

FIT for REACH

Service oriented business strategies – will they be boosted by REACH?

Presentation at the CHEMLARGEMENT 2004 Conference

23/24 September 2004, Vienna

Dr. Reinhard Joas, BiPRO GmbH, Munich

Structure and intention of the contribution

Answers to the questions

- Which are the business impacts of service oriented business strategies?
- Are there common objectives with REACH?
- What implementation difficulties are expected?
- How will REACH boost service oriented business strategies?

Service oriented business strategies: Basic ideas

user of a
chemical

Does not pay to possess a chemical,
but spends his money for the benefits provided by a chemical

producer of a
chemical

Sells the function of a chemical,
including know how on efficiency and risks,
adding management services like
production management and logistics

Service oriented business strategies: Basic ideas

amount of
produced
chemicals

will decline

as chemicals volume turns from a factor for earnings

(*“the more you sell the more you earn“*)

to a cost driver

(*“less is more“*)

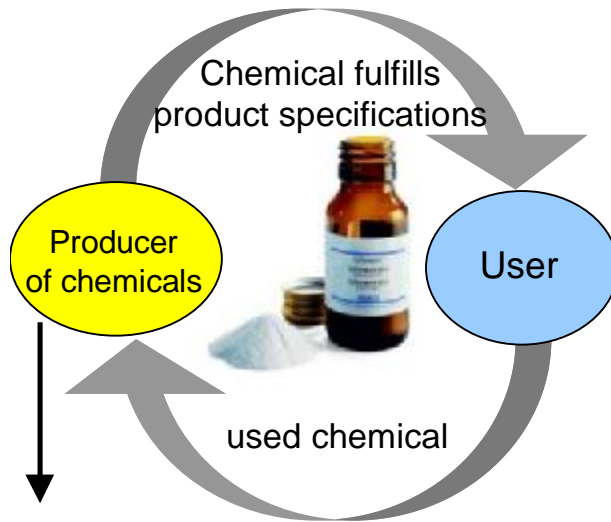
added value

can be shared

among the involved partners

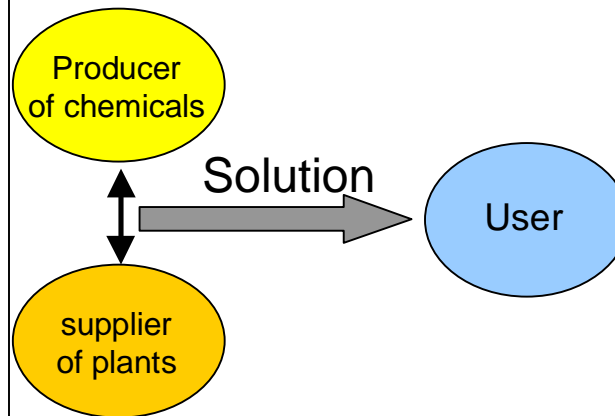
Different approaches for service oriented business models

Model A



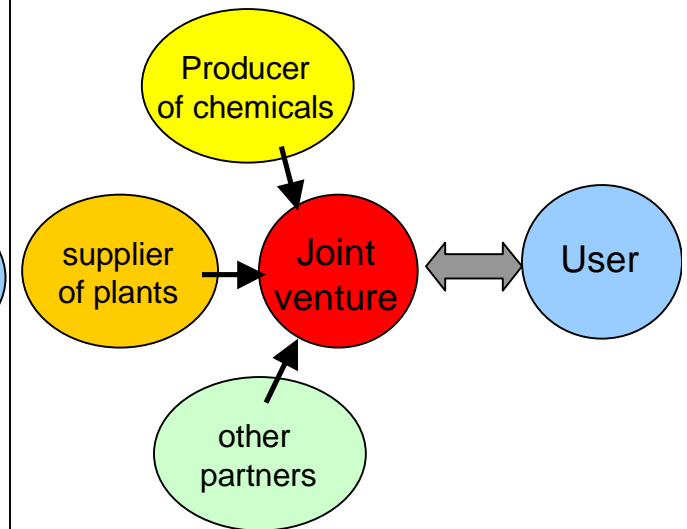
- The user pays for the benefit of the chemical
- Material flow is closed
- Examples:
 - active carbon
 - solvents

