



**Achieving Sustainable Productivity**  
meeting customer demand in an unpredictable world

# BRIC Plus

Uncovering economic and supply chain  
success in the new emerging economies

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# Agenda

- BRIC and Other Country Clusters
- The Next Generation
- Emerging Stars
- Supply Chain Risks
- Risk Mitigation Measures
- Cost/Benefit of Operating in Emerging Markets



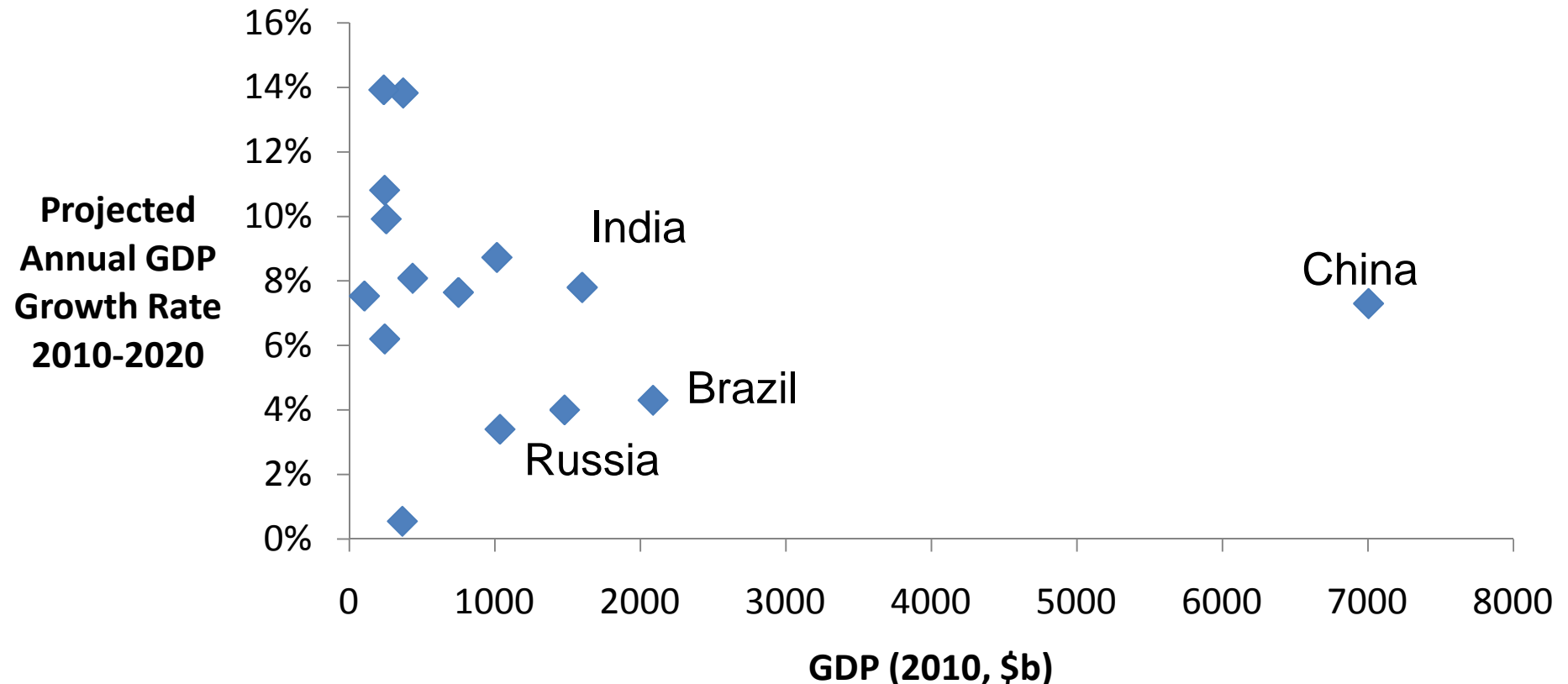
# Country Clusters Over Time

- Asian Tigers
  - Hong Kong, Singapore, South Korea, Taiwan
- Eastern Europe
  - Hungary, Romania, Czech Republic, Poland
- Central and South America
  - NAFTA
  - Southern Cone



# BRIC, or Really, “CIBR”

Size vs. Projected Growth Rate for 15 Emerging Economies



Source: Boston Strategies International analysis based on Economist Intelligence Unit projections.

# Economic Similarities, Differences

	Brazil	Russia	India	China	Vs. USA
Population (m)	191	142	1,184	1,312	310
GDP (\$b)	2,087	1,479	1,728	5,878	14,660
GDP Growth	7.5%	4.0%	8.8%	10.3%	2.9%
GDP per Capita	\$11,388	\$10,440	\$3,534	\$7,774	\$47,256

Source: Boston Strategies International compilation of data from Economist Intelligence Unit.

