

# VALUE PROPOSITION OF EACH AGENT IN THE SUPPLY CHAIN

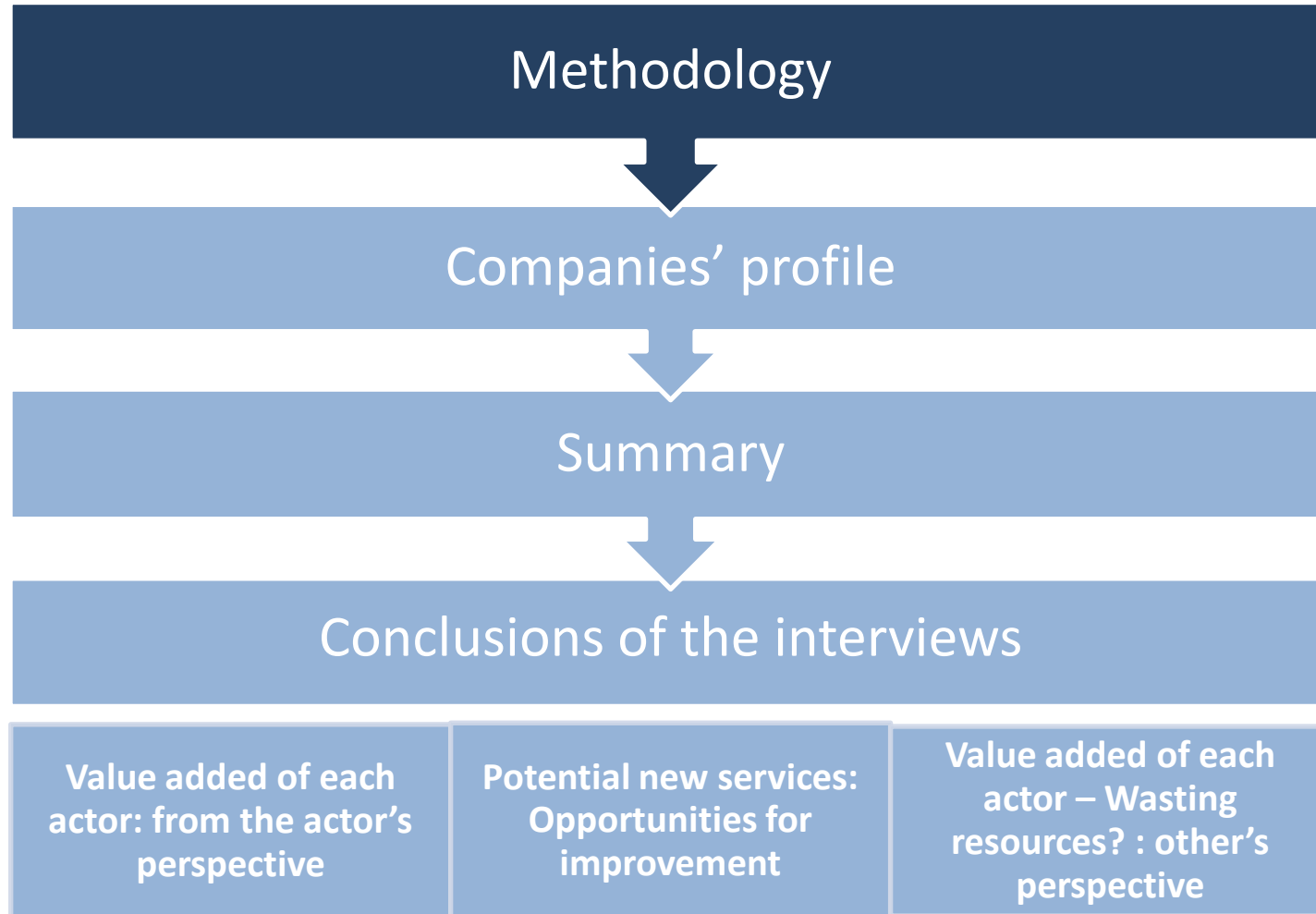


**June 2011**

## Objectives

- Competition takes place at the supply chain level.
- Presentation of Research by the Port of Barcelona Chair of Logistics at CEIBS
- Promote the dialogue between the different agents: producers, logistics, freight forwarders, shipping companies, customs, ports, etc.
- In this research, we have analyzed which is the role of each player in the supply chain, where do they add more value, and what they could do that they are not doing.
- Identify possibilities for gaining efficiency in the chain.

