



# Coping Logistically in the Economic Downturn



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## Agenda

- The University of Hull Logistics Institute
- The Economic Downturn and its Impact on Logistics
- Some Suggestions for Survival
- Some Examples of how Firms may Lead the Way



Logistics Institute, Business School



# Hull and the Logistics Institute: At the Centre of the UK and Northwest Europe...!





## University of Hull Logistics Institute (UHLI)

The mission of the Logistics Institute is to be a world class centre of excellence in global logistics, supply chain management and related technologies through connecting people and creating prosperity.

The Institute accomplishes this mission by providing an interrelated suite of activities comprising leading edge research, interlinked academic degree programmes delivered via various modes, short courses, business outreach and support, and technology development and demonstration.



## Academic Research and Education

Team of seven academics and four visiting professors; significant experience in distribution, retail and consolidation centres with industrial partners; applied research through cases and projects with industrial partners; activities include journal editorship, textbook authorship, industrial and academic conference organisation and international research collaborations.

## Teaching and Management Development; Consultancy and Outreach

BSc in Logistics with 50+ students over all three years, MSc Logistics & Supply Chain Management with an average of 60 students per annum and PhD programme with 15 students; executive and full-time MBA, public logistics management development and customised in-house learning programmes; industry-based student placements; commercial consultancy in redesigning supply chains supply chain modelling/mapping, strategic design and warehouse location and design.

