

Global Logistics Trends 01/2009



Logistics Trends in the International Markets

Unpredictable Oil Prices, Unresolved Financial Crisis: a Threat to Globalization?

A strongly fluctuating price for diesel fuel broke all records in the middle of the year. At peak times, a barrel of crude oil cost almost \$ 150.00 USD. Diesel fuel prices at gas stations rose to an all-time high. A few weeks later, oil prices returned to the level of the 'good old days' at \$ 90.00 USD a barrel, with the next price spiral directly in sight: What effects do such developments have upon globalization, the international flow of goods and logistics? Is there going to be a rollback in globalization, as the signals coming out of Harvard would have us believe?

Dr. Joachim Miebach, Chairman of the Advisory Board of the Miebach Consulting Group, provides a different, and more complex, answer, going beyond the usual explanatory models:

The core theory: Globalized distribu-

tion structures, centralized distribution networks and production shifts to the Far East are not essentially rooted in rising oil prices, but in other factors affecting transport costs. Transportation bottlenecks, particularly in air and road traffic, slow down globalization far more than increases in oil prices do. Developments and improvements in the aforementioned areas, as well as modern, cost-efficient engines represent the positive impetuses for the future.

A study conducted in five countries across the globe by the Miebach Consulting Group, found that fuel costs – even when compared internationally – only comprise about a quarter of the total running costs arising for a truck per kilometer. If the price of oil doubled to \$ 200 USD per barrel, costs for transportation by truck would only rise by 20 percent. A

similar scenario could be forecast for ocean freight rates. They would rise in the same proportion as road transport costs if oil prices doubled, which means that transportation costs would rise significantly, at a ratio of 5:1, if oil prices increase. However, if you take into account the overall costs of a product, rising fuel prices generally only have a minor effect on the total cost of ownership.

Of course, this must be viewed in connection with the respective trade or industry. A wholesale fruit and vegetable seller will be hit harder because of the comparatively low value of his goods. The same applies to carriers and forwarders, who will feel the impact more than electronics manufacturers. Therefore, in some sectors, a doubling of the oil price will only lead to an increase in production costs of less than one

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percent, while in other industries, that figure could be as high as 40 percent. If you consider the actual cost drivers, transportation costs are significantly more affected by factors such as national taxes, toll charges, and the framework conditions that create the infrastructure.

The consequences for businesses: more decisive than the price of oil is efficient fleet management, along with sustainable use of energy, and optimization of the supply chain with a focus on cost-cutting measures. In other words: globalization is essentially determined to a greater degree by a good infrastructure, efficient logistics systems, customs duties and legislation on the world markets than it is by oil prices. From a current viewpoint, the price of oil will have to increase more dramatically to generate any successful improvement in

the global climate. Only then will it probably lead to a reduction in transportation and a fundamental change in logistic structures.

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Miebach Projects and Success Stories

International Approach Fosters Growth



Miebach Consulting Group presently employs 280 consultants and engineers and maintains 17 offices worldwide.

Frankfurt. In spite of world's financial crisis Miebach Consulting balances a successful business year in 2008. After an above-target year in 2007, with global sales of 22.5 million euros (+12.5%), sales of 27 million Euros are to be stated for 2008. "Our international structure helps us advise globally active companies in terms of logistics," says Jürgen Hess, Managing Director of Miebach Logistics Holding, Frankfurt.

Miebach Consulting Group offers major expertise in supply chain engineering since 1973, presently employs 280 consultants and engineers and maintains 17 offices worldwide, 6 of them in Middle and South America. The Miebach branches located outside of Europe now contribute a sales share of nearly 40 percent. In addition to India, Brazil and North America, the primary

growth markets are the regions overseen in Central and South America, with offices in Mexico, Chile, Argentina, Guatemala and Colombia.
> www.miebach.com

Local Projects: Geberit extends Distribution with General Planer Miebach



New Highbay Store

Investment: ca. 27 Million Euro, Length: 92 m, Width: 42 m, Height: 35 m, 9 aisles, 17 levels

Extension Distribution Centre

Length 162 m, Width: 37 m, Height: 15 m, Effective surface of the extension: 16.000 sqm, Electric overhead rail: ca. 500 m, 400 transported paletts per hour

In June 2008, the expansion of the largest plant in the Geberit Group european market leader in sanitary engineering started by breaking ground in Pfullendorf.

On January 1st 2010, the new Logistics expansion starts operations. "The continuous enhancement of logistics efficiency and performance is an important issue of Geberit's success, highlighted Dr. Michael Reinhard, member of the Executive Committee of the Geberit Group, in his welcoming speech.

Pfullendorf has already an efficient logistic distribution system, which is being upgraded to a central distribution site in the process of the production capabilities upgrade. Geberit already supplies from Pfullendorf customers in more than 70 countries. From 2010 on it will be 100 countries.

