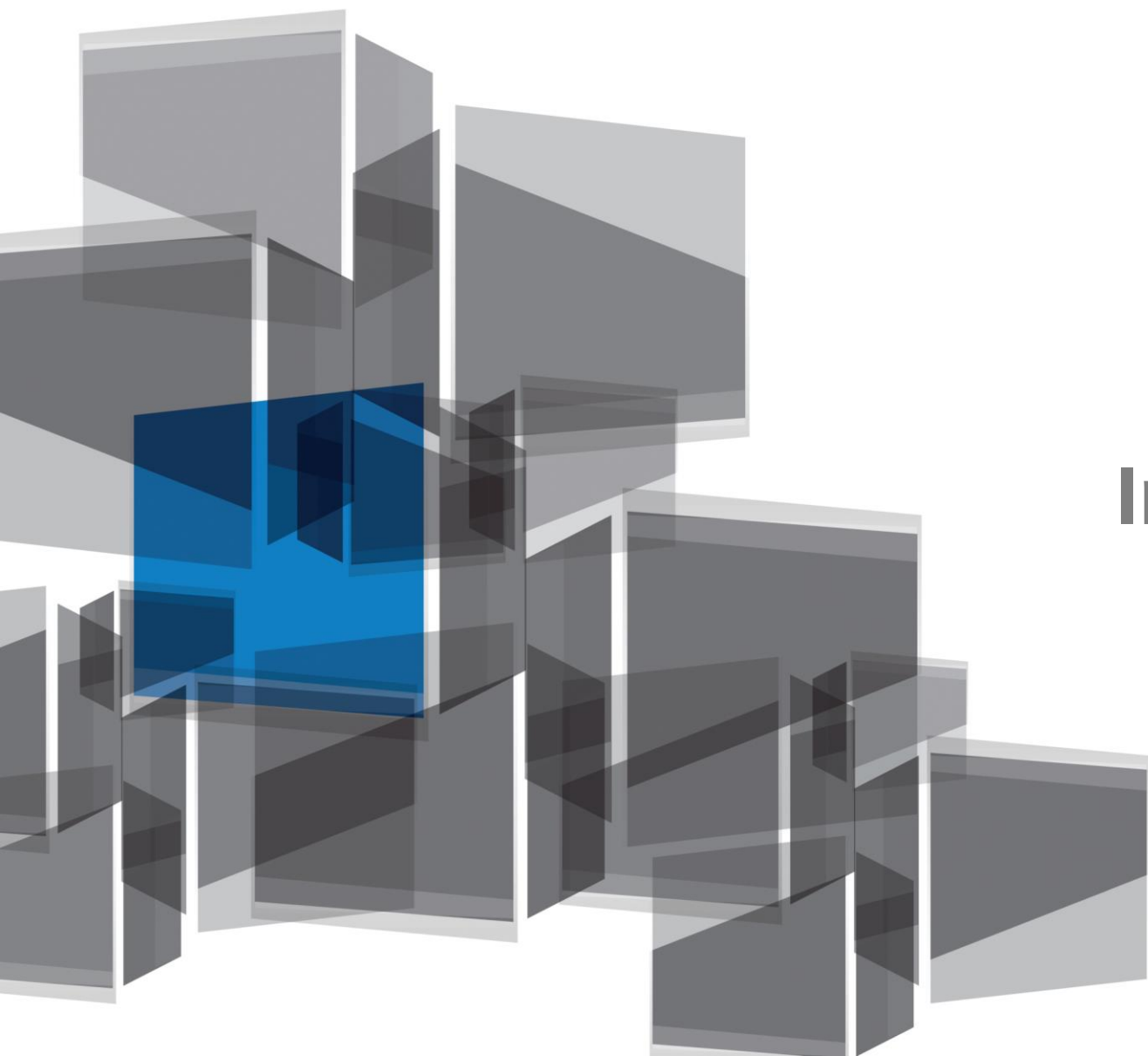




UNCTAD
Workshop on
Investment Promotion
Corporate location
decision making process

21 November 2016
Amman, Jordan

- Introduction
- Corporate Location Decision Process
- Case study 1 – Life Sciences R&D Center
- Case Study 2 – Shared services center/BPO
- Linking investment promotion to location decision making

About OCO

OCO

Office
Established
2001



50+
Members of Staff



Experts
in FDI &
Trade



Services

OCO



Providing an end to end service from strategy development to in-market execution

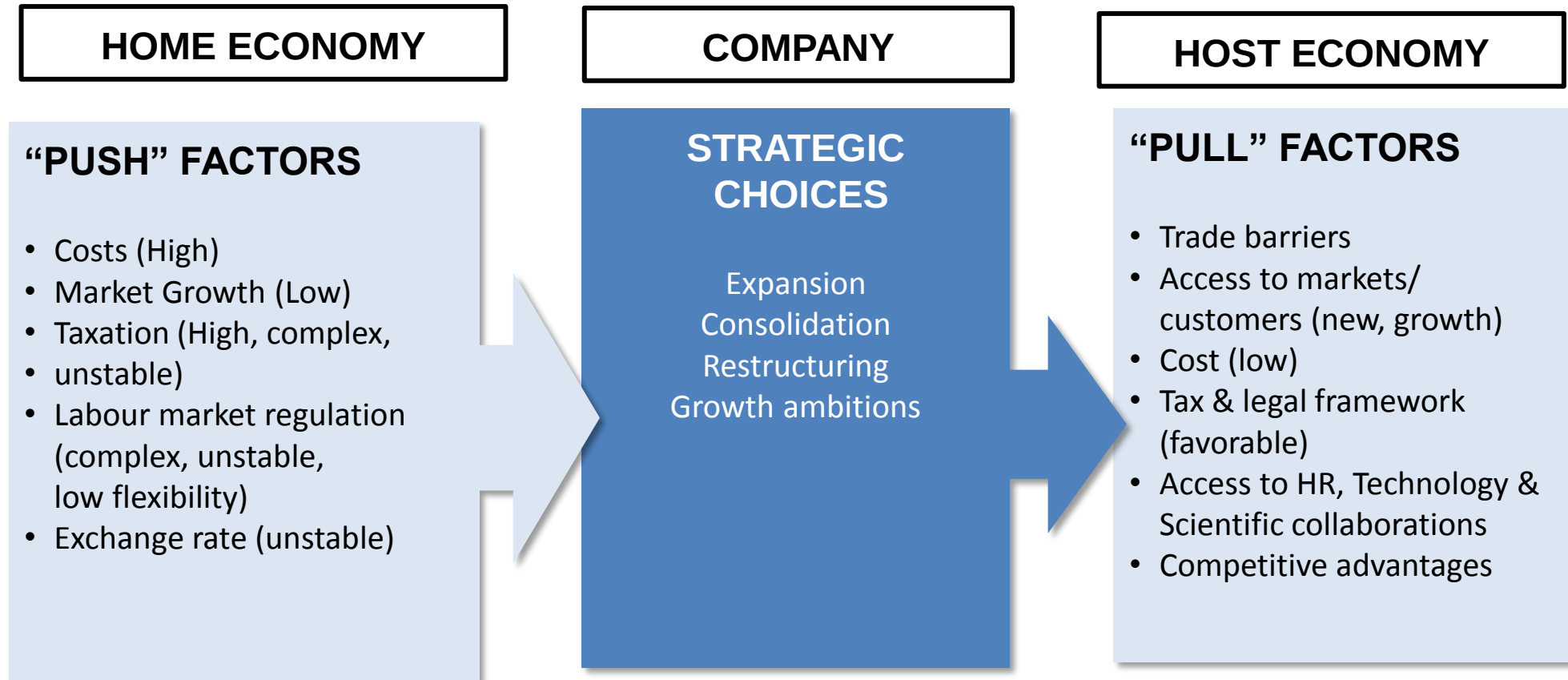
Supported by market leading market, sector and consumer data

