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Service led strategies of UK ports and intermediaries

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Agenda

- Contemporary business environment of UK ports
- Theoretical background of the study
- Methodology
- Three cases of SLS of UK ports and intermediaries involved with PCL
- Impact of SLS in the context of PCL

Contemporary business environment and understanding of ports

- Increasing economic **globalisation**
- **Reshaped markets** (hub and spoke networks of shipping lines, and increasing vessel size)
- Reshaped **supply networks** and **logistics systems**

Ports from **traditional role** to the **provision of VAS** and a focus on **supply chain integration**

Ports as **business networks** or **clusters of interdependent organisations** which cooperate for the holistic development of the system

The UK ports paradigm

UK ports' development not in accordance with ports in mainland Europe due to:

- National Dock Labour Scheme
- Development of containerisation
- Relocation of DCs inlands (1960s-1970)
- Port privatisation schemes (1981, 1991)

Focus on cargo and ship handling services

Lost competitiveness to European ports (logistics platforms)

Mid-2000s: Realisation of the increased benefits derived from the provision of on-site warehousing and other logistics VAS for containerised goods

Port Centric Logistics (PCL)

PCL in UK major container ports

	Port Authority and PCL provider	PCL services by one or more 3PLs
Belfast Harbour		•
Clyde	•	
London Gateway		•
Port of Bristol		•
Port of Felixstowe	•	•
Port of Grangemouth	•	
Port of Hull		•
Port of Immingham		•
Port of Liverpool	•	•
Port of Southampton		•
Port of Tilbury		•
Tees and Hartlespool	•	•
Thamesport	•	•
Port of Tyne	•	

Critique and relevance for the UK distribution system

Critique
PCL is an extension of practices already applied in Mainland Europe and North America

Relevance for UK

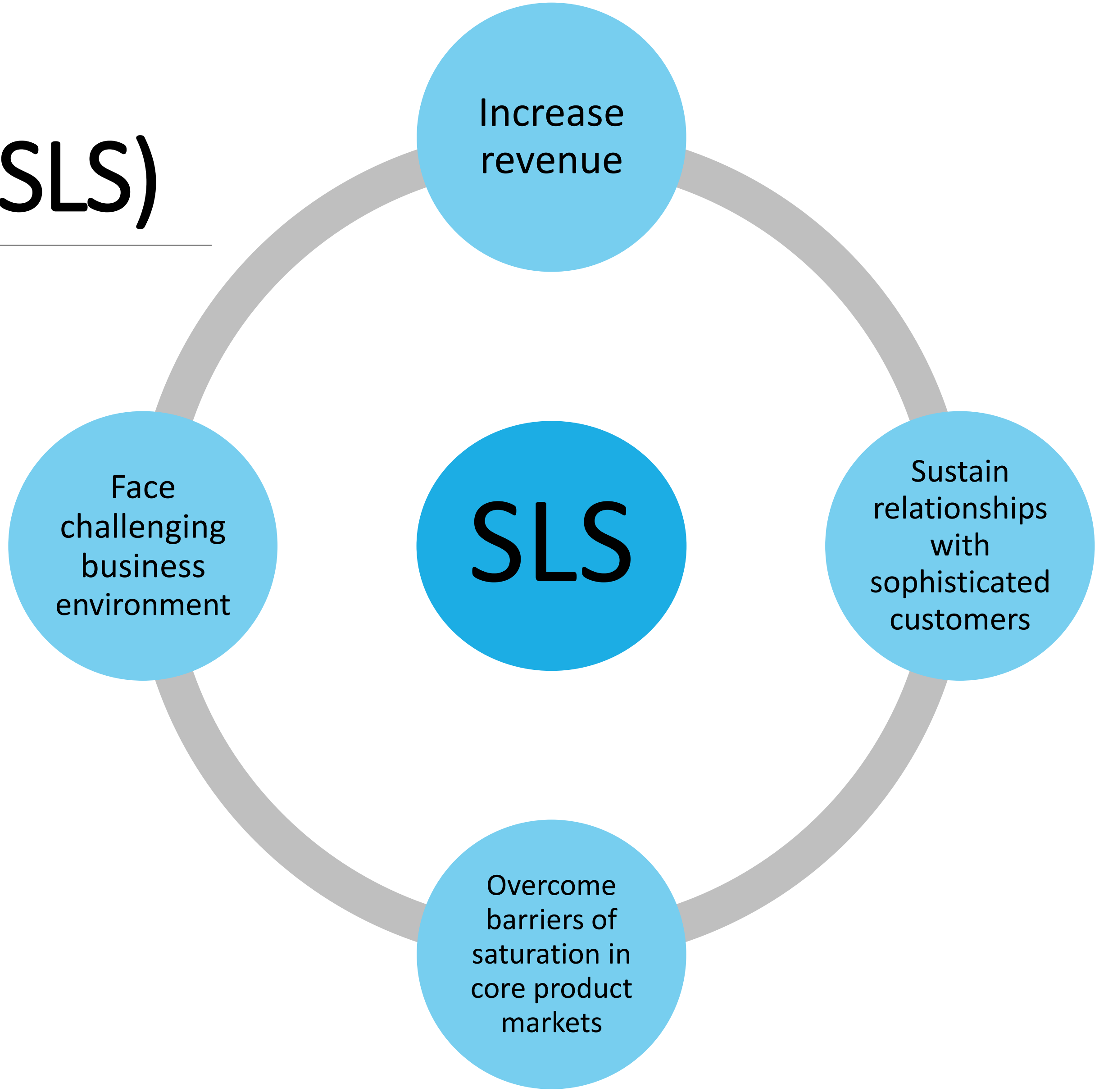
- Changed sourcing patterns
- UK ports focus on cargo and ship handling services
- Inefficient distribution network

