



**Buck
Consultants
International**

Trade Globalisation or Investment Regionalisation?

The impact on European seaports

ESPO Conference
Rotterdam, May 2018

René Buck
CEO
Buck Consultants International

Buck Consultants International

P.O. Box 1456
6501 BL Nijmegen
The Netherlands
P: +31 24 379 0222
M: +31 65 337 2612
F: +31 24 379 0120
E: rene.buck@bciglobal.com

Challenges for Companies



Companies have to address internal and external challenges

Internal challenges

- Growth of business
- Search for talent
- Continuous innovation / R&D
- New production technologies
- New organizational thinking
- Bottom Line

External challenges

- New competitors/ technologies/ business models
- Market shifts
- **Geopolitical developments**
- **Shifts in risks**
- Shifts in attractiveness of labor pools
- Regulatory challenges

Geopolitical developments have impact



Buck
Consultants
International

Potential risks to global economic growth over next 12 months

% of respondents, n = 1,742



Source: McKinsey, 2017

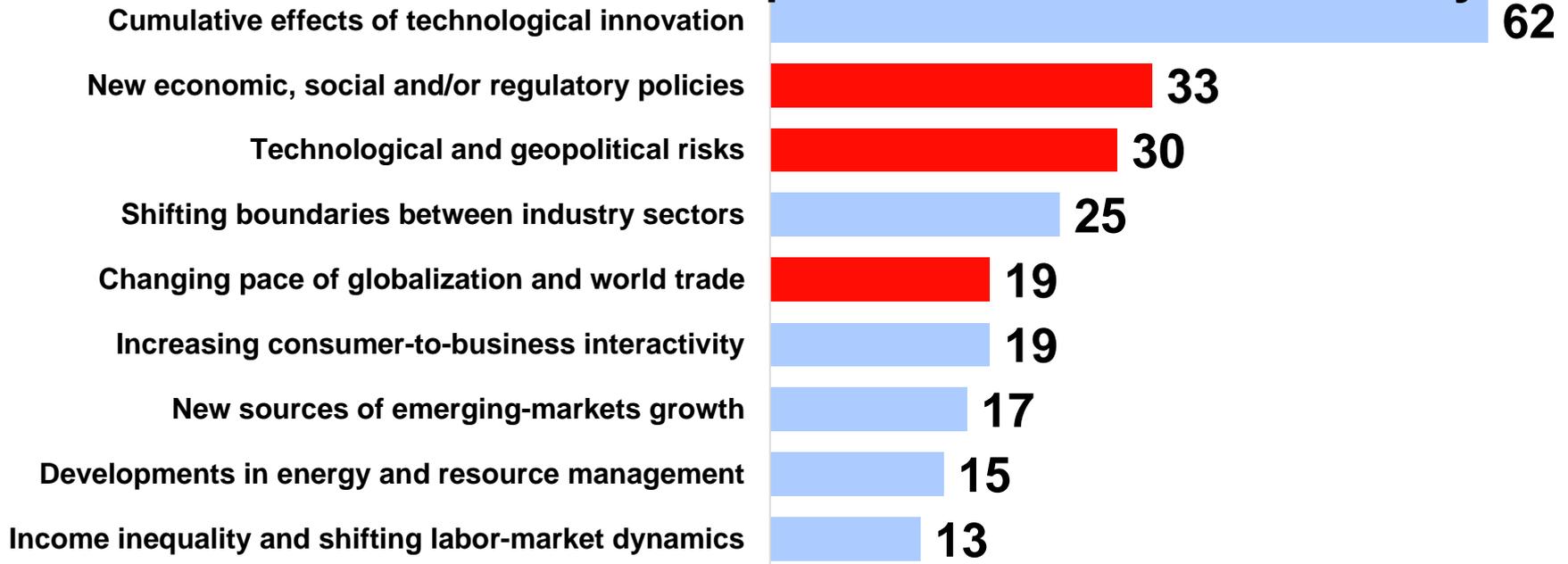
What long-term trends could affect your business the most?



