Nordic Logistics Barometer 2016/2017

postnord

We can learn from the best

The Nordic Logistics Barometer is an initiative aimed at developing knowledge of and insight into how Nordic businesses view their operations in terms of logistics. The findings enable us to keep updated on what is happening in our market and better acquaint us with challenges, market trends and preferences among Nordic logistics buyers.

This edition of the Logistics Barometer sheds light on critical success factors, differences between sectors and how Nordic businesses that view themselves as successful in logistics are acting. The latter are new to this year's Nordic Logistics Barometer; a survey of how companies that are expert in logistics differ from other players. We have taken the view that companies that answer that they "totally agree" with the statement that they know how their logistics solutions create competitive advantages for their own business are to be considered as logistics experts.

In striving the improve the Nordic Logistics Barometer, we intend to regularly adapt to reflect the conditions in the sector. Against that background, the questions in this year's survey differ from earlier versions.

This means that only in exceptional cases is it possible to discern trends and developments over time. On the other hand, respondents have been selected in the same way as before.

Half of the Nordic region's logistics buyers say that their main carrier has sufficient competence to help them improve both activities and strategy in logistics and transportation.

The remaining half of logistics buyers did not yet have enough confidence or had no opinion. The report therefore draws attention to the net gains from a closer partnership between logistics suppliers and logistics buyers, and we underpin our argument throughout the report; the logistics of the future will form part of the strategic agenda of businesses and will be considered to be an important component of the profitability equation.

We are meeting the demand from Nordic customers with high-volume logistics flows by harmonizing our product portfolio so that our offering is strengthened by ensuring that solutions, products and integrations are more uniform across the entire Nordic region. Also, via PostNord Insight, we are actively focusing on securing our customers' customer-profitability and growth by identifying threats, potential and specific needs.

Tim Jørnsen
Head of Business Area
eCommerce & Logistics
PostNord

About the survey

The Nordic Logistics Barometer 2016/2017 was put together by PostNord and is based on a survey performed by Respons Analyse on behalf of PostNord Business area eCommerce & Logistics.

All respondents have sales of more than SEK 50 million, 80% of respondents have sales of more than SEK 100 million and 49% have transportation costs of more than SEK 500,000 annually.

The respondents fall mainly into the category of retailing and subsidiary "sectors" (including agencies and wholesalers), transport, industry and production, as well as other sectors. Businesses in the service sector were not included in the survey.

The report is based on responses from 657 logistics buyers equally represented in Sweden, Norway, Denmark and Finland.

Survey replies were received from staff with administrative, logistics or purchasing responsibilities at various companies in the period January–April 2016.

You can download the Nordic Logistics Barometer 2016/2017 at: postnord.se/logistikbarometern

Editor: Anna Andelius Åström

Quotes in Nordic Logistics Barometer 2016/2017 are from the following:

Per Olof Arnäs, Assistant Professor, Service Management and Logistics, Chalmers University of Technology

Jenny Marin, Sustainability Manager, Inbound Logistics, Scania

Petri Ventelä, Head of Logistics, Gina Tricot

Mats Rignell, VP Supply Chain, Atlas Copco

Arne Andersson, E-commerce expert, PostNord

Jörgen Olsson, Logistics advisor, PostNord

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Logistics as a competitive weapon

The majority of the respondents state that they have a picture of the role played by logistics in terms of their own competitiveness. To the statement "our business knows how our logistics solutions create competitive advantages for us", 32% of respondents agreed totally. In the following, this group will be referred to as "logistics experts". Logistics experts are found, to a varying extent, in all sectors covered by the survey.

In retailing, 39% agreed totally with the statement that they know their logistics solutions create competitive advantages. In industry, the corresponding figure is slightly lower, at just 26%.

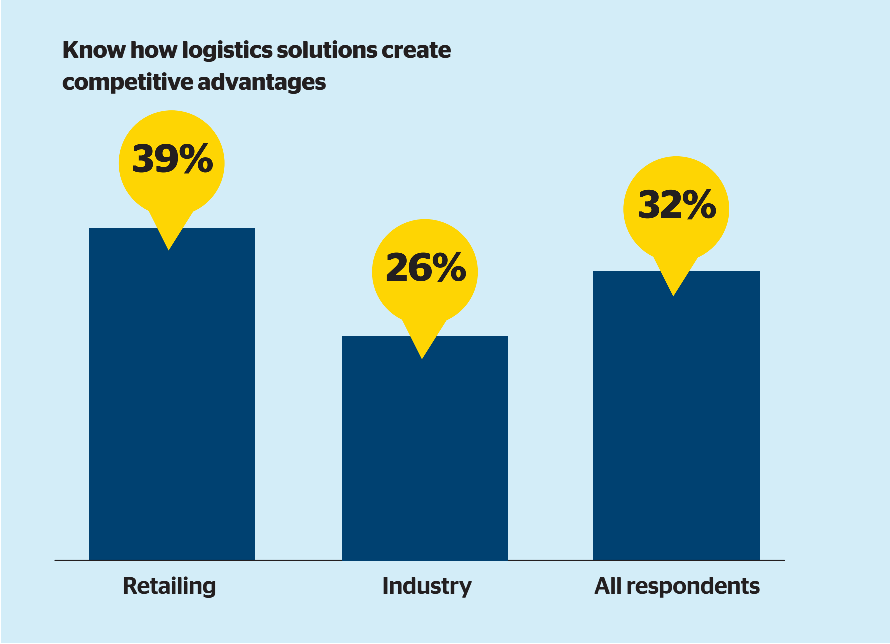
"The retail sector is characterized by trend-sensitive and brief product lifecycles, together with tougher competition and lower margins than industry. So businesses have been forced to streamline their product development and value chain," says Mats Rignell, VP Supply Chain at Atlas Copco.