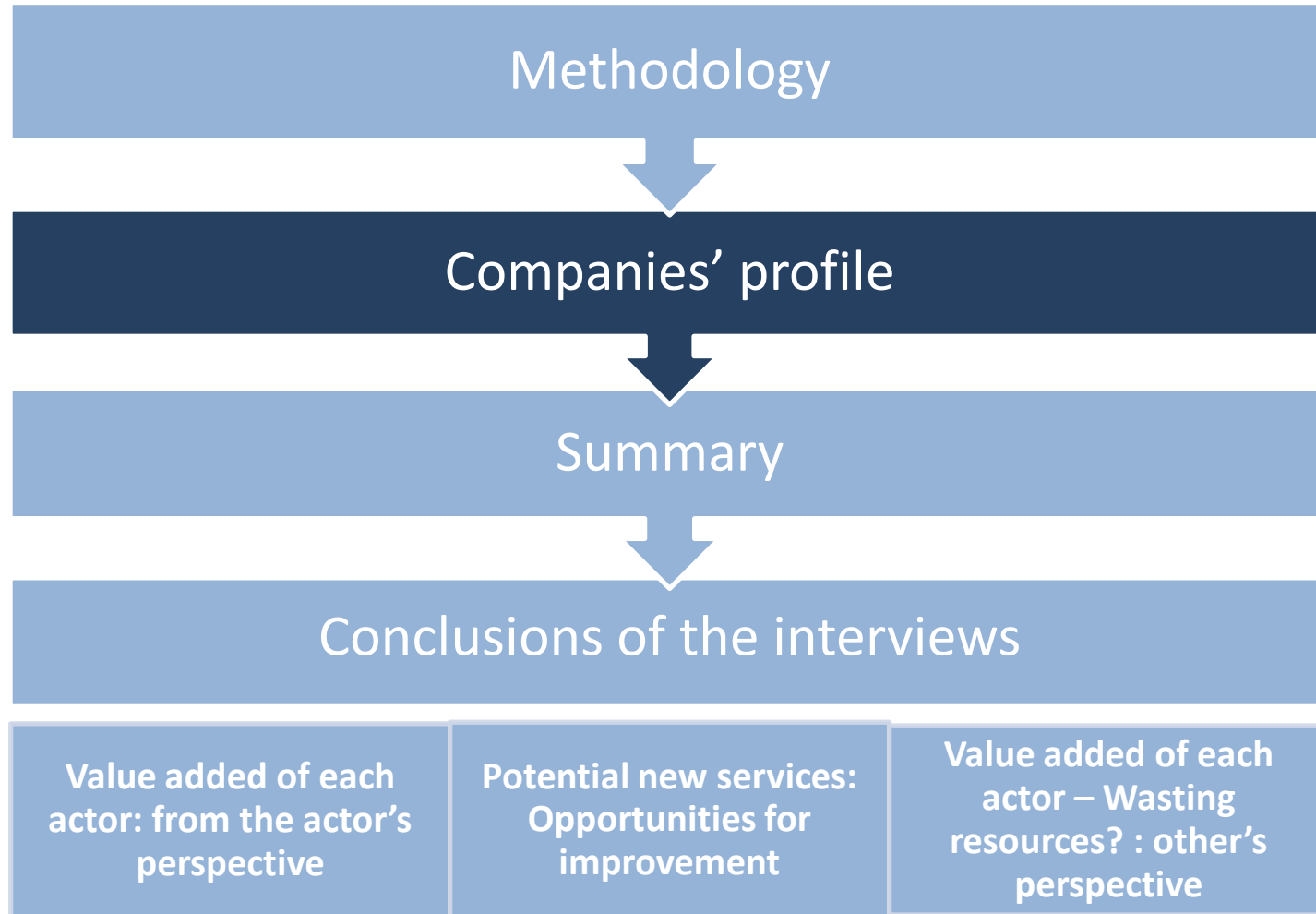
## Road Map



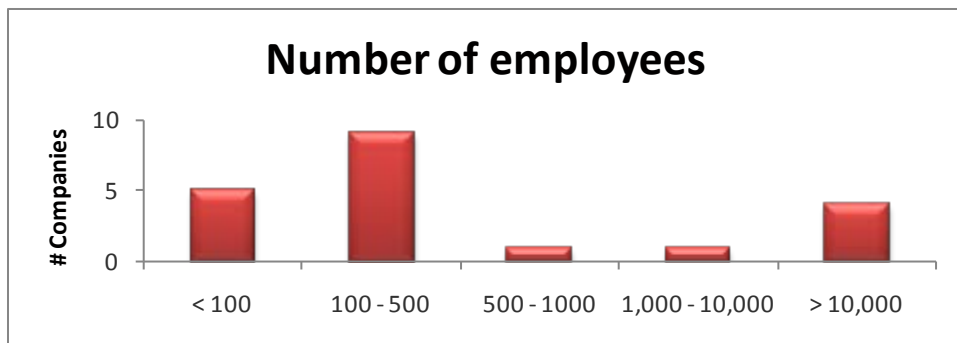
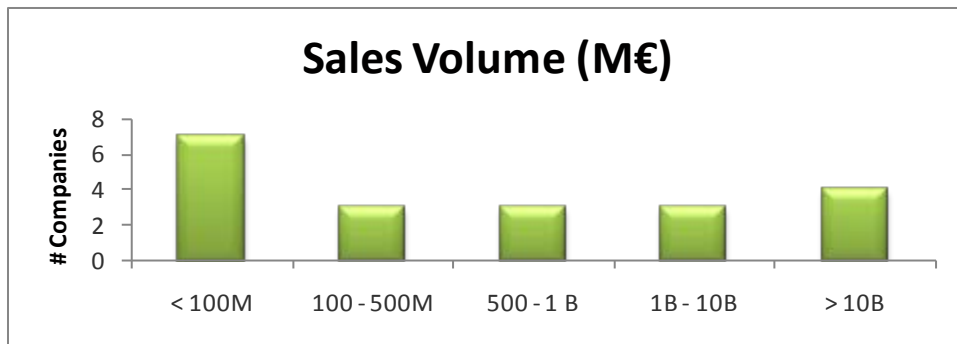
## Methodology

- Face to face interviews with a research script
  - Producers (importers and exporters)
  - Logistic companies
  - Freight forwarders
  - Shipping companies
  - Port Authorities
  - Terminal operators
- Meetings to get deeper on some issues that surfaced during the interviews
- Workshops
  - Shanghai & Beijing
  - Debate among the participants