Why companies expand abroad

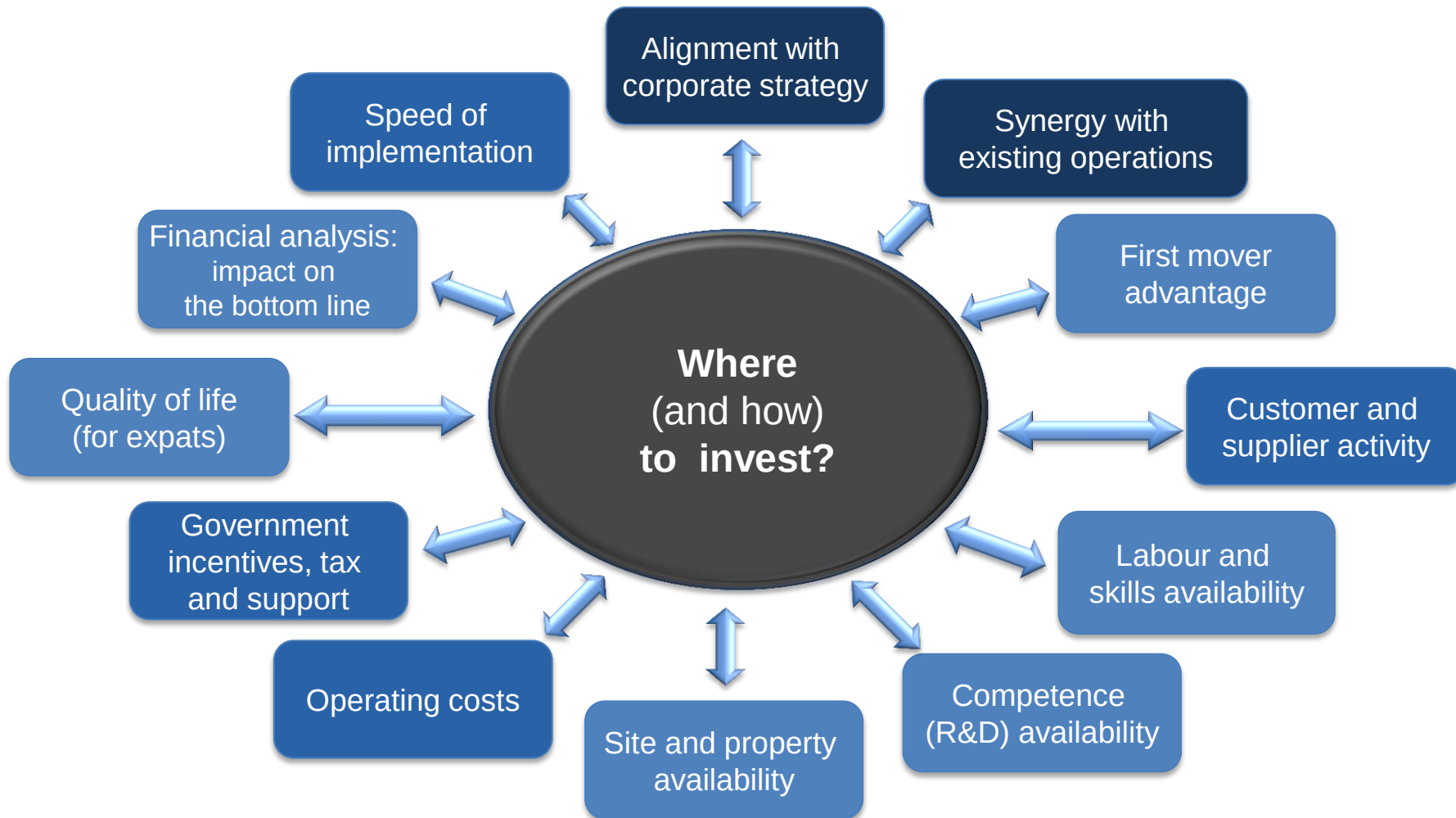
Modes of internationalisation

Type of Entry	Characteristics
Exporting	Low risk, moderate cost, low control
Licensing	Low cost, little control, low return
Strategic alliance	Shared costs, resources and risks, problems of integration
Acquisition	Quick access to new markets/clients, (often) high cost, complex negotiations, problems of merging with preexisting operations
New wholly-owned subsidiary	Complex, often costly, time consuming, high risk, maximum control, potential above-average returns

Internationalisation factors



The investors point of view



FDI Motivations

Market Seeking



MENA

Resource Seeking



Minerals

Efficiency Seeking



BPO

Asset Seeking



M&A

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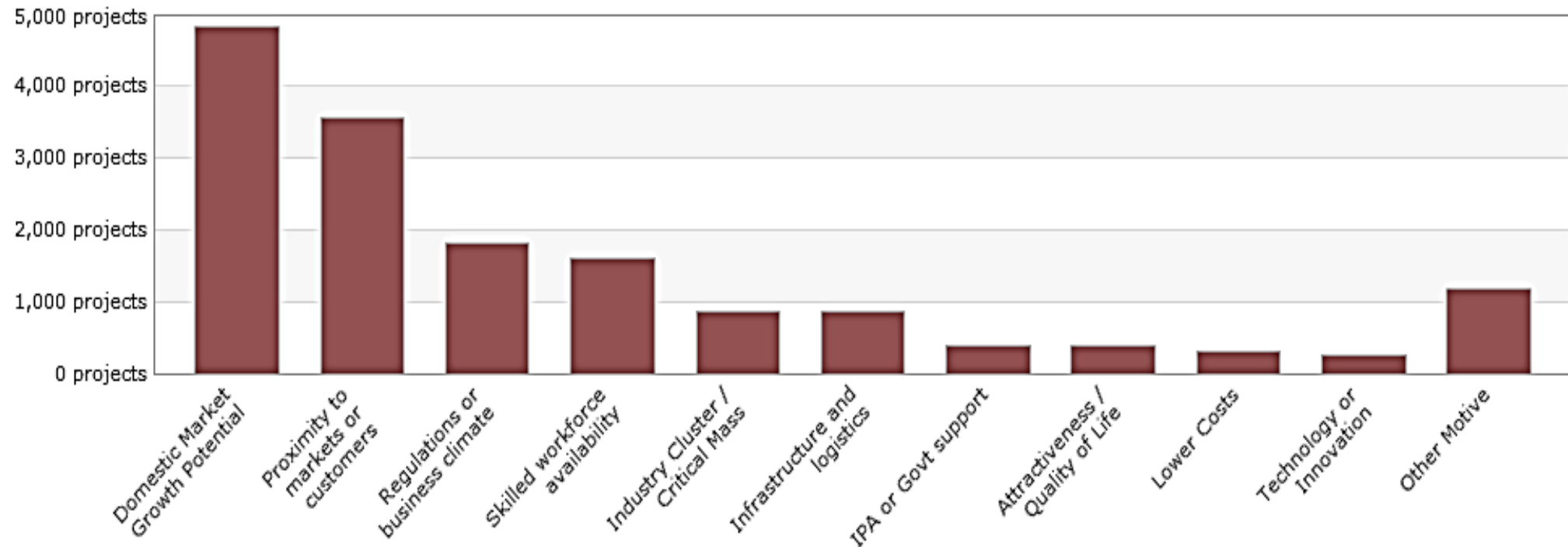
Benchmarking Locations

