

# International Distribution

*Warehousing in Europe*

## Learning Objectives

- Identify Differences in DC Ops/Planning
  - Europe as an example
  - Discuss Asia



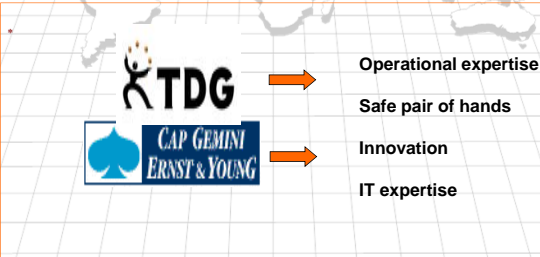
**Council of Logistics Management**  
Annual Conference – Kansas City

### Issues and Solutions in European Warehousing

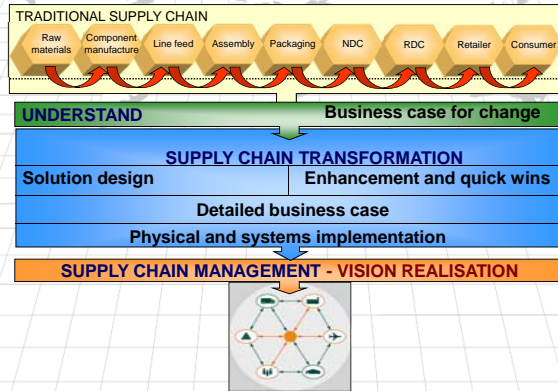


## Scio Solutions UK

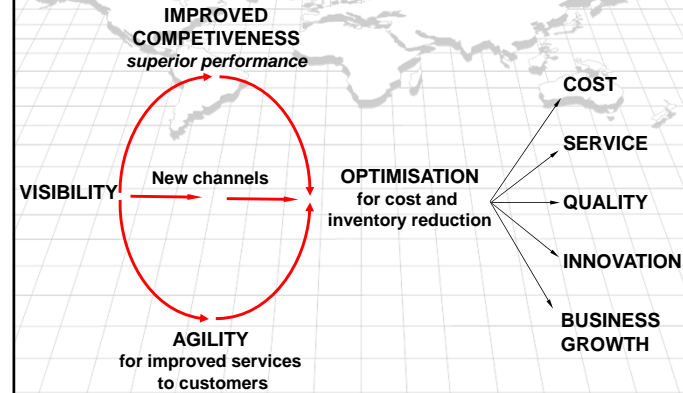
- Leading edge supply chain strategy
- Continuous improvement of physical solutions
- Complete technology solutions



## The Scio Process - Summary



## Supply Chain Transformations



## North American Premises

- In the US, perhaps in the Western Hemisphere, distribution facility and network design are strongly influenced by:
  - Plenty of available land
  - Relatively low real estate costs
  - Generous state and local tax incentives
- For designers and operators, it therefore becomes easy to:
  - Use relatively large facility footprints
  - Employ wide aisles, reducing needs for more expensive material handling technology
  - Build ample non-storage space, for staging, load building, cross-dock operations
  - Use lower height buildings, and / or ignore available height, avoiding more expensive handling equipment



## European Premises

- European designers and operators by and large do not enjoy these “luxuries” and, of necessity, must be more creative in their use of land and facilities.
- US operators could benefit from learning from the Europeans:
  - To prepare for managing in the US with constrained resources in the future, and
  - To better understand issues and practices in multi-national distribution operations

## Eight Questions for European Facility Designers / Operators

1. What special facility location and network design challenges are presented by geography and topography in Europe?
2. How is overall land availability affecting facility location?
3. What is the impact of land (and availability) on facility sizing and design?



## Eight Questions (cont'd)

4. Are national, state, and/or local policies and regulations (e.g., work rules, taxation, environmental) providing incentives, or disincentives, to Distribution Center location, size, and/or design?
5. How do you employ technology to make fullest use of limited  
—  
— And, what are the cost & efficiency trade-offs?
6. Is the roadway system conducive to effective facility deployment? And, how can you leverage water and rail alternatives for optimum facility siting and customer service?

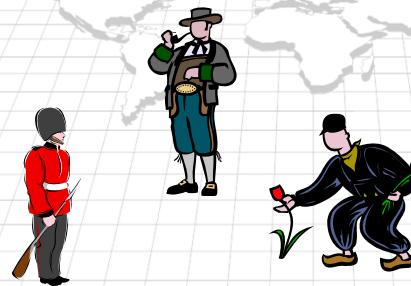


## Eight Questions (cont'd)

7. How does labor availability and quality influence facility location, design / layout, and technology applications?
8. How do cultural, EU integration, and national considerations affect facility placement and operations?



