



Logistics Asia Conference 2016

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Introduction: Krishan K. Batra

- **Education:**
 - MBA from Syracuse University (USA)
 - PGDIM (Bombay University)
 - DCM (Bombay University)
 - M.Tech (IIT, Delhi)
- **Professional Certification:**
 - ERP Certification
- **Recognition:** Developer of UNSPSC , Hind Ratna
- **Experience:**
 - President &CEO, ISM-India, www.ism-india.org
 - Chairman: UNDP/ACP, New York(Overseeing 166 Countries)
 - Senior Executive Director: NSIC Ltd, India
 - GM, TRTC and many other senior positions in various companies including Voltas, Carrier Corporation etc.



What is Logistics

- Logistics is the management of the flow of things between the point of origin and the point of consumption in order to meet requirements of customers or corporations.
- The resources managed in logistics can include physical items such as food, materials, animals, equipment, and liquids; as well as abstract items, such as time and information.
- The logistics of physical items usually involves the integration of information flow, material handling, production, packaging, inventory, transportation, warehousing, and often security.



Logistics Overview



| Dimension | Transportation | Distribution | Import/Export |
|-----------|---|---|---|
| Planning | <ul style="list-style-type: none"> • Network design • Carrier contracting • Shipment optimization | <ul style="list-style-type: none"> • Facility design • Project management | <ul style="list-style-type: none"> • Coordination of global freight movements |
| Execution | <ul style="list-style-type: none"> • Carrier selection/tendering • Shipment tracking • Freight payment | <ul style="list-style-type: none"> • Core warehouse activities • Value added services | <ul style="list-style-type: none"> • Customs clearance • Freight forwarding |



Logistics Outlook

- **Indian Economy is growing at over 8% and Logistics industry is booming**

India is poised for a major growth in the coming years and Indian Freight Forwarding is poised to become the next exciting growth sector.

- According to World Bank LPI (Logistics Performance Index) survey conducted among 155 countries India ranked 47th and continues to be the top performer in South Asia. The survey also concluded that excluding high-income countries, India is also among the 10 most significant over performers.



Size of the Industry...

- **Logistics Industry size \$ 200 billion by 2020**
- The Indian logistics market (Transportation) recorded revenues of about \$ 95 billion in 2015, witnessing a growth of about 9.2 percent over the previous year.
- Indian logistics market is likely to cross the \$ 200 billion figure by 2020. Strong growth of key manufacturing industry sectors such as automotive, engineering, e-commerce, pharmaceuticals, food processing and textiles among others shall contribute significantly to this growth



Types of Logistics

- **Distribution logistics** has, as main tasks, the delivery of the finished products to the customer. It consists of order processing, warehousing, and transportation.
- **Disposal logistics** has as its main function to reduce logistics cost(s) and enhance service(s) related to the disposal of waste produced during the operation of a business.
- **Reverse logistics** denotes all those operations related to the reuse of products and materials. The reverse logistics process includes the management and the sale of surpluses, as well as products being returned to vendors from buyers. The opposite of reverse logistics is **forward logistics**.
- **Green Logistics** describes all attempts to measure and minimize the ecological impact of logistics activities. This includes all activities of the forward and reverse flows. This can be achieved through [intermodal freight transport](#), path optimization, vehicle saturation and [city logistics](#).



