



# ***EU-China Sourcing***

***Presentation of 2023 Sourcing Survey***

***Shanghai 2023-08-30***



**benelux 荷比卢商会**  
chamber of commerce in china



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# We are global advisory company with roots in Scandinavia



Market Entry & Expansion



Sourcing & Supply Chain Management



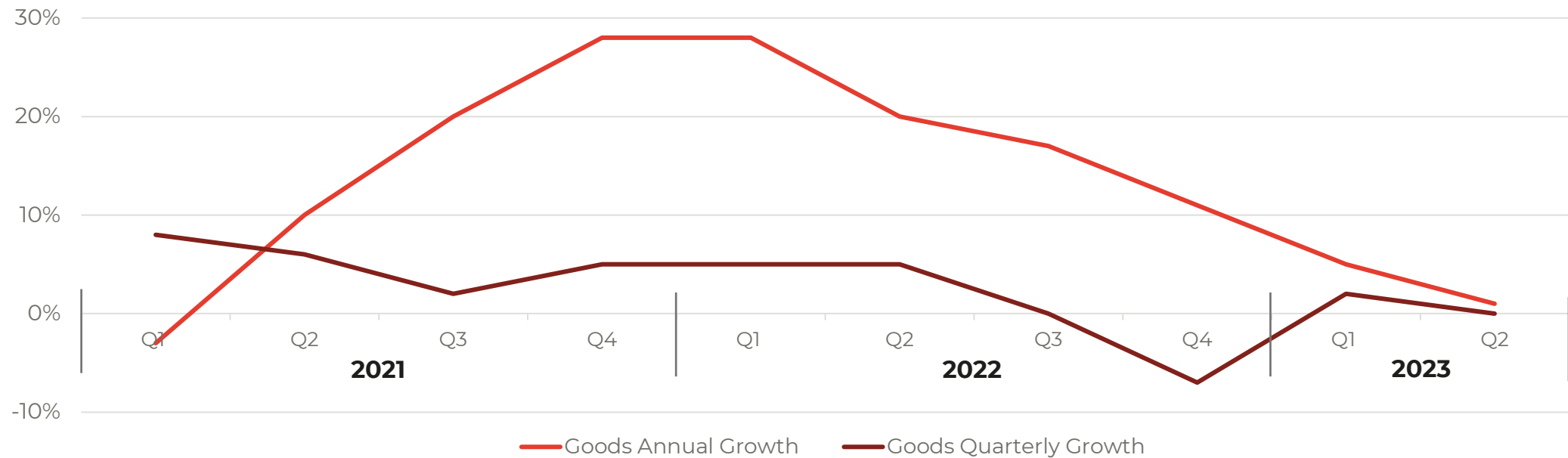
Restructuring & Transformation



Financing & M&A

# Global trade growth softening, with a challenging environment for global supply chains

*The value of trade increased in H1 2023 but growth remained slow*



## Negative factors of global trade growth



**Geopolitical Tensions**



**Weakening Economy**



**Trade Restrictive Measures**



**Slowing Industrial Output**

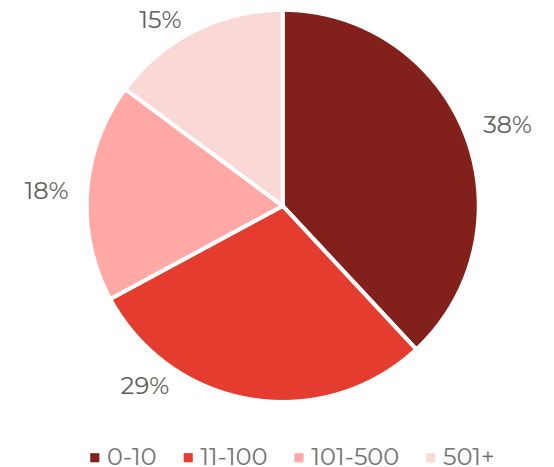


**Inflation and High Interest Rate**

# Respondents come from a diverse array of industries and over 33% have a purchasing value of over 100 million USD per year



Respondents in different classes of total global purchasing amounts in 2023 (Million USD)



## ***The survey data cover the following topics:***

- Sourcing markets overview in China, Europe, and Southeast Asia
- Current reshoring/nearshoring activities and trends
- The role of ESG in sourcing
- The future of sourcing and the perceived importance of different sourcing regions

# China sourcing market has lost some steam, and South East Asia (SEA) has become a complementary market for many companies

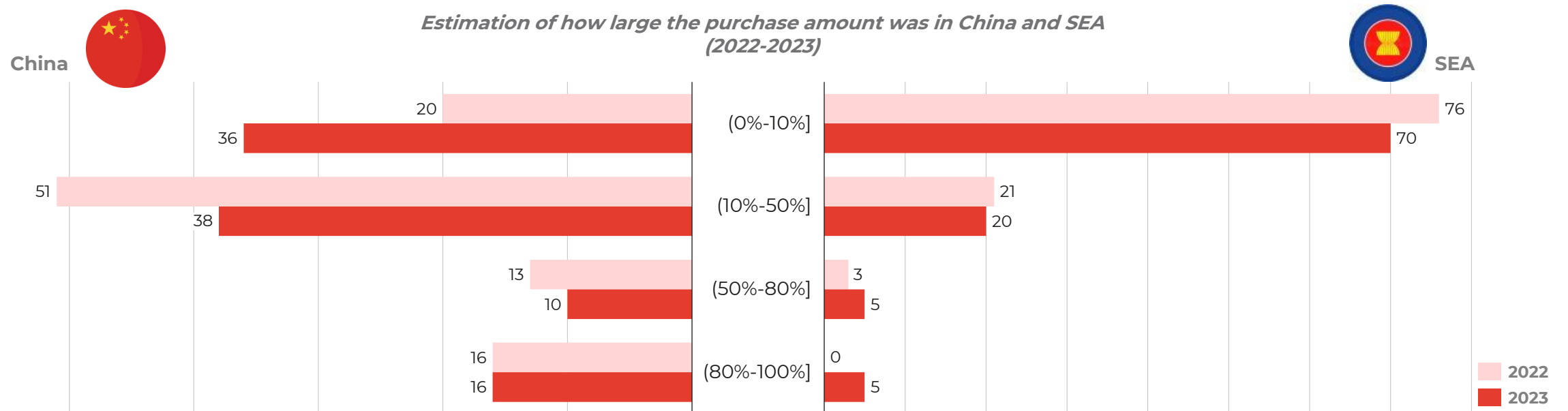
Share of respondents who source in China

