

SUPPLY CHAIN MANAGEMENT – KEY ASPECTS

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AGENDA

Allcargo – An Integrated Logistics Provider

Logistics users/industry – Some features

Less than Container Load Cargo (LCL)

Full Container Load Cargo(FCL)

Custom House Agent (CHA)

Container Freight Station (CFS)

Over Dimensional Cargo (ODC / Projects)

Coastal Shipping

Warehouse Operations (3PL)

Reverse Supply Chain



ABOUT ALLCARGO – AN INTEGRATED LOGISTICS PROVIDER

- **Global leader in Sea Freight Consolidation Business - LCL**
- **Pan India Presence of Container Freight Stations**
- **National Leader in Project Logistics**
- **Pioneer in Coastal Shipping – Break Bulk Cargo**
- **Wholly Owned Subsidiary – CHA / Air Freight / Freight Forwarding**
- **3 PL**
- **One of the leaders in Crane / Trailer rentals**



LOGISTICS USERS/INDUSTRY – SOME FEATURES



ESTIMATED TRANSPORTATION COST

	(Rs. In crore)
Freight Outward Expenses	573.44
Freight Inward (estimated 5%)	1394.97
TOTAL TRANSPORTATION COST	1968.41
<i>Import</i>	<i>6287.92</i>
<i>Domestic purchase consumed</i>	<i>21611.45</i>

(Source: Annual Report, A large engineering Co)



LOGISTICS USERS / INDUSTRY – SOME FEATURES

- **Large number of unorganised players**
- **Supply Chain Professionals**
- **Strategic advantages**
- **Inefficient system in comparison to international logistics standards**
- **Lack of Integrated Players**
- **Other compelling reasons**



LESS THAN CONTAINER LOAD CARGO



LCL CARGO – FACTORS FOR CONSIDERATION

- CIF / FOB?
- CARGO ROUTE & TRANSIT TIME
- LAYERS OF INTERMEDIARIES
- DOMINANT PLAYERS
- HAZARDOUS CARGO
- PACKAGING & PELLATISATION
- TRACK & TRACE
- DELAYS IN PICK UP, VESSEL CONNECTIVITY, CLEARANCE AND DELIVERIES AT DESTINATIONS
- AVAILABILITY OF CONCERNED RESOURCES FROM SERVICE PROVIDER



FULL CONTAINER LOAD CARGO



FCL – FACTORS FOR CONSIDERATION

- **LCL / FCL ?**
- **Factory / CFS stuffing?**
- **Buying from Whom?**
- **Land Side Movement**
- **Distribution**
- **Flat Rack / Open Containers**



CUSTOM HOUSE AGENT (CHA)



CUSTOMS HOUSE AGENT

- DELAYS
- FINANCIAL RESOURCES
- COORDINATION WITH NVOCC & CFS & TRANSPORTER



CONTAINER FREIGHT STATIONS / INLAND CONTAINER DEPOTS (CFS / ICD)



CONTAINER FREIGHT STATION

- **Pan India Presence**
- **RFID**
- **Evacuation from Ports**
- **Safety of Cargo**
- **Refrigerated Containers**
- **CTPAT (Custom – Trade Partnership Against Terrorism) certification**
- **Relationship Management**



OVER DIMENSIONAL CARGO / PROJECTS



OVER DIMENSIONAL CARGO / PROJECTS

- **Ministry of Road Transport and Highways Guidelines**
- **Own equipment fleet**
- **Trained personnel**
- **Safety of cargo, equipment & personnel**
- **Compliance of regulations**
- **Detailed designs and drawings of equipment**
- **Adequate time for route survey**
- **Co-ordination with other agencies involved in execution**
- **Crane deployment – specific aspects**
- **Planned strategy to be shared by service provider**
- **Project Timelines**



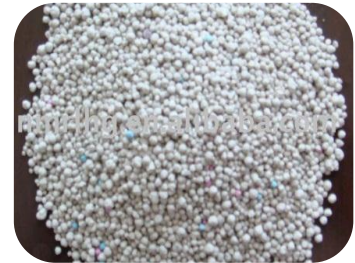
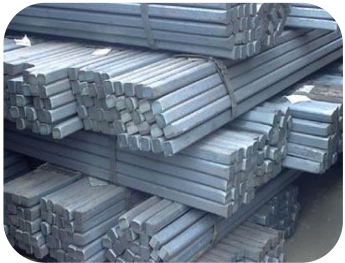
COASTAL SHIPPING