Per Olof Arnäs, Assistant Professor, Service Management and Logistics, Chalmers University of Technology, offers another view of the issue:

"To industry, logistics is often considerably more complex, especially for manufacturing companies. That means it's not certain that the retail sector cares more about logistics; it might just be that it's simpler for companies to define what is logistics in their business," he says.

To retailing business Gina Tricot, logistics is important in terms of both profitability and competitiveness. In most cases Sunday orders are not processed until Monday, but here Petri Ventelä, Head of Logistics at Gina Tricot, sees an opportunity to combine logistics with a market offering.

"Going forward, we want to be able to offer the customer the option of having the product on the very next day, if it's ordered before 4.00 p.m." By processing the order immediately on the Sunday, we increase the workload on that day in order to spread the load more evenly over the week, while at the same time creating an attractive proposition for customers," he says.



"It's not certain that the retail sector cares more about logistics; it might just be that it's simpler for companies to define what is logistics in their business."

Per Olof Arnäs, Assistant Professor, Chalmers University of Technology

Logistics as part of the business strategy

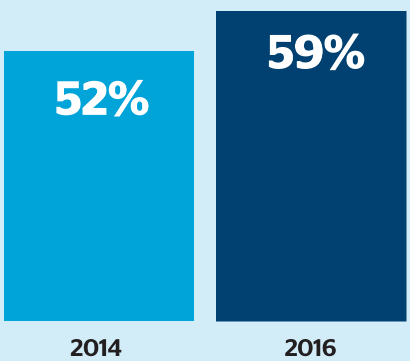
In all, 59% of respondents answered Yes to the question of whether logistics is part of the company's overall business strategy. This is an increase of seven percentage points since 2014, when 52% answered Yes to the same question. Finland stands out among the Nordic countries. There, 74% of the companies in the survey state that logistics is part of the company's overall business strategy.

Differences are also evident between the sectors. In retailing, 74% answered Yes, while in industry only 54% answered Yes to the question.

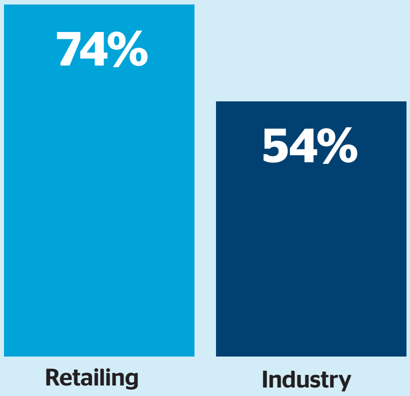
Jörgen Olsson, Logistics advisor, PostNord, says that this may be because industry talks of processes – the supply chain – while retailing talks of logistics, that is, operational logistics, which in many cases is a function.

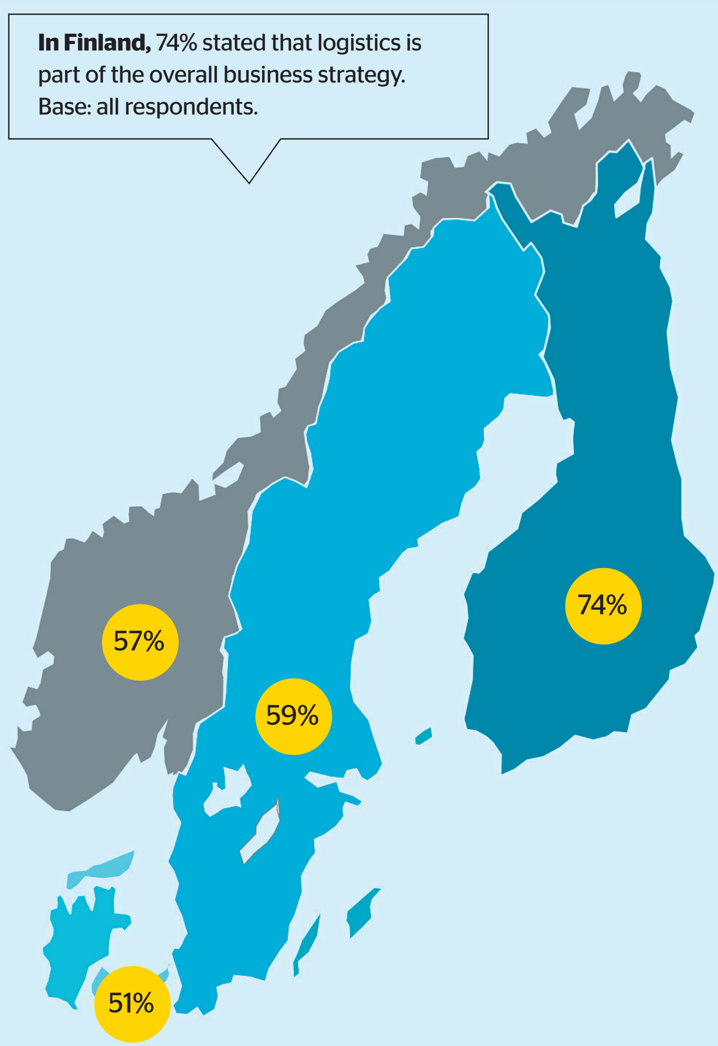
"Transportation, in other words operational logistics, is only part of the process in industry, and not as important as the process in its entirety," he says.