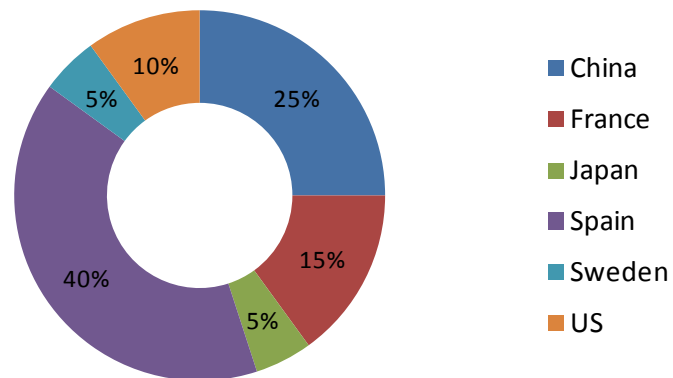
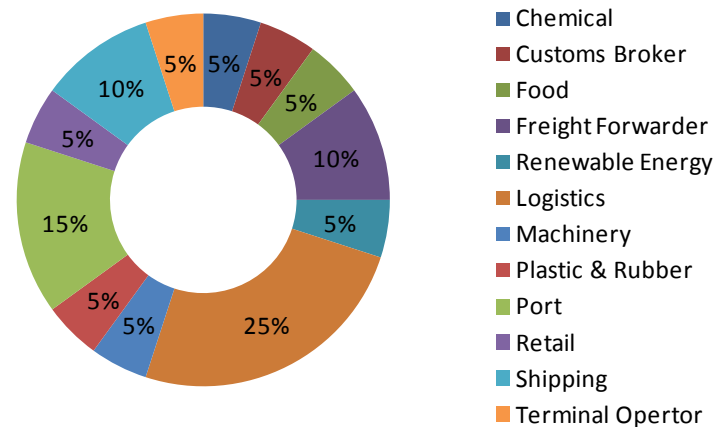
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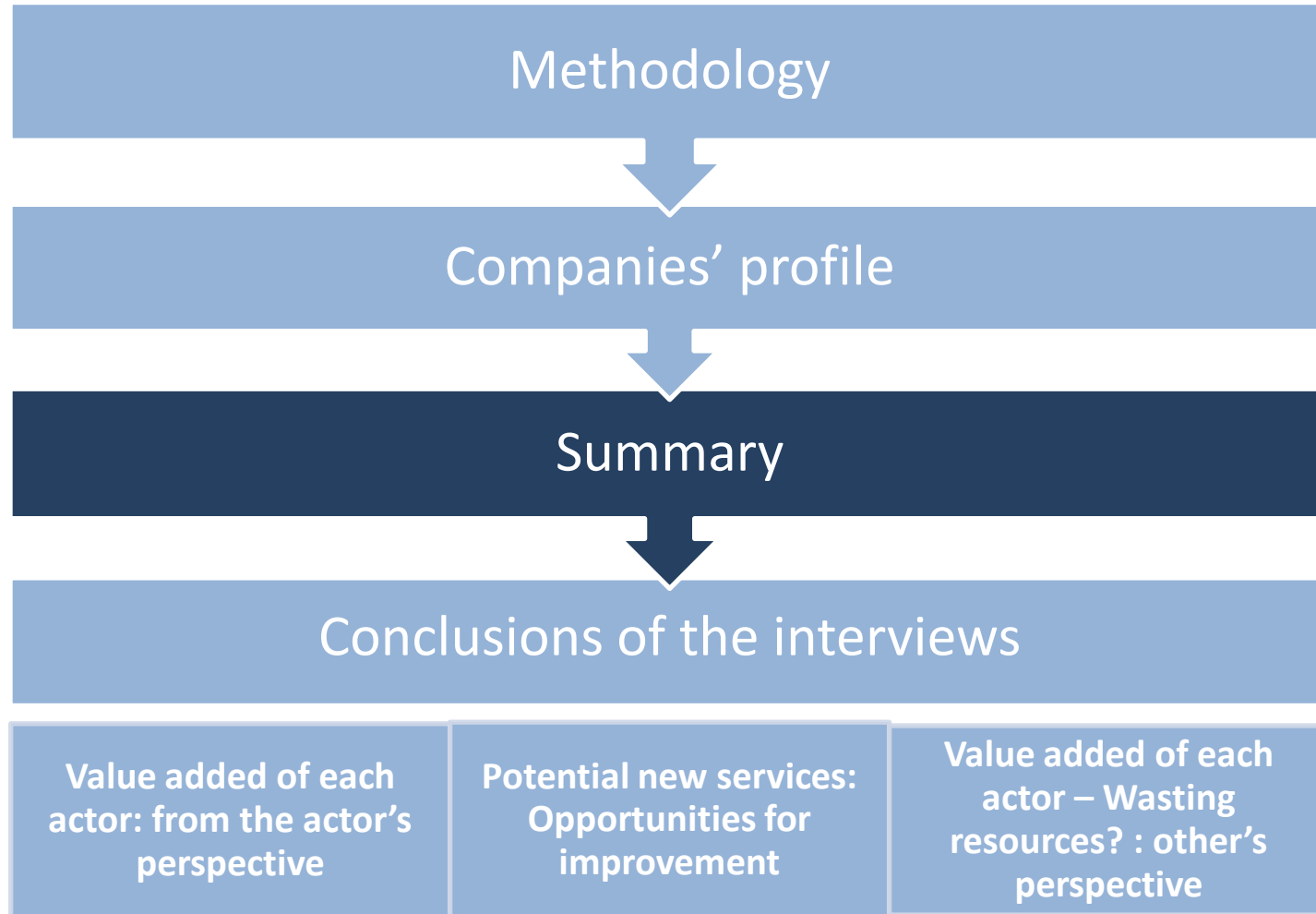
# Interviews: Companies Profile



