



Dragon Sourcing



**Eine Adresse.
Weltweite Märkte.**

*One stop.
Worldwide sourcing.*



About Dragon Sourcing

We offer procurement services that deliver value from emerging markets, both for export and for localisation requirements

Relevant category experience includes:

Capex, Components, Transportation, Services, Raw Materials, Packaging, Promotional, & MRO.

Key Services:

- **Procurement Intelligence**
to deliver insight into categories and markets, and support effective procurement decisions.
- **Global Sourcing**
to deliver sustainable value from sourcing goods and services from emerging markets.
- **Procurement Outsourcing**
and setup of international procurement offices to increase productivity and decrease overheads.
- **Capability Assessment**
of your international procurement operations to identify and implement practical opportunities for improvements



- **70 staff globally**
- **15 locations across Asia, Latin America, Middle East, Europe & US.**
- **Headquarters in Shanghai (45 staff)**
- **Private ownership since 2004**
- **Turnover: \$7.5m (managed spend ~\$1.2b)**



Unser Netzwerk

➤ Unsere Teams sind ideal verteilt, um genau auf die Bedürfnisse unserer Kunden eingehen zu können.





Service and Pricing

Dragon Sourcing - Service Offerings				Pricing	
		DS Inhouse	Outsourced	Standard	Comment
Market Intelligence	Procurement Intelligence	x		Fixed fees according to price list	
	Should Cost Model	x			
	Supplier Financial Assessment	x			
	Supplier Supply Chain Assessment	x			
	Supplier Ethics Assessment	x			
	Category Executive Dashboard	x			
Country and Manufacturing Site Evaluation	Country Selection	x		Customized fixed fees based client's needs	
	Country/Region/City Analysis	x			
	Factory ramp up support	x			
Global Sourcing	Portfolio Analysis & Category Prioritization	x		Fixed fees according to price list	We can offer performance related deals (gain sharing, commissions, trading). Deals are structured on a case by case basis based on (1) spend value, (2) types of categories and (3) nature of the work required by the client
	Identification of potential suppliers (RFI process)	x			
	Measuring cost competitiveness of suppliers (RFQ process)	x			
	Auditing	x	x		
	Sample development and testing	x	x		For Long-term Projects / High workload Projects, we move away from our standard pricing approach based on # of categories and # of countries to adopt a team-based pricing
	Supplier development	x	x		
	Contract negotiaton	x			
Procurement Operations	QC Management	x	x	Fixed fee based on daily billing rate	
	Logistics Management	x			
	Payment / Invoice management	x			
Outsourcing	Interim Management	x (Buyers)	x (SQE, SDE)	Fixed fee based on monthly billing rate	
	IPO Management	x		Fixed fees based on team size	Performance related deals are possible to be crafted on a case by case basis



Our Clients

Automotive



Industrial Products



Consumer Goods



Energy/Chemicals





Kunden

Food & Beverage



Pernod Ricard



Associated
British Foods
plc



Smithfield



FERRERO



Government



Pharma / Medical



Heavy Machinery



Siempelkamp



FAUDI

Service



Welcome with a smile



Retail

ANN TAYLOR

mothercare



Packaging



REXAM

Construction



DIY





Dragon Sourcing

**Purchasing Function Improvement &
Strategic Sourcing Case Study**



Background & Objectives

Background:

- The client is a global Chemical company with a production site in China & Indonesia
- Dragon Sourcing was asked to work with the client to implement a 6 months saving and capability enhancement project for their purchasing function in China
- Based on the success of the China program Dragon Sourcing was asked to continue with a 6 month program in their Indecision production site

Objectives:

Assess the current state of the purchasing operations

Recommend the necessary improvements to:

- Deliver significant savings to the bottom line
- Build capabilities to sustain the savings over time

Strategic Sourcing savings used to self fund project



Delivery Approach:

The Assessment phase is divided into 3 work streams

1. Spend Analysis

Gain clarity on the current spend managed

- Review spend / category
- Review number of PO/buyer
- Review Chinese suppliers pool

2. Process & Organization Assessment

Review existing process quality and deployment, organization and systems

- Review current process, process deployment, roles and responsibilities
- Review current organization model
- Review set of existing tools, usage, consolidation, and reporting
- Review training process on tools for new buyers

3. Feedback and Recommendations

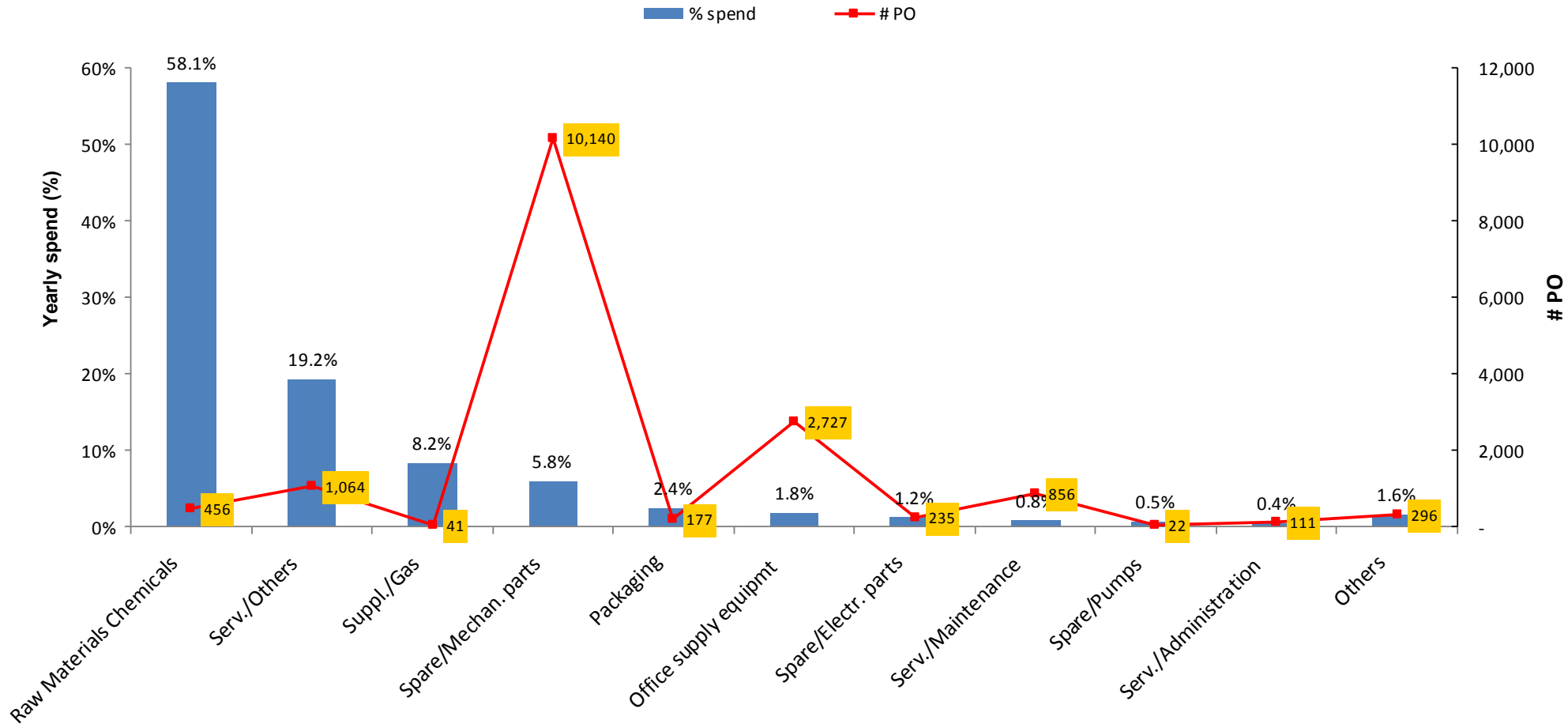
Analyze findings and provide recommendations

- Analyze findings and highlight potential improvement
- Provide recommendations for purchasing process, role descriptions & organizational model that will increase effectiveness & efficiency.
- Develop Implementation plan
- Develop Communication plan



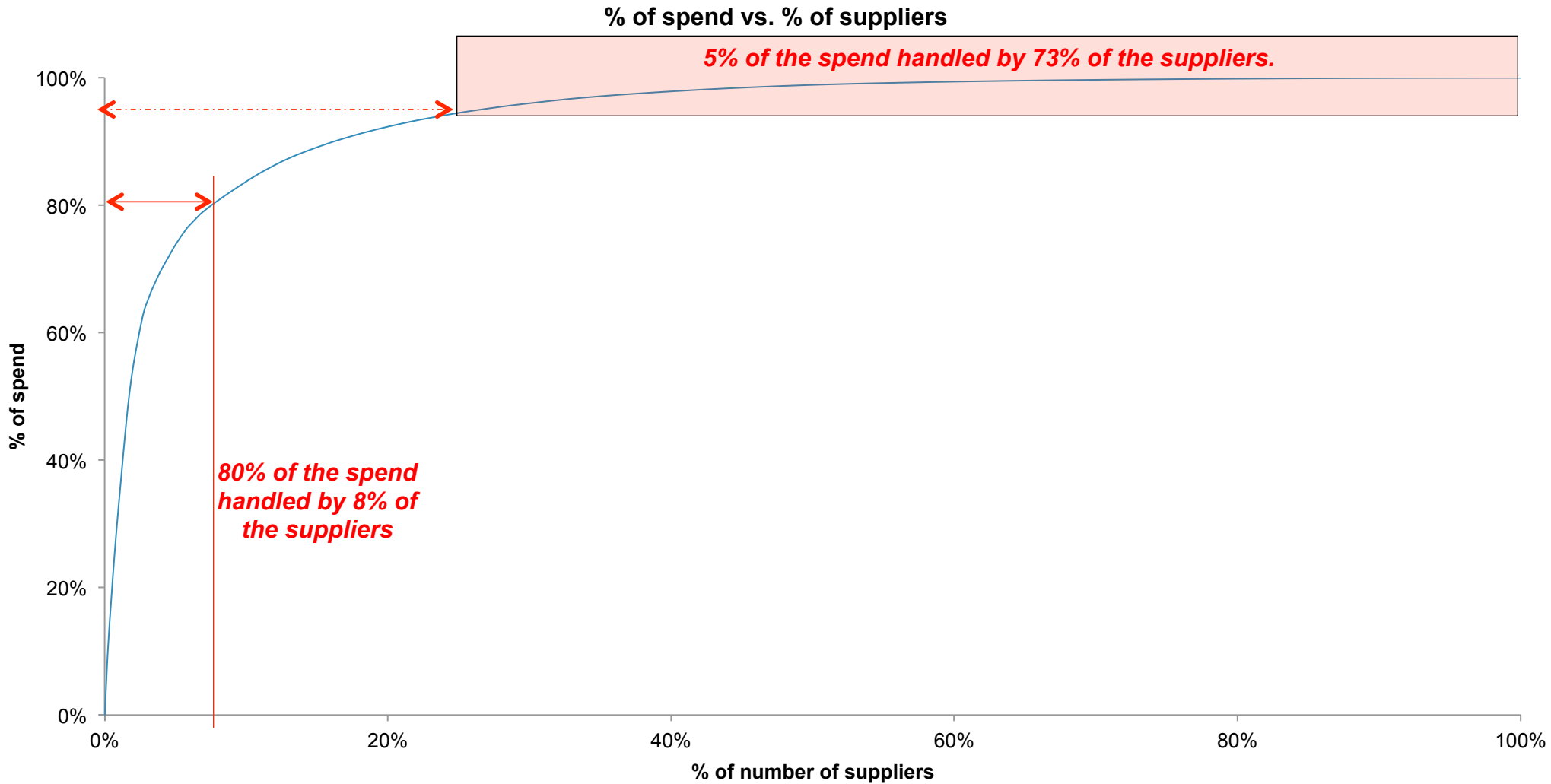
Top 5 categories represent 93% of the total spend