✓ **78%** Yes    ✗ **22%** No

Share of respondents who source in SEA

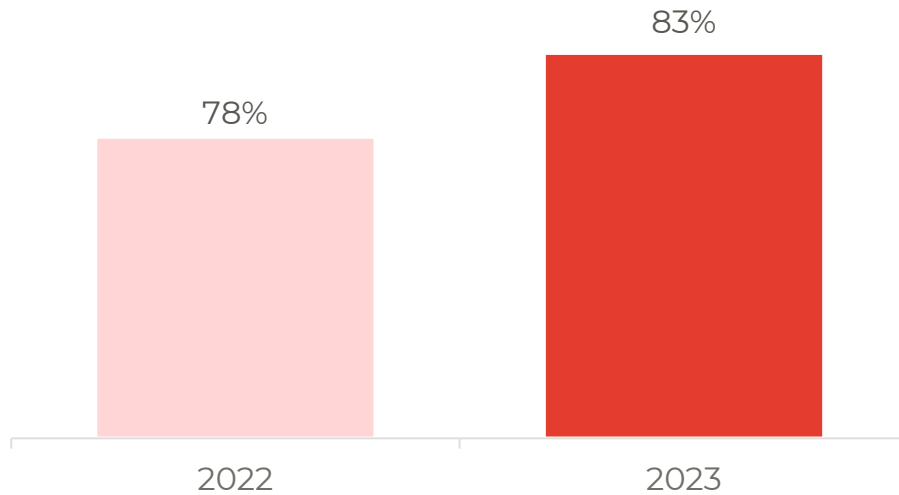
✓ **49%** Yes    ✗ **51%** No

Estimation of how large the purchase amount was in China and SEA (2022-2023)

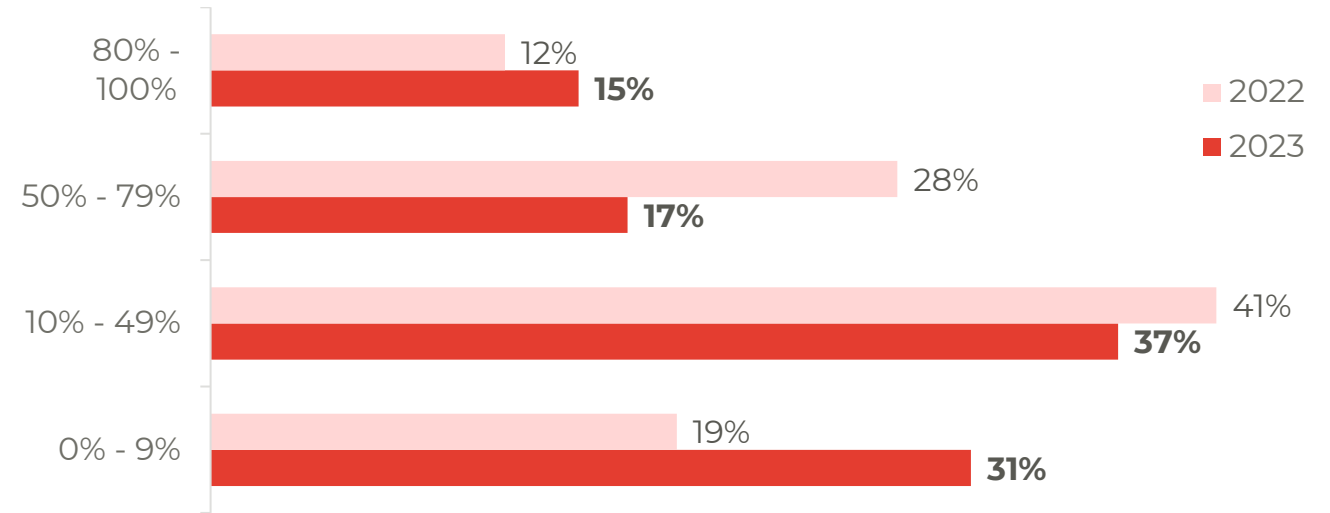


# More companies have some sourcing in Europe, however many respondents have very limited part of spend

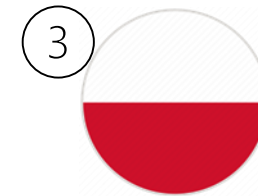
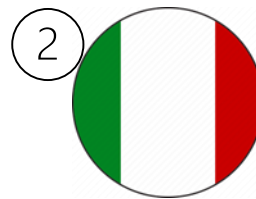
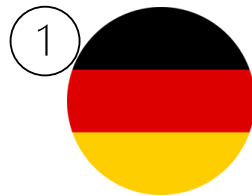
Share of respondents who sourced in Europe  
(2022-2023)