## Sector of Interviewed Companies



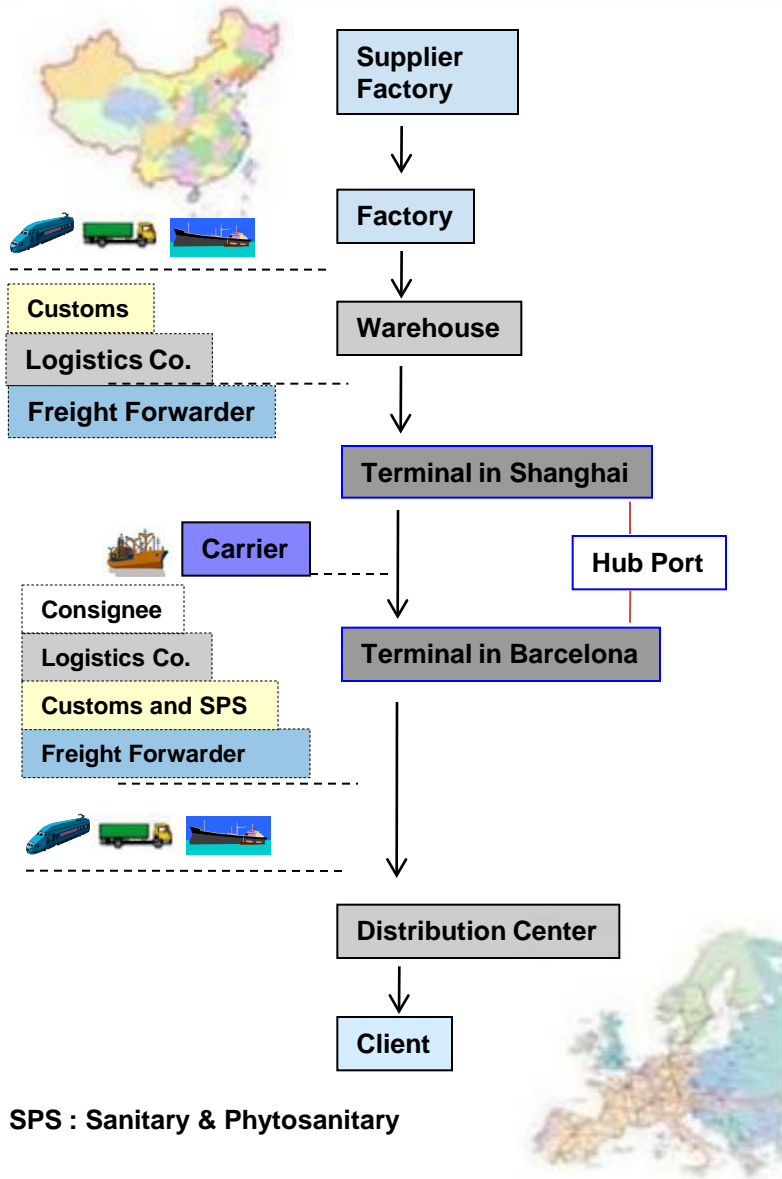
## Road Map



## Summary: The relationship among players

- The relationship between the manufacturer and the logistic company/freight forwarder is usually smooth and straight forward.
- Manufacturer only perceives the value added of the logistic company when there is a problem in the supply chain.
- The line between the logistic company and the freight forwarder is not always clear (especially in China).
- The shipping companies are in a very strong position.
- Shipping companies are few and somehow distribute the routes among them avoiding competition.





- Experiment:
  - We asked participants to draw a diagram representing the relationships among the players of their supply chain.
  - Only 6 of 21 participants drew the Ports Authorities in it and only 2 drew customs in it.
  - 7 of the participants only drew 3 to 4 players in the supply.
- There is a big fragmentation in the market. There is little communication among the players in the supply chain and a low degree of understanding of each others' role.
- The biggest frictions have been found where the market is not "open" or competition is limited.

## **Summary: the fragmentation is even higher in China**

- The fragmentation is even higher in China than in Europe.
- In China, often people are not aware of the fact that integration will improve the efficiency of the whole chain.
- Europeans are much more demanding with the governmental players like customs or the Port Authorities.
- Chinese do not complain about the inefficiencies or the lack of participation of all the governmental players.

