

Logistics Outsourcing

ความท้าทายของอุตสาหกรรมสมัยใหม่

Mr. Suchart Chantaranakaracha
Chairman, Thai National Shippers' Council
May 28, 2008

Agenda

Countries & business competitiveness

Factors affected cost & efficiencies

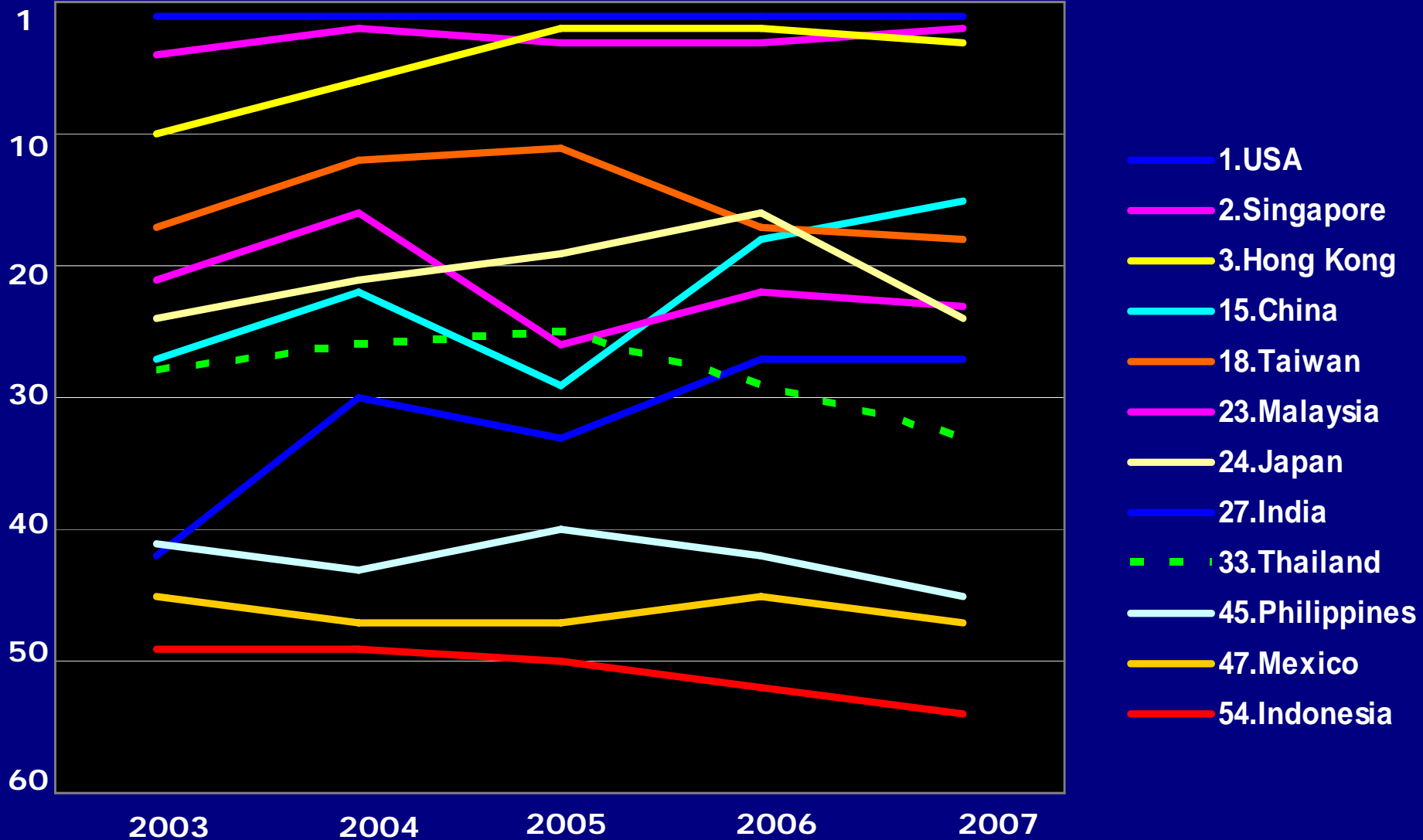
Logistics Agenda

Logistics and Supply Chain Outsourcing

Logistics Development & Implementation

Ranking

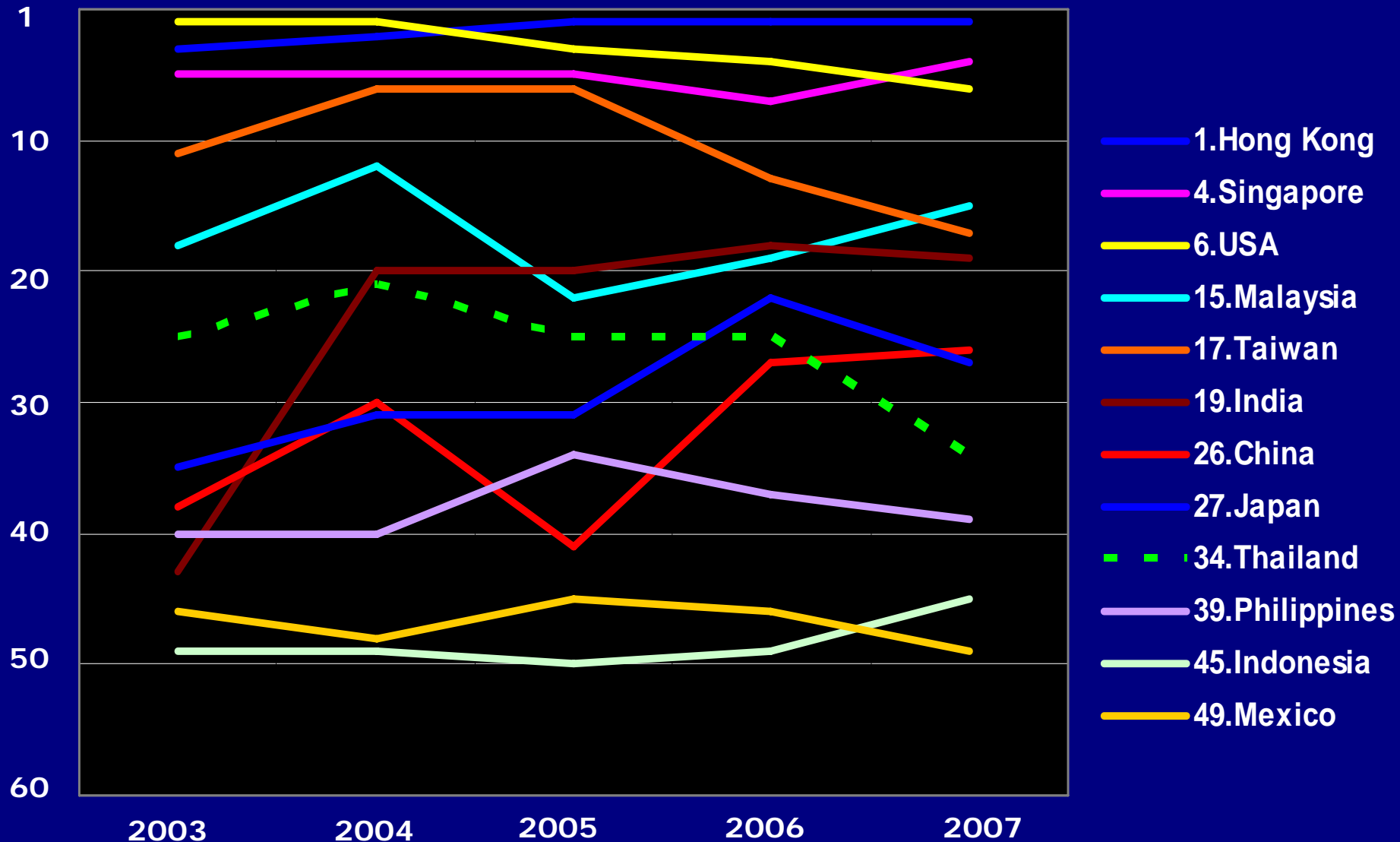
Country Competitiveness Ranking



Source: IMD World Competitiveness Yearbook 2007

Ranking

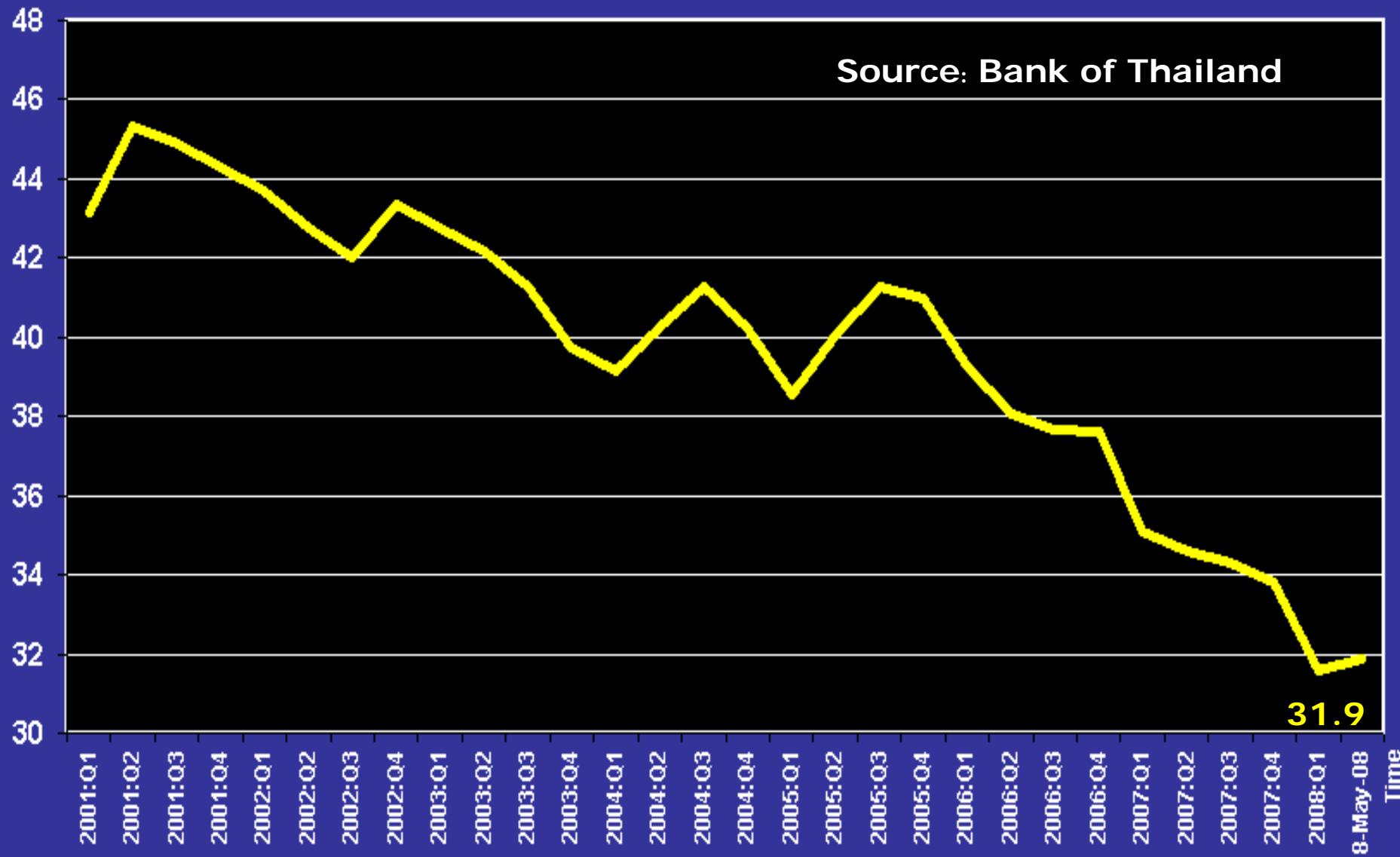
Business Efficiency in each Country



Source: IMD World Competitiveness Yearbook 2007

Exchange Rate Movement: Baht-USD

Source: Bank of Thailand



Currencies against the US\$



	Jan 08 Change VS. US\$	Feb 08 Change VS. US\$	Mar 08 Change VS. US	Jan-Mar 08 Change VS. US	01 Apr 08 Change VS. US 1 Jan 06=100
US\$	0.00%	0.00%	0.00%	0.00%	100
