Status and needs of logistics users and providers in the Baltic Sea Region

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16th October, Brussels
Agenda

The Baltic Sea Region

LogOn Baltic

Empirical Findings

Conclusion
The whole Baltic Region has more than 295 million inhabitants.

Depending on the definition and boundaries, between 50-70 million people live in the Baltic Sea Region.

The Baltic Sea Region is one of the most dynamic regions in Europe.
The Baltic Sea Region

LogOn Baltic

Empirical Findings

Conclusion
Discrepancies in regional development in the field of logistics

No comparable analysis of logistics available

Regional strengths in logistics are often unknown

30 partners in 9 countries and 10 regions

Idea:
Creation of a comparable logistics data basis
Evaluation of the companies’ needs and competences in the region focusing on the field of logistics

Target:
Improvement of the companies’ competitiveness through regional development in logistics
Agenda

The Baltic Sea Region

LogOn Baltic

Empirical Findings

Logistics Survey

Expert Interviews

Conclusion
Explorative study with focus on the following topics:
- Logistics costs
- Outsourcing of logistics operations
- Costs and performance measurement
- Use of information and communication technologies

Web-based questionnaire with 25 questions, pre-tested in the region of Southwest Finland

Individual questionnaires for the following groups:
- Manufacturing companies
- Trading companies
- Logistics service providers

Survey period from January – March 2007

Dispatch of the survey link via e-mail (incl. 2 reminders)

A total of about 1,050 answers in all Baltic Sea Regions
More than 1,000 companies in the BSR have responded to the logistics survey.

Big differences can be found not only in the absolute number of participants but particularly in the response rate.
Companies from manufacturing, trade and logistics have the same share and hence represent a realistic extract of the logistics sector.

About 90% of the respondents can be classified as SMEs.
Empirical Findings III

Logistics costs manufacturing companies

- Estonia
- Finland (South West)
- Latvia
- Germany (Hamburg)
- Germany (MV)
- Sweden (Östergötland)
- Poland

- All other logistics costs
- Logistics administration costs
- Inventory carrying costs
- Warehousing costs
- Transportation costs

Project part-financed by the European Union (European Regional Development Fund) within the BSR INTERREG III B Neighbourhood Programme
Empirical Findings IV

Logistics costs – expected development until 2010 (Manufacturing)

The majority expects an increase in logistics costs, especially in transportation costs.

A high number of respondents expect no changes or even a decrease in those costs that can be internally coordinated in an easier way, e.g. warehousing costs.
**Empirical Findings V**

Most important development needs of the companies in the future (Manufacturing)

<table>
<thead>
<tr>
<th>Priority 1</th>
<th>Hamburg</th>
<th>St. Petersburg</th>
<th>Estonia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>improvement of customer services</td>
<td>development of information systems</td>
<td>decrease of logistics costs</td>
</tr>
<tr>
<td>Priority 2</td>
<td>decrease of logistics costs</td>
<td>improvement of customer services</td>
<td>selection of logistics service providers</td>
</tr>
<tr>
<td>Priority 3</td>
<td>selection of logistics service providers/increase of supply chain transparency</td>
<td>decrease of logistics costs</td>
<td>development of information systems</td>
</tr>
</tbody>
</table>

One important target of all regions is to reduce the logistics costs.
Strategic planning and operational activities are the most important development needs for manufacturing companies, especially for those that are located in regions with well-developed logistics.
Operating preconditions, compared to competitors’ location

Empirical Findings VII
### Outsourcing of logistics services*

<table>
<thead>
<tr>
<th>Priority 1</th>
<th>Hamburg</th>
<th>St. Petersburg</th>
<th>Estonia</th>
<th>SW Finland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>domestic transport</td>
<td>product configuration/ final assembly</td>
<td>international transport</td>
<td>domestic transport</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority 2</th>
<th>Hamburg</th>
<th>St. Petersburg</th>
<th>Estonia</th>
<th>SW Finland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>international transport</td>
<td>international transport</td>
<td>domestic transport</td>
<td>international transport</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority 3</th>
<th>Hamburg</th>
<th>St. Petersburg</th>
<th>Estonia</th>
<th>SW Finland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>waste management/ recycling</td>
<td>domestic transport</td>
<td>waste management/ recycling</td>
<td>shipping/ forwarding services</td>
</tr>
</tbody>
</table>

* Logistics services that are allocated to external service providers to more than 75%

Domestic and international transport services are still the main activities to be allocated to external service providers.
Pure transportation services currently dominate in all regions, however the demand for more individual products is expected to increase in the future.
Traditional communication media like telephone and e-mail are still used the most, while new technologies like EDI and RFID are applied infrequently.
Empirical Findings XI

Threats to logistics service providers

- Decrease in the demand of services
- Increasing costs of service provision
- Deteriorating productivity
- Tightening competition
- Investment needs
- Technological development
- Availability of competent staff
- Tightening environmental regulation
- Tightening security regulation

Logistics service providers regard nearly the same threats in the three regions.