COASTAL SHIPPING



COASTAL SHIPPING



COASTAL SHIPPING

- **Cargo movement in the range of 6000 to 10000 MT**
- **First mile and last mile connectivity not more than 20% of the total distance to be covered**
- **Cleaner energy**
- **40 to 50% of cargo traffic is through short sea / coastal in developed countries and only 7% in India**
- **Bigger the parcel size better it is**
- **Savings of about 15 to 20%**
- **Appropriate solution for loading & unloading**
- **Restrictions on height, length, movement timings**



3 PL



3 PL

- **Key Objectives**
 - **Cost reduction (27 percent),**
 - **Strategic Reasons (26 percent),**
 - **Process effectiveness (24 percent),**
 - **Internal Capability (11% percent)**
- **Financial Resources**
- **Consolidation, Transportation, Distribution and Clearances**



REVERSE SUPPLY CHAIN

- **Capital Goods**
- **Environmental Considerations**
- **Specialized packing materials**



Current Trend - Integrated Services

- **Factory to Foundation**
- **Consolidation of imports**
- **Consolidation of distribution**
- **LCL/FCL+CHA+Transportation**
- **CHA+CFS+Transportation**
- **Coastal Shipping + Transportation**
- **Outsourcing of Logistics**
- **Air + Sea**

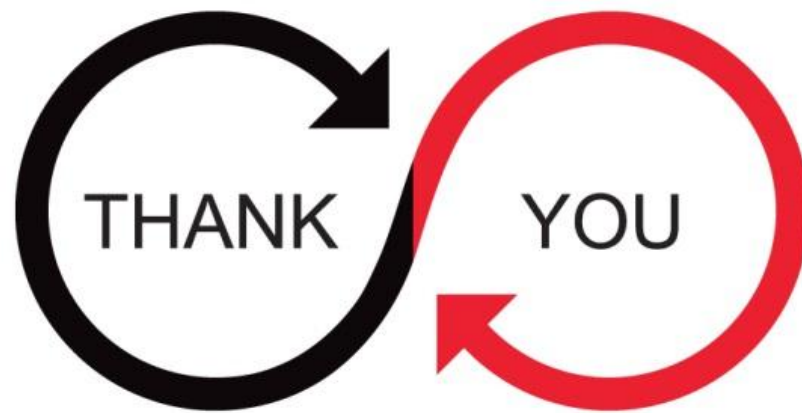




A Little Neglect May Breed Great Mischief

**“For want of a nail, the shoe was lost.
For want of a shoe, the horse was lost.
For want of a horse, the rider was lost.
For want of a rider, the battle was lost.
For want of a battle, the kingdom was lost,
And all for the want of a horseshoe nail.”**