Yearly spend analysis per category





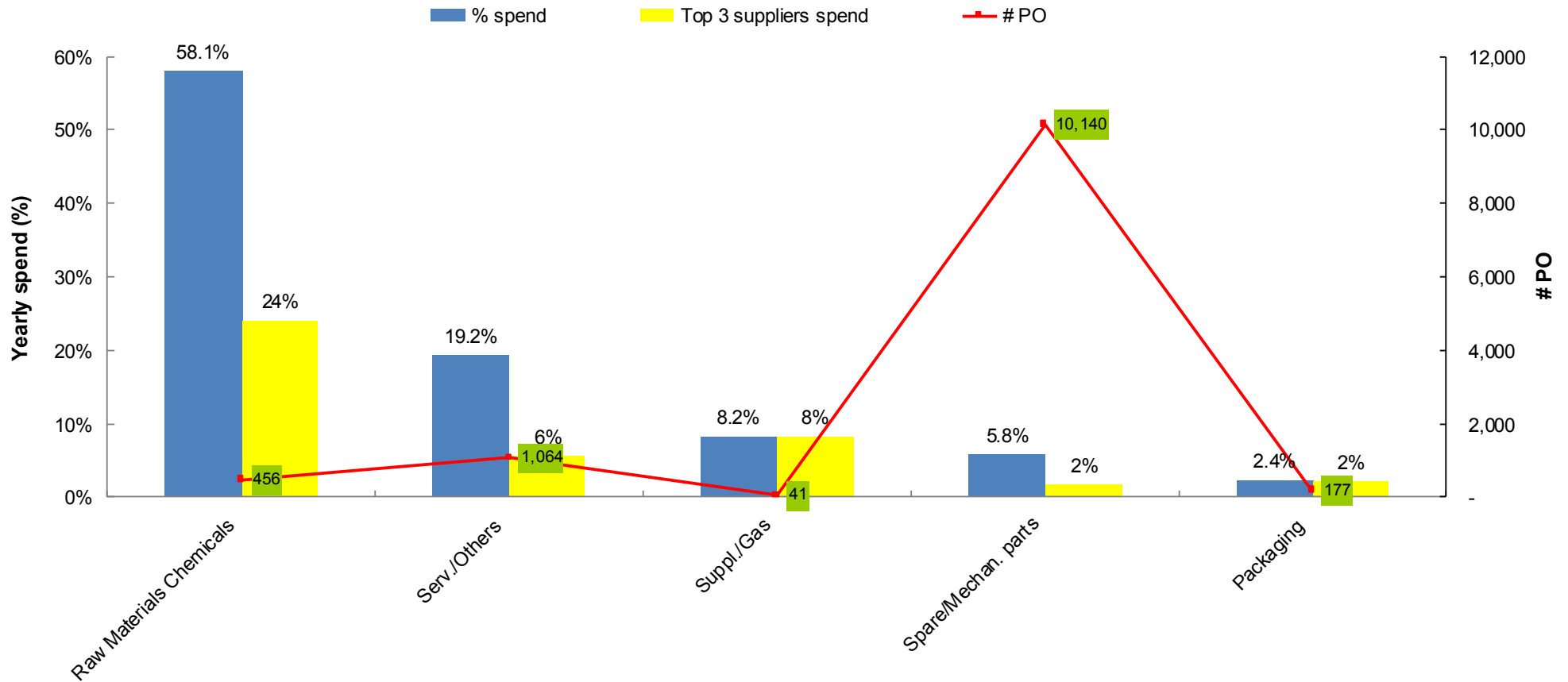
80% of the spend is managed through 8% of the suppliers.





Consolidation opportunities are apparent in all categories

Top 5 category spend vs Top 3 suppliers spend per category
Top 3 suppliers represent 46% of total Top 5 spend categories





A new organization model needs to be implemented and aggressive strategic sourcing program to generate savings

New Organization Model

- 1. Clear separation of sourcing vs. procurement operations**
- 2. Increase the spend covered** by procurement from 60% to ideally 90%
- 3. Adopt a capabilities based organization**
 - **Commodities** (“**timing of the buy**” or **ToB** categories such as basic chemicals)
 - **Non commodities** (“**selection of the source or SoS** categories such as packaging and road cargo)
 - **Investments**

Strategic Sourcing Program

- As a means of generating savings, creating momentum and training the client resources in critical sourcing skills, the client needs to launch a strategic sourcing program to cover key categories:
 - Key chemicals, Road transportation, Packaging, MRO, etc.

- Each category would be taken through the DS strategic sourcing methodology:
 - Needs analysis
 - Supply market research
 - Define category strategy
 - RFI-RFQ process
 - Suppliers audit
 - Negotiation strategy development
 - Supplier selection and contracting
 - Contract implementation



Results – China & Indonesia

Based on Sourcing projects with categories generating up to 50% savings and 14% with this specific Chemical in China DS continued by proceeding to launch a similar program in Indonesia with categories generating up to 60% savings

Commodity	China Savings %	Indonesia Saving %
Sulfur	-	3.0%
NaOH	9.8%	-
CS2	6.1%	3.6%
ZnSO4	14.1%	-
Zinc Ingot	-	1.3%
Defoamer	-	35.2%
TIO2	51.0%	34.9%
Quicklime	-	6.3%
Water Solutions	-	64.3%
Commodity H2O Chems	-	4.5%
Filters	-	2.1%
Pumps	-	27.7%
Transmission Products	-	8.3%
Pipes & Fittings	-	18.5%
Standard Tools & Parts	15.0%	29.9%
Packaging	2.4%	2.0%
Automation & Switches	-	6.4%
Service Contract	-	8.7%
MRO (Bearings & Gears)	27.0%	-
Transportation & Customs Clearance	9.0%	-

Total Savings
37M RMB /
4.6M Euro

Total Savings
2.1M Euros



Summary

- Genaue Analyse des Status quo (Spend, Prozesse, Teams und Verantwortlichkeiten) und der Wunschvorstellung als Basis für weitere Schritte
- “Reichweite” des lokalen Einkaufs von IPOs prüfen
- Lokalen Einkauf von IPOs analysieren, ob er die (westlichen) Anforderungen versteht und es an Lieferanten vermitteln kann
- Kann der lokale Einkauf unterstützt und entlastet werden (wertschöpfende Tätigkeiten haben Priorität)
- Sourcing Programme (mit bestehenden und neuen Waren-Kategorien) regelmäßig mit lokalem Einkauf planen und durchführen



Dragon Sourcing

**Global Sourcing Beispiel
eines deutschen Marktführers
im Bereich Fertigungsstraßen**

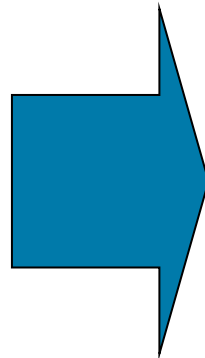


Allgemeine Zielvorgaben

- Ermittlung von neuen, potentiellen konkurrenz-fähigen Zulieferern in China

Produkt(e)

- Schweißbaugruppe



DS Lieferanten-Markt-Analyse

- ① Erstellen einer allgemeinen Liste von potentiellen Zulieferern
- ② Erste Vorauswahl von Zulieferern per Anruf
- ③ Ausarbeitung der RFI/RFQ Unterlagen und der Balanced Score Card (NDA nötig?)
- ④ Durchführen des RFI/RFQ Prozesses
- ⑤ Prüfung der Rückmeldungen & Reihung der Zulieferern mittels Balanced Score Card
- ⑥ Empfehlen von Zulieferern
- ⑦ Vorab-Audit durch DS
- ⑧ Gemeinsames Audit gemeinsam mit dem Kunden
- ⑨ Erstbemusterung
- ⑩ Operativer lokaler Procurement Support durch DS



Neun Wochen Projektdauer

Schritte		Wer?	W 9	W 10	W 11	W 12	W 13	W 14	W 15	W 16	W 17
0	Kick off meeting	Kunde / DS	Finished								
1	Analyze the demand and define criteria allowing to qualify potential suppliers	DS	Not-started	Finished							
2	Develop the RFI/RFQ to include all key qualification criteria	Kunde / DS	Not-started	Finished							
3	Identify list of potential suppliers to include in the RFI/RFQ process	Kunde / DS	Not-started	Finished							
4	Conduct first phone screening of supplier database to send RFI/RFQ	DS			Not-started	Finished					
5	Administer RFI process to ensure as high a return rate as possible	DS			Not-started	Not-started	Not-started	Finished			
6	Develop balance score card to evaluate suppliers according to RFI	Kunde / DS				Not-started	Not-started	Finished			
7	Analyze responses and recommend suppliers to take through the auditing process	Kunde / DS						Finished			
8	Supplier auditing	Kunde / DS						Started	Started	Started	Finished