GLOBAL LOGISTICS TRENDS

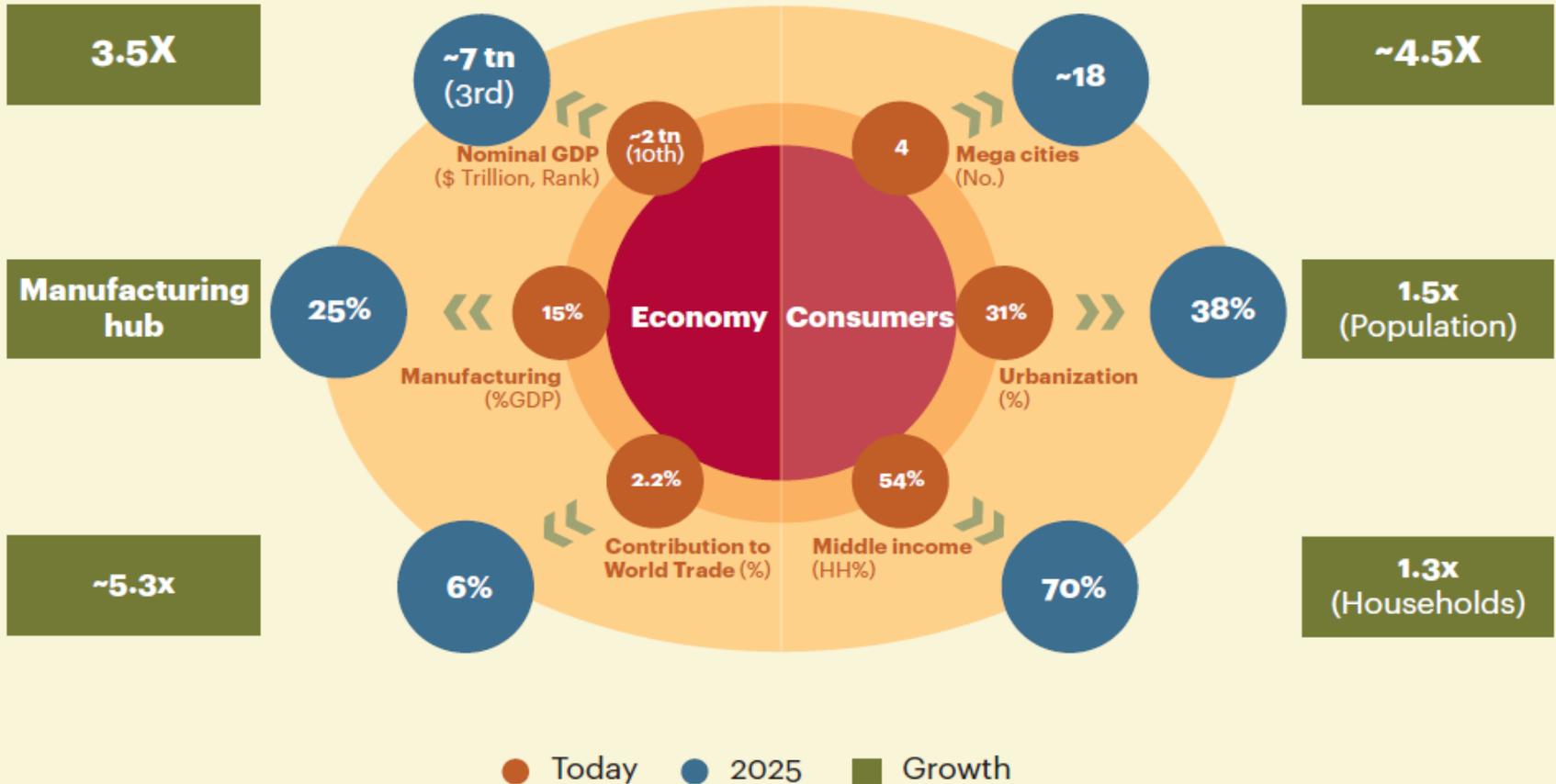


Global Logistics Trends

- A lot is happening in the logistics and transport industry and things are moving pretty fast.
 - Production is being brought closer to the end user
 - .Overcapacity in the container segment due to investments in larger vessels
 - Continued focus on sustainability and compliance in the transport industry
 - Major acquisitions in the global logistics industry
 - .Green transport solutions win over air freight
 - Growing e-commerce affects the supply chain
 - .Economic growth will come from new geographies



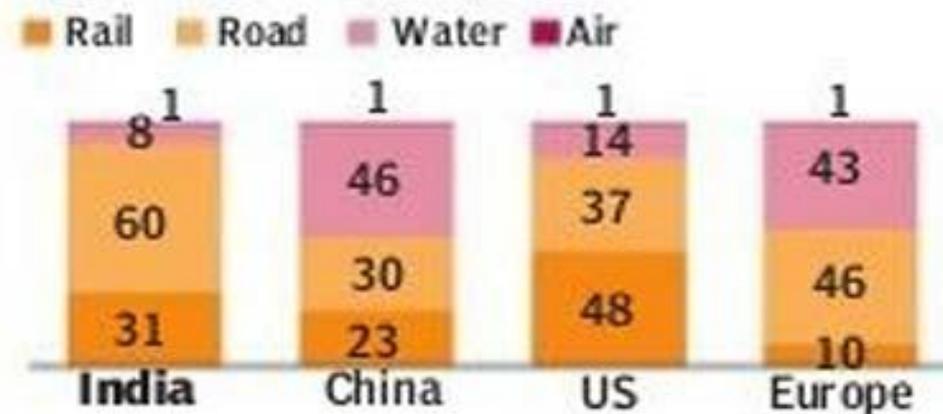
India today and in 2025



Sources: Planning Commission & Ministry of Commerce & Industry report

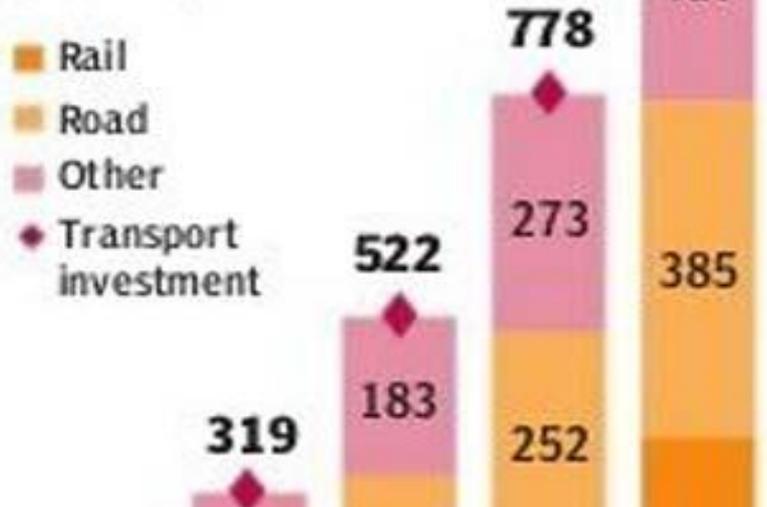


Underinvestment in railways increased road sector (relatively inefficient transport mode) share to 60% vs 30-46% share in other regions