Euro	1.02%	2.27%	4.02%	7.46%	133
Thailand	-6.82%	5.58%	-3.84%	-5.41%	131
Philippines	-0.12%	0.89%	-3.02%	-2.27%	127
Malaysia	1.77%	1.27%	-0.07%	2.99%	118
Japan	5.26%	1.77%	5.07%	12.55%	118
China	1.40%	1.29%	1.39%	4.14%	115
India	0.12%	-1.50%	-0.20%	-1.58%	112
Indonesia	2.55%	2.03%	0.00%	4.64%	109
Costa Rica	-3.80%	4.20%	0.34%	0.58%	102
Guatemala	-1.69%	4.53%	1.07%	3.85%	102
Mexico	0.50%	1.43%	0.11%	2.05%	101
S.Korea	-1.67%	0.47%	-5.07%	-6.21%	101
Turkey	-0.99%	-2.15%	-9.51%	-12.34%	101
Hong Kong	-0.01%	0.25%	-0.02%	0.22%	100
Vietnam	-2.53%	3.26%	-1.81%	-1.18%	100
Cambodia	-3.03%	4.57%	-0.92%	0.47%	99
Bangladesh	-3.83%	3.77%	-0.47%	-0.67%	98
Pakistan	-2.15%	0.75%	-0.37%	-1.78%	96
Sri Lanka	-0.76%	0.23%	0.02%	-0.51%	95

Emerging Textile.com (1998-2008)

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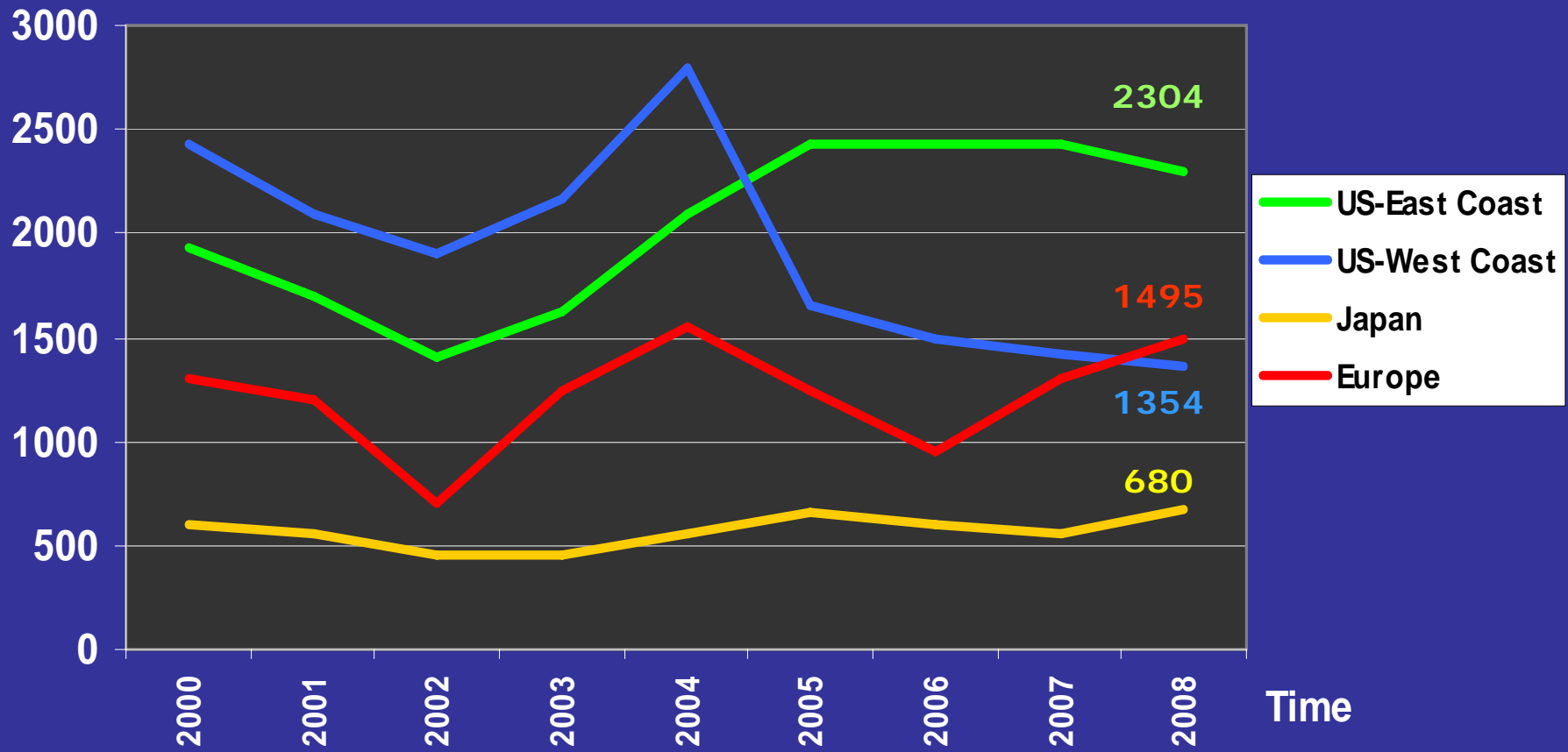
Logistics Development & Implementation