Buck
Consultants
International

% of respondents

Long-term trends with biggest potential effect on companies' business over next 10 years



Source: McKinsey, 2017

Respondents in developed economies, n=906

Different views on free trade



National Economism / Mercantilism

Objective is to obtain a 'favourable' balance of trade, by which the value of one country's exports exceeds the value of a country's imports

- tariffs
- quotas
- non-tariff barriers



Multilateral Trade Liberalization

Objective is to obtain an effective balance of trade, by which inhabitants and companies benefit from open markets and tariff-free trading

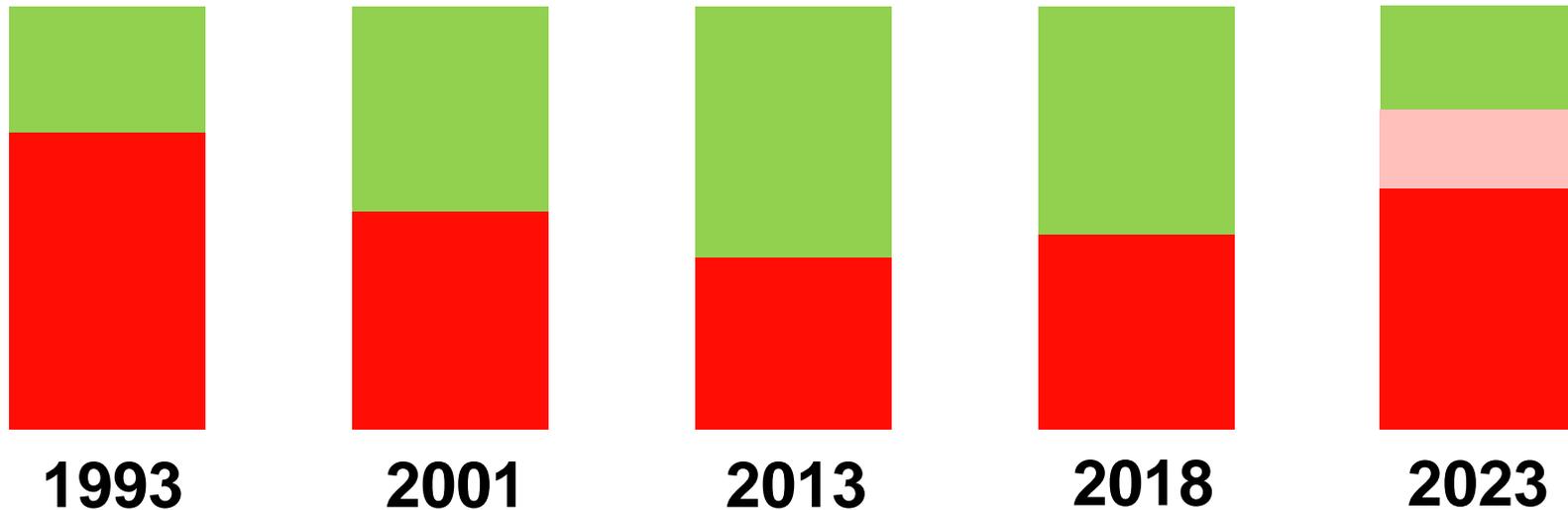
- efficiency based pricing
- develop potential of countries lagging behind
- eliminated or reduced tariffs, quotas and other trade restrictions