Model B



- The user pays for the complete solution
- Examples:
 - abrasives

Model C



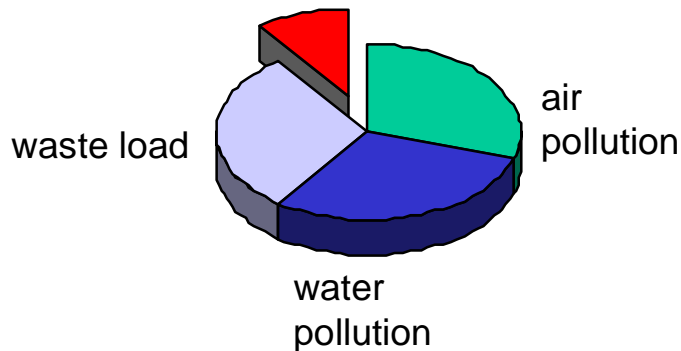
- A joint venture bunches all interests of partners and generates synergies
- User has one responsible partner and pays for the complete solution

Chemical leasing in Austria: Basis for a sustainable development

Environment:

lower emissions and risks
due to higher efficiency of chemicals use

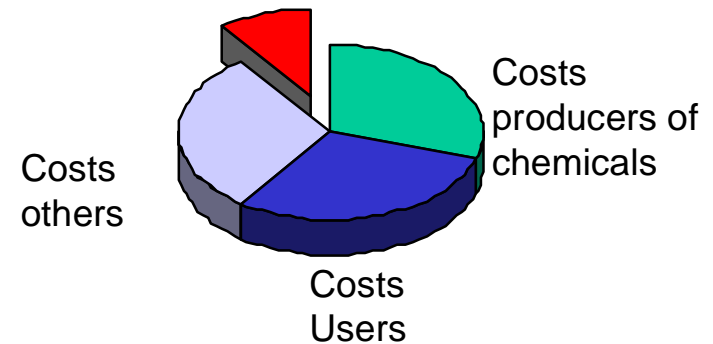
pollution that ceases to exist



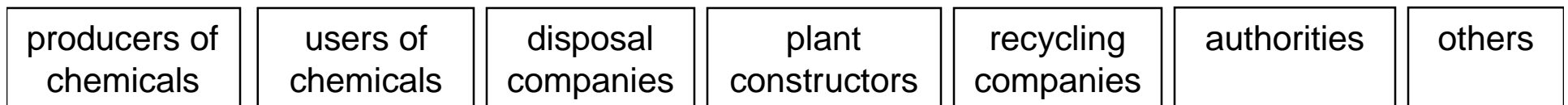
Economy:

win-win situation
with added value that can be shared

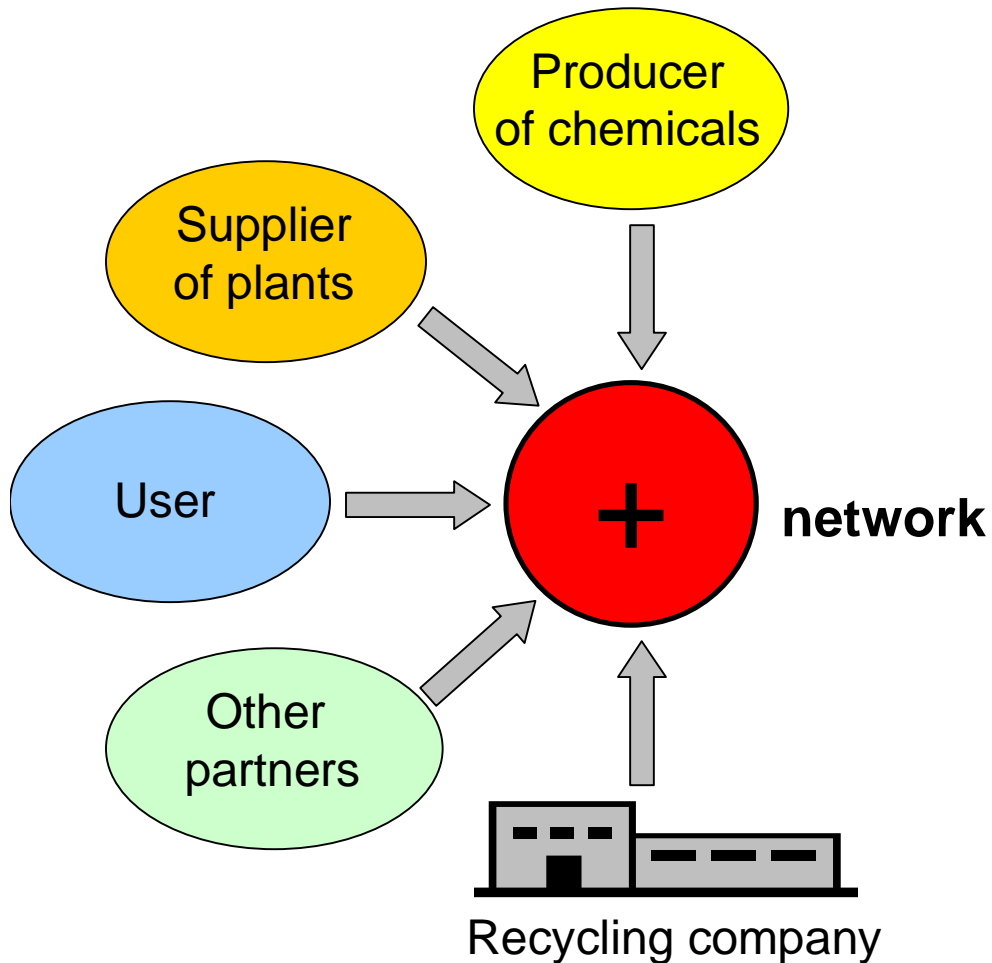
added value



players:



Need for co-operation defines chances and obstacles



chances:

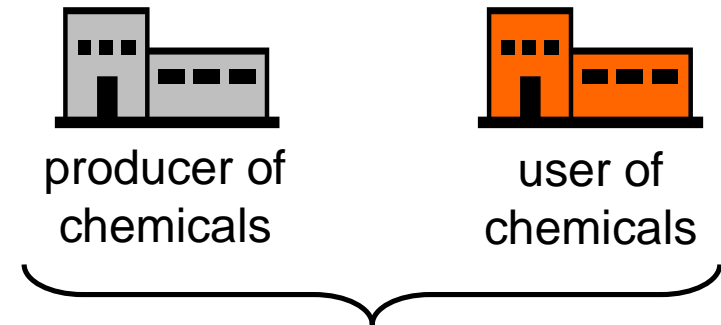
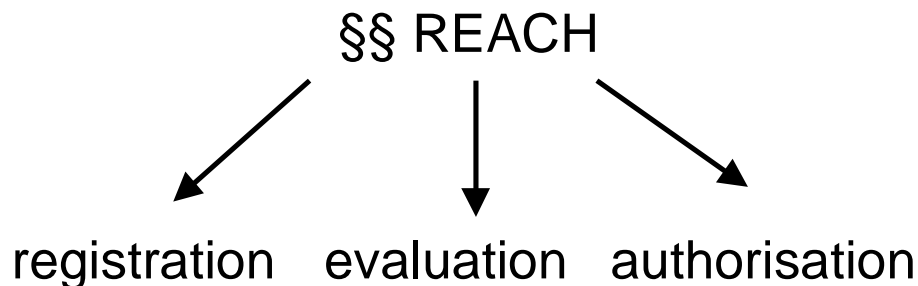
- better products and technologies
- combined know-how as a specific resource
- environmental advantages
- sustainable development

obstacles:

- 7 cost of business reorganisation
- 7 confidentiality
- 7 quality standards
- 7 fair allocation of benefits

Are there common objectives with REACH?

YES, both intend to reduce risks resulting from the use of chemicals.



commercial interest to optimise resources (reduced emissions)

commercial interest in quality standards (risk reduction)

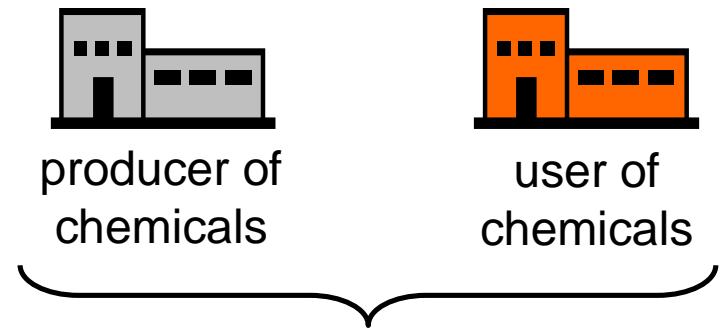
➔ establish new information flows and enable better decision basis for risk prevention measures

➔ establish new information flows and rules of the game for risk reduction

Are there common objectives with REACH?