Estimation of how large the purchase amount was in Europe



Survey respondents listing top 3 countries they source

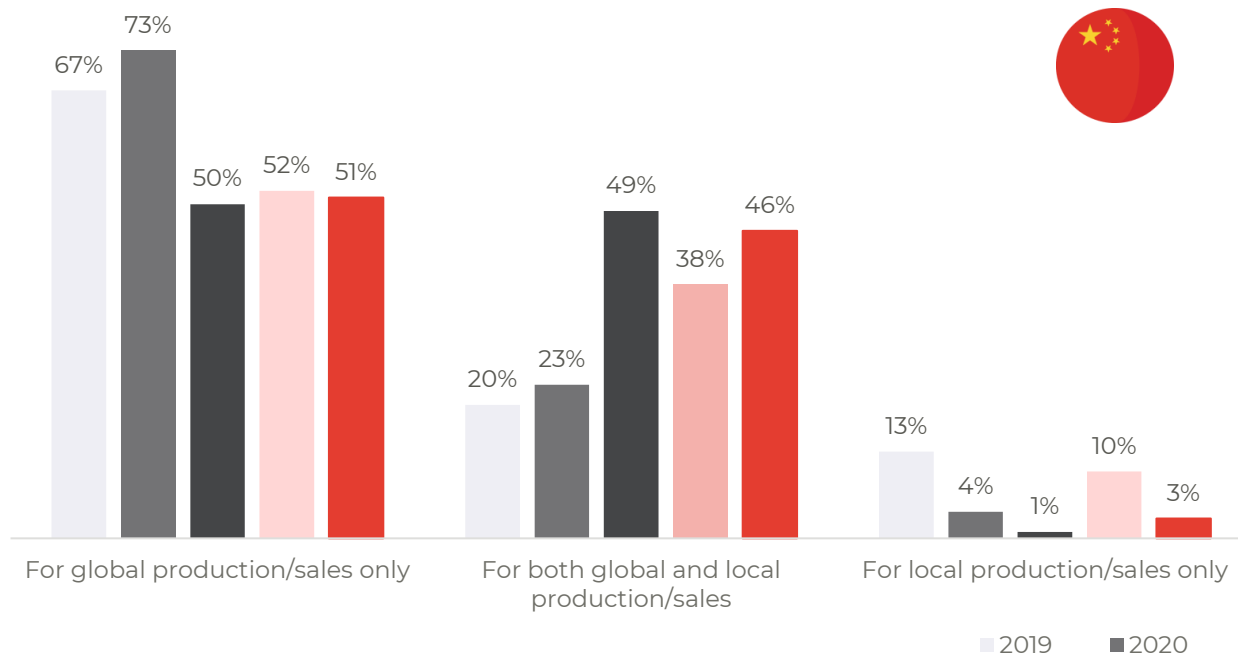


# China and Southeast Asia have much sourcing for pure exports, while Europe normally supplies local and global demand

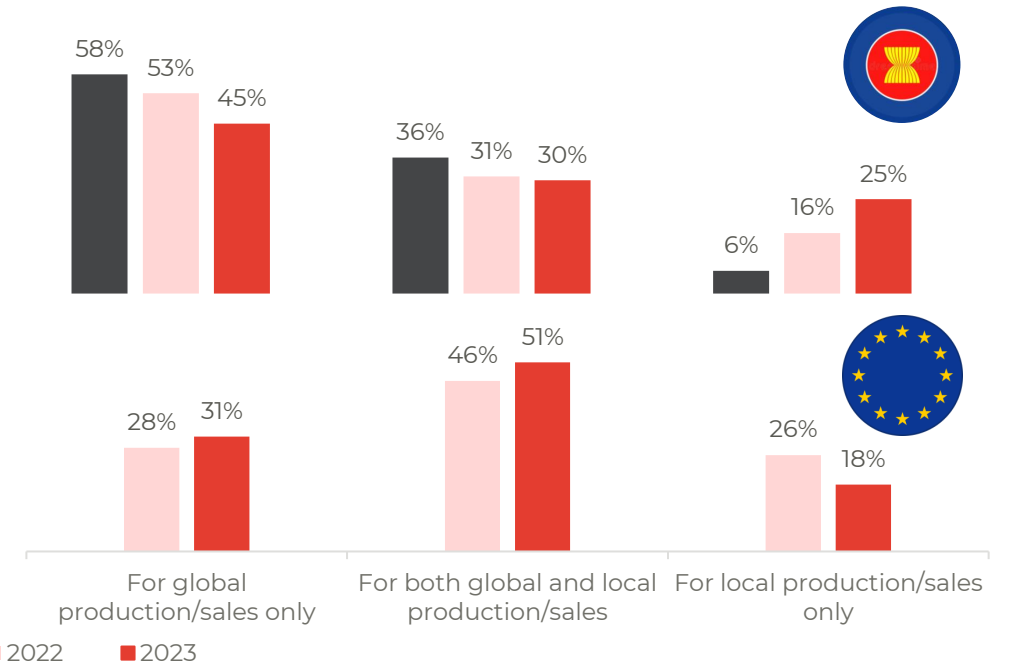
➤ China is mainly identified as a market for global supply

➤ SEA mainly serves global demand while Europe supplies both local and global demand

Main reason for sourcing in China, share of the respondents (2019-2023)



Main reason for sourcing in SEA and Europe, share of the respondents (2021-2023)

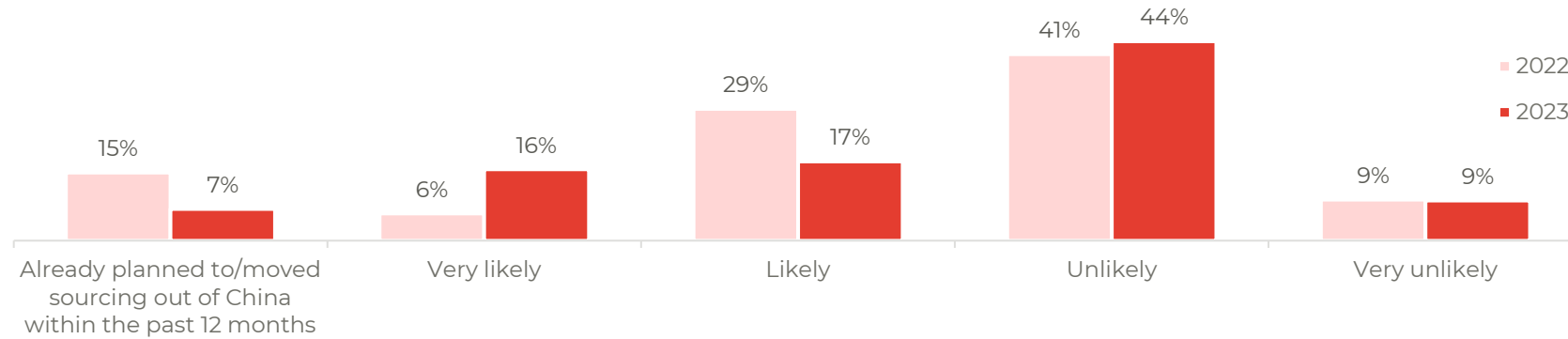




# There is a significant group of companies moving some sourcing out of China, in SEA less so

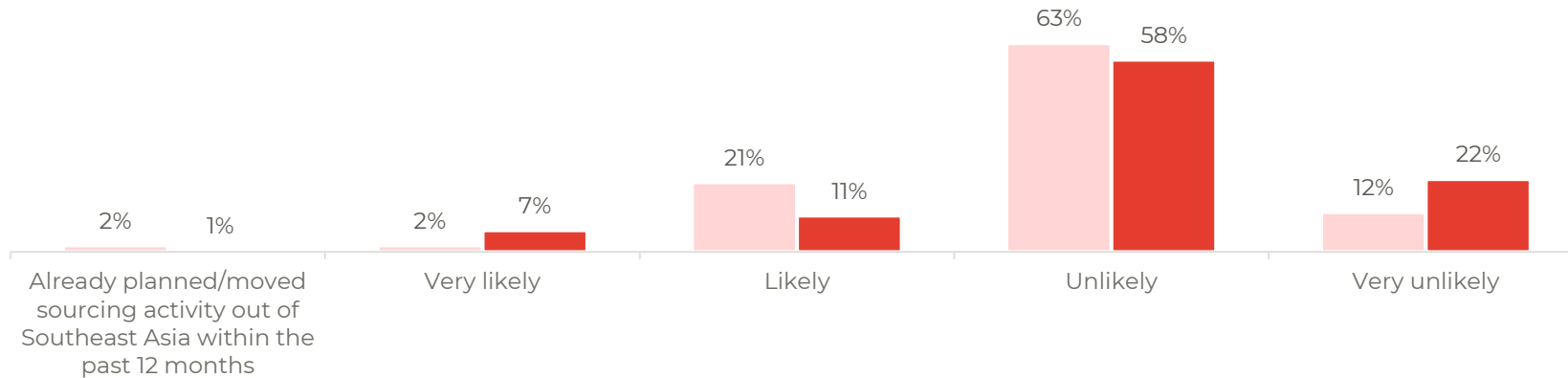
## Recovering confidence toward the Chinese market

