

Logistics Services and Integration of the Global Economy

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”Mega-Trends” in Global Logistics

- **Globalization in trade and production**
- **Transition to ”Post-industrial” Economy**
- **On-demand economy, Clockspeed-competition**
- **Security and the global supply chain**
- **Logistics Performance Index (World Bank 2007)**
- **Trends in logistics service industry**

Impact of Globalization

- **Global factory networks**
- **Offshore production/outsourcing**
- **Dispersed supply chains servicing international markets**
 - **Specialization and concentration of production**
 - **Longer lead times**
 - **Supply chain risk & uncertainty**
 - **Production commitments made earlier**
- **New demands on logistics services in the global supply chain**
 - **Availability and competence of logistics services**
 - **User-friendly and efficient border procedures**
 - **Global communication systems**
 - **Track-and-trace systems**
 - **Efficient ”physical internet”**

Transition to "Post-industrial" Economy

- **Stagnation in "physical" production in mature economies**
- **Growth in service industries (e.g. logistics industry, tourism, software)**
- **Services an increasing part of the value creation to customers**

On-Demand Economy and accelerating Clock-speed Competition

- **Customization of products in many industries**
- **Assembly to customer orders – JIT production**
- **Accelerating clock-speeds, reduced time-to-market, shorter order cycle times, shorter product life cycles**
- **Smaller and more frequent order sizes and shipments**
- **Demands for new, intelligent concepts of consolidation and distribution**
 - **Substitute information for physical transport**
 - **Pooling resources, sharing services**

Security and the Global Supply Chain

- **Redesigning supply chains to make them more robust and resilient**
- **Mitigate security risk**
 - **Contingency plans**
 - **Customs Trade Partnership against Terrorism (C-TPAT)**
 - **The Container Security Initiative (CSI)**
 - **EU Proposal 2006 "Enhancing supply chain security"**
 - **Technology: RFID, Smart tags, Electronic seals, OCR scanning**

Logistics Performance Index and Competitiveness

Country	Global Competitiveness Index (1)	Logistics Performance Index (2)
USA	1	14
Switzerland	2	7
Denmark	3	13
Sweden	4	4
Germany	5	3
Finland	6	15
Singapore	7	1
Netherlands	10	2

(1) World Economic Forum, 2007

(2) World Bank, 2007

Table 2.1 How logistics professionals assess institutions and processes

Percent of respondents

	Top quintile Highest performance	Second quintile High performance	Third quintile Average performance	Fourth quintile Low performance	Bottom quintile Lowest performance
Concerned about the quality of telecommunications and IT infrastructure	6	7	41	27	46
Concerned about the quality of the physical transport infrastructure (ports, roads, warehouses)	17	28	59	46	57
Satisfied with customs	55	32	19	18	11
Satisfied with other border government agencies	38	13	10	9	18
Satisfied with private logistics services ^a	59	34	18	16	11
Satisfied with professional organizations	46	28	6	21	17
Concerned with frequent solicitation of informal payments	6	23	34	49	56
Satisfied with transparency of border processes ^b	72	44	38	33	26
Imports cleared and delivered as scheduled	87	69	32	39	13

a. Aggregation of customs brokers, distributors, and road operators.

b. Aggregation of the results on the predictability of changes in regulations and transparency of customs clearance process.

Source: Logistics Performance Survey, appendix table A2, appendix table A3.

