
Benchmarking Logistics Performance To Enhance Competitiveness



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Agenda

- Benchmarking
- Key performance indicators
- Indonesia logistics performance survey
- Vietnam logistics performance survey
- Reflection on Thailand

Benchmarking in Logistics

- Benchmarking is an improvement technique that considers how others perform a similar activity, task, process or function.
- Benchmarking is not just a comparison of key performance indicators (KPIs) although benchmarking uses KPIs to compare operations.

Where to start the benchmarking?

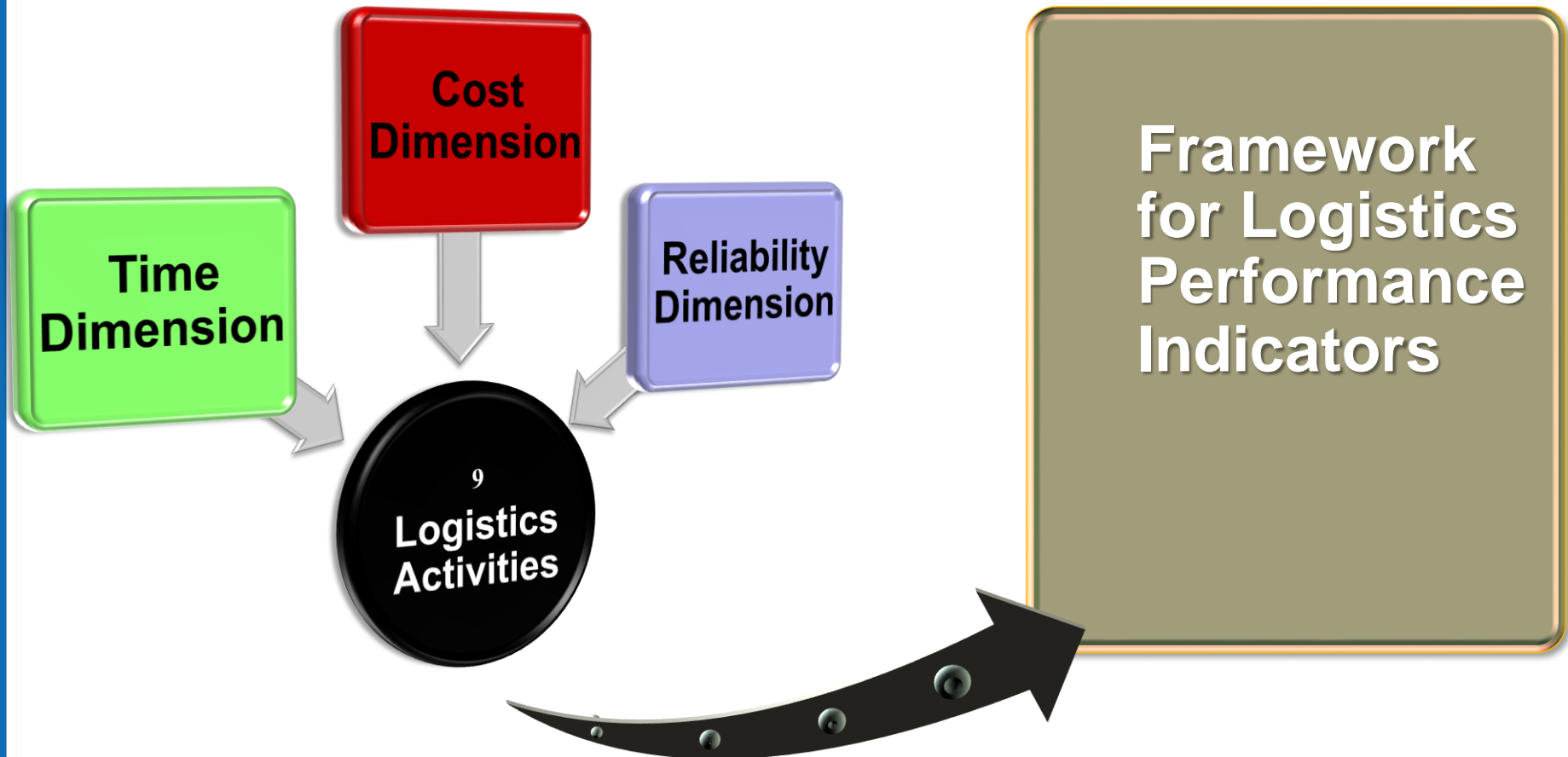
		External Benchmarking				
<div>Who participates</div> <div>Activity</div>	Internal Benchmarking	Two companies			Five –eight Companies	Many Companies
		Same industry		Different industries		
		Competitors	Non competitors		Databases of a range of industries	
Quantitative focus (KPIs)	YES	POSSIBLE	YES	YES	YES	YES
Process discussions and site visits possible	YES	UNUSUAL	YES	YES	YES	No
Confidentiality concerns	NO	YES	NO	NO	NO	YES
Achieve understanding of best practice	NO	NO	UNLIKELY	UNLIKELY	LIKELY	POSSIBLE

Framework: 9 Key Logistics Activities

- **Order processing & Logistics communications**
- **Customer service & support**
- **Demand forecasting & planning**
- **Purchasing & procurement**
- **Material handling & packaging**
- **Inventory management**
- **Transportation**
- **Facilities site selection, warehousing & storage**
- **Return goods handling and reverse logistics**