- **Location benchmarking** is a technique that allows companies to determine the optimal location for an international investment project through detailed comparison of potential locations
- It helps
 - to **compare** various **locations** in terms of **cost/quality trade-off**
 - to **understand** the key **strengths** and **weaknesses** of each **location**
 - to **identify locations** that best **meet specific project requirements**
 - to **define** arguments to support location strategy

Quality, cost factors



What factors matter most to investors?



Site Selection Process



Action

Agree on key drivers, project objectives & candidate locations

Action

Desk research to identify main business conditions and to prepare weighted location factor analysis

Action

Validate desk research and complete through location visits & risk assessment

Action

Confirm final selection and identify site and building options and incentive opportunities

Action

Select a site (building, land...) and prepare project management

Result

Confirm project specifications & long list of locations

Result

Select short list of locations

Result

Detailed analysis of short listed locations

Result

Final location selection, site/building and incentive opportunities

Result

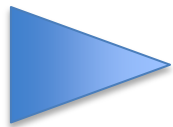
Implementation

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Project Specifications

Establishing a Life Sciences R&D center

- Need internal capacity for skilled labour to create 50 + new jobs
- Main functions require : Laboratory specialists, Scientist
- Other main criteria –
 - Presence of industry cluster, Size of the BioPharma industry, Track record, R&D capabilities, General business environment, Regulatory environment, Operating Risk, Economic growth and stability, Taxation
 - Costs to employ laboratory Specialists and Scientists
- Other factors : Labor availability and quality cost, Accessibility, Living environment



Selected locations -

Boston (USA), Copenhagen, Munich, Rotterdam & Scottish central Belt *

***Scottish central belt = area of highest population density within Scotland** including Greater Glasgow, Ayrshire, Falkirk, Edinburgh, Lothian and Fife

Evaluation process

Step 1

Long list of locations

Analysis of FDI data to identify cities having attracted similar type of projects (Life Sciences R&D Center)

- Boston (USA)
- Copenhagen (Denmark)
- Munich (Germany)
- Rotterdam (The Netherlands)
- Scottish Central belt (Scotland, UK)
- San Diego (USA)
- Lyon (France)

Step 2

Initial short list

Screening of long-list locations for the following criteria:

- (1) FDI track record;
- (2) Labor availability;
- (3) Presence of Industry cluster
- (4) General business environment

- Boston (USA)
- Copenhagen (Denmark)
- Munich (Germany)
- Rotterdam (The Netherlands)
- Scottish Central belt (Scotland, UK)

Step 3

Final short-list

Analysis of key data focusing on main project drivers as specified by the company

- Boston (USA)
- Copenhagen (Denmark)
- Munich (Germany)
- Rotterdam (The Netherlands)
- Scottish Central belt (Scotland, UK)

Project Specifications

Cost Factor properties/Usage Amounts applied

Cost Factor	Usage Amount
Property (Office)	
Office space (city center)	3,000 m ²

Cost model for Life Sciences R&D center combines the key inputs of **Labor & Property**

Employee Head Count

Employee Type	Head Count
R&D Engineering	
Head of R&D	1
Laboratory Specialist	17
Laboratory Technician	15
R&D Team Leader	4
Scientist	10
Administration	
Facility /office services specialist	3

Location Factors considered

Quality and cost data points to be collected - for Life Sciences R&D Center (around **70 datapoints**) - and used as the main basis for the assessment of the optimal location solution from the quality point of view

General Business environment

Economic growth & stability

GDP

GDP/Capita

Inflation

Taxation

Top Corporate tax rate

Regulatory Environment

No.procedures required to start a business

No.days to register a property

No.days to enforce a contract

Cost of establishing a business

Efficiency of legal framework

Perception of corruption

Labor Availability & Quality

Overall size of labor market

Employment - laboratory specialists & scientists

Population

Population growth

Economically active population

Unemployment rate

Number of Skills employees in Sciences

Skills, Attitude and productivity

Number of students

Flexibility of labor regulations

Average working week

Difficulty of hiring/firing

Annual vacation

Presence of industry cluster

Size of Biopharma industry

Track record

Number of FDI projects

Infrastructure & Accessibility

Tightness and competition for labor

Access to major markets

Living Environment

Cost of Living

Cost of living index

Attractiveness for international staff

No.of international schools

Availability & Quality of real estate

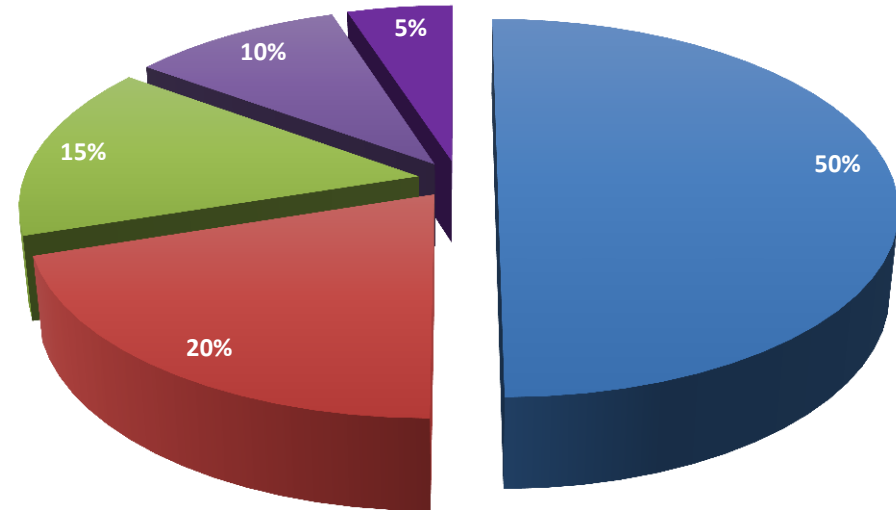
Availability of office space

Office vacancy rate

Weighting Model

Quality model properties /weight applied

Weighting Model overview	Weight
Presence of Industry cluster	50%
Labor Availability and Quality	20%
General business Environment	15%
Living Environment	10%
Infrastructure and accessibility	5%



