



PORT-CENTRIC LOGISTICS

ENABLING SMARTER TRADE



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As global trade continues its unstoppable march, the logistics network that supports it is expected to keep pace. Yet, with the growing strain of businesses' end-to-end requirements, consumers' insatiable demand for instantaneous delivery and historically slow shipping times, traditional means of logistics will not suffice. The speed and saturation of the global economy means that, for businesses, it is no longer about finding a convenient port for import and export, but about choosing a port that that is already part of the integrated supply chains and wider logistics network.

At DP World, we believe that port-centric logistics is a game-changer. By placing the port at the heart of our logistics operations, we are able to create integrated supply chains that provide a far more efficient offering for businesses, enabling them to adapt and evolve through faster distribution times, greater capacity, better accessibility and increased cost savings. Alongside this, DP World has developed a range of secondary services for importers and exporters, from inventory management to warehouse management, to drive results and create further growth.

Port-centric logistics isn't just about making trade faster, it's about making trade smarter. It offers the type of advantages needed for businesses to gain an edge in the modern economy, bringing logistics services closer together and encouraging operators to develop and strengthen their offering to exporters and importers. What's more, port-centric logistics can protect businesses from many of the structural challenges currently facing global trade.

CAUGHT SHORT

Most notable among these structural challenges is the truck driver shortages that are becoming apparent across Europe. These shortages pose an existential threat to the functionality of European supply chains and both intra and international commerce. Analysts at Transport Intelligence have found that in just six countries – the UK, Germany, France, Denmark Sweden and Norway – the shortage of drivers adds up to a staggering 127,500. The UK leads the way with a shortage of 52,000 drivers, but is closely followed by Germany at 45,000 vacancies, with predictions that this could increase by more than 28,000 per year.

France has a shortage of 20,000 drivers, while road freight associations in Sweden, Denmark and Norway report shortages of 5,000, 2,500 and 3,000.

Such a huge amount of truck driver shortages across the continent could diminish the supply chain's ability to meet manufacturers' and consumers' demands, especially when an uptick in market confidence or economic activity arrives.

THE OPPORTUNITY FOR DISRUPTION

Many a techno-optimist will look at the truck driver trend outlined above and point to the growth of electrified autonomous, self-driving haulage vehicles. Any hopes that this still-developing technology will plug the growing shortages are misplaced. While many of the biggest companies in tech and car manufacturing are quietly working away at making autonomous trucks a reality on the roads, most forecasts still put them years, maybe even decades, away from full long-range deployment.

Instead of putting all our eggs in one basket – and banking on a technology that might not be fully operational until the 2030s – the logistics industry should look

to change its focus, and favour a more port-centric approach like the one DP World is pioneering. This isn't to say that technological disruption won't be inherently important to the future of logistics, which it certainly will be, but that infrastructural disruption, and the subsequent structural changes that arise from it, are the most immediate opportunities available to the logistics industry to future-proof and fortify its operations.

For such a port-centric approach to succeed, consolidation and capacity are the key components. By basing their operations around our ports, businesses can reduce their reliance on legacy road infrastructure, which will be increasingly affected by truck driver shortages, by favouring more high capacity, stable forms of transport, such as rail, which are already integrated into logistics networks. DP World London Gateway, for example, is the UK's most integrated logistics hub with its deep sea port and rail terminal offering excellent accessibility to major trade hubs throughout the world. In addition, there's less risk of loss or damage due to the reduced amount of touch points involved with a port-centric approach.

Yet, consolidation is only feasible and functional when paired with capacity. This is the other half of the port-centric approach undertaken by DP World. Increasing the capacity of our ports to offer additional services and spaces for businesses means that we can provide a smoother, more efficient solution that creates additional savings for businesses, while providing flexibility to grow. For instance, at DP World London Gateway, there is up to nine million square feet of warehousing approved under the Local Development Order. This type of capacity and flexibility means that businesses can import and export more goods and, as containers are packed and unpacked at the port, they can use overweight containers that would be illegal to transport via road. Ultimately, a port-centric approach is about creating savings and efficiencies to drive further growth and better profit margins for importers and exporters.

GAINING AN EDGE

In many ways, port-centric logistics is becoming essential to compete within the global economy. Manufacturers have made the most of relatively cheap labour costs throughout the world, as well as emerging commodities markets for materials, but this has resulted in complex supply chains that entail a huge amount of transport. In fact, transport volumes are continuing to rise and show no sign of stopping.

At the same time, many businesses in developed economies are now targeting



growth markets, such as China and India, necessitating distribution and sales facilities in these countries. There are not only more goods being shipped, but also more countries to which significant volumes are being shipped to. Port-centric logistics simplifies the huge challenges inherent in servicing these extra markets.

It is, however, the advent of e-commerce and the mass customisation of products that makes port-centric logistics a necessity. The growing majority of consumers expect their products delivered to their door, at a time that suits them, and the supply chain has to be able to make that a reality. Port-centric logistics means goods can be unpacked and palletised at the port itself, meaning that companies can get their goods delivered to consumers quicker, thus making them more competitive in such a saturated and competitive market. Similarly, having fewer links in the supply chain cuts the cost of returns, which constitutes a huge chunk of e-commerce merchants' costs.

Port-centric logistics allows businesses to service these fast-paced markets by providing a joined-up approach to logistics and, in particular, integrated inventory and tracking technologies throughout the supply chain. The more logistics services offered by a port, the more integrated and efficient these systems can become.

A PORT-CENTRIC FUTURE

In conclusion, the port-centric model is not only bringing logistics services closer together in one place, but it is encouraging ports to develop and strengthen their offering to importers and exporters. Such a model allows port operators to develop a range of value-add services, such as order fulfillment and bulk product handling, while driving growth in other industries.

As the markets eb and flow, and the confidence of investors and consumers responds accordingly, port-centric logistics offers a feasible framework to secure the logistics industry's future against trends that are already in motion and showing

no sign of reversing. Slower shipping times, growing truck driver shortages and the sluggish penetration rates of new technology, mean that port operators and their logistics partners need to change tack and be smarter about their operations. At DP World, we know that our ports offer the unique qualities required to enable smarter trade and help build a better world for everyone.

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ABOUT THE AUTHOR

Rashid Abdulla is a business leader with a wealth of experience spanning over 20 years in the maritime industry and is the CEO of DP World Europe and Russia. Mr Abdulla was most recently chief executive and managing director for DP World's Asia Pacific region and chairman of Asian Terminals Inc, its operation in Manila, managing business units in China, Korea, and south-east Asia for four years. His previous roles include senior vice president for global operations at DP World Head Office in Dubai, and COO for DP World's flagship Jebel Ali Port.

ABOUT THE ORGANIZATION

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