Share of respondents' likeliness to relocate their sourcing out of China



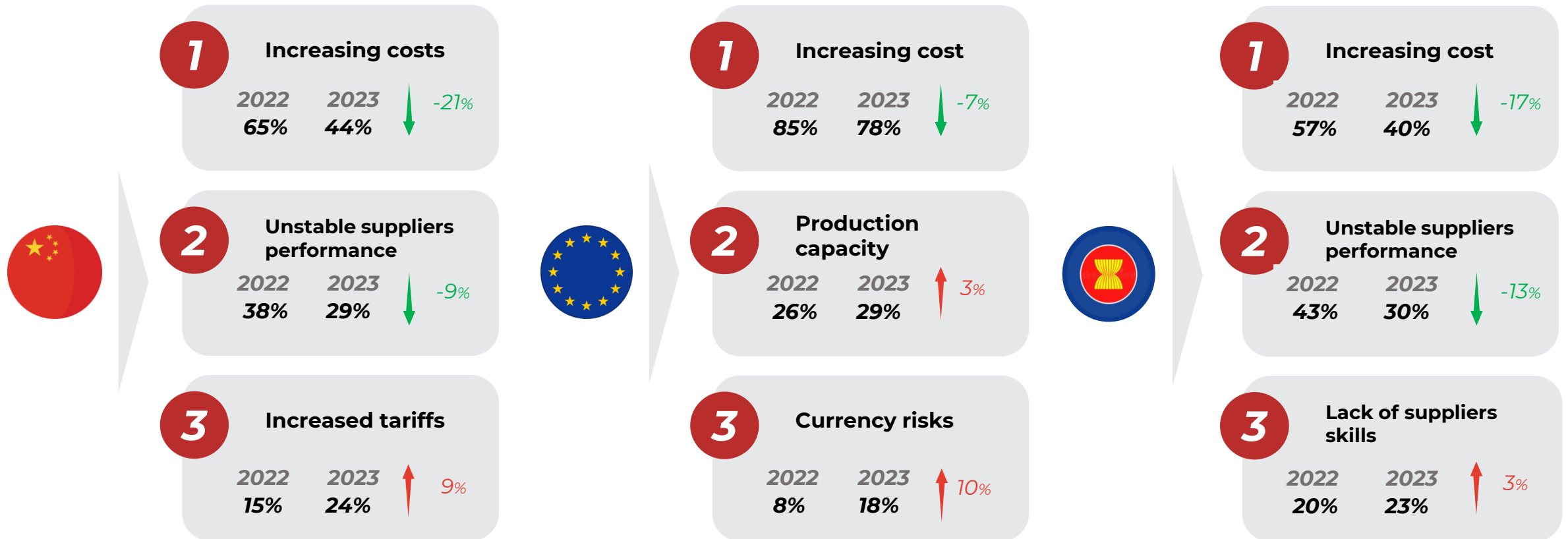
## Growing confidence in SEA market when compared with China

Share of respondents' likeliness to relocate their sourcing out of SEA



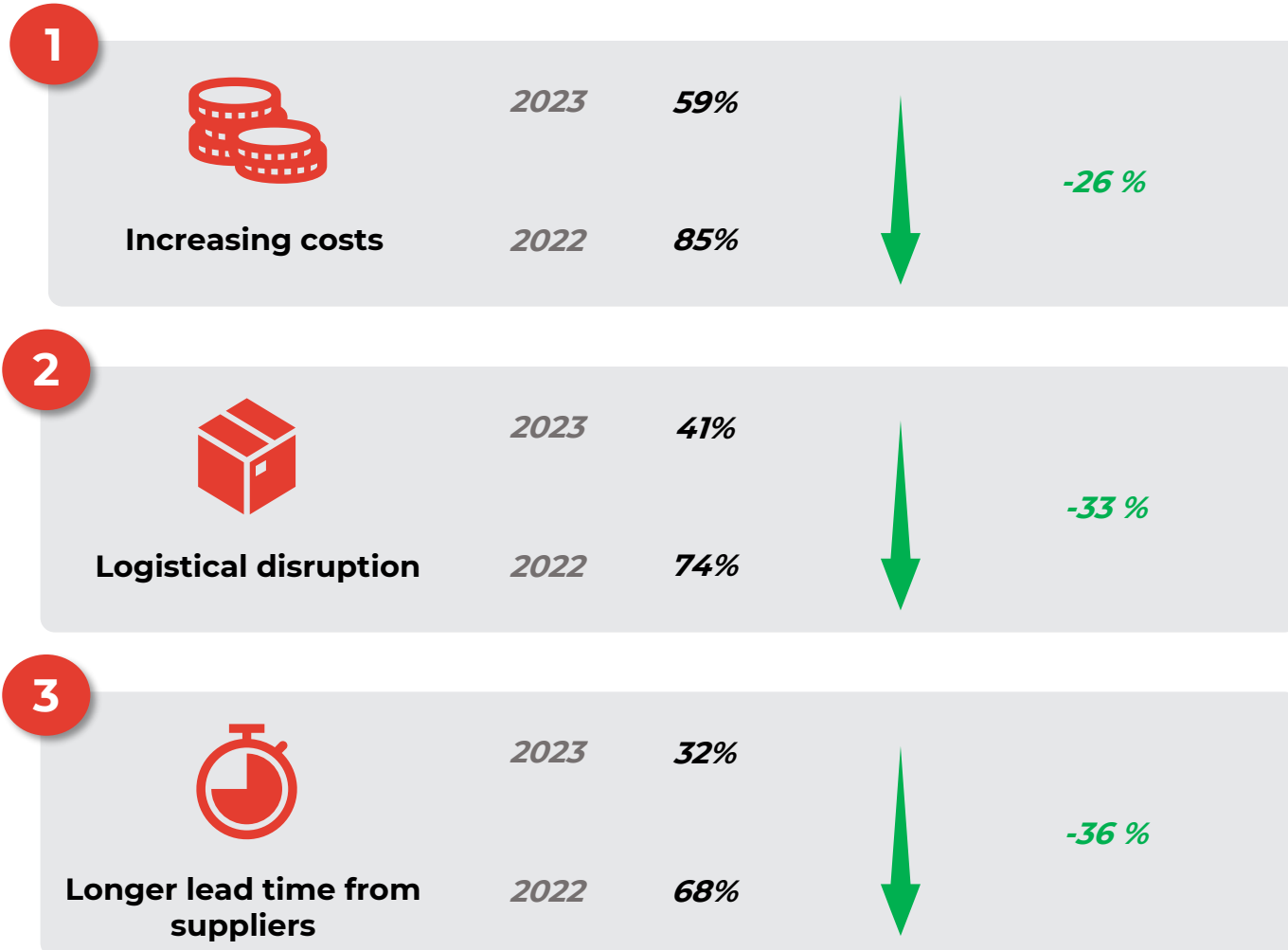
# Costs pressure reduced compared with last year, but remains top concern