# Does BRIC Logic Still Apply?

## Old Success Factors

- Manufacturing / export basis
- Few leading countries
- GDP-centric
- Steady incremental growth

## New Success Factors

- Services, solutions
- More distributed opportunity, growth
- Environmental, technological leaders
- Some major, rapid advances



Source: Boston Strategies International

# Growth and Leadership Post-BRIC

## From: GDP Growth

- Physical infrastructure
- Skilled labor
- Internal market size
- Open trade

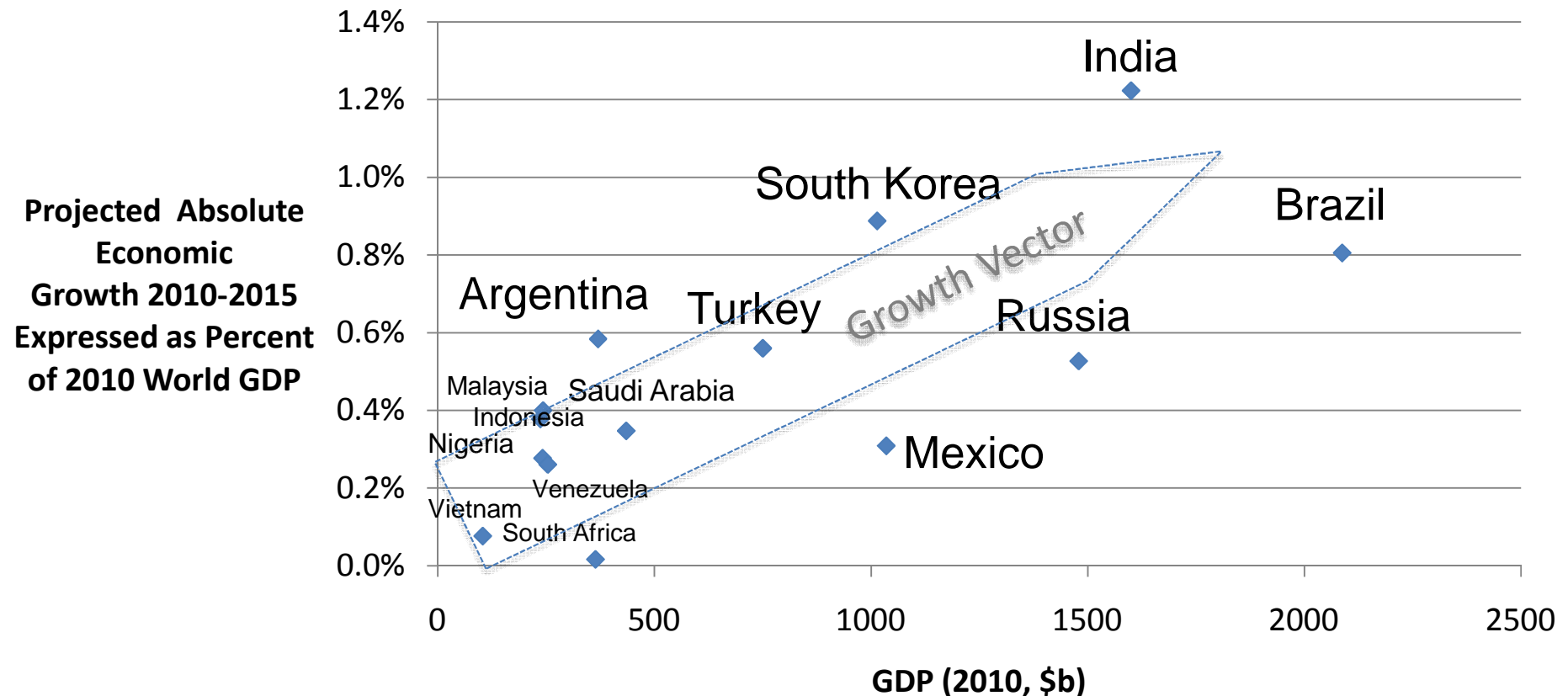