Need for investments in ports and reconfiguration of UK distribution network according to the notion that maritime freight passes through ports

PCL is a vital aspect of this new design

PCL a lagged strategic response of UK ports and intermediaries that aim to increase their value proposition by the addition of logistics VAS

Service Led Strategies (SLS)



SLS: the strategies that enhance the **core offering** of organisations with **value added services** (VAS); and consequently, enable the **co-creation of value** in **collaboration with customers**.

Impact of manufacturing centred SLS for implementers

Multidirectional SLS and importance for the present study

Multidirectional transition instead of unidirectional transition along the product service continuum

SLS implementers offer stratified service offerings instead of a service at a time

Outcome of SLS dependent upon the trajectory and role of each impementer

Different market and growth opportunities

Triggers the inquiry regarding the existence of similar multidirectional and multifaceted SLS in the port and intermediary sector

Identify a typology of SLS implemented by UK ports and intermediaries for the provision of on-port logistics VAS

Research Objectives

- **RO1: Identify a typology of SLS implemented by UK ports and intermediaries for the provision of on-port logistics VAS.**

- **RO2: Identify the impact of each SLS on the implementing company (port or intermediary).**

Theoretical underpinning of the study – Extended resource based theory (ERBT)

Superior performance derives from strategic interfirm partnerships

Inadequacy of predominant theoretical frameworks such as TCE and RBT

ERBT investigates the strategic behaviour and performance of allied firms

1. Resources residing outside of the firm's boundaries can be sources of CA
2. Alliances allow firms to develop value generating resource bundles

Logic of ERBT in accordance with contemporary understanding and conception of SCs and ports

Methodology

Qualitative study following an abductive reasoning to explore the impact of SLS on the competitiveness of UK ports and intermediaries involved with port-centric logistics (PCL).