Source: Grant et al., 2006

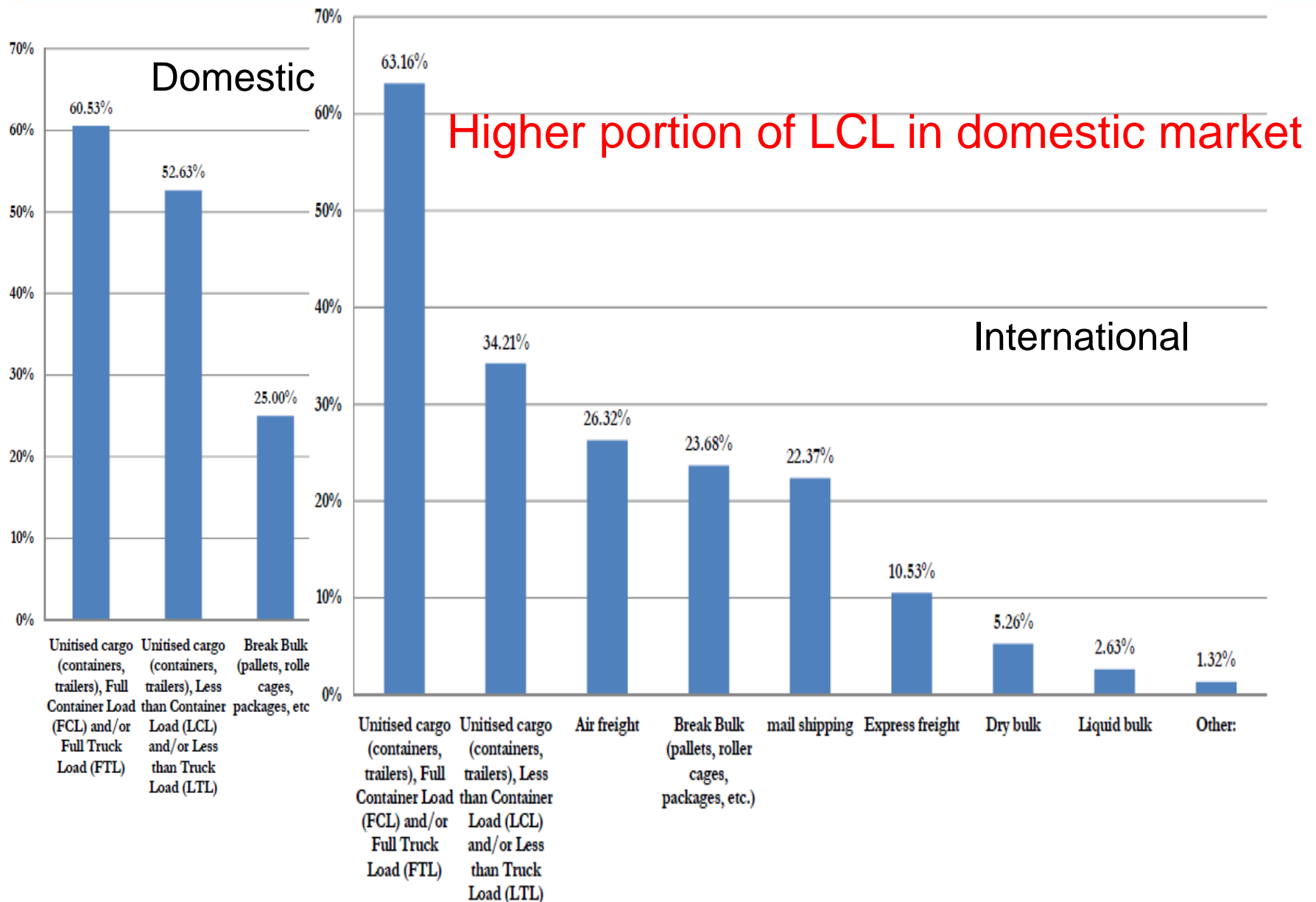
Framework Development



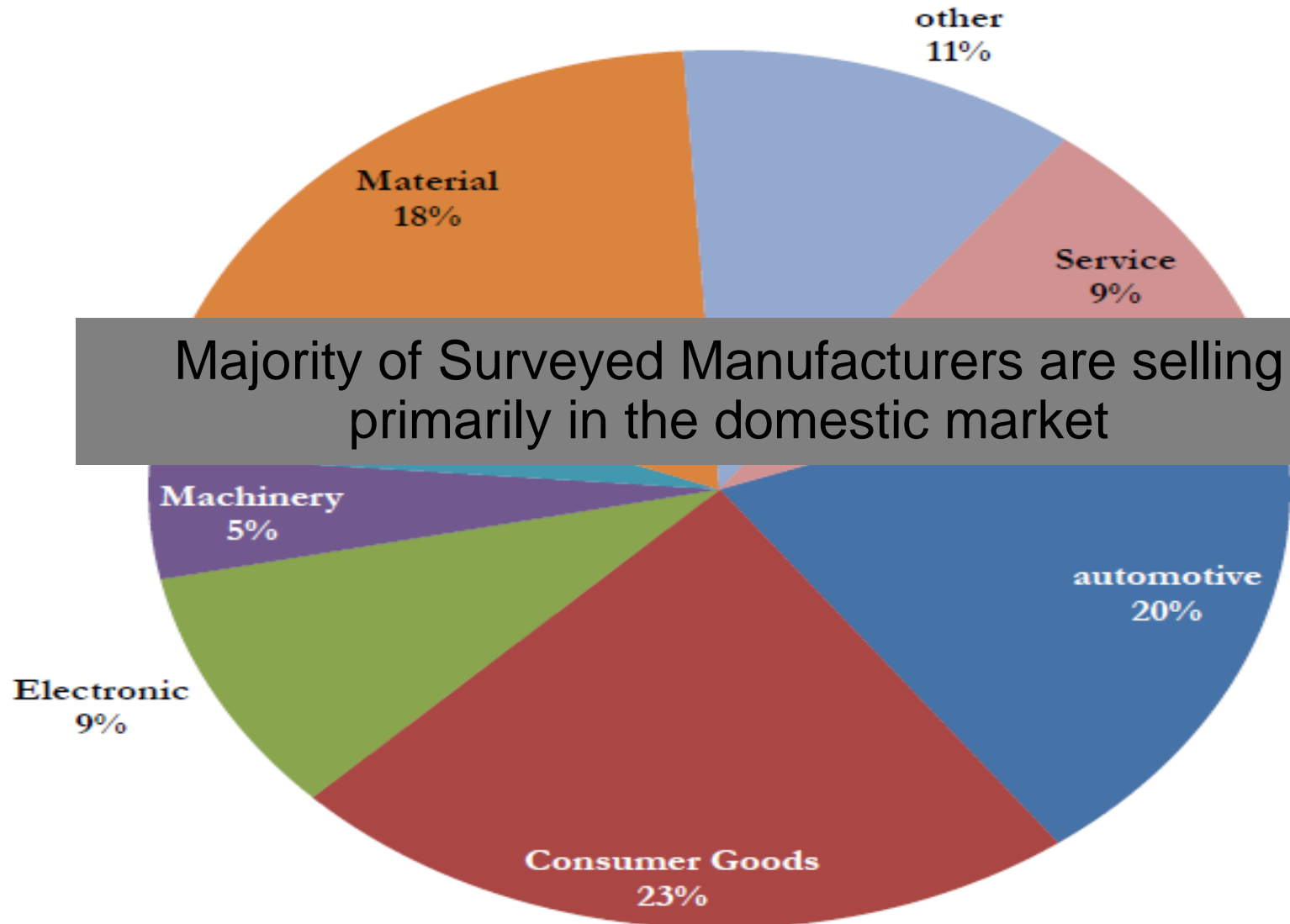
Indonesia logistics performance survey

- Questionnaire was developed based on literature review
- Validated by World Bank staffs and industry expert
- Survey delivery through workshop approach in collaboration with APINDO & ALFI
- Location
Cikarang/Jakarta/Semarang/Surabaya/Medan/Makassar
- Current status of data collection
 - Manufacturing survey: 200 respondents
 - LSP & FF survey: 170 respondents

High use of unitised cargo in domestic and international shipments...