Share of respondents listing their perceived top three risk factors



# Supply Chain situation has improved significantly, Cost pressure, logistics disruptions and lead time are a concern for fewer

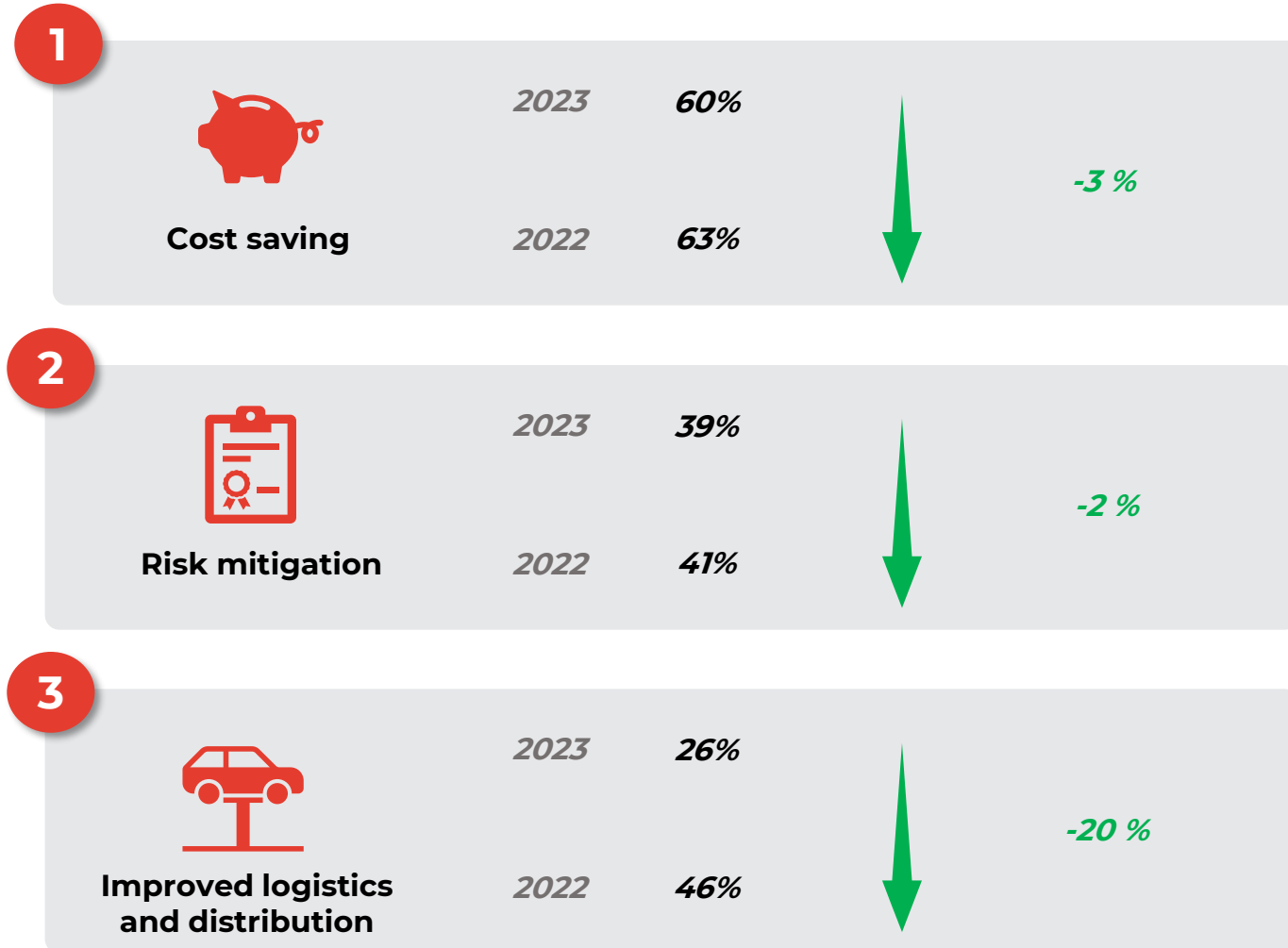
## Top sourcing problems



- The three biggest challenges that companies have faced in 2023 **remain the same** as those of previous years.
- On average, the concerns over the top three problems **declined by about 30% between 2022 and 2023**

# Cost is still the biggest criteria when companies decide whether to relocate

## Top Reasons for relocating



- The decline in the share of may partly attribute to the **reopening of China**.
- Companies today, looking back at the challenges posed in recent years, have realized the importance of **diversifying their supplier base** into more markets to help mitigate potential risks.
- Many companies reshore or nearshore to **strengthen control of logistics** by shortening the shipment distance

# Quality and insufficient knowledge have decreased as perceived barriers of entering new sourcing markets



## Quality Risk

2023 **37%**  
2022 **49%**

**-12%**

- The most significant barrier
- Performing extensive quality controls of new suppliers is a costly but necessary measure to take to ensure that the requirements are met.



## Insufficient knowledge about the new market

2023 **32%**  
2022 **40%**

**-8%**

- Companies may benefit from hiring a local resource or appointing consultants with market insights to support the entry.