Free Trade versus Limited Free Trade



Buck
Consultants
International

Free Trade

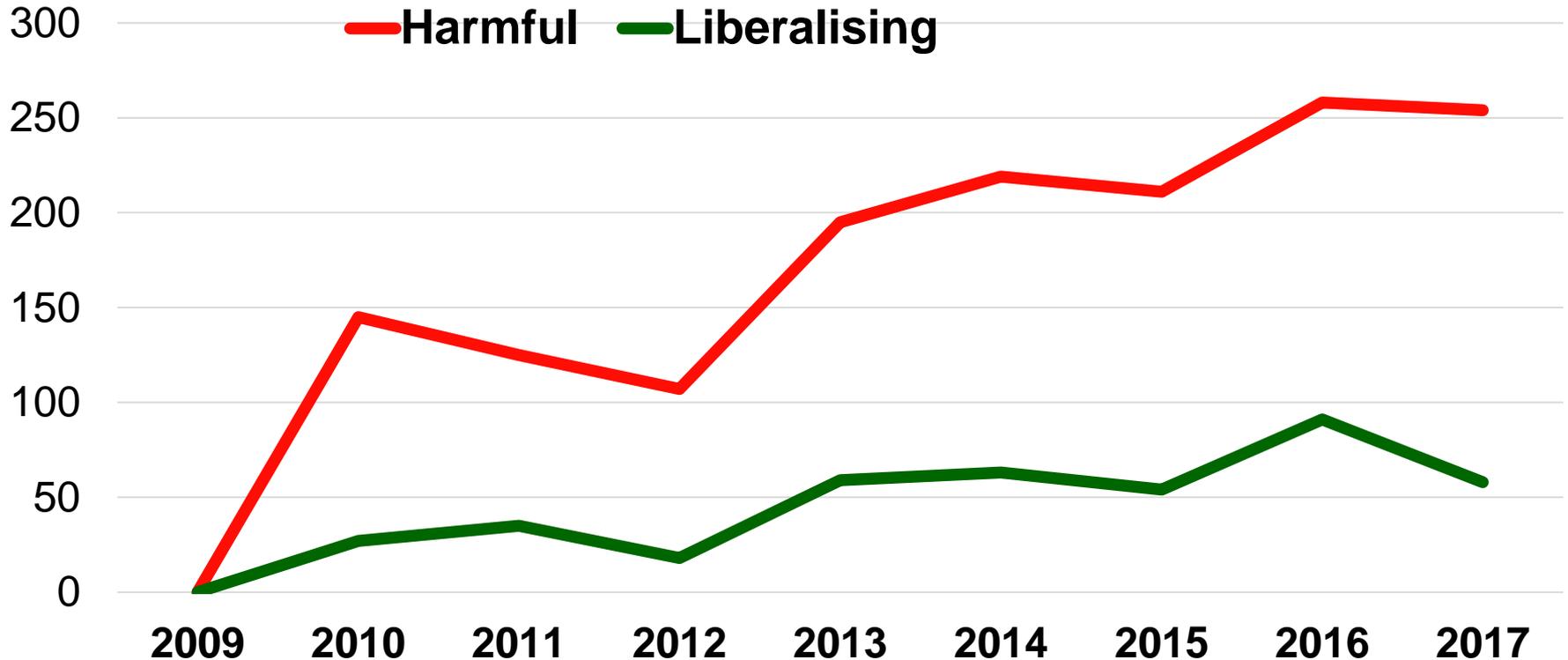


Limited Free Trade/
National Economism

Trade Interventions per year (anti-dumping, import tariffs, etc.)