Number who answered Yes to the question of whether logistics is part of the overall business strategy. Base: all respondents.



Yes, logistics is part of the overall business strategy





Logistics executive in senior position

In all, 50% of the companies in the survey stated that they have a logistics executive in a senior position. Finland stands out among the Nordic countries. There, 56% state that they have a logistics executive in a senior position.

Retailing is the sector where most answer Yes to the question of whether they have a logistics executive in a senior position in the company. The logistics experts to a major extent also answer Yes to the question.

"Logistics at management level brings everything together within the organization, helps create dialogue between functions in the company, which enables the business to become both more competitive and more efficient," says Jörgen Olsson, Logistics advisor, PostNord.

Mats Rignell, VP Supply Chain, Atlas Copco, thinks that more companies should have a logistics executive in a senior position.

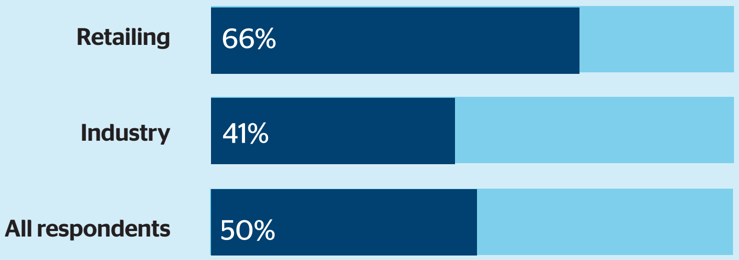
"Too few people think business when it comes to logistics. Logistics people have been regarded as specialists and in many respects have acted accordingly. But you have to understand the whole business to be able to adapt logistics solutions more closely to the business that they are to take forward. Many logistics people need to get better at communicating customer value and profitability with the management group," he says.

"Many logistics people need to get better at communicating customer value and profitability with the management group."

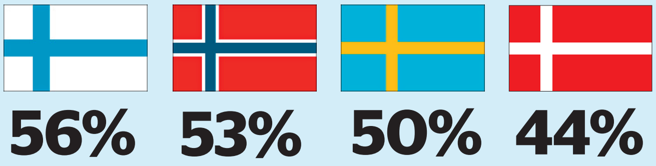
Mats Rignell, VP Supply Chain, Atlas Copco

Logistics executive in senior position: Yes

Logistics executive in senior position: Yes



Logistics executive in senior position: Yes
Base: all respondents.



Choice of logistics partner

In the survey, the companies were asked about which characteristics are most important in the choice of logistics partner. Respondents were asked to choose from 13 characteristics and rank them on a scale of one to five, where one is not very important and five is very important. Highest-rated is quality of delivery, followed by prices and terms & conditions, cost-efficient solutions, availability and industry knowledge.

Rankings vary slightly from sector to sector, but at the top there is little to separate them. Both industry and retailing rank "quality" and cost aspects[1] among the top three most important characteristics in the choice of logistics partner.

"A cheap option that doesn't give us the quality we need is of no interest. One of our foremost criteria when it comes to choosing partners is that we share the same fundamental values and want to develop in the same direction long term," says Jenny Marin, Sustainability Manager, Inbound Logistics, at Scania.

[1] Cost aspects here refer to "prices and terms & conditions" and "cost-efficient solutions".

"One of our foremost criteria when it comes to choosing partners is that we share the same fundamental values and want to develop in the same direction."

Jenny Marin, Sustainability Manager, Inbound Logistics, Scania

Most important characteristics in choice of logistics partner
Base: all respondents.