■ Presence of Industry cluster

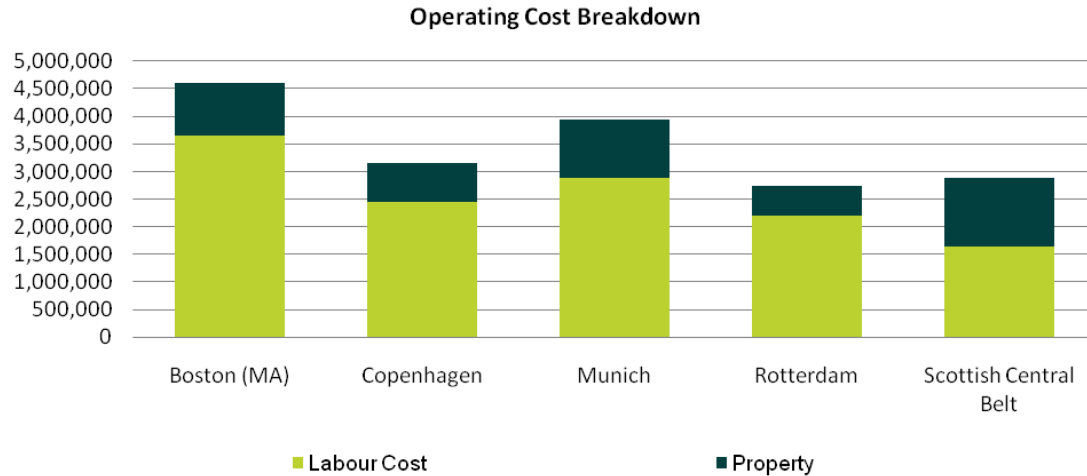
■ General business Environment

■ Infrastructure and accessibility

■ Labor Availability and Quality

■ Living Environment

Benchmarking : Cost



Source : fDi Benchmark

Location	Labour Cost	Property
Boston (MA)	3,658,046	950,542
Copenhagen	2,446,628	712,319
Munich	2,876,395	1,061,603
Rotterdam	2,197,275	540,551
Scottish Central Belt	1,648,393	1,238,017

Cost factors values in GBP UK Pound :

Total **labor cost** include : Gross annual salary + tax

Total **real estate** cost include : Rent + Service Charges + Taxes (when applicable)

Source fDi benchmark

The annual operating cost calculation is based on the following primary input costs:

Labor Cost:

- The average cost across the selected locations for Life Science R&D centre is 3,465,954 GBP
- The greatest cost saving between the selected locations is GBP 1,870,762 per annum
- The location with the lowest operating costs is Rotterdam

In terms of the individual cost factors, the location with the lowest costs is:

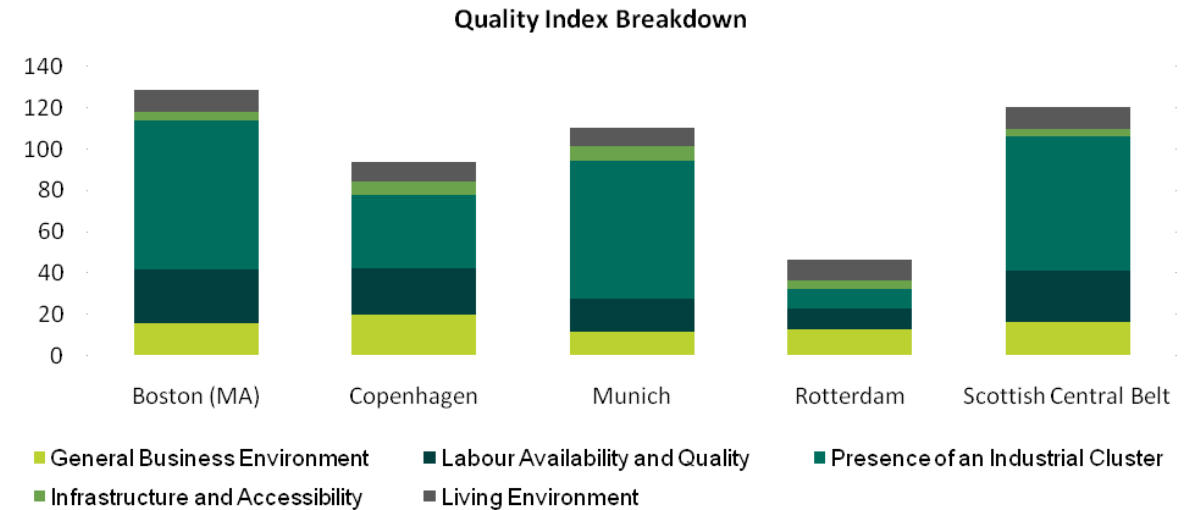
- **Labor Cost:** the Scottish Central Belt
- **Property:** Rotterdam

Benchmarking : Qualitative Scores

The location with the highest quality score is **Boston**

In terms of the individual quality factors, the location with the highest score is:

- General Business Environment: **Copenhagen**
- Labor Availability and Quality: **Boston**
- Presence of an Industrial Cluster: **Boston**
- Infrastructure and Accessibility: **Munich**
- Living Environment: **Scottish Central Belt**

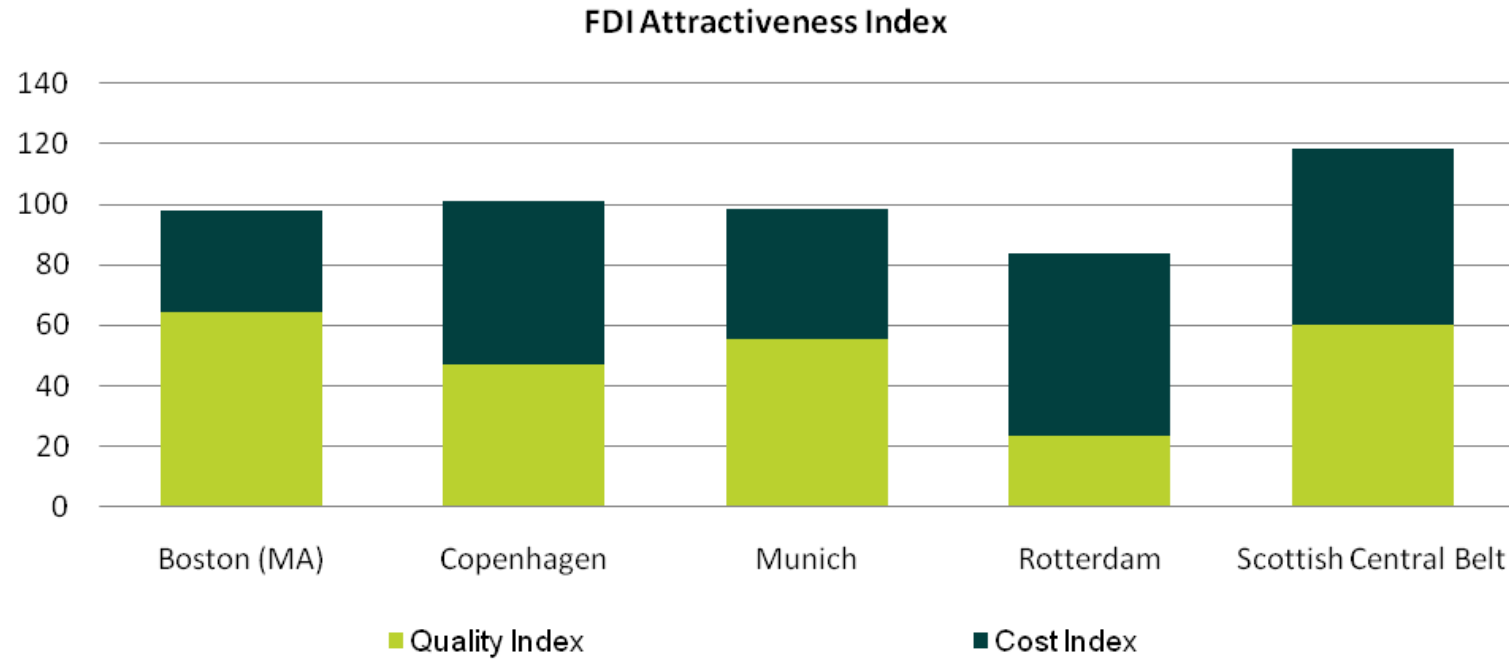


The average score for the selected locations is 100.