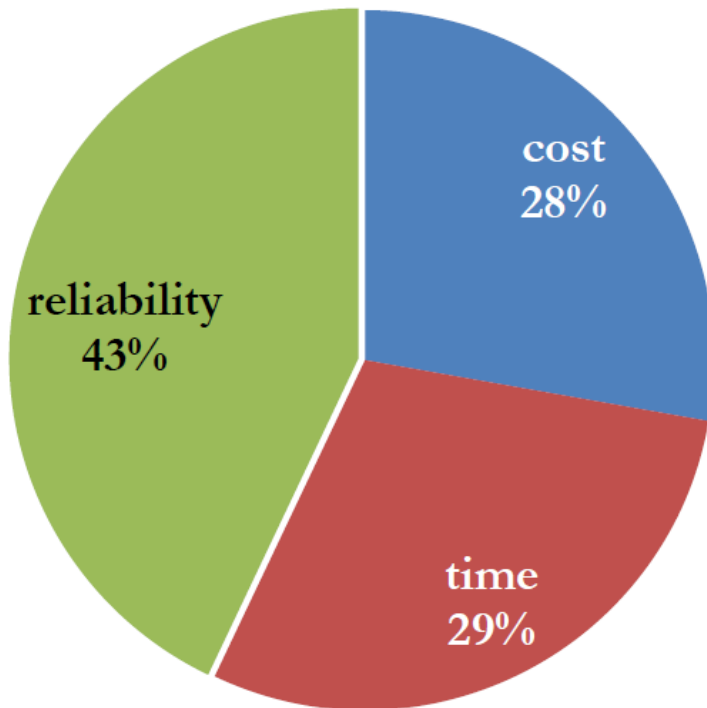


Manufacturers' commodities

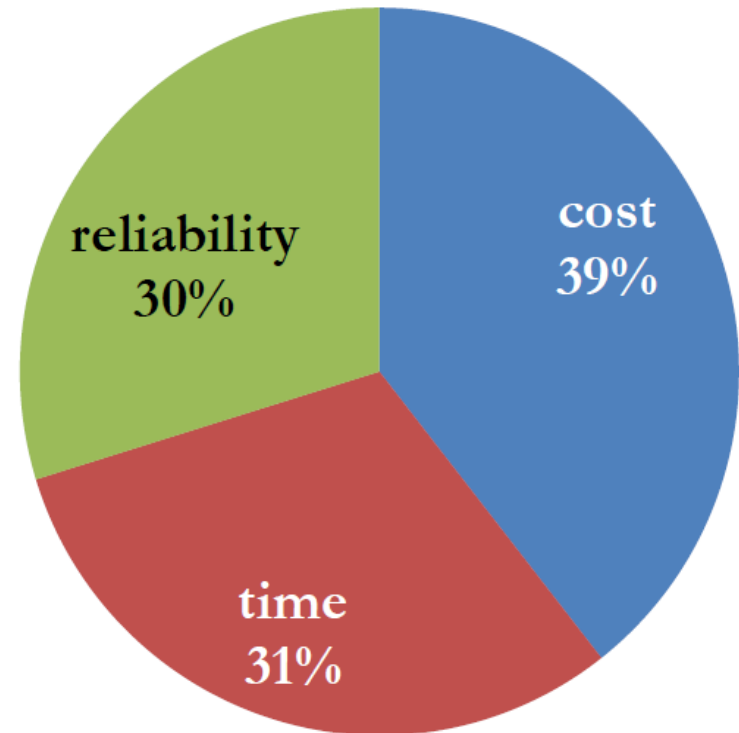


Divergences on the importance of logistics performance dimensions

Manufacturers



LSPs



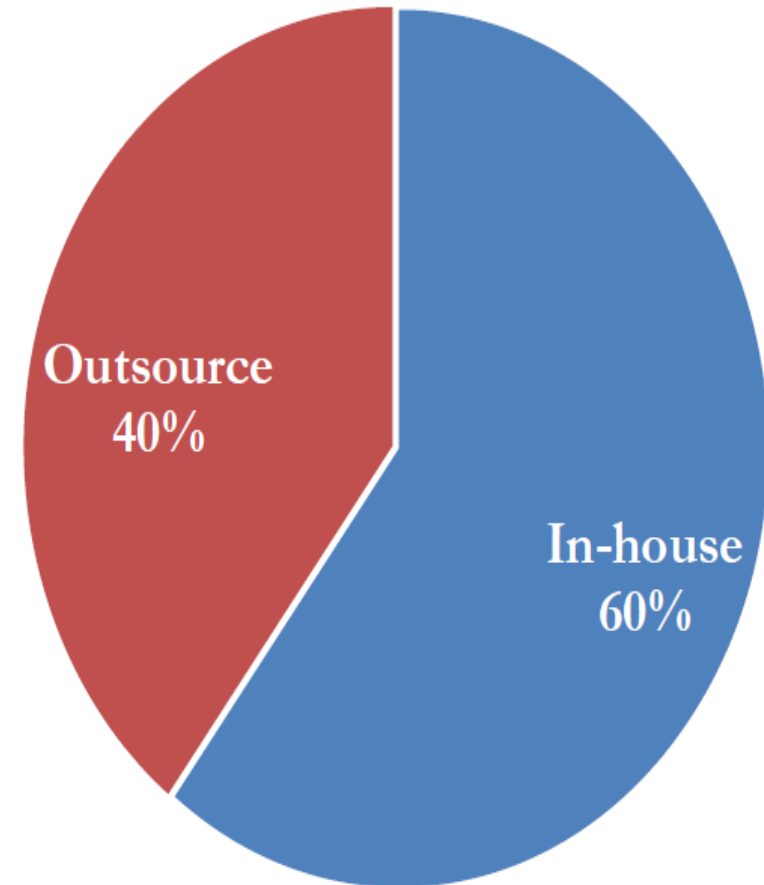
In-house vs. Outsource

LSPs average performance

- DIFOT: 81.1%
- Damage rate: 3.7%
- C2C: 13.8 days

Manufacturer average performance

- DIFOT: 80.9%
- Damage rate: 2.1%
- C2C: 19 days
- Complain rate: 6.7%
- Forecast accuracy: 80.8%
- Returns: 3.6%

