

# “Logistics has become a key competitive factor”

The globalisation of the world economy, the accelerating rate of convergence between product and process quality, shorter innovation cycles and a high level of market transparency have, in the opinion of Professor Horst Wildemann, turned the logistical capabilities of companies into a critical success factor.

Interview by  
Kurt Bahn Müller

**You take the view that logistics has evolved from a cost centre into a profit centre. What exactly do you mean by that?**

The principle that used to hold sway was that efficient logistics could be used to minimise costs. Today, logistics should be regarded not only in terms of costs, but should be seen instead as a competitive factor. If you can deliver faster, you get the business: I need only mention Amazon. The keyword in an efficient value chain today is the service level. Logistics therefore becomes an important tool in differentiating yourself from the competition. To put it another way, a provider who can take the planning off the customer's hands has a huge advantage.

**The relocation of production to low-wage countries was a trend for many years. In the meantime, quite a few companies are again manufacturing closer to the markets because wage costs, and also the cost of logistics, have increased and now outweigh the former difference. What is the right road in the future?**

The road abroad, with the goal of manufacturing more cost-effectively, has weakened considerably. There are actually no “global products”, and the trend towards individualisation continues to grow. Division of labour means logistics, because the elements must be brought together. The goal of relocations today is largely to conquer local markets. The products, however, must be adapted to the needs and requirements of those markets. Just think for example of India or China. While this localisation of products does bring a reduction in production costs, the products can no longer be exported to Europe because they do not

meet the standards there, and they are confined to the surrounding markets at most.

The increasing intensity of the competition in the transport sector is notable. The concentration is clearly driven by technology. Technically, it no longer a problem to track the movement of goods right across the world with intelligent systems. You know exactly where and in what vehicle specific goods are located. And you can re-route them at short notice if the need arises. This is why the big players are growing disproportionately, because smaller competitors cannot provide these technologies. It is not only about the Internet as a place to shop, it is also about systems for monitoring and controlling the flow of goods. In my view, this has increased efficiency.

**Intralogistics today is facing a paradigm shift. The demand is no longer only for faster, higher and further, but above all for modular and variable solutions that can be adapted to changing conditions.**



**Many companies with logistics facilities in place which have grown historically but no longer meet today's requirements for an optimised supply chain are not fully exploiting their possible potential in internal logistics. Do you share that view?**

In the past, extremely efficient high-bay warehouses were built, ensuring a high volume of goods handled. But this also represented a costly investment with which you cannot react very flexibly. Having said that, requirements have shifted significantly in recent times, and the question therefore arises as to whether the existing warehouse

can still be operated economically. This means you have to variabilise the systems. The criterion until now has been flexibility, i.e. quantity up/quantity down, in short, flexibility of quantity and type. That will no longer be sufficient in the future. These days, we talk about changeability. This involves a high degree of flexibility, required in order to manage volatility. But that is not enough. What is also needed is a change in the structures, the ability to convert quickly and fundamentally. This also requires a change in planning philosophy, with a range of different approaches and levels of automation.

“We know that in logistics the last mile is the most expensive one.”

## MEGATRENDS IN LOGISTICS

### The demographic development of economies

The increasing concentration of the population in large cities and conurbations will also place high demands on logistics in the future. Just think for example about the distribution of goods in these regions over the last mile. In addition, changes in the age pyramid are also leading to new demands among the population, as older people increasingly want goods delivered to their homes.

### Globalisation and the division of labour

More and more countries that were once recipients of goods and services now want to participate actively in the creation of added value. As a result, more and more products are now manufactured locally, which leads to a greater division of labour and therefore to additional flows of goods.

### Technology and the Internet

Online shopping has led to almost a doubling of the flow of goods, not least because about 60 per cent of the goods are also sent back. Ever faster data connections provide the opportunity to participate in this trend. This

means that warehousing, picking and transport planning will again grow in importance. The efficiency of the Internet has significantly accelerated the processes in logistics and made them more efficient.

### Customised products for specific markets

There are very few actual global products left these days, and demand in the future will be for customised products for specific markets. Customisation leads to diversity and increases the complexity of logistics. The trend towards the ability of online shops to deliver within 24 hours accelerates logistics processes enormously.

### Sustainability and environmental impact

The various modes of transport must be assessed in terms of their environmental impact, both in intralogistics and in international trade. All logistical elements, from production through to picking to transportation, must also be considered with reference to their sustainability.



**PROF. HORST WILDEMAN**

Mechanical engineering (Dipl.-Ing.) and business administration (Dipl.-Kfm.) degrees in Aachen and Cologne, 1974 PHD (Dr. rer. pol.), 1980 habilitation (postdoctoral teaching qualification) at the University of Cologne. Professor of business administration at the Universities of Bayreuth, Passau and since 1989 at the Technical University of Munich. Head of an advisory team for corporate planning and logistics with over 60 employees in Munich.

### The trend towards the outsourcing of logistics continues to hold. Will this also be the case in the future?

There are two trends that can be discerned: to begin with, more and more specialists are emerging who on one hand design and plan the entire systems, and who still have opportunities to operate successfully in the logistics sector. There are the professionals who manufacture the components for these planners, and on the other hand there are the service providers who control complete systems and can deliver them ready to use to customers. Who are the key customers? In the area of retail and distribution, it is all about complete solutions. In today's climate, if you do not plan reverse logistics precisely, you will lose serious money. This represents a whole new set of challenges.

In any case, the fragmentation of logistics is not yet complete, and specialists still have opportunities to succeed.

The second point: on the subject of outsourcing, one important aspect should be

considered. If your contact with the customer is through logistics, and with it the possibility, for example, of a repeat purchase, it is more advantageous to operate your logistics yourself. As long as contact with the customer is not a decisive factor, outsourcing can still be an interesting alternative.

### In recent years, ideas and proposals for environmentally friendly transportation have come to the fore. What is the role of environmental protection in logistics today?

We have found in studies that logistics, and internal logistics in particular, is a relatively large emitter of CO<sub>2</sub> because, to give one example, more and more small quantities are being transported. Savings with regard to emissions are certainly possible in logistics, as are savings in terms of energy consumption, and they will also be exploited in the future. •



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