Miebach Consulting was involved right from the start of the project. After a first contact in 2006 Miebach Germany got a contract for the concept planning in January 2007, followed by detail planning and tendering phase. In January 2008 they were contracted for the realisation phase as a General planner with subcontracted architects.

Project manager Bernhard Stock considers the ambitions project to be trendsetting for Miebach and Geberit because the full competency as general planer is asked.

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Relocating Factories to Eastern Europe? A plea to go against that 'gut' feeling



A typical sourcing structure for a German based Automotive Company: Sourcing-Volume West-Europe: 75%, Sourcing-Volume East-Europe: 25%. An early view on the envisioned supplier footprint can have a strong impact on the selection of future production locations

The relocation of production facilities to Eastern Europe is seen as an inevitable strategy practiced by companies that want to counter the ongoing cost pressure on declining margins and tap into new sales markets. In this respect, a quick decision is often made on the basis of a relatively superficial analysis that focuses on lowering personnel costs. In hindsight, however, such analyses can turn out to be flawed. A number of parameters and factors have to be taken into consideration when deciding to change production locations. The critical factor for success is to clearly define objectives and targets at the start of any analysis. Thereafter, a structured procedure is essential to the location analysis, based on the data and information that is actually available.

Recommendation: If the key project premises regarding products, quantities, and processes are clarified right

from the onset, followed by a consistent systematic procedure, then the basis for a sound assessment of a location can be ensured. Although it may seem tedious, a decision concerning the establishment of new production facilities in Eastern Europe should be based on the optimal utilization of all the available data and information. One cannot rely on 'gut feeling' alone, particularly when it comes to relocating to this region.

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New Services ... New Trends ... New Clients



SABMiller, one of the leading brewery groups worldwide, commissioned the Colombian subsidiary of Miebach Consulting with planning the MRO (maintenance, repair, and operations) and the empties warehouses for 11 brewery locations and malt plants in Colombia. With its international alignment, partnerships, and cooperations, the Miebach Group is once again keeping its determined promise to create synergies: The cooperative partnership between the SABMiller Group and the Miebach Group began in 2006/2007 at the locations in Poland and Spain. In Poland, a project titled ‘Supply Chain Audit’ was implemented, followed by a network audit in Spain that was expanded into an extensive network study. Ranging from orders in Hungary, where a European logistics training concept had to be developed, and in Switzerland, the expertise now extends all the way to Bogotá! “In all of these projects, the establishment of mixed teams was a high priority right from the start. Such an approach facilitates the transfer of know-how and helps to assure quality,” says Klaus Peter Jung, the central project coordinator for SABMiller at Miebach Frankfurt (Germany).

Newsticker ++++++
Brazil Office started projects for a retail company and a wholesaler to organize future growth ... Miebach India is planning a mayor installation for Asian Paints ... the office in Katowice Poland has been contracted to implement a distribution center for German drugstore chain Rossmann ... Guatemala Office is re-engineering a Distribution Center in Panama (300.000m²), Miebach Germany restructures the Supply Chain Strategy of an international technology venture ... Miebach USA has been contracted to design several Mail Processing Plants to modernize Canada Post Corporations network

Integrated Planning with Simulations

Bringing logistics planning to life – that could be a short description of the new “Virtual Logistics Engineering” service offered by the Miebach Consulting Group.

In the IT Consulting segment, a team of simulation experts was formed, which, within the scope of a number of large projects (including Hugo Boss), visualizes and simulates logistics planning processes early on, when they are still in the conceptual and detailed planning stages, and also reveals bottlenecks in interfaces, as well as alternatives.

“The creative process, planning quality, and reliability can be significantly enhanced during the development process”, explains Jan-Hinrich Fischer, General Manager of Miebach Consulting Germany. The growing integration of the planning and simulation team is pointing the way for innovative and

forward-looking planning work at the Miebach Group.

Virtual Logistics Engineering usually comes into play during the intersection between planning and execution. It implements the layout and the planned processes in an executable computer model. Using this model, trials can be run for the purpose of analyzing critical issues related to the planning. For example, depending on the project requirements, both the normal process and corresponding problem scenarios can be simulated, in order to be able to examine the effects of a disruption on the overall system. The logistics system is thus brought to life by bringing static and logical-temporal components together for the first time, and the results of this combination can also be virtually demonstrated with moving images.

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Editorial ++++++
What actually is “Supply Chain Engineering”?

This is the pilot version of the new Miebach customer magazine “Global Logistics Trends”. As the title suggests, the magazine is intended to be a tool for information and communication, providing Miebach clients and other interested parties affiliated with the Miebach Group with information about international trends and global developments in logistics and supply chain sectors, while also communicating the services and positions of the Miebach Consulting Group. Have we achieved our goal?

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