

Growth currently less than satisfactory



Ronald M. DeFeo (Terex Corporation), Prof. Raimund Klinkner (BVL), Karl Gernandt (Kühne+Nagel) and Dr. Frank Appel (Deutsche Post) before the opening of the 31st International Supply Chain Conference (photo: BVL / Kai Bublitz)

⇒ 31st International Supply Chain Conference

The conflict in the Ukraine and the resulting sanctions against Russia, the crisis in the Middle East and the Ebola outbreak in Africa cast a shadow of terror, war and plague over the year 2014. And as was clear this week at the 31st International Supply Chain Conference in Berlin, these developments are not without their effects on the logistics sector. Raimund Klinkner, Chairman of the Board of Bundesvereinigung Logistik (BVL) emphasised that, although business sentiment has recently been slightly bleaker, the German logistics industry

is still on the path of growth. BVL forecasts a logistics market volume of roughly 235 billion euros in Germany for the current year, equivalent to growth of between 2 and 3 percent compared to 2013. Klinkner described this trend as a “stable side-step”. “This growth rate slightly higher than inflation is less than satisfactory, but it is the best we can expect in the current environment”, said Klinkner. BVL expects to see similar growth in the coming year and therefore a market volume in the order of 240 billion euros. The conference was attended by 3,122 experts from the logistics sector.

International visitors at the conference



The Flags mark the visitor's home countries

⇒ **On stage in Berlin** International visitors were more visible at this year's conference than ever before. Most foreign attendees came from the neighbouring countries in Europe, and a total of 40 nations were represented in all. BVL was especially pleased to welcome delegations from Brazil, China, Italy, Austria and Turkey. In the BVL Lounge at this year's conference, every guest from abroad was able to mark their country of origin by sticking a flag onto a map of the world, creating a colourful map that was a popular photo motif. Above all, the

delegation members appreciated the networking opportunities offered by the conference. Participants came together from countries like Austria and Italy to plan future projects. The International Supply Chain Conference provides partners of BVL from outside Germany with the ideal platform to meet each other and exchange ideas. We would particularly like to thank the BVL chairpersons, who have been active in the chapters in Beijing, Shanghai, Hefei, Istanbul and São Paulo for a number of years now and flying the BVL flag.

EDITORIAL

The 31st International Supply Chain Conference staged by BVL International came to an end in Berlin on Friday, October 24 after three lively days of presentations and discussions. This special issue of the international Log.Letter focuses on some of the highlights of the multifaceted event. Around 3,200 participants from 40 countries all over the world came together at the annual sector event for experts from logistics and supply chain management – which this year took place under the motto „Complexity, Cost, Collaboration“.

During the three Conference days, around 100 speakers held presentations, talked to participants and provided valuable information, important stimuli and food for thought. The stands of the some 200 exhibitors and the lounges were also focal points of in-depth communication. The 31st International Supply Chain Conference will take place in Berlin from October 28 to 30, 2015 – looking forward to meeting you in Berlin!

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Networking to Tackle Crises



The Russian Ambassador Wladimir Grinin

⇒ **International Relations** Networking is of decisive importance not just for logistics but also for world peace. Deutsche Post boss Frank Appel told his audience in Berlin that Syria is one of the most poorly networked countries in the world. He said that Ukraine was also in the bottom third worldwide

in this respect. According to Appel, this favours the development of crises. He added, however, that today's world is still a comparatively peaceful one despite all the conflicts. During his speech in Berlin, Russian Ambassador Wladimir Grinin took the opportunity to outline his view of the Ukraine conflict. He

emphasised the need for dialogue between Russia and the West, and he also praised logistics for the role it plays in promoting understanding between nations. He said that events like the International Supply Chain Conference provided an opportunity to maintain the traditionally good relations between Germany and Russia, adding that he was delighted to see that both German and Russian industrial and transport companies are continuing to work together in the Russian market despite the political situation. The examples he mentioned included Siemens, Kühne + Nagel and DHL. Grinin also spoke, however, about the erosion of the trust that the two countries have gradually built up in recent decades, saying that rebuilding this trust would be more difficult than healing the economic wounds.

