



Innovation keeps Flanders' logistics on track

Innovation leads to growth. That is what five success stories in the logistics sector clearly demonstrate. Flanders will still be an attractive focal-point for logistics activities tomorrow. Certainly if we convert weaknesses into opportunities.

“Successful logistics combines innovation in ICT, human resources, business models and sustainability.”

At a crossroads of trends

What direction is logistics in Flanders heading in? There are so many possibilities. Sometimes they contradict each other, but they also offer a lot of perspective. Look at it as a crossroads – where four, sometimes conflicting, trends converge.

1 Distant *and* close

What is the best way to get your products to the customer? The answer is: centralisation and decentralisation. By centralising logistics activities, you save costs and reduce your inventory. But how do you satisfy customers that expect fast, flexible service? By decentralising: so that products do not have to travel so far.

2 There *and* here

Companies are busy relocating their production from Western to Eastern Europe. Does the logistics sector relocate too? That is possible. But our region will still be in demand. This is where the market is, and the added value of the logistics sector is always closer to the customer. Delocalisation and localisation: are they keeping each other in balance?

3 Location *and* space

Saving costs? You can do that by outsourcing your logistics to others. Result: growing consolidation. The big players offer a complete service with all possible means of transport. The location counts too. Two of Flanders’ strengths are its central location and extensive transport network. However, there is less room here for large amounts of storage – but that is what other regions and countries have to offer.

4 Sustainable *and* smart

Sustainable logistics reduces both costs and environmental impact. You can fill lorries optimally or combine with transport via water or rail. Smart logistics makes it easier to trace goods, manage inventory, and take decisions. Sustainable and smart: Flemish logistics is both.

Logistics success in five stories

Flemish companies are quite capable, and that includes *logistics*. At least, when they approach it innovatively. Five success stories are the best proof.

Barry Callebaut brings production and distribution close together



The Barry Callebaut chocolate producer successfully located its distribution centre (Aalst) close to production (Wieze). Of the volume that leaves the centre, 70% is delivered within a 300 kilometre radius. The other 30% is shipped via the Antwerp harbour. The distribution centre in Aalst also takes care of the sophisticated handling of certain products.

Barry Callebaut is improving its service to its customers through an innovative approach: for example, with Intermediate Bulk Containers (for keeping liquid chocolate at a constant temperature during transport), and via intermodal transport (a combination of lorry, ship and train).

Volvo Logistics also handles logistics for other companies



Volvo Logistics nurtures a true culture of innovation. The company does not restrict the logistics services of its distribution centre to itself alone. As a 'Fourth Player Logistics Provider', Volvo Logistics has the in-house expertise for setting up optimal distribution networks. To accomplish this, it uses other companies from the auto sector.

Volvo Logistics composes dynamic teams, focused on customer needs. Thanks to its large volumes, Volvo Logistics benefits from economies of scale for European transport, reducing the average costs per unit considerably. Furthermore, Volvo Logistics has a clear view on the entire supply chain of its logistics customers, so that every logistics opportunity is exploited.

SKF Logistics Services streamlines storage and distribution for Metso Minerals

From its ultra-modern warehouse in Tongeren, SKF Logistics Services provides logistics services to Metso Minerals – a Finnish company that offers technology and services to a large number of industrial sectors worldwide.

The customer network is complex, delivery times are short, and the components are extremely diverse in nature and size. SKF Logistics Services focuses on rapid order processing, so that the orders are delivered to the customer's site within 24 hours. Result? Thanks to its collaboration with SKF Logistics Services, Metso Minerals saves substantially while maintaining a high level of service.

Katoen Natie cannot stand errors



E-commerce is growing and offering new opportunities to logistics activities in Flanders. Katoen Natie is capitalising on this situation with e-logistics services: from the moment that the goods leave with the supplier, to the sorting of the packages, to the delivery to the consumer.

Katoen Natie has simplified internal processes, increased flexibility, and conducts a zero-tolerance policy against errors. Result: every day, Katoen Natie handles over 5,000 packages coming from e-commerce.