Freight Rate



USD

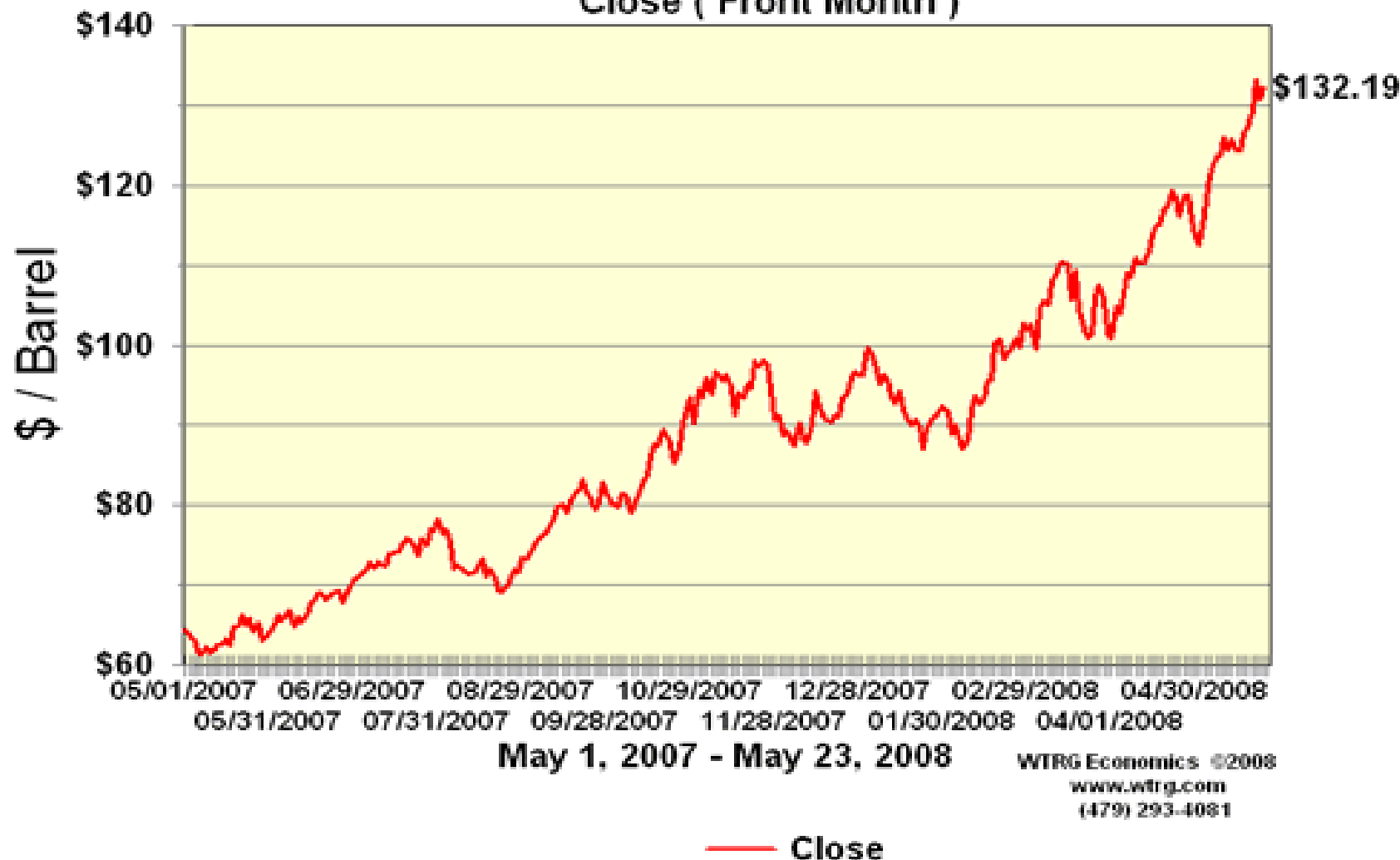
Freight Movement from Thailand: 20' Container Box



Oil Price: NYMEX



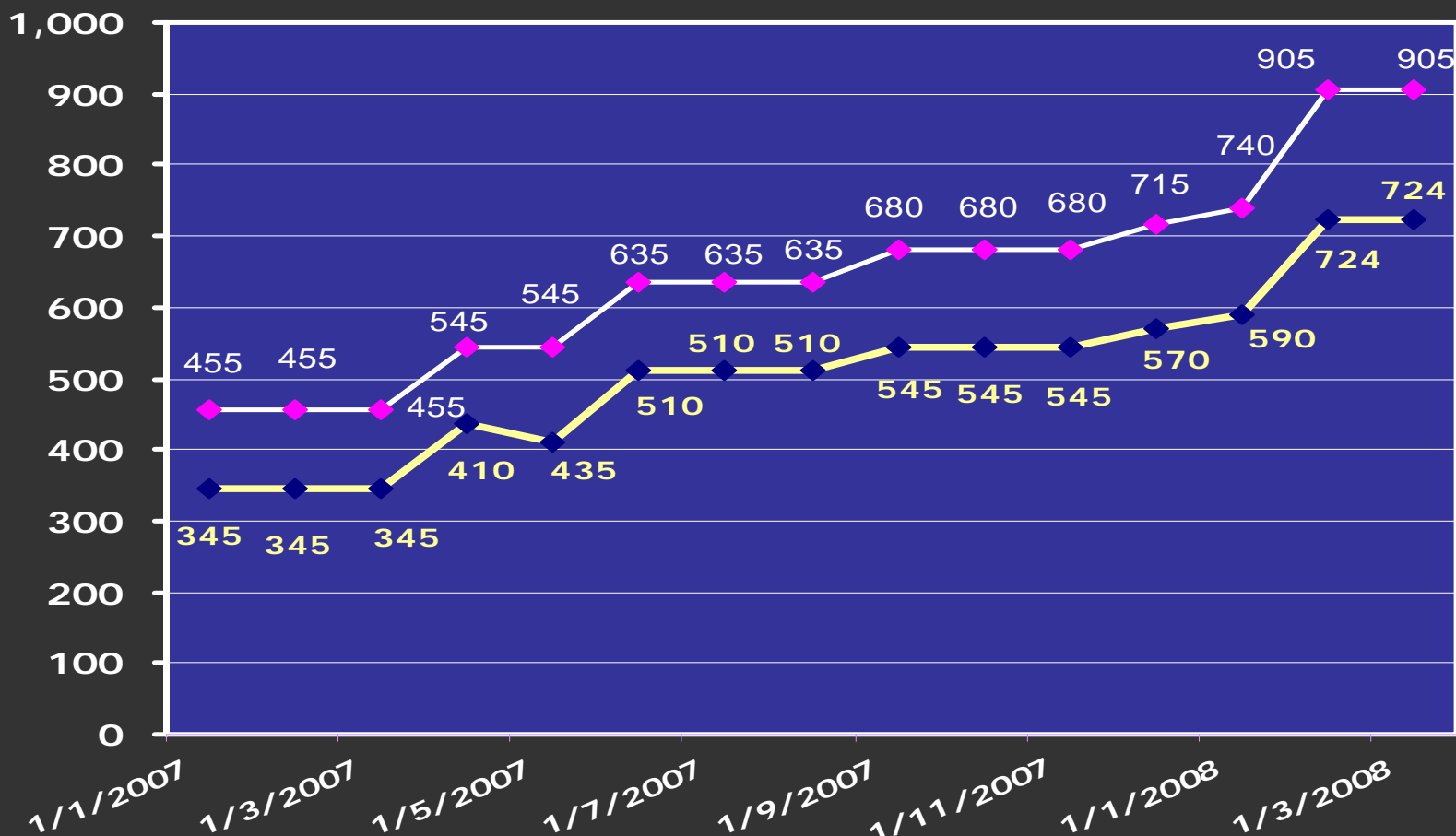
NYMEX Crude Oil Futures
Close (Front Month)



Bunker Adjustment Factor



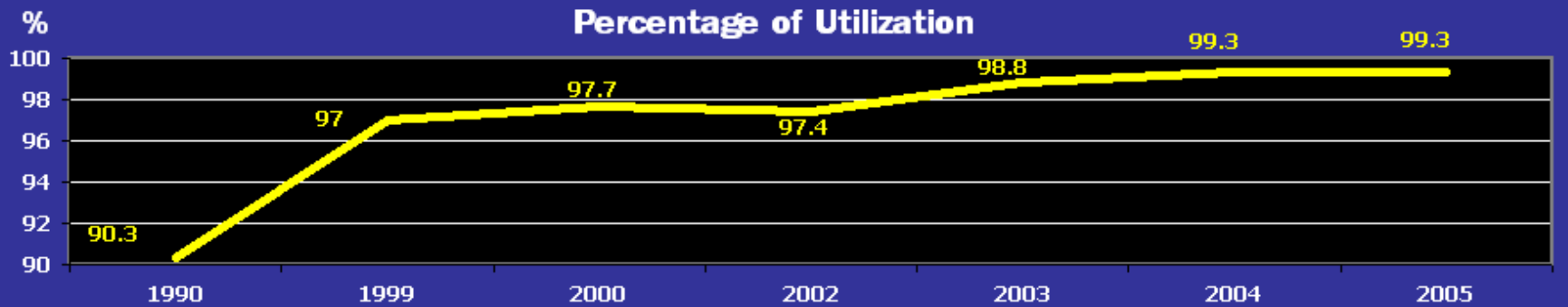
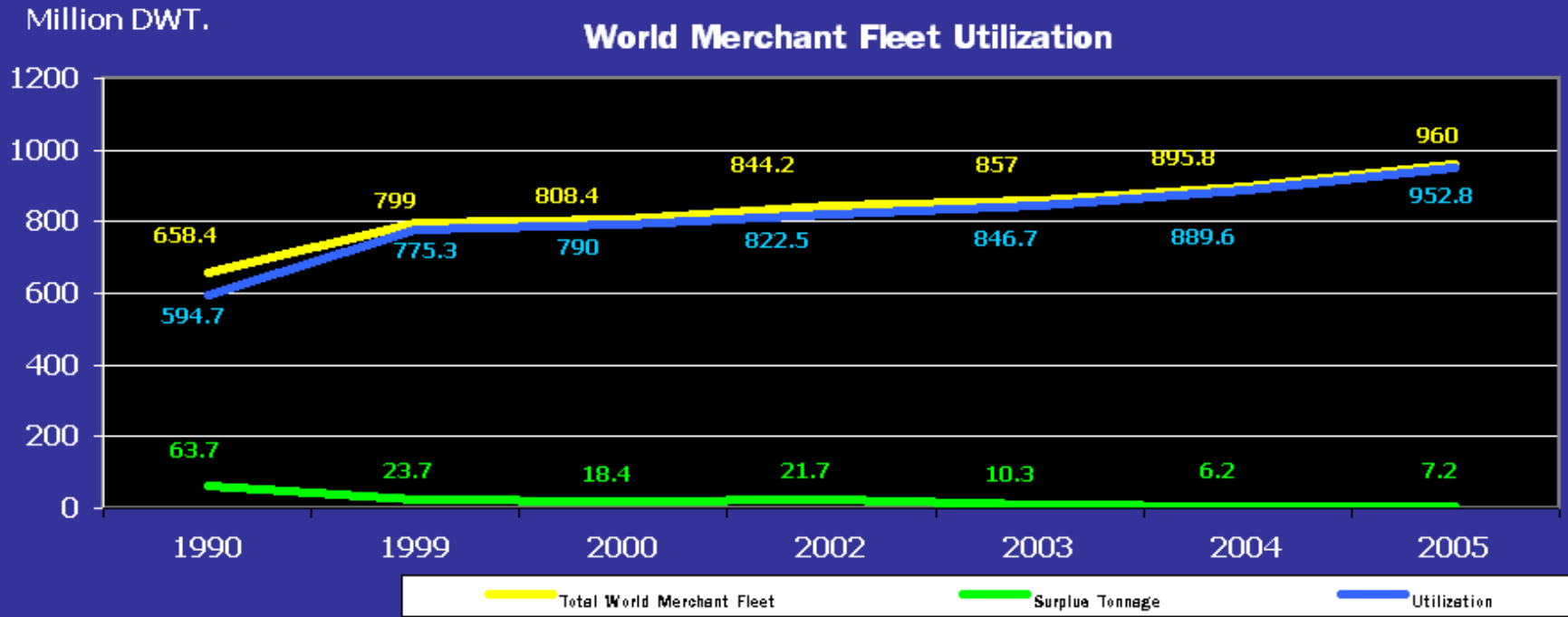
Thai-US Bunker Adjustment Factor from Jan 2007 - March 2008



