

Challenges to Logistics in the ASEAN Landscape: A Case of Three Logistics Companies in Thailand

Kitti Phothikitti, Ph.D.

Dean

Graduate School of Business
Assumption University, Thailand

Glen Chatelier

Director

The Office of International Affairs
Assumption University, Thailand

Abstract

While major logistics companies claim that they are 24/7 ready and capable of logistics activities to meet the challenges of logistics demands in the ASEAN, there are three clear challenges that companies are required to address: Human resources for urgently better training, Information and Communication Technologies (ICT) connectivity which requires upgrading and vivid standards and the intricacies of access to the archipelagic countries.

Keywords: logistics activities up grading, human resources, ICT connectivity, access to complex terrain markets.

Introduction

As the integration of ASEAN Economic Community approaches by the end of 2015 it is indeed timely that stock is taken of certain high performing logistics companies, who in their brand projection claim that they are 24/7 ready with highly streamlined logistics activities in order to meet the challenges of the logistics demands in ASEAN. The three cases in consideration are a Thai International Company (TIC), a European Multinational Company operating in Thailand (EMC) and a North Asian Logistics Company (NAC).

TIC moves 400 million tons of freightage annually using 7000 trucks across Thailand and the immediate neighboring landlocked countries, yielding a turnover in revenue of THB approximately 15.5 Billion. (Company Profile Data)

EMC has an impressive record of 130 years of yearly supply chain operations within Thailand alone. EMC's competitive difference with TIC is that its supply chain is both upstream as well as downstream. EMC over the past 10-15 years has experienced its

corporate willingness to consolidate Supply Chain activities, in preparation for AEC. (Company Profile Data)

NAC in its annual revenue rotates THB 40 Billion approximately from freighting cars, air conditioners, an 80% of the total, home electronics and electronics, and space logistics. With offices in North Asia and in Thailand, the major logistics focus is in packaging, warehousing and distribution activities. A recent innovation is that in Japan, the company also transports an American brand name of racing bicycles. NAC targets THB 20 Billion sales in 2020. (Company Profile Data)

With such high performances, companies see the role of supply chain functions changing and becoming more critical to the brand.

Doing Business in the ASEAN Economic Community

For one thing, the rules of doing business in ASEAN is critical to brand perception, plus the experience of the product leading to high satisfaction and retrying the company's supply chain services. EMC, for example, has moved to reduce child labor in manufacturing processes while emphasizing on green rules and eco-systems sustenance in mid-stream and downstream logistics. Logistics companies in ASEAN will encounter high intense competition, almost of the convenience store coffee vending services type, which suggest a greater appeal in private labor branding. On the other hand, NAC is implementing a precision-led logistics delivery mode, inspired by its Japanese success story in the American Racing Bicycle transportation. The quality of work, retail access, the reduction in damage to packaging due to source-of- delivery efficiency, and punctuality and accuracy are emphasized. TIC has learned that branding from the customers perspective consists of an intertwined perception linking the customers, the company and what is wanted or demanded: brands that are serviced and product brands. Products perceived as being pollutants such as coal are delivered with an eco-value through the distribution system of a closed delivery mode in order to reduce coal dust effusions.

Three logistic companies in this paper have contributed in major ways to logistics and supply chain dynamics. EMC has added value to process through Research and Development (R&D) targeting robotic systems. As such material supplies will achieve a possible 24/7 performance. Eventually, supply clusters can be data based. NAC has innovated the Green Badge Campaign to signal environmentally friendly business. These are electronic lights using the Light-Emitting Diode (LED) / Sun- Power or Solar energy which enable the elimination of vibrating systems to make things more earthquake impact resistant. Supply chain has become part of the product wherein 24/7 means paradigmatically: delivery of products on time along with systems encapsulating transportation tracking, location movement of product, pick up details, with delivery systems and schedules. The system of bar-coding poses problems for the 24/7 paradigm

and this has been recently offset by a new NAC system which makes NAC's supply chain, quality product branding. TIC believes in Steve Jobs' view that business participates in the "society of new" wherein the time of product delivery is shortened. The current business environment in the ASEAN has focused on cooperative thinking involving speed and cost. Therefore, mapping solutions by help of technology logistics control centers become necessary, for example, in considering a supply chain process for Myanmar, concerns have to be addressed to sea routes, river transportation, differing landscapes in countryside, rural and urban locations, which can be long and time consuming.

EMC realizes that there is no more outsourcing for logistics companies mainly deriving from the interest of customers to enjoy quick delivery services. This in turn will force companies to create 24/7 options which become possible through e-commerce platforms. In the past 8 billion products used to be benchmarked, 10 billion products will be tag distributed in time to come. It is possible that that number could be 50 billion to tag distribute in the future. TIC believes that the control of supply chain means the challenge of becoming more close to customers like managing warehousing better through investing in computer systems. 24/7 becomes possible because of tracking via computers, lowering cost systems. As such, for logistics companies, infrastructure, product and money have to move together. In the experience of NAC, the customer should know where the product is and the challenge remains for system integration, which means NAC is required to change information systems in order to meet more integrated logistics systems.

Conclusion

The threat factor to all three companies is cash flow arising from the daunting differences in infrastructure discrepancies in the large, but geographically challenging ASEAN markets which are manufacturing-led and with high buying demands. Export and import dynamics become challenging. Furthermore, companies with large scale manufacturing and supply functions will have to factor in networking of the subsidiary plants with a high degree of risk management. All of this may possibly be offset by open-mindedness and carefully weighing options of outputs through community marketing strategies, change in packaging standards and dealing with customer emotions through promoting cohesiveness in supply chain operations. This may also mean dealing with innovative but realistic ratios of scales of economies, resource sharing and updating ICTs so as to respond to challenges with innovative products for the AEC market.

References

Pearson, J.N., & Semeijn, J. (1999). Service priorities in small and large firms engaged in international logistics. *International Journal of Physical Distribution & Logistics Management*, 29(3), 181-192

Huang, W., Chang H. and Wu C. (2008). A model of transshipment competition: An empirical study of international ports in Taiwan. *Journal of Marine Science and Technology*, pp 19-26

Ghonima, H. (2013). Potential growth of containerized cargo from China to North America Atlantic Coast via the Suez Canal, *MARLOG 2 Conference*, AASTMT, Alexandria.