■ Not-started
 ■ Started
 ■ Delayed
 ■ Finished
 ▲ Milestones



Projektschritte & Anzahl von Zulieferern

Projektschritt	Lieferanten in China
Gesamtanzahl an Lieferanten	188
Kontaktierte Lieferanten	188
Anzahl Lieferanten nach telefonischer Anfrage	104
RFI/RFQ zugeschickt	104
Intention zur Rückmeldung	28
Kein Interesse	76
RFI/RFQ erhalten	28
Vorab-Audit durch Dragon Sourcing	11
Gemeinsames Audit mit dem Kunden	5



Optimierungspotential bei chemischer Zusammensetzung von Stählen

Standard	Item	C	Mn	Si	P	S	V	Nb	Ti
DIN	ST50-2	≤0.35	≤1.2	≤0.5	≤0.035	≤0.035			
DIN	ST52-3	≤0.20	≤1.60	≤0.55	≤0.040	≤0.040			
GB	Q275	0.28~0.38	0.50~0.80	≤0.35	≤0.045	≤0.050			
GB	Q295	≤0.16	0.80~1.50	≤0.55	≤0.045	≤0.045			
GB	Q345	≤0.20	1.00~1.60	≤0.55	≤0.040	≤0.040	0.02~0.15	0.015~0.060	0.02~0.20



Preis Analyse

Zulieferer	Provinz	Stahl	Werkzeugkosten	Preis pro Einheit	Zielpreis	Ersparnis
1	Zhejiang	Q345	\$476	\$756	\$1,199	37%
2	Zhejiang	Q345	\$4,000	\$798	\$1,199	33%
3	Jiangsu	Q345	\$0	\$800	\$1,199	33%
4	Fujian	Q275	\$0	\$864	\$1,199	28%
5	Shandong	Q275	\$0	\$900	\$1,199	25%
6	Jiangsu	Q345	\$0	\$928	\$1,199	23%
7	Zhejiang	Q275	\$0	\$1,000	\$1,199	17%
8	Fujian	Q275	\$0	\$1,027	\$1,199	14%
9	Guangdong	Q345	\$0	\$1,045	\$1,199	13%
10	Jiangsu	Q295	\$0	\$1,050	\$1,199	12%
11	Guangdong	Q345	\$230	\$1,076	\$1,199	10%
12	Zhejiang	Q275	\$4,840	\$1,195	\$1,199	0%
13	Jiangsu	Q345	\$240	\$1,220	\$1,199	-2%
14	Guangdong	Q345	\$5,200	\$1,250	\$1,199	-4%
15	Guangdong	Q345	\$0	\$1,296	\$1,199	-8%
16	Jiangsu	Q345	\$0	\$1,319	\$1,199	-10%
17	Jiangsu	Q295	\$0	\$1,369	\$1,199	-14%
18	Shanghai	Q345	\$0	\$1,450	\$1,199	-21%
19	Guangdong	Q275	\$1,000	\$1,750	\$1,199	-46%
20	Jiangsu	Q275	\$800	\$1,850	\$1,199	-54%
21	Jiangsu	Q295	\$0	\$1,951	\$1,199	-63%
22	Zhejiang	Q275	\$0	\$1,952	\$1,199	-63%
23	Jiangsu	Q345	\$0	\$2,069	\$1,199	-73%
24	Shanghai	Q345	\$0	\$2,240	\$1,199	-87%
25	Guangdong	Q275	\$0	\$2,240	\$1,199	-87%
26	Jiangsu	Q275	\$0	\$2,433	\$1,199	-103%
27	Jiangsu	Q275	\$0	\$2,460	\$1,199	-105%
28	Shanghai	Q275	\$1,300	\$6,250	\$1,199	-421%



Standorte der Zulieferer



Provinz	Anzahl
Fujian	2
Guangdong	6
Jiangsu	11
Shandong	1
Shanghai	3
Zhejiang	5
Gesamt	28



Score Card Ranking

Zulieferer	Company background	Business information	Quality management	Production	Corporate responsibility	Cooperate	Price	Total point	Average	Ranking	Province
	5%	10%	25%	25%	5%	5%	25%	based on 100			
1	78.79	65.63	100.00	90.00	100.00	85.71	100.00	92.29	68.30	1	Zhejiang
2	100.00	84.38	80.00	85.00	100.00	85.71	100.00	88.97	68.30	2	Zhejiang
3	66.67	57.81	75.00	85.00	100.00	57.14	100.00	81.97	68.30	3	Jiangsu
4	87.88	59.38	75.00	70.00	100.00	57.14	100.00	79.44	68.30	4	Jiangsu
5	66.67	57.81	95.00	87.50	100.00	85.71	60.00	79.03	68.30	5	Zhejiang
6	66.67	84.38	75.00	100.00	100.00	57.14	60.00	78.38	68.30	6	Guangdong
7	66.67	53.13	75.00	95.00	100.00	42.86	80.00	78.29	68.30	7	Shandong
8	66.67	70.31	75.00	85.00	100.00	57.14	80.00	78.22	68.30	8	Guangdong
9	90.91	100.00	75.00	100.00	100.00	57.14	40.00	76.15	68.30	9	Jiangsu
10	75.76	85.94	40.00	100.00	100.00	57.14	80.00	75.24	68.30	10	Jiangsu
11	90.91	92.19	40.00	90.00	100.00	57.14	80.00	74.12	68.30	11	Fujian
12	75.76	64.06	75.00	75.00	100.00	57.14	60.00	70.55	68.30	12	Jiangsu
13	66.67	42.19	45.00	70.00	100.00	57.14	100.00	69.16	68.30	13	Fujian
14	75.76	85.94	40.00	75.00	100.00	57.14	80.00	68.99	68.30	14	Guangdong
15	75.76	57.81	60.00	82.50	100.00	42.86	60.00	67.34	68.30	15	Guangdong
16	78.79	73.44	75.00	55.00	100.00	57.14	60.00	66.64	68.30	16	Jiangsu
17	66.67	68.75	55.00	92.50	100.00	57.14	40.00	64.94	68.30	17	Jiangsu
18	66.67	53.13	95.00	70.00	100.00	57.14	20.00	62.75	68.30	18	Guangdong
19	66.67	62.50	55.00	85.00	100.00	57.14	40.00	62.44	68.30	19	Guangdong
20	57.58	46.88	75.00	92.50	100.00	57.14	20.00	62.30	68.30	20	Shanghai
21	66.67	50.00	65.00	67.50	100.00	57.14	40.00	59.32	68.30	21	Guangdong
22	87.88	64.06	55.00	87.50	100.00	57.14	20.00	59.28	68.30	22	Jiangsu
23	48.48	67.19	45.00	80.00	100.00	57.14	40.00	58.25	68.30	23	Jiangsu
24	57.58	46.88	75.00	35.00	100.00	57.14	60.00	57.92	68.30	24	Shanghai
25	69.70	51.56	50.00	80.00	100.00	28.57	40.00	57.57	68.30	25	Zhejiang
26	66.67	56.25	55.00	80.00	100.00	57.14	20.00	55.57	68.30	26	Shanghai
27	78.79	67.19	60.00	25.00	100.00	57.14	20.00	44.77	68.30	27	Jiangsu
28	66.67	39.06	20.00	70.00	100.00	57.14	20.00	42.60	68.30	28	Jiangsu



Ergebnisse nach Vorab-Audit

Zuliefer-Ranking nach Score Card	Erstes Angebot	Platzierung nach Vorab-Audit	Aktualisiertes Angebot	Stadt	Provinz
9	\$1,319	1	\$1,319	Wuxi	Jiangsu
1	\$756	2	\$1,478	Hangzhou	Zhejiang
6	\$1,250	3	\$1,350	Foshan	Guangdong
10	\$1,050	4	N/A	Suzhou	Jiangsu
7	\$900	5	\$1,150	Qingdao	Shandong
8	\$1,045	6	N/A	Foshan	Guangdong
3	\$928	7	\$928	Nantong	Jiangsu
19	\$1,296	8	N/A	Foshan	Guangdong
16	\$1,369	9	Give up	Suzhou	Jiangsu
5	\$1,000	10	\$1,235	Ningbo	Zhejiang
4	\$800	11	\$1,200	Wuxi	Jiangsu



Top 5 Zulieferer des Vorab-Audits

Platzierung bzgl. Audit	Bemerkungen
1	<ul style="list-style-type: none">• All equipment in house• Many German customers• Familiar with ISO 2768-m standard• Quality system needs to be improved• Capable of manufacturing product
2	<ul style="list-style-type: none">• All equipment in house• Good quality management• Familiar with ISO 2768-m standard• Highly increased quotation• Capable of manufacturing product
3	<ul style="list-style-type: none">• Biggest company audited• Very good quality system• German customers• Familiar with ISO 2768-m standard• Equipment is very good, but CNC can't process product (dimension limit) - would need to outsource• Have potential manufacturing product, outsourcing needs to be checked
4	<ul style="list-style-type: none">• All equipment in house• Quality system not very good• Some experience with ISO 2768-M standard• Have potential to work with client if quality management is improved
5	<ul style="list-style-type: none">• All equipment in house• Quality system not very good• Some experience with ISO 2768-M standard• Have potential to work with client if quality management is improved• Have potential to work with client if squareness tolerances can be proved



Beispiel eines Firmenprofils

Scoring	92.29
Ranking out of 28	1

COMPANY INFORMATION	
Company Name	
Address	
Town	
Province	
Company Website	

CONTACT PERSON INFORMATION	
Contact Person	
Title	
Email	
Tel	
Fax	
Mobile phone	

BUSINESS INFORMATION				
What date was your company founded?	2001			
How much is your registration capital (RMB)?	19 million			
What's the nature of your company? (Private, state owned, joint venture, etc)	Private			
What is your turnover in million RMB ?	2011	2010	2009	2008
	100	50	25	15
How many square meters(m ²) does your factory occupy ?	20000			
How many employees do you have?	170			
How many employees can communicate in English?	3			
Does your company have an export license?(yes or no)	yes			
How many years of export experience do you have?	3			
Do you have European / international customers? If yes, which ones?	yes			
What is the percentage of turnover distributed to:	Domestic	Western Europe	North America	Rest of the World
	75%	10%	8%	7%
Who are your top 3 Clients?	Clients	Industry	Country	% of sales
1	Dazhong Agricultural	machinery	China	31%
2	Hangzhou AizhiEngineering	machinery	China	12%
3	Hangzhou Youjia	machinery	China	10%