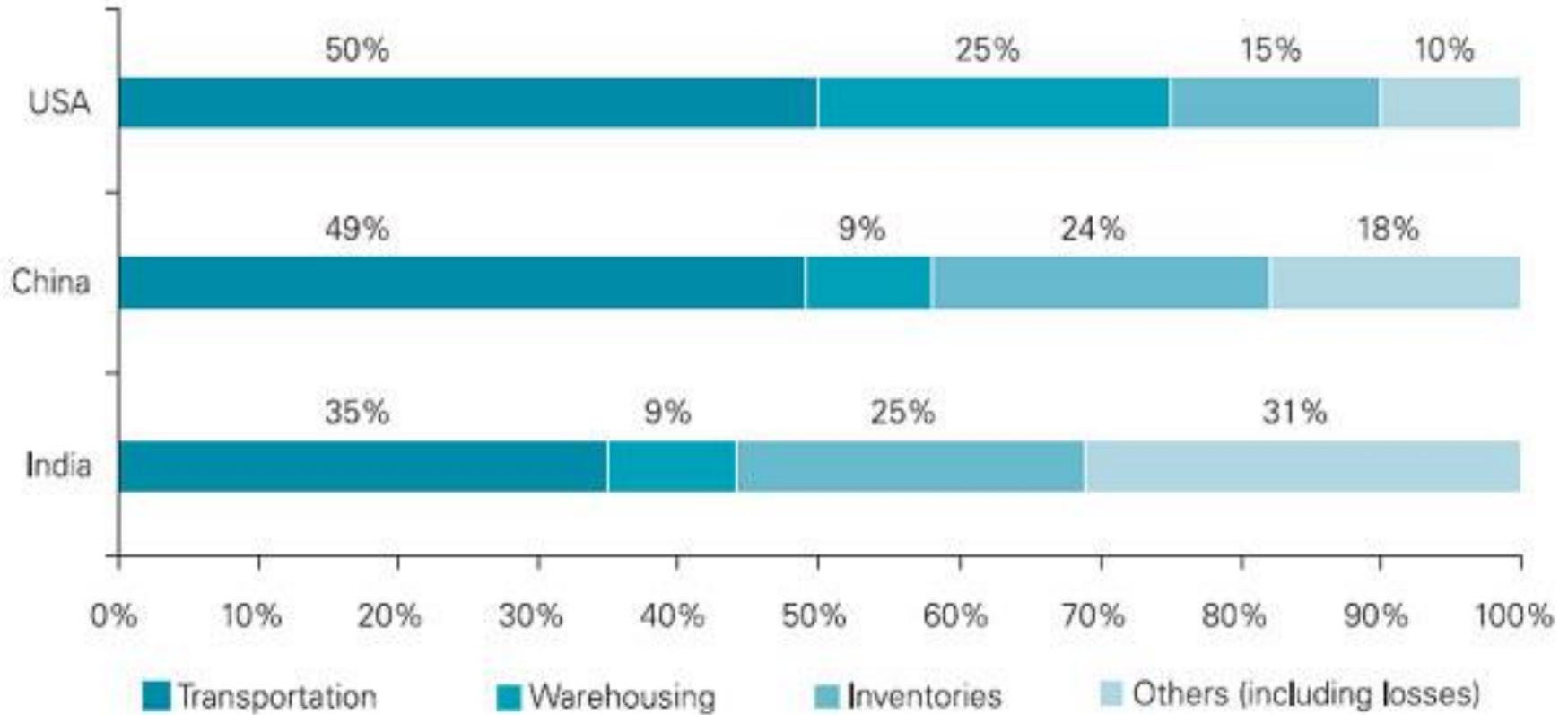


E-commerce market growth pegged at 25-30% CAGR over the next few years

Expect transport mode imbalance situation to improve with GST implementation and expected capex on transport infrastructure (in \$ bn)

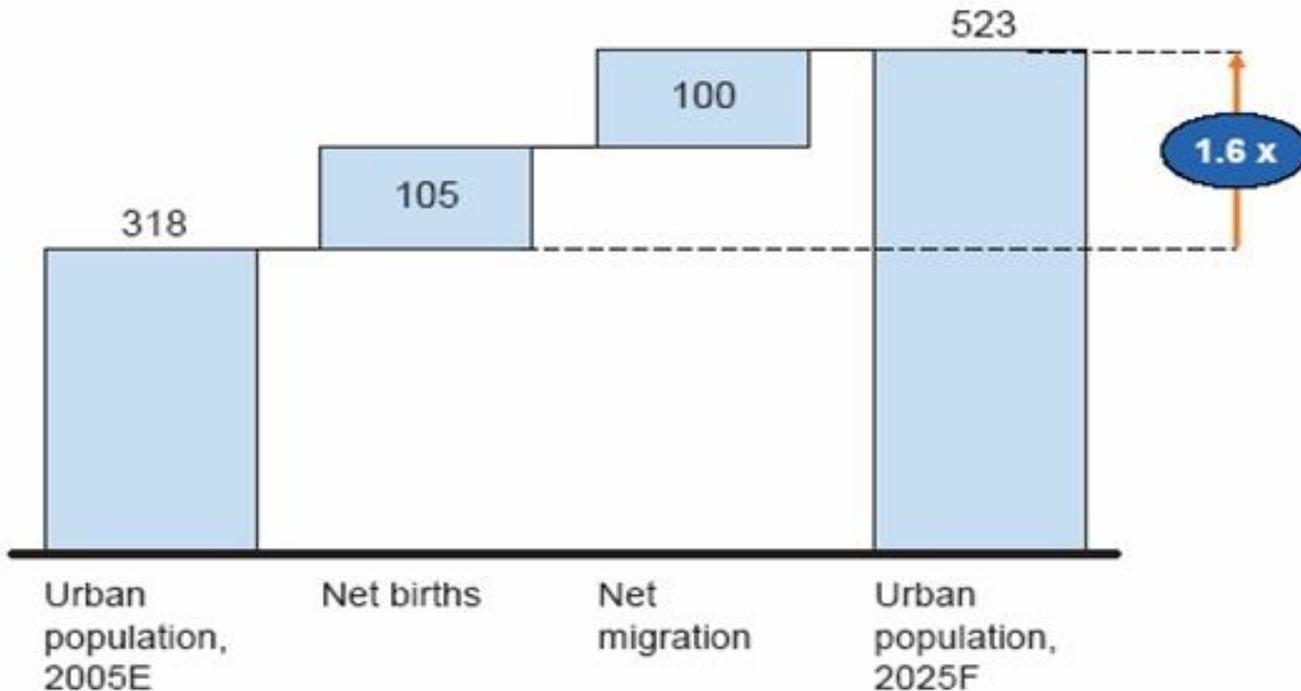


Share of Logistics Costs



Urban Population Increasing

Urban population, 2005–2025*
million



Share of total
population or
urbanization rate

29%

37%

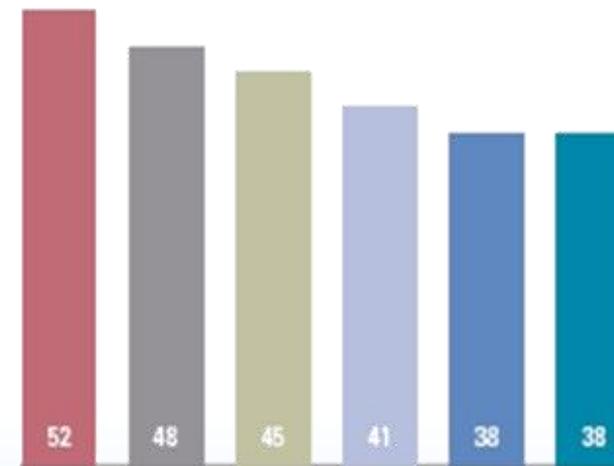
- Urban population projected to cross 500 million by 2025

- Cities are expanding

Challenges

- ❖ Inefficient Supply Chain
- ❖ Infrastructure
- ❖ Low Technology Penetration
- ❖ Food Safety
- ❖ Unorganized sector
- ❖ Bureaucracy
- ❖ Lack of scalability