YES, both intend to improve international competitiveness of responsible chemicals manufacture and application

§§ REACH



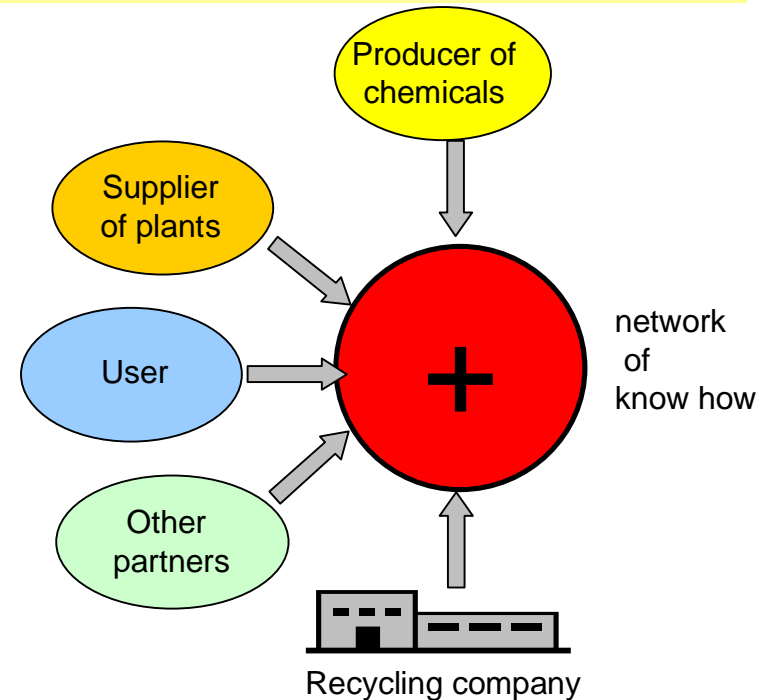
➔ precise requirements
applicable also for imports

➔ added value from environmental
and risk management
competencies

Are there common objectives with REACH?

YES, both intend to create benefits from an intensified sharing of know how and information

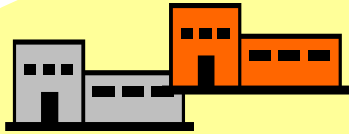
§§ REACH



➔ application know how as a condition of competitiveness

➔ commercial interest to build a network of know how with suitable partners

What implementation difficulties are expected?



7 confidentiality

Service oriented business models

- intensified know-how exchange needs new rules
- clearer business relations require extended confidentiality
- competitiveness problems related to know how sharing and intellectual property

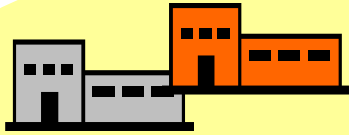
§§

7 confidentiality

REACH

- new dimension of information flows to authorities
- new dimension of information flows from producers to end users

What implementation difficulties are expected?



7 quality standards

Service oriented business models

- shift of responsibility causes need for more and higher internal standards
- environmental benefits can only be achieved if standards related to the risk of chemicals are fulfilled
("less is more but less can be more risky!")

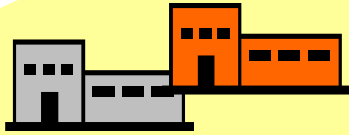
§§

7 quality standards

REACH

- standards have to be applied in a broader scope
- new standards have to be developed

What implementation difficulties are expected?



7 fair allocation of benefits

Service oriented business models

- enhanced visibility of value contributions
- communication structures for clear targets and gain-sharing