## To: Geopolitical Influence

- Internet access
- Higher education
- Institutional stability
- Open market (funds, info, products)



# Emerging Economic Powers

Size vs. Projected Economic Power of 14 Emerging Economies



Source: Boston Strategies International analysis based on Economist Intelligence Unit economic projections.



# Success Factors in the “New World”

## “Hard” Infrastructure

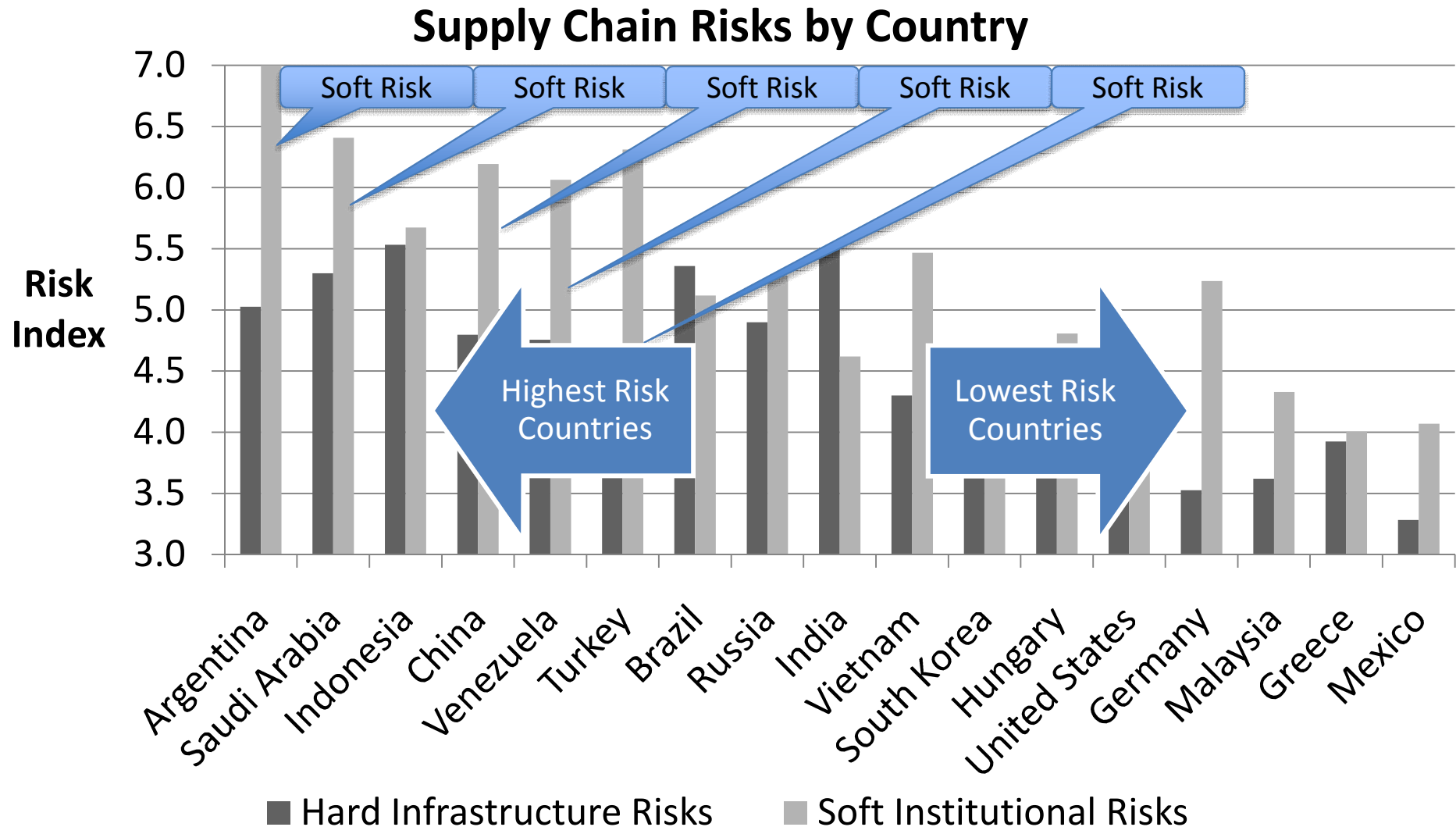
- Transport and logistics infrastructure
- Supply base
- Internet access
- Large internal market