Theoretical constructs

- Research questions and data collection and analysis protocols developed after the review of two literature streams
- Use of a third stream to provide grounding for empirical findings

- Case studies developed through the process of casing
- Data were analysed by the use of template analysis and abductive reasoning

Empirical Part

Multiple case study research utilising non-probability purposive and snowball sampling

25 semi – structured interviews with ports and intermediaries managers and directors

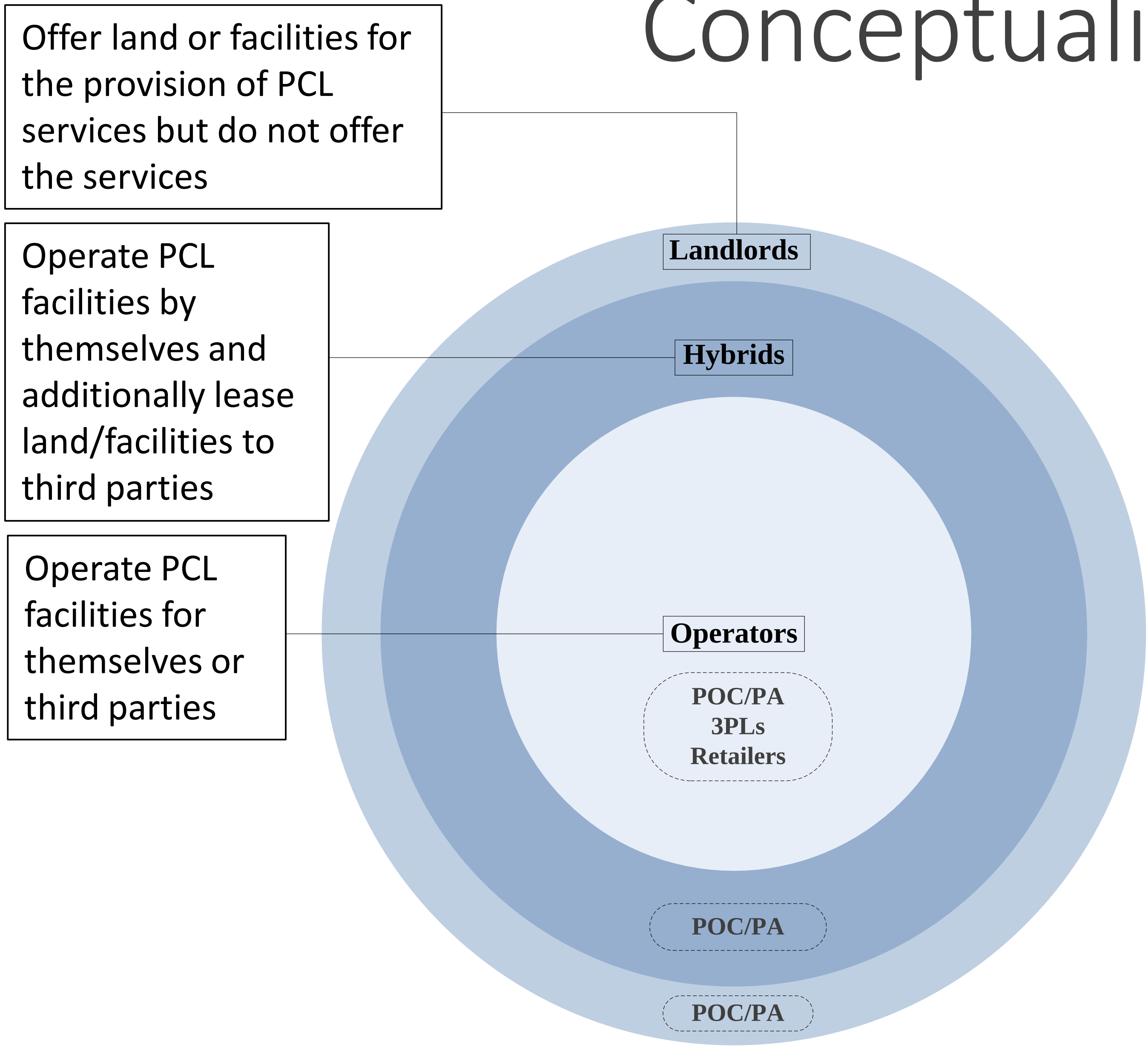
4 site visits at ports and warehousing facilities

