

Decentralization of Business Functions

Opportunities for The Netherlands and Noord-Brabant

Summary Fact Sheet



**Buck
Consultants
International**

STUDY

During 2020, Brabant Development Agency (BOM) initiated a project to determine the extent to which decentralization of business functions, e.g. as a result of Covid-19, will be taking place, in which industries and types of companies and for which types of business functions.

This Study was executed in close cooperation with Buck Consultants International.

PARTICIPANTS

29 **foreign companies** with a presence in Noord-Brabant participated in the study through in-depth interviews.

44 **foreign companies** with a presence in Noord-Brabant participated through a detailed survey.

INDUSTRY-WIDE TREND

- In the years before the Corona pandemic reshoring of manufacturing to Europe was already on the agenda of global companies, but in reality the number of companies really doing this in practice was limited;
- The Corona pandemic has clearly boosted the need for resilience, pushing global companies to review their manufacturing and distribution footprints;
- The impact of the Corona pandemic and the level to which decentralization can be expected differs per industry vertical and also depends on individual company characteristics and strategies;
- Decentralization is not only a relevant topic for manufacturing and sourcing but is potentially relevant for all key business functions: sales, R&D, manufacturing, sourcing, distribution.

Impacts of the Corona pandemic differ per industry segment

POSITIVE

- Medtech
- Pharma/Biotech
- Online retail
- Software/AI/IT
- Online platforms
- Telecom services

MIX

- Transportation & logistics
- High tech
- Machinery & equipment
- Consumer electronics
- Construction

NEGATIVE

- Airlines
- Leisure/tourism
- Automotive *
- Offline retail
- Energy & chemicals *
- Apparel

* Other strong negative forces next to Covid-19

Study

55% of companies expect to have **decentralization** of business functions on their corporate agenda.

50% of companies are considering options for **near-sourcing**.

KEY DRIVERS: supply chain risk, proximity to market, geopolitical uncertainties.

DECENTRALIZATION is not only about manufacturing but also includes sales, logistics, R&D and other functions.

OPPORTUNITIES for The Netherlands and Noord-Brabant exist in sectors with an already strong ecosystem in the region such as High Tech Systems & Materials, Life Sciences & Health and Agrifood.

Context: Definitions of Decentralization

DECENTRALIZATION OF BUSINESS FUNCTIONS

Decentralization of office functions

OFFICE FUNCTIONS

Decentralization of sales, R&D, etc. functions such as expanding sales presence in Europe or moving from global HQ to European HQ.

Decentralization of distribution

DECENTRAL DISTRIBUTION

Decentralization of distribution by establishing distribution centers closer to market (e.g. moving from global to European DC or from central European DC to country DCs).

Near-sourcing

NEAR-SOURCING

Moving from sourcing of materials / components from suppliers far away (e.g. China/Asia) to sourcing from suppliers in (nearby European) countries where the actual manufacturing plant is located.

Decentralization of manufacturing

ON-SHORING Moving a manufacturing activity from e.g. China back to e.g. Europe.

RE-SHORING Moving a manufacturing activity that was previously off-shored to e.g. China, back to Europe.

NEAR-SHORING Moving a manufacturing activity back to an optimal location closer to the home country (for example Poland for Dutch companies or Mexico for US companies).