## Set-up Costs

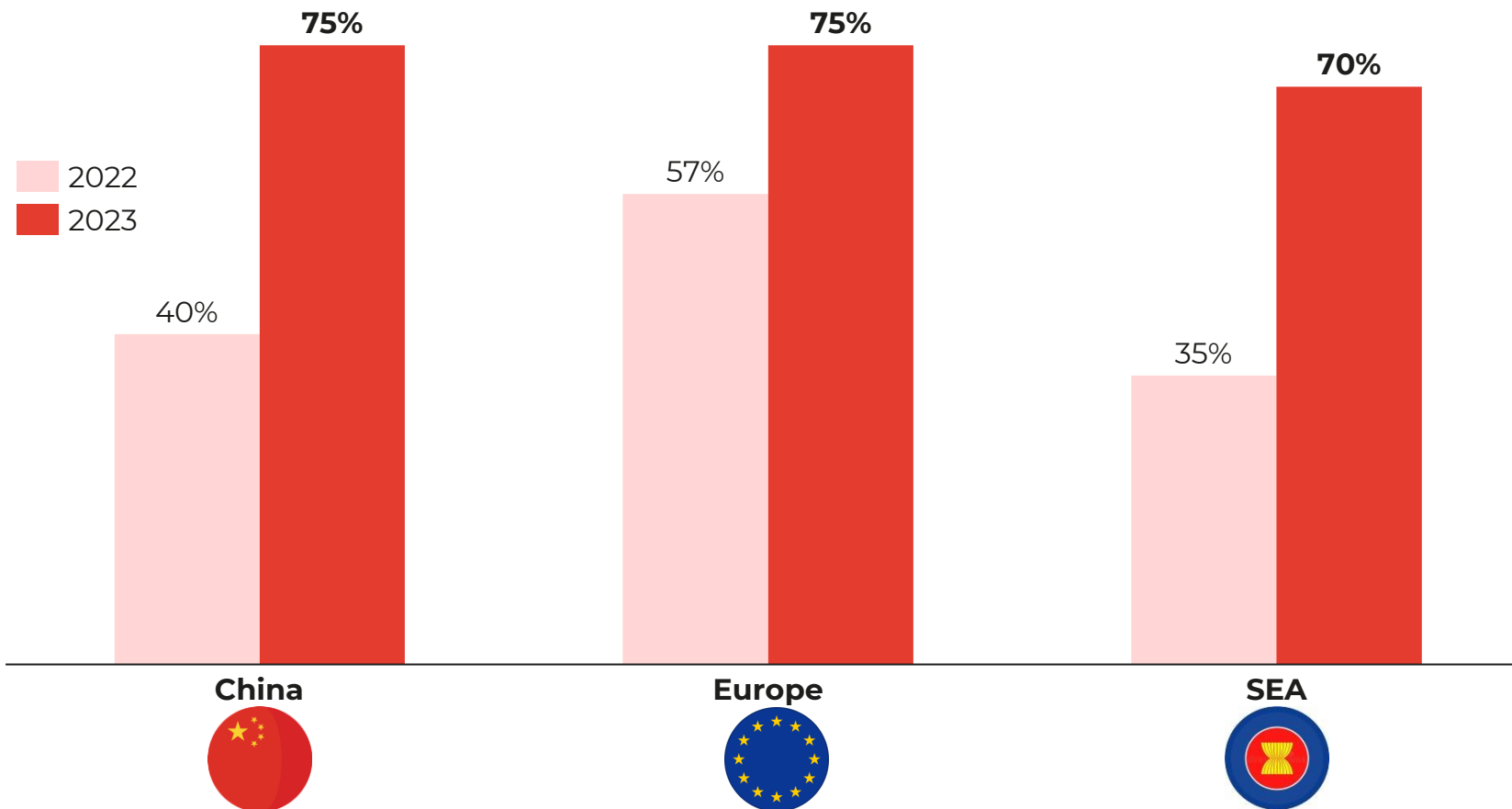
2023 **31%**  
2022 **27%**

**4%**

- The cost may involve market research expenses, marketing expenses, supplier searching and training expenses
- Each of these costs needs to be carefully considered and budgeted.

# Significantly more companies started to assess suppliers' carbon footprint data

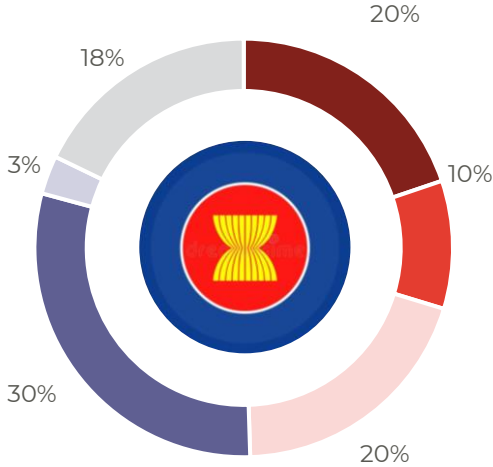
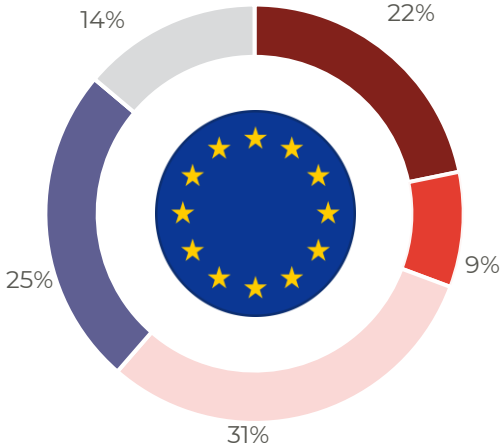
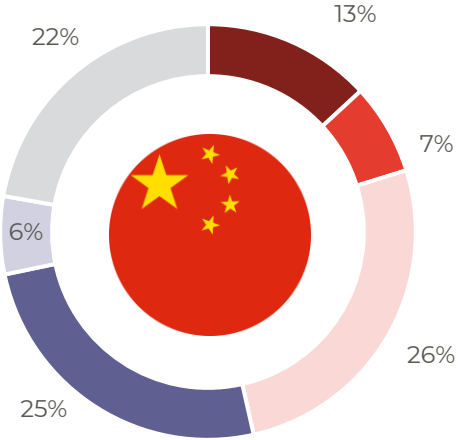
Share of the respondents assessing suppliers' carbon footprint in 2023 compared with 2022



➤ The share of companies assessing suppliers from three regions increased significantly

# Environment: Companies assess sustainability performance, but many struggle with data collection

*Extent of the respondents assessing current and new suppliers' carbon footprint data in 2023*



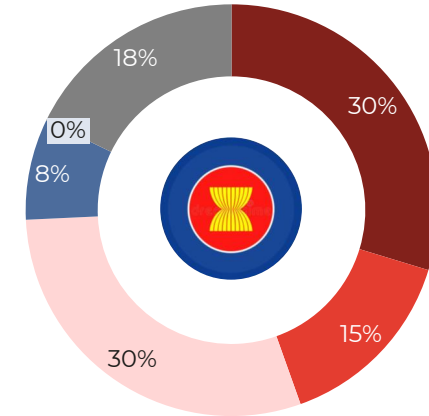
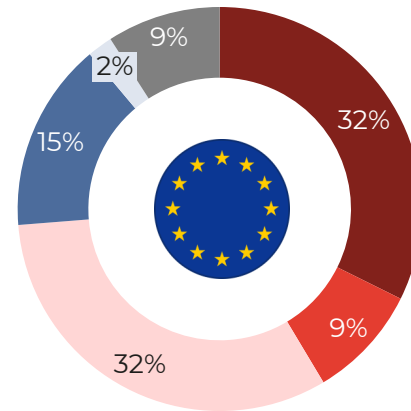
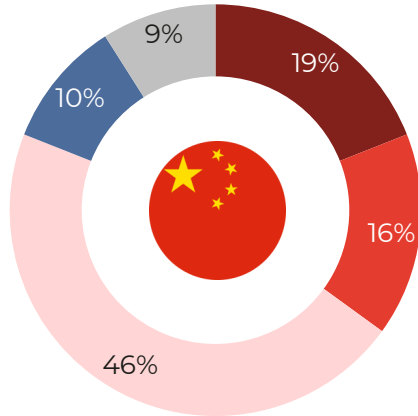
- Enough to ensure that we follow the local regulation standards
- We do not assess it
- According to our customers' requirements
- Suppliers do not provide data when asked
- According to our own internal ambitions that exceed customers' minimum requirements
- I do not know

