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LOGISTICS

Logistics can be defined as the process of getting goods from the production line to the customer faster, cheaper, and more efficiently through a series of steps. This series of steps is referred to as the Supply Chain. Companies that specialize in handling products that belong to other companies are called Third Party Logistics Providers (3PL's).

CHANGING LOGISTICS INDUSTRY

The Logistics industry in Canada, and globally, is undergoing dramatic change. The major 3PL's are joining forces to provide one-stop services to a growing number of international companies or "Users" with facilities around the world. Notable mergers include:

- Exel Logistics acquisition of Tibbett & Britten
- Deutsche Post, which owns DHL and Danzas, purchase of Exel Logistics for US\$6.9 billion
- United Parcel Service Inc (UPS) and Overnite Corporation (the largest merger in UPS history)
- UPS and SonicAir
- FedEx buying Yellow Freight

These global 3PL's can provide standardized services to the logistics divisions within each country that the User is operating and, in some cases, at lower capital costs than the local 3PL servicing that particular country.

Some of these global 3PL's are, in fact, becoming so big that they can even offer banking services to their clients (such as factoring and receivables management).

In today's business environment, there is significant pressure within major corporations to reduce costs and increase customer satisfaction. As a result, companies are constantly re-evaluating their business processes and procedures and, in some cases, outsourcing to lower cost solutions. This has impacted the Supply Chain Network through the implementation of:

- ISO and Quality Standards
- Sophisticated warehouse and transportation control systems and warehouse automation systems
- Elimination or closing of redundant facilities
- Management shake-ups within logistics divisions
- Increased co-packing and inventory management by 3PL's as retailers dictate how products will be displayed (i.e. separate display racks for cereal and chocolate promotions)

CHANGING REAL ESTATE LANDSCAPE

The changing landscape in the Logistics industry has also impacted real estate. Today, most of the speculative construction of large warehouses is designed to meet the needs of the typical large logistics user.

SUCH BUILDING / PROPERTY FEATURES WOULD INCLUDE:

- Minimum of 30' clear height
- Larger bay sizes coordinated with racking layouts and with wider staging bays by the shipping doors
- Options for upgraded and efficient lighting and heating systems to achieve lower long-term operating costs
- Concrete dolly pads
- Dedicated trailer parking area
- ESFR fire protection

Some US based developers such as Prologis and Panattoni Development Company have even introduced cross-dock configurations for large speculative construction warehouses in Canada to meet the needs of their US clients.

WHAT WILL THE FUTURE HOLD FOR LOGISTICS PROVIDERS AND THEIR CUSTOMERS?

3PL's and their customers will continue to look for efficiency in supply chain management. For example:

- Increased transportation costs (especially diesel fuel) may lead to regional warehouses in order to avoid transportation over greater distances.
- Older/cheaper modes of shipping/transportation such as rail, are experiencing a renaissance, which may lead to a greater demand for buildings with rail service.
- Warehouse management system software and technology will continue to evolve leading to further refinements in both building technology and layout.
- Increased globalization will lead to further consolidation amongst 3PL providers. These providers will integrate inventory financing / warehousing/ co-packing / transportation, customs and inventory management to provide value added services to their customers.
- Users will continue to demand flexibility from their 3PL operators based on inventory levels, sales projections, etc. For example, provisions to expand or downsize on short notice in 3PL operated facilities will be paramount. Those 3PL's who deliver a cost effective model that meets their client objectives will thrive.
- Users and 3PL's will work closer together in the early facility planning stages for larger requirements versus waiting until the implementation stage.

