



SWITZERLAND – YOUR SUPPLY CHAIN HUB

COUNTRIES WITH LOWEST SUPPLY CHAIN RISKS

Country	Rank
Switzerland	1
The Netherlands	2
Sweden	3
Austria	4
Japan	5
Norway	6
Finland	7
Singapore	8
USA	9
Denmark	10

Source: Resilience Index Annual Report, 2017

INTRODUCTION

You are not alone in facing the forces of globalization. With the need to adapt to rapidly changing markets and a cross-border consumer base, many organizations are finding that they must look at business issues through an international lens. Alongside the huge opportunities that global demand brings, there are also challenges, and businesses must be prepared to deal with demand volatility across an increasing number of customer channels.

Your success as a supply chain executive requires a long-term strategy that manages complexity, risks and the costs of global logistics. You must implement an effective and efficient global supply chain that delivers an enhanced customer experience without losing your focus on profitability, flexibility, scalability and sustainability.

A key challenge exists where global businesses have evolved over time and different geographies. They must deal with a legacy of disjointed internal logistical structures and heavily embedded silos - whether in relation to the brand, internal functions or business units. This creates hurdles to apply globally consistent management processes and tools. Joint ventures and acquisitions pose their own unique challenges, making it more difficult to leverage cost synergies across divisions and brands while continuing to effectively meet customers' needs.

Due to its strategic location between the US, European and Asian time zones, Switzerland's excellent transportation and communication infrastructure and its solutions for managing revenues and risks have made it a leading destination for Multinational Companies (MNCs) looking to set up supply chain operations.

WHY SHOULD YOU CONSIDER SWITZERLAND?

Switzerland can offer a series of advantages if you are:

- An MNC looking to globally integrate your supply chain management from commercial, logistical and tax points of view
- An MNC with particular logistical needs for valuable products
- A financial services provider organizing procurement via Switzerland
- A provider of travel and hotel services wishing to benefit from the Tour Operator Margin Scheme

KEY TRENDS IN SUPPLY CHAIN MANAGEMENT

Trend 1: Strategic Supply Chain Management

Supply chains are becoming increasingly fragmented and complex. Managing them on a cross-functional basis requires implementing appropriate value chain strategies.

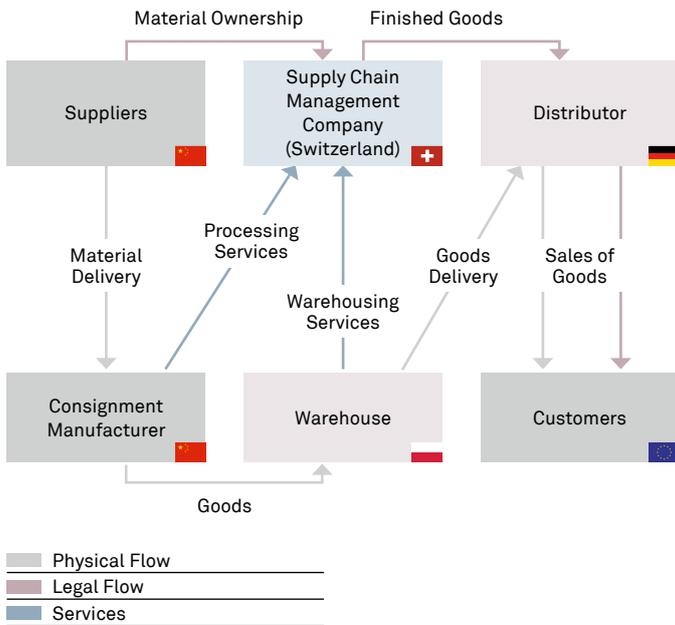
The challenges:

- Bringing together commercial, customs tax, trade and logistical issues oriented around an integrated supply chain model
- Finding qualified personnel who can manage complex logistical, VAT and customs and trade aspects of an integrated supply chain

Why Switzerland:

1. Switzerland has a large number of MNCs that successfully use integrated supply chains to combine tax and customs with pure commercial and logistical considerations.