## Case Example



scio

Mike Branigan

European case study - white goods distribution

## The European Strategy

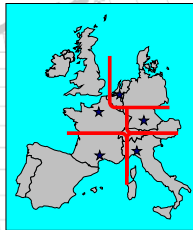


• The Inheritance



• Based on its successful US plan developed a rationalisation strategy based on regional demographic and geographic profiles ignoring national boundaries

• The Vision



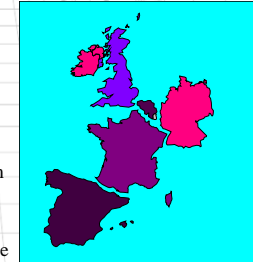
• Requires pan European product homogenisation, closure of 11 national operations and the building of 5 regional centres



## Cultural Issues



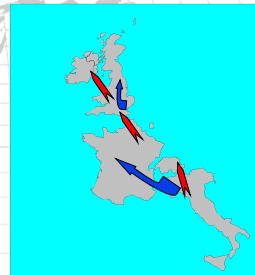
- Social and climatic influence
  - Language - dual languages demand duplication of delivery fleets even within single countries e.g. Belgium
  - Product preference - top loading washing machines are preferred in France but unsuitable for the UK
  - Product design - the requirements for refrigeration in Denmark are different from those in southern Spain
- Service differentials
  - Cost of service is less relevant in high value markets like Germany but significant in lower value markets like Spain



## Examples of Physical Constraints



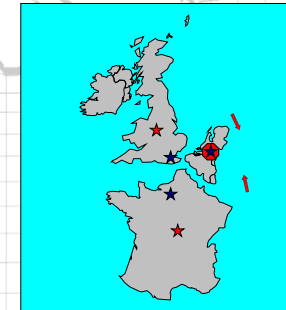
- Physical barriers
  - Closure of the Mont Blanc tunnel is critical in servicing Switzerland from Italy
  - Cost and availability of the Channel Tunnel does not facilitate servicing the UK & Ireland from France
- National transport strengths
  - Rail freight is suitable for mainland Europe but not the UK and Ireland



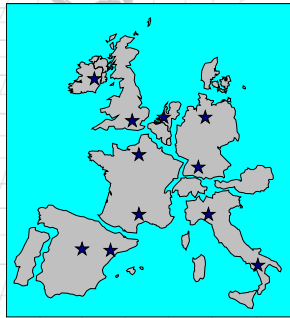
## Financial Influence



- Real estate cost
  - Conflict with optimum locations such as Paris
- Labour availability and liabilities
  - Southern Netherlands is an optimum centre of distribution gravity but offset by shortage of labour
- Taxation, incentives
  - Influence inventory and employment location

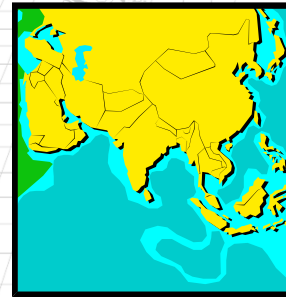


## The Result



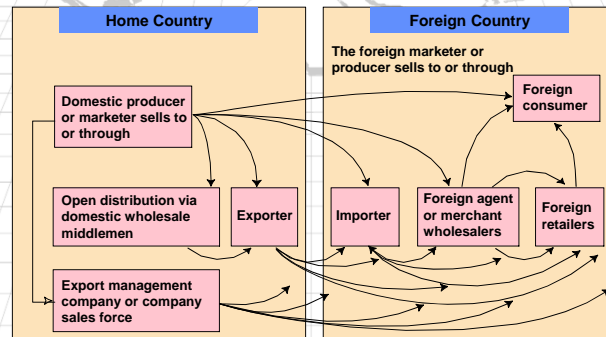
- Incomplete integration
  - Works with compromise in certain markets such as Benelux countries
- Structural compromise
  - Rationalisation of national infrastructure such as France but limited impact across national boundaries
- Strategic compromise
  - Cost of building existing infrastructure restricts the ability to implement effective future strategy

## Asia?



- What lessons from the European example can be applied to Asia?
- Which items would not work in Asia?

## International Channel-of-Distribution Alternatives



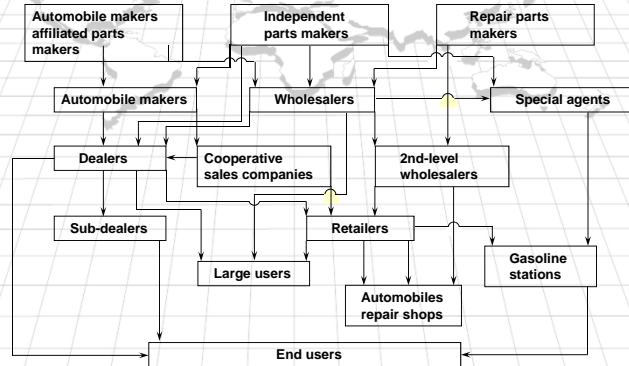
## Japanese Distribution System

### Distinguishing Features

- Dominated by Small Wholesalers and Retailers
- Channel Control by Manufacturers/Trading Companies
- Cultural Business Philosophy
- Laws Protect Small Wholesaler and Retailer