Freight Shortage



Source: Review of Maritime Transport 2006



Trade Security Measures

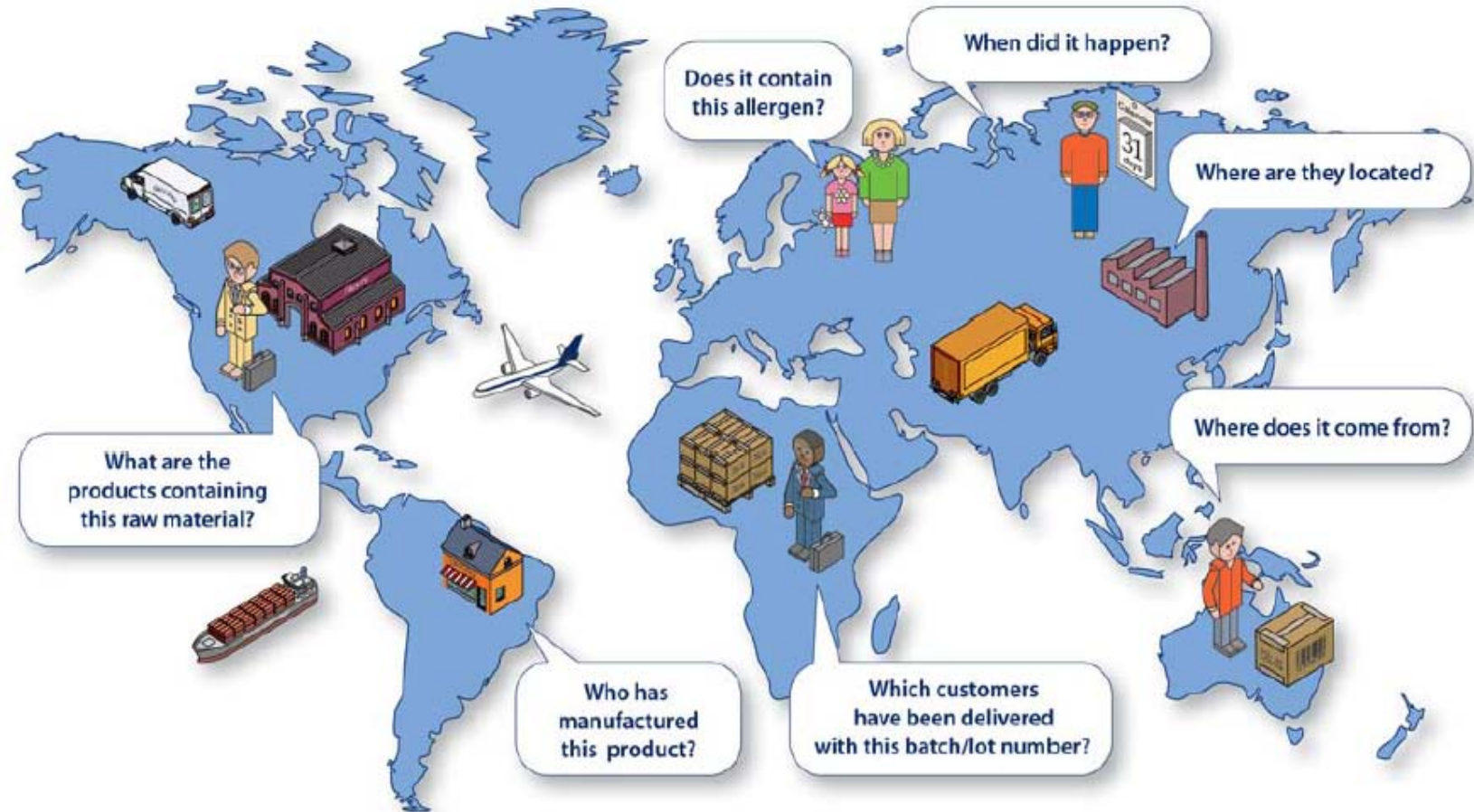


*****More activities, more cost.**

Traceability: The Trace Request.



***** Business have to invest in information technology.**



Source: www.GS1.org

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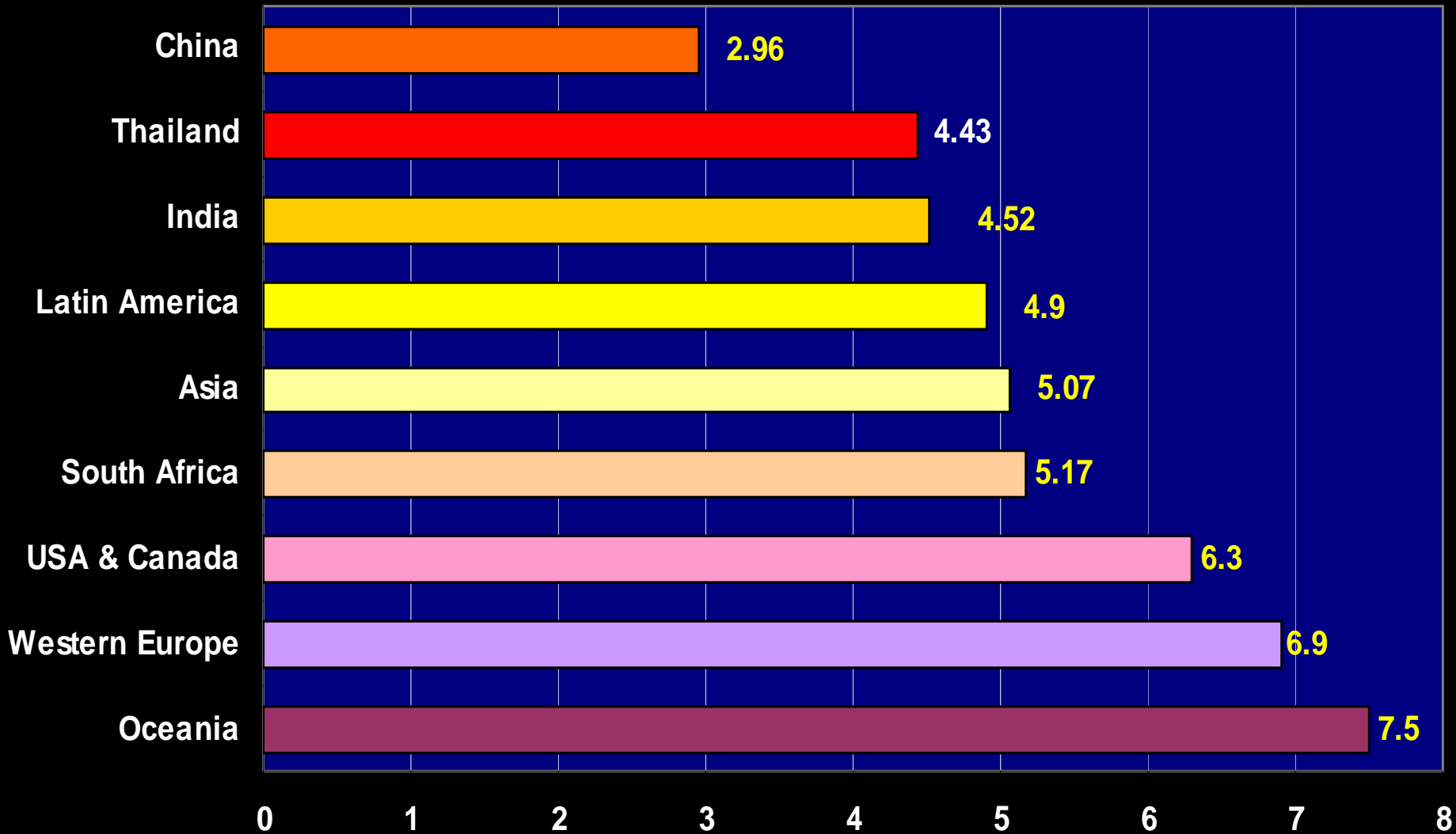
Logistics Agenda

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Concerning about pollution problems to the Economy

