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**LOADER** – Logistics Analysis For Developing Infrastructural Conditions For Enterprises' Requirements, to be continued as **CLIENT** – Customer Oriented Logistical Analysis For The Route Selection Process From The Viewpoint Of The LOADER

Research is performed in collaboration with the Ports of Hamina, Kotka, Hanko and Mustola; Port Operators Steveco Oy and Hangö Stevedoring Oy, Logistical Operator of the Consumer Marketing Chain Kesko, and Sea Operator Transfennica Oy.

The main objective of the research project LOADER is to improve the competitiveness of logistical operations in Finland. This concerns both the regional development of logistical facilities and the logistical channels in import and export. In import, the study concerns unit goods, especially consumer goods. In export, the main concern are the flows of forest industry. Customer requirements are investigated, and preparedness for the future is sought by scenario work. Globalization development is continuing, and this challenges logistical operators on making best solutions for maximizing the services with minimal costs. The focus on the cost drivers of the logistics operations is continuously increasing.

**Research case-study: Competitiveness factors in the route selection process of consumer goods**

During the past years European retail store chains have been making entry into Finland. They have new approaches in logistics operations and new solutions are made in channel selections. The new actors coming into consumer markets force also Finnish companies to find new ways to operate. The competition is increasing in consumer markets. The changes in the retail trade are obviously a central study object in this research.

The consumer markets are changing due to the concentration of the population; also the consumer markets are regionally differentiating Finnish consumer markets are limited (the amount and structure of population). The international retail stores are widening their markets. Their concept is to serve several countries from one central warehouse or distribution center. In this context, one option to study is, whether it is possible to serve two different market areas from Finland, for example Northern-Russia and the metropolitan

area of Finland. At the same time the development of these market areas and their needs should be studied. Synergy benefits will be studied, f.i. on the basis of the correlation of product groups regionally.

The changes in import flows (volumes, route selection, services needed) are faster, and thus it is essential to study, what are the factors determining the route selections. These factors traditionally have been time, costs, frequency and quality, but the priorities of international marketing chains and their logistical operators may be based also on the backhaul options, distribution facilities and their location for wide distribution areas. The customer decision process is very important to perceive, for the operators to act accordingly. Who makes the distribution route selections; what are the reasons in the decision making; there are several who-what-why-how-when-where facts to be investigated, not only for the present time, but especially for the future development.

The methods of this study are collecting of customer information, customer-oriented process descriptions and scenario working. Results will give answers and suggestions for improving competitiveness, finding optimal location in several aspects, and making regional decisions.

The objectives in the study can be stated concerning several business areas, different types of logistics operators, consumer goods distributors, and importers.

## **PARTIAL OBJECTIVES**

### **The operators along the import routes**

The objective is to produce information about competitiveness factors, which affect on the customers' route selection processes. The logistics operators could develop their services to answer better to customers' demands.

### **Scenarios**

The ports in Southern Finland have seen the dynamic nature of both trade and transport. In order to prepare better for the future, the ports and other operators need scenarios for assessing the trends, options and threats. In these scenarios, the whole logistics view of Finland and Gulf of Finland need to be considered. Assessment of unit traffic and logistics channels is used in the examination of future scenarios in regard to different logistics channels for consumer goods distribution business.

### **Optimal location strategy**

In the dynamic society, the optimal sites for logistics distribution centres of consumer goods have to be reconsidered flexibly with regard to demand, logistical cost efficiency, and environment. In this respect the attention is on unit load traffic. These distribution centres can possibly serve one or few separated market areas.

## **Regional development**

The route development has also impacts on the regional development. Physical material flows are strongly dependent on infrastructure, and the operation of ports is on the other hand strongly regional function. All logistics operators are not dependent on areas and their operations are global without durable connections to the regional areas. These relationships between actors and areas impact to the regional development. The logistics channels and infrastructure serve import, export and domestic transport traffic and the demands of every traffic sector should be considered in regional development and planning.

## **METHODS OF THE RESEARCH**

### **Scenario working**

Three alternative scenarios will be generated based on the interviews and literature research: economic growth scenario, structural and value change scenario, and the so-called “saw blade” scenario. The technological development, it's full utilisation, and the widening of EU effect these scenarios. Other changing factors are the development of the economy of Russia and neighbouring areas, the structural and productional changes, as well as changes in the labour market, and in the consumer values. The background information has already been collected.

### **Customer information**

An essential part of the research is collecting customer information in order to find answers to several questions arising in decision making: What changes are happening in the import flows and how will they effect the choice of transport modes and routes? What services/properties are required from a certain route so that it would serve best needs of customer or product group? The collection of the customer information is performed by personal interviews of target groups, based on a questionnaire. The targets groups consist of the decision-makers of importers and logistics companies.

The customer-based information is also utilised in the construction of the scenarios.

### **Customer-oriented process descriptions**

The customer-oriented process descriptions have to be clarified, so that the operators of Finnish routes can better react to the importers' demands. The process descriptions are different for the separate product groups. Demands of products are for example related to transport time, transport and terminal processes. Process descriptions will be composed for different product groups, brands, and global and European actors.

These customer-oriented process descriptions help also to determine the competitiveness factors of the route selection process together with customer

interviews. Customer interviews and process descriptions serve also in the optimal location decision-making.

## **PROJECT PLAN AND SCHEDULE**

Year 2003:

- Construction of the scenarios
- Collection of the customer information
- Creation of the customer-oriented process descriptions

Year 2004 (10 months):

- Creation of the optimal location decision-making rules
- Creation of the regional scenarios
- Reassessment of the scenarios