QUALITY CONTROL				
What quality and environmental registrations do you have?	Yes / No	Date of Certificate	Certifying Org.	Date of Expiry
ISO 9000	Yes	3/12/2010	Peking Tianyi Certificate Authority	3/11/2013
ISO 14000	Yes	8/15/2010	China quality earnest center	8/14/2013
Others (please list)				
	Do you have the instrument in house? (Yes or No)	Instrument description and brand	Other specification	
Welding quality test instrument	yes	welding inspection ruler	height 0~40mm、150°	
Measure table	yes	flat	3500×2500mm	
Painting test	yes	High precision coating thickness gauge	0~1250µm	
	Do you have the equipment in house? (Yes or No)	X axis measuring stroke(mm)	Y axis measuring stroke(mm)	Z axis measuring stroke(mm)
3D measuring equipment	yes	2500	1500	1000
How long do you keep QC record form?	6 years			

CORPORATE RESPONSIBILITY	
Do you adhere to all rules and regulations in respect to child labour?	Yes
How many hours per week, including overtime are working your employee on a regularly scheduled basis?	50 hours
Do you have any Ethical and Environmental Policies with independent verification of these policies?	Yes
Are you willing to sign a confidentiality agreement?	Yes



Beispiel eines Firmenprofils

PRODUCTION		Do you have equipment list? (Yes/No)	Yes					
What's your company's main products?	crawler tractor crawler bulldozer, Great horsepower wheeled tractor, welded structure, sheet metal parts, hardware	How much capacity do you have to accept new orders?	n/a					
What raw material does your company main process?	Q235, Q345, 45#, hot rolling 40Cr, copper, aluminium	How many people do you have in these positions?	Worker	Engineer	R&D	Quality Control	Management	Sales
Do you process ST 50-2 before?	Yes	How many employees in your company is qualified for CAD?	145	6	17	6	28	23
Do you process according to tolerance requirement DSN ISO2768-m?	Yes	How long does your employee work in your company in average?	50					
		What's your worker's average monthly salary?	3 years					
		How many shift does your company work? How many hours one shift?	RMB 3,000					
		Do you have an organization chart? (Yes/No)	2 shifts, 8 hours per shift					
			Yes					

EQUIPMENT					
Equipment	In house or outsourced?	Equipment qty	Equipment	In house or outsourced?	Equipment qty
WEDM	In house	2	CNC Machining center	In house	3
Laser cutting	In house	1	MAG welding	In house	40
CNC plasma cutting	In house	1	Welding robot	Outsource	
Stamping	In house	1	Sand blasting	In house	
Turning	In house	6	Paint	Outsource	
Milling	In house	5			



Beispiel eines Firmenprofils

FACTORY PICTURES



激光切割机





Resultate

Märkte erobern



- **Der Kunde hat drei mögliche neue Zulieferer im Großraum Shanghai aus einer Liste von über 180 Firmen gewonnen.**

Risiken vermeiden



- **Der Kunde kann seine Zulieferkette weiter entwickeln und die neuen Zulieferer als Erst- und Zweitquelle aufbauen.**

Risiken vermeiden



- **Der Kunde kann den lokalen Content durch die neuen Zulieferer verbessern.**

Kosten senken



- **Durch eine breiter aufgestellte Zuliefererbasis kann Kostenreduktion erzielt werden.**



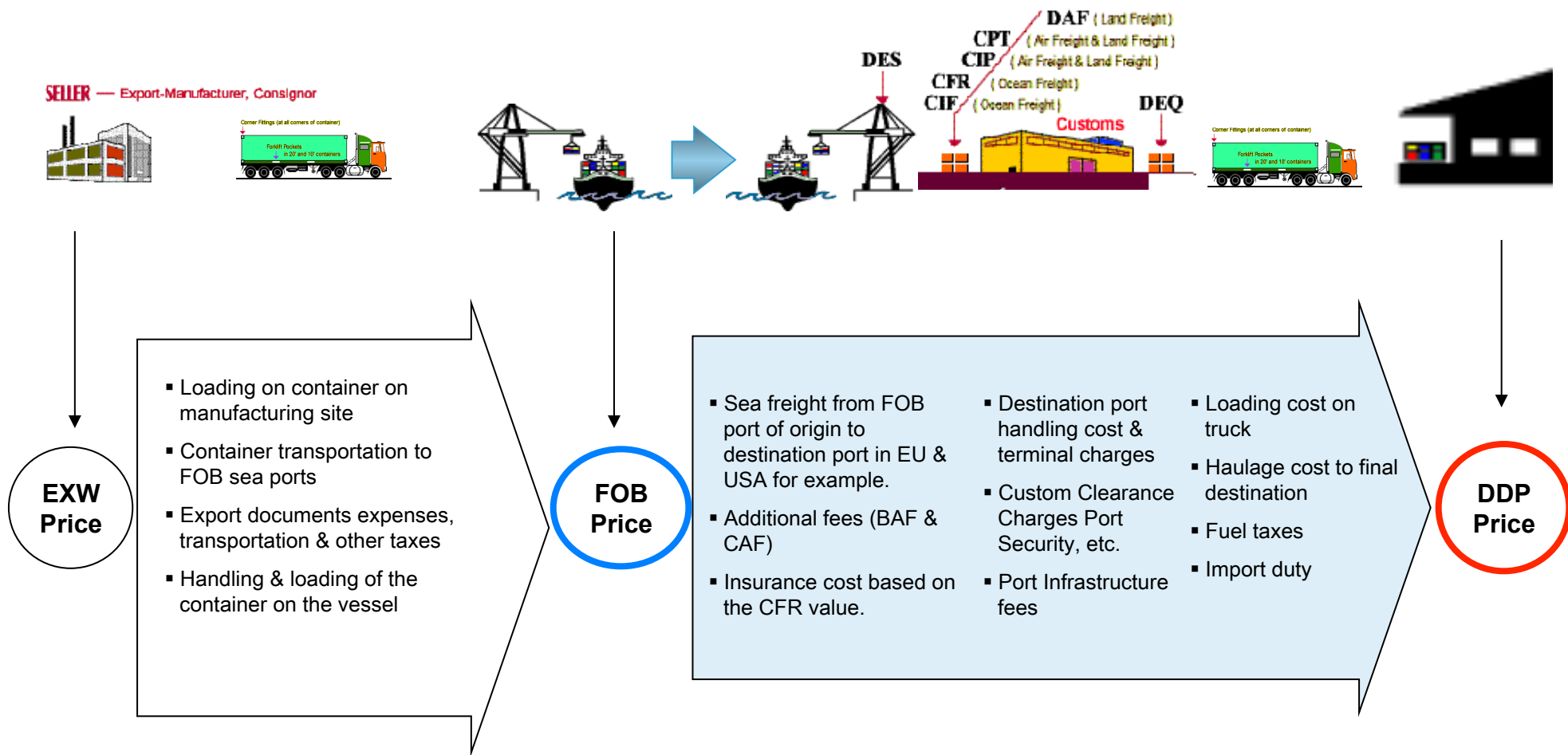
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Beispiel zu umfangreicher DDP Preis Kalkulation



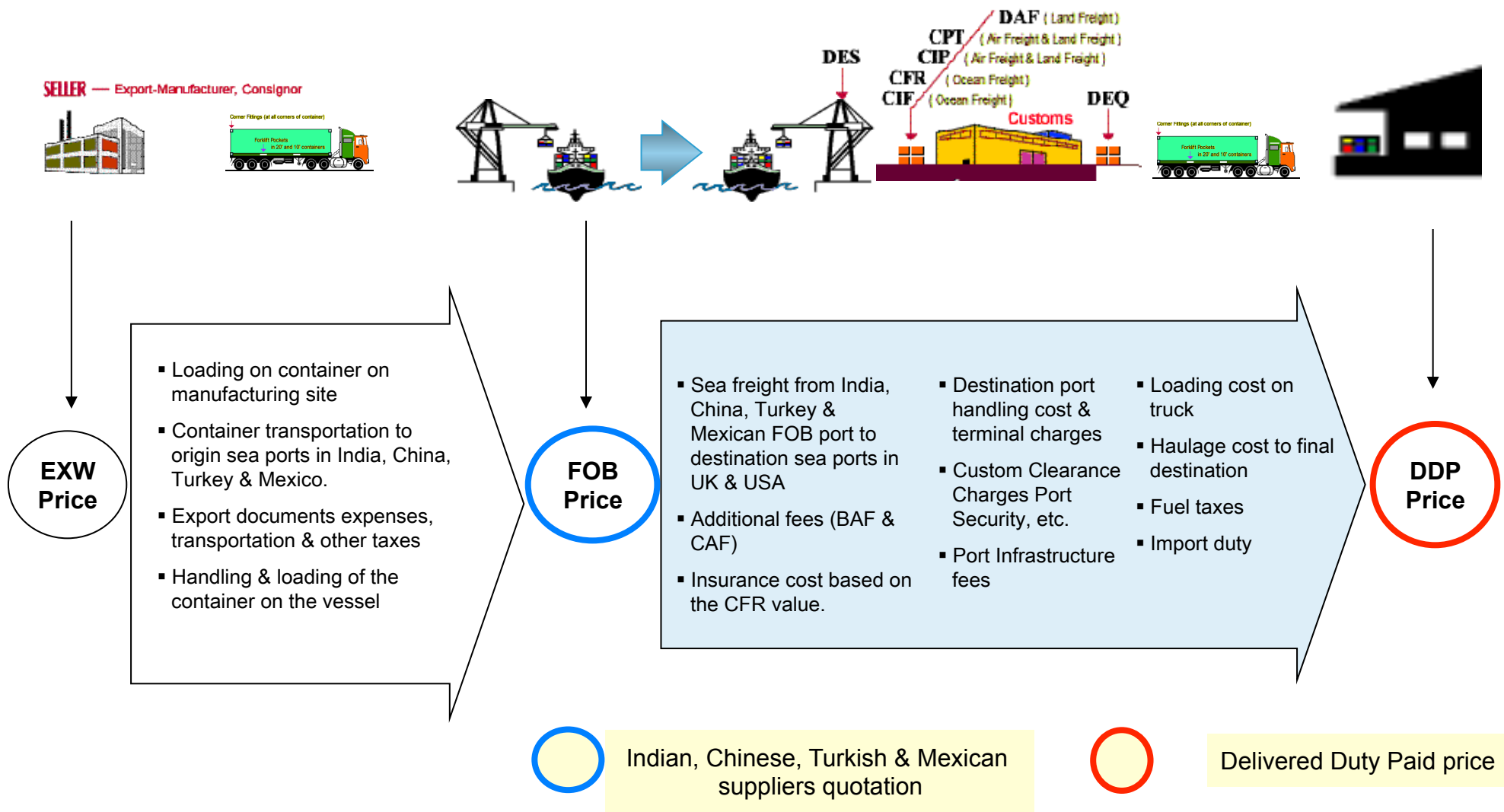
RFQ Analysis: DDP Price calculation

- Helping client understand the delivered price until the warehouse (could be in EU, US, others),
- From Ex-works to Freight on Board (FOB) sea port and until Delivered Duty Paid (DDP).