Buck
Consultants
International



Source: *Global Trade Alert, 2018*

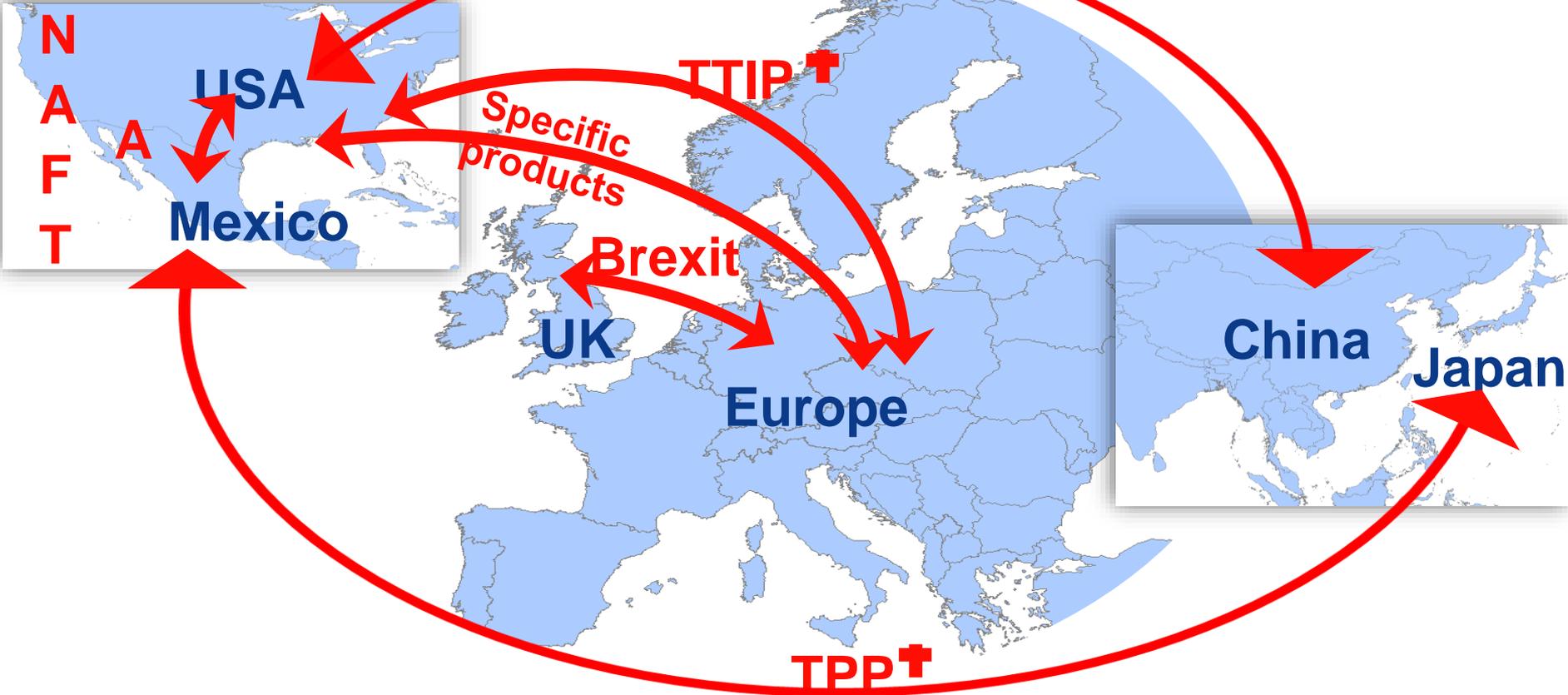
© Buck Consultants International, 2018

Trade Conflicts

Import Duties

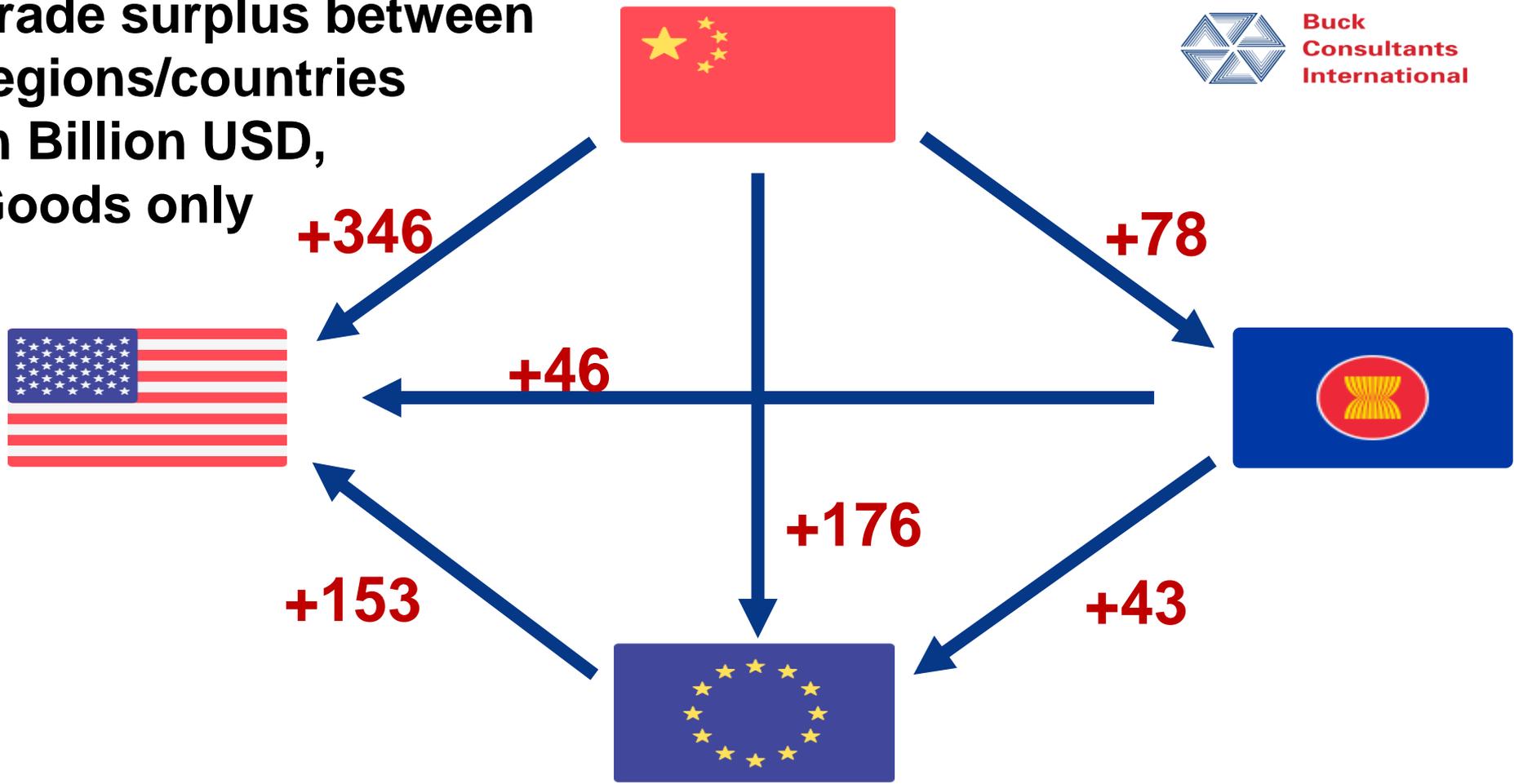


Buck
Consultants
International



Trade surplus between regions/countries

In Billion USD,
Goods only



Chances on a future in which growth of seaports will be limited are on the rise

trends

- Asia's cost advantages will shrink
