



Logistics Sector



By ~
Abhishek Chhilwar

Highlights



- ❧ Interesting Facts
- ❧ Sector Overview
- ❧ Porters Five Forces
- ❧ Key Domestic Players
- ❧ Key International Players
- ❧ Opportunities
- ❧ Thank You

INTERESTING FACTS



Industry comprises of **shipping, warehousing**, courier and road/rail and air freight.



Research indicates that **global market value** of logistics has surpassed **\$4 trillion**, which equates to **10% of global GDP**.



Transportation sector is fastest growing sector. **7% increase** each year since 2011.



Transport sector alone expected to generate **\$3.8 trillion** in revenue in **2016**.



United States currently accounts for over **42%** of global transportation services sector.



Emerging markets such as **China and India** are expected to have increasing influence in global logistics in coming years.

METHODS OF TRANSPORT



AIR FREIGHT

GLOBAL VALUE: OVER \$70 BILLION



After a downturn during 2008 and 2013, world air freight is expected to average 4.8% annual growth.



Intra-Asia is forecast to grow faster than any other world market, at an average of 6.5% annually.



Air transport is used to carry 72% of all cargo between Europe and Asia.



Used to carry 43% of cargo between Europe and North America.



World freighter fleet expected to grow from 1,690 planes in 2013, to 2,730 by 2033.



Airlines based in Europe, Asia and North America account for over 90% of total air freight.



Air freight accounts for 1% of world trade when measured in tonnage, but 35% when measured in value.



SEA FREIGHT

GLOBAL VALUE: OVER \$54 BILLION



Measured in weight of goods transported, the maritime industry is larger than air **cargo industry**.



In 2013, **9.5 billion tonnes** were carried across the **sea**, in comparison with **42 million tonnes** in the **air**.



80% of world trade consists of **raw materials and bulk items** which are not usually time sensitive, making sea shipping the best option.



Due to economic downturn, it is estimated that the **world's top 20** containership companies had combined **losses of \$6.5 million** between 2008 and 2013.



ROAD FREIGHT

GLOBAL VALUE: OVER \$2 TRILLION



Road transport carries over **8 billion tonnes-kilometres** of goods per year globally.



In modern economies, **85%** of road freight tonnage is carried over distances of **150km or less**, for which there is no economically viable alternative.



Road freight **growth is highest** in Eastern Europe.



Provides directly related jobs for over **6.5 million** people in the EU and over **9 million in the USA**.

WHY IS EFFICIENT GLOBAL LOGISTICS IMPORTANT TO FIRMS



Advantages in **low cost** sourcing for components, labour and expertise.



Increased markets meaning increased revenue opportunities.



Global logistics is now vital for supporting enterprise **decision making** including forecasting and demand planning.



Improve **customer service** through saving time on orders.



Inventory can be reduced through Just In Time (JIT) shipping.

TOP 10 GLOBAL LOGISTICS PERFORMERS

RANKED ON



Quality of transport infrastructure.



Efficiency of **clearance** process.



Ease of arranging **competitively priced** shipments.



Competence and quality of logistics services.



Ability to **track** shipments.



Timeliness of shipments.