Consumer companies cite key food and beverage concerns

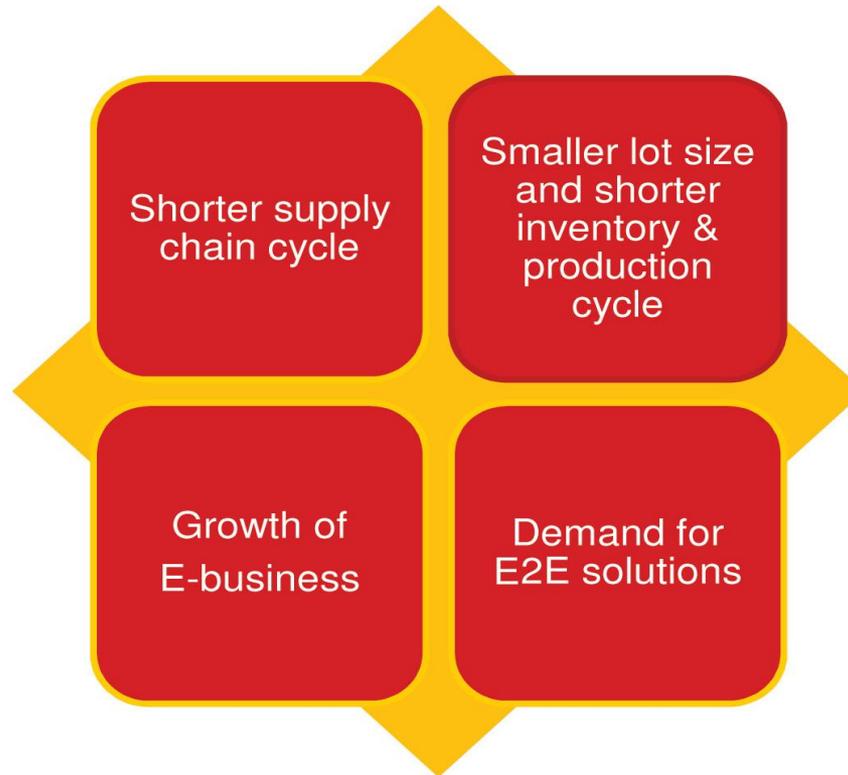


- 'Unorganized' sector competition
- Managing short shelf life products
- Taxation
- Spoilage at retailer
- Bureaucracy
- Infrastructure constraints



Challenges Faced

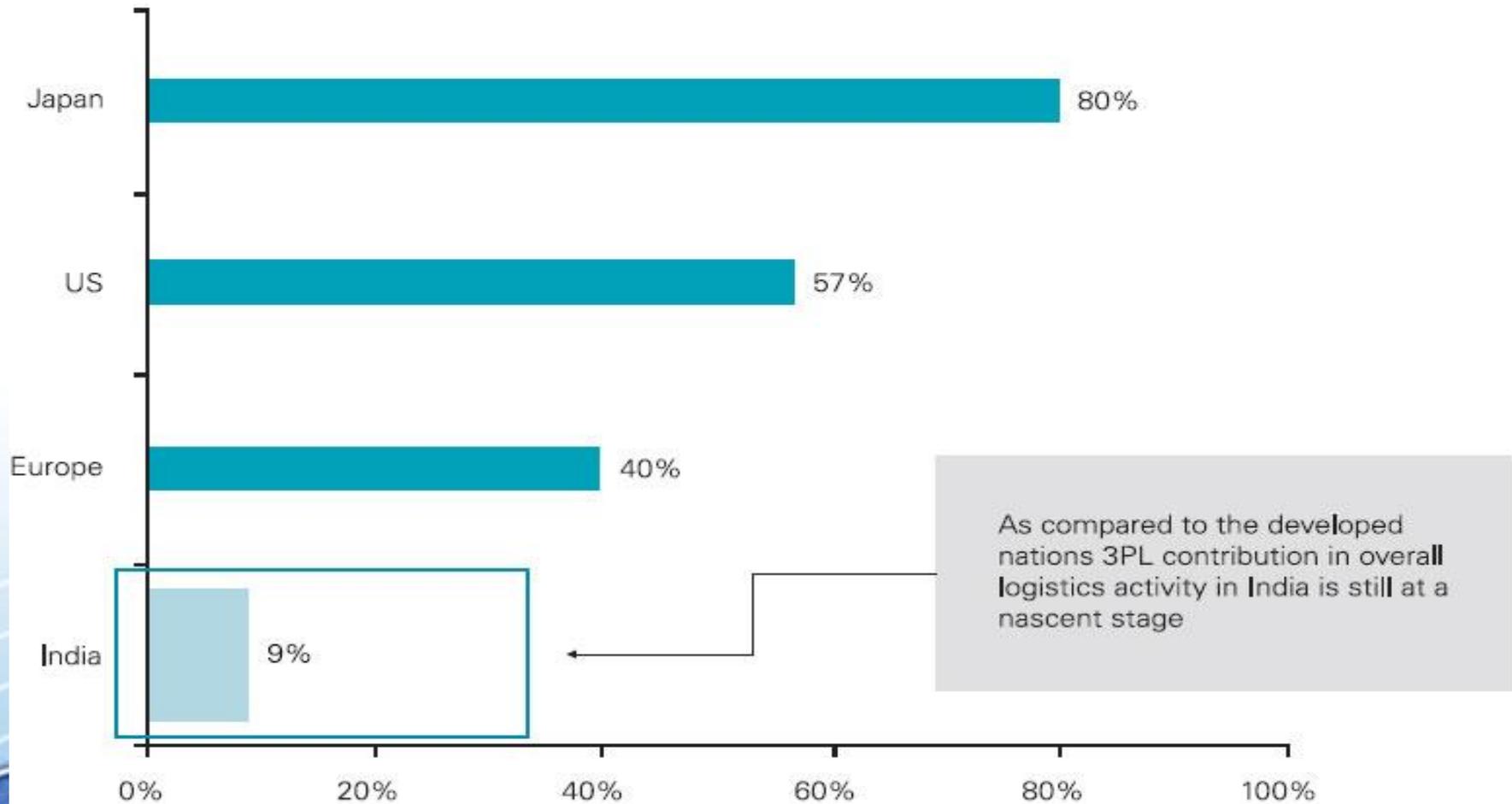
- Macro-environment is changing rapidly and the expectation from customer changes as well:





Logistics - 'the last mile' - is the very crucial phase of getting the product from the seller to the buyer- and it plays an enormous role in the creation of trust and satisfaction with the consumer.

Share of 3 PL



Government Initiatives & Policy Perspectives



Logistics

- Logistics is set for rapid growth
- India's logistics sector is poised for accelerated growth, led by GDP revival, ramp up in transport infrastructure, e-commerce penetration, impending GST implementation, and other initiatives like 'Make in India.'