Location	General Business Environment	Labour Availability and Quality	Presence of an Industrial Cluster	Infrastructure and Accessibility	Living Environment
Boston (MA)	16	26	73	4	11
Copenhagen	20	23	35	7	9
Munich	11	16	67	7	9
Rotterdam	12	10	10	4	10
Scottish Central Belt	16	25	65	4	11

Source : fDi Benchmark

Location attractiveness (FDI)



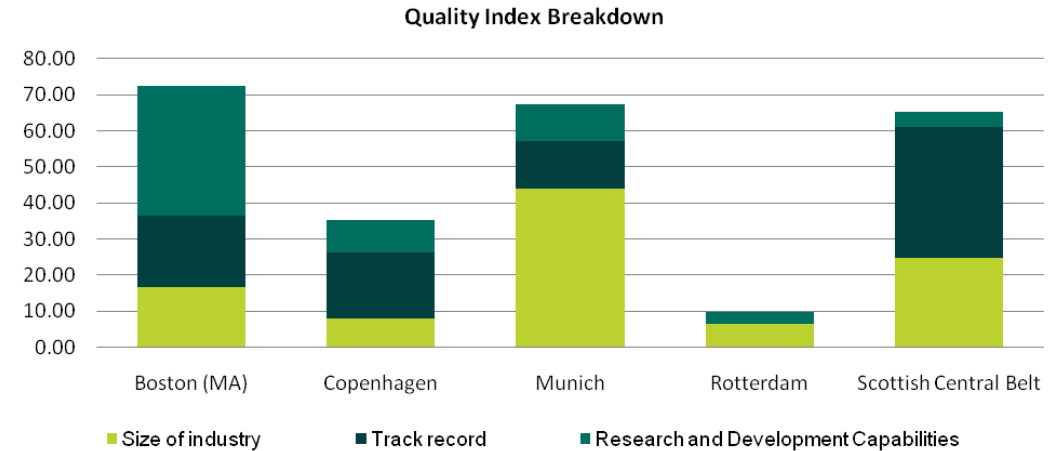
Ratio of quality to cost is 50:50
Source fDi benchmark

Presence of Industry Cluster

Location with the highest overall score for Presence of an Industrial Cluster - **Boston**

In terms of the individual quality criteria :

- Size of industry: **Munich**
- Track record: **the Scottish Central Belt**
- R&D Capabilities: **Boston**

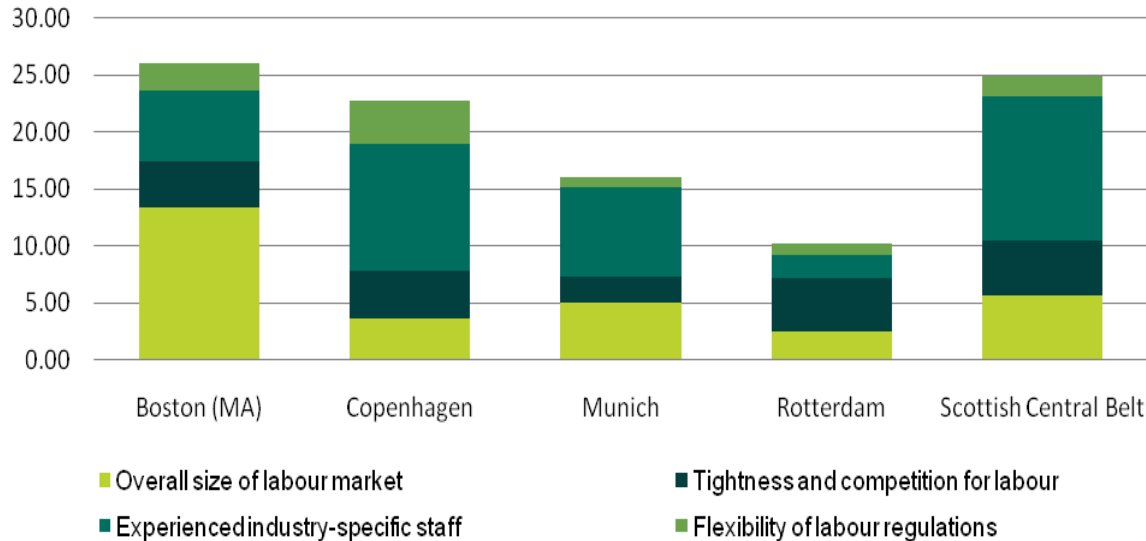


Location	Size of industry	Track record	Research and Development Capabilities
Boston (MA)	16.77	19.61	36.13
Copenhagen	7.93	18.44	8.83
Munich	43.83	13.28	10.11
Rotterdam	6.58	0.00	3.21
Scottish Central Belt	24.89	36.17	4.22

Source : fDi Benchmark

Labor availability and quality

Quality Index Breakdown



Location with the highest overall score - **Boston**

In terms of the individual quality criteria:

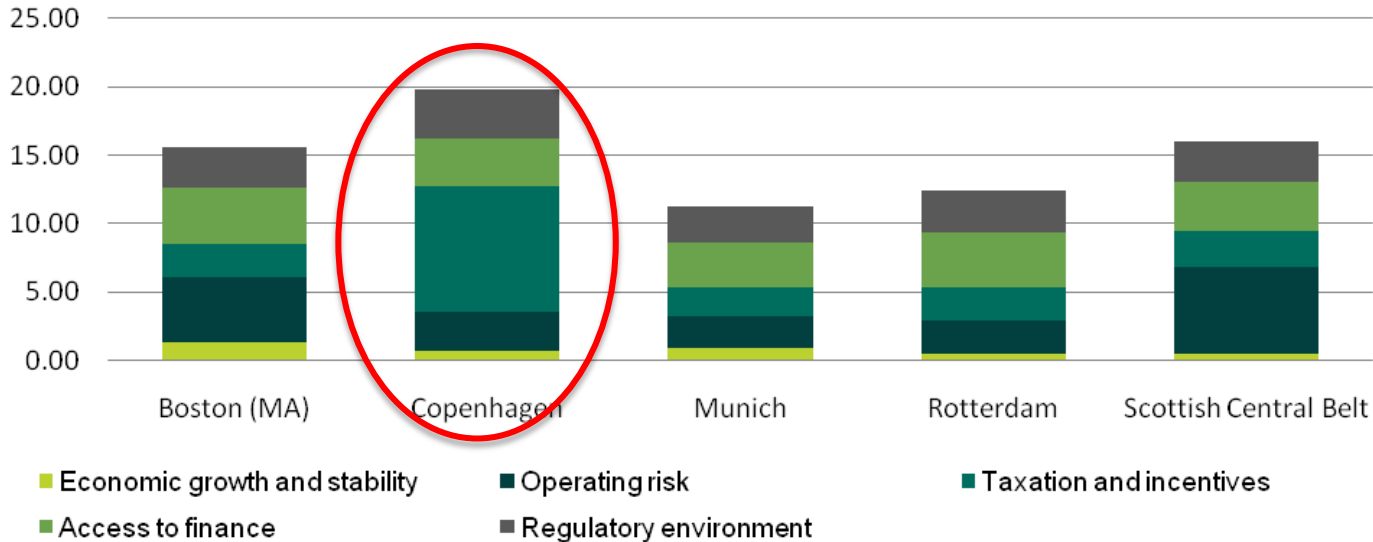
- Overall size of labor market: **Boston**
- Tightness and competition for labor: **the Scottish Central Belt**
- Experienced industry-specific staff: **the Scottish Central Belt**
- Flexibility of labor regulations: **Copenhagen**

