


WORLDFOOTWEAR

European harmonisation has been designed to set up a fully functioning single European market by removing generations of rules, regulations and national standards. European logistics providers have been offered tremendous new opportunities, but are they rising to the challenge?

Moving the goods around Europe

Alan Waller

The reforming Single European Act came into force in 1993, eliminating many of the conflicting national standards, regulations and procedures that had acted as barriers to trade within Europe. The expanded market called for an improved transport and distribution system. Materials and components could be freely sourced from all over Europe and finished products could be sold in newly opened foreign national markets. This presented a considerable challenge for transport networks, which required enhanced reach, reliability and efficiency to make

the best of the new opportunities.

The same liberalisation sought to harmonise company law across Europe, increasing transport companies' freedom to make acquisitions, develop joint ventures and create foreign subsidiaries. Restrictions on leasing were eased, allowing transport companies to free tied-up capital and operate with a lower and more flexible asset base.

Sixteen years on, the picture is not just one of trade within Europe, but is one of massive importation and distribution of goods produced in developing countries. It is instructive therefore to take a

look at how Europe's transport and logistics providers have reacted to these circumstances.

Manufacturing has changed

Manufacturers quickly seized the opportunities, and the pan-European supply chain of all European manufacturers of any significance have changed out of all recognition. Inventories have been centralised and national fiefdoms dismantled. Production has been concentrated at fewer sites and unit supply chain costs have fallen significantly.

More importantly, managements see themselves as European rather than national. Organisation structures have evolved to deal with the complexities of routine, day-to-day, cross-border sourcing, production and inventory management. The pace of change has been rapid and chain management skills have been developed to a fine pitch. Information technology has been the main driver of change and has yielded capabilities almost undreamed of thirteen years ago, even though some companies still face difficulties in using the available IT systems in an optimal fashion.

The fact that a greater proportion of manufactured products now come from outside the EU, rather than from within, alters nothing and the structures many manufacturers have established have made it easy for them to become sourcers rather than actual producers.

Transport or logistics

Among transport and logistics providers, there have been major consolidations. This can be witnessed every day in the large number of trucks belonging to a relatively small number of companies seen on Europe's motorways. Nonetheless, a great deal more still needs to be done in order to satisfy European companies seeking a 'one-stop shop' across Europe for transport and logistics solutions.

In surveys which have been carried out in recent years, manufacturers give satisfaction ratings of only around 50% for the services provided by European logistics companies. A company such as Sony Europe throws light on the gulf between promise and reality. The company still deals with 125 transport providers and says it is frustrated by Europe's transport providers, many of whom are still grappling with yesterday's challenges.

Many of Europe's manufacturing companies and importers would like to have a single transport provider and, more generally, a single point of contact with an integrated network that is prepared to work flexibly, on a partnership basis, in a proactive way. Their requirements are actually fairly basic and comprise pallet management, payment-on-delivery, reverse logistics, track and trace, a good geographic reach, proven security systems and good quality



Europe's congested motorways can often lead to delays.

Images courtesy of CILT UK.

controls—plus, of course, the ability to offer value for money.

The message to transport providers is therefore clear. They need to develop a broader geographic reach, full multi-channel, multi-industry service capabilities within particular regions, sensible relationship management capabilities and, above all, the ability to interact with customers on a 'European' as well as an 'on the ground' level. They also need to be more proactive and practise innovation, rather than just preach it.

Transport providers also need to see the bigger picture when it comes to negotiating with customers. Pan-European negotiations with a transport provider often founder because of profitability concerns in one particular country. Even more importantly, transport providers must see that the future lies in value-added services. Many transport companies now call themselves 'logistics providers' because it looks impressive, but they are not. And there is no long-term future in only providing trucks and sheds at a margin of less than 5% when customers are crying out for greater flexibility and more value-added services.

Sharing the load

One intriguing opportunity stems from the possibility that key manufacturers could work with a logistics supplier on a shared basis. This would mean that trucks could carry the goods of several, perhaps competing manufacturers. The result would be lower inventories, better customer service, better vehicle utilisation and lower costs. It would also provide strong environmental benefits in the form of less pollution, congestion

and consumption of resources.