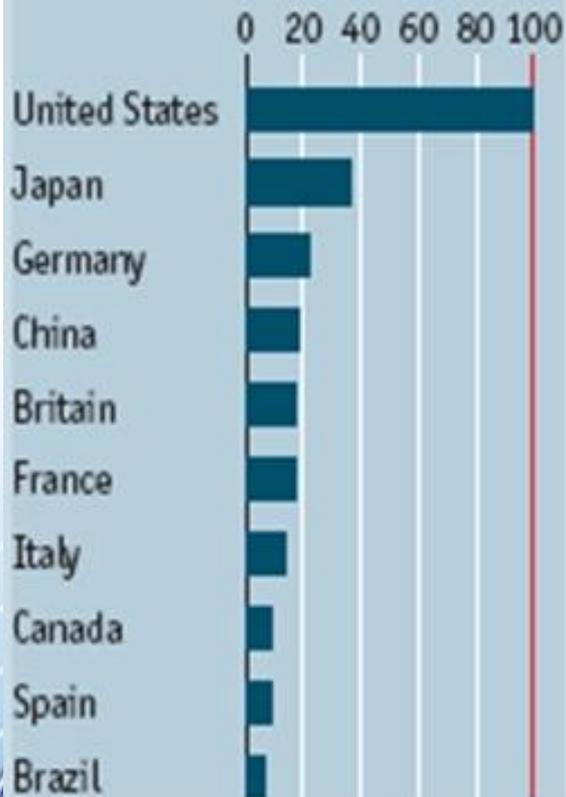
India is Growing!

Source: Economist

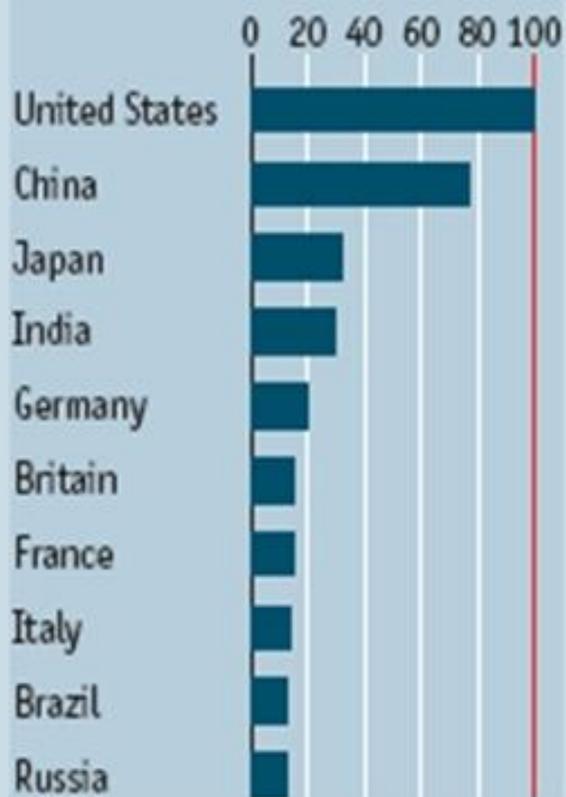
2040 vision

World's ten biggest economies, United States=100

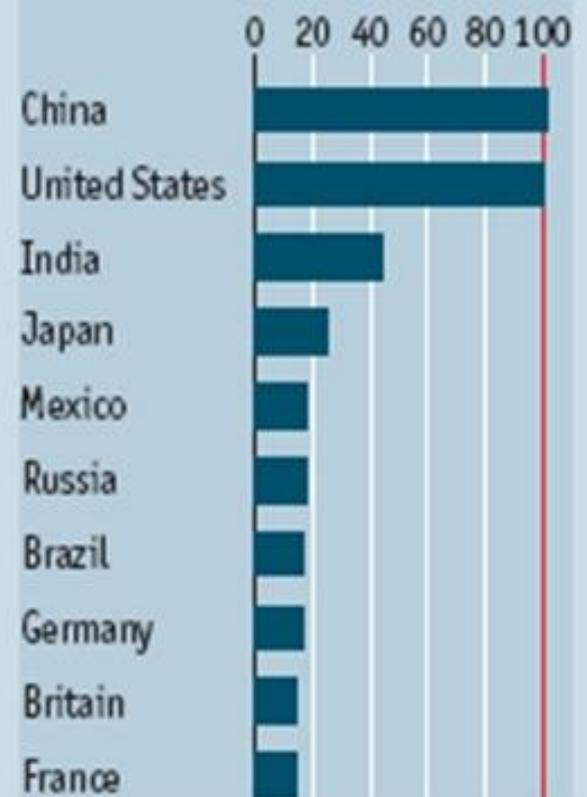
GDP (market exchange rates) 2005



GDP (PPP) 2005



GDP* forecast 2040



- India will be the third largest economy by 2040

Exponential Growth

- Transportation and logistics sector employs around 7.3 million people.
- The number is expected to increase to about 25 million by 2022.
- Transportation and logistics companies will need to find more than 17 million more workers over the next 10 years.
- This is an enormous challenge, particularly considering that the logistics sector is already struggling to find workers with the requisite skills to handle the entire supply chain.



Need for Skill Development

- Traditional logistics has in last few years has already **witnessed an inwards technology pattern in India with the** inception of MNCs. This is further enriched by the evolution of e-commerce market in terms of technology, operations, processes and delivery. As things in the e-commerce are heading for a real time concurrence, expectations from logistics and supply chains are increasing for being precise and accurate in their operations, delivery and service quality.
- The **boom in e-commerce has opened up new avenues** and newer kind of challenges in the logistics sector. The success of e-commerce also seems to depend on effective IT support, transportation and better logistics infrastructure
- **. E-commerce has helped in gaining public attention** to the logistics and supply chain industry, so from HR perspectives it is good to attract the best talent



Demand Supply Gap in Hiring Talent

- Due to new trends in supply chain and logistics fields, companies are looking for professionals with new and advanced skills in their fields.
- At the moment, the industry is at a more **matured stage in supply chain solutions in terms** of IT, infrastructure or operations than a decade back.
- There is still a demand-supply gap at the level of junior, middle and senior level. Reason being these jobs gradually call for advanced skills set as per the customers' increased expectations from a service provider