133 documents (e.g. Annual reports, Financial Statements, Internal documents, Newsletters, Presentation, Reports and, Webpages)

Interviews sample

Company	Position of interviewee(s)	Company	Position of interviewee(s)
Port1	a) Head of Commercial Strategy	3PL3	Managing Director – Logistics Manager
	b) CEO	3PL4	Business Development Manager
	c) Port Director	3PL5	Group Sales Director
	d) Senior Manager Bulk Operations	3PL6	Systems Project Analyst
	e) Sales and Logistics Development Manager		Commercial Director
Port2	a) Commercial Director	3PL7	Commercial Manager
	b) General Manager – Supply Chain Marketing	3PL8	Sales and Marketing Director
Port3	Business Development Manager		Supply Chain Director
Port4T	Head of Commercial	3PL9	Managing Director
Port4S	Divisional Director	Retailer1	Head of Supply Chain
Port5	Commercial Manager	Retailer2	Partner and Technical Director
3PL1	Business Development Manager	FM1	Buyer Supply Chain Manager
3PL2	Director		

Conceptualisation of organisations involved with PCL



	Landlords	Operators	Hybrids
POC/PA	Port4S, Port5	Port4S	Port1, Port2, Port3
3PL	-	3PL1, 3PL2, 3PL3, 3PL4, 3PL5, 3PL6, 3PL7, 3PL8, 3PL9	-
Retailer	-	Retailer1, Retailer2	-

3 types of SLS in the context of PCL

	Landlords	Operators	Hybrids	
			Operator role	Landlord role
Involvement in PCL	• Leasing of land and/or warehousing facilities to third parties for the provision of PCL services • Marketing of these facilities	• Provision of PCL services for external or internal use	Provision of PCL services • **front end** by engaging with customers directly and outsourcing the most specialised services to experts • **back end** by selling PCL services to 3PLs	• Leasing of land and/or warehousing facilities to third parties for the provision of PCL services • Marketing of these facilities.
Motivation	• Path dependency • Outsourcing of non-core activities • Meeting market's demand	• Response to market requirements • Path dependency • Entrance in new markets • Part of end to end SC • Optimisation of internal functions	• Availability of warehousing stock • Strengthening cargo volumes over the quay • Strategic shift into handling of containerised cargo	• Outsourcing of non-core activities • Securing steady influx of revenue

PCL services provided by operators and hybrids

Common services → Specialised services

Within port/ warehouse premises

Common services

- container devanning, palletising and barcoding
- cross-docking
- customs clearance, VAT deferment, compliance checking and quality assurance
- re-boxing, palletising, shrink wrapping, barcoding and latching products for storage or trans-loading
- LCL to full container load, dismantling and container stuffing for export
- container shunting to/from on port warehouses
- on-port storage, picking and packing
- Container services (e.g. rigging and lashing, stevedoring)
- container shunting to/from off-port warehouses

Specialised services

- Product return, re-process and re-sale
- Product specific services (e.g. hanging, tagging and bagging for garments)
- e-commerce
- VMI stock control management and handling
- Bottling alcoholic beverages
- customer services
- pre-retailing services (e.g. co-packing, gift packing, re-labelling, and re-processing)

Outside ports/ warehouse premises

Common services

- inlands distribution on pallet or parcel carriers
- freight forwarding, agency service and NVOCC
- organisation and/or provision of inland multimodal distribution
- consignment consolidation

Specialised services

- consignment redirection between fast and slow distribution networks.
- container tracking and container management
- origin pick
- SCM

