

# **VOLVO**

Volvo Logistics Corporation



## **Automotive industry – Risk areas & Future needs**

### **Freight Logistics**

8th of May 2007

# Volvo Logistics Corporation

## Key figures and customer base

2005

### Key Figures

Sales worldwide	1 BEuro
Sales, non Volvo Group	45 %
Sales Europe	60 %
Employees worldwide	~900
Offices/premises worldwide	30

### Customer Base

#### Volvo Group:



#### Non Volvo Group:



# Logistics challenges

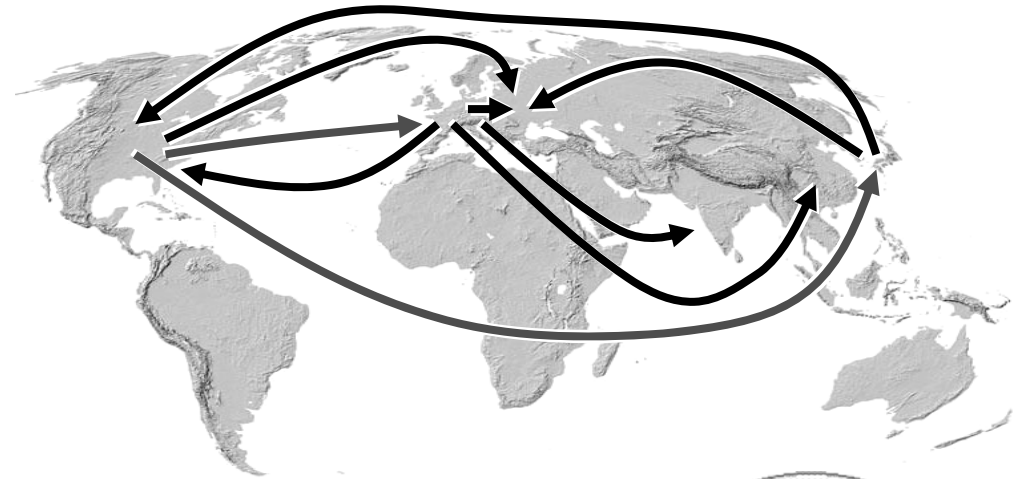
- ❑ Globalisation
- ❑ Trade & business growth
- ❑ Welfare growth in Asia, South America & the CEE region
- ❑ GDP & Transport growth
- ❑ Increased global competition & presence
- ❑ Global competence management



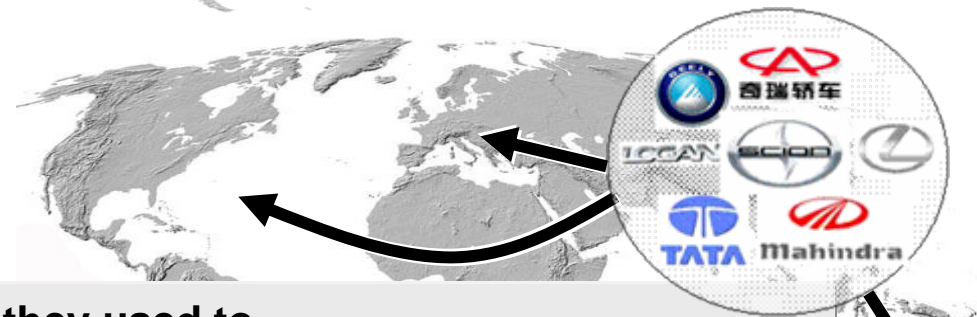
- |                             |                                     |
|-----------------------------|-------------------------------------|
| ❑ Global Trade Agreements : | WTO / Trade Organisations / Nations |
| ❑ Kyoto Agreement :         | Global environment                  |
| ❑ Economic reforms :        | Development in growth regions       |
| ❑ Lisbon Agreement :        | Sustainable growth & employment     |
| ❑ "Keep Europe moving" :    | Sustainable "mobility" - Logistics  |

# Global structure – competition

- ❑ New markets & market entrants
- ❑ Increase of multi brand/model plants
- ❑ Manufacturing locations are shifting.....
  - to low-cost-countries
  - closer to customers



- ❑ Manufacturers/brands from the emerging markets have high demands of logistic efficiency when they are now entering the industrial markets.