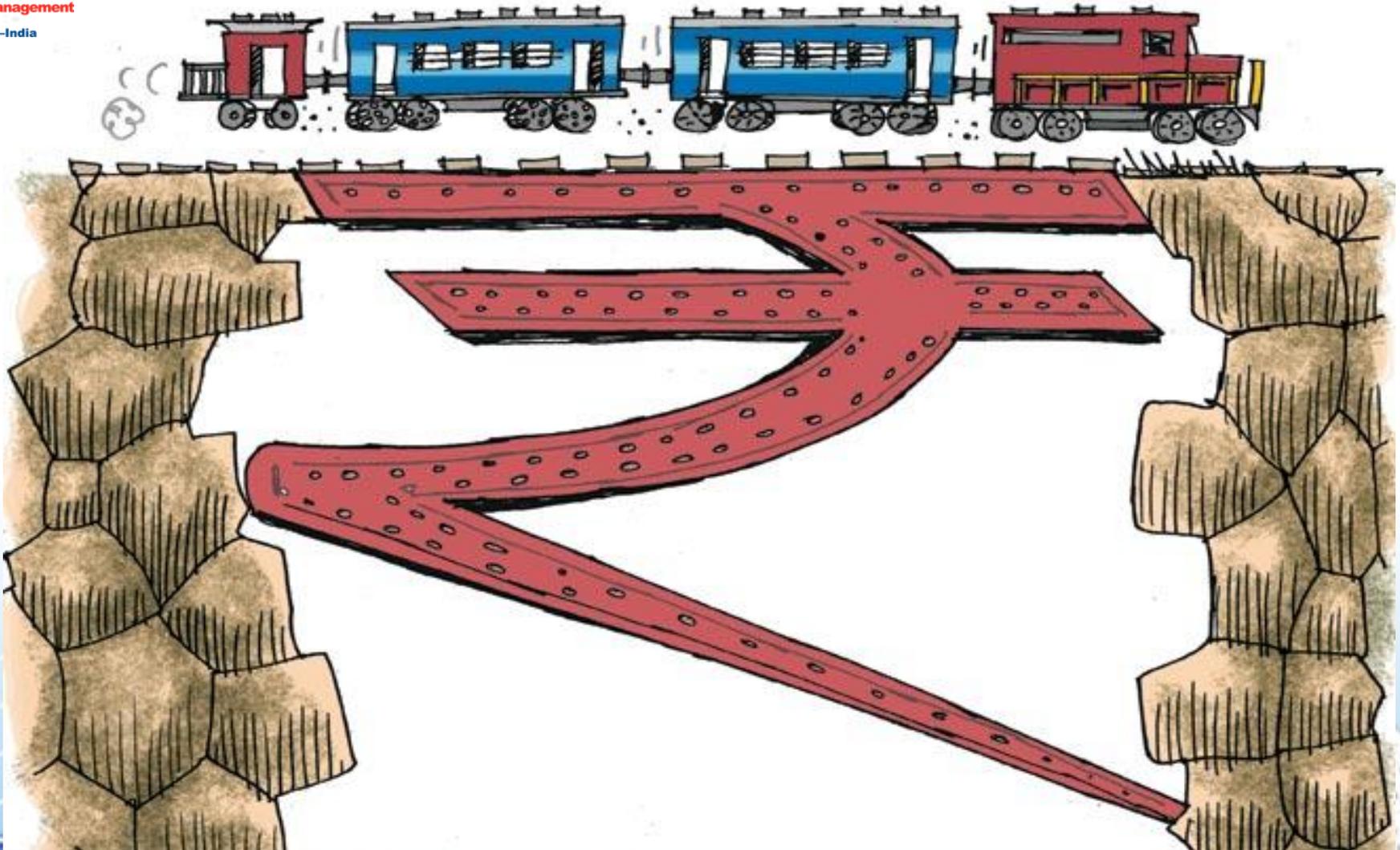


Competency Levels

- **TACTICAL:** Carries out an administrative role, recognizing, describing and applying key transactional processes of procurement and supply.
- **OPERATIONAL:** Capable of applying key tasks associated with procurement and supply operations. Competent at providing advice and guidance to key stakeholders on the performance of procedures and processes.
- **MANAGERIAL:** At this level buyers should have all of the prelicence capabilities in the Operational and Tactical levels and be able to develop, improve and fulfill organizational and functional objectives in procurement and supply.
- **PROFESSIONAL:** Competent at formulating, directing and advising on all aspects of the procurement and supply functions across all types of organization in any sector, globally. Capable of leading and influencing both internal and external stakeholders, managing change and leading and influence internal and external stakeholders.
- **ADVANCED PROFESSIONAL:** Leading procurement teams within an organization and influencing the board to adopt leading-edge procurement strategies, establishing best practices and influencing supply markets with innovative sourcing solutions.



Infrastructure Connectivity Push



Infrastructure Connectivity Push



Infrastructure

- From discom revamp and the Sagarmala ports project to Smart Cities and Amaravati, the government push for infrastructure augurs an upswing for the sector.
 - National Investment and Infrastructure Fund:
 - Roads uptick (From 2 km to 14 km per day)
 - Discom revamp (Modernizing Electricity Distribution)
 - Railway Station Development (Under PPP Model)
 - Regional Air Connectivity
 - Sagarmala Project
 - River Linking
 - Amravati (Greenfield Smart City)





institute for
supply management

ISM—India

TRANSFORMING LOGISTICS



What is Logistics Transformation?

This is about changing the status quo to improve the organization's performance

TRANSFORMATION= BEST BUY



Logistics Performance Index

- LPI is based on following six parameters.
- Efficiency of the clearance process.
 - speed, simplicity and predictability of formalities by border control agencies including customs,
- Quality of trade and transport related infrastructure (ports, railroads, roads, Information Technology),
- Ease of arranging competitively priced shipments,
- Competence and quality of logistics services (transport operators, customs brokers),
- Ability to track and trace consignments
- Frequency with which shipments reach the consignee within the scheduled or expected delivery time.