Awards at the International Supply Chain Conference

The 2014 German Award for SCM goes to Mercedes-AMG



Christian Wolff, member of the management team and Head of Operations at Mercedes-AMG, and his team are the winners of the 2014 German Award for SCM

The award was presented on Wednesday during the gala event at the 31st International Supply Chain Conference. The key element in AMG's new logistics strategy is the strict separation of production and spare parts logistics. AMG has eliminated logistics activities from its production process, creating potential for improvements. Logistics boosts productivity and also ensures

that developers can focus on development once again. "We see the basis for future growth above all in our engineers", says Christian Wolff, member of the management team and Head of Operations at the Mercedes sportscar subsidiary, and adds: "That's why we will continue to handle our own development or prototype logistics." In contrast, the manufacturer has outsourced

its supply logistics for the production process. Its logistics partner is Müller – Die lila Logistik. The service provider operates the new external warehouse in Marbach, where AMG has merged eight former external warehouses at a central location. The company also handles the shuttle transports for production supplies as well as deliveries to the new logistics centre at the AMG headquarters in the town of Affalterbach in the Swabia region of southern Germany. In addition, the service provider takes care of internal logistics inside the plant. Mercedes-AMG itself focuses on logistics handling in the development parts warehouse in Affalterbach. In stating the reasons for its choice, the jury underlined the innovative drive of the project, above all in the way it manages complexity, the closely interlinked vertical cooperation concept, the focus on cost and performance, and the incorporation of all key aspects of sustainability.

Science Award for SCM

This year's winner of the Science Award for SCM looked at how flows of goods can be managed more efficiently in future with constantly growing transport volumes and an increasing lack of effective infrastructure. The award was presented yesterday to Matthias Winkenbach from the WHU Otto Beisheim School of Management in Vallendar for his dissertation on model-based distribution network planning for consolidated deliveries to urban areas. His work focuses on the aspects of cooperation and the consolidation of flows of goods. Winkenbach analyses the topic from three different perspectives – that of companies, that of the market and that of the environment.



Awardee Dr. Matthias Winkenbach, Dr. Andreas Backhaus (BASF), Prof. Stefan Spinler (WHU), Prof. Wolfgang Kersten (TU Hamburg)

Media Award for Logistics



Prof. Thomas Wimmer (BVL), Christian Schwalb (Radio Bremen), Frauke Heistermann (Member of the Jury), Steffen Clement (HR), Thomas Hallett (WDR) and Prof. Wolfgang Kenntemich (Head of the Jury)

Journalists from Radio Bremen, the Hessischer Rundfunk broadcasting company and the WDR television station were presented with the BVL Media Award for Logistics on October 22, 2014 during the 31st International Supply Chain Conference. The two port projects JadeWeserPort and Rotterdam Maasvlakte II were the key topics in the report series by Christian Schwalb, politics and business journalist at Radio Bremen, who received the award in the category "Radio". The reports were broadcast from December 10, 2012 in "Journal" on

"Nordwestradio", a joint programme of the NDR broadcasting company and Radio Bremen. Schwalb explains the factors behind the ongoing growth of freight transport and the changes this entails for transport in general and ports in particular. The award winner in the category "Television" is Steffen Clement from Hessischer Rundfunk for his report entitled "Umtausch-Irrsinn – Warum die Paketflut im Online-Handel nicht zu stoppen ist" (Return madness - why the glut of parcels in the online trading sector is unstoppable), which was featured in

the "plusminus" programme of the ARD television station on March 13, 2013. For the special award, the expert jury chose the team of TV magazine "Quarks & Co" at WDR for the programme "Alles. Immer. Überall – wie Logistik unseren Alltag bestimmt" (Everything. Always. Everywhere – the role of logistics in our daily lives) which aired on March 27, 2012. The entries were reviewed by a five-member jury headed by Prof. Wolfgang Kenntemich.