- New production technologies
- Multipolar growth
- Reshoring of production



Less interregional trade?

Policy shifts

- Less public support for globalisation
- Growing protectionism
- Trade restrictions on the rise
- New transport modes (Silk Routes)



Less interregional trade?

Risk that ports will lose business

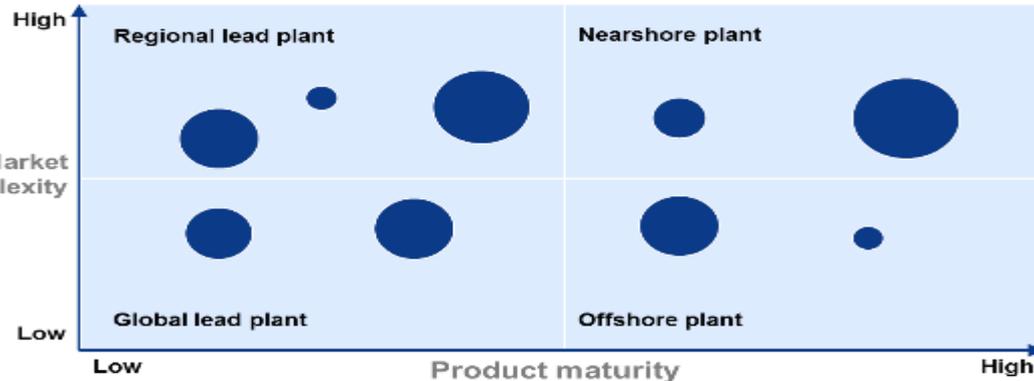
Responses of companies on challenges: Manufacturing Footprint Scenarios