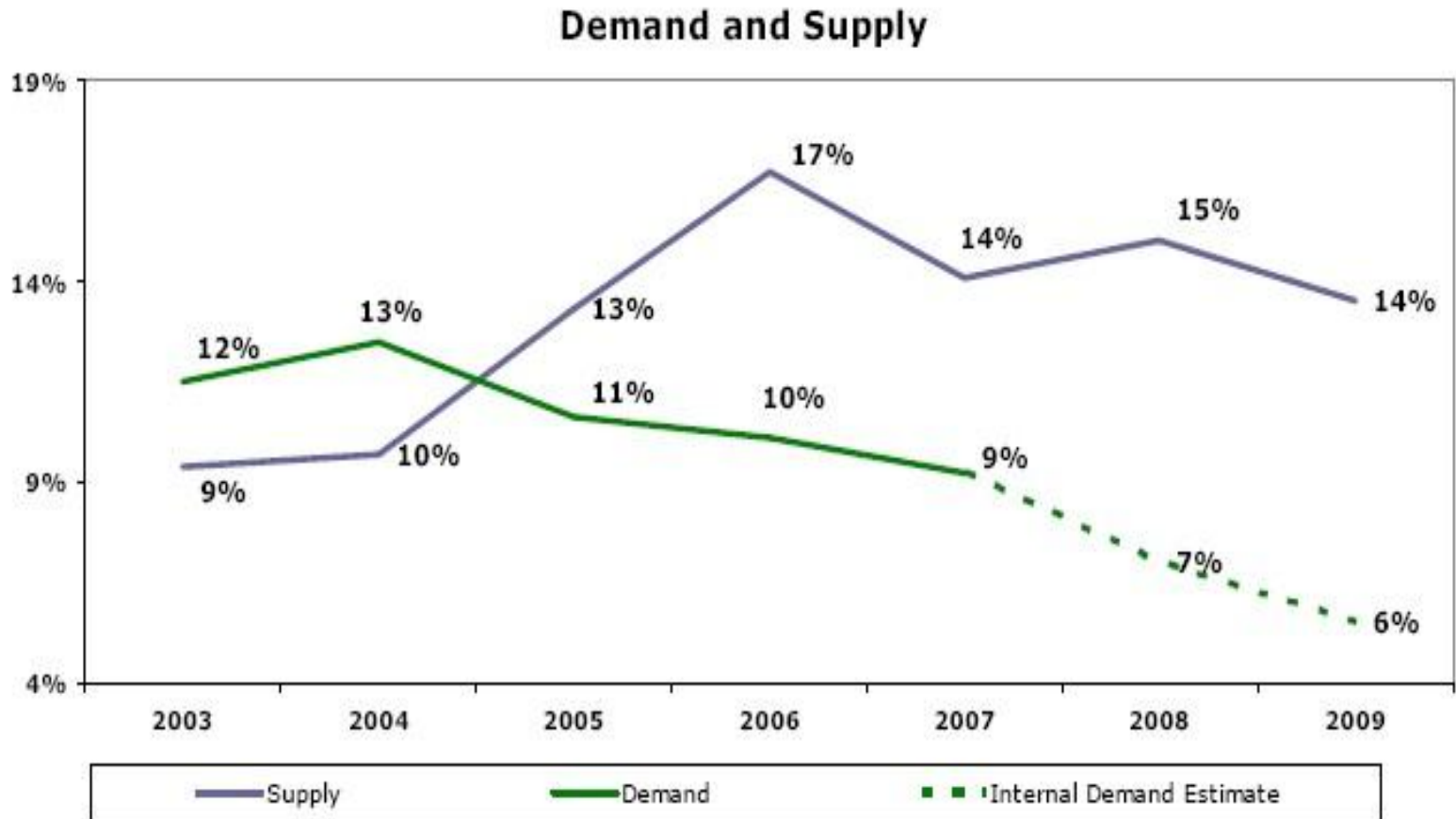


## Logistical Casualties due to the Economic Downturn...

- **UK Retail:** Waterford Wedgwood, Adams, USC, Zavvi, Offices Clubs, Whittard of Chelsea, Fads, The Pier, Woolworths, MFI, MK One, Hardy Amies, Miss Sixty, Joy, Rosebys, Willis Gambier, Wrapit, ScS Upholstery, Ilva, New Heights, Sleep Depot...
