

Future SCM Trends

Frost & Sullivan conducted a workshop on supply chain strategies for the future. Pamela Cheema gives a ring-side view

Date : July 14-16, 2010
Event: Frost & Sullivan, Future Supply Chain Strategies, A Frost & Sullivan Executive Strategy Workshop
Organizer: Frost & Sullivan,
Venue: The Golden Palms Hotel and Spa, Bangalore

Frost & Sullivan, India, conducted a meticulously organised workshop on 'Future Supply Chain Strategies' from July 14 to July 16 at the sumptuous Golden Palms Hotel and Spa, Bangalore. The workshop had excellent and focused presentations from key industry figures at the event. With India ascending the growth curve and indeed being one of the drivers of the global economy along with China, the Indian logistics industry needs, in particular, to refine its supply chain parameters to be productive and internationally competitive.

The workshop was declared open and the delegates welcomed by Anand Rangachary, Managing Director, Frost & Sullivan. The first

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presentation of the day, which was Frost & Sullivan's perspective on the supply chain strategies which should be followed in future by Indian corporates, was delivered by V G Ramakrishnan, Senior Director, transportation and logistics, Frost & Sullivan. He pointed out that the cost of logistics operations in India was inordinately high in comparison with developed coun-

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Future Supply Chain Strategies

A Frost & Sullivan Strategy Workshop

14-16th July - 2010, The Goda Emeralds Hotel & Spa, Bengaluru

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tries due to inadequate infrastructure, lack of a well-structured and uniform tax structure and an industry which has remained perennially fragmented. He stated that the Indian logistics industry would attain substantial revenues of \$132.35 billion by 2015 with a CAGR of 9.9 percent. He analysed that the impediments in the growth of the industry were poor

infrastructure and the domination of unorganised companies.

Key Drivers

However, the key drivers of the industry in future could be the rising complexity of globalised supply chains, the improved capabilities of Indian LSPs and the demand for multimodal transportation services. He noted that technology and the

swift development of infrastructure would provide a plethora of opportunities for growth for 3PL providers. In a survey conducted by Frost & Sullivan in 2009, 80 percent of the respondents believed that technology would catalyse growth while 78 percent cited the construction of logistics parks as an aid to growth.

Ramakrishnan was emphatic that while key industries in the

Howard James Scott, Chief Supply Chain Management Officer, GATI delivers his presentation

Supply chain strategists should locate their DCs and logistics hubs correctly, ensure timely information, cash flow and a flexible supply chain organisation

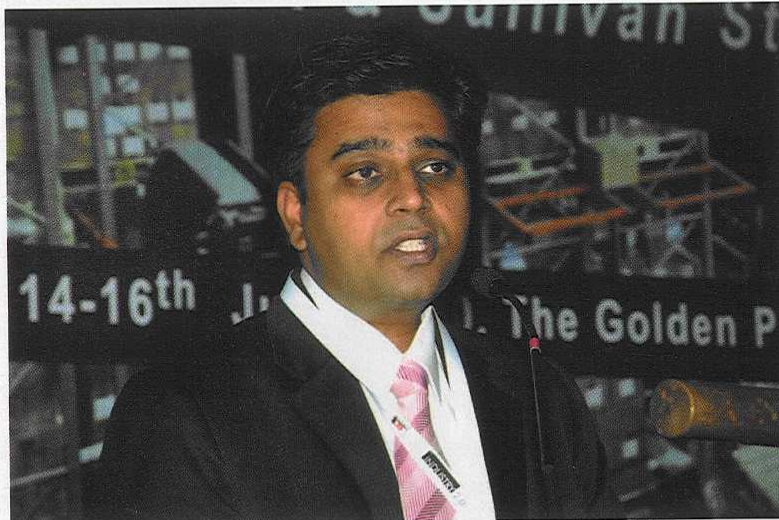
country are growing at 15percent-20 percent every year, there still exist certain fundamental issues in the industry which need to be resolved, like the very basic issue of considering logistics the core function of an industry.

End-user Perspective

After Ramakrishnan's lucid presentation, Dimple Parikh, Head of Logistics, Lupin Pharmaceuticals, provided the end-user's perspective in supply chain trends. The largest global market size in pharmaceuticals exists in the north



Sanjiv Kathuria, Director, Sales & Marketing, TNT India



VG Ramakrishnan, Senior Director, Transportation and Logistics, Frost & Sullivan

American market and is valued at \$311.8 billion, with the Asia/Africa/Australia market pegged at \$90.8 billion. By 2015 Parikh expected a larger number of MNCs nibbling away at the pharmaceutical pie, with 35 percent foreign corporates and 64 percent domestic players in the market.

Globally, India ranks third in terms of volume in the pharma market and the industry is expected to grow at 12 percent till 2015. Foreign Direct Investment is expected to touch over \$21 billion by 2015. Since the expenditure on health care is expected to surge from 7 percent of the GDP to 13 percent by 2015, the pharmaceutical industry foresees a bright future for itself. Parikh expected diverse opportunities in the spheres of biotech, clinical trials, contract manufacturing and cold chains, but deplored "the fact there is no single window clearance for supply chain in the country, industry is concentrated in just a few states like Maharashtra, Gujarat and Andhra Pradesh and there is still no uniform tax structure in the country."