## Summary: integration

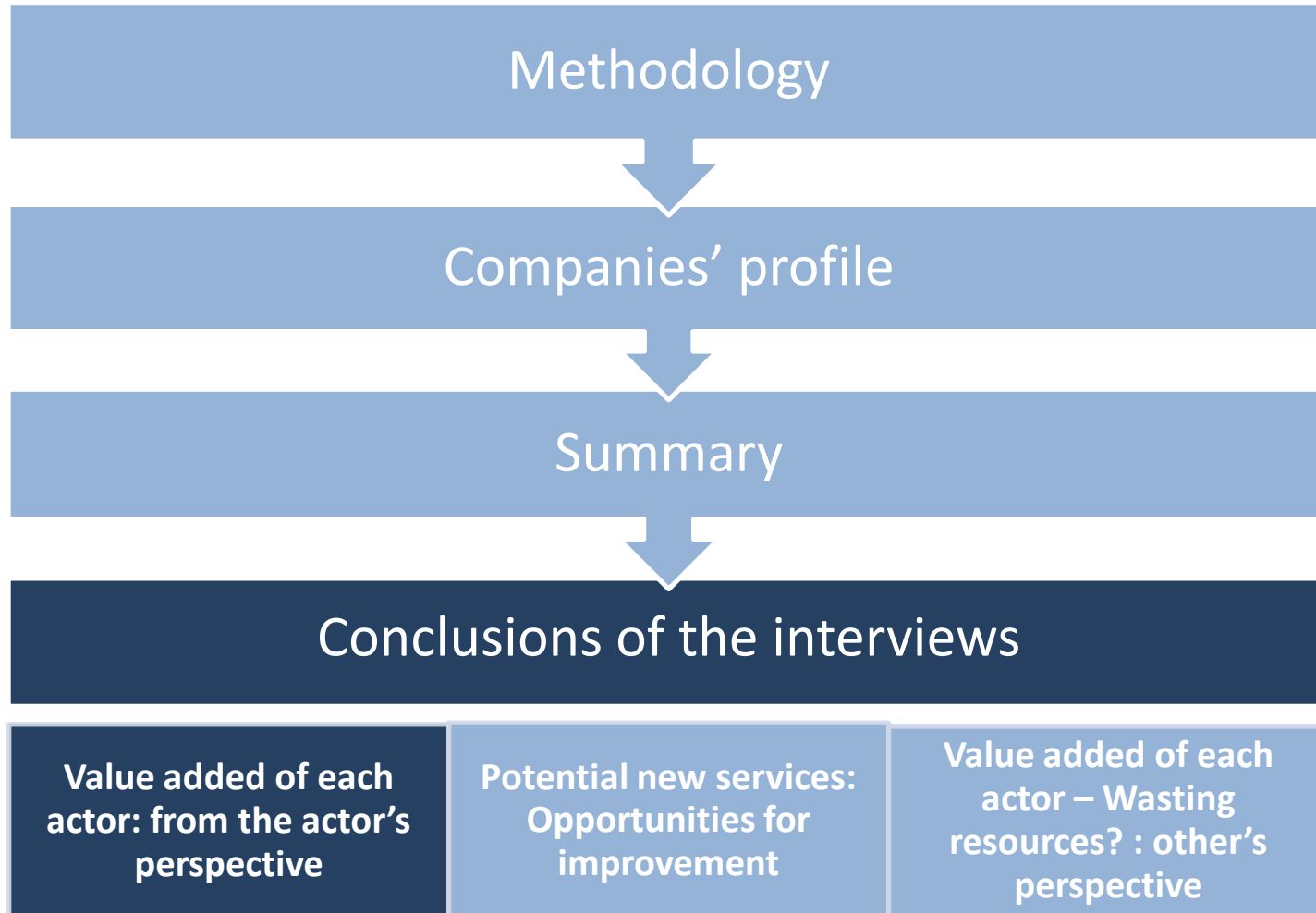
- Tendency towards the verticalization.
- It is accepted that the shipping companies are the strongest player of this chain. Furthermore they create alliances that make them even stronger.
- Agreements between other players (Ports, retailers, ...) could change the balance of power and allow more efficient Supply Chains.
- However, these agreements are difficult to reach