- **UK Manufacturing:** Closures and/or layoffs at Jaguar, Land Rover, Honda, Nissan, GM, JCB...UK manufacturing output down 7.4%...
- **Logistics:** Wincanton, DFDS...China exports declined 10%... 10,000 unsold Hondas sitting at Southampton port... Container shipping costs hit zero as global trade has decreased 20%...



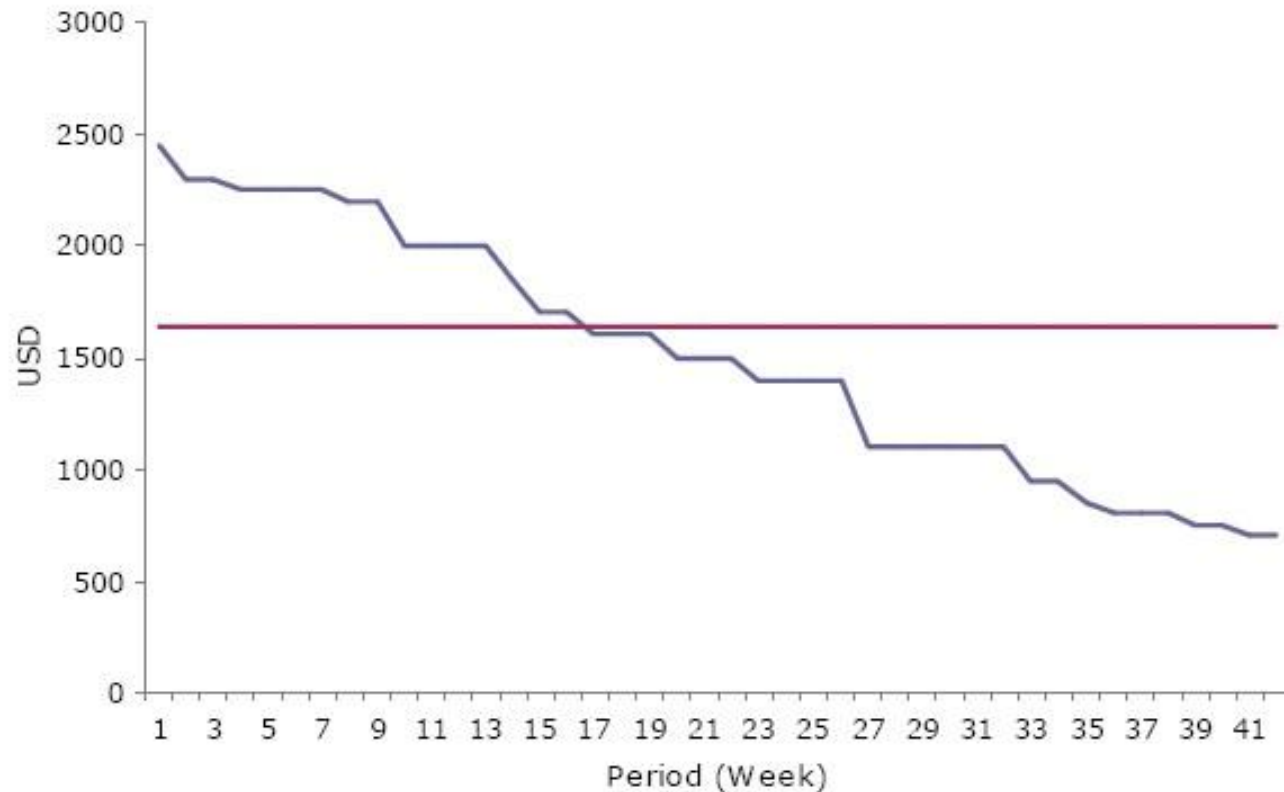
# Example: Changes in Container Demand and Supply





