

# Perspectives from The Beijing Axis on 'Sourcing Firms'

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 Sourcing Firms Roundtable

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**China-focused  
 International Advisory and Procurement**

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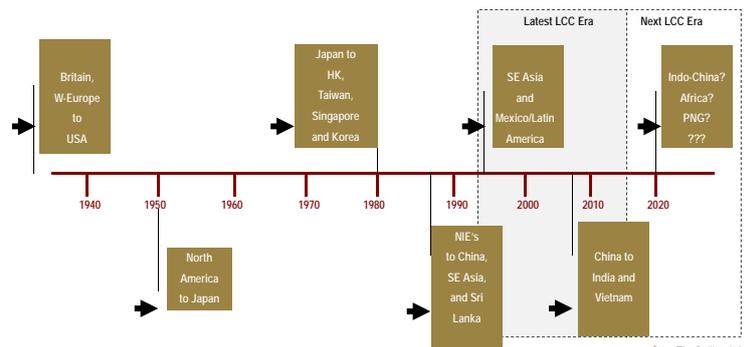
## The Beijing Axis - China-focused International Advisory and Procurement



- Founded in 2002; has successfully worked with many international and Chinese MNCs
- Operates in four synergistic, cross-border China businesses
- Provides services across various sectors, with a core focus on the MINING, RESOURCES, INDUSTRIAL, ENGINEERING, CONSTRUCTION, INFRASTRUCTURE and OTHER SERVICES sectors
- Provides solutions to international firms as they act in unfamiliar territory in China/Asia and to Chinese/Asian firms as they venture out and 'go global'
- Committed to safety and sustainability, with solutions emphasising 'actions and transactions'

There is a dynamic global sourcing timeline. From Western-Europe to North America in the 50's, to Japan to NIEs, to new Dragons, to China, to India and Vietnam ... (and next Myanmar, Laos, Cambodia, Africa?)

## Global Sourcing Migration (1940-2020)



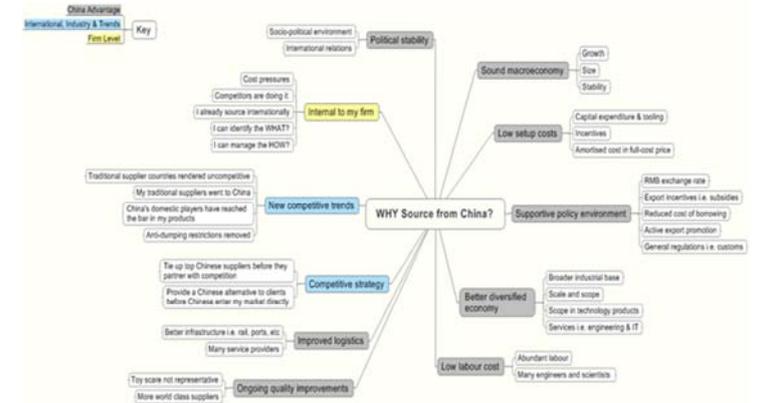
## Perspectives on the big picture for Sourcing Companies

- Fragile global markets ...
- ... but highlights the counter cyclicality to sourcing business as clients look at cost/savings
- China's cost increases in some cases are reflective of quality improvements but in some cases do constitute a loss in competitiveness ... knowing the difference is key (especially to know 'what/where' to source)
- In the last 2-3 years, we have done more complex manufactured products and services in China but simultaneously branched out more into other low cost sourcing destinations i.e. India and South East Asian economies (usually for lower-end manufactures)
- More capital projects; more services – this is a niche that requires more technical skill, but it's less competitive
- Clients usually need a lot of help if they source complex goods and services. There are many sourcing firms that do not have the platform, systems, processes, methodology, resources (financial, commercial, technical, logistics), supplier relationships, etc. to support high-value/high-risk project execution. But is a higher cost model
- Generally need to offer more comprehensive service offering (i.e. abilities in evaluating the changing/evolving market dynamics; supporting the RFX process; negotiation; contracting; post-PO QA/QC/expediting; logistics management; etc). Again, higher cost model – requires disciplined business management

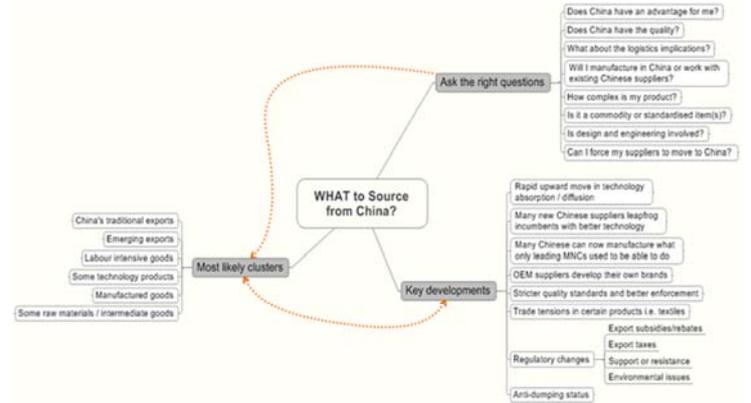
## Perspectives on the big picture for Sourcing Companies

- Sourcing is itself becoming a 'high cost' endeavor; must attract, develop, retain talent
- Can be a competitive terrain – need a differentiated positioning. But must co-exist with other players
- There will always be many small sourcing players...but they must find their niche
- Category focus and expertise a must – can be generalist but within a certain cluster of categories. Staff also do not want to source complex machinery one day and simple paper cups the next day...
- Clients will go direct if you do not add value
- If you only do 'China sourcing' you may be challenged by the client – the need is for 'global sourcing', but capacity is a constraint
- Abnormal returns cannot be sustained – build a robust business that can stand test of time. Brand, capacity, value, etc.
- New players (i.e. EPCM's, BPO's, Consultancies) are establishing China/Asia/LCC sourcing positions and project execution platforms. Some of that could drive sourcing firm acquisitions