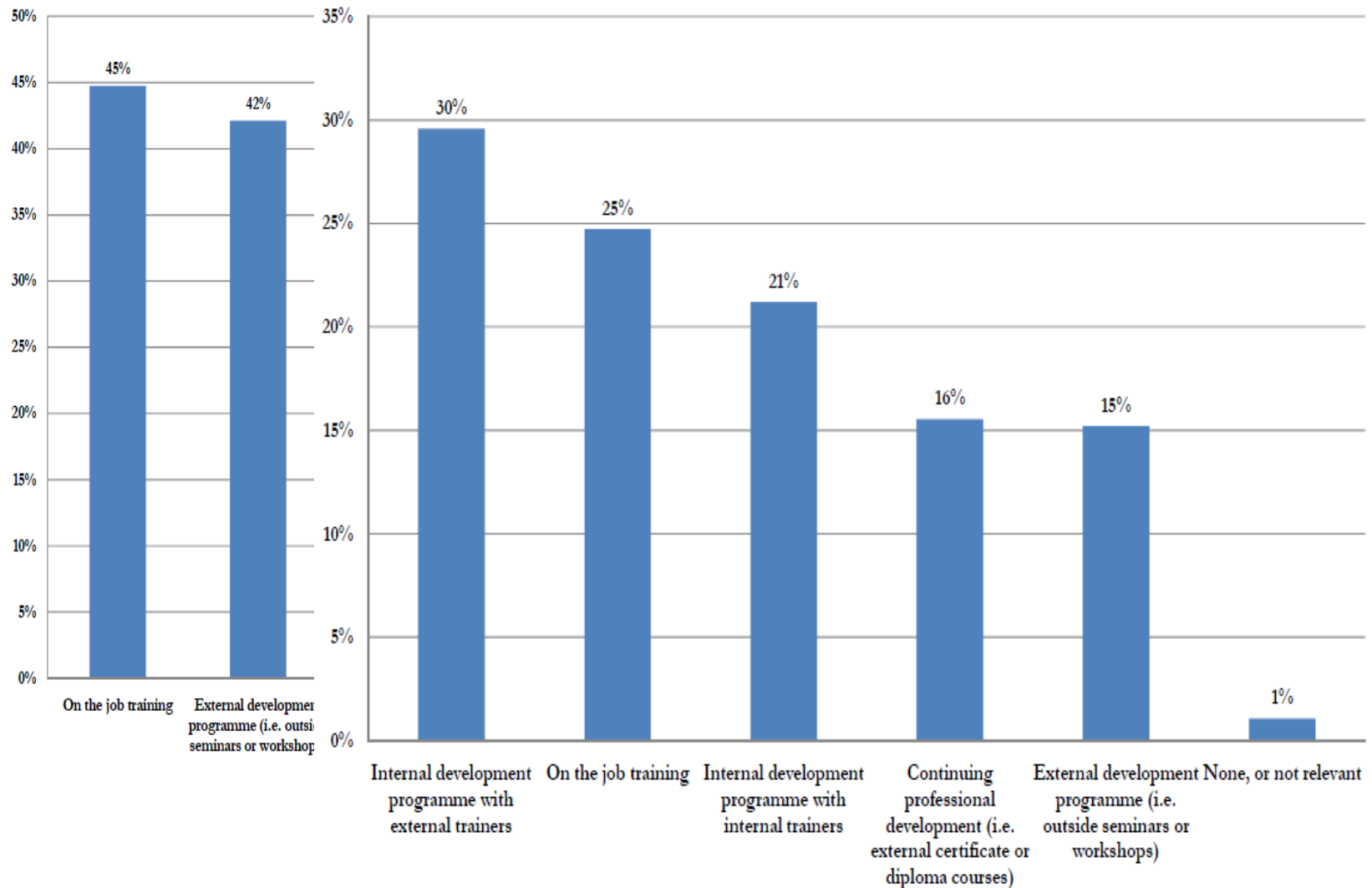


Indonesian Manufacturers' logistics cost/sales

	Mean
Transport and cargo handling cost (incl. transport packaging)	3.95%
Warehousing (cost of running own warehouse or buying the service)	1.14%
Inventory carrying cost (incl. cost of capital tied in inventory)	7.89%
Logistics administration (cost from functions indirectly related to logistics)	2.81%
Other logistics costs	2.18%
Total Logistics Cost/Sales	17.97%

Human Resource Logistics Development Policy

Manufacturing



Vietnam Logistics Performance Survey



- A five page questionnaire based-survey was developed to measure logistics performance. The questionnaire also assessed firm's characteristics and human resource capability.
