

Supply chain and global project cargo shippers

The shipper's Perspective – outsourcing, or not ?

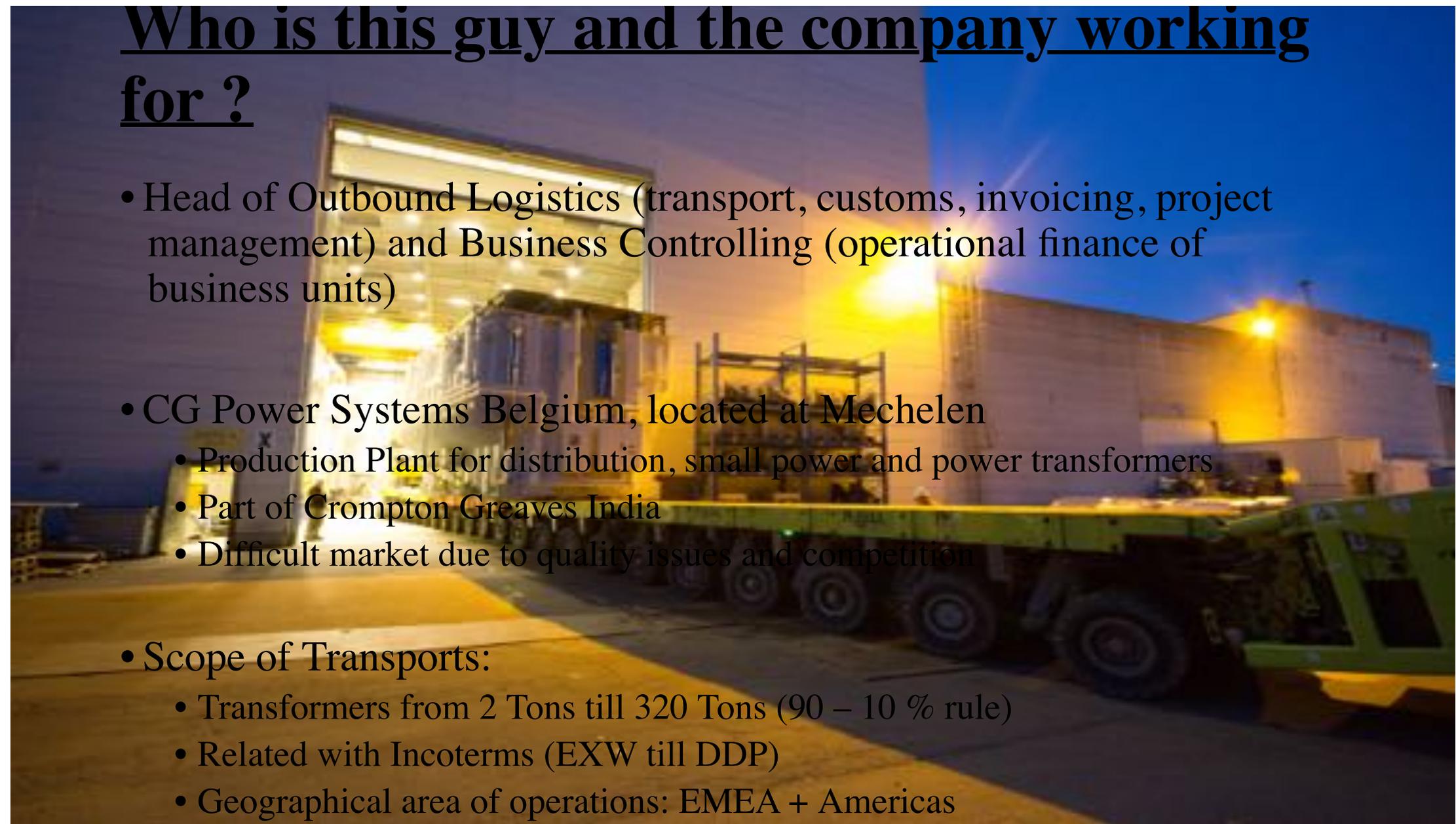
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Jurgen Huygh – Head of outbound logistics and business control

Who is this guy and the company working for ?

- Head of Outbound Logistics (transport, customs, invoicing, project management) and Business Controlling (operational finance of business units)
- CG Power Systems Belgium, located at Mechelen
 - Production Plant for distribution, small power and power transformers
 - Part of Crompton Greaves India
 - Difficult market due to quality issues and competition
- Scope of Transports:
 - Transformers from 2 Tons till 320 Tons (90 – 10 % rule)
 - Related with Incoterms (EXW till DDP)
 - Geographical area of operations: EMEA + Americas



CG – The Future Ahead for logistics

- From local producer of transformers to global solution provider
 - Clients don't buy anymore a transformer (or other good) but a total solution
 - Transport is more and more a (or even the most critical due to high visibility) part of this solution
 - Trend in buying: more and more DAP (Incoterms 2011), including offloading
 - CG applies the same on sourcing process (DAP Mechelen)
 - transport experience often in hands of the manufacturer and his transport partners
- Multidimensional Complexity of Transport