# Example: Container Costs and Rates

Dalian - Rotterdam Rate development



— Base rate/FFE (excl. BAF/THC's) — Cost/FFE (excl. Bunker, Terminal costs)





# The Situation in Ireland (FT, Aug 2009)



## Dire land

**Irish Republic** A plan to rescue the banks has been well received in financial markets but it could complicate Dublin's efforts to mobilise support for a new round of painful cuts, writes **John Murray Brown**

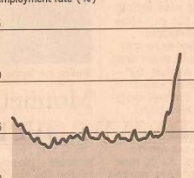
ne of Ireland's best-known property tycoons has upped sticks and left for Switzerland with his wife and child after he has been taken ill in the wake of a court battle to stop his creditors liquidating his business. The plight of the republic's high-net-worth individuals - their helicopters, foreign villas up for sale and collections under the auctioneer - elicits little sympathy from the careworn Irish public. The country's recent proposal, and the havoc it has

Writing's on the wall: Ireland's recession is the deepest of any advanced economy, with gross domestic product expected to shrink by 8.4 per cent this year

Long an outperformer, Ireland now lags...  
Real GDP (annual % change)



...as jobs are shed...  
Unemployment rate (%)



...and state finances suffer  
Government budget balance (as % of GDP)

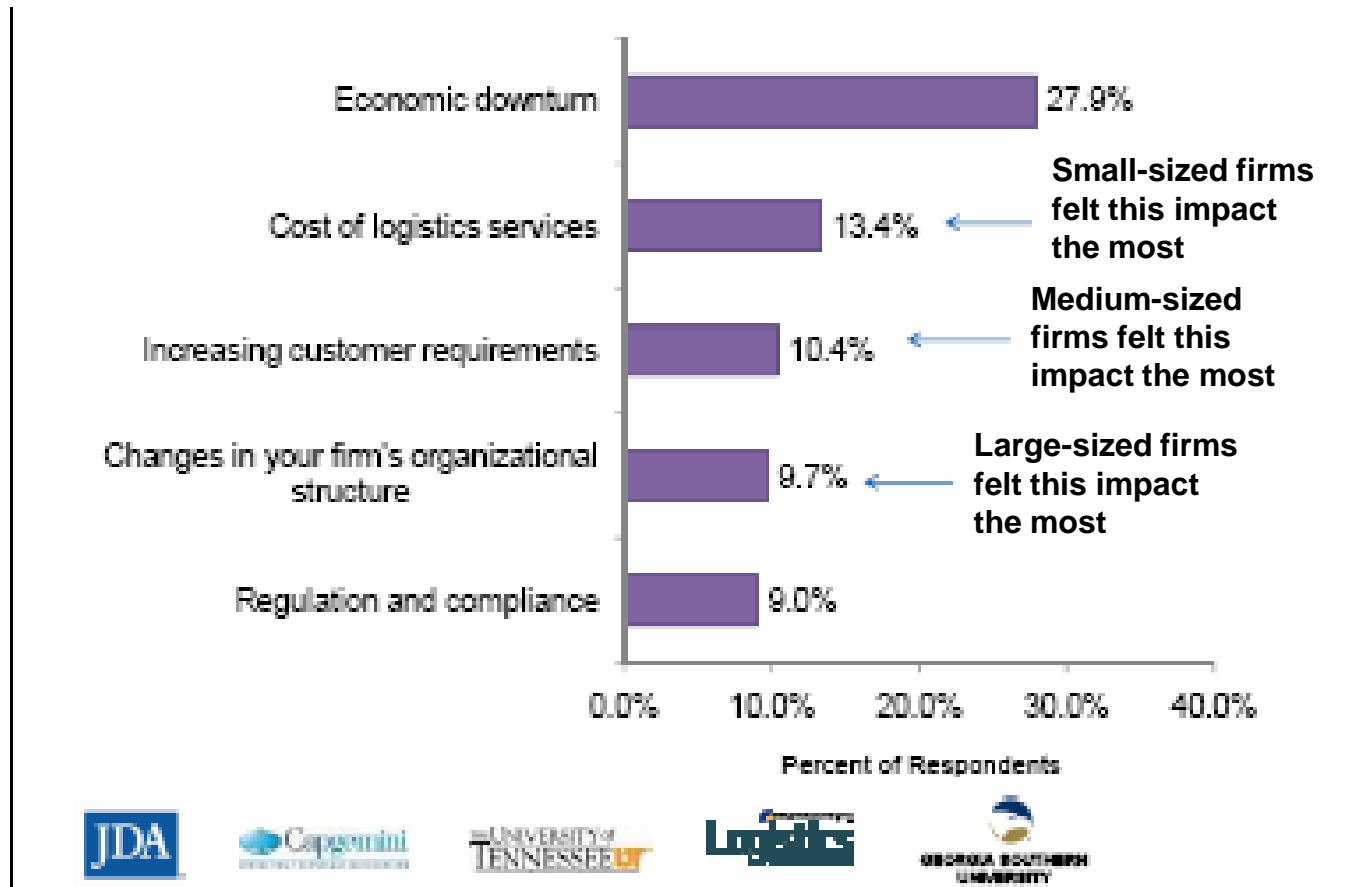


### Financial rescues

**A 'bad bank' may not keep the sector from**  
Ireland's plan for a 'bad bank' to buy up distressed assets from banks is under fire from opposition politicians and academics. The idea involves the National Asset Management Agency buying up to €900 billion of distressed property from the country's banks, freeing the banks to lend to businesses. But critics say the plan will reduce the book value of the