Knowledge from abroad High-level participation of international partners

➔ **Meeting Point** For the first time at this year's conference, the international partners of BVL outlined the logistics environment in their home countries in special presentations. In the International Meeting Point, chapter chairpersons, BVL Representatives and partners from the ELA like the Finnish LOGY and the Greek HILME provided interested experts and logistics managers with useful

information and analysis on the markets in Brazil, China, Finland, Greece, India, Poland, Mongolia, the Netherlands, Turkey and the USA. The presentations gave the audience a new perspective on logistics and supply chain management around the world and were extremely popular with participants. BVL would like to say a special word of thanks to the speakers!



Christian Herzog, BVL Representative in New Delhi, talks about warehousing in India

Complexity Needs Management



Joachim Limberg (ThyssenKrupp), Frank Sportolari (UPS), Peter Heep (Nanu Nana), Karl-Rudolf Rupprecht (Lufthansa Cargo) and host Roland Tichy

➔ **Panel Discussion** The trend towards increasing complexity in the worldwide production and supply networks is set to continue. This is something on which the participants in the panel discussion on the first day of the conference were in agreement. There will be more smaller consignments in future, and the distances over which these consignments are transported will continue

to increase. This is the prediction of Frank Sportolari, chief of UPS Deutschland. He said that a globally positioned supply chain offers many advantages but that it was necessary to manage the complexity such a supply chain entails. Steel producer Thyssen-Krupp is also globally positioned. The resulting complexity can only be mastered with sophisticated IT. "We must define standard processes for

this purpose", said Joachim Limberg, Chairman of the Materials Services Business Area. Standards are also of key importance for Lufthansa Cargo. "We cannot afford to have proprietary IT solutions", says Board member Karl-Rudolf Rupprecht, because only standards ensure stable processes and underpin the ability to cooperate with other companies. In the trading sector, the factors that drive complexity include changing product ranges and fluctuating demand. The volumes at Nanu Nana double in November, for example. The experience of Peter Heep, Managing Director of the Nanu-Nana-Einkaufsgesellschaft purchasing company, is that "many service providers cannot handle this level of variation". The trading chain does not supply the retail outlets via ordering systems; 20 percent of products for sale are defined by headquarters, and the shops themselves decide on the remaining 80 percent.

15 Minutes Well Spent

➔ **Amazon** The presence of Amazon top manager Roy Peticucci on Thursday at the International Supply Chain Conference somehow reminded us of what Andy Warhol once said: "In future, everyone will be world-famous for 15 minutes." As managers of the US giant are seldom seen at conferences in these parts, Roy's appearance in Berlin alone probably made in famous in the logistics world. In his 15-minute kick-off presentation in the "Trade" sequence, Roy – who is responsible for the operational side of Amazon's business

in Europe – provided some insights into the logistics of the online trader. In our region of the world, the primary focus of the company's logistics is on speed. "Europe is probably one of the best places in the world for online business", said Roy Peticucci, adding that Europe may be tiny compared to Asia but is full of potential, well-educated customers. The credo of the logistics concept is therefore "Always a fulfilment centre in your vicinity." Amazon meanwhile operates 25 logistics centres in Europe. These centres

are not assigned to specific countries but also dispatch goods across national borders. Following the expansion of the logistics network in recent years, Amazon can supply products to customers in Germany within two days from shipping centres located in the UK, for example, or France. If everything goes according to plan, this will be the case for more than 3.5 million products by the end of the year. Delivery times were previously in the order of three to seven days.

Jettainer Provides Pallets and Containers for Air Freight

⇒ Outdoor Sequence It's a busy scene at the Cargo Center of the new BER Airport in Berlin. The signs of logistics service providers like DHL, Wiesag, Lufthansa Cargo or Rieck hang on the black-and-grey facade. They are all tenants in the 12,000 square metre freight centre. The capacity of the centre totals 120,000 tons a year and can be increased

to 600,000 tons by extending the existing facilities, said Air Freight Product Manager Torsten Jüling. Lufthansa Cargo subsidiary Jettainer is also on site. The company specialises in the management of unit load devices (ULDs) and provides containers and pallets for air freight transport for 15 airlines. "We own around 85,000 units and are

active at more than 400 airport locations", says Jettainer Managing Director Carsten Hernig. He buys the entire fleet of pallets and containers from new customers and guarantees a certain quota that every airline can always use. He says the advantage for the airlines is that ULD management reduces costs by around 20 percent.