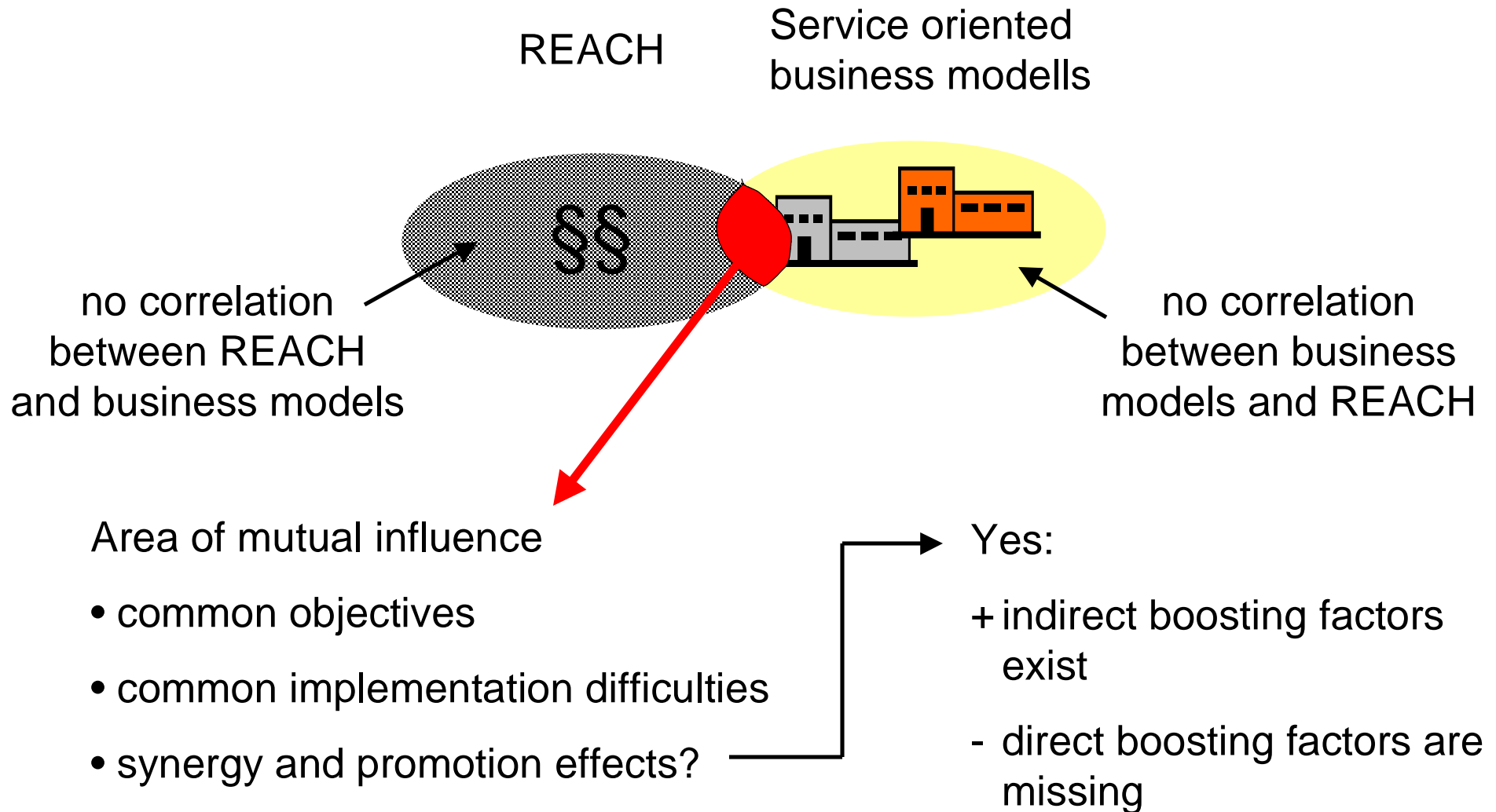
§§

7 fair allocation of additional costs

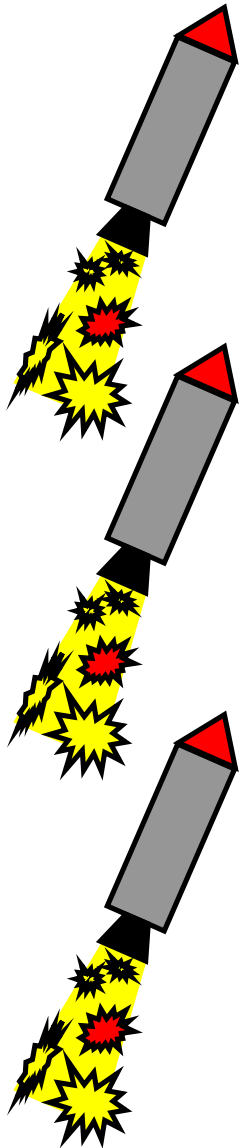
REACH

- procedures for cost sharing among producers
- consumer preferences for environmentally sound solutions enforced by higher transparency

How will REACH boost service oriented business strategies?