## “Soft” Infrastructure

- I.P. protection
- Legal institutions
- Educated workforce
- Open market (funds, info, products)
- Political stability
- Balanced economy



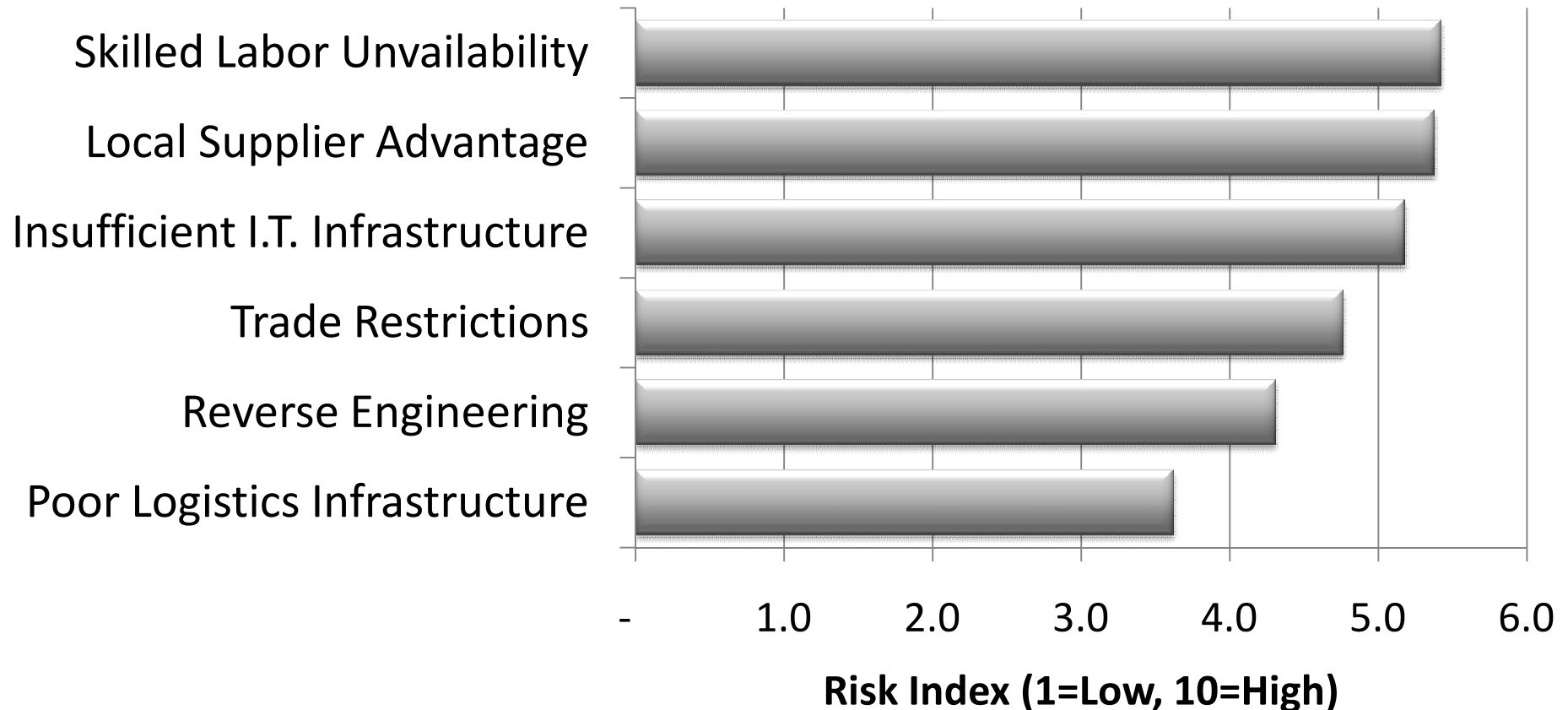
# Biggest Concerns are “Soft” Risks



Source: Boston Strategies International analysis

# Top Risks: Local Labor & Supply, IT

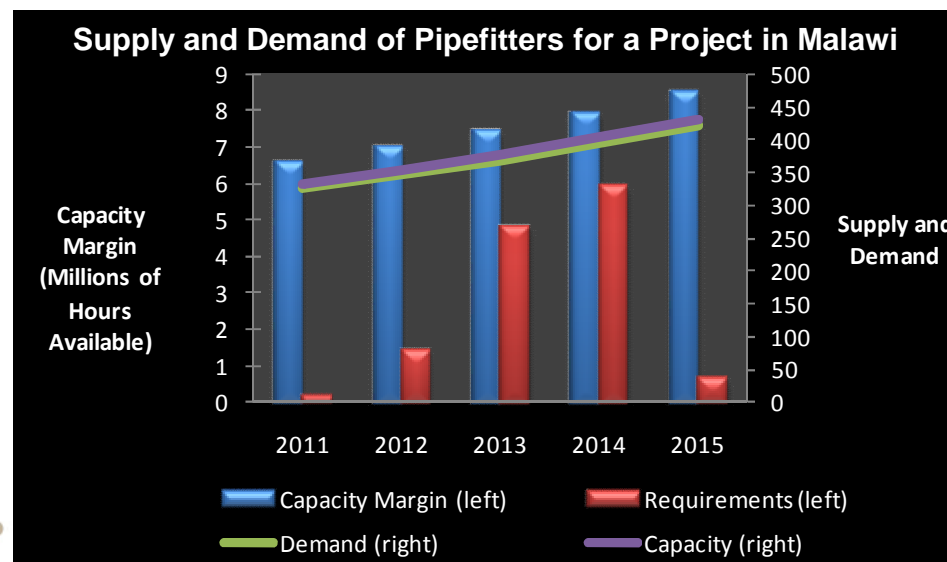
## Average Supply Chain Risks in 14 Emerging Countries



Source: Boston Strategies International analysis

# Limited Technical Expertise and Supply Base

- Lack of professionally qualified labor
  - Managerial talent for precision manufacturing
  - Engineering for capital projects
- Local supplier preference or advantages



Illustrative

# Insufficient I.T. Infrastructure

- Poor phone connections
- Limited internet access
  - Inadequate infrastructure
  - Restrictions on content or VOIP
- Weak internet security
- Outdated or incompatible systems or software
- Etc.



# Trade Restrictions and Reverse Engineering, I.P. Loss

- Bias
- Unenforceable Contracts
- No or late payment
- Reverse engineering
- Process replication



# Antiquated Logistics Infrastructure

- Customs
- Infrastructure
- International shipments
- Logistics competence
- Tracking & tracing
- Timeliness

Country	LPI
Germany	4.11
United States	3.86
Korea, Rep.	3.64
China	3.49
South Africa	3.46
Malaysia	3.44
Thailand	3.29
Turkey	3.22
Saudi Arabia	3.22
Brazil	3.20
India	3.12
Argentina	3.10
Mexico	3.05
Vietnam	2.96
Indonesia	2.76
Russian Federation	2.61
Nigeria	2.59

Source: World Bank. LPI stands for Logistics Performance Index.



# Risk Mitigation Measures

Risk	Mitigation Measure
• Lack of technical expertise	• Structured local content search
• Local supplier inadequacy	• Local supplier development
• Insufficient I.T. infrastructure	• Data security program
• Trade restrictions	• Buffer inventory
• I.P. Loss	• I.P. strategy
• Antiquated logistics infrastructure	• Logistics contingency plan