Increased Complexity of Exceptional Transport

- Increased Complexity due to

- Increased dimensions of transformers (goods): big – bigger - biggest

- Physical approach to sites

- Clients premises often, or in complex urban areas – renewal of infrastructure –

- outer wall is currently inner wall

- above ground will be replaced by underground

- or on remote areas (wind farms – we don't want them in our backyard) – green energy wave

- Green in good

- But green is complex – barrages / windfarms

- Production plants often long history and now embedded in urbanized area's

- Often near cities

- Not always the best connections to public transport network as are waterways and rails

- Weight and dimension in the past were smaller !!!! What was 10 years ago exceptional is now normal

Increased Complexity of Exceptional Transport

- Complexity due to
 - Road infrastructure not always up to date – rural area's / urbanized region's (load, height, ...)
 - Impact on feasibility of execution of transport
 - increased number of structural assessments (time and cost consuming)
 - Often structural assessments need to be redone for every new application of exceptional transport
 - Advantage – some countries have exceptional transport dedicated roads but often limited to certain weights
 - Legislation isn't always a friend of exceptional transport
 - You need to be an expert in the legislation per country today !!!
- More and more transport will become the challenge and share of it will increase
- Almost each transport is unique



Challenges on execution of exceptional transport

Known Challenges

No uniform Regulation

Big – Bigger - Biggest

Site Locations

Plant Locations

Execution of Exceptional Transport – The Shipper's Dilemma

New Challenges

Purchasing involvement

Costing Perspective

Insurance companies involvement

The New Challenges: outsourcing or not or

...

- The challenge is different for each product type / kind of business – no common laws !!! And Experience in the past was focus on (even global) outsourcing – even in search for one world global player is EC Based experience
- No global player with footprint in each country – some countries yes, other countries with local partners – result even with outsourcing with one partner risk on subsubsuboutsourcing
- Increased communication lines (long feedback loops) – multilayer communication with risk on disturbance and quid liabilities
- Prices higher level due to more involvement of parties and asset players less money for the job
- Solutions are sometimes the best solutions for the forwarders and partners, not for the shipper or the customer, ...!!!
- Risk adverse or not ?
- Reduced liabilities or even not ?
- Knowledge gap creating these pitfalls ? Containerized breakbulk case

The New Challenges: outsourcing or not or

...

The challenge is different for each product type / kind of business – no common laws !!!

GLOBAL TRENDS

- Purchasing is more and more involved and the lead in sourcing of transport
 - Awarding of transport more and more done by sourcing managers – often focus on costing and cost reduction alone
 - Costs versus extreme important service/perception for the customer
 - Is not only transport to and offloading at site
 - How to deal with public domain and public awareness – reflected on the customer
 - Cost reducing often related with risk increasing / less services / language gap / less flexibility
 - Can be valuable but is related with the type of goods / business

Is the lowest transport cost also the lowest total project costs !!!

Total Cost of Transport

- Exceptional transport: summation of visible / controllable cost components + unpredictable cost components (increasing share)

- Visible / controllable costs are:

- Cranes / Trucks
- Barges / seafreight
- Manpower
- Permits
- ...

- Unpredictable elements are:

- Traffic management costs
- Final road / route allocation
- Impact of delays / penalties
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- Total transport cost of a project = F (controllable costs) + F (unpredictable costs) + F (economies of scale/creative logistic solutions) + F (quality) + F (time)





COST

OPTIMUM

QUALITY

TIME

The New Challenges: outsourcing or not or

- Each Transport is an unique service ordered by customers and has often a high visibility
The challenge is different for each product type / Kind of business – no common laws !!!
- Due to high visibility and unique features: keep control in own hands:
 - manage the transport project in house
 - with the help of dedicated partners (fixed asset players – with great knowledge of local region (permits, ...))
 - in house management means garnering the knowledge, more time consuming but results in better ‘adapt and adopt to customer needs
 - gathering the knowledge means able to speak the language of project cargo and become a partner in the execution process
 - shorten communication lines, faster and better response to last minute changes,
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- In house management has for us more advantages than disadvantages

The New Challenges: outsourcing or not or

- So ~~no~~ no role for forwarders / project cargo companies / ? no common laws !!!
The challenge is different for each product type / kind of business
- Not at all
 - Large complex projects
 - Destination with knowledge gap - but them execution by specialized companies
 - But the Lead in hands of the shipper !



How to deal ideal with exceptional transport

- More and more fixed asset companies are the partners
- Partners need to be treated with respect
- Not squeezing the lemon for savings – boomerang effect
- Savings to be realised by intelligent approach
 - With respect for: time / quality (risks) / costs
- focus on cost control, risk management, ...

Partnering to find the best multi-focus solution – not for us, not for transport company but for the customer



THANK YOU

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