Resource investments

Investment in resources	Landlords	Operators	Hybrids
Physical capital	• Related to the development of the warehousing facilities	• Development and operation of modern warehousing facilities, • Cargo handling equipment • Installation of specialised production units • IT systems with stock and space planning, e-commerce and bonded warehouse capabilities	• Development and operation of modern warehousing facilities • Cargo handling equipment • IT systems with stock and space planning capabilities
Human capital	• Marketing of the facilities • Management of contracts and relationships with tenants	• Warehouse marketing and management, • Stock and distribution controllers, warehouse workers, and operators of specialised production units, • Management of relationships with the port, other 3PLs, labour agencies and customers • Staff continuous improvement and training	• Operation, marketing and management of the warehouses • Develop and management of relationships with tenants, labour agencies, property management organisations, experts for the provision of specialised services, and customers • Marketing of the facilities

Financial impact of SLS in the context of PCL

Positive financial impact expressed in:

Landlords

1. Additional revenue streams from the leasing of land and/or facilities to logistics operators
2. Increased cargo volume from the locked-in cargo owners
3. More secure revenue streams in comparison to traditional revenue streams due to long term landlord-tenant contracts

Operators

1. Increased revenue from:

i) higher charges for PCL services,
ii) increased demand for PCL services,
iii) contracts with new customers
iv) Ports only - additional revenue from the provision of logistics VAS
v) reduced storage costs, rationalisation of inbound and outbound cargo flows, and optimised inventory level.

2. Stable revenue due to:

i) the loyalty of cargo owners to SC benefits
ii) length of the contractual agreements

Hybrids

1) Additional revenue streams for the focal firm
a) ***Landlord's role:*** from the leasing agreements with logistics operators, for the leasing of land and/or facilities
b) ***Operator's role:*** from the vertical integration of the focal firm in the SC
2) Enhanced and sustained the core revenue streams of the focal firm from cargo owners contracting with the port for PCL and port services

3 Remarks

- The **seasonality of innovative products** can challenge the stability of revenue; close collaboration with the cargo owner and implementation of agile solutions for those products can mitigate this impact.
- An operator who is **not located on port's** land but **markets itself as port centric** realises the **same type of financial benefits** in comparison to an operator located on port.
- Revenue from **leasing facilities is more stable**, conversely the revenue from the **provision of PCL services is higher but less stable**.

Strategic impact of landlord SLS in the context of PCL

Enhanced competitiveness by the attribution of additional value added capabilities and potential differentiation

1. **Joint value proposition** (i.e. bundle of port services and logistics VAS)
2. **Network of interdependent organisations and network resources** → potential conditions for the realisation of SCA
3. **Combination** of the **capabilities** derived from the SLS and other **intrinsic strategies** enable the focal firm to **differentiate** (e.g. competing in specific market segments and the subsequent selection of respective network partners that will underpin the demand for port services in those markets)

Strategic impact of operator SLS in the context of PCL

Enhanced competitiveness by the attribution of additional value added capabilities and potential differentiation

Value adding capabilities

1. Elimination of non-value adding distribution segments
2. Facilitation of end to end SC
3. Faster route to market (products available for handling faster, increased container availability)
4. Increased visibility of imported inventory
5. Increased SC flexibility in terms of fast tracking or delaying containers according to demand