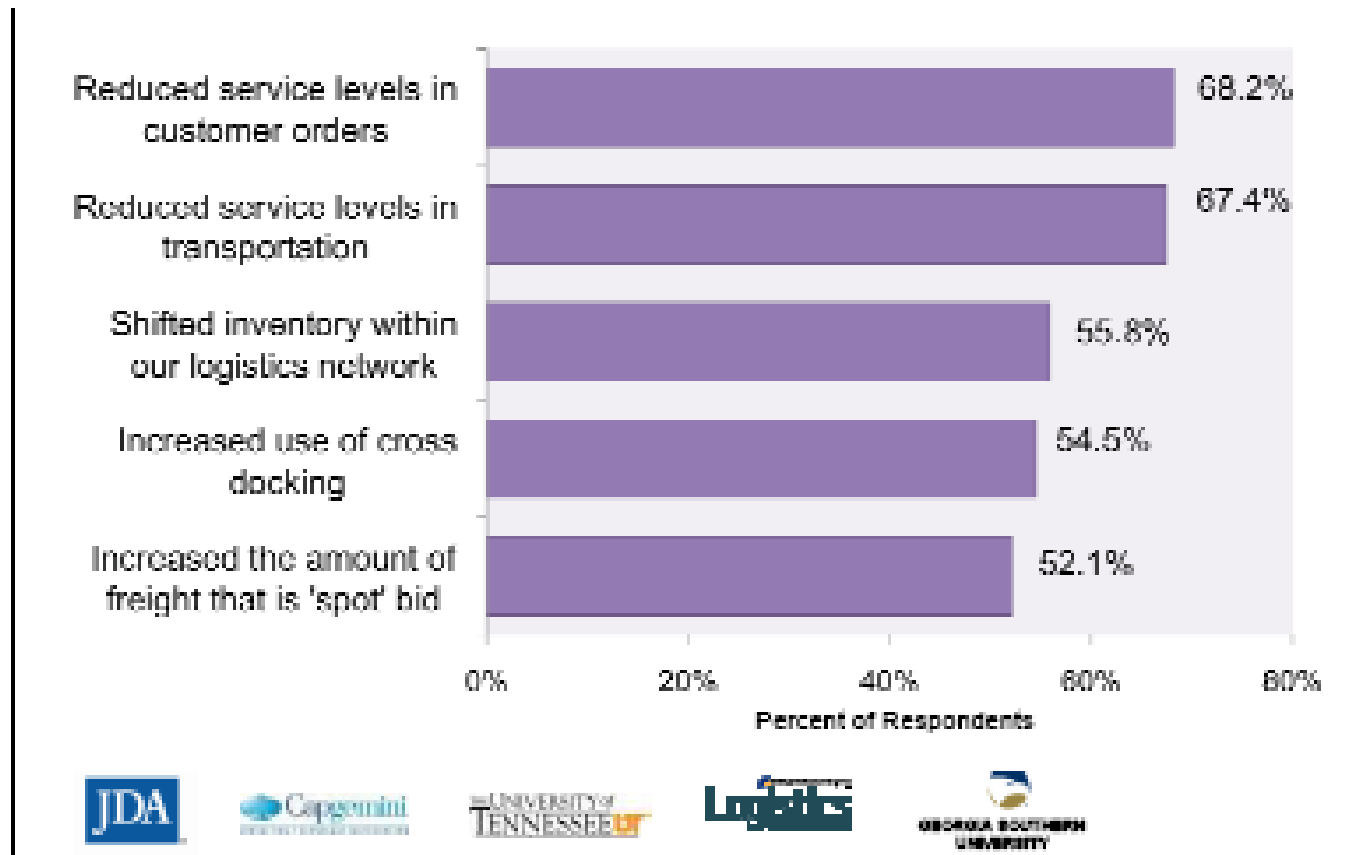


## Where's the Pain...? Top Five "Megatrends" Impacting a Firm's Logistics and Supply Chain Strategy



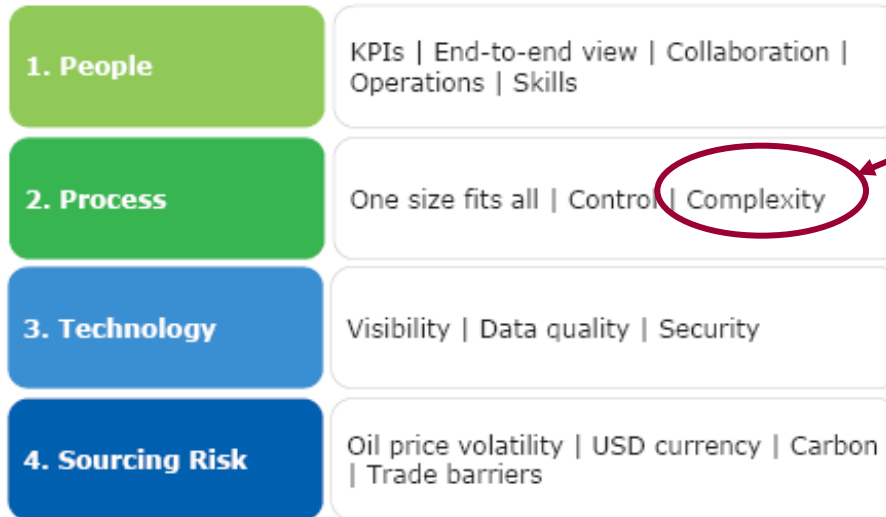


## What Actions are Firm's Not Considering as a Way to Improve Operating Efficiency and Effectiveness?

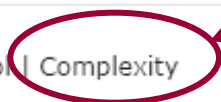




# Challenges (Barriers) affecting Supply Chains Today



**Professor Martin Christopher's presentation will address this aspect...!**

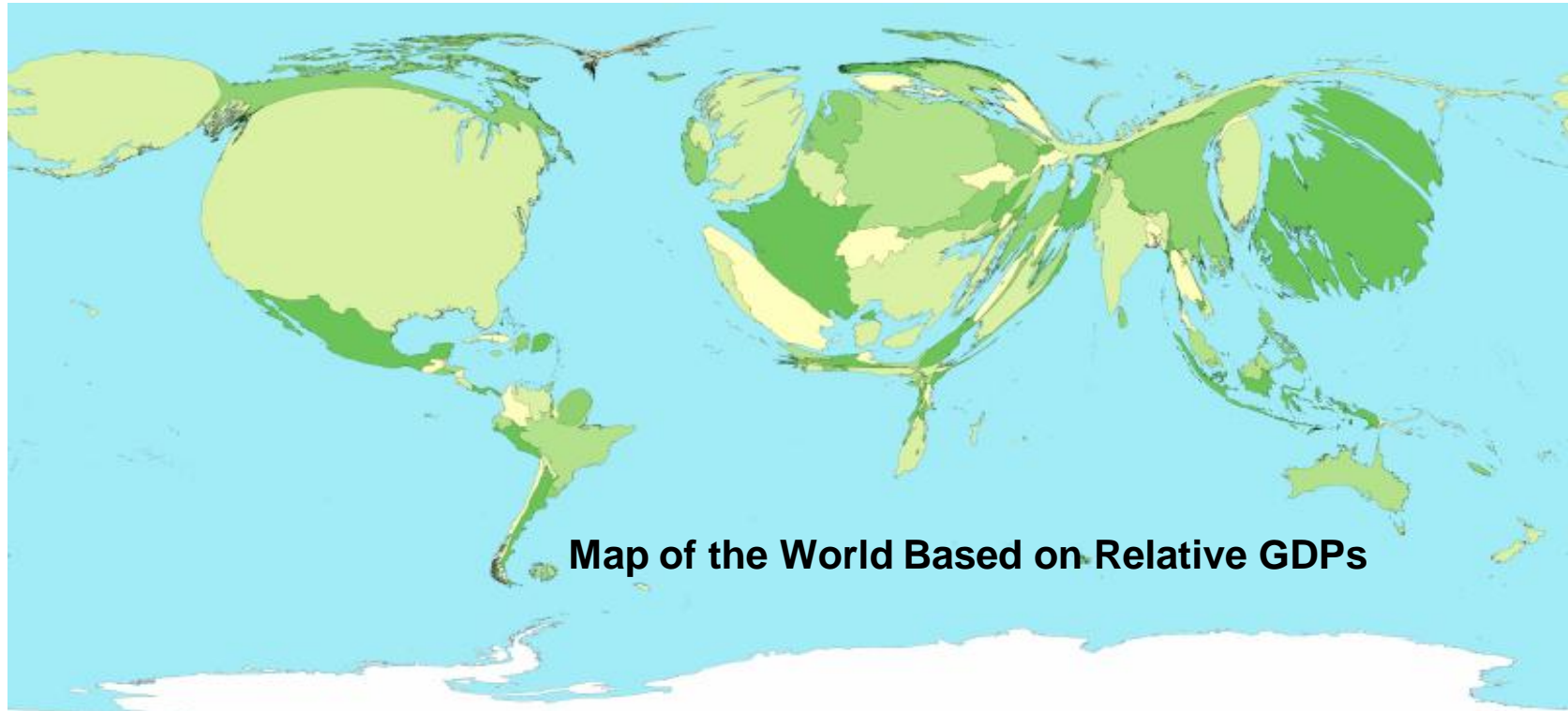


## And the Impact...





## The World in 2006...

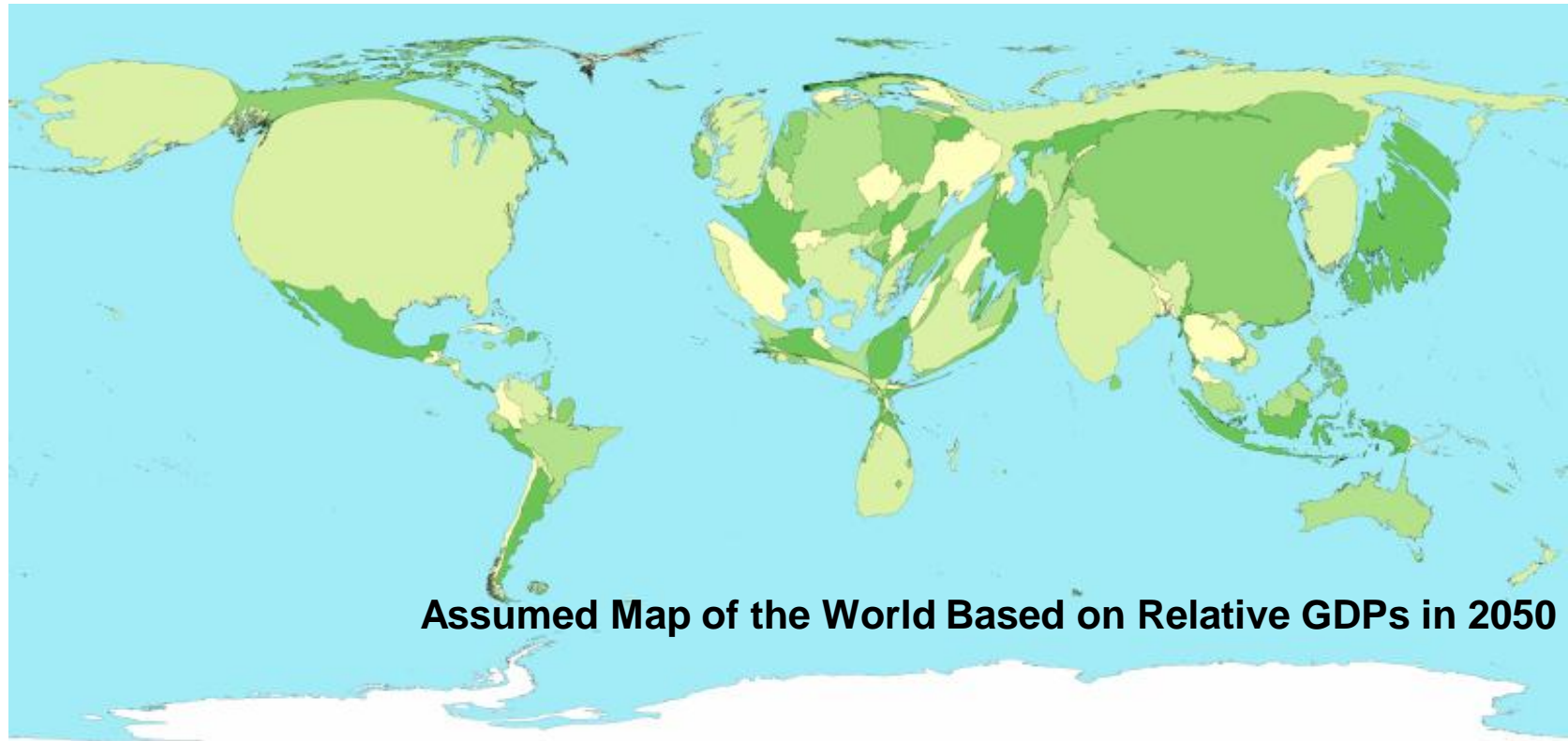


**Map of the World Based on Relative GDPs**

**Source: Mark Newman, Department of Physics and Center for the Study of Complex Systems, University of Michigan**



# The World in 2050...



**Source: Mark Newman, Department of Physics and Center for the Study of Complex Systems, University of Michigan**



## However, it's not all “doom” and “gloom”

**“In America, the Wal-Mart way sweeps competition aside...”**

- while rivals flounder, the giant retailer is getting stronger than ever as thrifty shoppers go back to basics...