1 Germany

2 Holland

3 Belgium

4 UK

5 Singapore

6 Sweden

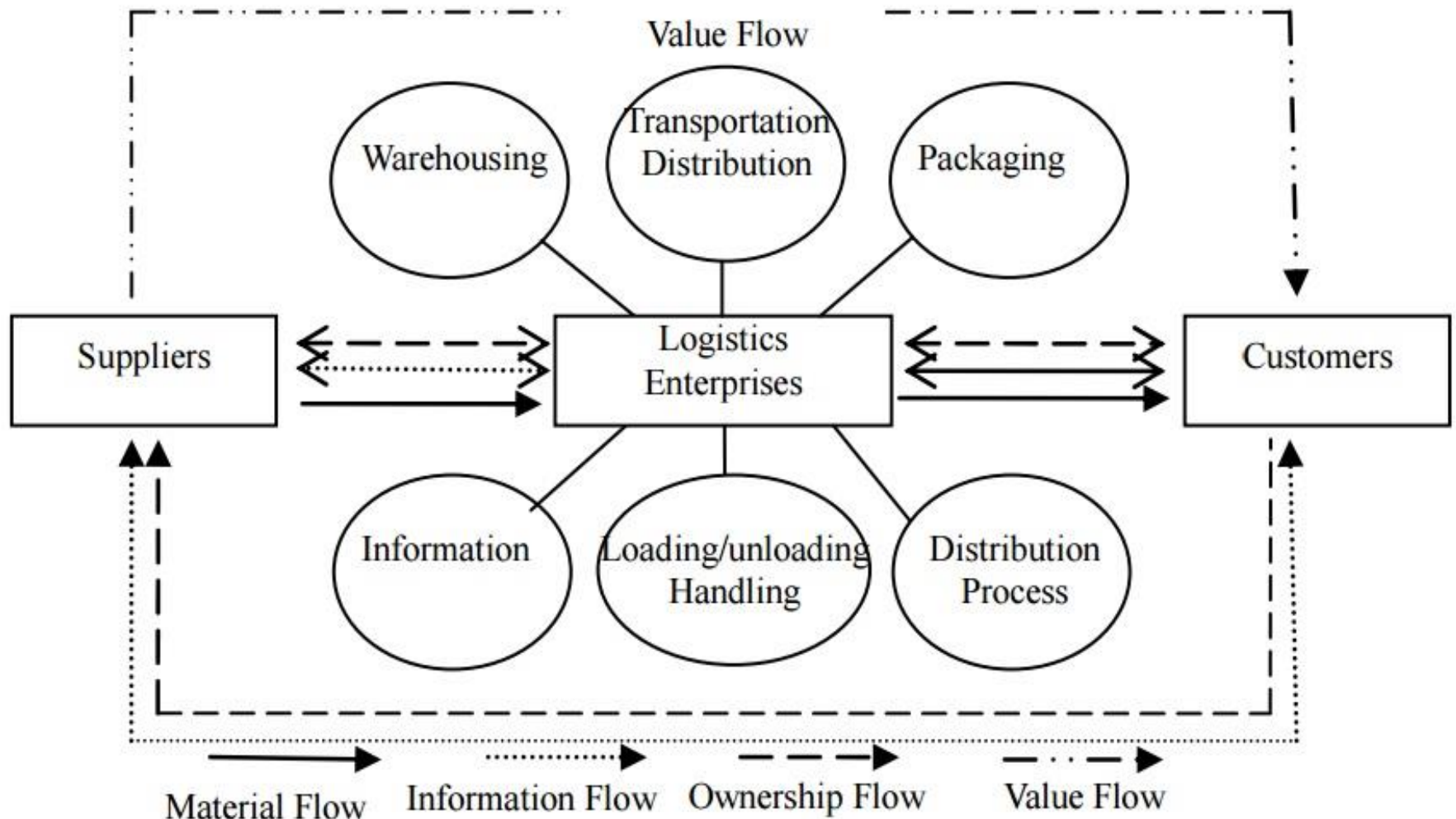
7 Norway

8 Luxembourg

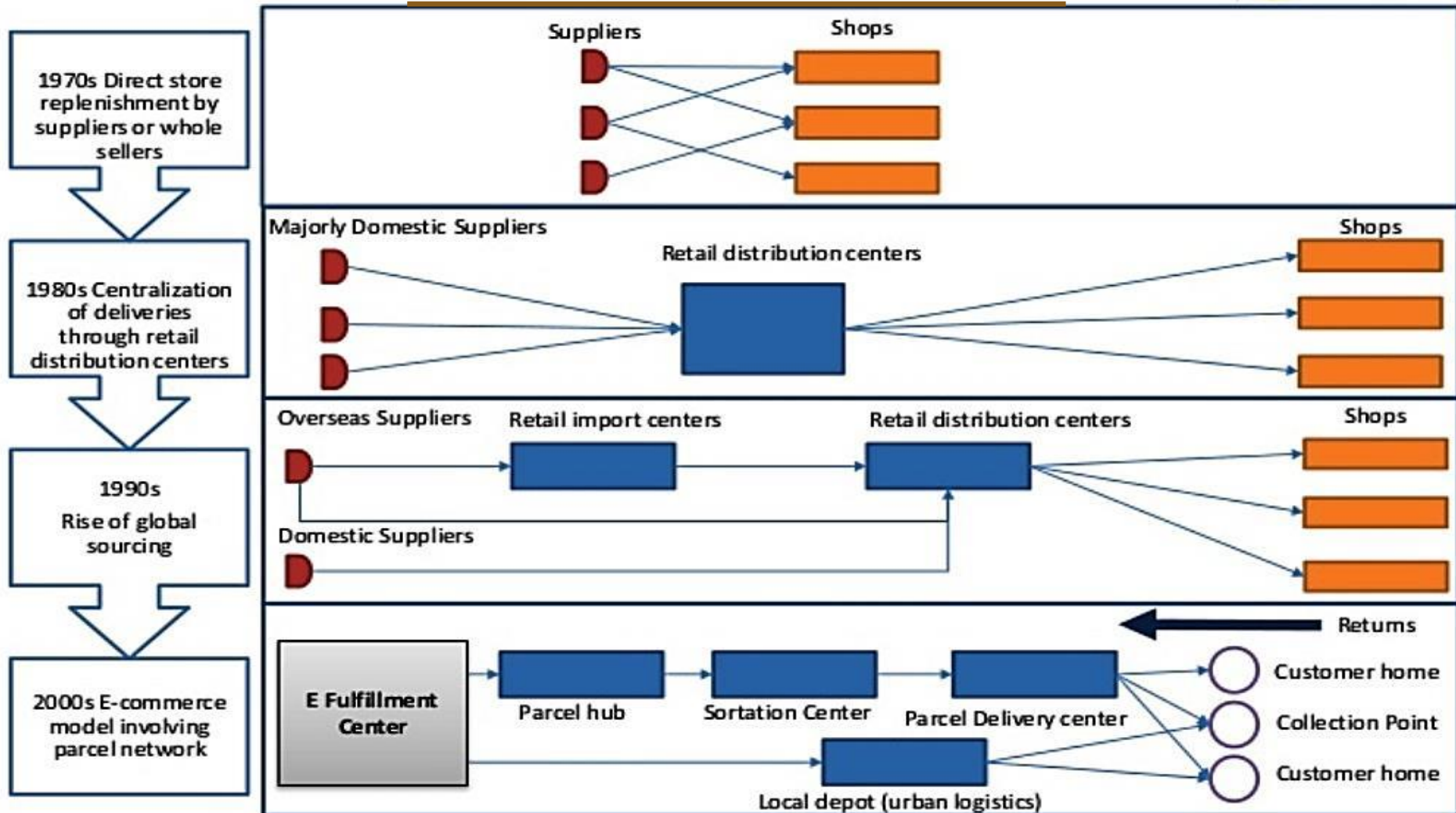
9 United States

10 Japan

“VALUE FLOW” IN LOGISTICS VALUE CHAIN



TRANSFORMATION IN LOGISTICS DUE TO E-COMMERCE



PORTER'S FIVE FORCES

ANALYSIS:



Bargaining power of suppliers

- ❧ Any business requires inputs labours, parts, raw material and service. The cost your inputs have a significant effect on your company's profitability
- ❧ For our company bargaining power of suppliers depends on the following factors:
 - ❧ Price of fuels
 - ❧ Taxes
 - ❧ Government policies
 - ❧ Cost of land
 - ❧ Increase in rents

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Bargaining power of Buyers

- ❧ The power of buyers describes the effect that your customers have on the profitability of your business the transaction between the seller and the buyer create value for both parties.
- ❧ **For our company**
- ❧ The bargaining power of buyers is medium because of the sufficient number of logistic companies.

Rivalry among competitors

- ❧ Rivalry among competitors is often the strongest among the porter's five forces.
- ❧ **For our company the competition is from:**
- ❧ Unorganized transporters
- ❧ International players like DHL
- ❧ Domestic company GATI

Threat form new entrants:

- ❧ Company may have the market cornered with the product, but the success may inspire others to enter the business and challenge your position.
- ❧ **For our company**
- ❧ Threat is from various cargo companies that may enter the logistics business
- ❧ Threat is also from the entry of other international companies like UPS

Threat of substitutes

- ❧ Products or services from one business can be replaced by products or services from another if you produce a commodity product that is undifferentiated, customer can switch from your product.
- ❧ **For our company**
- ❧ Substitutes may be the transporters who provide services at the cheaper rate.