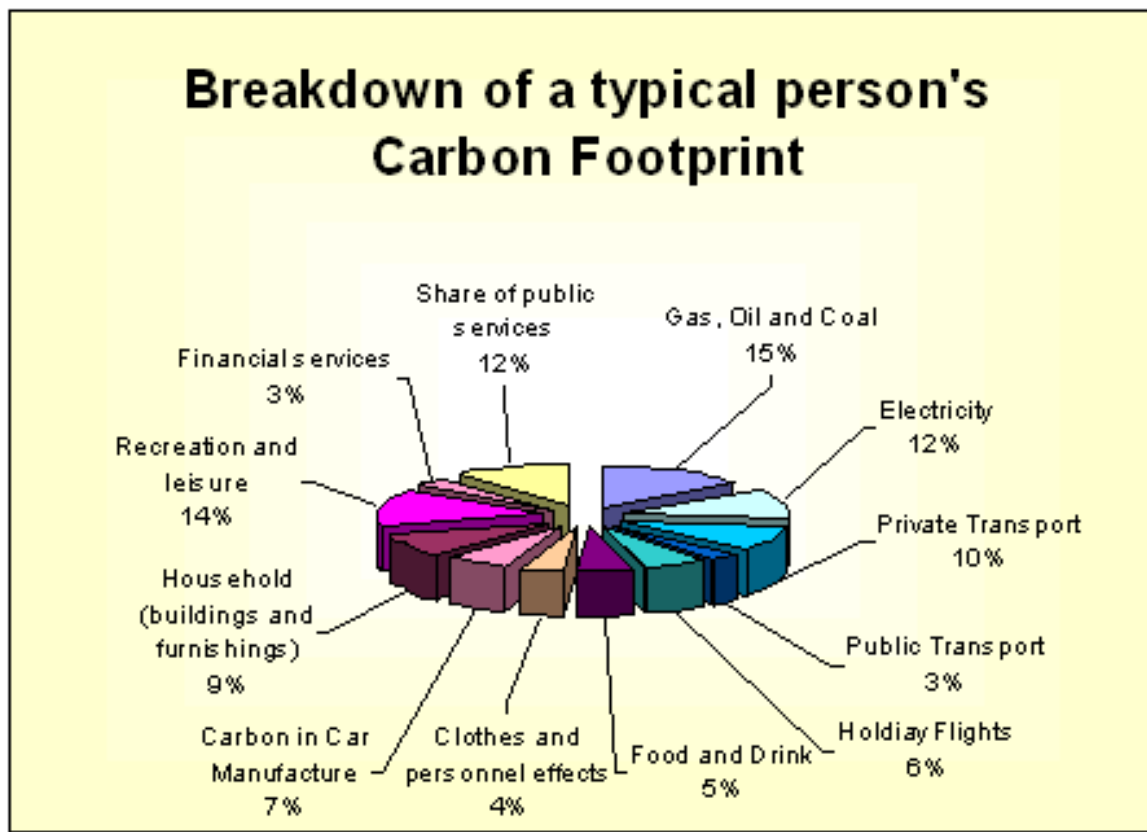
%



Source: IMD World Competitiveness Yearbook 2007

Carbon Footprint

- ◆ Carbon Footprint is a measure of the impact human activities have on the environment in terms of the amount of greenhouse gases produced, measured in units of carbon dioxide.

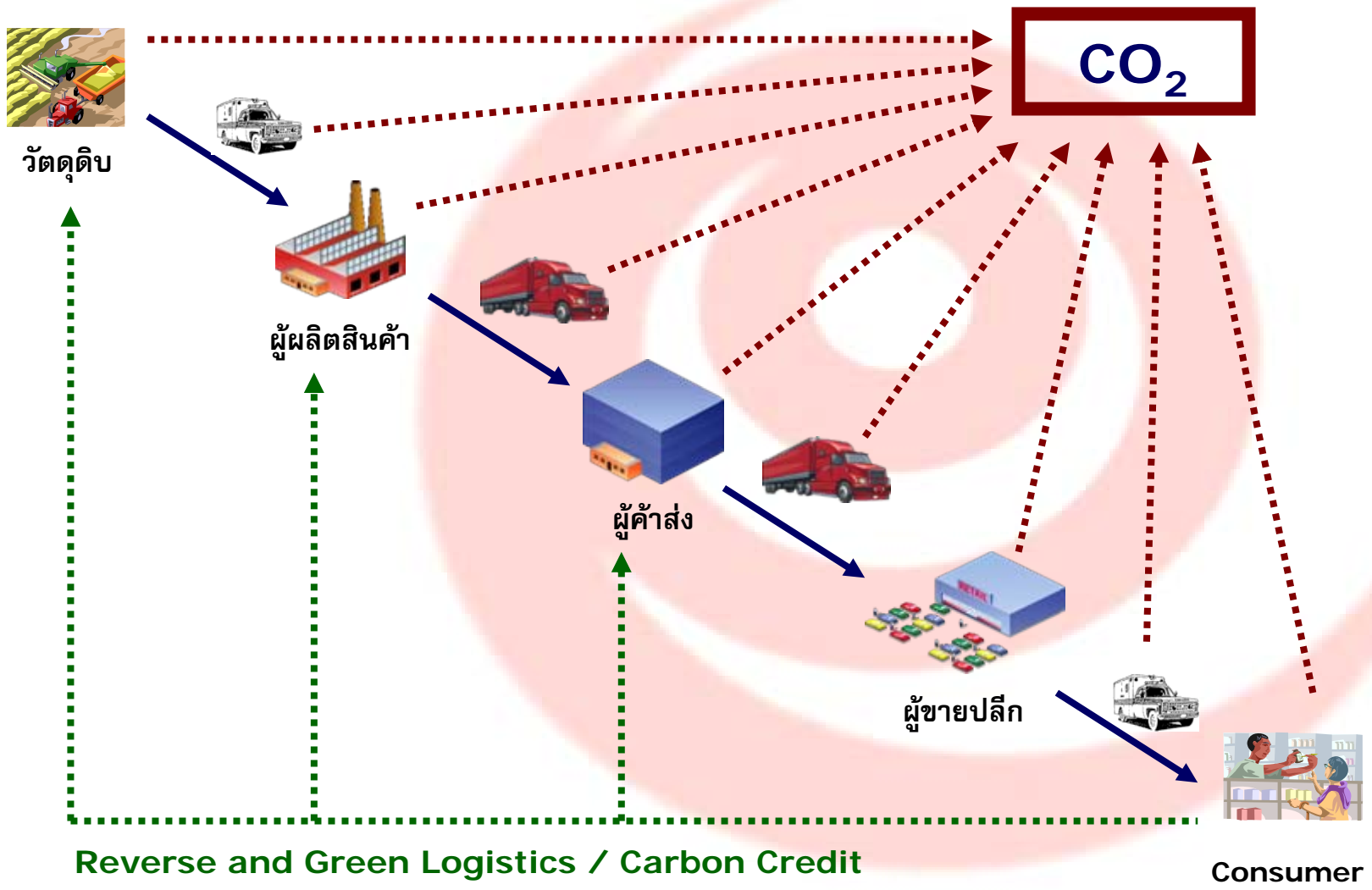


Source: www.carbonfootprint.com



Carbon Footprint for Product

: CO₂ – Carbon Credit



Source: www.thannews.th.com

April 17, 2008

***Wal-Mart call Chinese Supplier
for supply chain conference
to setting up
Green Supply Chain Program
in October, 2008, China***

“Green” Consumerism is Spreading Round the World

- ◆ Consumer in developed countries are increasingly looking for ‘ethical goods’ that are manufactured without harming the environment (water, emissions, other natural resources), animals and without the use of child labor.
- ◆ The growing popularity of ‘ethical’ labels such as People Tree is a case in point.

**Cost + Flexibility + Lead Time +
Scale + Innovation + “Green”
= Complete Solution**

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Logistics & SCM Outsourcing : the new Business Process Outsourcing

By **competing on core competencies** and **outsourcing non-core areas**, companies achieve consistently higher performance global supply chains through consistent customer service

The main reason for outsourcing business and IT processes **isn't cost, but rather** access to **skills and capabilities**.

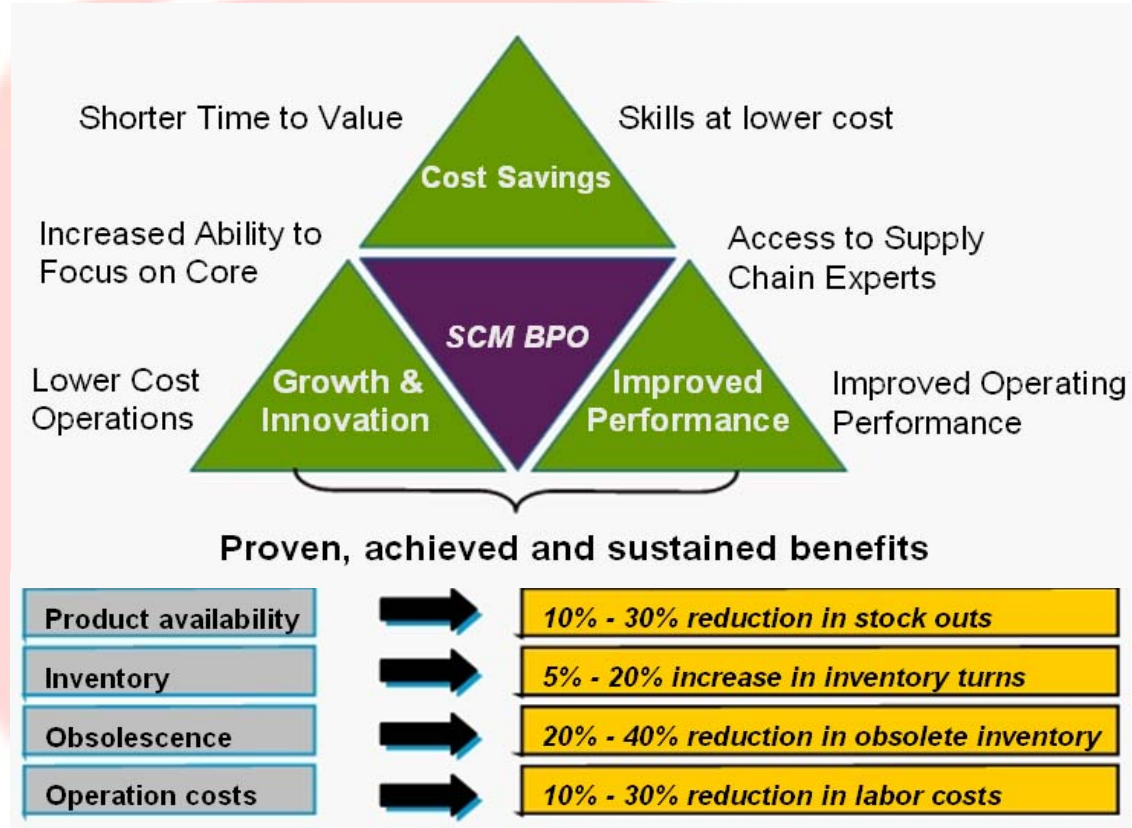
A Business Process Network provides a technology solution base to support Business Process Outsourcing and Supply Chain Optimization