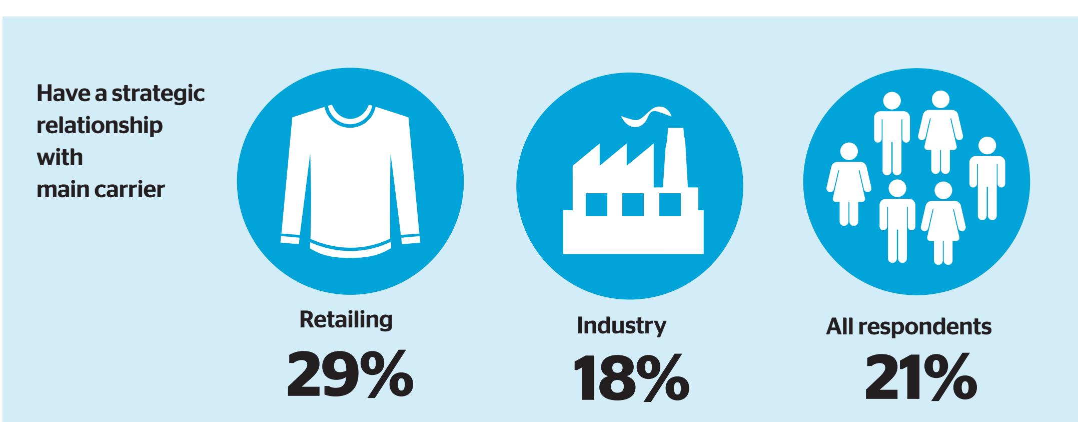
		Average
1	Quality of delivery	4.3
2	Prices and terms & conditions	4.2
3	Cost-efficient solutions	4.2
4	Availability	4.1
5	Industry knowledge	4,0

Relationship with main carrier

Just 21% of the companies in the survey say that they have a strategic relationship with their main carrier, that is, close collaboration to improve the competitiveness of both companies.

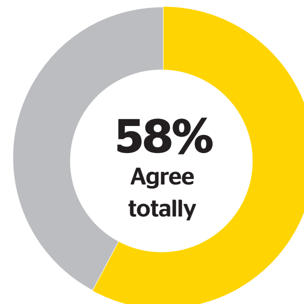
Retailing is the sector in which most businesses have a strategic relationship with their main carrier: 29% say they have one. The corresponding figure in industry is 18%.

The most common response is for companies to say they have an operational relationship with their main carrier, that is, a form of collaboration intended to achieve or improve their transport-related KPIs.

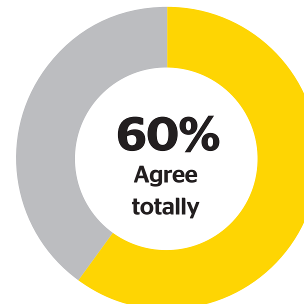


RELATIONSHIP WITH MAIN CARRIER

Retailing



Our main carrier can help us develop our strategy.



Our main carrier can help us develop our activities.

"A good logistics partner understands our business and what we need, is receptive and is capable of understanding how different events affect us as a customer."

Petri Ventelä, Head of Logistics, Gina Tricot

Main carrier's expertise

● In all, just over half of the companies in the survey say that their main carrier has sufficient competence to help them improve both activities and strategy in logistics and transportation.

In retailing, 58% of respondents say that they "agree totally" with the statement that their main carrier has sufficient expertise to help develop the company's strategy for logistics and transportation, and 60% "agree totally" with the statement that their main carrier can help them develop their activities.

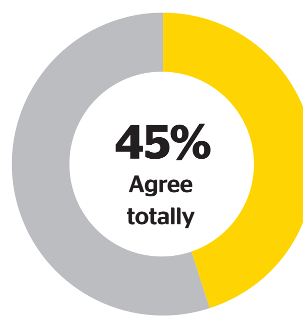
"A good logistics partner understands our business and what we need, is receptive and is capable of understanding how different events affect us as a customer," says Petri Ventelä, Head of Logistics at Gina Tricot.

In industry, on the other hand, just 45% of companies say that they agree with the statement that their main carrier has sufficient expertise to help develop the company's strategy, and 52% agree with the statement that their main carrier can help them develop their activities.

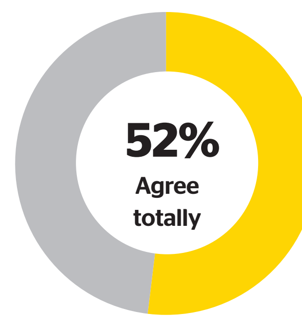
One explanation may be that logistics in industry is often more complex and integrated into the business and for that reason it may be difficult for a carrier to become involved. That is according to Per Olof Arnäs, Assistant Professor, Service Management and Logistics, Chalmers University of Technology

"So there are logistics challenges in more areas than inward and outward flows," he comments.

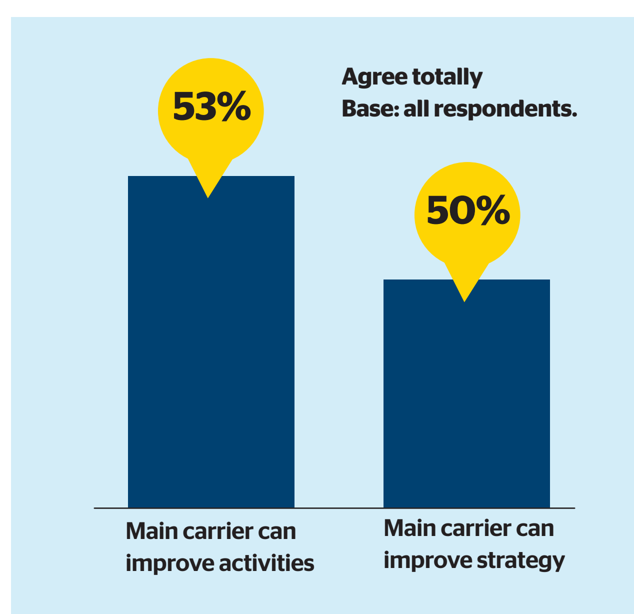
Industry



Our main carrier can help us develop our strategy.