Location	Overall size of labour market	Tightness and competition for labour	Experienced industry-specific staff	Flexibility of labour regulations
Boston (MA)	13.41	3.96	6.26	2.41
Copenhagen	3.55	4.23	11.23	3.73
Munich	4.96	2.27	7.87	0.99
Rotterdam	2.47	4.65	2.05	1.06
Scottish Central Belt	5.61	4.89	12.59	1.80

Source : fDi Benchmark

General Business Environment

Quality Index Breakdown



Highest overall score for General Business Environment - **Copenhagen**

In terms of the individual quality criteria :

- Economic growth and stability: **Boston**
- Operating risk: **the Scottish Central Belt**
- Taxation and incentives: **Copenhagen**
- Access to finance: **Boston**
- Regulatory environment: **Copenhagen**

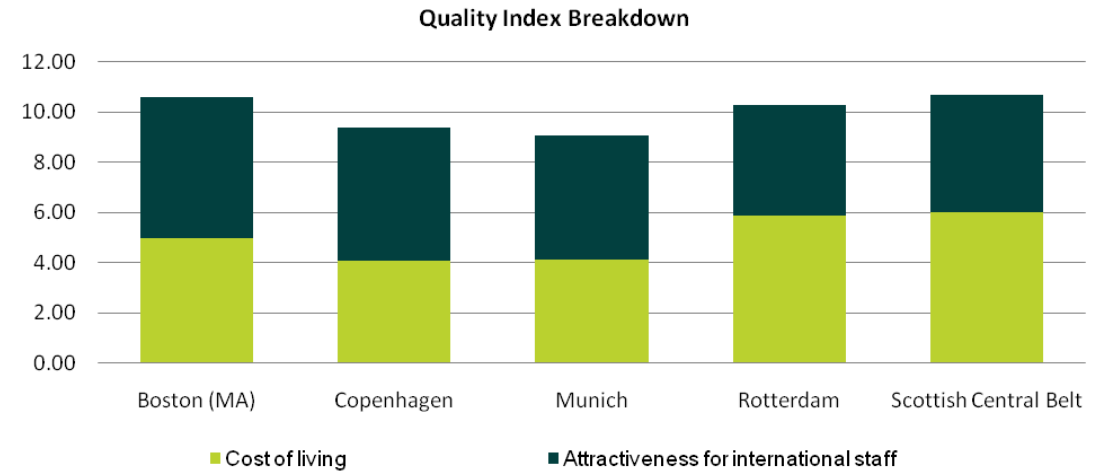
Location	Economic growth and stability	Operating risk	Taxation & incentives	Access to finance	Regulatory environment
Boston (MA)	1.29	4.76	2.42	4.20	2.86
Copenhagen	0.64	2.88	9.19	3.53	3.57
Munich	0.88	2.33	2.10	3.34	2.63
Rotterdam	0.50	2.41	2.42	4.05	3.05
Scottish Central Belt	0.45	6.37	2.63	3.64	2.89

Living environment

Highest overall score for Living Environment is **the Scottish Central Belt**

In terms of the individual quality criteria:

- Cost of living: **the Scottish Central Belt**
- Attractiveness for international staff: **Boston**



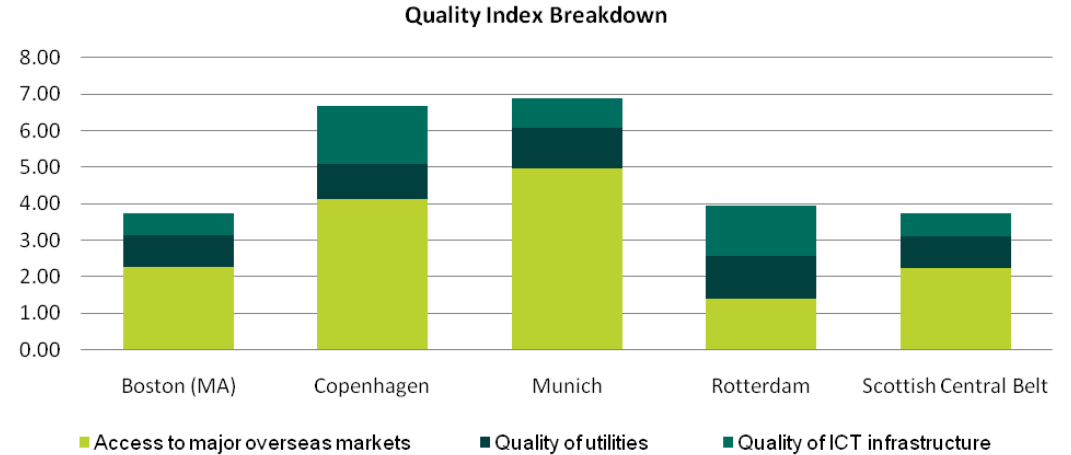
Location	Cost of living	Attractiveness for international staff
Boston (MA)	4.96	5.63
Copenhagen	4.06	5.34
Munich	4.11	4.96
Rotterdam	5.86	4.41
Scottish Central Belt	6.01	4.66

Infrastructure and Accessibility

Highest overall score - **Munich**

In terms of the individual quality criteria :

