



# Joyfully alone

## **The true solution will appear when producers join together and use common logistics resources.**

From our working experience and also from our business contacts, it becomes more objective the feeling that, face to the centralization induced by modern retailers, the transport operation from FMCG suppliers to their clients' distribution centres is very efficient but the transport to independent clients located in remote regions is quite inefficient. Naturally, this happens because these clients as well as the region do not have critical mass to allow frequent deliveries keeping the vehicles reasonably occupied.

As stated before this is quite a frequent reality found in Portugal and presumably in the rest of the EU. About it, one should realise two facts: it increases the company's operations costs and puts the company every day more dependent upon a few large retailers (since the less important regions' clients are visited less often, which increases stock investment and stock outs, and weakening their competitiveness every day). We could say that both realities are bad for suppliers, being the second the most important in the mid and long term.

Assuming the described above as a reality, the question is: is there any solution?

The answer is: yes there is. Initially it had been admitted that 3PL companies would resolve this situation but such is not true. They help minimize it but do not resolve it, once they cannot change the order profile or the sales volume.

We think that the true solution will appear when producers join together (in groups of two or three) and use common logistics resources. By this time they would stop being joyfully alone and become intelligently associated, minimizing their operating costs and maximizing their capacity to go to remote regions at competitive costs.

As a bonus, this association would also bring operational efficiency to the large retailers order processing (specially in a scenario of increasing demand for cross-docking operations), as well as the ability of distributing

to wider regions from the same distribution centre, to some parts of Spain, in the Portuguese example.

We also feel that this idea is not a foolish thing to think, because logistics is not a competitive advantage among EU producer's leaders (all of them are able to respond to the sophisticated retailers lead-time). As such this is not about conceding points to the competition but winning points in terms of operation costs. In fact it is quite the opposite, as the first companies to adopt the association model will win a competitive advantage to the following (it may be adequate to remember the centralizing process dynamics that occurred in the last decade).

At last, 3PL will continue to be important, this time eventually serving an entity supra that includes several suppliers. We think that it could be the most effective way of implementing the 4PL concept.

Having said this, the only question that we have to ask is: until when joyfully alone?

By Joaquim Pereira