Our main carrier can help us develop our activities.



Key performance indicators

When the companies in the survey were asked to state the KPIs that they used, customer satisfaction, cost reduction, punctuality, overall transportation costs and improved customer service were the top mentions.

Respondents were asked the question “do you measure the following”, followed by a list of 25 KPIs. For each KPI, respondents were asked to answer “Yes”, “No” or “Don’t know/Not relevant”.

“Many choose quite simply to measure the operational KPIs that are readily available,” says Jörgen Olsson, Logistics advisor, PostNord.

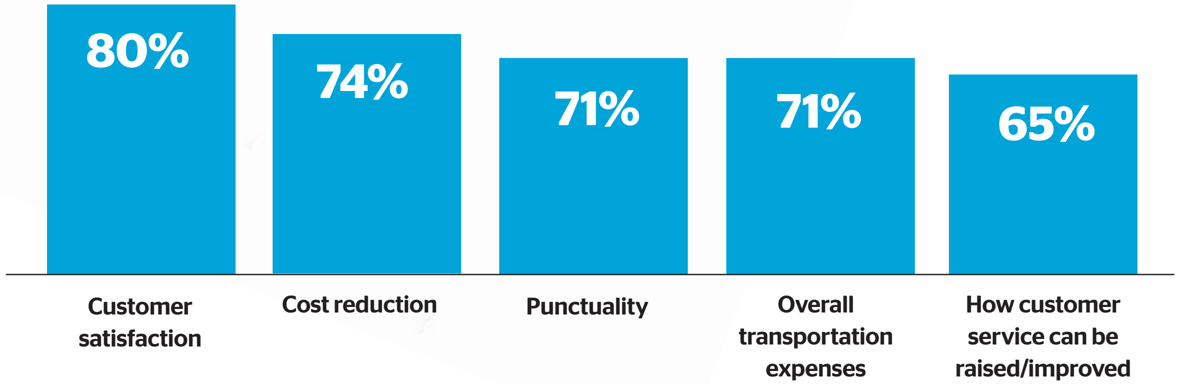
The survey also indicates that retailing is the sector that measures KPI to the greatest extent and that logistics experts measure KPIs to a greater extent than other companies.

“Our management group monitors the KPI “overall cost per garment” throughout the supply chain. It’s an important measure that reflects the efficiency of the supply chain and how it contributes to the company’s profitability,” says Petri Ventelä, Head of Logistics at Gina Tricot.

Retailing and industry have the same KPIs in their top fours. However, they differ for fifth place. In industry, “after-sales follow-up activities” takes fifth place, whereas retailing prioritizes customer service.

Five most common KPIs measured

Base: all respondents.



Competitiveness

Companies in the survey were asked which factors did they consider to be most important for their business to become more competitive in the future. Respondents were asked to choose five factors from a list totaling 17 factors.

More efficient processes topped the ratings at 53%, followed by level of customer service at 49%, collaboration with most important/best customers at 45%, overview of entire value chain at 39% and greater flexibility to be able to meet customers' requirements and needs at 35%.

Logistics experts and companies in the retail sector deviate from the average by stating "adapted delivery times based on profitability, competitive situation, product or customer" as the fifth most important factor. Otherwise, they state the same factors at the top as the average.

"One factor that distinguishes experts is that they know the value of adapting the distribution organization to different customer segments, we've seen that in other surveys. Varying the level of service and prices for different segments often delivers higher competitiveness and profitability," says Jörgen Olsson, Logistics advisor, PostNord.

"To us, the most important thing is to find the optimal solution for every flow in the network," says Jenny Marin, Sustainability Manager, Inbound Logistics, at Scania.

[1] PWC: "Global Supply Chain Survey 2013". pwc.cp,

"To us, the most important thing is to find the optimal solution for every flow in the network."

Jenny Marin, Sustainability Manager, Inbound Logistics, Scania

Most important factors to competitiveness

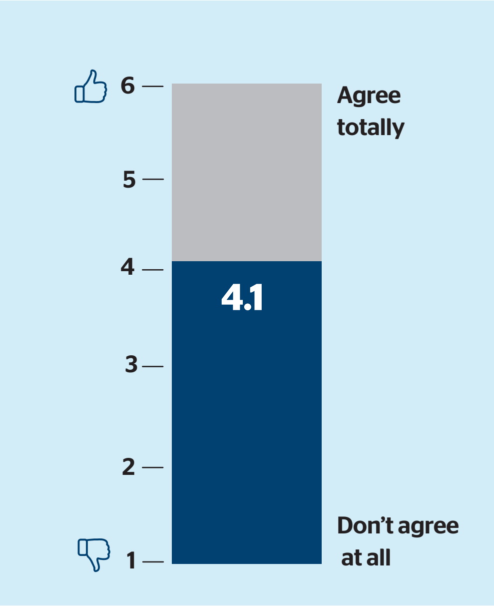
1	More efficient processes	53%
2	Higher level of customer service	49%
3	Collaboration with the most important/best customers	45%
4	Overview of entire value chain	39%
5	Greater flexibility to be able to meet customers wishes and needs	35%

Logistics experts and retailing have "adapted delivery times based on profitability, competitive situation, product or customer" in fifth place.