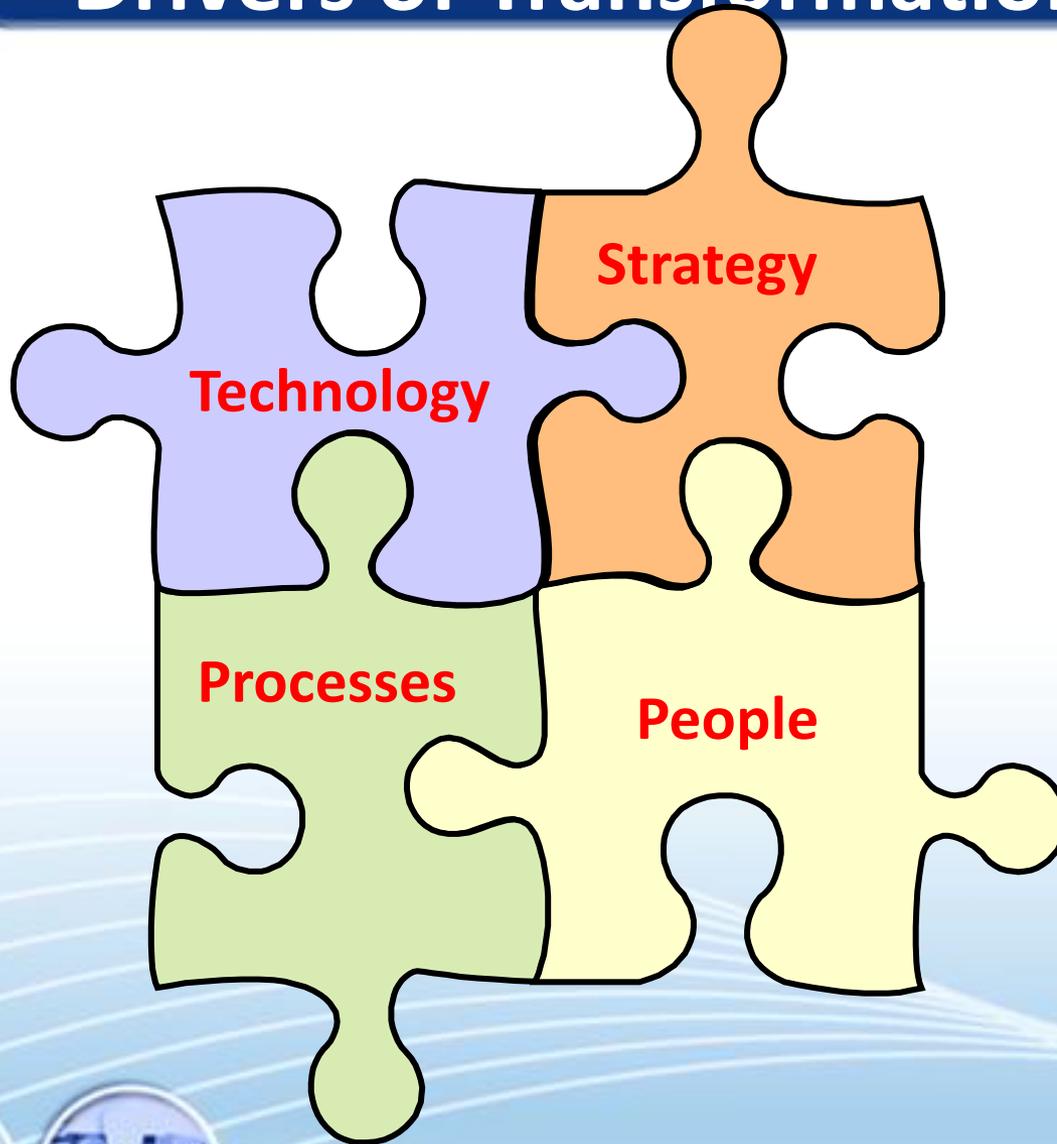


WASTAGE

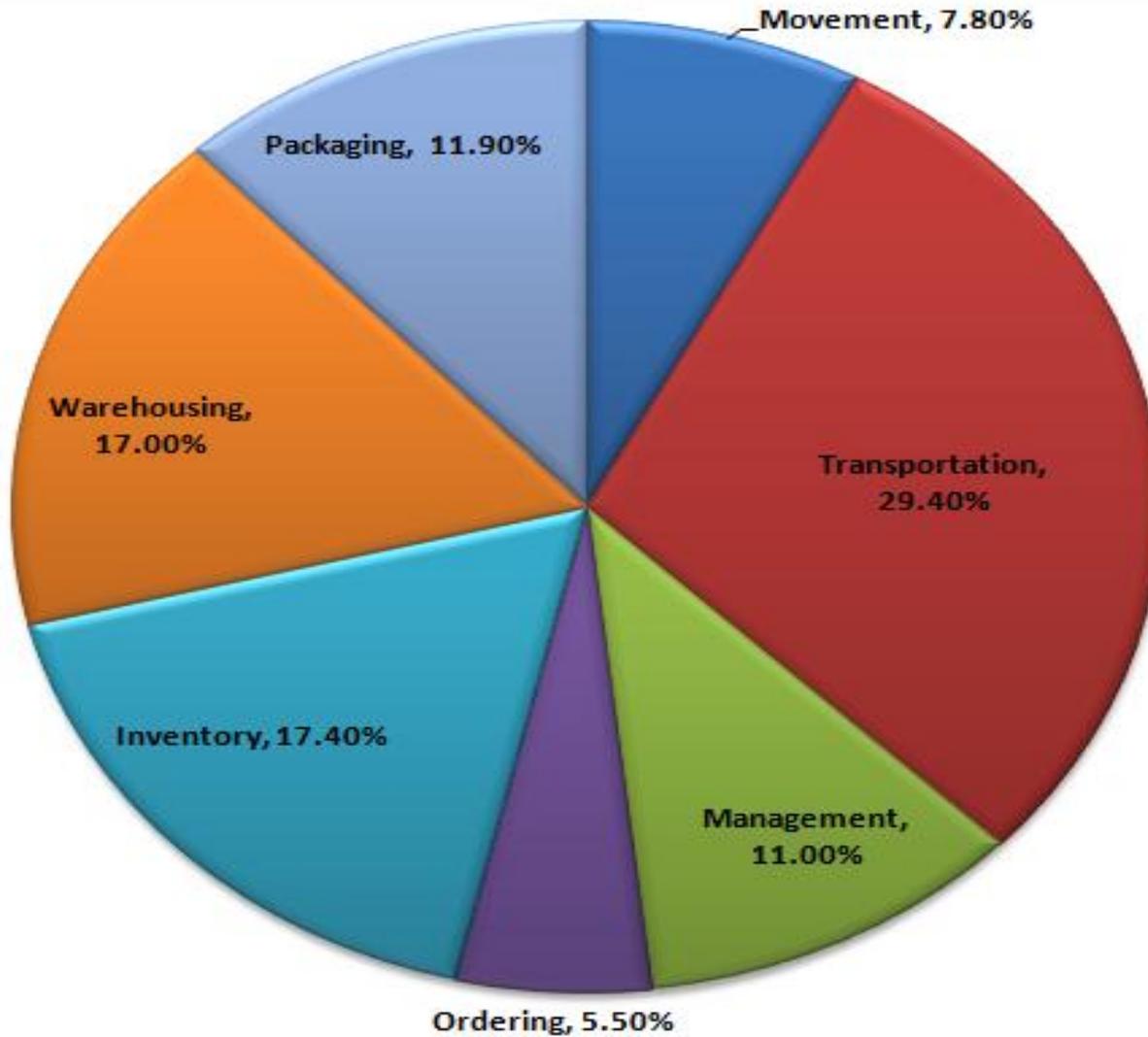
Waste caused by poor infrastructure is thought to cost India around \$45 billion per year, or 4.3 percent of GDP.



