

How to Challenge the Dutch Technological Industry



Homeland of Philips, ASML & 1000's of SME's

Your potential customers!

November 26, 2009
Pepijn T.M. Bosman



My objective(s) today:

To offer a helicopter view and brief insight in the Dutch technological industry, to identify the challenges and opportunities the Netherlands may have to offer your company or enterprise.

and

To emphasize the importance of understanding your Dutch (potential) customer(s) and to improve knowledge of the demanding Dutch technological industry.

Agenda:

- Introduction
- The Dutch industry is looking for you!
(or why the Dutch need to go abroad)
- Further internationalization of the (Dutch) production industry
(trends & developments)
- How to acquire and manage your Dutch customer
(tips & tricks)

Introduction:

- Pepijn Bosman



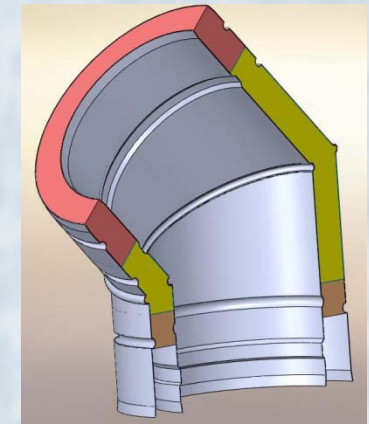
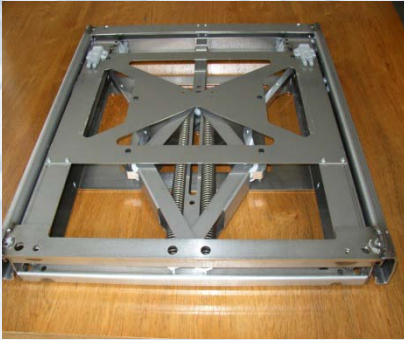
Business Development Manager Outsourcing & Offshoring



Managing Director & Owner



SBLi SMART BOYS LOVE **INDUSTRY!**



SBLI Group of Companies produces and supplies metal products...,
for several industries and for a wide variety of purposes.

(parts, sub assemblies and ready-to-use products)





SMART BOYS LOVE

INDUSTRY!



We produce in Eastern/Central Europe, Turkey and South East Asia...,
with local production facilities & resources.

(cooperation's & shareholding participations)



SBLi SMART BOYS LOVE **INDUSTRY!**



welding & construction works



sheet metal working



machining (turning & milling)



assembly



casting & (injection) moulding

The SBLI Group companies are complementary (competences)...,
carefully selected and strategically located (production region).

(SBLI supplies as well under SBLI label® as private OEM label)



SBLi SMART BOYS LOVE
INDUSTRY!

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Our unique and flexible organization enables SBLI to serve our customers, with highly competitive but reliable and sustainable solutions.

We like Metal, We love Industry!

(please check www.sbli.nl for more details)





FME-CWM is the largest employer's association
in the
technological industry in the Netherlands

- Member companies: 2,750
- Total employees: 260,000 (FTE's)
- Total turn over 2008 69 billion euro
- Export turn over 2008 41 billion euro (59%)
- Employees FME: 235
- Branch associations (in-house): 150

(www.fme.nl)





FIME CWM

association of enterprises in the technological industrial sector



FME International Business Development

Sales & marketing development (focus on industrial sectors):

- infrastructure (public & private)
- medical technology
- energy (conventional & renewable)
- agrifood

Internationalization of production (focus on production competencies):

- outsourcing
- offshoring

FME Outsourcing & Offshoring

(knowledge base)

By field research, personal survey, company audits and with the help of many, we have created a significant knowledge base including:

- a substantial database with qualified international producers and suppliers (personal audit),
- specific information about wages & salaries per country (i.e. welders, engineers, machine operators, etc.),
- transport cost & import duties,
- local tax rates & regulations and the most important founding & investment cost,
- a large network (private GO's & NGO's);



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The Dutch are outsourcing to survive!

(strategic considerations)

- Focus on strength & core activities (do as much as possible just what you are good at);
- Increase flexibility & shorten response time (time-to-market);
- Obtain access to (new) production technologies (sustainable production);
- Obtain access to and exchange required skills and knowledge (to stimulate product and process innovations);
- Availability of (skilled) labor (shortage of technical personnel);
- Secure alternatives (spread your risks, avoid single sources);
- Lower taxes, less regulations and governmental influence (stimulate the industry);
- “Local-for-Local” production, produce as close as possible to your international customer (more and more important by increasing flexibility and shorter time-to-market);

The Dutch are outsourcing to survive!