Supply Chain Management in Switzerland



Most international supply chain management operations in Switzerland integrate tax planning into their design. The main feature of this model is the pooling of revenues from sales, and risks from manufacturing and distribution, into a single “entrepreneur” entity in Switzerland. The benefits of shifting activities, functions, risks and further substance to a centralized supply chain management can include competitive effective tax rates, significantly contributing to MNCs’ bottom lines.

2. The presence of qualified multilingual personnel who specialize in all aspects of value chain management. Various universities and institutions in Switzerland offer supply chain management studies:

Switzerland – Supply Chain Institutes / Faculties

Swiss Federal Institute of Technology in Zurich (ETH)

Executive MBA in international Supply Chain Management
www.mba.ethz.ch

University of St. Gallen

Executive MBA in Logistic Management
www.es.unisg.ch/emba

Swiss Association of Purchasing and Materials Management

Swiss certified purchasing specialists
www.procure.ch

The European Institute of Purchasing Management

Trainings in Procurement MBA specialized in Procurement and Supply Chain
www.eipm.org

International Institute for the Management of Logistics (IML)

Executive Master in Global Supply Chain Management
<https://iml.epfl.ch>

University of Geneva: HEC Geneva

Diploma of Advanced Studies in Sales Management, Logistics and Procurement
<http://achat.unige.ch>

International Federation of Purchasing and Supply Management

Trainings in Procurement and Supply Chain
www.ifpmm.org

Zurich School of Management and Law

Master in Supply Chain and Operations Management
www.zhaw.ch/sml

Kalaidos Fachhochschule Wirtschaft AG

CAS Supply Chain and Logistics Management
www.kalaidos-fh.ch

Fachhochschule Nordwestschweiz / MAS Supply Management Excellence

www.fhnw.ch

Source: Procurement & Supply Chain – Salary Survey 2010, Switzerland, MichaelPage.ch KPMG

Case Studies:

As a subsidiary of the Anglo-Dutch company Unilever, one of the world's largest consumer goods companies, **Unilever Supply Chain Company AG** operates a stand-alone entity in Schaffhausen, Switzerland. The Swiss-based company employs around 1,400 people and is responsible for the wider group's entire sourcing, production and logistics process in Europe and the Americas. As Unilever's new supply chain center, it is responsible for the supply of raw and packaging materials, the group's factory network (including production planning, volume allocation and investments for 62 European production facilities) and the warehousing and transportation of finished products from European manufacturing sites to end-user markets.

The **global beer group AB InBev** moved its global purchasing by Anheuser-Busch InBev Procurement GmbH to Steinhausen, in the Swiss canton of Zug. The group established its procurement business in Switzerland due to the country's attractiveness for running an efficient supply chain operation. It also benefits from available skilled labor and a business-friendly environment.

Trend 2: Risk Management

Increasing complexity is not the only challenge. Risks are arising - and growing - in a range of commercial, logistical, financial, reputational and legal issues.

The challenges:

- Enhancing visibility within the supply chain by concentrating core activities and related risks in a location that has excellent infrastructure and a supply chain-friendly environment
- Improving control of the logistics part of the supply chain through proximity to a cluster of global logistics service providers

Why Switzerland:

1. Risks can be mitigated through a high-quality infrastructure, a stable political environment, a reliable workforce and - in certain cases - Switzerland's neutrality in the event of foreign political disturbance
2. Various risk patterns can be addressed through a uniquely high number of service providers based in Switzerland that cover all aspects of supply chains across various industries

The FM Global Resilience Index 2018 ranks Switzerland first for supply chain safety, ahead of Luxembourg. This places it ahead of all others including Sweden, Germany, the Netherlands and Ireland. The index provides an indication of relative business resilience to supply chain disruption across 130 countries. It takes into account economic, risk quality and other supply chain factors, considering control of corruption, infrastructure and local supplier quality.

