General Motors (GM), Toyota (TM), and Ford (F) have either tied up with a local operator or opened their own manufacturing units and are supplying cars from India to the rest of the world.

With India's manufacturers combining engineering excellence and low costs, more companies are discovering the benefits of operating out of the country. In the coming years, India should continue to be a major manufacturing base for auto companies. Local demand for small and midsize cars is growing, thanks to increasing disposable income. The current global recession has dampened automobile demand, but it should encourage more cost-conscious manufacturers to shift operations out of Europe and the U.S. to India.

Oil Exploration and Petroleum Refining

India currently imports nearly two-thirds of its crude oil. With volatile oil and gas prices worldwide, self-sufficiency in energy is a national imperative. The Indian government has come up with a National Exploration Licensing Policy, or NELP, under which exploration and production companies (E&P) have acquired exploration blocks. Aggressive implementation of NELP has resulted in quite a few new gas discoveries in the last few years. Oil refining companies in India have world-class capabilities. But the government's oil subsidy policy and differential pricing has been hurting their bottom line. Future growth in the oil and gas sector depends on new discoveries. To be more self-sufficient and globally competitive, India needs to shift from pricey crude imports to higher volumes of Indian crude.

India also is looking toward adapting cheaper, greener alternatives such as liquefied natural gas, biofuels, and hydrogen energy.

However, for this movement to pick up momentum, the government needs to offer more incentives for research and adoption of these fuels. More state governments should follow the example of Delhi, where enforced use of compressed natural gas for commercial vehicles has led to cheaper transportation costs and a cleaner environment.

Power

Power generation, transmission, and distribution have historically been dominated by central and state government electricity boards. More than 86% of India's total capacity is owned by the central or state governments, with the private sector contributing just 13.5%. Saddled by transmission and distribution losses and rampant power theft, the state electricity boards have not been very efficient organizations, but private players have been unable to make significant inroads primarily because pricing remains subject to government control. Introduction of private power distribution players in Delhi and Mumbai has reduced theft and streamlined the distribution process. Kolkata's RP Goenka-owned Calcutta Electric Supply Corp. (CESC.BO), the city's sole electricity provider, has brought near self-sufficiency to Kolkata through a combination of adopting modern technology in power generation and an efficient distribution mechanism. It is a strategy worthy of emulation.

Three factors are crucial for growth and self-sufficiency in Indian power: a concerted public-private partnership in generation, transmission, and distribution; a financially viable pricing structure that is not subject to state government controls; and assured supply of fuel. Since a power plant and its fuel source could be in different states, a predefined, mutually acceptable agreement between the state governments to facilitate smooth supply is critical.

Steel

India is one of the world's leading iron ore exporters, but Indian steel manufacturers have had trouble obtaining it. Only a handful of manufacturers have their own captive iron ore mines; the rest depend on government-owned mines. Many states with high reserves have poor infrastructure. So in recent times global steel manufacturers have set up steel plants in raw-material-rich states such as Orissa and Bihar.

To drive growth in the Indian steel industry, the government should encourage investment in fresh mining of iron ore, coal, and gas. The government should also formulate a policy to encourage investors to buy (or lease) iron ore and coking coal deposits abroad. In the short term, the government should narrow the supply gap by diverting some iron ore exports to domestic steel producers. And since economy of scale is a proven success factor for growth in the steel industry, the government should encourage global manufacturers to tie up with Indian manufacturers.

Hardware and Consumer Electronics

Electronics hardware is one of the largest and fastest-growing industries in the world. The Indian government's special economic zone policy encourages duty-free imports and tax concessions. Global manufacturers such as Samsung, Nokia (NOK), Motorola (MOT), and Texas Instruments (TXN) have already established manufacturing operations in India. That's because the government allows 100% foreign direct investment in this sector. As per the investment commission's estimate, India is expected to attract a total of $6 billion to $10 billion in foreign direct investment by the end of 2010. With the availability of cheap skilled manpower, incentives on exports and imports, and an ever-growing domestic market, this industry should see rapid and continued growth in the next few years.

Samir Das is a Senior Consultant with the Enterprise Solutions Unit of Infosys Technologies and is based out of Chandigarh, India. He has over 11 years of experience in the IT industry and has worked on consulting assignments in the automobile, hi-tech and retail sectors.

Go To Top

May. 5 2009 4