UCB, Baxter, H. Essers and Tri-Vizor join forces



The high density of logistics centres in Flanders creates opportunities to combine flows of goods. The pharmaceutical multinationals Baxter and UCB are doing that with H. Essers and Tri-Vizor for the transport of temperature-sensitive medicines to Eastern Europe.

Baxter and UCB provide their planning to Tri-Vizor, which looks for ways to organise the logistics more advantageously: lower costs, higher critical mass, higher delivery frequency, and a smaller impact on the environment. Today, the four companies join forces to deliver in Romania, Hungary and Bulgaria.

Why choose Flanders as logistics region?

The logistics sector in Flanders is strategically important. But how do you attract investments in logistics? The labour costs are high, the tax burden is heavy and there is a shortage of space. Still, Flanders presents a lot of advantages for designing, launching and managing logistics networks.

- **Flanders is centrally located**

When the market is unpredictable, companies have every reason to centralise their logistics activities. And Flanders is perfect for that – for incoming as well as for outgoing transport. Flanders provides excellent access to the markets. More traffic and higher oil prices can even work to Flanders' advantage, because it is so important to be close to customers.

- **In-depth knowledge attracts distribution centres**

Flanders succeeds in attracting a large number of European distribution centres, which means that there is a lot of relevant knowledge here. And that can be a factor for dissuading companies from relocating their business and logistics to Eastern Europe.

- **Different partners work well together**

Collaboration is the key to success. By combining transport or creating entire logistics chains together, companies work smarter, faster and more cost-consciously.

- **Sustainable strategies are on the rise**

The demand for sustainability in logistics strategies will grow rapidly and Flanders has lots of opportunities for capitalising on it. So, it pays to choose sustainable logistics strategies: alternative modes of transport, centralisation, filling lorries as completely as possible, and using intermodal transport possibilities as much as possible.

Challenges for the future

While Flanders can offer strong logistics advantages, a number of areas can be improved:

- **Attracting more employees through a more positive image**

Flanders has logistics expertise and trained workers. While productivity is high and employees are loyal and flexible, the labour costs are quite high as well and the terms of employment are strictly regulated. For the future, more workers are needed and the logistics sector must develop a more positive image as an employer.

- **Keeping traffic-jams under control**

The quality and the density of the road system are crucial for the economy. Companies must be able to deliver their products and services quickly and reliably. And employees must get to their workplaces quickly and on time. Fortunately, the Flemish road network is very well-developed. But the traffic-jam problem is growing.

- **Making sustainable strategies affordable**

The harbours and the Brussels airport are indisputable advantages – certainly for the growing interest in multi-modal transport. But transport by rail or water still has drawbacks in price and service.

- **Investing in infrastructure**

Suitable ground and buildings are scarce in Flanders. Land prices are high and it takes a long time to receive a building permit. Even though rental prices are comparable with, or lower than, those in other countries. So, it is best to continue to invest proactively in infrastructure: as provided for by 'Vlaanderen In Actie' (for example), the Flemish government's future project for Flanders.

- **Managing costs and simplifying administration**

The high costs and complex administration can slow down the logistics evolution. Labour costs, land prices, and taxation run high in Flanders. That is why company managers need to receive sufficient information about the total package of fiscal policies: about the notional interest deduction, for example, which reduces the actual tax rate.

Finally, there is the administrative rigmarole. The government would do well to simplify the fiscal and customs formalities and to shorten the time that is required to grant permits and licences.

One-stop-shop for Flemish logistics?

How do you play your strengths, and how do you realise your ambitions? You cannot do that all by yourself. Flanders can take the initiative to support European distribution centres. For example, with an advantageous tax climate and by dedicating a number of sites to logistics activities.

That is why Flanders is trying to serve as a partner, supporting the logistics sector via organisations like the Vlaams Instituut voor de Logistiek (VIL), Flanders Logistics, and Flanders Investment & Trade (FIT). Further aligning the agendas and missions of these organisations would contribute positively to the perception of our governmental bodies as business partners.

Reference:

Logistieke waardenetwerken als troef voor het aantrekken van buitenlandse investeringen (Logistical value networks as a key to attracting foreign investments), Robert Boute, Rein Robberecht and Ann Vereecke, Flanders DC Knowledge Centre, at Vlerick Leuven Gent Management School, July 2011.