**“As Woolworths goes under, Poundland rises to record profits”**

- will open 35 stores and create 1,200 jobs in 2009...

**“This is the dawning of the age of austerity, says Asda...”**

- Andy Bond, chief executive said: “We are moving into an era of the frivolous being unacceptable and the frugal being cool”

**“A tasty little present for men - Burger King body spray...”**

- the company describes Flame as the scent of seduction with a hint of flame-broiled meat and costing a mere \$3.99...



## Suggested Sector Strategies for Survival

- **Retailers:** *Respond to changing consumer buying patterns* → credit-crunch prices, change packing sizes, change category strategy, clearing stock, reduce inventory, push inventory to suppliers, consolidation, cut logistics costs, reduce total loss, go lean and green, undertake training...
- **Manufacturing:** *Respond to changing demand from retailers and end customers* → cut production, stop capital investment, downsizing, restructuring, reengineering, develop lean production and supply chains, undertake training...
- **Logistics:** *Respond to changing and decreased demand* → downsize, suspend capital investment, consolidate and collaborate, change customer portfolio, cut logistics costs, develop lean operations, undertake training...





## Case Example 1:

The Irish milk and dairy producer Glanbia established a formal process with Tesco to manage promotions collaboratively to reduce variances in case lots of plus/minus 400%. Both firms worked together to improve pre-promotion planning by jointly developing and revising forecasts, increasing the monitoring of forecasts versus sales on both a daily and weekly basis, and keeping each other informed of issues as they arose in order to react more quickly. The results achieved from this initiative included a reduction in waste from €10,000 to €1,000 and production costs from €2,500 to €750, and increases in Tesco depot service levels from 97.1% to 99.2% and in-store OSA from 96.1% to 99.2%.

D.B. Grant and J. Fernie, On-Shelf Availability and Out-Of-Stocks in Grocery Retailing, in E. Sweeney (Ed.) *Supply Chain Management and Logistics in a Volatile Global Environment*, 2010, Blackhall: Dublin.



## Can SMEs Help Lead the Way Forward...?

Business and logistics advantages of SMEs include:

- Ability to be responsive to customers' needs as they are typically closer to the customer
- Ability to undertake quicker decision-making due to less management bureaucracy
- Ability to work more closely with suppliers to change orders and shipments to prevent inventory build-up



## Case Example 2 of an SME :

The UK third party-logistics provider Clipper Logistics Group examined its response to the credit crunch and initiated two strategies: some cost reduction and enhanced and focussed service solutions that went beyond usual 3PL remits.

For example, their pre-retailing activities for e-fulfilment includes usual activities such as braking bulk, consolidating and tagging but they also photograph goods to upload onto the customer's order website.

Another example is consolidating, storing and delivery multi-user goods for retailers at Meadowhall Shopping Centre in Sheffield.



*To conclude, don't get lost in the fog of uncertainty and indecision...!*

*Thank you for your attention this morning;  
Are there any questions or comments?*

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