Case Studies:

Luxury Goods International SA (Gucci Group) maintains its logistics center in the Canton of Ticino, Switzerland. Stretching over 320,000 square meters, it delivers products around the world. LGI is the distribution center for Gucci Group and initially distributed only Gucci branded products. Following the acquisition of other brands it opened new offices in Switzerland as well as a new logistics center. Famous brand products, garments and accessories are distributed from Switzerland worldwide to stores directly managed by the Group and franchise stores, duty-free boutiques, specialty stores and multi-brand outlets. Prior to opening in Switzerland, the company faced security issues regarding logistics for its luxury products.

Metalor Technologies SA is a leading precious metals refinery group located in Neuchatel, Switzerland. The sourcing element of its supply chain is operated in Switzerland to ensure that precious metals come from legitimate, ethical sources and have not been associated with crime, armed conflict or human rights abuse. The metals to be refined arrive in Switzerland, are processed in Neuchatel and then forwarded to the customer in a timely and safe manner, taking advantage of the reliable and safe environment.

Trend 3: E-Supply Chain

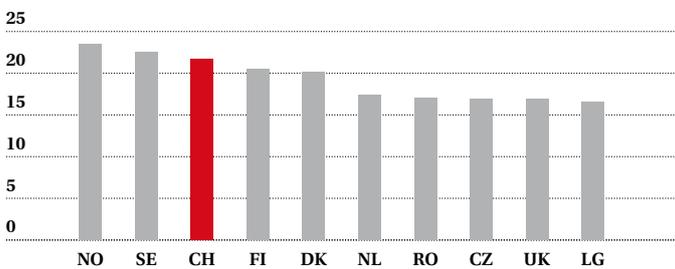
E-Supply Chain has become an everyday feature of commercial activity. Businesses increasingly use it as a more efficient means of conducting purchase and sales transactions, especially as private individuals are ordering more goods and services online. The availability of digital products and services delivered electronically is constantly growing and geographical borders tend to disappear.

The challenges:

- Locating operations where technical IT infrastructure combines with an attractive business environment
- Ensuring data protection

Average Internet Connection Speed in 2017

European rankings in Mbps



Source: akamai, 2017

Why Switzerland:

1. Good availability of IT experts, combined with one of the fastest internet connections in Europe.
2. Switzerland's dense cluster of data centers provides a robust and leading data protection environment. Switzerland occupies 3rd place in the Data Center Risk Index, which classifies 37 countries according to key risks for the operation of secure data centers. Another trump card held by Switzerland is the high importance it places on individual privacy.

Data Center Risk Index 2016

Country	Rank
Iceland	1
Norway	2
Switzerland	3
Finland	4
Sweden	5
Canada	6
Singapore	7
South Korea	8
United Kingdom	9
USA	10

Source: Cushman & Wakefield, 2017

Case Studies:

Kayak Europe GmbH, an independent subsidiary of The Priceline Group, provides travelers with information on flights, hotels, car rental and package deals. The company operates in Zurich and offers a web-based platform in numerous languages. The company depends heavily on an innovative and highly qualified workforce as well as an excellent internet and IT infrastructure.

Expedia Lodging Partner Services Sarl, located in Geneva, is responsible for the procurement and distribution of all Expedia Inc. brands globally and is the central point for sourcing hotel services, with around 13,000 employees in more than 70 countries. Expedia Inc. offers hotel rooms on an international scale, access to multiple channels in a single marketplace, exposure that positively influences direct bookings on a hotel's own website and a dedicated team of market managers around the world who provide deep market insight and are committed to helping hotels increase their profitability.

Benefits of the Swiss VAT system relating to procurement for the Travel and Financial Service Industry

1. The Swiss Tour Operator Margin Scheme: Swiss VAT legislation exempts Swiss tour operators from levying Swiss VAT on tours taking place wholly or predominantly outside of Switzerland. This is a significant benefit for a Swiss tour operator purchasing travel packages that are sold abroad. Even in the absence of any further direct tax optimization, this can increase the tour operator's gross profit margin by up to 20% compared, for example, to a UK competitor.
2. Banks and other financial institutions often face input VAT for procurement that result in a substantial final cost which may jeopardize a competitive advantage. The fact that Switzerland has a comparatively low VAT rate of 7.7% can help to reduce this burden and make Switzerland an attractive place for setting up procurement centers.