Buck
Consultants
International

● Scenarios based on various perspectives like

- Product group allocation
- Geography
- Production technology



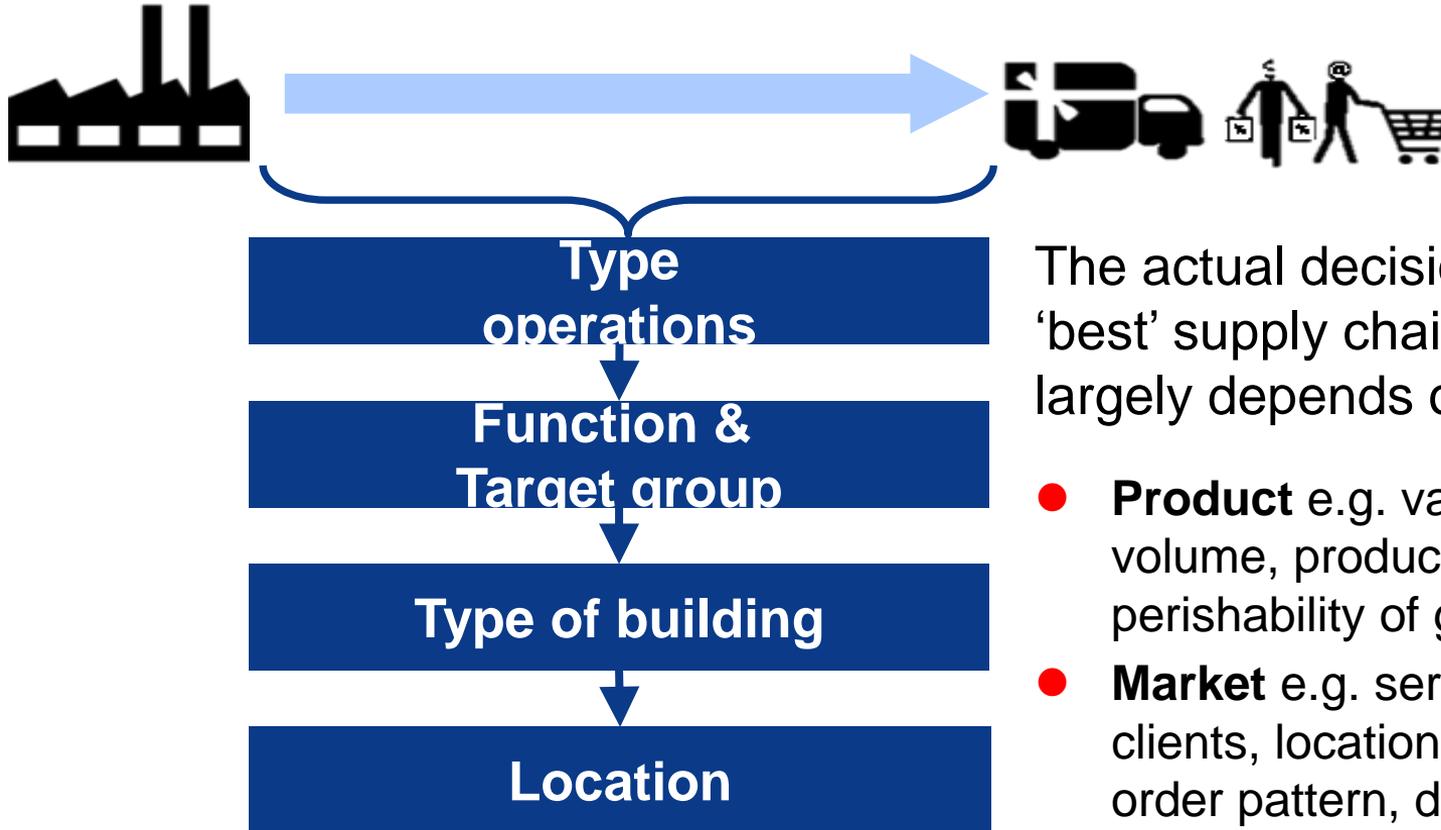
● Examples of Scenarios

- Status Quo (benchmark)
- Global Hubs
- Regional Optimization
- Global Product Optimization

● Assessments based on

- Cost
- Customer
- Conditions

Supply Chain Design Scenarios



The actual decision what is the 'best' supply chain configuration largely depends on two factors:

- **Product** e.g. value density \$/m³, volume, production location, perishability of goods
- **Market** e.g. service requirements of clients, location of customer bases, order pattern, demand volumes

Dominant distribution models per industry

Dominant distribution structures	EDC structure	RDC structure	NDC structure	Drop ship
• Consumer Electronics	50%	30%		X dock – 20% for high value goods (phones, laptops)
• Fashion & Lifestyle	80%	20%		
• FMCG		35%	65%	
• Food & Beverage		20%	80%	
• High Tech	50%	30%		X dock – 20% for high value goods
• Machinery & Equipment	20%			80%
• Medical Tech	90%	10%		
• Pharma		60%	40%	
• Automotive			40% nearby supplier park DC	60% JIT and sequencing (close to OEM/tier 1)
• Spare parts	75%	25%		

Source: BCI team analysis

Conclusions



Risks

- more regional focused plants
- less growth of trade
- risks of increasing trade frictions is a threat to the global economy



Impact on

- Ports have to face the risk of losing to a growing extent their 'license to operate'
- Ports have to rethink their position in value chains

Strategy Shift: from transshipment centers to (production) centers of value add

For what kind of production/logistics activities are ports logical locations in the future?

Geographical reasons

- Companies with one pan-European production plant (center of gravity)
- Companies who have substantial exports to non-European markets

Logistics reasons

- Companies who want to be located near large multimodal nodes because these nodes meet their logistic requirements

Ports

Place/space reasons

- Production and logistics companies who need safe and remote industrial sites due to their dangerous products/production processes
- Production plants that need large industrial estates for their manufacturing activities

Energy reasons

- Production plants that need a lot of energy, as ports are concentrations of (renewable) energy
- Companies who benefit from large waste flows



- Develop diverging scenario's

- Compile a robust strategy based on
 - which supply chains match your port best
 - which assets & what ecosystem do you have to offer
 - geography/location
 - logistics
 - place/space
 - energy

- Develop and implement your port specific roadmap