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Future challenges and requirements in the field of logistics services

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Future challenges – a mega perspective

Change of dominant design in distribution

1. Diversification of channels
 - Growth of e-business
 - New distribution patterns and partnerships
2. Densification of products and packaging
 - Resource scarcity and volatile energy costs
 - Environmental impact
3. Decentralization of production
 - Growing production cost in China
 - New sources of energy: Shale gas in North America
4. Digitalization of products
 - 3D printing

*Based on Caplice, MIT, presentation
CSCMP conference, Denver Oct. 2013*

The market for logistics services; the overall picture (1)

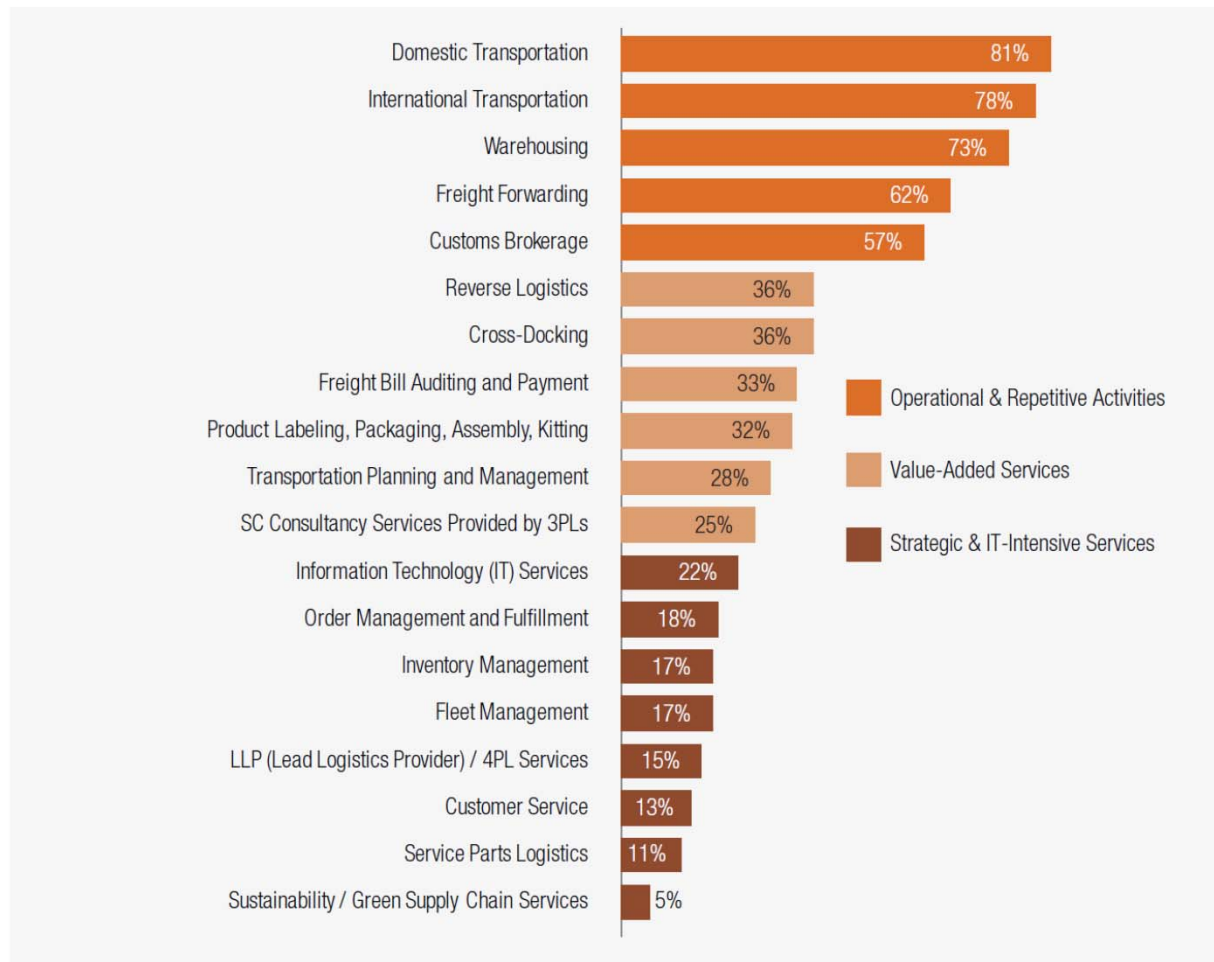
Figure 1: Global 3PL Revenues Rise for 2011-2012

| Region | 2011 Global 3PL Revenues (US\$Billions) | 2012 Global 3PL Revenues (US\$Billions) | Percent Change 2011 to 2012 | Percent Change 2010 to 2011 |
|---------------|-----------------------------------------|-----------------------------------------|-----------------------------|-----------------------------|
| North America | \$ 159.9 | \$ 170.6 | + 6.7% | + 7.2% |
| Europe | 160.4 | 156.2 | - 2.6% | - 2.8% |
| Asia-Pacific | 191.1 | 236.2 | + 23.6% | + 21.2% |
| Latin America | 39.5 | 44.4 | + 12.4% | + 43.6% |
| Other Regions | 65.2 | 69.4 | + 6.4% | + 54.0% |
| Total | \$ 616.1 | \$ 676.9 | + 9.9% | + 13.7% |

Source: Armstrong & Associates, 2013.

The market for logistics services; the overall picture (2)

Figure 3: Shippers Continue to Outsource a Wide Variety of Logistics Services



Source: 2014 18th Annual Third-Party Logistics Study.

Logistics trends in Europe

- Horizontal collaboration; “Big data” and sustainability
- Integrating IT system providers (control towers planning global supply chains)
- Coordination, integration and consolidation through the cloud

Logistics service providers; a typology

| Type | Main services | Core competencies |
|------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 3PL | Conducting logistics and delivery services for customers (who have outsourced the function) | Integrating logistics operations; customer orientation; partnerships; transport network |
| Logistics intermediary firms | Forwarding and consolidating goods; connecting buyers and suppliers | Network knowledge and relationships; brokerage |
| Carriers | Transport from A to B | Efficient transportation; quality and reliability |

Requirements in the field of logistics services

- Intensified competition to be expected due to new *dominant design* in distribution
- Region Zealand between high competency regions Hamburg and Gothenburg:
 - Local transport networks for coverage and consolidation
 - Competencies:
 - Efficiency
 - Knowledge of customers' business
 - Relationship and network development & management



The way ahead

- Develop core competencies even further:
 - Efficiency: Let Lean/Process Excellence enter the logistics industry
 - SME: Inform yourself about cloud services: collaborate; create a cluster
 - Relationship building: speak the language of the increasingly professional customer (in procurement)
- Strengthen international outlook (industry awareness; business intelligence)
- Innovate business processes; internally or together with key accounts. Disseminate such new business processes