

*Managing Your*



**International Supply Chain**

*What companies are saying about  
the recession and its affect on  
international supply chains*

*A survey by BDP International and Centrx*

## **Research Objectives**

The recession, protectionism and their impact on global trade have become controversial issues which could have a profound effect on supply chains for years to come. Supply chain professionals are already taking steps to align their business priorities to manage the current economic crisis.

To better understand these issues, BDP and its Centrx Supply Chain consulting unit conducted a study to:

- Evaluate how the global recession is impacting supply chain management
- Understand the actions companies are taking to mitigate the effects of the global economic situation
- Learn about supply chain professionals' outlook for the future.

## **Methodology**

The survey was conducted between 23 March and 31 March via an on-line questionnaire, which was distributed to a sample population of 596 supply chain / logistics executives, 58 of whom responded for a statistically valid 9.7% response rate. Methodology of the study was structured to provide for respondents' anonymity.

The respondents represented the chemical (62.1%), diversified industrial (12.1%) and consumer/retail (10.3%) industries, and were based in North America (39.7%), Europe (31%) and Asia/Pacific (24%). Nearly 70% represented companies with more than \$10 million in annual revenues.

## Highlights

The current economic downturn has caused managers to change priority levels of their company's supply chain management initiatives, and has increased fears of protectionism affecting their business and the overall global economy.

More than 80% of the respondents expressed concern over the potential of growing protectionism to precipitate a global recession, along with a prolonged reversal in global trade.

On a brighter note, 70% of global supply chain professionals believe that economic stimulus packages will help countries out of the recession, and over three-quarters of respondents do not see the recession lasting longer than another 12 months.

The top priority of global supply chain managers appears to be cost-based selection of transportation modes. Consistent with this finding was increased emphasis on renegotiation of transportation contracts, signed as recently as several months ago and no longer reflective of current market conditions.

Greater supply chain visibility remains high on supply chain managers' list of priorities for both the near- and long-term.

## Business Impacts

Asked to rate the business impacts of the current economic downturn that concerned them most, respondents cited tight credit and lending practices and a prolonged reversal in global trade.

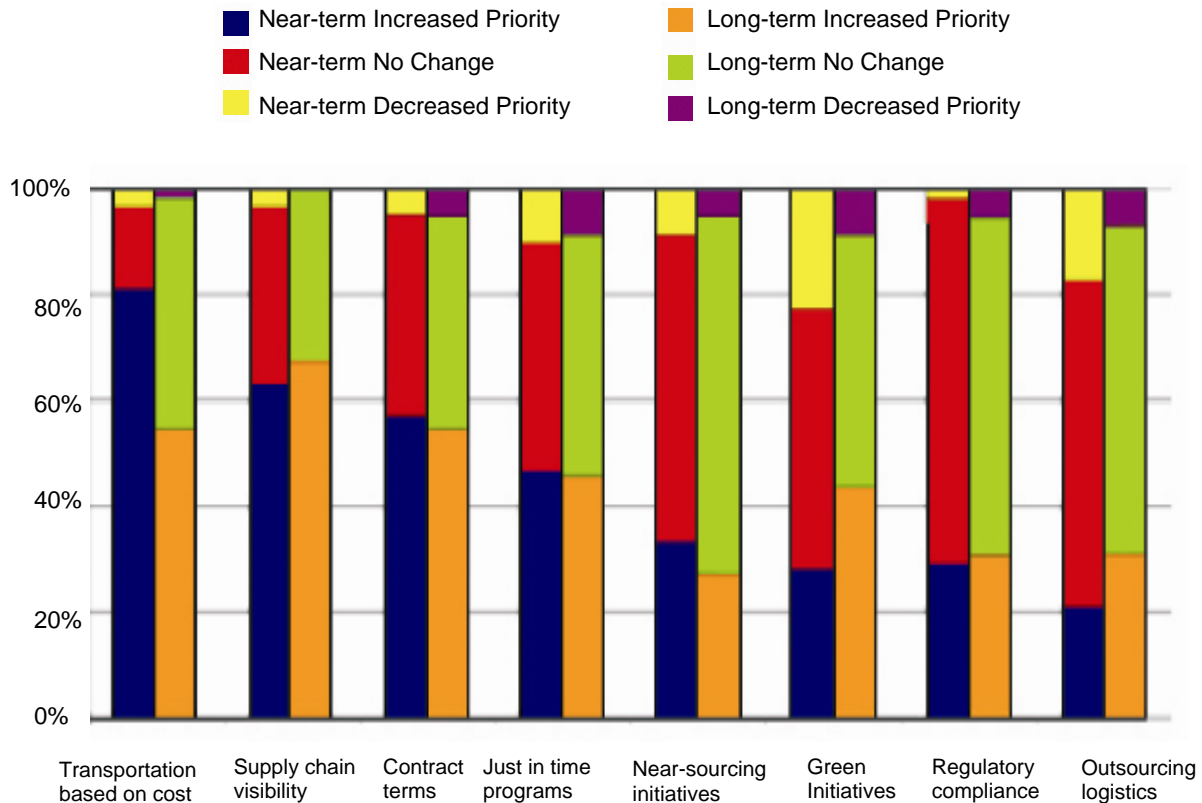
Companies with annual revenues of less than US\$10 million were more concerned with the loss of emerging markets and less concerned with massive unemployment than companies with annual revenues greater than US\$10 million.