New technology

The majority of the companies in the survey believe that new technology will affect their logistics and products. The companies were asked to respond to the statement "new technology will affect our logistics and our products, for example new IT systems and 3D printers." The responses were indicated on a scale of one to six. One equated to "Don't agree at all" and six to "agree".

The average for the responses was 4.1



E-commerce most commonly used in retail sector

In response to the question "is e-commerce currently part of, or under consideration for, your business", 55% of the companies in the retail sector replied "Yes, we already have an online shop", and 23% replied "Yes, an online shop will be developed over the year ahead.

According to PostNord's e-commerce expert Arne Andersson, it is mostly a given success factor to be found in all channels. But many brand owners are still struggling with the question of whether e-commerce under their own management competes with retailers.

"I think you have to get over that, exposure and accessibility in all channels is important, otherwise you get left behind by your competitors, which impacts on retailers even more," says Arne Andersson.

In industry, only 20% replied that they operated an online shop, and 9% that they will be developing an online shop in the year ahead. E-commerce in industry is an area under development that presents both opportunities and challenges.

"Industry is dominated by conservatism, complex buying processes and long-term sales relationships with complicated price management – this has acted as a brake, preventing investment in e-commerce in B2B," continues Arne Andersson.

Increased competition through e-commerce

Retailing is also the sector that to the greatest extent believes that e-commerce will result in increased competition.

In retailing, 15% of the companies participating said that they "agree totally" with the statement that competition will increase through e-commerce, while just 3% replied that they "don't agree at all". In industry, 12% said that they "agree totally" and as many as 17% replied that they "don't agree at all".

Mats Rignell, VP Supply Chain, Atlas Copco, believes that industry too will invest heavily in e-commerce going forward.

"Automation means fewer people on the spot, but customers must nevertheless be able to place an order – and this also has to be possible online. Today, much is based on relationships and visits to customers, but in the future it will be a combination of e-commerce and relationships," he says.

Competition will increase through e-commerce

	All respondents	Retailing	Industry
1 Don't agree at all	11%	3%	17%
2	8%	4%	10%
3	14%	12%	16%
4	18%	21%	15%
5	25%	37%	20%
6 Agree totally	15%	15%	12%
Don't know	9%	7%	9%

The Nordic region

In all, 54% of the companies in the survey replied Yes to the question "do you think that the Nordic region will become an even more important market to their business in the future?" In retailing, 64% answered Yes to the question, while in industry the corresponding figure was 49%. .

"The Nordics are the domestic market to most of the companies in the survey. A tighter focus on the Nordics, and on establishing an even closer and more local relationship with the customer, may be a decisive factor in meeting the competition from global players," says Jörgen Olsson, Logistics advisor, PostNord.

Mats Rignell, VP Supply Chain at Atlas Copco, is convinced that the Nordic region will be favored by – for example – rising pay levels in the developing countries, as well as increasing demands regarding quality.

"It's already become evident in the form of business establishments, for example in China, in several sectors. This means presumably that fewer Nordic businesses will seek efficiency gains by outsourcing parts of their business geographically," he says.

He also says that even if more and more companies go global via expansion and acquisition, their Nordic identity remains important.

"We are a high-purchasing-power part of the European Union. Whether we hold our ground well internationally is very much bound up with our ability to adapt, based on our confidence in how we develop, manage and do business," says Mats Rignell.