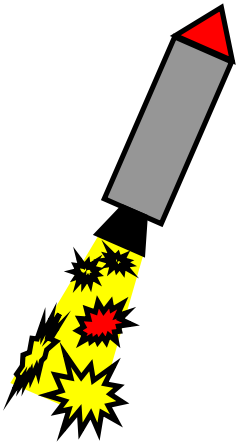


Boosting factor 1: Promotion of closer co-operation

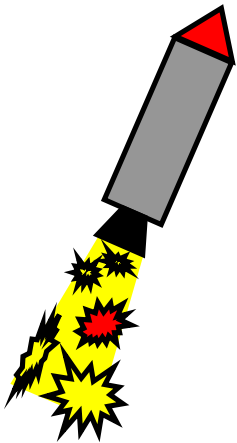


- REACH promotes a closer cooperation between the producer and user of chemicals, which is a key element of service oriented business models
- Information on conditions of use becomes a barrier to market entry. Service-oriented suppliers already possess such information
- The increased need of cross-linked know-how within REACH gives an incentive for long-term co-operation along the supply chain

Boosting factor 2: Higher recognised value of solutions for risk management

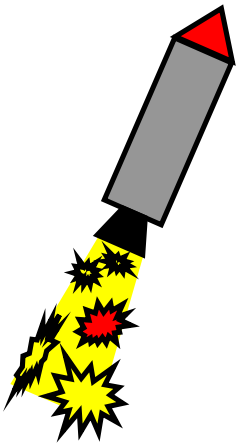


- Due to the complexity of the REACH regulation, the consumer value of integrated management services is expected to rise, especially in the fields of legal compliance and risk management

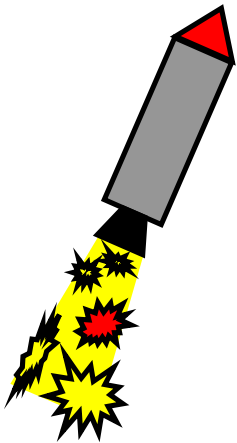


- Need to share costs and benefits becomes more obvious as a result of REACH requirements

Boosting factor 3: Need for new rules for confidentiality

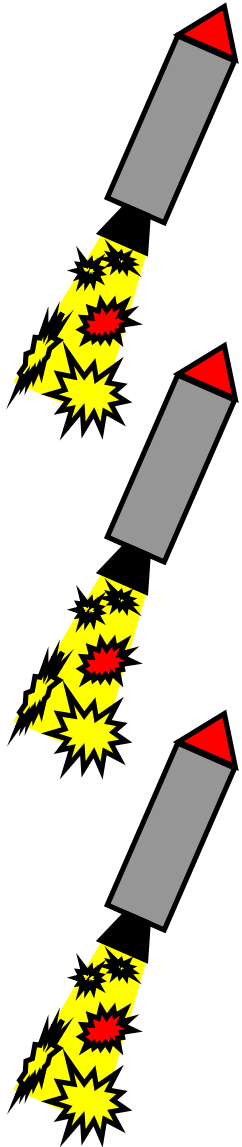


- Confidentiality problems are relevant in REACH and service oriented business strategies. Solutions and developments under REACH will support necessary new rules of mutual trust and confidence.



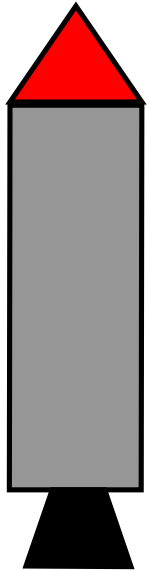
- Increased transparency of chemical processes entangles the risk of imitation. Service oriented business models build on a specific combination of resources and have a longer lasting intention. They are therefore protected by an imitation barrier

Boosting factor 4: Enhanced sustainability



- Common objective of REACH and service oriented business models
- The perception of ecologically sustainable process solutions is expected to increase along the supply chain, down to consumer end use. This should increase the market value of service solutions
- Service oriented business strategies realise closed loop systems, “design for recycling” strategies, and integrated planning of processes along the chemical life cycle to improve efficiency. REACH is designed to foster those for sustainability reasons

Direct boosting factor: Service oriented business strategies are not mentioned in REACH



- Not existing but would be helpful?
- ⇒ issue for political discussion?
- ⇒ chances for new EU Member States?
- ⇒ chances for EU industry in international competition?