North American respondents were most concerned with massive unemployment, whereas those in Europe had very little concern over massive unemployment as their system of indefinite contracts allows for greater job security.

## Effects on Supply Chain Practices

To determine the effects of the economic downturn on supply chains, respondents were given a list of initiatives and asked if their priority levels have changed.

### How is the economic downturn affecting your supply chain practices in both the near-term and the long-term?

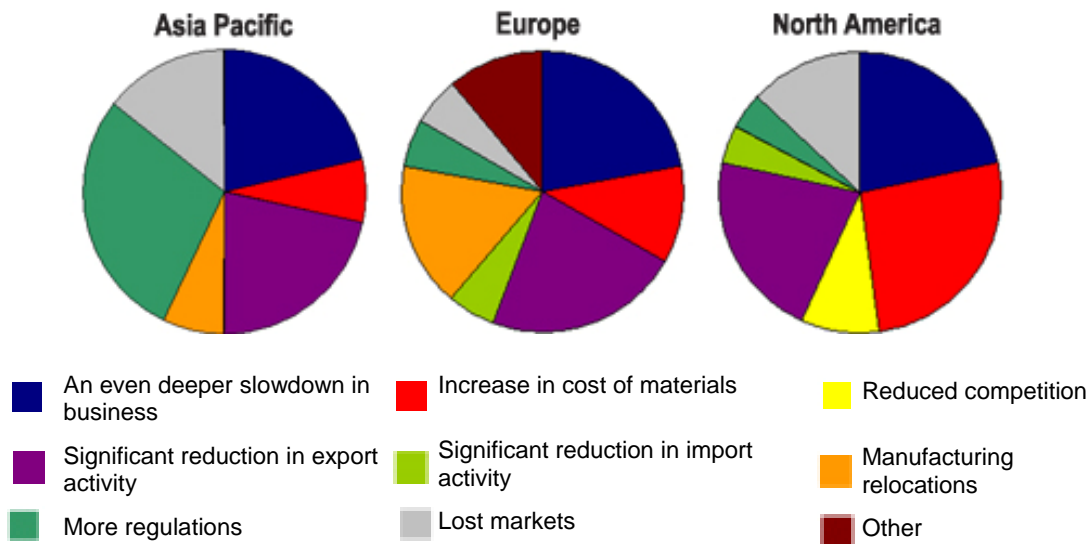


As shown in the graph, choice of transportation mode based on cost was a top near-term priority among just over 80% of respondents; however that number drops to below 60% for long-term priority levels. Another way in which supply chain professionals are attempting to reduce costs is through renegotiating transportation, cited by just under 60% of respondents.