It would also offer a way forward for legislators, as congestion and carbon emissions are hot issues within the European Union. The utilisation of heavy goods vehicles, measured on the same basis as a manufacturing asset, is less than 20%, so a new approach towards sharing—perhaps underpinned by legislation—provides a major opportunity.

For the future, there will be an increasing role for freight exchanges and e-marketplaces. In the past, these were heralded as the route to collaborative transport solutions, but such initiatives have often been slowed through change-management problems. They will certainly have an impact, but over a longer period than has been predicted. E-business in the broadest sense is, however, advancing rapidly.

Virtual supply chain management on a fully pan-European basis will no doubt, in time, become a reality. The immediate preoccupation, however, is for all players, be they manufacturers, brand-owners, logistics companies, technology providers or academics, to work together to make practical changes in the conduct of the European logistics business. That provides the route under which the continent can at last exploit the full potential of the single market and move manufactured and imported goods in a manner that will provide both widespread and long-lasting benefits to all. 

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The shipment of finished footwear between the manufacturing centres of the Far East and Europe or America is immense. A key factor in managing this complex supply chain is that of transparency. Panalpina is a leading logistics supplier for European importers and is a good example of how an Internet-based logistics platform provides the solution.

Managing the supply chain through a logistics platform

The aim is to achieve complete transparency of all logistical processes from the point of production in Asia through to the delivery of finished goods to distribution centres in Europe. The platform has to map all of the logistical processes and provide a high degree of automation in data transfer. It also needs to have a fully integrated referencing system to ensure that an updated status by article, order, delivery schedule or container is available at any time for everyone involved in the chain.

Panalpina's system, for instance, joins everyone in a central, neutral platform and ensures that each participant has access to any data they will need for their role in the process. This runs from the importer through agents in Asia—who in turn may control a number of suppliers—to the logistics provider. In order to achieve simple overall integration, an Internet-based solution is currently the accepted option as everyone involved can access their position at any time, from any place in the world, through a single platform.

Using an interface, the platform reads order data from the importer's SAP system. After analysing requirements with regards to order handling, it forwards the data to the agents, who can confirm, reject or edit certain parameters. They, in turn, control various suppliers on whose premises the actual production takes place. In order to prevent the chain of information ending with the agents, the importer must also integrate individual suppliers so that agents cannot bypass the platform. The supplier

can then view these through his personal web account and confirm orders or transmit amendments. This prevents gaps occurring in the information process in spite of the multi-level composition of the partnerships involved.

The system also takes shoe-specific requirements such as batch numbers, size, design, colour, etc, into account. It can handle any sampling, quality or toxicity tests, and also map H.S numbers and goods values on an order-by-order level to facilitate customs clearance via clearly allocated proforma invoices. Furthermore, suppliers can generate delivery orders for consolidation into bulk shipments. By continuous referencing it is possible to see which order, delivery order or even which article is in which container.

A clear overview

Panalpina says such a system gives it a clear overview on volumes to be picked up by a supplier and can therefore consolidate the goods in order to achieve the maximum number of full containers and so reduce freight charges for the customer. The distribution centre (as consignee for the goods) is able to view all shipments within the platform. In addition, other departments within the importer's organisation also have access to the data. For example, quality management staff can block articles that may have failed any test by flagging them prior to shipment. Status data is

also transmitted with regards to the actual transportation process from start to finish in addition to the shipment data already available from the logistics platform by interface.

Panalpina's system actively monitors the process from order transmission to delivery and searches the data for irregularities or negative events. Rules for these eventualities have already been defined and stored within the system. Should it encounter any obvious problems during its search, the appropriate people will be automatically emailed. In addition to the main contractor, the customer may wish to employ other logistics providers for European product procurement. These will also be given access and this is why it is essential to have a web-based platform.

While the global economy has made for competitive prices in Western retail stores, it has created a whole new set of problems and without the Internet it would simply not function. However, with a properly designed and managed logistics platform, it can work for everyone involved. Transparency and the automation of data simplifies the control of transportation, customs processing, and incoming goods planning, as well as indicating potential synergies. Early recognition of potential problems also avoids expensive 'emergency rescues', and costs, which is what it is all about. 

We acknowledge the assistance of Panalpina Ltd. in producing this article. Panalpina Group is a leading supplier of air and sea freight shipment and associated supply chain management solutions with branches in 80 countries and partners in a further 60.