Drivers for Change

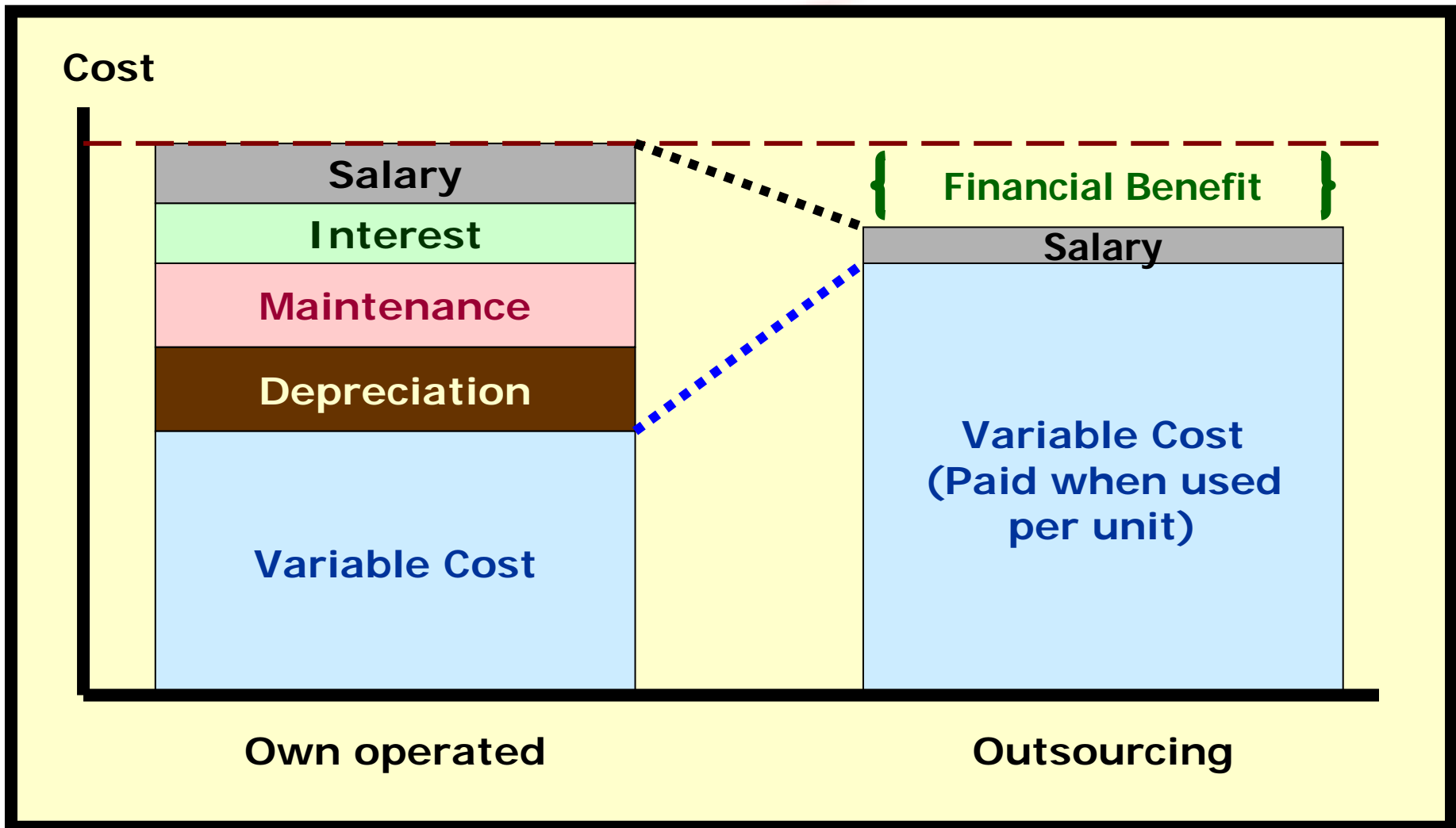
- ⑨ **Market value** for Supply Chain Optimization and Management is increasing year by year
- ⑨ **Companies whose core capabilities lay outside the supply chain** are looking to improve processes by lowering costs and while serving its customers better
- ⑨ Companies are still facing **pressures from stakeholders to demonstrate results from SC investments**
- ⑨ Progressive companies are increasingly going forward with **outsourcing whole segments of the supply chain** to service providers.
- ⑨ More companies continue to look for ways to **integrate their supply chain globally** (customer-supplier integration challenges grow exponentially) through **enhanced co-managed capability**

Value Proposition for Logistics and SCM Outsourcing

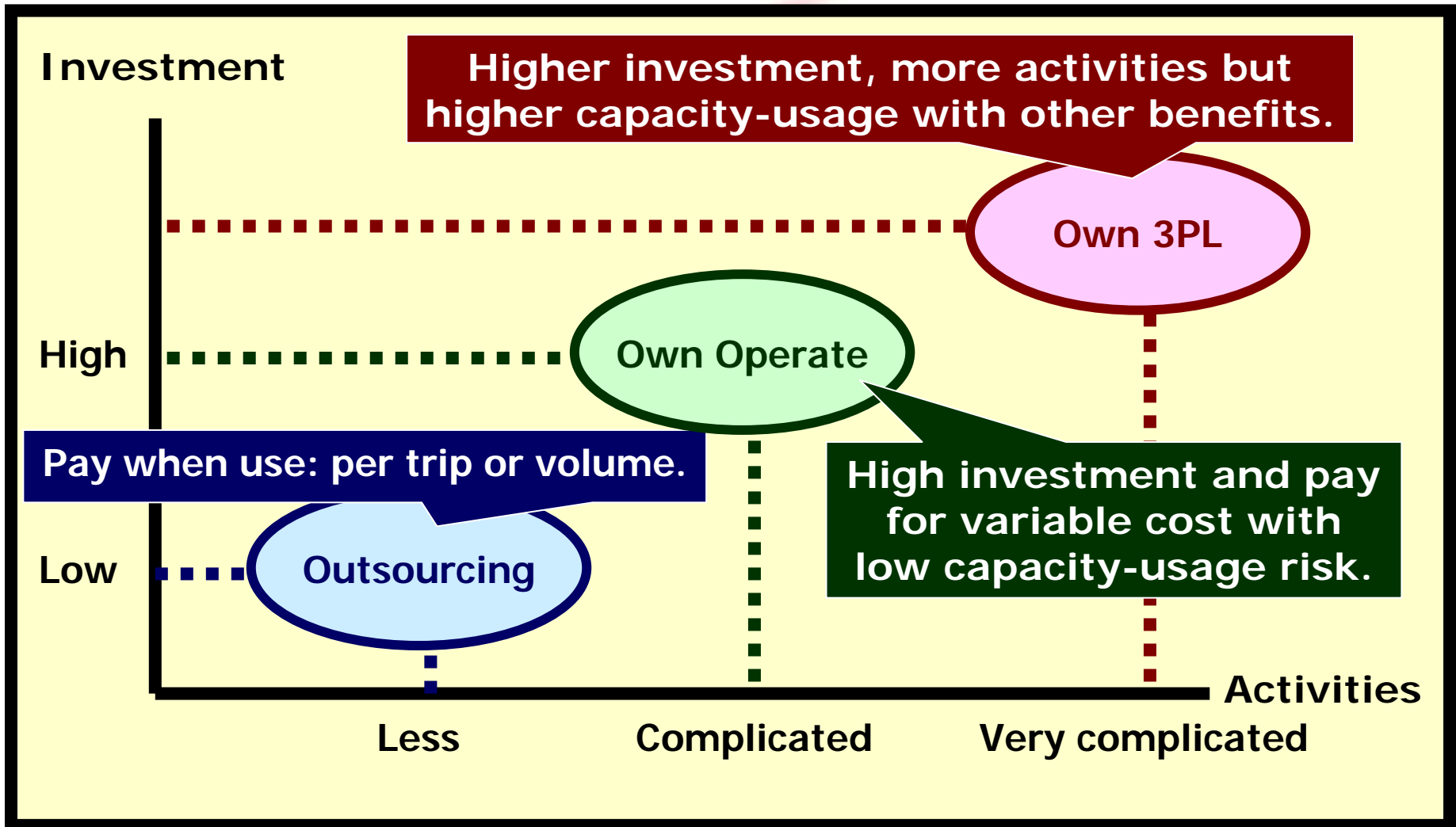
- ◆ Increased ability to focus on core competencies
- ◆ Access to supply chain expertise
- ◆ Skill at lower cost
- ◆ Shorter time to value
- ◆ Lower cost operation
- ◆ Lower capital investment
- ◆ Committed saving



Financial Benefit from Outsourcing



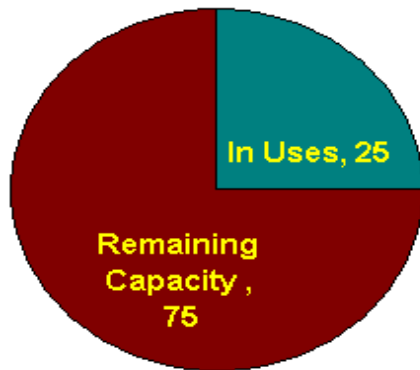
Logistics Management: Choice



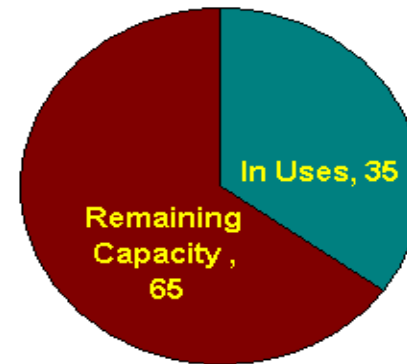
Criteria to decision...