- The participating companies were drawn from textiles, food and beverage, electrical and mechanical engineering, automobile and plastics and chemical industries.
- A total of 160 firms responded to the survey
- The participating companies commented that they had several difficulties in understanding the data requirement in the questionnaire.
- Furthermore, many did not have the required data available, in particular cost related data for all logistics activities.

Findings (Characteristics)

Vietnam Sectors Surveyed	
Food & beverages	18.75%
Textiles	10.00%
Electrical Engineering	23.75%
Auto	9.38%
Plastics and chemicals	23.13%
Others : Construction, Real estate	15.00%
Total	100.00%

Findings: the importance of logistics

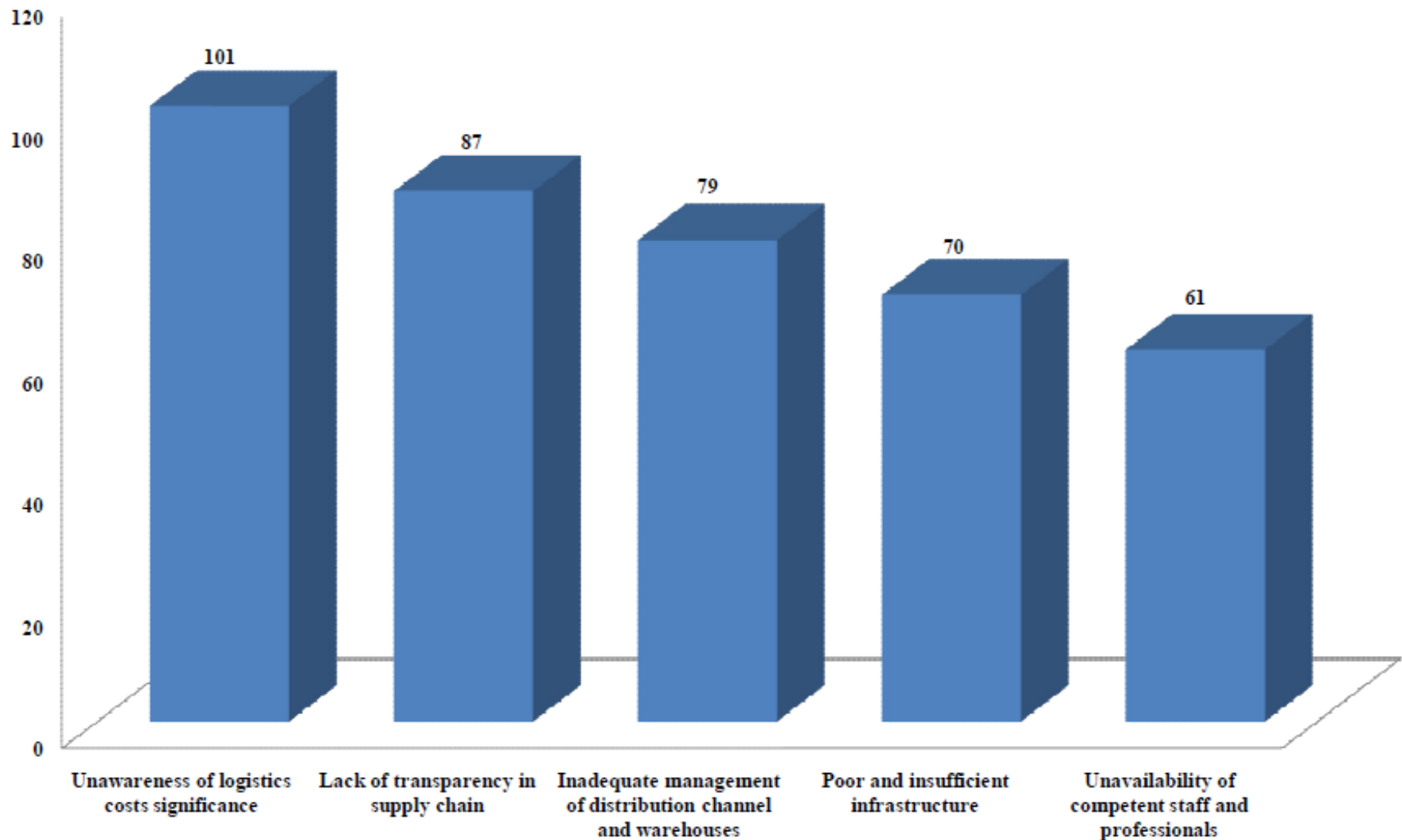
(3- Agree; 2 – Neutral; 1 – Disagree)