Nordic region becoming more important as a market

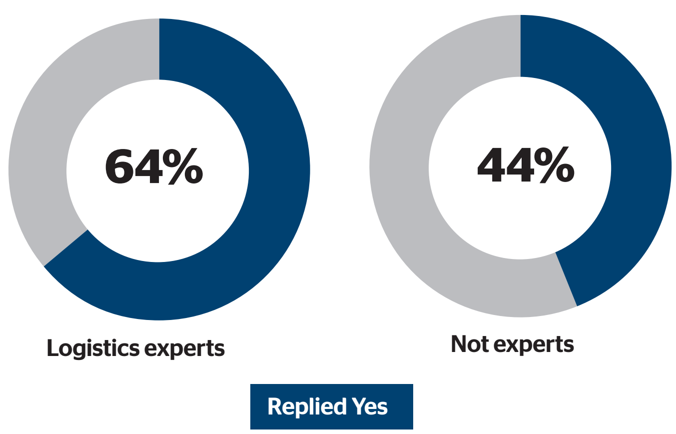
Replied Yes

	Industry	All respondents
64%	**49%**	**54%**

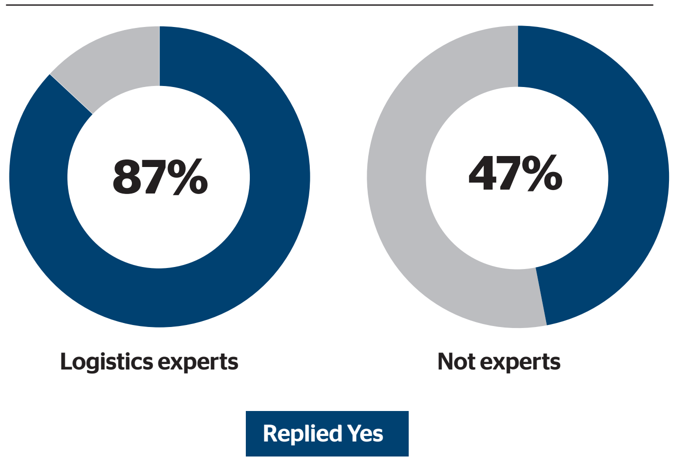
What distinguishes logistics experts

Companies that state that they know how their own logistics operations create competitive benefits are in the report termed “logistics experts”. Five characteristics distinguish logistics experts from the rest of the businesses in the survey.

1 Have a logistics executive in a senior position



2 Have logistics as part of their business strategy



To the statement “our business knows how our logistics solutions create competitive advantages for us”, 32% of respondents agreed totally. In the report, this group is termed “logistics experts”. Five characteristics that distinguish logistics experts are that more of them have a logistics executive in a senior position, logistics is part of their overall business strategy, they state that their main carrier can help them develop activities and strategy in logistics and transportation, they measure more KPIs and they maintain a strategic relationship with their main carrier.

“We believe that a closer dialogue with the main carrier makes it easier to optimize the company’s own logistics. Greater insight via dialogue makes it easier to choose the right KPIs, which connect the logistics to the business so that it is simple to monitor via the management group,” says Katrin Berg, Head of Commercial at PostNord.

During work on the Nordic Logistics Barometer 2016, several interview subjects mentioned the important of dialogue between different functions within a company. Mats Rignell, VP Supply Chain at Atlas Copco, underlined the importance of professional communication between logistics executive and management group. Petri Ventelä, Head of Logistics at Gina Tricot, emphasized the importance of good communication and dialogue between logistics, purchasing and the market.

“Our thesis is that dialogue and holistic thinking are easier to bring about if logistics is part of the overall business strategy, and if a logistics executive is part of the management group,” says Katrin Berg.

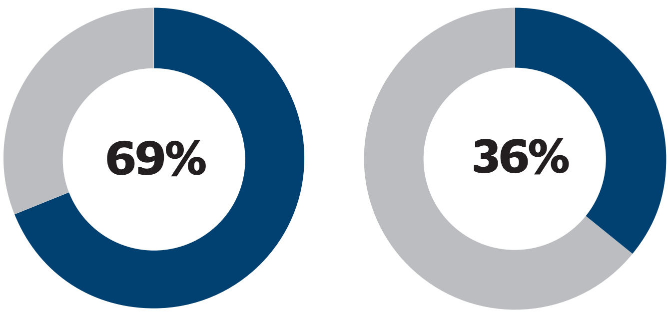
“Having a logistics executive in the management group fosters dialogue both within the various functions of the company and in terms of setting requirements for the logistics supplier,” says Jörgen Olsson.

The survey indicates that logistics experts both work closer to their main carrier than other companies and to a greater extent take the view that their main carrier can help them develop their logistics and transportation strategies.

“We can therefore assume that logistics experts are better at making good use of the competence of their main carrier,” says Katrin Berg.

3 State that their main carrier can help them develop their logistics and transportation activities and strategy.

Can develop strategy

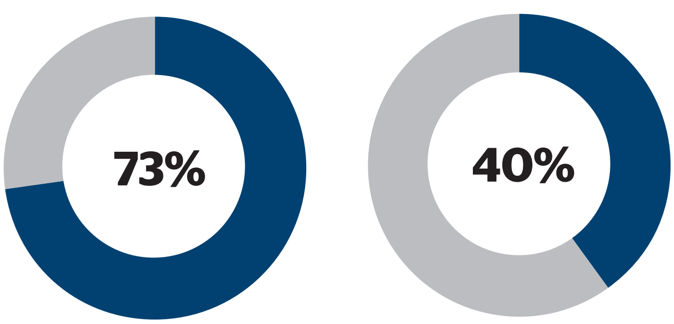


Logistics experts

Not experts

Agree

Can develop activities



Logistics experts

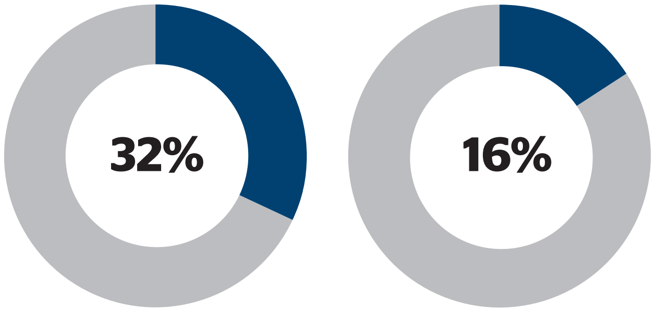
Not experts

Agree

4 Have a strategic or operational relationship with their main carrier

Have a strategic relationship

“Strategic relationship” has the meaning “works closely with the main carrier in order to improve both companies’ competitiveness via joint work on strategic development.”