SMEs A

Warehouse Usage

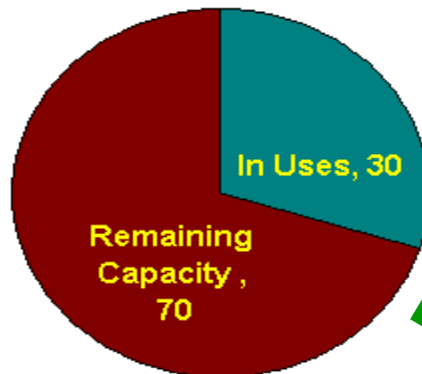


Truck Fleet Usage

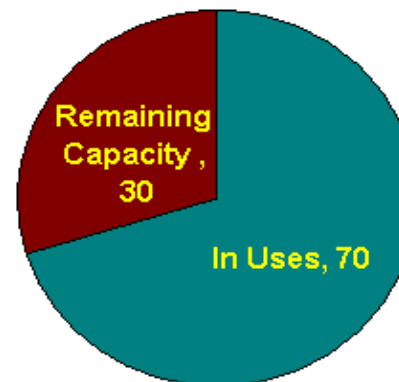


SMEs B

Warehouse Usage



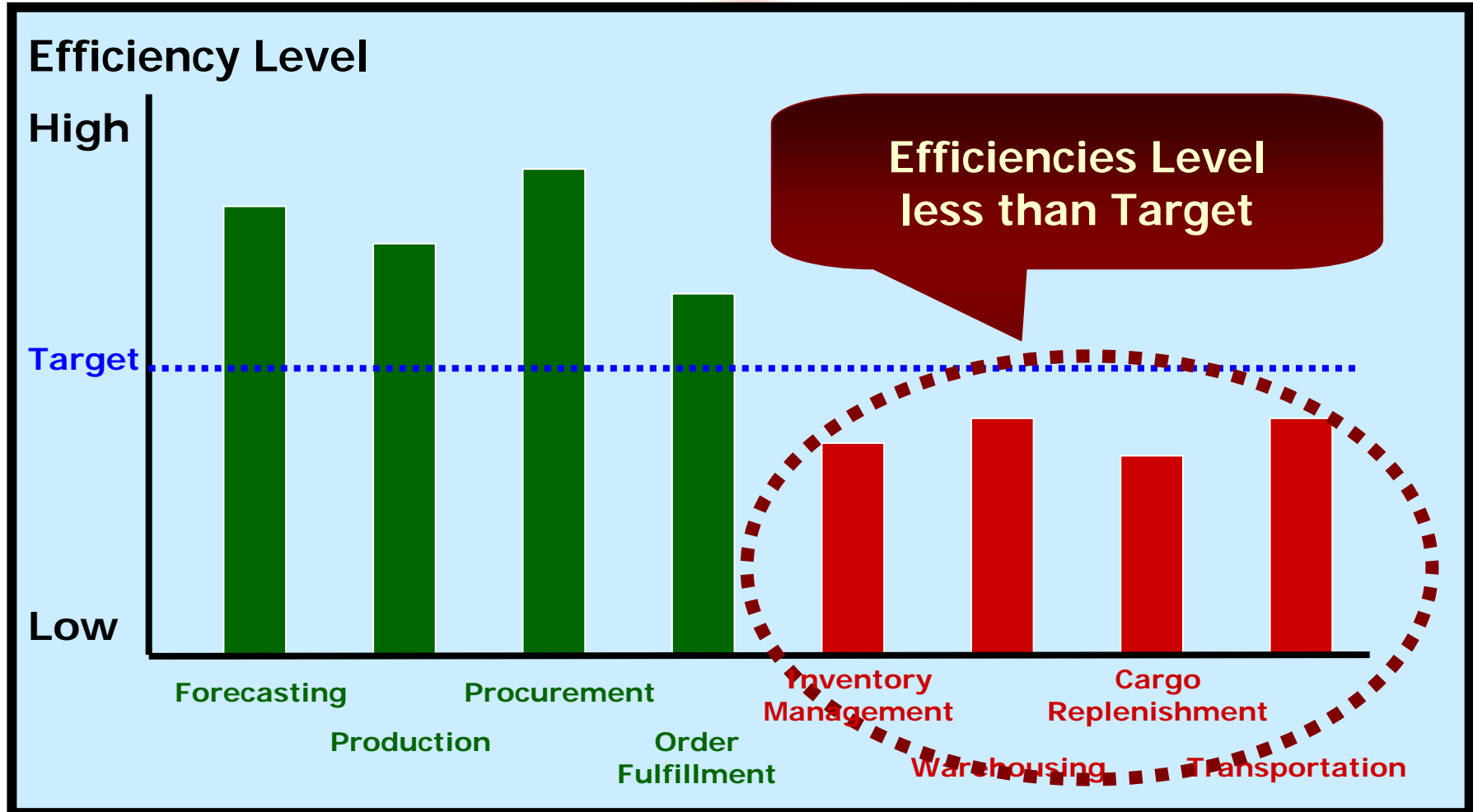
Truck Fleet Usage



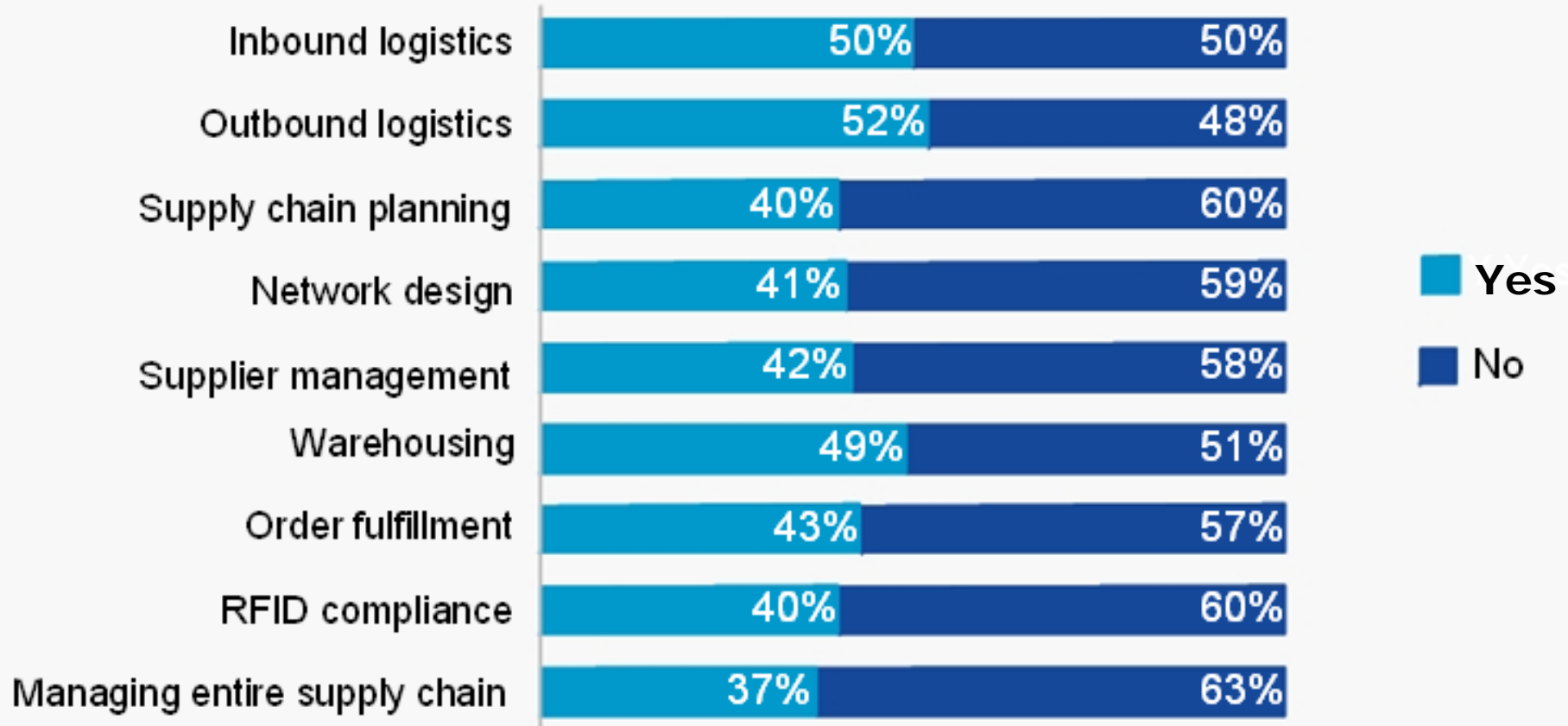
May be not necessary to outsourcing



Criteria to decision...