	Percentage			
	1	2	3	total
Logistics has a major impact on our profitability	6%	32%	<u>62%</u>	100%
Logistics has a major impact on our customer service level	4%	32%	<u>64%</u>	100%
Logistics is a key source of competitive advantage for our firm	10%	<u>51%</u>	39%	100%
Logistics is a top management priority in our firm	17%	<u>62%</u>	20%	100%

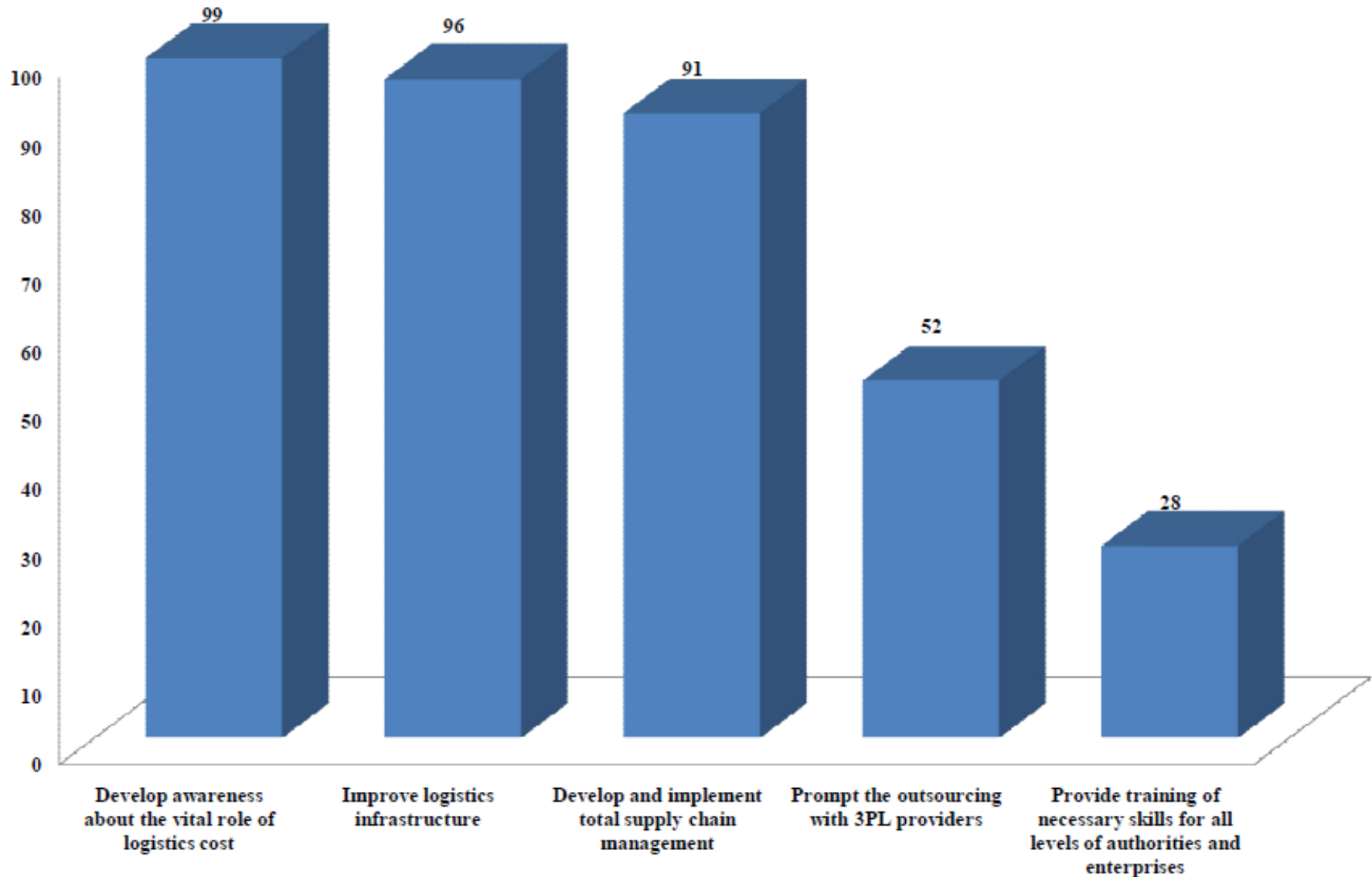
Findings: Average Logistics Costs/Sales

Logistics Activity	%