# Social: Assessing Fair Labor conditions is more mature and most are able to receive needed data



- Positive treatment of all employees including favorable pay and benefits in excess of mandated minimums. This includes fair employment consideration for all individuals regardless of personal differences.
- High percentage of assessing in fair labor data points to this issue received high degree of awareness in Europe

*Share of respondents assessing fair labor data of suppliers*



- Enough to ensure that we follow the local regulation standards
- According to our customers' requirements
- According to our own internal ambitions that exceed customers' minimum requirements
- We do not assess it
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- I do not know

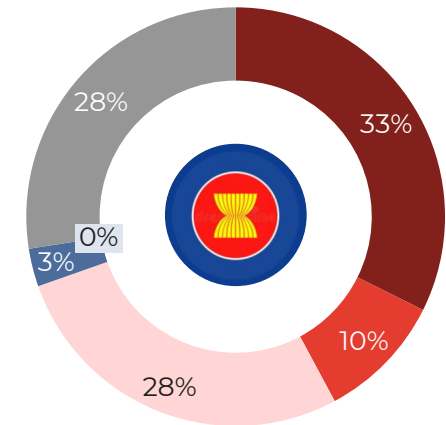
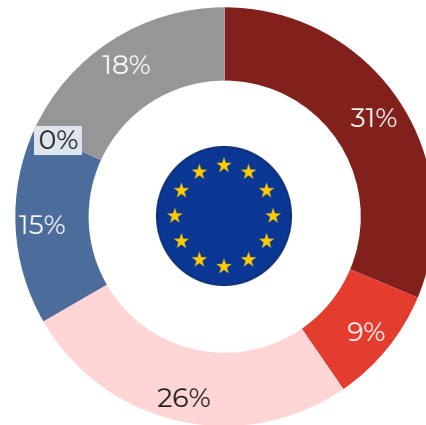
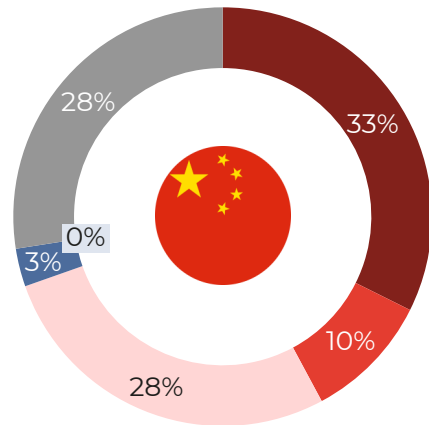


# Governance: Corporate integrity of suppliers is a topic that has received less focus



- Across three regions, nearly 25% of companies went and beyond the requirements of the customers, while a large portion in each do not know

*Share of respondents assessing corporate integrity data of suppliers*



- Enough to ensure that we follow the local regulation standards
- According to our customers' requirements
- According to our own internal ambitions that exceed customers' minimum requirements
- We do not assess it
- Suppliers do not provide data when asked
- I do not know