- Logistics Process: DDP Price calculation
- From FOB India, China, Turkey & Mexico to DDP UK (Manchester) and USA (Pico Rivera & Sugarland)





- Logistics Process: : **DDP Price calculation**
- From FOB India, China, Turkey & Mexico to DDP UK (Manchester) and USA (Pico Rivera & Sugarland)
- DDP price calculated based on 3 different client locations.

Europe	location 1: UK	
	Sea Port: Liverpool	
	Client's Factory/Warehouse	
	Client United Kingdom M16 0NJ Manchester, UK.	

USA	location 1: West Coast	location 2: East Coast
	Sea port: Port of Los Angeles	Sea port: Port of Houston
	Client Factory/Warehouse	Client Factory/Warehouse
	Client USA Los Angeles, Pico Rivera, CA 90660-9903, USA.	Client Houston Sugarland, TX 77478



- **Logistics Process: DDP Price calculation**
- From FOB India, China, Turkey & Mexico to DDP UK (Manchester) and USA (Pico Rivera & Sugarland)
- DDP Price based on full 20ft FCL
- **DDP analysis as per Client Plant wise sent together with RFQ report.**

Product	Thermoforming Food Packaging			Remark.
HS category	39231000/ 3923900000			
Customs/Import Duty	UK	China	6.5%	No Tariff preference
		India	0%	Import duty is 6.5% but Indian supplier can offer GSP form A so the custom import duty will be waived.
		Turkey	0%	Customs Union Duty 0%
		Mexico	0%	Tariff preference 0%
	USA	China	3.1%	No Tariff preference
		India	3.1%	No Tariff preference
		Turkey	3.1%	No Tariff preference
		Mexico	0%	NAFTA for Mexico
Insurance (0.5% * 110% * CFR Value)				
0.5%	*110% X CFR Value			

Standard Packing Instructions,	• PCS per Pack/Case/ and Number of Packs/Cases per pallet	• 24 Pallets in 20ft FCL
---------------------------------------	---	---------------------------------

Country	FOB Port name	CIF Port name	West Coast	East Coast
			CIF Port name	CIF Port name
Sea Freight	20ft container	UK (Liverpool Port)	USA (Port of Los Angeles)	USA (Port of Houston)
China	Shanghai	\$ 650	\$ 650	\$ 2,800
India	Mumbai & Chennai	\$ 600	\$ 1,200	\$ 1,500
Turkey	Istanbul Ambarlı	\$ 1,136	\$ 2,400	\$ 1,735
Mexico	Veracruz (MXVER)	\$ 2,500		\$ 650.00
Mexico	Manzanillo (MXZLO) : For LA port in USA		\$ 580.00	

Country	UK	USA	USA
Destination port	Liverpool	Port of Los Angeles	Port of Houston
Total Port terminal charges	\$ 533.39	\$ 350.00	\$ 375.00
Trucking charges from Port to client warehouse (for 20FT FCL)	\$ 529.10	\$ 750.00	\$ 910.00
Total Port terminal charges + Trucking charges from destination sea port to warehouse	\$ 1,062.49	\$ 1,100.00	\$ 1,285.00



- **Logistics Process: DDP Price calculation**
- From FOB India, China, Turkey & Mexico to DDP UK (Manchester) and USA (Pico Rivera & Sugarland)
- DDP Price based on full 20ft FCL
- DDP analysis as per Client Plant wise sent together with RFQ report.

Product	Phosphate Series		
HS category code	2835		
Customs/Import Duty	USA	From China	3.1%
		From Mexico	0%
	UK & Germany	From China	5.5%
		From Mexico	5.5%
Insurance (0.3% * 110% * CFR Value)			
0.5%	*110% X CFR Value		

Standard Packing Instructions,	• 25 Kg bag/ 32 bags per pallet		• 800 KG per Pallet x 20 Pallets in 20ft FCL	
20ft loading (tons)	16 tons	LCL (Less than container load)	5 Tons	• 750-800 Kg max per pallet weight.

Country	FOB Port name	CIF Port name	CIF Port name	West Coast		East Coast	
				CIF Port name	CIF Port name	CIF Port name	CIF Port name
Sea Freight	20ft container	Germany (Hamburg Port)	UK (Liverpool Port)	USA (Port of Los Angeles)	USA (until Kanas City Rail Head)		
China	Shanghai	€ 598.65	€ 598.65	€ 598.65	€ 2,578.80		
Mexico	Veracruz (MXVER)	€ 2,210.40	€ 2,210.40		€ 644.70		
Mexico	Manzanillo (MXZLO)	For Los Angeles port in USA		€ 534.18			

Country	Germany	UK	USA	USA
Destination port	Hamburg	Liverpool	Port of Los Angeles	Kansas City Rail Head
Total Port terminal charges	€ 310.00	€ 513.25	€ 299.33	€ 299.33
Trucking charges from Port to client warehouse (for 20FT FCL)	€ 545.00	€ 509.12	€ 689.83	€ 437.48
Trucking charges from Port to client warehouse (for LCL - Less than container load)	€ 460.00	€ 268.32	€ 322.35	€ 322.35



- **DDP Pico Revera - USA Price in US\$ per 1000 PCS.**
- **Below SKU's are from USA, Total 41 SKU's for USA items.**
- **In total 50 SKU's in this project.**

Minimum Price
Below Average price
Above Average price
Maximum Price

#	#	Current buying price	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Average Supplier Price
	Country		India									China									Turkey		Mexico				
	Supplier name		Arun Plast o	Bioplas	Rane kotech	Kalindi	Insulink	M.L Package	Velpack	Ori-Color	Reytek	ChungShing	WingTat	Xiaoming	Elephant	JuYuan	Lentak	Rosin	Shuangli	Yusheng	AVV Plastic	Folyo term	Also ma	Conv erforma	Starp ack	Winte rbone	
	Item Number		DDP Pico Revera- USA: US\$ per 1000 PCS																								
1	65790	136	83				98			66	91	120	52	101	81	106	82	127		59	67	67					86
2	92832	269	404	207	365		340	497		251	385	249	257	284	242	205	313	240		277	125	292			479		301
3	88590006	119			136		169	215		103		396	116	159	126	181	156	112	187	99						176	
4	92613	161					337	602		258	115	160	95	179	322	166	88	85	562	79						235	
5	32011	107	90				79			52	79	117	112	77	75	115	71	58	153	130	125	48				92	
6	32285	215	137				311	455		172	283	305	104	142	243	169	106	221	185	117					383	222	
7	33185	232	160				410	591		230	296	385	114	170	327	170	141	293	201	155					384	268	
8	93107	99	337		285		336	468		206	307	427	128	179	470	202	125	220	687	255	50	242			413	296	
9	11023	980	714				593					672	366	547	376	357		318	339	445	72					436	
10	11091	512	524				331					465	355	333	249	269		1108	750	323	55					433	
11	11092	802	531				493					687	361	504	357	345	248	248	792		69					421	
12	21026	1385	160				210			699		421	646			172			487	257	112					351	
13	21098	524	359				384					307	250	683	308	362	233	224	850							396	
14	21220	2603	1586				1128					374	911	943	517	475	580	743	902		86					750	

Quotes not valid hence Discarded

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- **DDP Pico Revera - USA Price in US\$ per 1000 PCS.**
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- **In total 50 SKU's in this project.**

Minimum Price
Below Average price
Above Average price
Maximum Price

#	#	Current buying price	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Supplier Price	Average
	Country		India							China										Turkey		Mexico						
	Supplier name		Arun Plast o	Bioplas	Rane kotec h	Kalindi	Insulink	M.L Package	Velpack	Ori-Color	Reytek	ChungShing	Wing Tat	Xiaoming	Elephant	JuYuan	Lentak	Rosin	Shuangli	Yusheng	AVV Plastic	Folyo term	Also ma	Conv erfor ma	Starp ack	Winte rbone		
	Item Number		DDP Pico Revera- USA: US\$ per 1000 PCS																									
15	21225	1121	654				592					570	490	616	490	366	409	352	885								543	
16	24414	865	497				483					491	379	539	299	366	269	270	864		113						416	
17	44566	672	100				363			220		318	271	319	231	309	213	426	824	165	57						294	
18	44571	1069	151				569			392		533	484	503	433	366	271	342	833	164	91						395	
19	4634	84	88			113	88	115		80	118	169	55	104	73	121	80	76	117	53	77					303	108	
20	92980	134	194		113		181	263		129	610	247	121	173	82	137	158	133	143	125	83					452	197	
21	4635	308	303				249	307		225		211	147	204	93	203	200	156	117	146	67	50				799	217	
22	4643	252	67				187			192		329	134	171	121	204	163	245	155	124						908	231	
23	4644	270	137			180	204	276		194		399	141	221	162	216	169	153	192	136	104					690	223	
24	11278	121	57				160			76	92	182	91	95	89	102	101	65	192	52				136	208	113		
25	12695	93	109			156	129	185		107	197	245	68	138	56	103	109	87	148	83				176	331	143		
26	12698	147	171				228			200		386	66	200	202	208	188	162	158	137						581	222	
27	13025	171	107				248			190	175	326	111	259	265	280	209	165	191	137				288	561	234		
28	14341	209	248				248	296		221		364	132	218	214	235	202	176	182	153	94					674	244	

Quotes not valid hence Discarded

Blank cells are the ones with no quotes received from the suppliers.