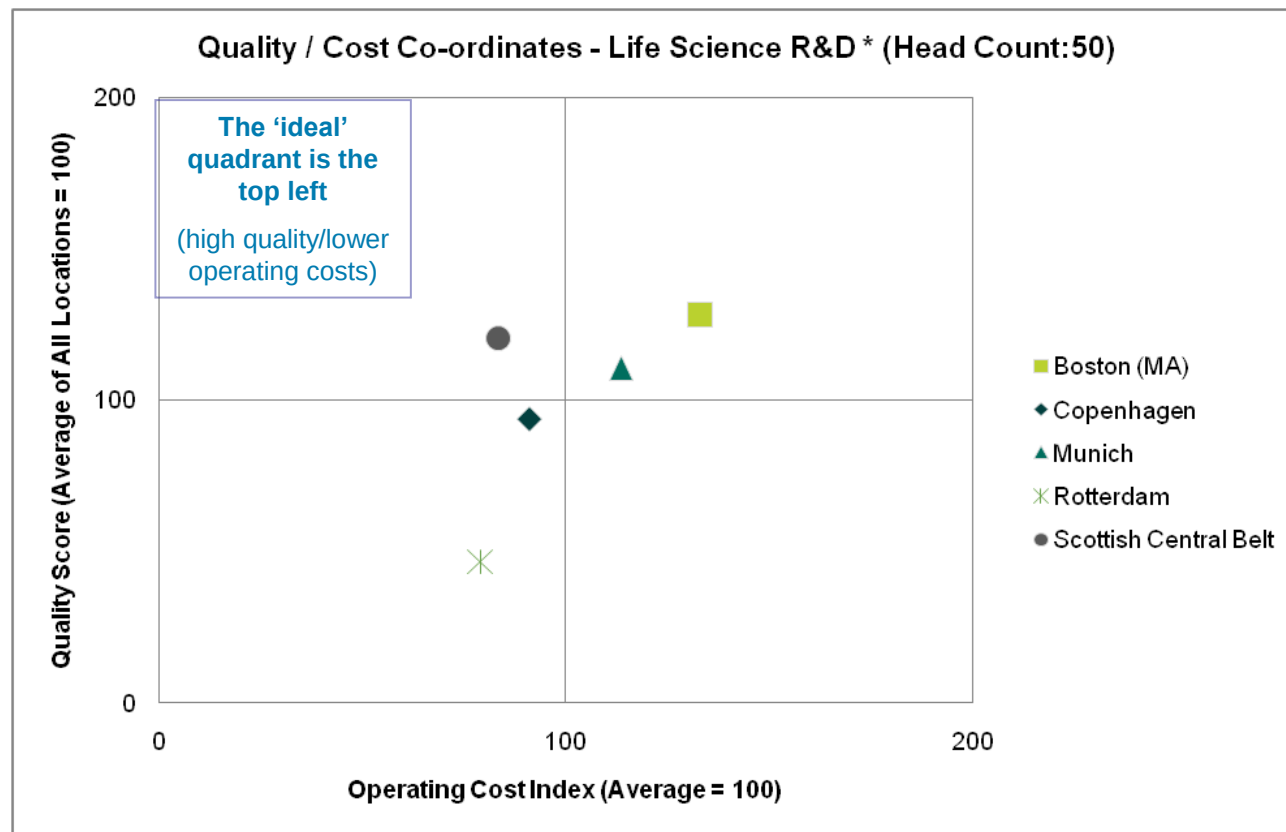
- Access to major overseas markets: **Munich**
- Quality of utilities: **Rotterdam**
- Quality of ICT infrastructure: **Copenhagen**



Location	Access to major overseas markets	Quality of utilities	Quality of ICT infrastructure
Boston (MA)	2.26	0.87	0.62
Copenhagen	4.12	0.96	1.60
Munich	4.97	1.12	0.81
Rotterdam	1.40	1.18	1.37
Scottish Central Belt	2.25	0.87	0.61

Source : fDi Benchmark

Cost/Quality Ratio



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Project Specifications

Shared service center/BPO Need internal capacity for skilled labour to create 130 + new jobs

- Main functions require : Accountant, Business and Finance
- Other main criteria –
 - Property, utilities, Labor availability and quality
 - Track record, General business environment, Operating Risk, Economic growth and stability, Taxation, Business and finance skills employees
- Other factors : Accessibility, Living environment

Project Specifications

Cost model for shared services center /BPO combines the key inputs of **Labor & Property & Utilities**

Cost Factor properties/Usage Amounts applied

Cost Factor	Usage Amount
Property (Office)	
Office space (city center)	28,000 square feet
Utilities	
Telecom	2.700.000 minutes

Employee Head Count

Employee Type	Head Count
Junior Accountant	45
Accountant	25
Senior accountant	15
Data entry clerk	15
Credit Control office	10
Customer Service Manager	8
Facility /office services specialist	2
Administrative	6
Computer operator	2
Head of Finance and administration	1
Business Planning Analyst	1

Location Factors considered

Quality and cost data points to be collected - for Life Sciences R&D Center (around **100 datapoints**) - and used as the main basis for the assessment of the optimal location solution from the quality point of view

General Business environment
Economic growth & stability
GDP
GDP/Capita
Inflation
Taxation
Top Corporate tax rate
Regulatory Environment
No.procedures required to start a business
Business support services (inward FDI)
Cost of establishing a business
Efficiency of legal framework
Perception of corruption
Utilities

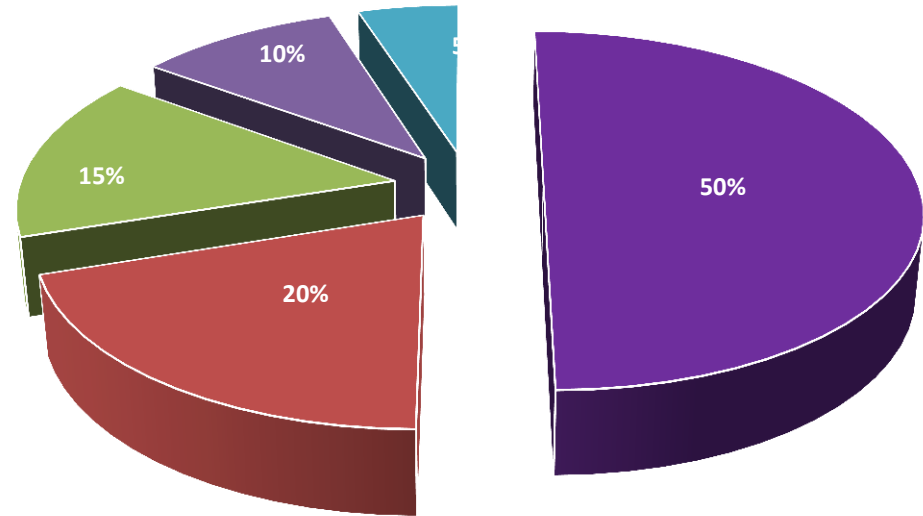
Labor Availability & Quality
Overall size of labor market
Experience industry- specific staff
Population and growth
Unemployment rate
Employment in Finance & Business center
Skills, Attitude and productivity
Number of students
Tertiary Education
Flexibility of labor regulations
Number of students
Non-experienced staff
Annual vacation
Company in Accountancy

Presence of industry cluster
Size of industry
Track record
Number of FDI projects
Infrastructure & Accessibility
Tightness and competition for labor
Access to major markets
Living Environment
Cost of Living
Cost of living index
Attractiveness for interantional staff
No.of international schools
Availability & Quality of real estate
Availability of office space
Office vacancy rate

Weighting Model

Quality model properties /weight applied

Weighting Model overview	Weight
Labor Availability and Quality	50%
Presence of Industry cluster	30%
Infrastructure and accessibility	10%
Living Environment	5%
General business Environment	5%



- Presence of Industry cluster
- Labor Availability and Quality
- General business Environment
- Living Environment
- Infrastructure and accessibility