Customs and border processing performance, by region

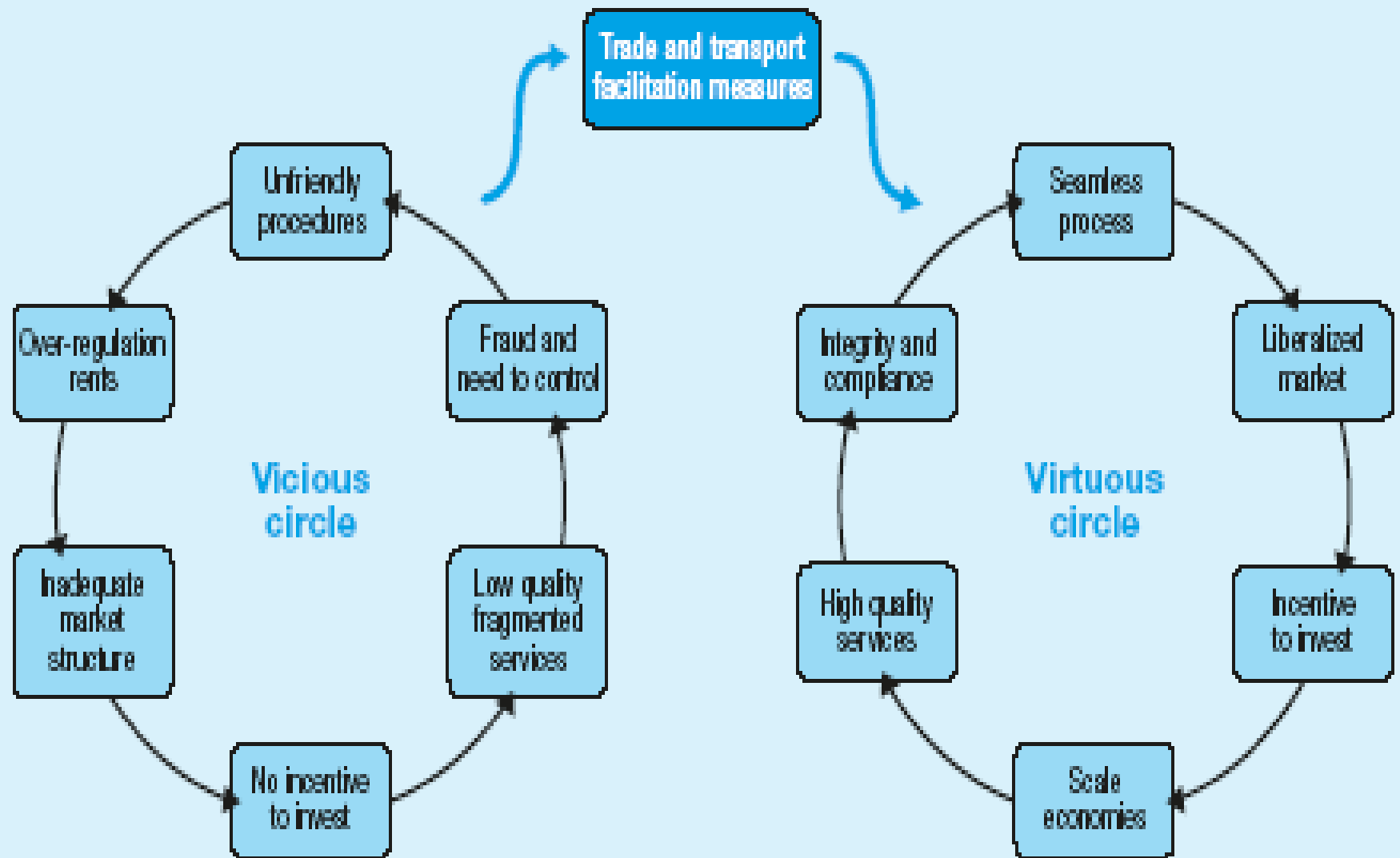
Percent

	OECD high income	Non-OECD high income	East Asia & Pacific	Europe & Central Asia	Latin America & Caribbean	Middle East & North Africa	South Asia	Sub-Saharan Africa
Estimated percentage of physical inspections	3	22	22	14	25	45	36	48
Respondents agreeing that traders demonstrating high levels of compliance receive expedited customs clearance	54	25	41	51	42	42	57	17
Respondents able to use IT to submit customs declaration	70	42	28	46	58	53	50	55
Time (days) and cost (US\$)								
Time between accepted customs declaration and customs clearance	1.0	1.7	2.1	1.7	2.7	1.9	2.4	4.2
Average time to export	2.4	2.9	3.9	2.8	3.9	3.7	3.6	8.1
Average time to import	3.2	3.6	4.4	3.5	4.8	6.0	6.5	12.3
Cost to import a 40-foot container or a semi-trailer (US\$)	663	572	819	936	1,000	609	880	2,124

Source: Logistics Performance Survey, appendix table A2, and appendix table A3.

Figure 3.2

Vicious and virtuous logistics



Logistics services and the Global Economy

- **Continual expansion, acquisition, and consolidation of the 3PL industry**
- **Expansion of service offerings and capabilities across the supply chain (back-office, call centers, finance, light manufacturing, supplier control**)
- **Need for long-term collaborative relationships between shippers and 3PL providers**
- **Expansion of global markets and 3PL providers abilities to provide global services**
- **Emerging role of supply chain integration (integrators, lead logistics providers, 4PL, one-stop-shopping)**