Threat of New Entrants

- ✓ Easy access to distribution channels
- ✓ Low initial capital investment
- ✓ No entry barriers and lot of funding options available
- ✓ Low consumer switching costs
- ✓ Huge growth opportunities in India

Minimum product differentiation and low switching cost give a lot of power to buyers

Bargaining Power - Buyer

- ✓ Multiple options and variety to choose from
- ✓ Low switching costs
- ✓ Can easily compare product prices and features across platforms
- ✓ With increasing competition the bargaining power is shifting towards consumers

Low entry barriers make the industry very competitive and decreases the scope for potential profits

- ✓ Companies have to compete with brick and mortar as well as other ecommerce companies
- ✓ High exit cost for inventory based models

Internal Rivalry

- ✓ Tough competition makes it difficult to increase the market share
- ✓ Companies competing only on prices with very low differentiation

Suppliers have high bargaining power as they sell via multiple platforms and channels

Threat from Substitutes

- ✓ Negligible Product Differentiation
- ✓ Lot of substitutes are available
- ✓ The product performance of substitute products is same or better
- ✓ Low switching costs make the industry price sensitive

Consumers always look for better deals and thus there is no brand loyalty amongst the consumers

Bargaining Power - Supplier

- ✓ Huge scope for forward integration by supplier to sell their own products and increase their margins
- ✓ Multiple selling platforms provide high bargaining power
- ✓ Low to medium switching costs for e-commerce companies

International Key Logistics Players



Exel

- ❧ **Headquarters:** Westerville, OH United States
- ❧ **3PL Assets:** 74,000 employees; 300 warehouses; 5923 tractors, 7544 trailers
- ❧ **Services:** Warehousing and distribution (contract logistics), air and ocean freight forwarding, supply-chain consulting, customs brokerage, transportation management, returns management, home delivery
- ❧ **Industry Focus:** Consumer goods, retail, computers and electronics, automotive, chemical, healthcare.
- ❧ Exel is the world's largest 3PL.

Kuehne & Nagel



- ❧ **Headquarter:** Schindellegi, Switzerland
- ❧ **3PL Assets:** 19,000 employees; 50 warehouses
- ❧ **Services:** Ocean and airfreight forwarding, value-added warehousing and distribution, transportation management, customs brokerage, supply-chain management
- ❧ **Industry Focus:** Automotive, industrial, healthcare, high-tech, retail/consumer products
- ❧ It is the world's largest ocean freight forwarder. It is also one of the top five airfreight carriers. Kuehne & Nagel has ISO 9001 certification for all of its company locations. Primary contract logistics emphasis is on pharmaceuticals and high-tech.

Schenker



- ❧ **Headquarter:** Frankfurt, Germany
- ❧ **3PL Assets:** 36,000 employees; 405 warehouses
- ❧ **Services:** Air and ocean freight forwarding, customs brokerage, warehousing and distribution, transportation management
- ❧ **Industry Focus:** Automotive, computers and electronics, consumer goods, healthcare
- ❧ Schenker is a German industry giant with logistics management capabilities. Schenker is part of Stinnes Logistics, a large German conglomerate (over \$11bn in sales) involved in oil trading, raw materials, steel and other operations. Schenker is a key transportation and distribution company in Europe.

Logistic Industry in India



- The Indian logistics industry is poised for a significant leap forward in the years to come. Factors like the proposed introduction of common Goods Sales Taxes (GST) will create favorable environment for the logistics industry.
- Experts anticipate a lot of growth in Tier-II and Tier-III markets as large number of customers and shippers are going into these markets.
- The express industry in India is showing a growth rate of 12-15%. DHL has been growing above the market average and will continue to be a leader in the industry.
- Logistics costs constitute 13% of GDP (gross domestic product) in India compared to 9% in the US.

Key players in Indian market



DHL

- ✧ DHL Supply Chain is organized into three regions: Americas, Asia Pacific/Middle East/Africa and Europe.