Source: Boston Strategies International



# Structured Local Content Search



## Cable

Can-Do-It  
High Voltage Powercable  
Manaus, Brasil



## Downhole Tools

Drilling  
Packers and Reamers  
Dalian, China



## Tank Storage

Tank-up  
Bulk Storage Services  
Stavanger, Norway



## Artificial Lift

Lift-Magic  
Artificial Lift  
Oklahoma, USA



## Membranes

Custom Filtration  
Reverse Osmosis  
Systems  
Dubai, UAE



## Spill Control

Absorbent Booms  
Spill Control products  
Luanda, Angola



## Well Services

Down Under  
Pressure Pump  
Services  
Perth, Australia



## Tubulars

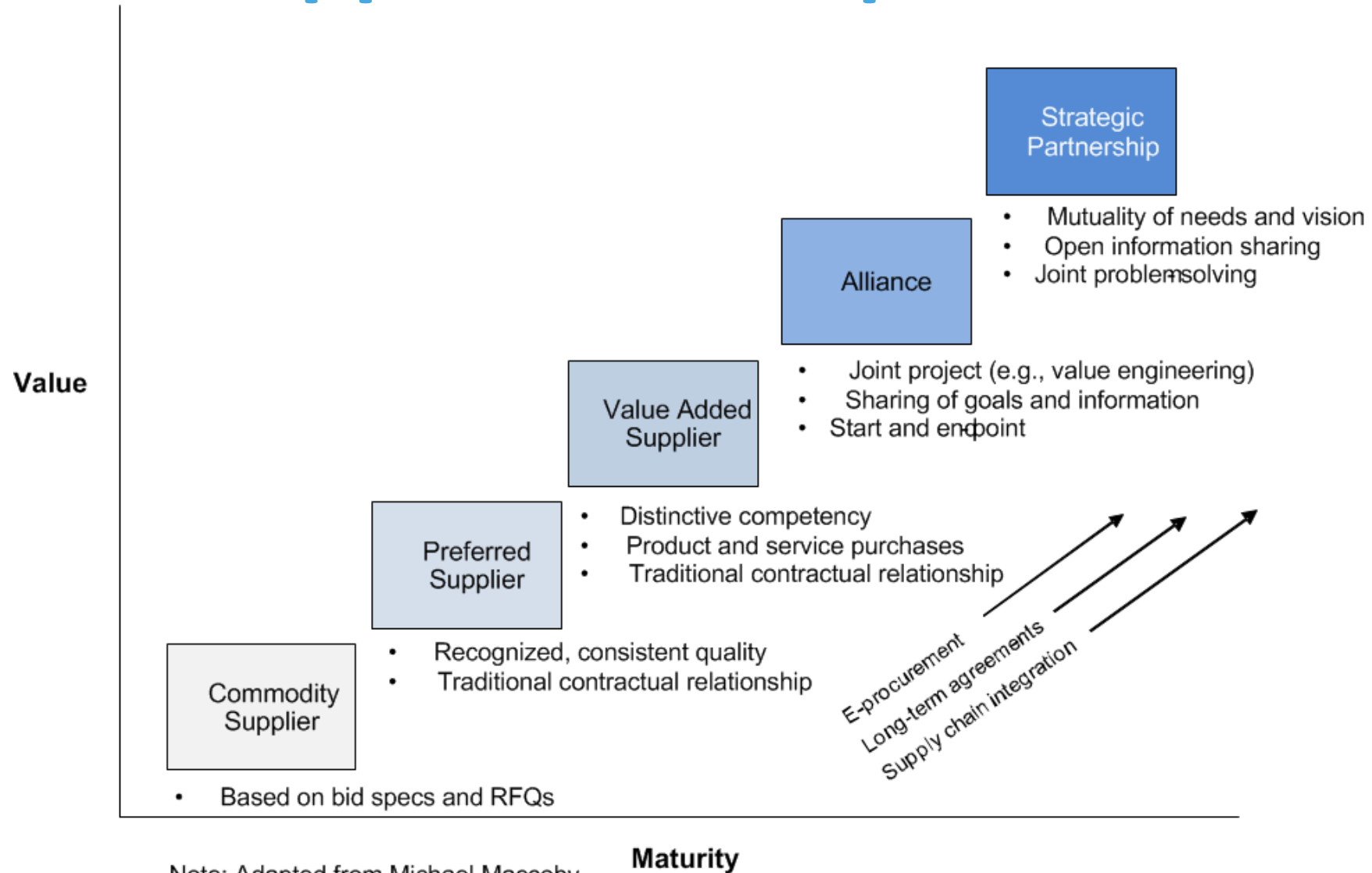
Pipe Ream  
OCTG  
Muscat, Oman

Source: Boston Strategies International



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# Local Supplier Development



Note: Adapted from Michael Maccoby

**Maturity**

Source: Jacoby, David. The Guide to Supply Chain Management, The Economist, 2009. Adapted from Michael Maccoby.

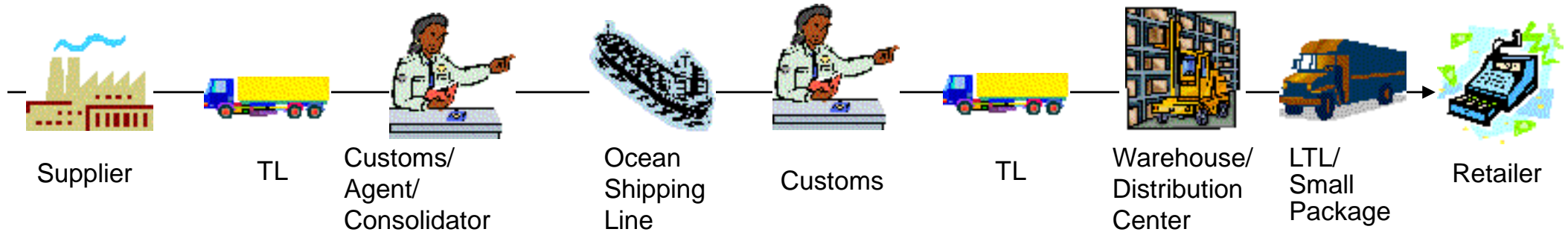
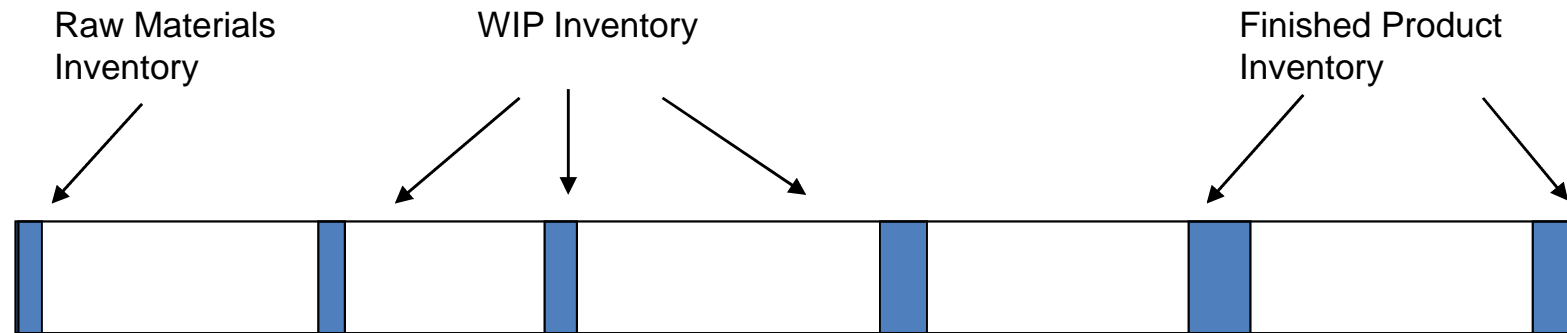