T: Transport	7.04
W: Warehouse	3.78
I: Inventory carrying cost	4.00
Logistics Administration (10% of T+W+I)	1.48
Average Total Logistics Cost per Sales	16.3

Findings: rationale behind high logistics costs



Findings: how to reduce logistics costs?



Findings: Average Logistics Performance

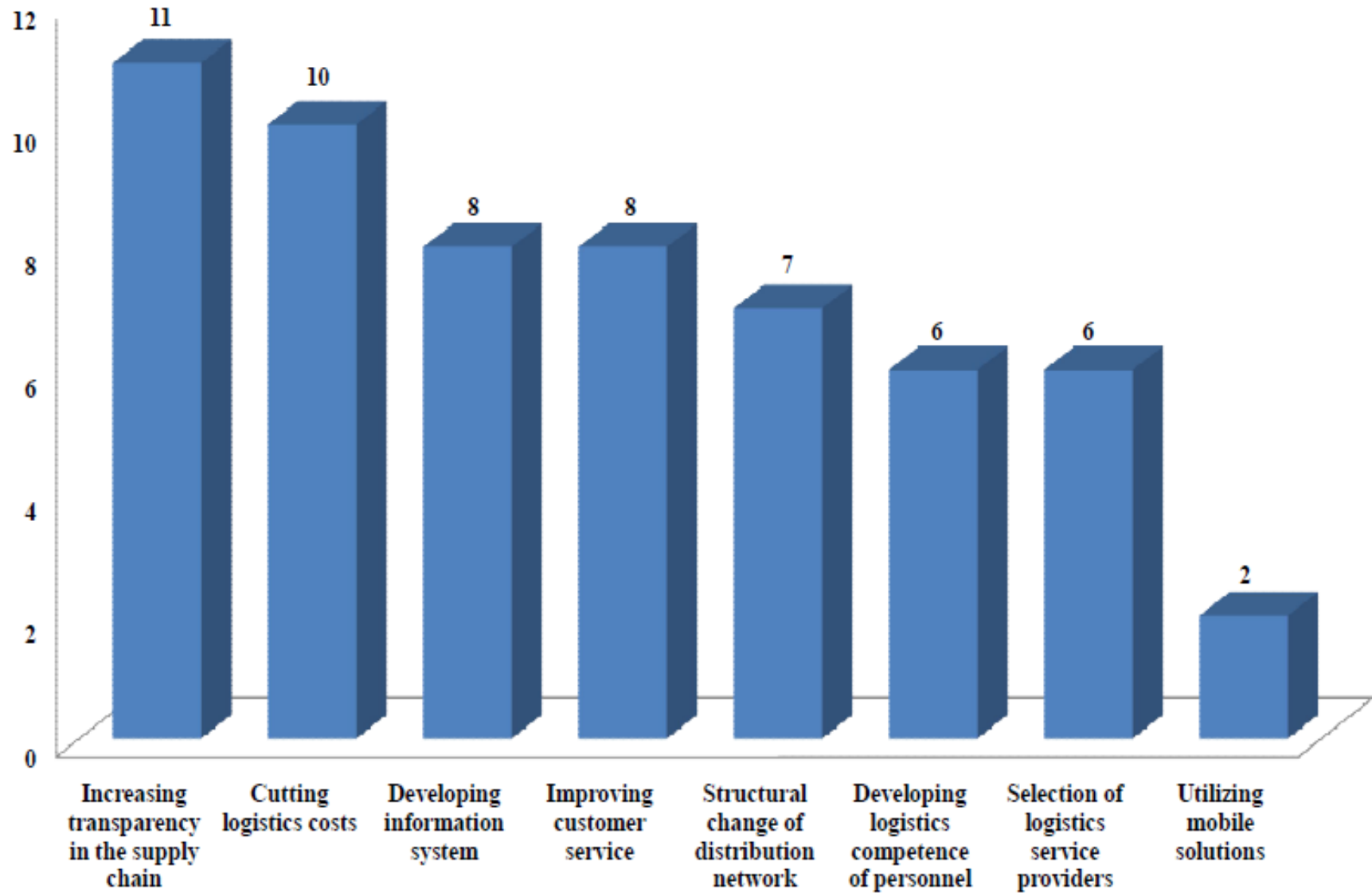
Logistics Activity	%
Delivery In Full & On Time (DIFOT)	80.86
Forecast Accuracy	78.14
Return Rate	3.62