Port of Antwerp Looking For Investor

⇒ Invitation to tender The port of Antwerp is looking for an investor for the "Churchill Industrial Zone" it bought back from General Motors. Port representative Dieter Lindenblatt said in Berlin that the aim is to lease the 88-hectare area to an industrial or logistics company, adding that the port is interested in signing a long-term contract. The tender procedure will be ongoing until January 15, 2015, and the invitation to tender is in English.

All in all, 34 hectares of the site are developed, and according to Lindenblatt the industrial and logistics buildings are in a "serviceable and usable condition". A further advantage of the trimodally integrated Churchill Industrial Zone is that it can be made available to potential investors at extremely short notice. If no single investor can be found for the site, it is conceivable that it will be leased out in smaller plots.

Building Interpersonal Trust

⇒ Networking on site Cooperation makes most sense when it is planned for the long term and there is a high level of trust between all the parties involved. "In our experience, short-term agreements generally don't exploit the full potential of the service provider", said Helmut Schramm, Head of Electric Vehicle Production at BMW in Leipzig. "A greater willingness to take risks also creates far greater opportunities."

Freight Costs under the Microscope

⇒ Transport costs Transport can account for between 50 and 60 percent of logistics costs in industry, said BVL Board member Stefan Wolff, head of logistics consulting firm 4flow, on Wednesday at the beginning of the sequence "Variable Structuring of Transport Costs". And indeed, this is a topic that appears to play a hugely important role, as the hall was full almost to the last seat. Thomas Leverkus, Head of Logistics Europe at Mann + Hummel, provided a real-world example. The automotive component

supplier operates eleven plants in Europe and is currently planning to introduce an integrated transport management system. "We have identified 100 measures", said Leverkus. He described how the main task so far has been to render freight costs transparent. In Europe, the company delivers on 6,000 routes and carries out 60,000 transport jobs a year. Mann + Hummel now wants to work towards active optimisation in order to ensure systematic freight cost management.

Both OEMs and logistics service providers still have a lot to learn in this respect and first need to build trust. The individuals involved play a particularly important role in this process.

"You don't grow to trust a company itself but always in the people acting on behalf of that company", said Jörg Schiemann from Siemens. "This is the key success factor in all types of cooperation." He believes that this is the only way to ensure that partnerships create transparency and can reduce complexity.

Contract Logistics Projects - A Need for Frank Discussion

⇒ Panel discussion The market for contract logistics is growing. This was confirmed yesterday in the panel discussion "Contract Logistics in Dialogue" not only by the participants from the service sector. "There is a high volume of new tender invitations as well as existing business in the market", said Thomas Böger, member of the Board at DB Schenker Deutschland. At the same time, however, tensions are a regular feature of

the cooperation between clients and service providers. One of the problems is when the time between the request for bids and the start of the project is too short. "You can't submit serious bids in this situation, and teething troubles are more or less a certainty", says Böger. In addition, the terms of the contracts are often as short as three years, and the first year is generally needed to get up to speed. Johannes Söllner, Managing Director

at the Geis company, added that from an operational point of view, there is a need for frank discussion about how changing volumes or product ranges impact cooperation. Jochen Schabinger, Head of Warehousing at Bosch, believes there is still major potential for contract logistics providers and names global expertise as one of the key factors: "We want to benefit worldwide from the services we are accustomed to in Europe."



Prof. Raimund Klinkner during the opening of the 31st ISCC



The participants of the Chairpersons- and Representatives Meeting



Members of the Chinese Delegation at the Meeting Point



Chairwoman Beijing Jean Wang and Representative Mongolia Tobias Schauf



The audience at the International Meeting Point



The BVL Conference-team says "See you again in 2015!"

IMPRINT

BVL International –
Bundesvereinigung Logistik (BVL) e.V.
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