# Data Security Program

- Data governance framework
- Designated I.T. architect
- Data security plan and procedures
- Learning (knowledge management) culture
- Targets, metrics, and monitoring



# Buffer Inventory



# Intellectual Property Strategy

## Legal Mechanisms

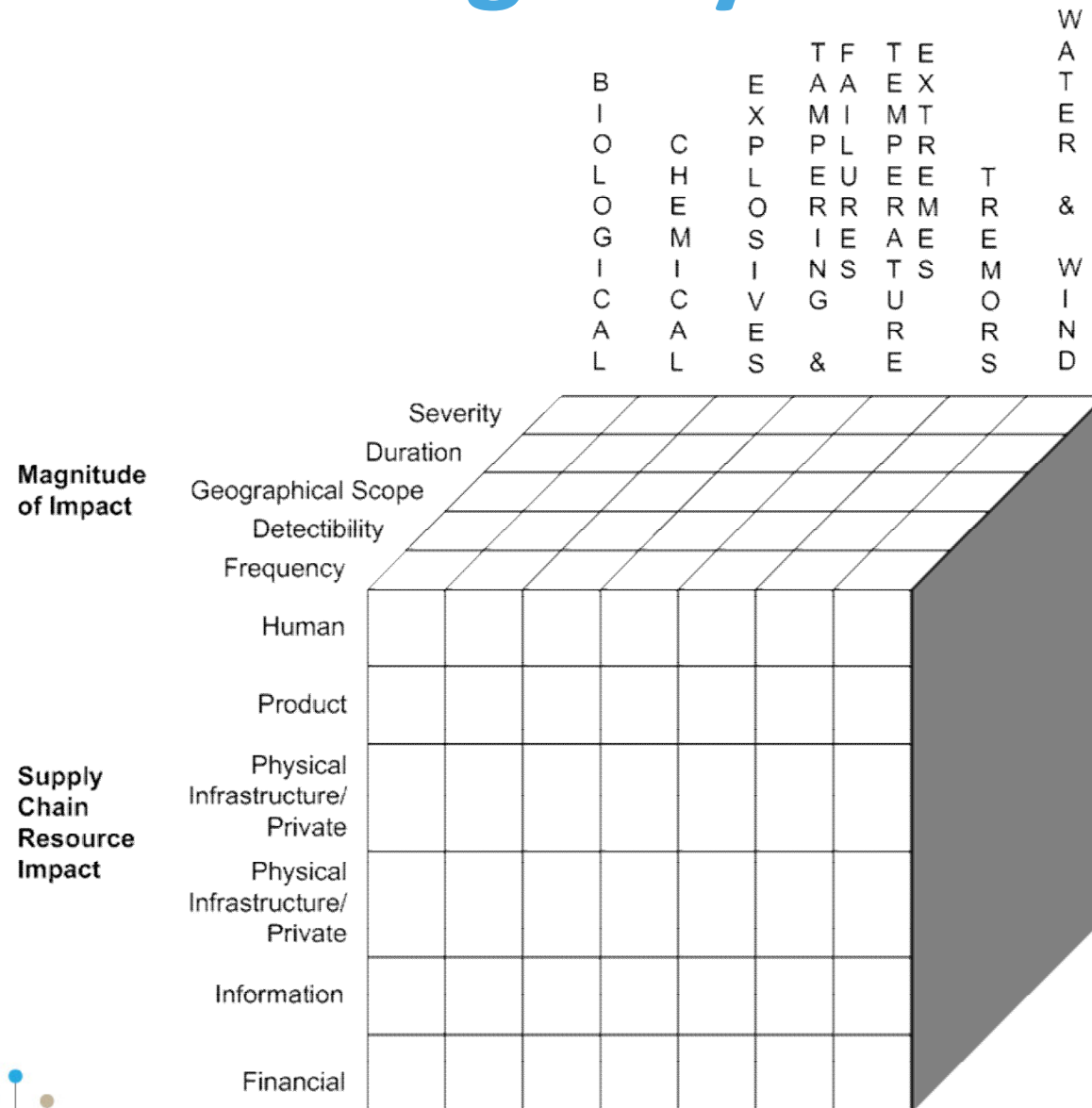
- Patents
- Trademarks
- Incorporations
- Domain registrations
- Non-disclosure agreements

## Practical Measures

- I.P. goals and targets
- Market intelligence program
- Site location evaluation criteria
- “Center of excellence” deployment