- **DDP Pico Revera - USA Price in US\$ per 1000 PCS.**
- **Below SKU's are from USA, Total 41 SKU's for USA items.**
- **In total 50 SKU's in this project.**

Minimum Price
Below Average price
Above Average price
Maximum Price

#	#	Current buying price	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Average Supplier Price	
	Country		India									China									Turkey		Mexico					
	Supplier name		Arun Plast o	Biopl as	Rane kotec h	Kalin d	Insuli nk	M.L Pack age	Velpa ck	Ori- Color	Reyte k	Chun gShin g	Wing Tat	Xiao ming	Eleph ant	JuYu an	Lenta k	Rosin	Shua ngli	Yush eng	AVV Plasti c	Folyo term	Also ma	Conv erfor ma	Starp ack	Winte rbone		
	Item Number		DDP Pico Revera- USA: US\$ per 1000 PCS																									
29	14342	183	123				166	230		145	191	261	120	186	126	233	144	90	160	115						484	185	
30	14343	166	121				184	269		166		305	108	176	193	233	166	139	180	142						561	210	
31	30195	134	89				186			135	269	312	114	206	206	232	170	110	139	128					249	539	206	
32	30767	115	98				166			164	193	278	114	175		240	154	123	145	139						440	187	
33	81228	78	42				98			95	126	185	147	103	613	116	63	58	103	61				139		358	154	
34	92392	70	138				134		185		242	257	166	147	124	204	146	105	137	89					321	509	194	
35	92980	65	256			144	174			111	220	203	124	168	77	216	149	129	129	116		132			289	321	426	188
36	93087	65	181		263		172			123	233	226	115	185	81	196	147	123	144	118	89	141			211	303	400	182
37	88570139	127	106		70		114			83	288	417	67	104	97	157	105	84	129	75	94				147	183	258	143
38	92387	121	312				264				480	553	154	409	210	167	259	203	230	266					327	520	931	352
39	92367	122	312		271		264				517	553	127	409	210		259	203	211	266					327	520	931	359
40	75400	292	205				433				92		131	174	314		101	171			89	94				332	358	208
41	75407	467	417				610				150		263	262	183	316	501	239			121	128				558	454	323

Quotes not valid hence Discarded

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- **DDP Sugarland - USA Price in US\$ per 1000 PCS.**
- **Below SKU's are from USA, Total 41 SKU's for USA items.**
- **In total 50 SKU's in this project.**

Minimum Price
Below Average price
Above Average price
Maximum Price

#	#	Current buying price	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Average Supplier Price
	Country		India									China									Turkey		Mexico				
	Supplier name		Arun Plasto	Bioplas	Ranekotech	Kalindi	Insulink	M.L Pack age	Velpack	Ori-Color	Reytek	ChungShing	WingTat	Xiaoming	Elephant	JuYuan	Lentak	Rosin	Shuangli	Yusheng	AVV Plastic	Folyoterm	Also ma	Convorma	Starpack	Winterrbone	
	Item Number		DDP Sugarland – USA: US\$ per 1000 PCS																								
1	65790	136	87				102			81	106	135	67	116	97	121	97	143		74	64	63					97
2	92832	269	409	211	369		344	501		272	406	270	277	305	263	225	334	261		298	121	287			481		313
3	88590006	119			141		174	220		124		417	137	179	147	202	177	133	208	120					302		192
4	92613	161					341	605		275	132	176	112	196	339	183	105	102	579	96							249
5	32011	107	92				81			63	90	128	123	88	86	126	83	69	165	141	123	45					100
6	32285	215	138				311	456		176	287	309	108	146	248	173	111	225	189	121					384		226
7	33185	232	161				411	592		235	301	390	119	175	332	175	146	298	206	160					384		272
8	93107	99	341		288		340	471		223	324	445	145	197	487	220	142	238	704	273	46	238			415		308
9	11023	980	718				598					693	387	568	397	378		339	360	466	67						452
10	11091	512	525				332					470	360	338	254	274		1113	755	328	54						437
11	11092	802	532				494					692	366	509	362	350	253	253	797		68						425
12	21026	1385	166				216			726		449	674			200			515	285	106						371
13	21098	524	365				390					335	278	711	336	390	261	252	878								419
14	21220	2603	1592				1134					402	939	971	545	503	608	771	930		80						770

Quotes not valid hence Discarded

Blank cells are the ones with no quotes received from the suppliers.



- **DDP Sugarland - USA Price in US\$ per 1000 PCS.**
- **Below SKU's are from USA, Total 41 SKU's for USA items.**
- **In total 50 SKU's in this project.**

Minimum Price
Below Average price
Above Average price
Maximum Price

#	#	Current buying price	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Average Supplier Price	
	Country		India							China							Turkey		Mexico									
	Supplier name		Arun Plast o	Bioplas	Rane kotec h	Kalin di	Insulin k	M.L Pack age	Velpa ck	Ori-Color	Reyte k	Chun gShin g	Wing Tat	Xiao ming	Eleph ant	JuYu an	Lenta k	Rosin	Shua ngli	Yush eng	AVV Plasti c	Folyo term	Also ma	Conv erfor ma	Starp ack	Winte rbone		
	Item Number		DDP Sugarland – USA: US\$ per 1000 PCS																									
29	14342	183	129				172	236		172	218	288	147	213	153	260	171	117	187	142						487	206	
30	14343	166	127				190	274		192		332	135	203	220	260	193	166	207	169						564	231	
31	30195	134	94				191			160	294	337	139	232	231	257	195	135	164	153					251	542	225	
32	30767	115	103				170			185	214	299	135	196		261	175	143	165	160						442	204	
33	81228	78	44				100			107	138	198	159	116	626	128	76	71	115	74					141	360	164	
34	92392	70	142				138		189		262	277	186	167	144	224	166	125	157	109						323	511	208
35	92980	65	260			148	178			131	240	223	144	188	97	236	169	149	149	136		127			292	323	428	201
36	93087	65	186		268		177			148	258	251	140	210	106	221	172	148	169	144	84	136			213	306	402	197
37	88570139	127	111		74		118			103	308	437	88	125	117	177	125	104	149	95	90				149	185	260	156
38	92387	121	318				271				513	587	188	443	244	200	293	236	263	299					331	524	935	376
39	92367	122	318		278		271				550	587	160	443	244		293	236	245	299					331	524	935	381
40	75400	292	209				437				113		152	195	335		122	193			85	90				334	360	219
41	75407	467	426				619				193		307	305	227	359	544	282			112	119				563	459	347

Quotes not valid hence Discarded

Blank cells are the ones with no quotes received from the suppliers.



- **DDP Manchester - UK Price in US\$ per 1000 PCS.**
- **Below SKU's are from Europe, Total 9 SKU's for EU items.**
- **In total 50 SKU's in this project.**

Minimum Price
Below Average price
Above Average price
Maximum Price

#	#	Current buying price	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	Average Supplier price	
			India										China										Mexico			
			Supplier name	Arun Plast o	Bioplas	Rane kotec h	Kalin di	Insulin k	USK Balaji	M.L Pack age	Delta Ther mofor ms	Velpa ck	Vinte k	Ori-Color	Reyte k	Chun gShin g	Wing Tat	Xiao ming	Eleph ant	JuYu an	Lenta k	Rosin	Shua ngli	Yush eng		Starpac k
			DDP Manchester- UK: US\$ per 1000 PCS																							
42	10143255	105	131	114	69	109	110		91	117	140	109	95	137	176	88	118	101	73	110	97	127	101	346	122	
43	10159115	107	131	114	59		95		79	111		110	82	137	209	84	129	87	63	95		106		304	117	
44	10191906	74	126	115			83					91	72	56	189	84	123	86	92	78		97		223	108	
45	10191907	66	125	115			87		72	86		90	73	55	193	84	123	85	57	83		118		169	101	
46	10193165	64	118	114	55	99	90	72	75	91	130	89	75	101	168	70	120	78	59	82	71	138	94	167	98	
47	10205160	64	124	114		89	81	72			130	89	67	54	168	70	111	73	91	71	73	116	85	230	100	
48	10142160	151	238	200		170	178		251	169	210	261	142	246	375	87	254	123	244	166	144	235	152	358	210	
49	10174035	95	124	130		99	96		83	52	130	89	82	107	234	75	129	98	63	93	79	106	80	156	105	
50	10213542	86		134			79		120	98			74		217	117		75	90	84				218	119	

Blank cells are the ones with no quotes received from the suppliers.



Summary

- Welche Kriterien und Informationen sind in den einzelnen Sourcing Schritten wirklich notwendig (Zertifizierungen, Zeichnungen & Zeichnungsdetails, Werkstoffe, etc.)?
- Welcher Aufwand ist in der Lieferanten-Entwicklung intern & extern machbar?
- Welche Volumina und # an SKUs passen für China und chin. Lieferanten?
- Welche Lieferzeiten brauchen Sie realistisch für bestimmte Warengruppen?
- Wo sind chin. Werkstoffe einsetzbar, wo nicht?
- VAT Rückvergütung wird bereits bei Lieferanten eingepreist?
- Zoll-Situation ist klar? Ändert sich diese eventuell?
- Vergleichen Sie Äpfel mit Äpfel wenn Sie mit bestehenden Lieferanten vergleichen (landed cost, interner Aufwand, etc.)?



Dragon Sourcing

Manufacturing Location Analysis



Analysis Approach in 3 Stages

1

Country Selection

- Macro Analysis: Simple Score Card with basic indicators fitting client's business case

2

Country Analysis

- Detailed Analysis: Detailed Score Card with specific indicators for client's business case

3

Region and City Analysis

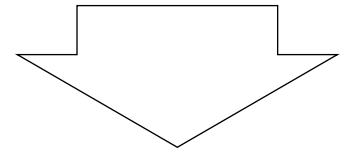


The analysis focused on the 2 pre-selected cities, Xiamen and Shenzhen, with the objective to establish a preference among these 2 options



Client Preliminary Considerations

- Development of the area
 - Direct sea access
- Air Access from Europe
- Proximity and access to Taiwan



Client Pre-selected Cities

- Xiamen
- Shenzhen



Information from multiple sources were used to analyze each of the 2 options in terms of cost and convenience

COST RELATED CRITERIA

- Existing building rent / Land cost
- Labor cost
- Shipment cost
- Utilities costs
- Taxes

CONVENIENCE RELATED CRITERIA

- Infrastructure / local traffic
- Safety
- Local authorities attitude
- Utilities supply quality
- Labor "manageability"
- Air access to/from The Netherlands & Taiwan
- Seaport convenience

Information Sources

- Shenzhen bureau of trade & industry information center
- Shenzhen council for the promotion of International investment
- Shenzhen Administrative bureau of free trade zones
- Administrative of local taxation of Shenzhen municipality
- Guangdong province price information website
- **Interviews with General Managers of western companies already located in Shenzhen or Xiamen**
- Various others (Sea shipment companies and sea forwarders, Airlines schedule, etc.)
- Xiamen Foreign Investment Bureau
- China council for the promotion of International trade – Xiamen office
- Xiamen Price bureau website