An urgent need for competent staff is expected in the Estonian region.
The Baltic Sea Region

LogOn Baltic

Empirical Findings

Logistics Survey

Expert Interviews

Conclusion
Characteristics of expert interviews

- 10 to 15 experts in each region
- Structured questionnaire with partly open questions and partly scaled response options
- Topics:
  - Trends in logistics and ICT
  - Business contacts in the BSR
  - Regional development with regard to logistics and ICT
  - Further education
  - Companies’ expectations for policy
- Realisation of interviews from November 2006 until February 2007
## Empirical Findings XIII

### Support of local policy

<table>
<thead>
<tr>
<th>Very unsatisfied</th>
<th>Unsatisfied</th>
<th>Neither unsatisfied nor satisfied</th>
<th>Satisfied</th>
<th>Very satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The activities of local authorities are miscellaneous and depend on the subject a company needs support for”</td>
<td>Region X</td>
<td>“Logistics is not included into governmental development programs”, “Lack of information about authorities’ actions”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region Y</td>
<td>Region Z</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Authorities should be more active in furthering regional interests, not only interests of larger cities”</td>
<td>Region V</td>
<td>Many companies do not make a statement concerning this matter</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Competence level of regions in the field of logistics

<table>
<thead>
<tr>
<th>Very low</th>
<th>Low</th>
<th>Neither low nor high</th>
<th>High</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further education is essential concerning specialised knowledge and soft skills</td>
<td>Region A: Management</td>
<td></td>
<td>Region A: White collar</td>
<td>Region A: Blue collar</td>
</tr>
<tr>
<td>Region B: Management</td>
<td>Region B: White collar</td>
<td></td>
<td>Region B: Blue collar</td>
<td></td>
</tr>
<tr>
<td>Region B: Blue collar</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further education is essential, esp. in the areas of intercultural competence, project management, new technologies</td>
<td></td>
<td></td>
<td>Region C: Management</td>
<td>Region C: White collar</td>
</tr>
<tr>
<td>Region C: White collar</td>
<td></td>
<td></td>
<td>Region C: Blue collar</td>
<td></td>
</tr>
<tr>
<td>Region C: Blue collar</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Further education in SCM, IT systems, customer service, esp. engineers and programmers are wanted
### Strengths and Weaknesses of the Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| Region A | + geographical position  
+ infrastructure  
+ platform for logistics experts and companies through competence clusters | – available logistics space  
– demand for qualified logistics staff exceeds supply  
– realisation of infrastructure projects |
| Region B | + openness vs. innovations  
+ modern (IT-)solutions  
+ well-trained staff  
+ central position, good accessibility for customers | – problems with business connections with Russia  
– no economies of scale, since it is a small country  
– hardly any long-term planning of companies and politics |
| Region C | + good connections to Scandinavian countries  
+ efficient ports  
+ good further education | – infrastructure lags behind big cities (esp. road and rail)  
– distance to continental Europe and other parts of the country  
‡ high transport costs |

The topics infrastructure and education are of high importance to all regions.
The Baltic Sea Region

Project Introduction

Empirical Findings

Conclusion
There are discrepancies in the speed of the economic and regional development.

The transfer of know-how and the interchange of best practice examples gain in importance in the near future.

Different regions can learn from each other and profit from experiences the others have made.

The results of the LogOn Baltic project enable first-time comparative analyses on these influencing factors.

In some regions there is a need for action of regional institutions in the field of logistics and IT.
Final Conference

- Location: Hotel Hafen Hamburg
- Date: 22nd November 2007
- Time: 9:30am–5pm
- Content: Presentation of the main project results
- Registration form and additional information can be found under:
  - www.hslog.de/logonbaltic
  - www.logonbaltic.info
Key Note Speakers:

Axel Gedaschko  
Senator for Urban Development and Environment of the Free and Hanseatic City of Hamburg

Kurt Bodewig  
Former Minister of Transport, Member of Parliament, Chairman of the Board of the Baltic Sea Forum

Juho Savo  
Executive Director of the Regional Council of Southwest Finland

Karin Jaanson  
Vice Mayor Tartu

The detailed agenda can be found at www.hslog.de/logonbaltic
Contact

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