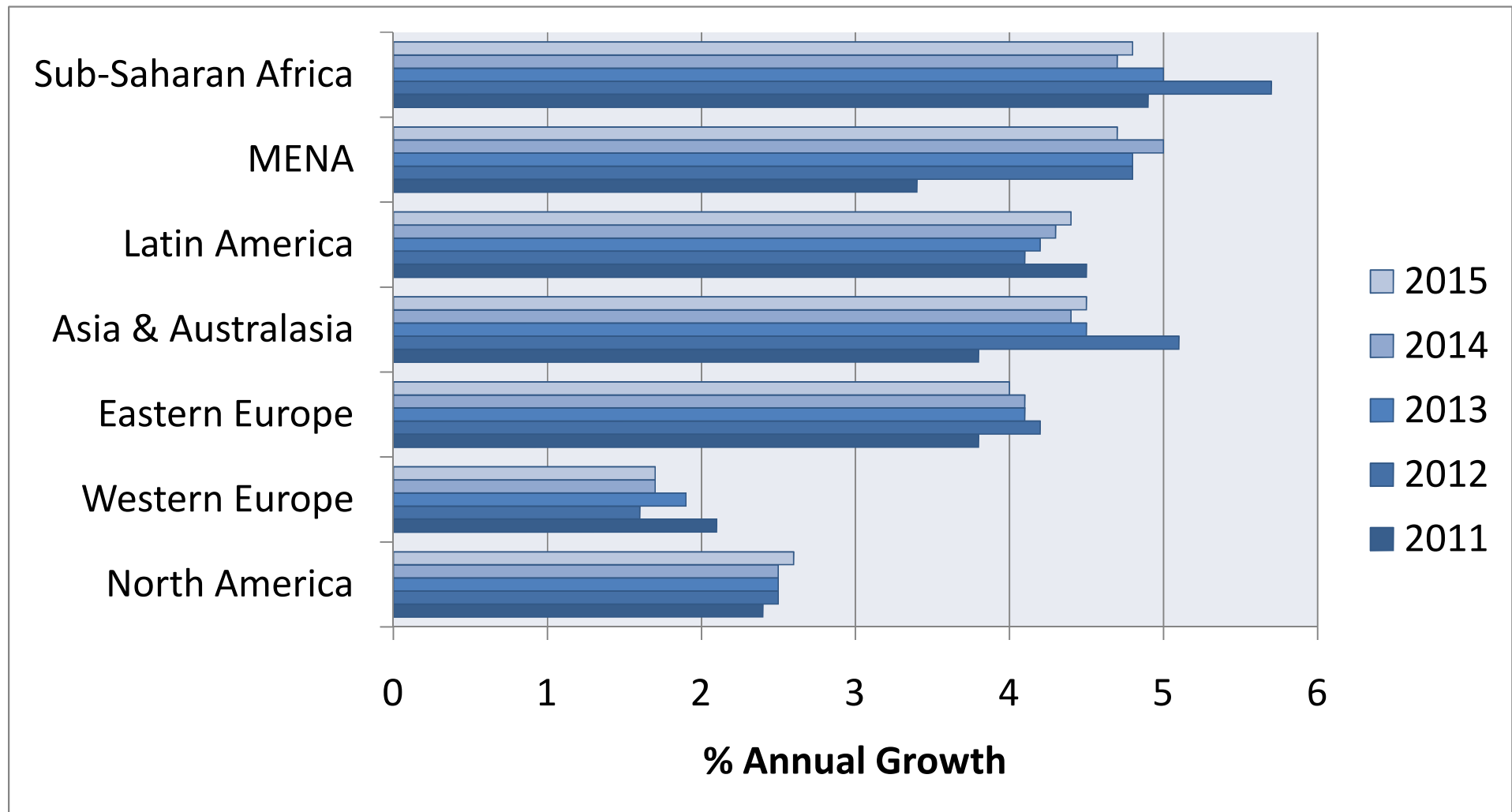


# Logistics Contingency Plan

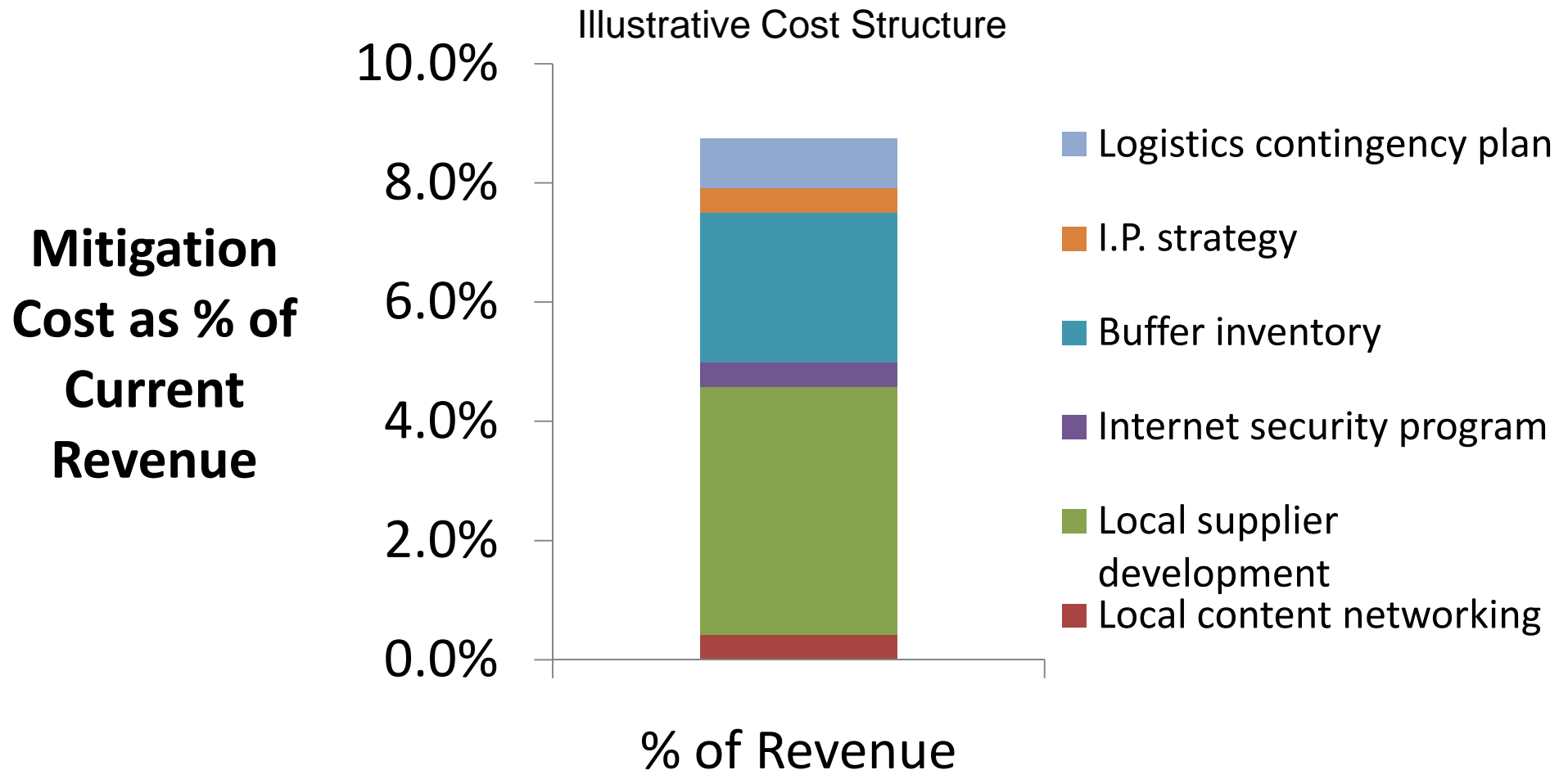


Source: Jacoby, David. The Guide to Supply Chain Management, The Economist, 2009. Originally from Mentzer, John.

