Factory-less goods production in Swedish national accounts

Monica Nelson Edberg
Statistics Sweden
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Background

- High tech goods production has been outsourced in recent decades
- Production moved closer to product markets
- Advantages;
  - Cost –effective
  - Streamlining of production processes
  - Reduced cost for freight
  - Increased competitiveness
Globalization of production chain

- Since 2000 the largest enterprises in Sweden have made strategic decisions of globalization
- Main driver is reduction of cost of production
- Research and Design are kept in Sweden
- Employment in these areas has increased
Research-based producers

- Very similar to factory-less goods producers
- Main activities:
  - Blueprints
  - R&D
  - Supply chain management
  - Software development
  - Production testing
  - Marketing and Logistics
  - Merchandise networks

Control of total product-chain as an FGP.
Control of the production chain

- The Swedish FGP:s have total control of the production chain.

- Products are adapted for each market and the FGP has full control of sales and distribution.

- Tailor-made products for each customer makes the connection to the product or brand even stronger.

- Profits finance further work in R&D.
Production as a service

- The main activities in the Swedish FGP:s are:
  - R&D/Design
  - Warehousing
  - Marketing/Retail
  - Customer Services

Goods production are oursourced under a licence agreement which states the conditions for production. In that sense production is bought as a service.
Classification issues

- Rapid development in research-based enterprises
- Confusion about classification in NA
- Present classification in different industries
  - Manufacturing
  - IT-services
  - R&D
  - Wholesale trade
Goods or services?

- Research-based enterprise similar to producer of software products or wholesale trade – but final products for sales are goods

- Need of close contacts with these enterprises to make the right classification

- Product often a composite of goods and services while their values added is mainly service dominated
FGP – a way forward

- These enterprises do not see their product as either a good or a service, as the final product is a composite of both goods and services.

- Classification in services, merchanting or research would imply that the connection to hardware manufacturing is missed.

- Classification of these companies as a FGP would be a way forward, even if parts of physical transformation are carried out abroad.
Thank you!