Service led strategies of UK ports and intermediaries

Nikolaos Valantasis-Kanellos
nnv1@hw.ac.uk
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)

Lost competitiveness to European ports (logistics platforms)

Focus on cargo and ship handling services

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

<table>
<thead>
<tr>
<th>Port Authority and PCL provider</th>
<th>PCL services by one or more 3PLs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belfast Harbour</td>
<td>●</td>
</tr>
<tr>
<td>Clyde</td>
<td>●</td>
</tr>
<tr>
<td>London Gateway</td>
<td>●</td>
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<tr>
<td>Port of Bristol</td>
<td>●</td>
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<tr>
<td>Port of Felixstowe</td>
<td>●</td>
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<tr>
<td>Port of Grangemouth</td>
<td>●</td>
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<tr>
<td>Port of Hull</td>
<td>●</td>
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<tr>
<td>Port of Immingham</td>
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<tr>
<td>Port of Liverpool</td>
<td>●</td>
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<tr>
<td>Port of Southampton</td>
<td>●</td>
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<tr>
<td>Port of Tilbury</td>
<td>●</td>
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<tr>
<td>Tees and Hartlespool</td>
<td>●</td>
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<tr>
<td>Thamesport</td>
<td>●</td>
</tr>
<tr>
<td>Port of Tyne</td>
<td>●</td>
</tr>
</tbody>
</table>
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 a lagged strategic response of UK ports and intermediaries that aim to increase their value proposition by the addition of logistics VAS

PCL is a vital aspect of this new design
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

- Additional sale opportunities
- Enhanced and sustained core revenue streams

Financial

- Environmental benefits from the use of the asset instead of ownership of the asset

Environmental

- Response to customers’ demand for services
- Provision of tailored solutions
- Stronger relationships with customers

Marketing

- CA by addition of value adding capabilities
- CA by differentiation

Strategic
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 implementer

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

- Triggers the inquiry regarding the existence of similar multidirectional and multifaceted SLS in the port and intermediary sector
- Different market and growth opportunities
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)

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

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

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

**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)

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

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

- **Landlords**: Offer land or facilities for the provision of PCL services but do not offer the services.
- **Hybrids**: Operate PCL facilities by themselves and additionally lease land/facilities to third parties.
- **Operators**: Operate PCL facilities for themselves or third parties.

### Table

<table>
<thead>
<tr>
<th></th>
<th>Landlords</th>
<th>Operators</th>
<th>Hybrids</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POC/PA</strong></td>
<td>Port4S, Port5</td>
<td>Port4S</td>
<td>Port1, Port2, Port3</td>
</tr>
<tr>
<td><strong>3PL</strong></td>
<td>-</td>
<td>3PL1, 3PL2, 3PL3, 3PL4, 3PL5, 3PL6, 3PL7, 3PL8, 3PL9</td>
<td>-</td>
</tr>
<tr>
<td><strong>Retailer</strong></td>
<td>-</td>
<td>Retailer1, Retailer2</td>
<td>-</td>
</tr>
</tbody>
</table>
### 3 types of SLS in the context of PCL

<table>
<thead>
<tr>
<th>Landlords</th>
<th>Operators</th>
<th>Hybrids</th>
</tr>
</thead>
</table>
| • 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 | **Operator role**  
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 | **Landlord role**  
• Leasing of land and/or warehousing facilities to third parties for the provision of PCL services  
• Marketing of these facilities. |
| **Involvement in PCL** | | |
| **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 |
## PCL services provided by operators and hybrids

### Common services

<table>
<thead>
<tr>
<th>Within port/warehouse premises</th>
<th>Outside ports/warehouse premises</th>
</tr>
</thead>
<tbody>
<tr>
<td>container devanning, palletising and barcoding</td>
<td>cross-docking</td>
</tr>
<tr>
<td>customs clearance, VAT deferment, compliance checking and quality assurance</td>
<td>re-boxing, palletising, shrink wrapping, barcoding and latching products for storage or trans-loading</td>
</tr>
<tr>
<td>container shunting to/from on port warehouses</td>
<td>on-port storage, picking and packing</td>
</tr>
<tr>
<td>Container services (e.g. rigging and lashing, stevedoring)</td>
<td>pre-retailing services (e.g. co-packing, gift packing, re-labelling, and re-processing)</td>
</tr>
<tr>
<td>container shunting to/from off-port warehouses</td>
<td></td>
</tr>
<tr>
<td>inlands distribution on pallet or parcel carriers</td>
<td>consignment redirection between fast and slow distribution networks.</td>
</tr>
<tr>
<td>freight forwarding, agency service and NVOCC</td>
<td>container tracking and container management</td>
</tr>
<tr>
<td>consignment consolidation</td>
<td>origin pick</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Specialised services

<table>
<thead>
<tr>
<th>Product return, re-process and re-sale</th>
<th>Product specific services (e.g. hanging, tagging and bagging for garments)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>e-commerce</td>
</tr>
<tr>
<td></td>
<td>Bottling alcoholic beverages</td>
</tr>
<tr>
<td></td>
<td>customer services</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Resource investments

<table>
<thead>
<tr>
<th>Physical capital</th>
<th>Landlords</th>
<th>Operators</th>
<th>Hybrids</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Related to the development of the warehousing facilities</td>
<td>• 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</td>
<td>• Development and operation of modern warehousing facilities, Cargo handling equipment, IT systems with stock and space planning capabilities</td>
<td>• Operation, marketing and management of the warehouses, Development and management of relationships with tenants, labour agencies, property management organisations, experts for the provision of specialised services, and customers, Marketing of the facilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human capital</th>
<th>Landlords</th>
<th>Operators</th>
<th>Hybrids</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Marketing of the facilities, Management of contracts and relationships with tenants</td>
<td>• 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</td>
<td></td>
<td>• Operation, marketing and management of the warehouses, Development and management of relationships with tenants, labour agencies, property management organisations, experts for the provision of specialised services, and customers, Marketing of the facilities</td>
</tr>
</tbody>
</table>
Financial impact of SLS in the context of PCL

<table>
<thead>
<tr>
<th>Landlords</th>
<th>Operators</th>
<th>Hybrids</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Additional revenue streams from the leasing of land and/or facilities to logistics operators</td>
<td>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.</td>
<td>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</td>
</tr>
<tr>
<td>2. Increased cargo volume from the locked-in cargo owners</td>
<td>2. Stable revenue due to: i) the loyalty of cargo owners to SC benefits ii) length of the contractual agreements</td>
<td></td>
</tr>
<tr>
<td>3. More secure revenue streams in comparison to traditional revenue streams due to long term landlord-tenant contracts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
Within 3PL industry

1st level
Within 3PL industry

2nd level
within PCL industry

Sustained CA due to high imitation barriers

CA threatened by within PCL industry operators

- 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

Value added capabilities attributes by the SLS
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**
1) Human capital resources at executive positions,
2) Physical capital resources of the firm (i.e. port’s hinterland, ship canal etc.), and
3) 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.

**Operators**
- Reduced CO₂ 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 CO₂ emissions
- Enhanced marketing capability by meeting requirements of cargo owners for sustainable SCs

**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
Thank you for your attention!

QUESTIONS?