# 2-3x Revenue Potential



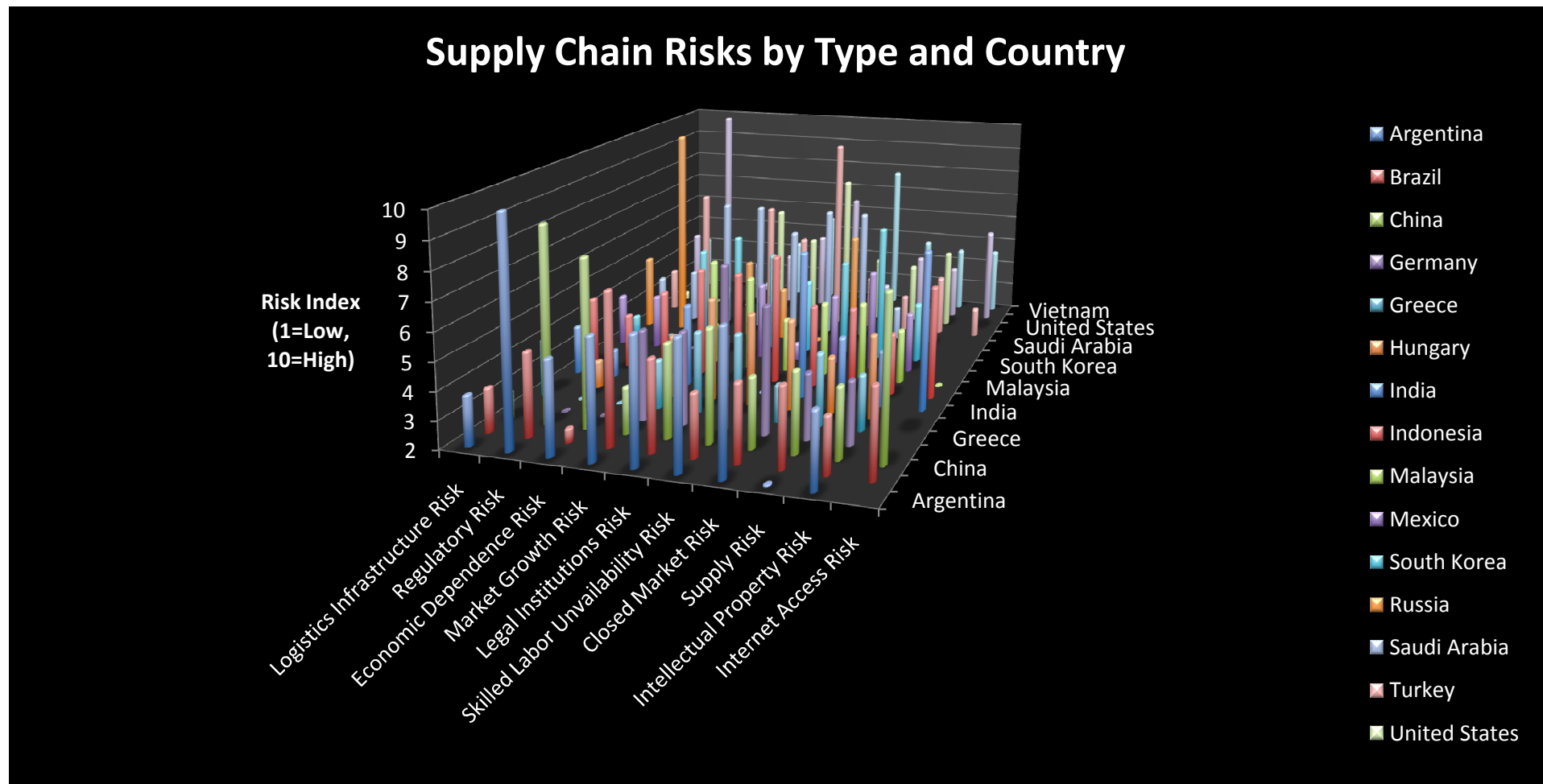
# Cost to Deploy



Source: Boston Strategies International



# Each Investment is Unique; Study the Landscape Before Committing



Source: Boston Strategies International



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