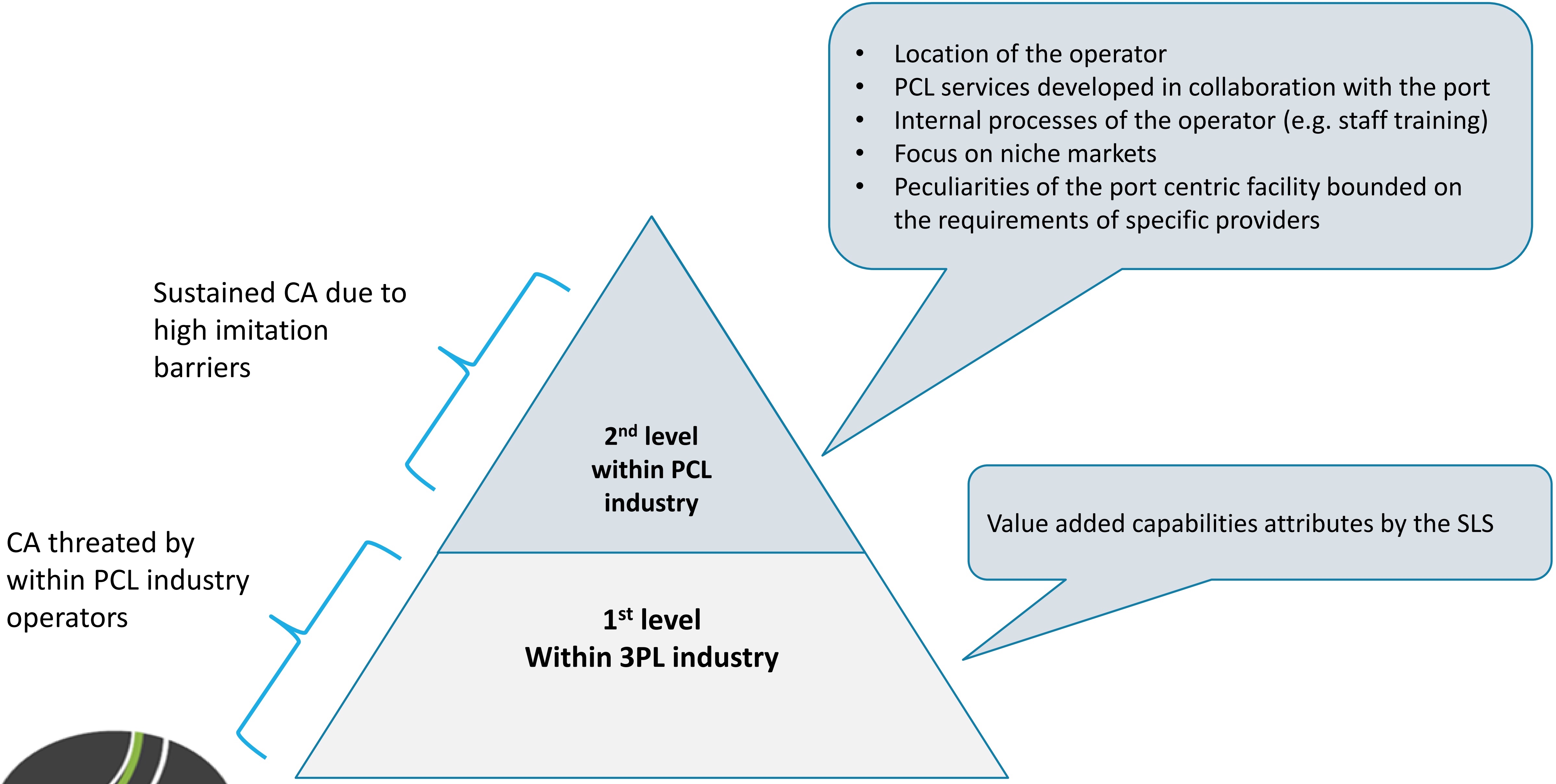
Differentiation based CA

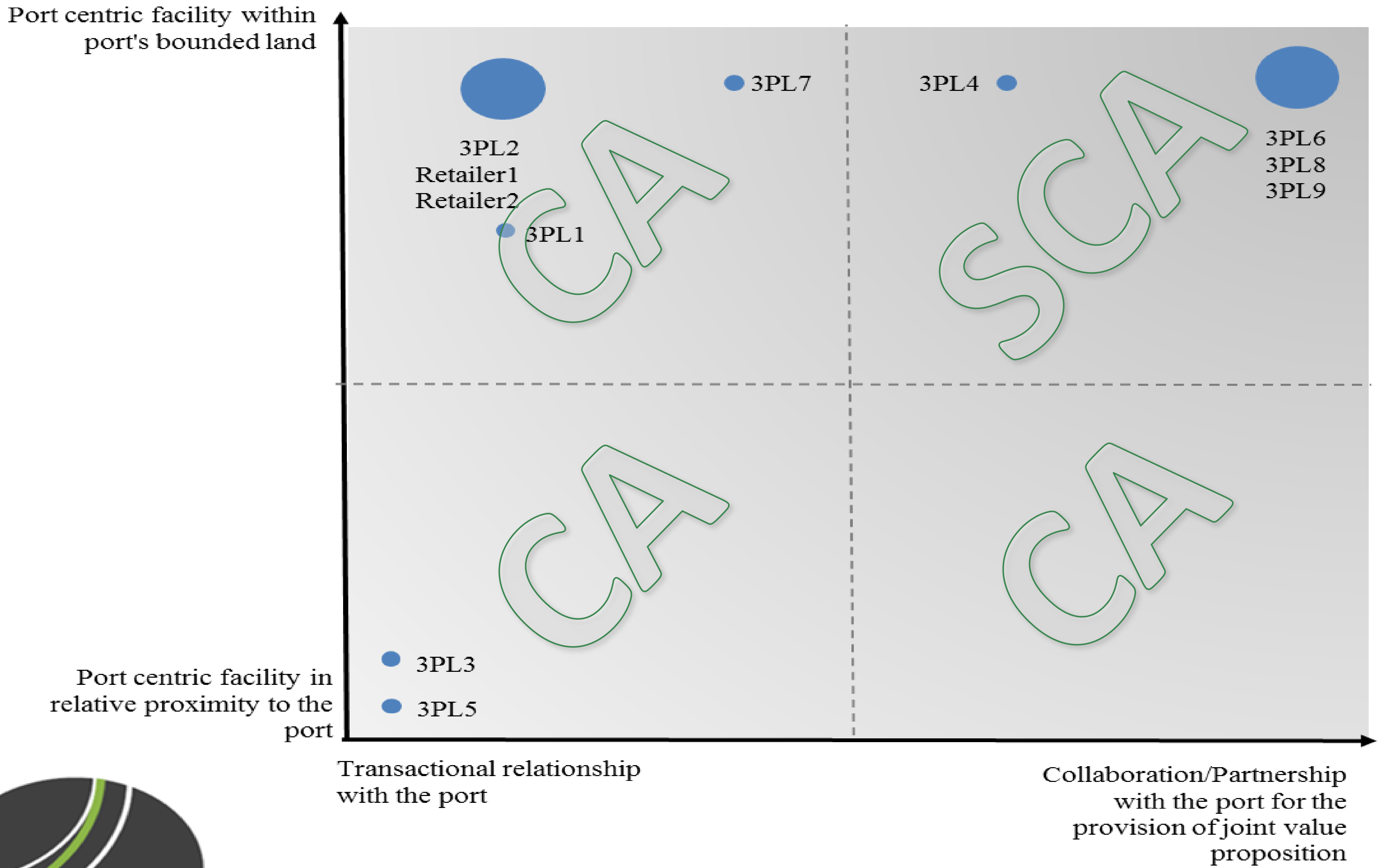
3PLs only: two levels of differentiation:
i) differentiated capabilities of operators in regard to 3PLs that do not provide PCL services,
ii) Differentiation among operators in the PCL industry (e.g. product segments)

Ports only:
– An operator SLS cannot confer differentiation based CA on its own; trade orientation and competition in specific market segments can enable a port to differentiate and achieve CA.

Potential SCA

- Operators can realise SCA from the human capital involved in the provision of VAS, only if the interaction of the human capital with the assets of the firm is complex.
- **3PLs and Retailers only:** SCA if they are located within port's bounded land and the PCL services are developed in collaboration with the port
- **Ports only:** Conditions for the realisation of SCA can be created only if the port collaborates with specialist 3PLs.