(tactical considerations)

- Reduction of operational cost (reduce the integrated cost price);
- Lower dependency of (expensive or scarce) capital (invest less in capital goods);
- Convert fixed cost in variables;
- The need for “Local content” (due to contractual requirements);
- Be flexible in (production) capacity (breath in and out with the market);
- Long lead times (delivery) in Nederland (rigid by a high level of automation);
- Need for ‘low volumes, high mix’ production series;

The Dutch are outsourcing to survive!

(strategic outsourcing)

<low --capacity-- high>	In house / invest <i>(as long as cost competitive)</i>	In house / invest <i>(‘core activity’)</i>	
	Outsource <i>(LCC’s)</i>	Develop a partner <i>(but stay ‘in control’)</i>	
	<low	--strategic importance--	high>



The Dutch are outsourcing to survive!

Why?

To maintain the (international) competitive edge
of the Dutch technological industry!
(excellent price/quality ratio)

The urgency?

Of vital importance for the whole Dutch industry!

Outsourcing & offshoring issues

(what keeps Dutch operations managers busy)

- **Make/Buy decision:** Shall I make my own product or shall I outsource/buy (parts of) it, what am I willing to earn my money with?
- **Integral cost price calculation & optimization:** How do I calculate the real price of (internationally) procured product compared with own production?
- **Benchmarking of regions:** What are differences based upon several influencers of price and quality (i.e. business cultures, technical competences & abilities, financial matters, geography, tax regulations, availability of resources, etc.)?
- **Supplier selection & supply chain development:** How do I find a good supplier without having a local network, in a strange country with an unknown culture, habits and customs?

Outsourcing & offshoring issues

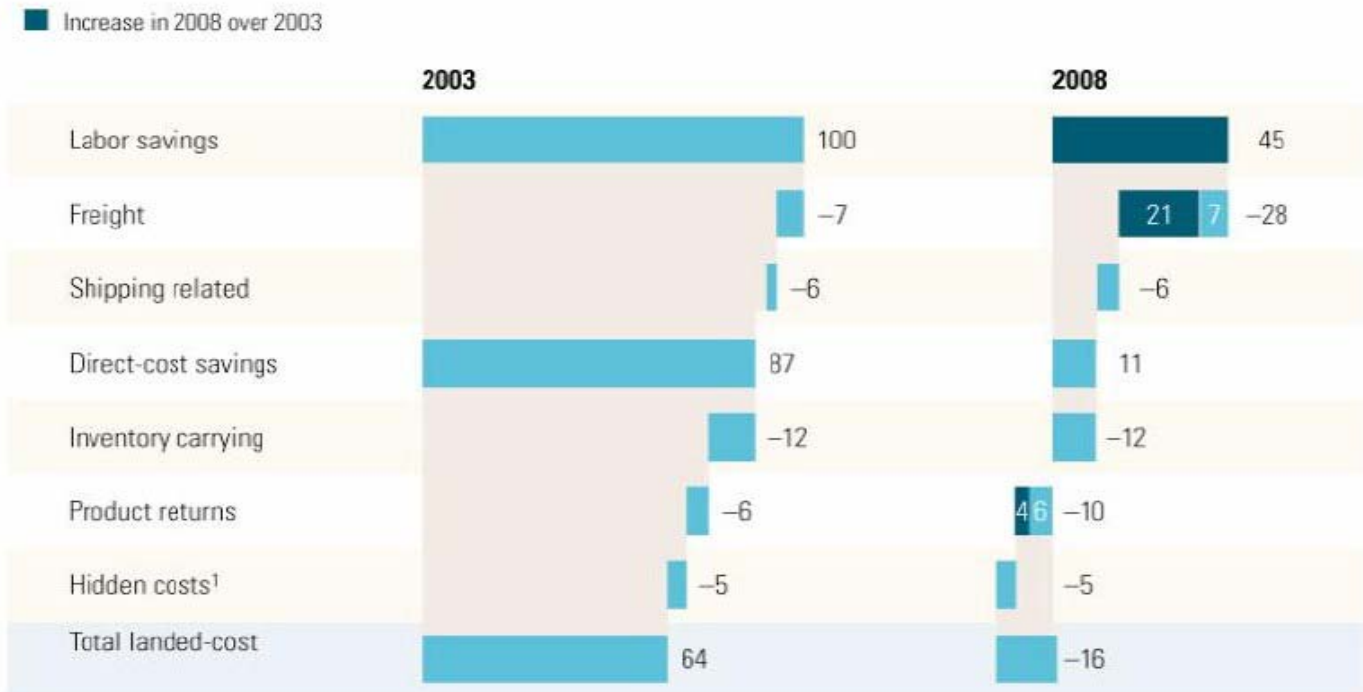
(what keeps Dutch managers busy)

- **Economies of scale and synergy advantages:** How can I cooperate with other (Dutch) companies (within the sector) in the fields of (international) network sharing, transportation & logistics, (regional) knowledge exchange, joint ventures & partnering?