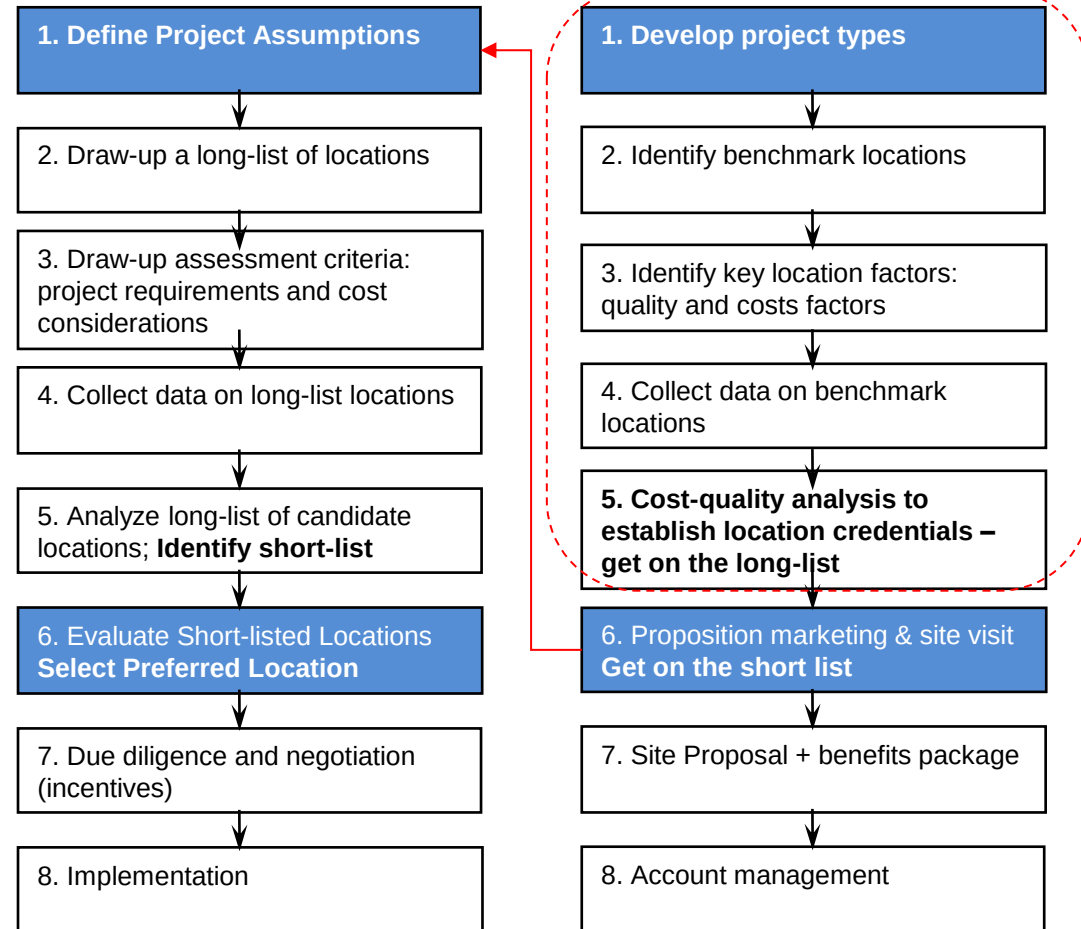
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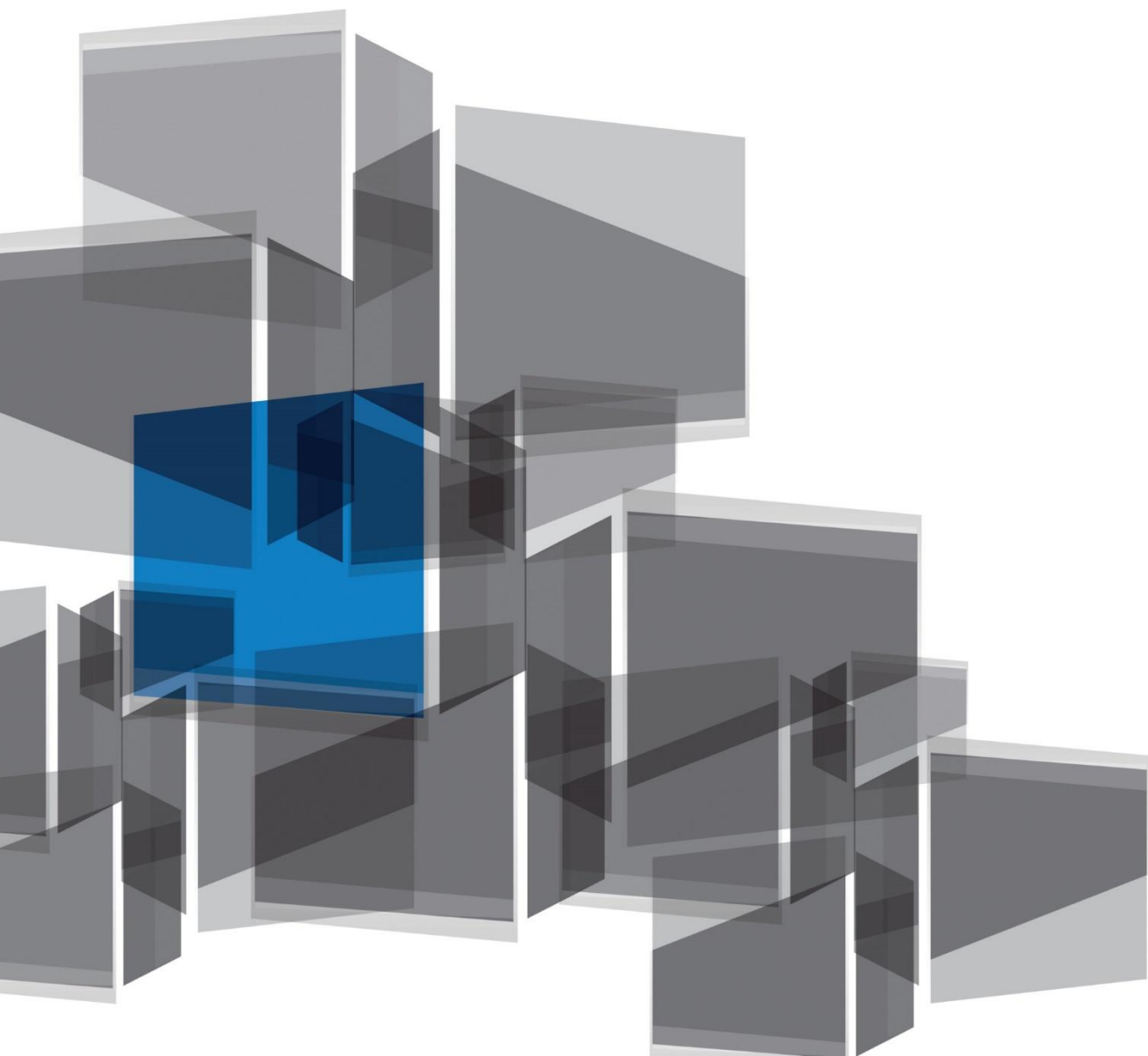
Aligning activities

Pro-active investment promotion:

- Align message and information to **corporate location process**
- Go from reactive approach to **proactive** approach
- Ensure that information given to investor is aligned to actual **requirements**
- **Listen** to the investor, ideally **anticipate** their needs

Corporate decision process Investment promotion process





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