# Five common strategies to ensure suppliers' ESG compliance

1

58% respondents adopted

**On-site visit to the suppliers' facilities**

2

46% respondents adopted

**Review of data and documents suppliers provide**

3

42% respondents adopted

**Conduct third-party Audit**

4

22% respondents adopted

**Interview with experts and/or suppliers' staff**

5

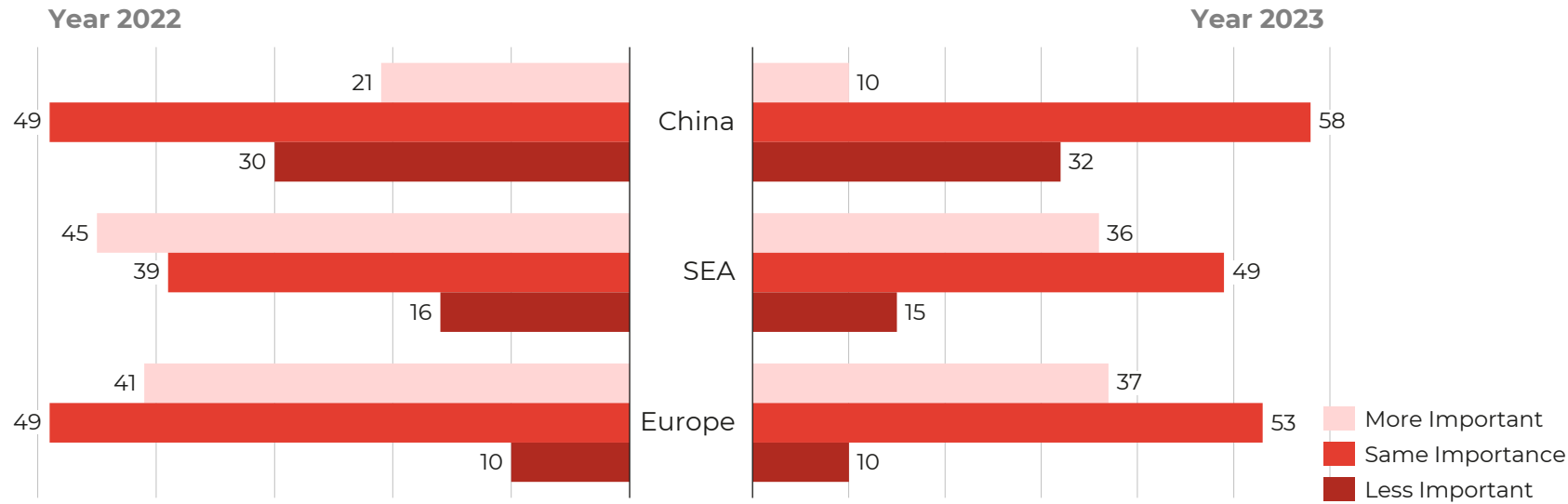
13% respondents adopted

**Review of media reports about the suppliers**

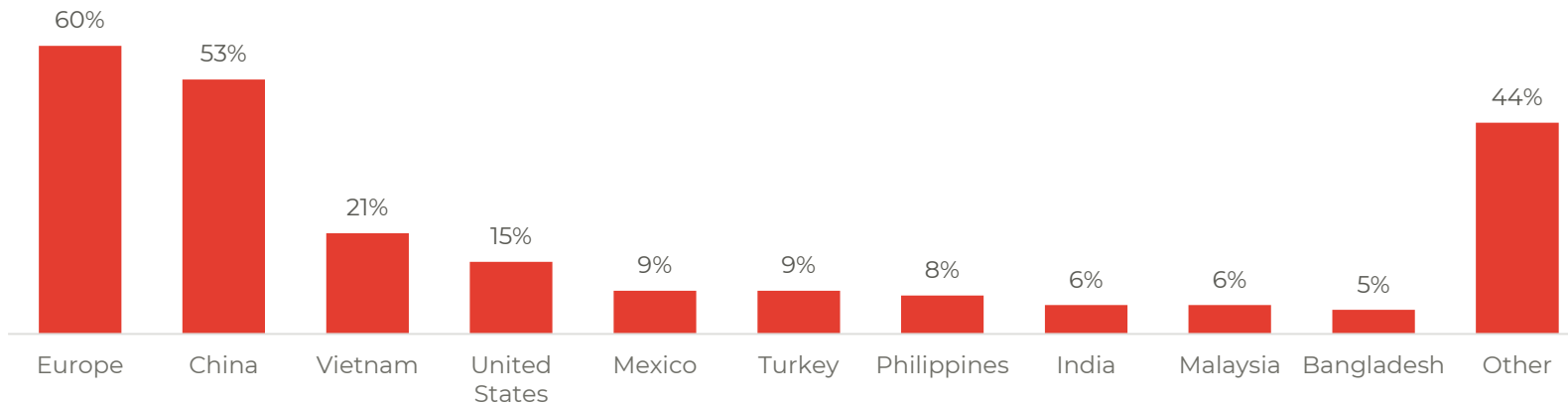


# Respondents show growing confidence in SEA and Europe, but China remains highly important

Share of respondents' perception of regions' importance as a sourcing market



## Share of important sourcing destinations in the future

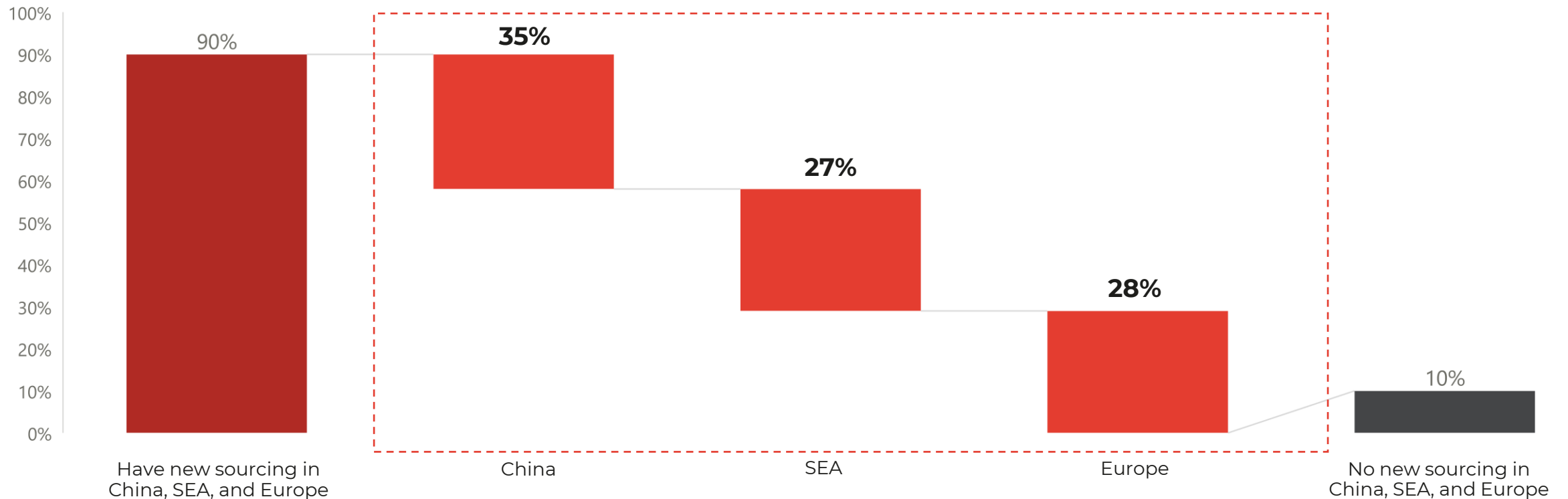


- The trend of conducting sourcing activities in Europe has accelerated faster than in SEA
- SEA receives more favorable responses than last year
- Despite losing some market confidence, China still holds the leading position as the most prominent sourcing destination

# China is the most popular destination for new sourcing activity followed closely by Southeast Asia and Europe in the past 12 months

- 90% of the respondents who took the survey have started new sourcing activities across China, Southeast Asia, and Europe.
- China is the most popular sourcing destination
- Despite China remaining the primary destination, Southeast Asia and Europe are gaining attraction as the next big sourcing markets.

Respondents shared the new sourcing activity in the last 12 months



# Diversifying supplier base, together with improved communication and processes are important risk reduction measures

- **The majority of companies** plan on **diversifying their supplier base** to another country as a risk mitigation strategy
- **Enhancing communication with current suppliers** helps ensure that orders are fulfilled and prepare for any risks that might be approaching.



***Diversifying the suppliers base to other countries***

**44%**  
*Respondents adopted*



***Enhancing communication with suppliers***

**38%**  
*Respondents adopted*



***Developing new risk management processes while continuously tracking changes***

**24%**  
*Respondents adopted*

# Summary

- Companies experience a more stable supply chain, with **less delays and less pronounced cost pressure**
- **China remains a key sourcing market**, yet about **30%** of respondents indicated **plans to relocate** at least parts of their sourcing within the upcoming year. Nevertheless, few other markets offer the same competitiveness,
- Southeast Asia and Europe are expected to be **increasingly important sourcing locations.**, and companies express wish to **nearshore to Europe**
- The key reasons companies are looking at alternative sourcing markets include **cost savings, improved logistics, distribution capabilities, and risk mitigation.** The main barriers companies face when entering new markets include **quality risks, insufficient knowledge, and production capability risks.**
- Companies are **more likely to attain and assess data regarding fair labor carbon footprint,** pointing to a **with a marked increase in Carbon data collection,** less focus on **Corporate integrity** data and **governance**
- Companies much rely on **own factory visits** to assess the suppliers' sustainability performance.

# Thank you for your time

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