# Summary: orchestra directors for more efficient Supply Chains

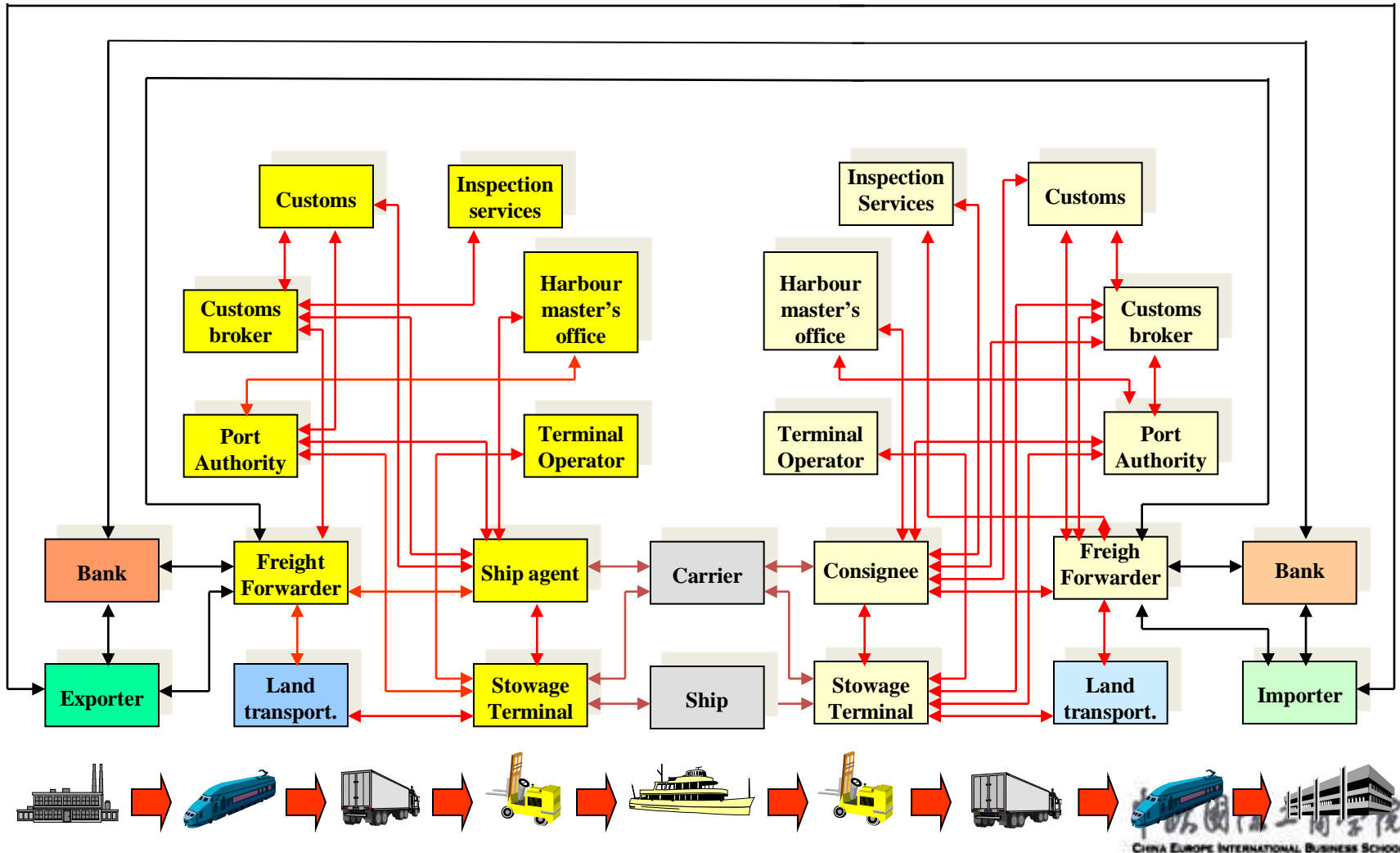
- Individual companies no longer compete as autonomous entities but as supply-chain networks.
- The success of a single business increasingly depends on management's ability to integrate the company's intricate network of business relationships.
- Ports seem to pioneer research on how to improve the efficiency of the whole supply chain. This could help them to achieve a more leading role in the chain.



## Road Map



# Information flows in the maritime transportation



CHINA EUROPE INTERNATIONAL BUSINESS SCHOOL

## Added value

- Logistics
  - Integrator, problems solvers, storage, follow-up, ...
- Freight forwarders
  - Cargo consolidation
  - Foreign companies China specifics: language, tracking, quality control, get things done, need to work with local partner
- Custom clearing agencies / brokers
  - Consultants, provide advice, based on trust. Chinese brokers not yet fully developed.
- Shipping companies
  - Provide reliability in transit time, price, ... Door to door management.

Producer or  
Supplier

Logistics or  
Freight Fwd

Customs /  
inspections

Shipping  
companies

Port and  
terminals

## Added value

- Terminal operators / Stevedores
  - Different customers: big manufacturers, Shippers, Freight forwarders, Overseas consignee, ...
- Port authorities
  - Facilitator among different stakeholders, offer security services, provision of inland terminals, IT platform provider, train connections.
  - They are seen as playing a “public function”

*Terminal operators and Port authorities roles do not coincide in China with European expectations.*