Drivers of Transformation

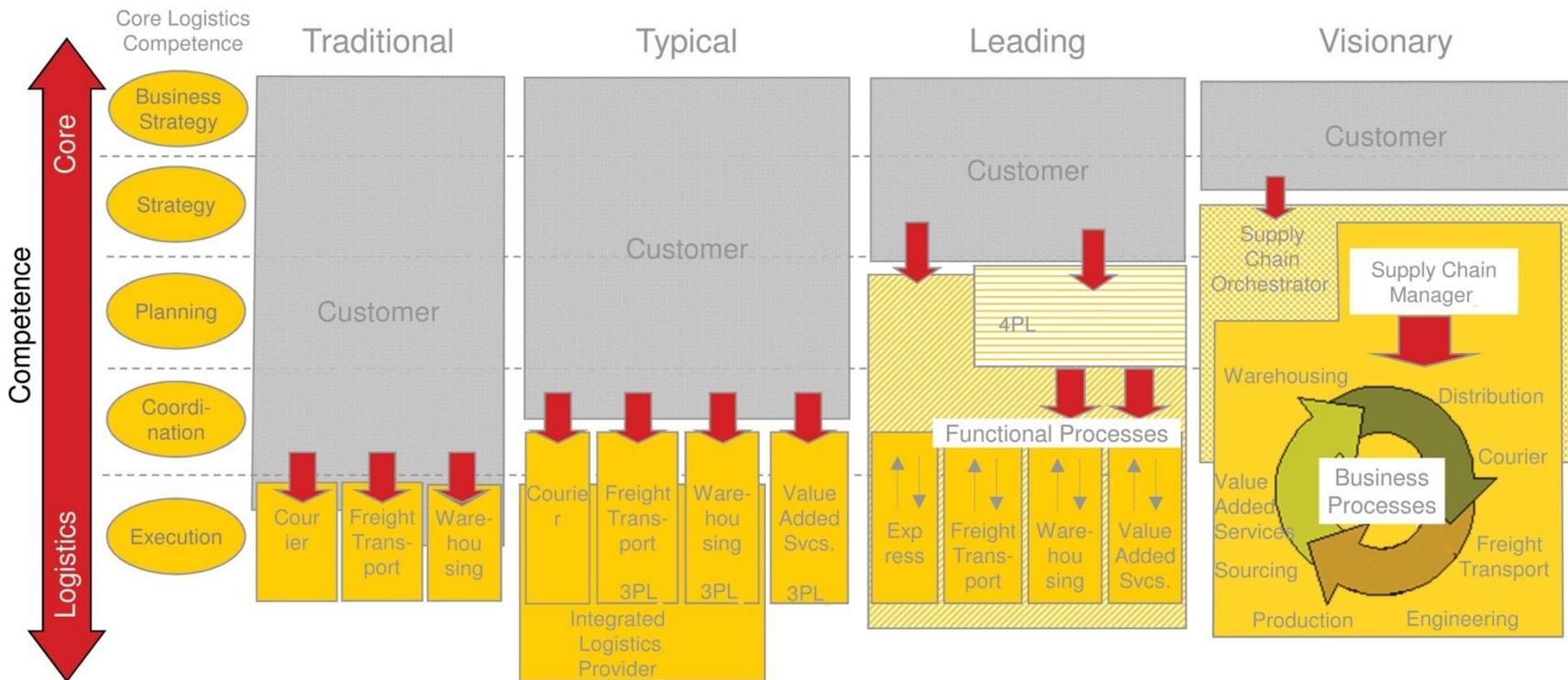


Logistics Components in a Company



Evolving Business Models in Logistics

Outsourcing

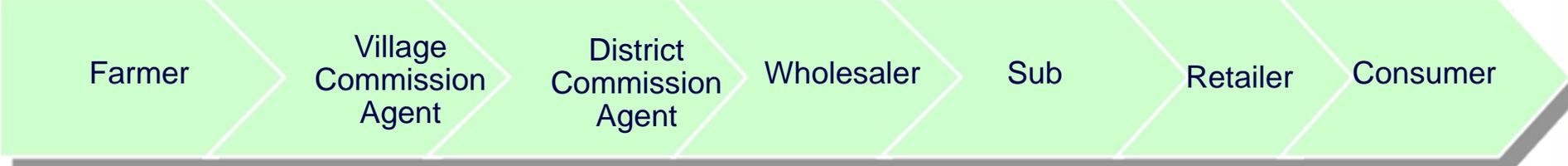


- Single function transactional relationship
- Local / regional reach
- Physical asset heavy, process execution
- Cost plus management fee
- Fixed upfront cost to change



- Strategic multi-functional partnerships
- Global, door-to-door coverage
- Bring integrated IT solutions ready to use
- Continuous innovation (cost & service)
- Risk/Gain share
- Reduced need for capital

Disjointed Food Supply Chain



- Farmer**
 - Low yield / non-standard quality
 - Price de-linked from market
- Village Commission Agent**
 - Unscientific and unhygienic handling
 - Poor market access
 - Loss in trade passed onto farmer
- Mandi / Local agents**
 - No infrastructure for handling/grading
 - Price quality correlation not assured
- Transportation**
 - Unscientific method leading to loss of quality /damages
- Wholesale**
 - Inadequate infrastructure
 - Rampant wastage
 - Opportunistic profiteering

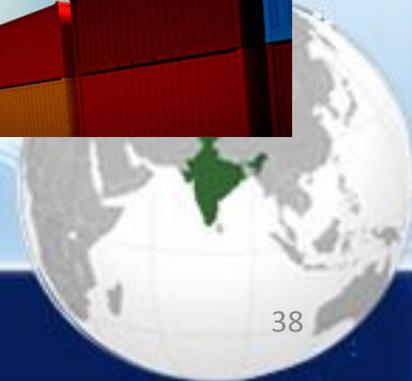
- Processor**
 - No control on quantity / quality of raw material
- Distributor**
 - Lack of infrastructure leading to loss of quality
- Retailer**
 - Lack of infrastructure leading
- Consumer**
 - High prices
 - Limited choice

Non value adding players



Way Forward

1. Upgrade of logistics capabilities
2. Increase the efficiency and provide more value-added services.
3. Enhance Export and Import Ordinances
4. Offer trainings and develop logistics professionals



Thank You!



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