APPENDIX – KEY OBJECTIVES OF LOGISTICS & SUPPLY CHAIN



KEY OBJECTIVES OF LOGISTICS & SUPPLY CHAIN

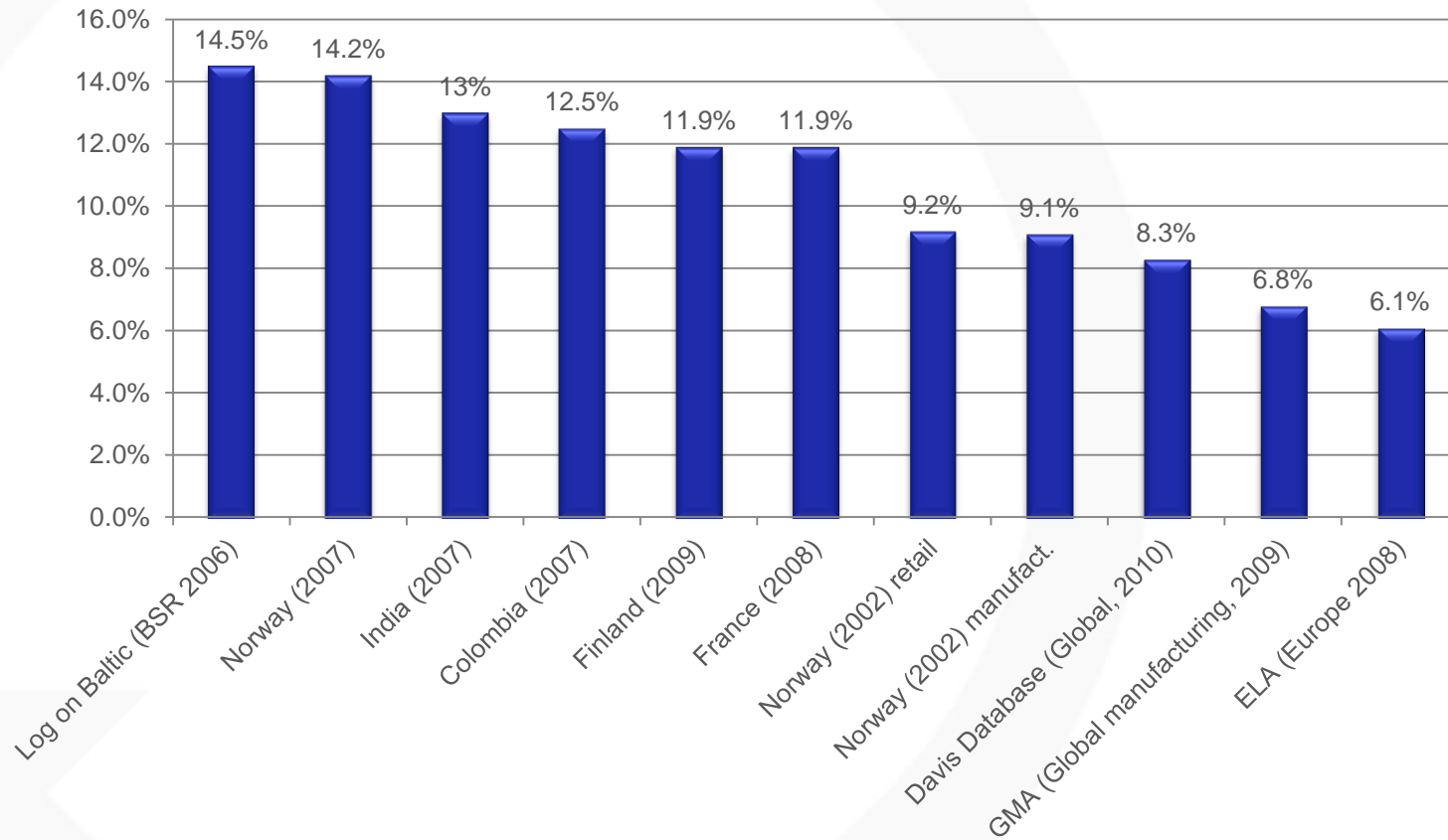
- **Optimum Inventory carrying cost**
- **Optimum cycle time**
- **No loss in transit**
- **Optimum cost for entire supply chain activity**
- **100% on time delivery**
- **Operational flexibility**



APPENDIX – STATISTICS ON INEFFICIENCY IN LOGISTICS



The Levels of Total Logistics Costs in Single-Country Surveys as a percentage of GDP



Source: *International Transport Forum Discussion paper 2012.04*



A FEW INDICATORS OF INEFFICIENCY

- **India Ranks 46th position on Logistics Performance Index (Source: World Bank LPI 2012)**
- **The efficiency of the clearance process** (speed, simplicity, and predictability of formalities) by border control agencies including customs.
- **The quality of trade- and transport-related infrastructure** (ports, rail roads, roads, information technology).
- **The ease of arranging competitively priced shipments.**
- **The competence and quality of logistics services** (transport operators, customs brokers).
- **The ability to track and trace consignments.**
- **The frequency with which shipments reach the consignee within the scheduled or expected delivery time.**

(Source: World Bank & Turku School of Economics – Connecting to Compete 2012)



A FEW INDICATORS OF INEFFICIENCY

“In Kazakhstan it takes 93 days to export a 20-foot full container load (FCL) container of cotton apparel, and in Mali 67 days, while in Sweden it takes only 6 days. In Namibia the costs of all trade-related transactions for a 20-foot FCL container, including inland transport from the ocean vessel to the factory gate, amount to slightly more than \$3,000, and in Georgia to slightly less than \$3,000. In Germany these costs amount to only \$813, and in Sweden to a little more than \$500.”

“100 percent of imports coming into Sri Lanka and nearly 100 percent coming into Nigeria are subject to comprehensive inspection, while 2 percent are inspected in Germany and only 1 percent in Canada. A typical export transaction requires 42 approval signatures in the Democratic Republic of Congo, 40 in Azerbaijan, 39 in Nigeria, and 33 in Mali—but only 2 in Australia, Austria, and Canada and 1 in Germany.”