Location of the operator
PCL services developed in collaboration with the port
Internal processes of the operator (e.g. staff training)
Focus on niche markets
Peculiarities of the port centric facility bounded on the requirements of specific providers
Sustained CA due to high imitation barriers
2nd level within PCL industry
Value added capabilities attributes by the SLS
CA threated by within PCL industry operators
1st level Within 3PL industry


Port centric facility within port's bounded land
3PL7
3PL4
3PL2
Retailer1
Retailer2
3PL1
CA
SCA
3PL6
3PL8
3PL9
CA
CA
3PL3
3PL5
Port centric facility in relative proximity to the port
Transactional relationship with the port
Collaboration/Partnership with the port for the provision of joint value proposition

Strategic impact of hybrid SLS in the context of PCL

Enhanced competitiveness by the attribution of additional value added capabilities and potential differentiation

Value added capabilities

● *Landlord's role*

- Network of interdependent organisations → secured cargo throughput and fulfilling customer demand without resource commitment
- Enabler of cost efficient SC solutions

● *Operator's role*

- Provider of cost efficient SC solutions
- Extending customer base and securing cargo throughput by contracting directly with cargo owners.

Differentiation based CA

- A hybrid does not confer differentiation based CA on its own, it enables ports to diversify the use of their assets and has become a prerequisite for competition in the container market.

Conditions for the realisation of SCA

- Only, if the offering of the focal firm is based on a combination of idiosyncratic resources of the focal firm and its business partners.

Factors extrinsic to the hybrid SLS

i) Human capital resources at executive positions,

ii) Physical capital resources of the firm (i.e. port's hinterland, ship canal etc.), and

iii) Investments in new physical capital resources that augment the value extracted from other resources

Marketing impact of SLS in the context of PCL

Attribute marketing capabilities to the focal firm by the enabling/providing PCL services; thus, leveraging the interest of cargo owners for logistics VAS at import points

Landlords

Explicit: revenue earned from the leasing of land and/or facilities to logistics operators.
Implicit: **enhanced market proposition** of the port based on the organisational resources and capabilities of its tenants.

Long term partnerships with:
i) logistics providers in the form of ***landlord-tenant agreements***
ii) ***cargo owners*** (knock-on effect from the long term landlord-tenant agreements)

Operators

1. Enter **new markets**,
2. Attract **more recognisable customers**,
3. Quote to **competitors' customers**,
4. Contract with customers that want to store their products near or at a port.
5. **Increased customer retention** level due to the provision of tailored SC solutions, which transform transactional relationships of cargo owners with the suppliers of logistics services to long term partnerships.

Hybrids

1. Creating **marketing opportunities** either by accessing resources of tenants or by offering tailored SC solutions to cargo owners
2. **Increased attractiveness** of the ports
3. **Increased loyalty** of cargo owners due to cost saving opportunities Locking in cargo throughput

Environmental impact of SLS in the context of PCL

Environmental benefits are not an end in themselves. They are complementary to cost savings that derive from the elimination of empty runs.

Landlords

Enhanced marketing capability by the ***implicit*** or ***explicit*** leverage of the organisational capabilities of firm's tenants.

Hybrids

- ***Landlord role:*** enablers for the realisation of environmental benefits from cargo owners
- ***Operator role***: explicit realisation of environmental benefits and transportation associated cost savings when it provides road transportation services.
- The **environmental impact** of cargo owners can be further **enhanced by the multimodal capabilities of the focal firm**
- **Enhanced marketing capability** of the focal firm by offering of cost efficient and environmental friendly SC solutions

Operators

- **Reduced CO_2 emission** for the provider of transportation services (conversely they are only **enablers**)
- **IT enabled assignments of inbound oriented loads to backloads**, and utilisation of **multimodal capabilities of ports** can further reduce CO_2 emissions
- Enhanced marketing capability by meeting requirements of cargo owners for sustainable SCs

Thank you for your attention!

QUESTIONS?