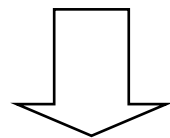
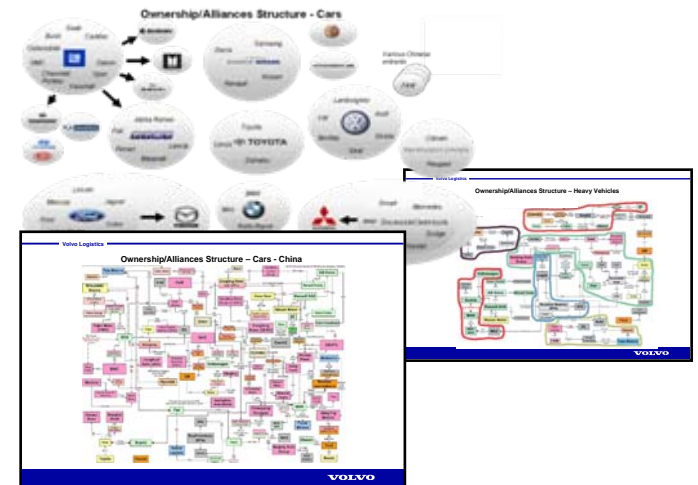
**What are they used to...**

- Less logistics cost & leadtime
- Low corporate tax
- <20% salary levels
- Strong economic reforms – transport infrastructure



## The same pattern is valid for Automotive Suppliers

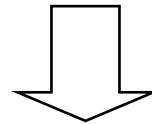
- ❑ Globalisation
  - Markets
  - Manufacturing
  - R&D
- ❑ Acquisitions & partnerships
- ❑ OEM global sourcing
- ❑ OEM manufacturing outsourcing of main modules



The net effect is that suppliers gets further away

## Logistic impact

- ❑ Increased logistic complexity
- ❑ Increased transport distance & leadtime
- ❑ Increased pressure on the transport system (capacity, inefficiencies)
- ❑ Precision risks



Increased logistic cost

( 10-15% of the operational cost compared with 7-8% 10 years ago )

Increased environmental impact

### **Logistics is a key area for the Automotive industry & Society**

- ❑ Competitiveness
- ❑ Customer promise fulfillment & satisfaction



# Logistic Risk areas & Future needs

**A competitive Automotive industry requires**

- High delivery Precision
- Short Lead-times
- Low Costs
- Flexible & Agile Transport systems
- The right Competence

Market requirements & Competitive edge



## Logistic Risk areas & Future Needs

### Competitive barriers ...

- ❑ Fuel cost
- ❑ Labour
  - Availability
  - Competence
- ❑ Legislations
  - Road tolls
  - Congestion charges
  - Working time directive

### A competitive Automotive industry requires

- ❑ High delivery Precision
- ❑ Short Lead-times
- ❑ Low Costs
- ❑ Flexible & Agile Transport systems
- ❑ The right Competence



## Logistic Risk areas & Future Needs

### Competitive barriers ...

- ❑ Utilisation of assets
  - Ports and inland haulage
  - Urban areas
  - Cross-border
  - Imbalances
  - Administration
  
- ❑ Insufficient infrastructures
  - Road
  - Rail
  
- ❑ Not yet captured possibilities of
  - Motorways of the sea
  - Inland waterways

### A competitive Automotive industry requires

- ❑ High delivery Precision
- ❑ Short Lead-times
- ❑ Low Costs
- ❑ Flexible & Agile Transport systems
- ❑ The right Competence



# Infrastructure investments & Transport productivity

... 1980 ...





*... and  
27 years later*





# Integrated Logistic systems

- ❑ Utilizing the advantages of each different transport mode
- ❑ Integrate different modes in one assignment





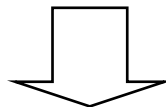
## Opportunities

The future transport infrastructure must promote

- Integrated transport systems
- Common standards & administration
- Innovative solutions (mode transfer techniques, EMS, utilisation levels,...)

+

Increased speed of change



**Increased transport productivity & competitiveness**

The Global competition is tough ...





**VOLVO**

Volvo Logistics Corporation

**Thank You !**

---