Producer or  
Supplier

Logistics or  
Freight Fwd

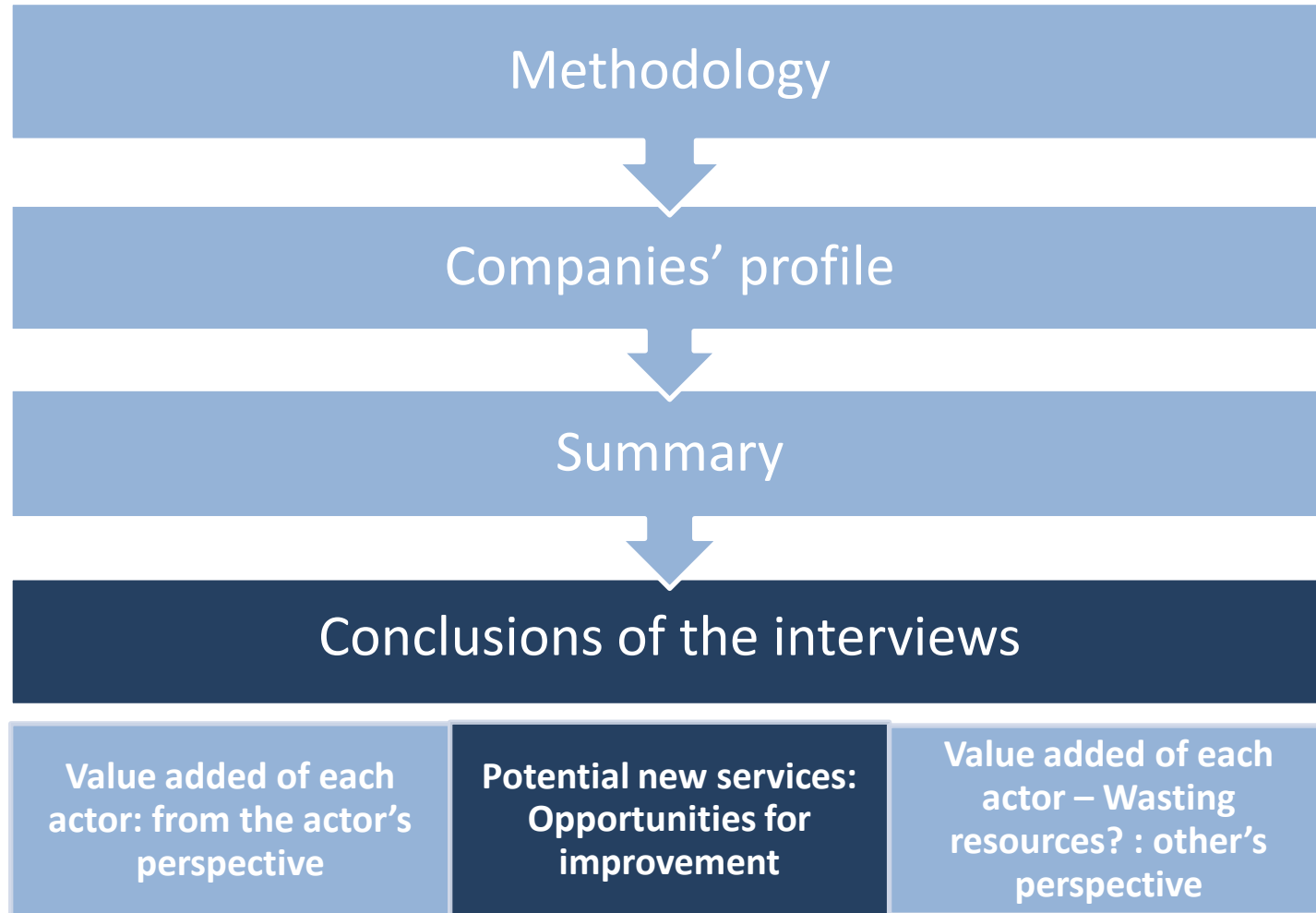
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inspections

Shipping  
companies

Port and  
terminals



## Road Map



## New services: Summary

- Suppliers & Producers
  - In China suppliers could do:
    - More product development.
    - Improve their quality control.
    - Be more trustable. Chinese suppliers have bad reputation.
  - Chinese based “agencies” (for foreign companies) could do:
    - More decision making power. E.g., “punishment” to the vendors.
    - Single quality inspection.

Producer or  
Supplier

Logistics or  
Freight Fwd

Customs /  
inspections

Shipping  
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## New services - Summary

- Logistic providers
  - Manage client's warehouse
- Customs clearance agencies/brokers
  - Offer advice
- Terminal Operators
  - Improve the management of the storage yards.
  - Invest more in inland terminals.
  - Participate in other business like railway transportation.
  - Cooperate with terminals in other ports to share the IT platform and information.

Producer or  
Supplier

Logistics or  
Freight Fwd

Customs /  
inspections

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terminals

## New services - Summary

- Port authorities
  - Cooperate with other Ports
  - Be proactive in avoiding potential problems; Keep the port community informed.
  - Promote logistics parks attached to the Port and attract the retailers into those parks. Ex: Port of Barcelona with IKEA, etc.

