

MALAYSIAN LOGISTICS : CURRENT STATE AND DEVELOPMENT TRENDS



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Presentation outline

- **The logistics industry : Global scenario**
- **Overview of Malaysian logistics sector**
- **Industry structure and players.**
- **Trends, issues and challenges.**

GLOBAL SCENARIO



Logistics defined

- **Part of the supply chain process that plans, implements and controls the efficient and smooth flow and storage of goods, services and related information to meet customers' requirements, from the point of origin to the point of consumption.**

Supply chain defined

- **A network of organizations involved in the upstream (supplier end) and downstream (user end) linkage which includes different value-generating processes and activities.**

What logistics does...

- **Optimizes the distribution of freight and related info from producer to consumers.**
- **Acts as transport intermediaries i.e. for cargo and carriers and storage providers i.e. warehouse operators.**
- **Leverages the use of IT / IS to increase speed / efficiency of delivery and reduce inventories / transportation costs.**

Key logistics activities

- **Cargo transportation and distribution**
- **Cargo storage and warehousing**
- **Cargo consolidation / splitting / tracking**
- **Transshipment**
- **Packaging / repackaging**
- **Manpower supply**
- **Customs brokerage**
- **Process management**

Trends in trade transport

- **Intensive use of E-commerce / IT.**
- **Growing demand for speed, efficiency, safety, lower cost, wider extent, more variety of goods and big volume of delivery.**
- **Outsourcing of logistics services.**
- **From ‘port-to-port’ to ‘door-to-door’.**
- **Sophisticated supply chain management.**
- **Integration, consolidation, alliances.**

Logistics - global scenario

- **US\$3.4 tril. industry (Michigan Univ.)**
- **Top companies i.e. Kuehne & Nagel, Schenker provide wide scope of services.**
- **Notable trends : outsourcing, big players acquiring smaller ones, shipping liners having their own logistics companies.**
- **Some manufacturers i.e. Dell Computers, Wal-Mart run huge logistics operations.**

Logistics - global scenario

- **Outsourcing** : Manufacturers, producers outsource activities such as freight transport, warehousing, freight forwarding, consolidation / splitting / tracking of consignments to 3PL cos.
- **Acquisition** : K&N took over ACR Logistics for US\$525 mil., DPL took over Exel for US\$6 bil.
- **‘Liner-logistics’** : i.e. MISC, Maersk.

Global trends affecting logistics

- **Meeting shorter product life cycle.**
- **Globalized production / outsourcing.**
- **Trade liberalization i.e. WTO, AFTA.**
- **Proliferation of free trade zones.**
- **Increase use of IT / EDI / e-trade.**
- **Multimodal transport.**
- **High fuel costs.**
- **Credit crunch.**
- **Post-9/11 focus on security.**

MALAYSIA'S LOGISTICS SECTOR



Logistics in Malaysia

- **Crucial facilitator of trade. IMP3 2006-2020 gives special emphasis on logistics sector's development.**
- **In 2005, transport, storage and communications services contributed RM23.2 bil. or 8.8% to GDP.**
- **RM15.7 bil. deficit in transport component in BOP in 2005 due to reliance on foreign transport & foreign logistics services providers.**

Freight traffic

- **Freight traffic (air, sea, rail) : 105 mil. tons in 1990 to 257 mil. tons in 2005.**
- **IMP3 targets ports to handle 751 mil. tons of cargo / 36 mil. TEU by 2020 (252 mil. tons of cargo / 13 mil. TEU in 2006).**
- **Air freight : 1 mil. tons (2005). IMP3 target : 2.4 mil. in 2020.**
- **Railway freight : 4 mil. tons (2005). IMP3 target : 18.6 mil. in 2020.**

Logistics industry structure

- **Logistics industry players consist of :**
 - **Transport service providers**
 - **Logistics service providers**
 - **Distribution service providers**
 - **Integrated logistics services providers**
 - **Ancillary services providers**

Transport service providers

- **Unimodal operators (river, road, rail, air or sea transport operators)**
- **Multimodal transport operators (MTO)**
- **Facilities owners (i.e. seaports, riverine ports, jetties)**
- **Terminal operators**

Logistics service providers

- **Customs brokers**
- **Freight forwarders**
- **Consolidators**
- **Non-vessel operating common carriers**
- **Shipbrokers**
- **Shipping agents**

Distribution service providers

- **Warehouse / godown / storage facilities**
- **Free zones at ports / distriparks**
- **Inland cargo depots (dry ports)**
- **Distributors / wholesalers**
- **Inventory management**
- **Retailers / dealers**
- **Courier companies**

Integrated logistics services

- **Third-party logistics (3PL) providers – undertaking logistics activities outsourced by their clients.**
- **4PL / ‘lead logistics’ – provide Business Process Outsourcing and manage client’s logistics process.**
- **Specialist forwarding i.e. HAZMAT materials, reefer goods, *halal* items**

Ancillary services providers

- **IT and telecommunications**
- **Banking and insurance**
- **Equipment / machineries providers**
- **Labor supply – shore side, ship crewing**
- **Legal services**
- **Education, training, R&D**
- **Ship management services**

DEVELOPMENTS, ISSUES & CHALLENGES



Developments

- **Companies expanding abroad i.e. Integrated Logistics & Century Logistics venture in China.**
- **Expansion of scope of services i.e. international freight forwarding, 4PL.**
- **Consolidation in the industry.**
- **Setting up of Malaysian Logistics Council under IMP3.**
- **Liberalization of haulage rates in 2006.**

Issues

- **Too many players in the sector.**
- **Lack of integration among transport networks.**
- **No clear definition of various players and types / scope of services.**
- **Lack of trained manpower.**
- **Small domestic market.**
- **Lack of financing for expansion.**
- **Labor intensive.**

Challenges

- **Reducing operation cost towards gaining competitive advantage in price leadership.**
- **Enlarging scope of services to include high-end, value-added services.**
- **Giving stronger focus on customer service via provision of quality service.**
- **Creating multimodal transport system.**
- **Integrating logistics into international supply chains.**

Challenges

- **Developing trained, skillful manpower.**
- **Optimizing use of IT / Info System.**
- **Consolidating to improve utilization of resources and increase service efficiency.**
- **Enlarging market / scope of services via ventures abroad, strategic alliance with foreign logistics companies.**
- **Getting ready for liberalization by 2013 (ASEAN Logistics Network Map).**
- **Improving inter-agency link-ups.**

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