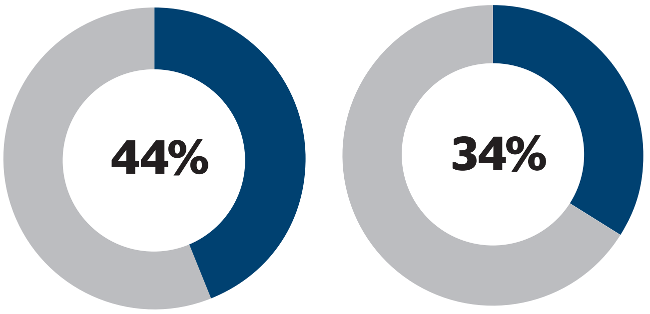


Logistics experts

Not experts

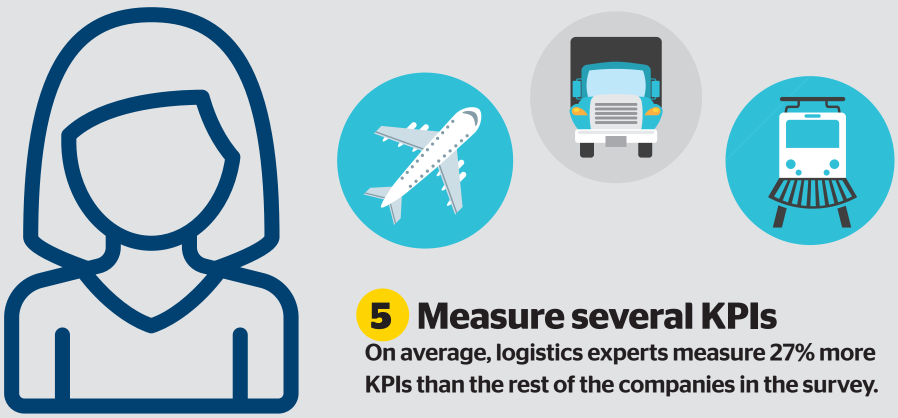
Have an operational relationship

“Operational relationship” has the meaning “works closely with the main carrier in order to achieve/improve KPIs/benchmarks.”



Logistics experts

Not experts



5 Measure several KPIs

On average, logistics experts measure 27% more KPIs than the rest of the companies in the survey.

Summary

About the survey
The Nordic Logistics Barometer 2016/2017 survey was conducted during the January-April 2016 period. Participants were logistics buyers in Sweden, Norway, Denmark and Finland. The responding companies operate in retailing and supporting "sectors", as well as in transportation, industry, production and other sectors.

Logistics as competitive weapon
The majority of the respondents state that they have a picture of how logistics contribute to their own competitiveness.

Logistics as part of the business strategy
In all, 59% of respondents answered Yes to the question of whether logistics is part of the company's overall business strategy. This is an increase of seven percentage points since 2014.

Logistics executive in senior position
50% state that they have a logistics executive in a senior position. Retailing is the sector where most answer Yes to the question.

Choice of logistics partner
The five most important factors in choice of logistics partner are quality of delivery, prices and terms & conditions, cost-efficient solutions, availability and industry knowledge.

Relationship with main carrier
Just 21% state that they have a strategic relationship with their main carrier, that is, close collaboration to improve the competitiveness of both companies.

Competence of main carrier
Half of the companies in the survey say that their main carrier has sufficient competence to help them improve both activities and strategy in logistics and transportation.

Key performance indicators
The five most common KPIs measured are: customer satisfaction, cutting costs, punctuality, overall transportation expenses and how customer service is to be improved.

Competitiveness
The following factors are regarded as most important in enabling the business to be more competitive: more efficient processes, higher quality of service for customers, collaboration with most important/best customers, overview of entire value chain and greater flexibility for meeting customers' requirements and needs.

New technology
The majority of the companies in the survey believe that new technology will affect their logistics and products.

E-commerce
E-commerce is considerably more commonly used in retailing than in industry, and the trend is likely to be sustained. Retailing is also the sector that to the greatest extent believes that e-commerce will result in increased competition.

The Nordic region
In all, 54% of the companies in the survey replied Yes to the question "do you think that the Nordic region will become an even more important market to their business in the future?"

Distinguishing characteristics of logistics experts
Companies that state that they know how their own logistics operations create competitive benefits are in the report termed "logistics experts".
Five characteristics that distinguish logistics experts are that more of them have a logistics executive in a senior position, logistics is part of their overall business strategy, they state that their main carrier can help them develop activities and strategy in logistics and transportation, they measure more KPIs and they maintain a strategic relationship with their main carrier.