Producer or  
Supplier

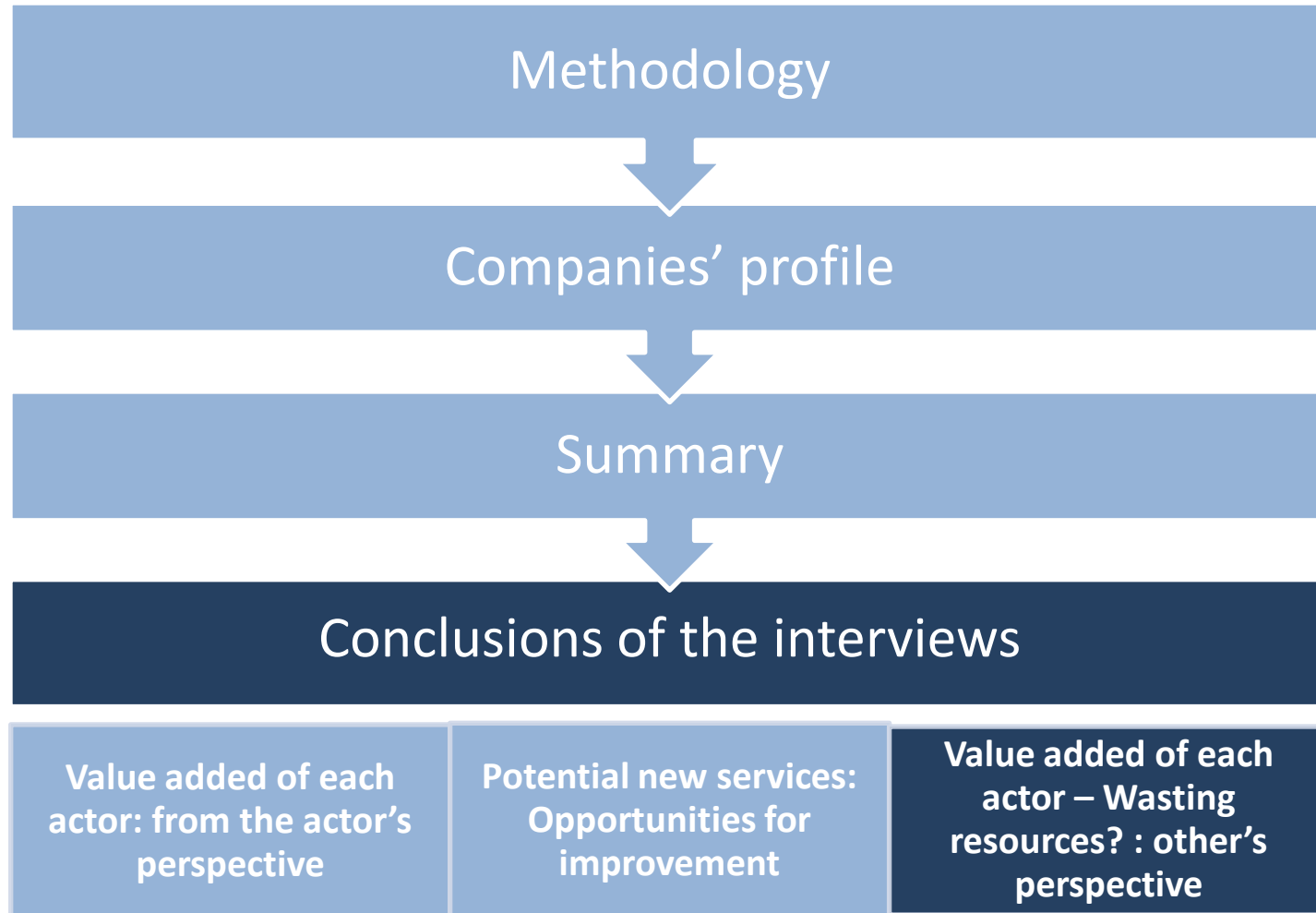
Logistics or  
Freight Fwd

Customs /  
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terminals

## Road Map



## Other's perspective: Logistic providers

According to the producers:

- The demand of door-to-door services is increasing and not so many logistic companies are able to provide a good service between China and Europe.
- Chinese logistic companies work well, are very quick and on-time. From a marketing point of view, they are very aggressive. However, they are not good at communicating.
- Lack of customer alignment between sales and operations.
- There is a perceived **lack of creativity and innovation** in this industry.

Producer or  
Supplier

Logistics or  
Freight Fwd

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terminals

## Other's perspective: Freight Forwarders

- Chinese companies:
  - Become more professional
  - The freight forwarders in H.K. and South of China are more professional than the ones in the north of China.
  - In the past the industry was under strict control by the government and the freight forwarders could only earn money through commissions. Nowadays, the industry is more transparent but there are still some irregularities.
  - Some are moving their headquarters from the coast to inland China to save costs. However, there is a risk of lowering the quality of the service they are providing.

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Supplier

Logistics or  
Freight Fwd

Customs /  
inspections

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terminals

## Other's perspective: Freight Forwarders

- Foreign companies:
  - It is very difficult for a bigger and more professional freight forwarder company to compete on price with the small ones. In China, an integration of this industry is needed.
  - Difficulty for Chinese to understand variability in charges between Spanish agents and North Europe ones, or even between the same Spanish agent on consecutive occasions. This results on them moving to North European ports.

Producer or  
Supplier

Logistics or  
Freight Fwd

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inspections

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terminals



## Other's perspective: Customs

- In Europe:
  - Schedule very rigid.
  - Extended working periods.
  - Tax rationalization.
  - Tax payment financing
  - Process improvement.
- In China:
  - Quick and efficient.
  - They just follow the procedures.
  - It is better to use some ports for some specific products because customs are less strict on those products.
  - Shanghai customs is the strictest in China.

Producer or  
Supplier

Logistics or  
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## Other's perspective: Sanitary & Phytosanitary measures

- Nowadays the main delays or retention of the containers in the Ports are very often related to the inspections (food, etc.) and not to customs.
- This organism in general is perceived less professional than customs.

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Supplier

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## Other's perspective: Shipping companies

- Some logistics think that big shipping companies are more professional than family owned small shipping companies. But there are exceptions of both cases.
- Big shipping companies give good service but the price is high.
- Difficulty to understand dynamic pricing (beyond oil price fluctuation) .

Producer or  
Supplier

Logistics or  
Freight Fwd

Customs /  
inspections

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companies

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terminals

## Other's perspective: Shipping companies

- In China the shipping agencies give priority to the companies that pay cash in China.
- Problems with impositions.
- Demand for more reliability, trustworthiness and providing more information.
- Although producers are the most affected by the fluctuation of prices of the maritime transportation, they can accept it better than the logistics and freight forwarders. These last ones seem to be more critic with the shipping companies.

Producer or  
Supplier

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## Other's perspective: Port Authorities

- According to the freight forwarders and logistic companies, ports only care about shipping companies and terminal operators.
- Logistics and freight forwarders are indirect clients of the ports. Ports should maintain a closer relationship with these actors.
- Ports should do more lobby with customs.
- Ports should do more lobby with stevedores.
- Ports should work to have a peaceful environment.
- Ports in the South of Europe should have better connections.

Producer or  
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## Other's perspective: Terminal operators / Stevedores

- In Europe stevedores belong to a pool shared by the different terminal operators in one Port.
- Difficulty in China to understand labour laws and regulations in Europe, or between different EU countries.

Producer or  
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