TNT

- ✧ TNT, the world's leading express integrator, announced that it anticipates strong growth in India, attributed by its growing air and road network connectivity and service expansion in the country.

AFL

- ✧ AFL specialize the marketing in South / Central America & Caribbean countries for air freight, they are also the GSA (General Sales Agent) for AeroMexico Airlines (AM) in Hong Kong whom can provide competitive air freight rates along with their excellent services ex. HKG to those countries.

Services



✧ Air Freight

It includes moving time-sensitive cargo from key gateways to destinations around the world.

✧ Sea Freight

It includes ocean forwarding, NVOCC consolidation, full container load (FCL) services, less than container load (LCL) services

✧ E-commerce

It provides domestic and international e-commerce sellers with warehouse management, supply distribution, cross-border transport, B2C of small parcel services, domestic warehousing and order fulfilment and an efficient one-stop service platform, ECOSS (E-Commerce One-Stop Solution).

☞ E-parcel Services

It provides e-parcel services for sellers to deliver their goods to foreign countries

☞ 3PL

It includes distribution centres , experienced staffs in handling different picking activities, FIFO stock rotation, SAP Warehouse Management System (WMS) and using RF for inbound inspection.

Challenges for India



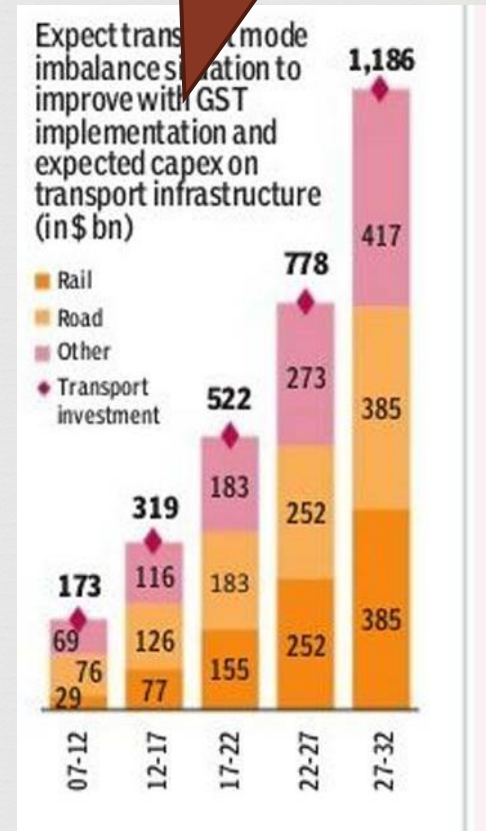
- ❧ Low-cost country, logistics cost in India is higher due to administrative delays
- ❧ Low penetration of new technology in the supply chain process is resulting in damage of goods
- ❧ Inadequate and low-quality highway availability
- ❧ Limiting the trucks' size and impacting economies of operation.

'Make in India' opens up opportunities



15%
growth

- ✧ Air cargo is expected to grow significantly
- ✧ Delhi-Mumbai Industrial Corridor Project
- ✧ Improved Ease of doing business
- ✧ Implementation of GST



Growth of E-commerce/Tailers



500,000,000 users by 2016

Total Retail and Retail Ecommerce* Sales in India, 2013-2018

billions, % change and % of total retail sales

	2013	2014	2015	2016	2017	2018
Total retail sales	\$635.25	\$717.83	\$818.33	\$941.08	\$1,082.24	\$1,244.58
—% change	10.0%	13.0%	14.0%	15.0%	15.0%	15.0%
Retail ecommerce* sales	\$3.59	\$5.30	\$7.69	\$10.68	\$14.18	\$17.52
—% change	55.6%	47.6%	45.2%	38.9%	32.8%	23.5%
—% of total retail sales	0.6%	0.7%	0.9%	1.1%	1.3%	1.4%

Note: converted at the exchange rate of US\$1=INR58.52; excludes travel and event tickets; *includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment
Source: eMarketer, Dec 2014

E-commerce market growth pegged at 25-30% CAGR over the next few years



CARG-Compound annual Growth rate

13% GDP contribution

Thank You



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