Trends in Retail

Supply chain trends in retail and FMCG were delineated by Amit

Mukherjee, Vice President, SCM and IT, RPG Spencer's Retail. Mukherjee stated that India had reclaimed her top spot in retail in AT Kearney's eighth annual Global Retail Development Index (GRDI), 2009, as "the most attractive emerging market for investment in the retail sector." Retail has a substantial 29 percent of India's GDP and after agriculture, is the country's second largest employer.

But despite the ever-increasing opportunities in the retail sector, Mukherjee bemoaned the restraints that are limiting the sector's growth such as unaffordable and poor supply of real estate, multiple licences and clearances for establishing a business, supply chain bottlenecks in distribution and logistics, an acute lack of skilled manpower, etc.

He strongly emphasised that with competing businesses an efficient and well-defined supply chain could result in a lucrative enterprise. Supply chain strategists should locate their DCs and logistics hubs correctly, ensure timely information, cash flow and a flexible supply chain organisation which is also collaborative with other business functions and trad-



Anand Rangachary, Managing Director, Frost & Sullivan

ing partners. They must steer clear of crippling supply chain bottlenecks like absence of cold chains, poor storage facilities and transportation methods and also ensure that information technology is in place for both front-end and back-end functions. He also strongly supported GST and FDI “as they will both significantly impact the way business is being done in the country and are welcome in the retail industry.”

LSPs vs New SCM Trends

The preparedness of logistics service providers in an emerging environment of redefined supply chain strategies was provided by two significant LSPs, GATI and TNT India, with GATI giving the domestic perspective and TNT India putting forth a peroration of the international perspective.

Howard James Scott, Chief Supply Chain Management officer, GATI, spoke expansively about the Indian logistics industry and emerging trends. He stated that the logistics market is expected to grow by more than 20 percent over the next three years, when foreign logistics competitors are also expected to enter the market. With increasing growth, customers today are also more demanding, expecting reliability of service, reach and transit speed and price competitiveness from their LSPs.

Scott urged LSPs to institute structural changes within their organisations such as seamless integration through IT, dynamic product response parameters and a reshuffle of their organisations so that they encompass air and ocean freight along with freight forwarding. He foresaw sweeping changes



A panel discussion moderated by Anand Rangachary

in the service portfolios of LSPs in the future, with greater involvement of LSPs in manufacturing processes, back office support to end users and high-end operational analytics.

Sanjiv Kathuria, Director, Sales and Marketing, TNT India, agreed with Scott that radical changes were imminent in the logistics sector. In the future, he expected the contours of the business to change with lower operating expenses, reliable order fulfilment and greater visibility on product flow for end customers. He believed that supply chains would

become smarter, be more information driven, supply decision support tools and be more connected to enable multi-partner collaborative platforms for suppliers, customers and service providers which would lead to integrated forecasting, orders and point-of-sale.

He was convinced that in a fast-changing world, industry responses must be equally swift. It was his belief that in the future the logistics industry would shift to lower cost, but high growth areas. Customers would buy smaller devices, selling prices would decline and product life cycles would shorten. "Other factors that will impact supply chain are economic, demographic, ecological, regulatory and technological issues which will radically transform supply chain," said Kathuria. "The supply chain architecture of the future will have multi-partner information models, collaborative intelligent warehouses, collaborative transport and seamless service logistics."

Core Issues

During the workshop, two panel discussions on July 15th and July 16th respectively, brought to the fore various core issues of the industry which were discussed threadbare in debates peppered with liveliness and candour. Both discussions were moderated by Anand Rangachary, Managing Director, Frost & Sullivan. Interestingly, in the first panel discussion on July 15, Prem Kumar Verma, CEO, Tata Motors Distribution Company Limited, disclosed that there is an acute scarcity of well-trained truck drivers. Between 2010-2018 the logistics sector requires 18 lakh truck drivers, a crucial need which is unlikely to be easily filled "because no driver's son wants to be a truck driver," remarked Verma. "For more recruits, we have to make this look like a decent job. There should also be more training schools to improve the situation."



Dimple Parikh, Head of Logistics, Lupin Pharmaceuticals

Gautam Dembla, Director, Spear Logistics, played the poor infrastructure in the country. In particular, he lambasted the poor capacity of Indian ports pointing out that "the government needs to build over-capacity at our ports. Several of India's largest ports can't handle 1/10 of what Singapore does."

During the panel discussion on July 16, green logistics emerged as a major area of concern with most panellists underscoring its crucial importance. Startlingly, end-users are equally in favour of green logistics. Also, corporates will save substantial sums of money by adopting such eco-friendly measures.

The Frost & Sullivan strategy workshop ended on July 16 on a breezy, cloudy day in Bangalore, the city which has that quality of *je ne sais quoi*. The workshop discussed innovative strategies and solutions which industry could assimilate and catalyse its success in a fast changing world. 🌅

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Amit Mukherjee, Vice President SCM and IT, RPG Spencer's Retail