While green initiatives have taken a back seat to the current economic crisis, over 40% of respondents have increased the priority for these initiatives in the long term. However, nearly half of the respondents located in the Asia/Pacific region have increased the priority of their green initiatives over the near term, 54% have increased the priority of these programs over the longer term.

## Effects of Protectionism

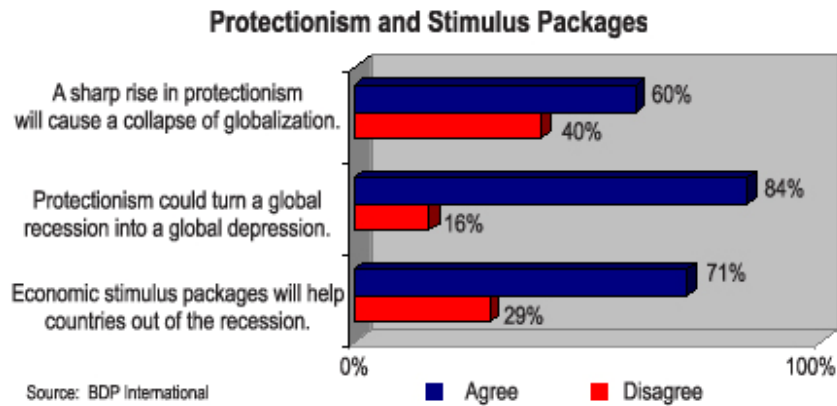
When asked how government protectionist policies will affect business, 20% of respondents cited an even deeper slowdown in business and significant reduction in export activity, followed by an increase in cost of materials cited by 17% of respondents.



Asia/Pacific respondents believed that protectionist policies will most likely affect their business through more regulations (29%), whereas North American respondents saw an increase in the cost of materials as having the greatest impact (26%).

## The future

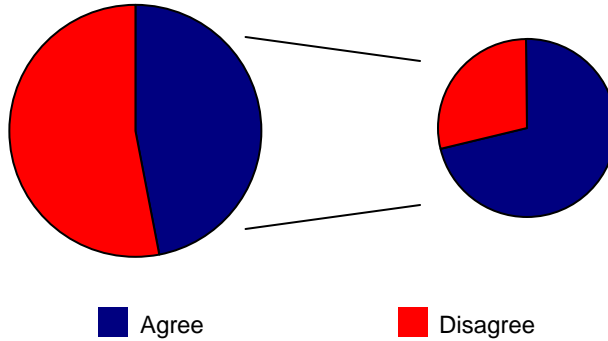
To gauge how supply chain professionals saw the rise of protectionism, they were asked to agree or disagree with a number of questions. As shown in the graph, over 80% believed that growing protectionism could turn a global recession into a global depression. Another 60% felt that a sharp rise in protectionism will cause a collapse of globalization.



Just over 70% of all respondents believed that countries' economic stimulus packages would help them out of the recession, however only 55% of North American respondents agreed.

## The future

My company is placing greater emphasis on near-sourcing in order to save on supply chain costs.

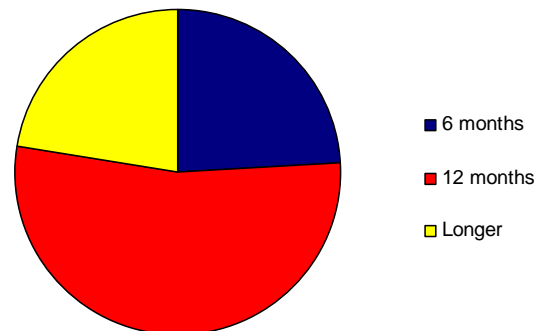


When queried as to whether their companies were placing greater emphasis on near-sourcing to reduce supply chain costs, just less than half (47.3%) said their companies are placing greater emphasis on near-sourcing to reduce supply chain costs. However, over 70% of Asia/Pacific respondents said their companies are looking at the concept.

## How much longer?

The majority of respondents believed the recession will last 12 months longer, with over three-quarters of them believing it will last one year or less.

Not surprisingly, 56% of those who believe that the recession will last longer than one year do not think economic stimulus packages will facilitate a recovery.





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