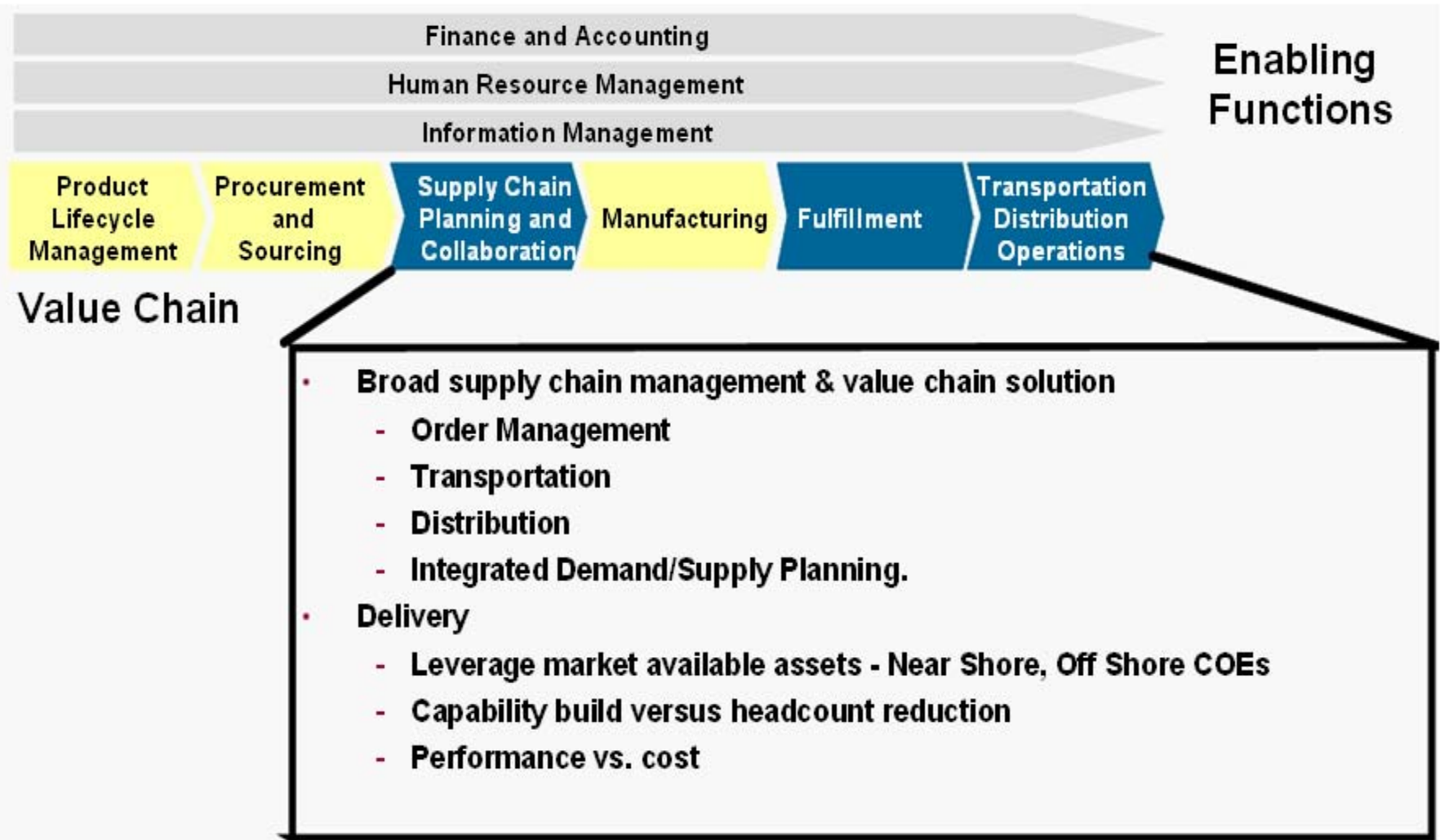


What areas that companies looking for Logistics & SCM Outsourcing????



Source: Forrester, April 11, 2006, Trends "The State Of Global Supply Chain Management"
 Base of 167 respondents from NA retail, manufacturing & other industries

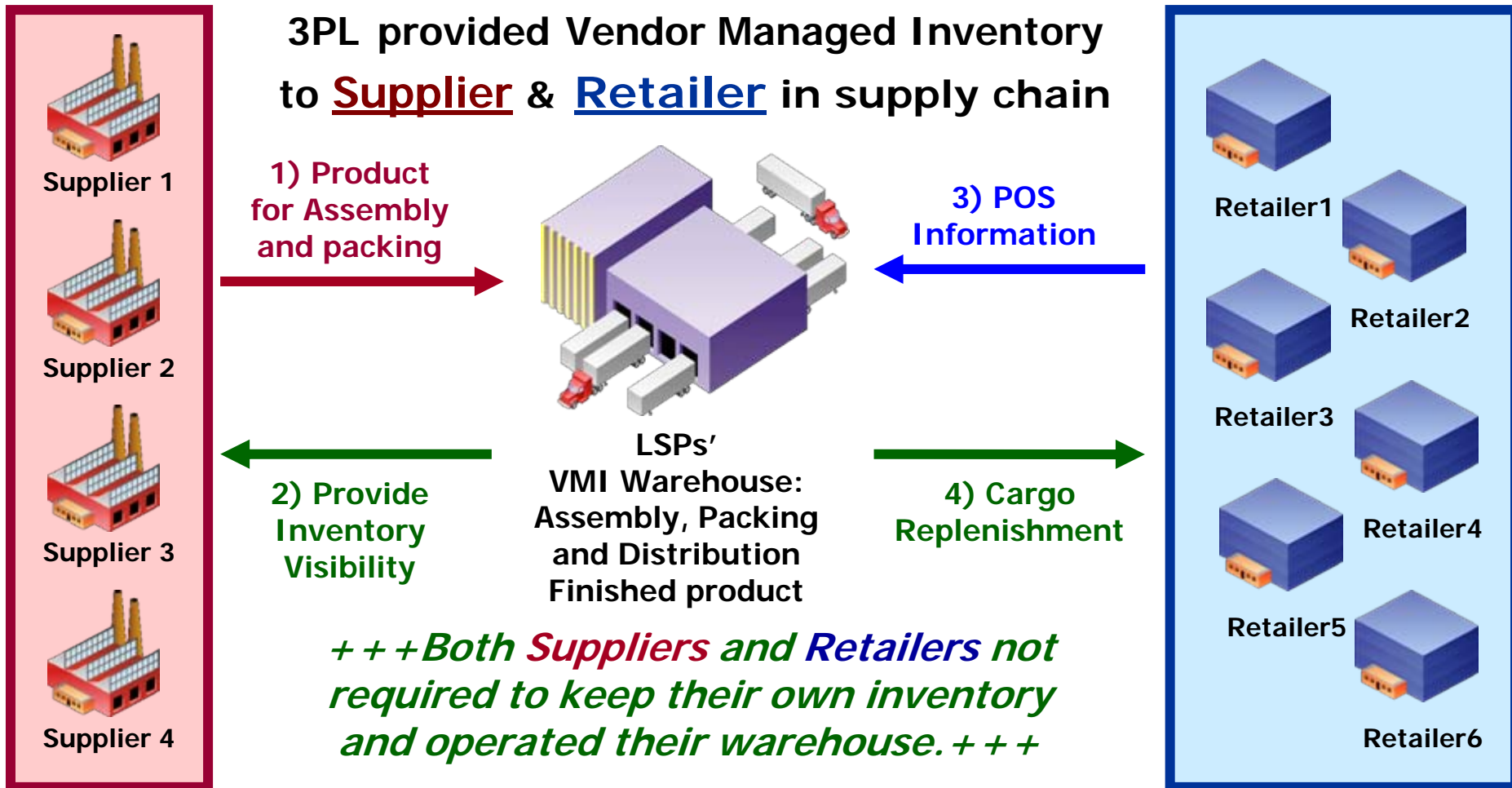
Logistics & SCM outsourcing : Beyond outbound logistics.



Case study

: Vendor Managed Inventory (VMI)

Source: APL Logistics



What is good Outsourcing???

**Key objective
should be mainly to
efficiencies development.**

**User & Service Provider relationship
have to be
long-term partner.**

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Logistics and Supply Chain Outsourcing

Logistics Development & Implementation

Logistics Strategy and Implementation

Already in several Thai Industry

Top Management



Strategic Development

Ex. Awareness in Logistics Development, Collaborative with Supply Chain, IT Development, Outsourcing, Re-engineering etc.



Middle Management



Operational Development

Ex. Capacity and Operation Planning, Supplier Evaluation, Package Design, Job Assignment etc.



Operational



Skill Development

Ex. Productivity and Team Development, Create checklists for operation procedure, Communication Skill etc.

Less implementation in almost Thai Company

RosettaNet Standard:

- ◆ RosettaNet standards are developed by users for users, facilitating speed, efficiency and reliability, enabling greater collaboration and improved communication between trading partners. Nonproprietary and freely available to the public on the RosettaNet website, RosettaNet standards encompass data dictionaries, implementation framework, and XML-based business message schemas and process specifications.
- ◆ RosettaNet Partner Interface Processes (PIPs) are specialized system-to-system XML-based dialogs that define business processes between trading partners. Each PIP specification includes a business document with the vocabulary, and a business process with the choreography of the message dialog.

RosettaNet Standard

: Achieved in Electronics Industry

- ◆ 100% error-free forecast-to-cash procurement processes
- ◆ 80% reduction in manual transactions
- ◆ Inventory level reduction from 4 to 2 weeks
- ◆ Decrease in change orders from 16.5% to 7.8%
- ◆ 78% less shipments, lowering logistics costs
- ◆ Reduction in planning time from 8 to 4 weeks



**Thank you
for you attention.**