



The Rapidly Changing World Of Outsourcing Consumer Products

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WHEN YOU NEED TO BE SURE

SGS

Introduction

- Outsourcing world map changing fast
- Presents both major opportunities and serious risks
- Horror stories are severely damaging

Session Objectives

- Outline activities and role of a global inspection and testing organisation
- Provide an overview of outsourcing trends
- Look at ways to maximise opportunities and minimise risks
- Q + A
- Identify contacts for follow up



What is a Global Inspection, Testing and Assessment Organisation?

- Provides services to reduce risks, protect brands and facilitate trade
- Operates internationally in many countries
- Independently assesses businesses and products
- Enables clients to monitor products and take corrective action

- Founded in 1878, with head office in Geneva, Switzerland

- Recognised as the global benchmark for quality and integrity, we can help to **improve quality and productivity, reduce risks and ensure compliance** of your products and suppliers.

- SGS is the global leader and innovator in ...
 - Inspection
 - Testing
 - Verification
 - Certification



**11'500 employees
in the Americas**

**23'000 employees
in Europe,
Middle East
& Africa**

**15'500 employees
in Asia/Pacific**

SGS is present in over 140 countries and employs more than 50'000 employees around the world.

OUR BUSINESS LINES



Agricultural Services



Consumer Testing Services



Environmental Services



Systems and Services Certification



Industrial Services



Trade Assurance Services



Oil, Gas & Chemicals Services



Life Science Services



Automotive Services



Technical Staffing Services



Minerals Services

OUR CUSTOMERS...

- Distributors and Retailers
 - Supermarkets
 - DIY centres
 - Specialised centres
 - Mail order traders

- Manufacturers
 - Garment, Luggage
 - Toys, Childcare articles
 - DIY, Gardening
 - Houseware, Decoration
 - Formulated products: cosmetics, cleaning products
 - Electrical & Electronics
 - Packaging
 - Food Industries

- Importers

- Hotels and transport



SGS - Services and Resources.

1. Services

Assess businesses, shipments, products and materials for conformity to specifications and regulations

2. Resources

Global network of laboratories, specialist assessors and inspectors

3. Objective

Act as “man on the spot” for clients

Global Trends in Outsourcing Some Highlights.

Asia - Pacific – China + India

Central and Eastern Europe – Poland + Russia

Africa and Middle East – South Africa + Turkey

South America – Brazil + Peru



The B.R.I.C.S = The Future

- Prediction by strategic economists
- Economic Superpowers by 2025-2030
- B – Brazil
- R – Russia
- I – India
- C – China
- S - Superpowers

China - Leading Superpower Contender – Some Facts



- 9.4 Million Sq Km – 40 x Size of the UK
- 1.3 Billion population – 20% world population
- Mobile population – Rural areas to cities
- Manufacturing movement – Inflation and Yangtsi river
- River Water – 42% Totally polluted
- The SGS experience – Rapid recent growth

China – Outsourcing

1. Opportunities

- Most non-food consumer goods
- Flexibility – Design and production
- Competitive prices

2. Risks

- Sub – contracting
- Quality issues
- Enviromental + Ethical issues
- Financial Viability

China - Development v. Problems

- Air travel
- Transportation
- Education
- Environment
- Political status

India – A Potential Giant



- G.D.P – 1/3 Size of China
- Economy – 50% Services 25% Manufacturing
- Manufacturing outlook
 - Growing faster than services
 - Now similar to China 15 years ago
 - Huge potential
- 1.1 Billion Population

India – Outsourcing

1. Opportunities

- Many non-food and some food products
- Competitive prices
- English Language

2. Risks

- Quality issues
- Transportation and delivery
- Enviromental and ethical issues

India – Resources + Risks

- African investments – 25% (2nd Country)
- Financial Crisis – Greater than China
- Water resources – Potential conflict

Brazil – Formidable Facts



- GDP growth – 5.4% (2007) 6.0% (Jan/Sep 2008)
- Exports – Huge growth 2003-2008
- Vast area – 8000KM coastline and 34 ports
- Population – 190 Million
- Land use – only 25% agriculturable area used