Findings: Monitoring performance

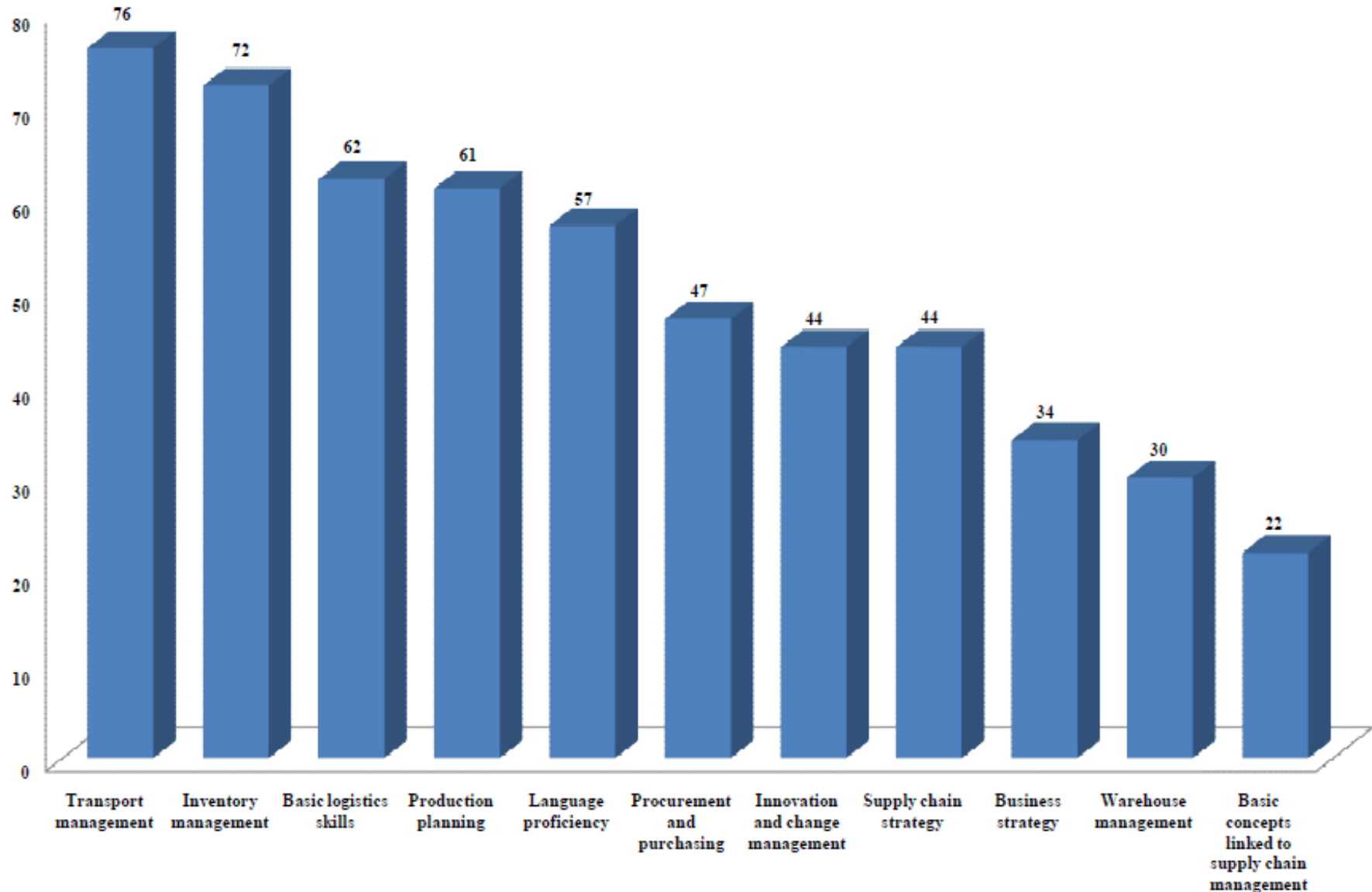
(3- Agree; 2 – Neutral; 1 – Disagree)

	Percentage			
	1	2	3	total
We regularly monitor and evaluate our logistics costs and performance internally	6%	40%	<u>54%</u>	100%
We regularly monitor and evaluate logistics costs and performance with selected suppliers and/or customers	5%	<u>48%</u>	47%	100%
We regularly benchmark logistics performance metrics against our competitors	20%	<u>55%</u>	25%	100%
We regularly monitor and evaluate logistics benefits of our firm	10%	36%	<u>55%</u>	100%
We regularly monitor the environmental effects of our logistics operations	18%	<u>50%</u>	32%	100%

Findings: Future development need...



Findings: HRD need



Comparative logistics costs/sales

Country	Logistics Cost/Sales
Indonesia	17.9%
Vietnam	16.3%
Thailand	15.9%
Estonia	16%
Kazakhstan	20%
Finland	12.1%
Germany	9%

Source: TU Berlin; Turku Finland; Thammasat Thailand; FTU Hanoi; WB Indonesia

Indonesia & Vietnam Summary

- It was interesting to observe that respondents had difficulties in answering survey questions and this could be interpreted as a lack of understanding related to logistics concepts in the country.
- The obtained logistics cost are consistent with other countries in terms of their composition with transport cost having usually the highest ratio
- Service level capability seems to be the most worrying issue with lower levels of performance when compared with neighbouring countries like Thailand.
- Having lower labour, production or even logistics cost in itself is not sufficient to sustain an economy.
- Reliability is a key construct for logistics performance and there is an inverse relationship between logistics service quality level and logistics cost.

Reflections on Thailand

- Benchmarking is an important tool but we must be careful in the analysis
- Logistics is not a magic pill that automatically improve competitiveness
- Logistics competitiveness is not just about reducing cost but also about enhancing value
- The real question is:
 “how are firms’ meeting customers’ ever increasing requirements at the lowest possible cost?”