Cost related criteria

CRITERIA	INDICATOR / PRACTICAL MEASURE
Building cost	Rental cost/m ²
	Land cost
Labor cost	Minimum wages level set by local government
	Actual average wages for the typical worker profile
	Other employment related costs: insurances and other charges, allowance, etc...
Sea shipment cost	Freight cost to respectively Rotterdam and Los Angeles
Utilities	Utilities cost
Taxes	Local taxes



In summary, the cost difference between the 2 cities can at this stage be estimated between -230k€ and +80k€

	Shenzhen	Xiamen	Difference / Comment
Building / Land		Potentially -310k€ in "downtown" areas	Could represent around 310k€/year [50-30] x 13 000 x 12 = 3 120 000 RMB = 310 k€
Labor	Insignificant difference		
Container shipping		+80k€	30 containers/month (45% Rotterdam, 35% LA)
Utilities	Electricity	+5% during peak hours -1% over 24 hours	
	Water	-17%	We may need to clarify the importance of water and gas consumption
	Gas	+124%	
Taxes	No difference		

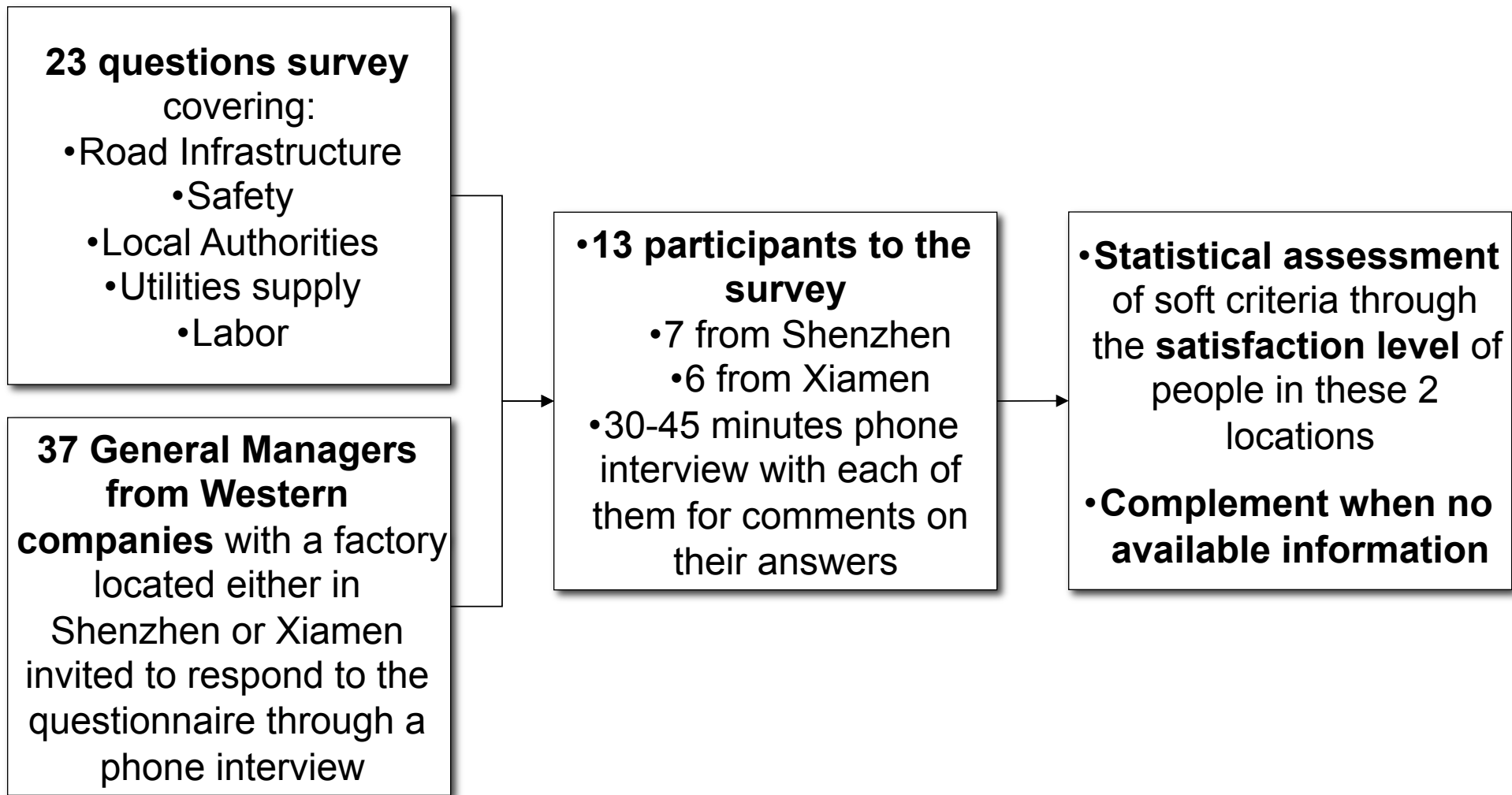


CONVENIENCE RELATED CRITERIA

- Infrastructure / ease to get around
- Safety
- Local authorities attitude
- Utilities supply quality
- Labor "manageability"
- Air access to/from Germany & Taiwan
- Seaport convenience



We surveyed 13 GMs of Western companies with factories in Shenzhen or Xiamen to assess convenience criteria and complete unavailable information





Despite Shenzhen slightly better sea shipping and air travel services, Xiamen is clearly a better place to be than Shenzhen, from a convenience point of view

	Shenzhen	Xiamen	Difference / Comment
Infrastructure / Ease to get around			Clear advantage to Xiamen
Safety			Responses to the survey don't reflect the danger often associate to Shenzhen
Local authorities attitude			Small difference on the average, but significant on support to companies, efficiency and corruption
Utilities supply quality			Clear advantage to Xiamen
Labor "manageability"			Clear advantage to Xiamen, mostly due to the higher weight of "local" workers
Air access			Benefit from Hong Kong proximity
Seaport convenience			Mostly due to shorter lead-time to Europe



In conclusion, Xiamen appears to most likely be a better option for an assembly plant in China

	Shenzhen	Xiamen	Comment
Cost	+	+ +	<ul style="list-style-type: none">• Only certainty on sea shipping (~80k€/year)• Building would actually be cheaper in Xiamen should client decide to pick a "downtown" location (estimated ~310k€/year)
Convenience		+ +	<ul style="list-style-type: none">• Sea shipping and air travel services are Xiamen only identified weaknesses

Considering:

- The importance given by client to most of the convenience criteria
- The cost difference that can either be in favor of Xiamen, or represent in the worst case ~80k€ per year

We consider Xiamen is most likely a better option for client



Dragon Sourcing

**Manufacturing Location Analysis
Beispiel Äthiopien**



13 Industrial Zones have been identified but only 2 are operational

Industrial Zones		
Industrial Zones	Current Operational Status	Selected for next stage of analysis
1	Operational	
2	Operational	
3	IZ Under Construction- No companies present yet	
4	Govt. studying feasibility- awaiting external funds to commence construction	
5	IZ Under Construction- No companies present yet	
6	Govt. studying feasibility- awaiting external funds to commence construction	
7	Govt. studying feasibility- awaiting external funds to commence construction	
8	Govt. studying feasibility- awaiting external funds to commence construction	
9	IZ not fully complete- very few companies present	
10	Govt. studying feasibility- awaiting external funds to commence construction	
11	IZ Under Construction- No companies present yet	
12	IZ not fully complete- very few companies present	
13	IZ not fully complete- very few companies present	

Selected for further analysis (only IZs already operational)

Not selected for further analysis



Of the 2 industrial zones that are immediately operational, X is the preferred option

Parameters	X Industrial Zone	Y Industry Zone
Developer	Government	Chinese company Group
Area	Phase I: 156 hectares fully complete and sold out Phase II: 186 hectares, construction in progress and is expected to be complete by the end of 2015. Booking open for Phase II	Phase I: 233 hectares Phase II: IZ in talks with the Govt. for additional 260 hectares for phase II expansion
Tax Holiday for Investors	Yes (Up to 2-7 years depending on case-by case approval by Govt.)	Yes (Up to 2-7 years depending on case-by case approval by Govt.)
Focus Industries	Textiles, Garments and leather products (including footwear) sectors	Textiles, Garment, Shoe, Construction materials, Electrical equipment, Engineering material equipment manufacturing and Food processing factories
Companies Present	1.	1.
Factory Rent	USD 1 per square meter in Phase II (Under construction)	USD 2 per square meter
Available buildings for rent (L&R requires a building with floor space 20,000 sqm)	2 types of buildings in phase II being constructed: 5,000 sqm area buildings and 10,100 sqm buildings. No buildings available anymore of Phase I.	Buildings available with 10,688 sqm area in Phase I.
Closeness to Addis Ababa airport/ Djibouti sea port	15 km East of Addis Ababa	37 Km East of Addis Ababa
Shortlisted Industrial Zone		
Recommendation	Yes (Cheaper rental cost & closer to Addis Ababa)	No (Rental more expensive, IZ focus is multi industry and further from Addis Ababa)



Detailed Analysis – Location Analysis of X

(1) Building & (2) Legal Entity (3) Tax and (4) Electricity

Parameters		Industrial Zone
Section	Sub-section	X
X - Location	Land Available (hectares)	156 Hectares in Phase I & 186 hectares in Phase II
	Location	15 km east to Addis
	Developer	Ethiopian Government
	Time to set up a factory	Six months to a year (estimated time to construct factory by the tenant) from the time company is registered and lease signed
	Special Economic Zone	Yes, no import duty and export duty for products manufactured for 100% export.
	Monthly Rent per square meter	IZ provides building at a rent of USD 1/m2 for 5 years and for the next 5 years at USD 1.25/m2. Tenants have the option of building their own plant as well
	Floor space of available buildings	2 buildings at 5,000 sqm each and one at 10,100 sqm
	Security Deposit	USD 25,000
	Lease Option	Investing companies have the option of building their own building by leasing land from the Govt. in X. Land is usually leased out for a period of 70 years at a one time payment of USD 11.55 per square meter (period of lease and price per square meter subject to case by case approval by the authorities). Price per square meter can be paid in full or over a period of 20 years including interest charges.
	Maintenance Cost to the IZ	None. All utility costs will be paid by the tenants themselves directly to the service providers
Legal	Paper work time for registering company in Ethiopia	10 business days from the time lease is signed
Tax	VAT	15%
	Corporate Income Tax Holiday	2-7 years depending on case by case approval by the authorities based on the level of investment and projection of the growth in exports by the investing company
	Expat salary income tax holiday	Up to two years
Electricity (Govt. Rates)	High voltage Consumers for over 400 KW per month	USD 0.038/KW (ETB 0.77/KW)