Source: World Bank Policy Research Working Paper 3773, November 2005



A FEW INDICATORS OF INEFFICIENCY

“LOGISTICS REFORM

Logistics cost in India is over 13 per cent of GDP, whereas it is only around 5 per cent in the developed world.

This, too, is a consequence of wrong government policies, subsidising the least-efficient road sector with diesel subsidies and input VAT refunds by virtually all State governments, and neglecting coastal cargo movement and the rail sector.

If the Rs 1 lakh crore that is used to subsidise the road sector every year (State plus central government subsidies) is used to lay additional tracks and increase rolling stock for cargo movement, logistics costs can be reduced by at least 3 per cent of our GDP within a five-year period. “

Source: Hindu Businessline.com 24/06/2012



APPENDIX – SUPPLY CHAIN IMPACT ON COMPANY VALUATIONS



Supply chain's impact on company valuation

- According to Boston-based AMR Research, the average total return of companies in AMR's "Supply Chain Top 25" in 2007 was 17.89%, compared with returns of 6.43% for the Dow Jones Industrial Average and 3.53% for companies in Standard & Poor's 500 Index.
- According to a Georgia Tech study, supply chain glitches torpedo shareholder value. After adjusting for industry and market movements, the total shareholder value loss associated with a glitch can be as high as 25%.
- A study by Dr. Thomas Speh of Miami University of Ohio showed that when a company adopts a new distribution or logistics innovation, the company's stock price increases.
- A study by Bain & Company showed that companies employing sophisticated supply chain methods enjoyed 12 times greater profit than companies with unsophisticated methods.
- A real correlation has been drawn between companies' financial success and the depth and sophistication of their supply chains. This fact is illustrated by a number of companies. According to Dell, the supply chain is "the biggest leverage point we have."
- *Source: <http://cscmp.org/media-center/facts-global-supply-chain>*



APPENDIX – WORLD MERCHANDISE TRADE – EXPORT



World Trade Export Data

Table I.5

World merchandise exports by region and selected economy, 1948, 1953, 1963, 1973, 1983, 1993, 2003 and 2011

(Billion dollars and percentage)

	1948	1953	1963	1973	1983	1993	2003	2011
	Value							
World	68	84	167	678	1388	3876	7377	17818
	Share							
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	28.1	24.8	19.9	17.8	18.8	18.6	16.8	12.8
United States	21.7	18.8	14.9	12.3	11.2	12.6	9.8	8.3
Canada	5.5	5.2	4.3	4.8	4.2	3.9	3.7	2.5
Mexico	0.9	0.7	0.6	0.4	1.4	1.4	2.2	2.0
South and Central America	11.3	8.7	6.4	4.3	4.4	3.0	3.0	4.2
Brazil	2.0	1.8	0.9	1.1	1.2	1.0	1.0	1.4
Argentina	2.8	1.3	0.9	0.6	0.4	0.4	0.4	0.5
Europe	35.1	38.4	47.8	60.8	48.6	45.4	45.8	37.1
Germany a	1.4	5.3	9.3	11.7	9.2	10.3	10.2	8.3
France	3.4	4.8	5.2	6.3	5.2	6.0	5.3	3.3
Italy	1.8	1.8	3.2	3.8	4.0	4.6	4.1	2.9
United Kingdom	11.3	9.0	7.8	5.1	5.0	4.9	4.1	2.7
Commonwealth of Independent States (CIS) b	-	-	-	-	-	1.6	2.8	4.4
Africa	7.3	6.6	6.7	4.8	4.6	2.6	2.4	3.8
South Africa c	2.0	1.8	1.5	1.0	1.0	0.7	0.5	0.5
Middle East	2.0	2.7	3.2	4.1	6.8	3.6	4.1	7.0
Asia	14.0	18.4	12.6	14.8	18.1	28.1	28.2	31.1
China	0.9	1.2	1.3	1.0	1.2	2.5	5.9	10.7
Japan	0.4	1.5	3.5	6.4	8.0	9.9	6.4	4.8
India	2.2	1.3	1.0	0.5	0.5	0.6	0.8	1.7
Australia and New Zealand	3.7	3.2	2.4	2.1	1.4	1.4	1.2	1.7
Six East Asian Traders	3.4	3.0	2.5	3.6	5.8	9.7	9.6	9.8

Source: World Trade Organisation – International Trade Statistics
2012