Outsourcing & offshoring issues

(what keeps Dutch managers busy)

Total landed-cost savings or losses for producing midrange server in Asia instead of United States; index: labor savings in 2003 = \$100



Include costs for reworking errors, incremental financing, and exchange-rate risk.

Source: The McKinsey Quarterly - September 2008 - McKinsey & Company

'Local for local' production become more and more important!



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Further internationalization of the production industry

(trends & developments)

- A renewed / increasing interest in East/Central Europe vs. Asia;
- More and more added value is being required from (sub)suppliers and contractors (outsourcing of more complex parts and/or subassemblies);
- Expanding EU/Eurozone (reduced currency and treasury risk enables suppliers to pre-finance raw materials and to increase stock);
- Internationalization of production becomes also for smaller Dutch companies (SME's) a strategic part of their business (outsourcing becomes a core activity);
- The importance of sustainable relationships with suppliers increases (in good & bad times);
- The world becomes smaller (telecom) vs. customers may be located further away (other side of the world), 'local-for-local' strategies are increasing;

Further internationalization of the production industry

(trends & developments)

- The need for flexibility (of product & production) increases;
- Front runners are being caught up (Czech Republic vs. Slovakia or Lithuania);
- Political stability of popular outsourcing countries becomes an item because of the economical crisis (im-, export regulations, protectionism, etc.);
- The world is quite well-known but changes constantly, Dutch enterprises need a continuously faster capitalization of market chances and opportunities (strategic supplier selection);

Further internationalization of the production industry

(trends & developments)

Popular sourcing countries for the Dutch technological industry:
(listed at random)



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(tips & tricks)

Identified pitfalls & factors of failure (outsourcing)

(as experienced by Dutch managers)

- A lack of conviction, do we really want to outsource (doubts, insufficient commitment of the management);
- Start cooperation with the wrong parts, assemblies or scope of works (too little or too much added value required, no perfect fit);
- The quality and information of the issued inquiry is too low (drawings in Dutch, missing details on drawings and customer experience with the product/production);
- Unreal expectations (too high) of the (potential) supplier at start (also a good supplier needs a reasonable time to get things started);
- Loyalty of customer's employees (operational) to existing suppliers (natural resistance against unknown parties);
- Fear of customer's employees for uncertainties and changes (job change or even loss of employment);

Identified pitfalls & factors of failure (outsourcing)

(as experienced by Dutch managers)

- Customer's discomfort with communications (foreign language), travelling or transportation (infrastructure and cultural);
- Building up a profitable relation and cooperation takes time, all parties involved should be prepared to invest sufficient time and effort;
- Preconceptions and biased opinions lead to wrong perceptions and assumptions;

Tips & tricks for a jump start!

(Be prepared)

- Focus on what you are good at (adopt a best in class mentality) and communicate this very clearly with your customers (Dutch companies will appreciate you saying 'no' to jobs you do not feel comfortable with);
- Make yourself known at the market (website, trade shows, networking, etc.);
- Use a good website indicating what you can offer your customers, not what you have. Don't let the customer wonder what you can do for him, but offer solutions;
- Ask you customer questions and indentify his true needs and requirements. Why do they really want to outsource/procure in your country and with you (in 75% cost reduction is not the main issue);
- Take the lead in finding solutions and be in your scope of excellence (competence) an equal and professional partner for your customer(s);

Tips & tricks for a jump start!

(Be prepared)

- Respect the customer's organization and invest in personal contact with customer's employees (visit the Netherlands on a regular basis and be proactive in your communications);
- Give your customer time to learn to know you and to experience your quality and reliability (the Dutch will increase volumes step by step);
- Emphasize your USP's and help your customer to reason why you are the best possible supplier for him (everybody want to feel as if they got the best possible bargain);
- Learn your Dutch customer (as much as possible) about your price calculations (openness improves the relationship);
- Dutch companies will always strive for long term relationships, switching suppliers is usually just expensive and something that companies prefer to avoid. Use that knowledge;



Tips & tricks for a jump start!

(Be prepared)

- Be proud of your beautiful country, technical abilities, resources and excellent organizations and institutions to help you (LDA, Embassy, etc.);



**Co-operation starts with communication,
and communication begins with meeting people.**

**It is in meeting each other,
that one can build trust and confidence:**

**The essential ingredients
for a productive & successful co-operation!**





Thank you for your attention!