Detailed Analysis – Location Analysis

(6) Workforce – 2/2

Parameters		Industrial Zones
Section	Sub-section	X
Workforce	Termination cost to employer	3 months salary as termination cost to be paid by the employer of 3 months notice not provided- normal working practice in Ethiopia
	Yearly bonus	Depends on the profit gained by the employer and based on its own policy, not stipulated by the Government
	Lean period	Major religions are Christianity and Islam - Christmas time and Ramadan time are lean period
Indicative Time to Recruit a worker (number of days)	Operator	30-45 days
	Technician	30-45 days
	Supervisor	30-45 days
	Engineer	30-45 days
	Manager	30-45 days
	Plant Manager	30-45 days
Indicative Total Cost to the Company per worker category in USD	Operator (2 years experience)	USD 50 excluding mandatory 11% pension fund and 3% health insurance
	Technician (2 years experience)	USD 50 excluding mandatory 11% pension fund and 3% health insurance
	Supervisor (3-5 years experience)	USD 100 excluding mandatory 11% pension fund and 3% health insurance
	Engineer (5 years experience)	USD 350 excluding mandatory 11% pension fund and 3% health insurance
	Manager (5 years experience)	USD 550 excluding mandatory 11% pension fund and 3% health insurance
	Plant Manager (5 years experience)	USD 550 excluding mandatory 11% pension fund and 3% health insurance



We have interviewed industry experts: Summarized Feedback

General comments

- Ethiopian suppliers speak little English and the communication is mostly happening in local languages.
- Ethiopian suppliers rather want to have face2face B2B relationships, and are rather weak in internet communication.
- Importing yarn to Ethiopia will be cheaper only if the end purpose is for exports as the raw material can be imported under duty & tax exemption.
- Ethiopian companies are importing yarn from different markets globally.
- Larger textile companies in Ethiopia try to be intensively vertically integrated, due to the difficult local supply situation.

Yarn Category:

- Ethiopian spinning mills seem to be producing only 100% cotton yarn or viscose yarn.
- Spinning mills are producing yarn either for self consumption if they are integrated mills or supplying limited volume outside to regular clients.
- Supply of cotton yarn to the local market is not sufficient hence garment companies or local suppliers are also importing cotton yarn. 30-40% of the cotton processed in Ethiopia is from local suppliers, rest is imported.
- Local cotton price should be competitive, length of fibers and chemical composition often lack in quality.
- Spinning mills are not producing man made yarns like Elastane, Polyamide, etc. so garment companies are directly importing or buying man made yarns from the local importers.

Corrugated boxes Category:

- Number of manufacturers is limited, small to medium scale manufacturers are available with limited flexibility to make customized size.
- Suppliers' capacity utilization seems very high leaving little room for new clients.
- Local textile companies are buying the corrugated boxes from local manufacturers only but the supply is not easy and needs to be followed aggressively to ensure on time delivery.
- Manufacturers requesting 100% payment in advance before starting the production and almost every time do not comply with the deadline.
- Delays are happening due to frequent power cuts.



ANALYSIS OF TOTAL COSTS IN ETHIOPIA VS CHINA VS CZECH REP



PRODUCT 1

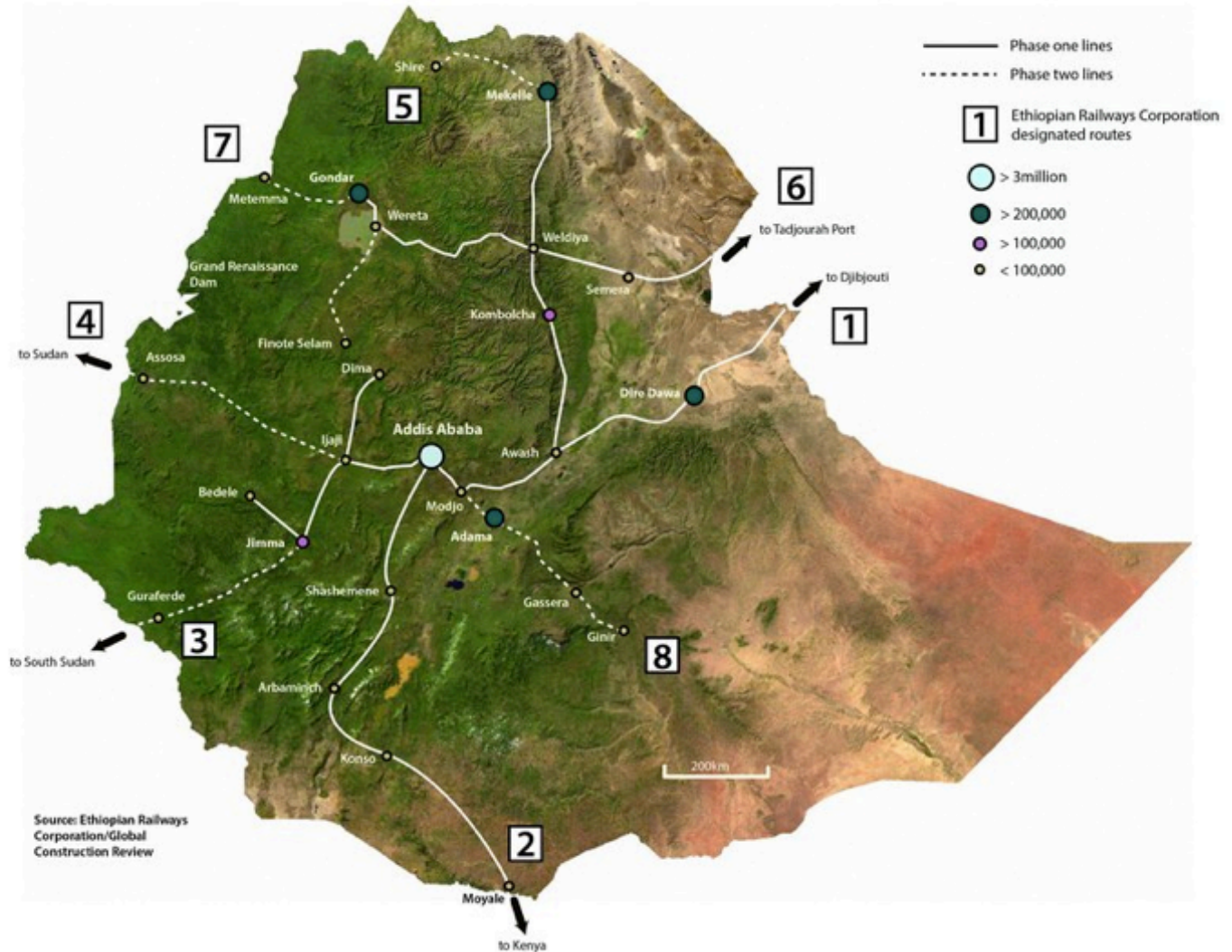
		€ per 100 pcs EXW				
Category	Ressource	CZ Plant	ETH Plant	Quantity	Unit	Comment
Machine					MIN	Same
Labor					MIN	7% labor cost in Ethiopia compared to CZ
Yarn					KG	Comparable landed cost
Machine					MIN	Same
Labor					MIN	7% labor cost in Ethiopia compared to CZ
Yarn					KG	Comparable landed cost
Packaging					KG	Same
Labor					MIN	7% labor cost in Ethiopia compared to CZ
Machine					MIN	Same
Labor					MIN	7% labor cost in Ethiopia compared to CZ
Yarn					ST	Comparable landed cost
Yarn					ST	Comparable landed cost
Yarn					ST	Same
Packaging					RL	Same
Packaging					RL	Same
Packaging					KG	Same
Packaging					KG	Same
Factory overheads						30% fixed, 70% labor cost dependend
Factory overheads						30% fixed, 70% labor cost dependend
Factory overheads						50% of CZ
Machine overheads						Same
Machine overheads						Same
R&D overheads						Same
Packaging	Inner Carton	€	€			Imported (incl. 10% handling and logistics)
Packaging	Outer Carton	€	€			100% more expensive in ETH
	Sum	€	€			
Transport	Transport to EU					Transport cost from ETH to EU will be € 0,383 per 100 pcs (€ 2.316 per container with 54 palletes á 11.200 pcs)
	Sum	€	€			
	Difference ETH / CZ		-13,18%			



RAILWAY PLAN



Ethiopia's planned rail system





MEETING 16 INDUSTRY MINISTER

Meeting with: Tadesse HAILE, State Minister, Ministry of Industry

Meeting notes:

- Goal is to make cotton available at a competitive price from in and outside of Ethiopia
- New railway will bring “50% improvement of land transport price”
- 80% of Ethiopian people live in the highlands
- Proposed to move into Awassa IZ, there are 34 sheds under construction and already 22 of them are occupied/booked
- There are only 12 sheds remaining for new investors
- In order to get the sheds, the investor needs to submit its proposal
- Government wants to subsidize the transport to Awassa, so that cost is similar than from Addis
- Comparable quality and quantity of labor available in Awassa
- Airport in Awassa needs 1,5 years to be finished
- IZ in Awassa will be finished mid of 2016
- 8 Companies which have booked in Awassa:
 1. PVH - US - Garments
 2. Arvind - India - Garments
 3. Wuxi - China
 4. ...



Summary

- Mehrstufiger Prozess hilft, sich über die eingenen Anforderungen eines neuen Standortes klar zu werden
- Exakten Kostenvergleich schaffen wenn möglich auf Basis Produkt-Kosten, welche verlagert werden sollen (inkl. Umfassender Import- und Export-Kalkulation)
- Lokale Vorteile/Incentives genau prüfen
- Sehr hilfreich sind zahlreiche konkrete Einschätzungen von erfahrenen Managern vor Ort als ausgewerte Umfrage zusätzlich zur Datenbasis



Dragon Sourcing

DI (FH) Christian Santner

Director Germany, Austria and Switzerland

christian.santner@dragonsourcing.com

Dragon Sourcing

Germany, Austria and Switzerland

Kohldorf 79 | 8323 Sankt Marein bei Graz

Austria

T: +43 664 88518030

F: +43 316 2311238882

Dragon Sourcing Ltd. Headquarter

7/F Hong Kong Trade Centre

161-7 Des Voeux Rd Central

Hong Kong SAR

T: +852 91 80 40 57

F: +852 25 80 24 26

www.dragonsourcing.com

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