Brazil - Growth Acceleration Programme (GAP)

- Infrastructure investment – USD300 Billion by 2010
- Roads – Double motorways
- Rail – High speed Rio to Sao Paulo
- Ports – Massive dredging programme
- Power – 60 Large hydro plants 65 transmission lines

Brazil – Outsourcing

1. Opportunities

- Increasing range of food and non-food products
- Potential partnerships
- Safe and reliable suppliers

2. Risks

- Logistics and sub-contracting
- Production capacity and delivery
- Quality
- Communication problems – language issues



Ways to Identify Reliable Suppliers and Reduce Risks

- Vendor assessments
- Laboratory testing
- Pre-shipment inspections

Main Categories of Assessments



- Technical capabilities and capacities
- Environmental impact audits
- Social and ethical audits
- Industry specific audits
- Warehouse stock audits

1. Laboratory Testing

- For safety, performance and compliance

2. Pre-shipment inspections

For conformity to specifications and samples

- During production inspections
- Final random inspections
- Loading supervision



The rapidly changing world map provides many new outsourcing opportunities, especially in Brazil, India, and China. However there are also many risks which can prove to be very expensive, and damaging to your brand's image, if not managed wisely.

Global organisations, such as SGS ,offer a wide range of solutions to reduce these risks and ensure that outsourcing is easy and trouble free.



Q & A

Discussion + Follow up

Why Is It Necessary To Assess Your Suppliers?

1. To reduce the risks of
 - Poor quality products
 - Unsafe products
 - Negative publicity
 - Sub-contracting

2. To Improve
 - Product despatch reliability
 - Knowledge of production location
 - Supply chain efficiency



What Social and Ethical Audits are Available?



1. International Standard – SA8000
2. Code of Conduct Audits
 - Check Conformity to Social and Ethical Policy
 - Focus on Employee Welfare
 - Identification of Critical Problems
 - High Profile High Risk Topic
 - Important That Ethical Trade Initiative (ETI) Base Code is Used as a Minimum Audit Level
3. Supplier Ethical Data Exchange (SEDEX)
 - Central Data Bank
 - Social and Ethical Audit Format
 - Includes Some Environmental Topics

What is Checked in a Social + Ethical Audit? Ethical Trade Initiative (ETI) Base Code

The Base Code Requires 9 Key Topics to be Covered

1. Employment is Freely Chosen
2. Freedom of Association and the Right to Collective Bargaining are Respected
3. Working Conditions Are safe and Hygienic
4. Child Labour Shall Not be Used
5. Living Wages are Paid
6. Working Hours are Not Excessive
7. No Discrimination is Practised
8. Regular Employment is Provided
9. No Harsh or Inhumane Treatment is Allowed

Long Established Service Covering:-

- Company Structure and Buildings
- Storage Facilities
- Production Capabilities and Capacity
- Quality Control
- Product Safety Checks
- Packaging and Despatch Storage
- Corrective Action Recommendations



What Does an Environmental Impact Audit Involve?



1. International Standard – ISO14001
2. Client Specific Audits
 - Waste Disposal
 - Chemical storage and control
 - Pollution levels
 - Water extraction and usage
 - Land use evaluation
 - Forest impact studies
 - Building and development plans

What Are Examples of Industry Specific Audits?

1. Timber and Wooden Products

Forest Stewardship Council (F.S.C.)

- Forest Management Accreditation
- Chain of Custody Programmes
- F.S.C. Product Mark

Tropical Forest Trust (TFT)

- Sustainability Consultancy
- Assist in Attaining F.S.C. Pass

2. British Retail Consortium (BRC)

- Retailer Focussed
- Factory Based Audit
- Central Audit Databank

Why Is Laboratory Testing Necessary?



Key Reasons for Testing Are:-

- To Ensure Products are Safe and Fit for Purpose
- To Protect Your Brand and Company Image
- To Reduce Levels of Product Returns
- To Minimise Risk of Product Recalls
- To Avoid Negative Publicity

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