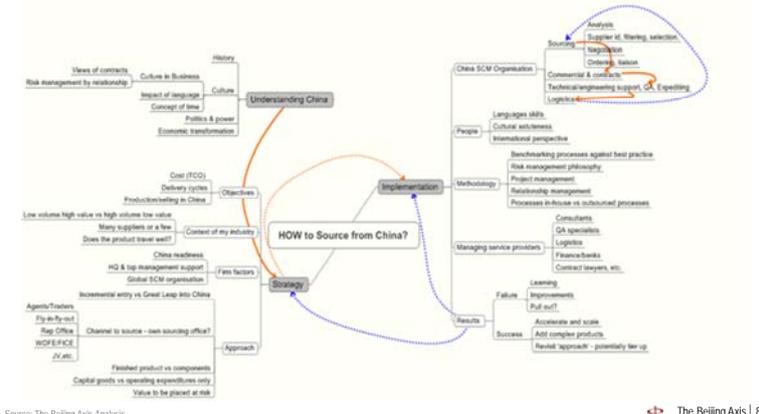
## Why source from China?



## What to source from China?

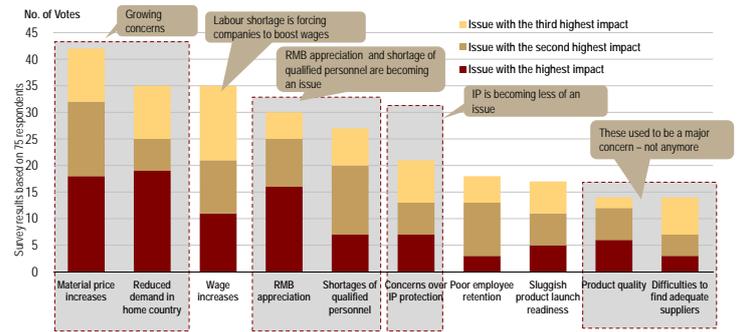


## How to source from China?

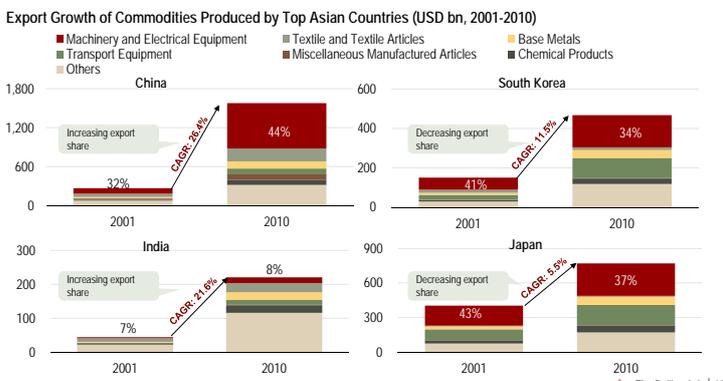


A number of new issues and trends are reshaping the procurement landscape in China - rising material and labour costs are the major concerns; quality is increasingly less of a concern (but only for those buyers that lead in experience)

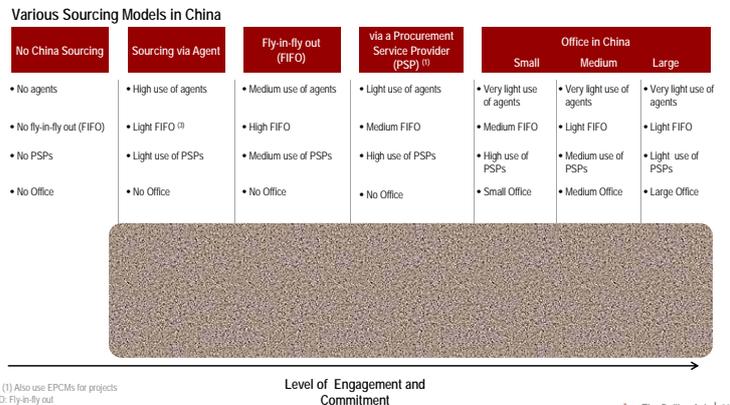
Major Issues in Terms of Impact on Foreign Companies in China (2009-2010 survey)



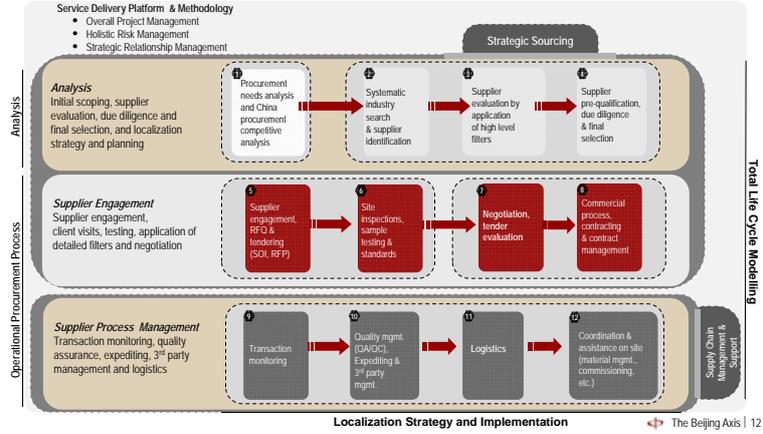
Supply chain shifts that underpin industrial development in Asia are still evolving. Over the past decade, machinery exports' share has increased considerably from China



International companies are using various 'models and sourcing structures' for China procurement



Beijing Axis Procurement has a tried and tested service delivery platform & methodology for sourcing



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