## Distribution Channels: Japan

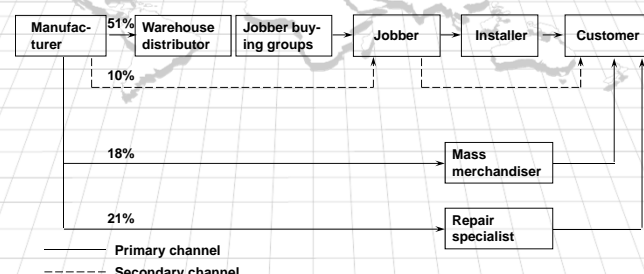
Automobile parts



SOURCE: McKinsey industry studies

## Distribution Channels: U.S.A.

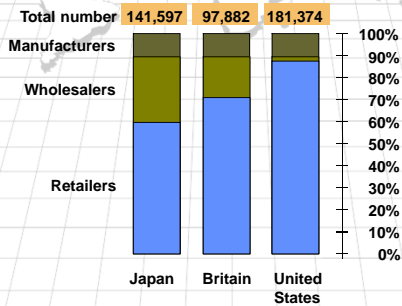
Automobile parts



SOURCE: McKinsey industry studies

## Cutting Out the Middleman

Number of companies involved in each level of the food industry, % of total, 1993



## Size and Number of Wholesalers in Selected Countries

	Number of enterprises (thousands)	Persons employed (thousands)	Turnover (billions ECU)
Belgium	48.0	201.8	85.0
Denmark	35.8	166.2	60.0
Greece	28.0	115.4	—
France	132.4	1,049.0	312.0
Ireland	3.5	40.4	12.0
Italy	192.6	1084.0	—
Luxembourg	1.9	10.8	5.0
Netherlands	71.9	360.0	135.0
Portugal	31.3	200.0	—
United Kingdom	142.7	921.0	310.0
United States	469.5	4,578.0	1,260.0
Japan	436.4	4,332.0	2,651.0

Source: *Retailing in the European Single Market, 1993*. These figures are adapted from Table EUR1a: "Importance of Commerce in the EC—absolute values (1987-91)"

### Size and Number of Retail Outlets in Selected Countries

	Number of enterprises (thousands)	Persons employed (thousands)	Turnover (billions ECU)
Belgium	127.8	274.7	35.0
Denmark	48.1	199.7	24.0
Greece	175.0	338.2	20.0
France	461.8	2,090.0	260.0
Ireland	29.3	131.4	11.0
Italy	929.7	2,401.0	230.0
Luxembourg	3.5	18.1	3.0
Netherlands	95.0	637.5	45.0
Portugal	173.3	366.3	20.0
United Kingdom	348.2	3,030.0	280.0
United States	1,503.6	19,085.0	1,350.0
Japan	1,619.8	6,851.0	682.0

Source: *Retailing in the European Single Market, 1993*. These figures are adapted from Table EUR1a: "Importance of Commerce in the EC—absolute values (1987-91)"

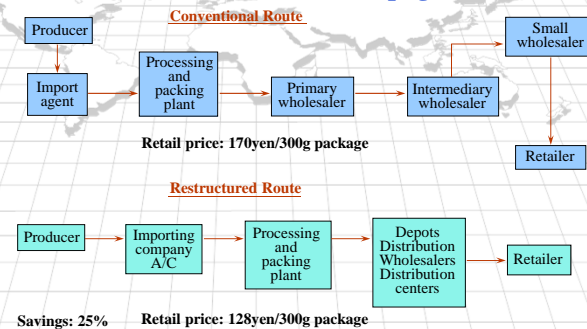
### Middlemen

- |  |   |
|--|---|
| <p>Home Country</p> <ul style="list-style-type: none"> <li>● Export Management Company</li> <li>● Trading Companies (Foreign)</li> <li>● U.S. Export Trading Companies</li> <li>● Complementary Marketers</li> <li>● Manufacturer's Export Agent</li> <li>● Broker</li> <li>● Buying Offices</li> <li>● Selling Groups                     <ul style="list-style-type: none"> <li>◆ WPEA</li> <li>◆ FSC</li> <li>◆ DISC</li> </ul> </li> <li>● Norazi Agent</li> <li>● Export Merchants</li> <li>● Export Jobbers</li> </ul> | <p>Foreign</p> <ul style="list-style-type: none"> <li>● <b>Manufacturer's Representatives</b></li> <li>● <b>Distributors</b></li> <li>● <b>Brokers</b></li> <li>● <b>Managing Agents and Compradors</b></li> <li>● <b>Dealers</b></li> <li>● <b>Import Jobbers</b></li> <li>● <b>Wholesalers and Retailers</b></li> </ul> |
|--|---|

### Six Cs of Channel Strategy

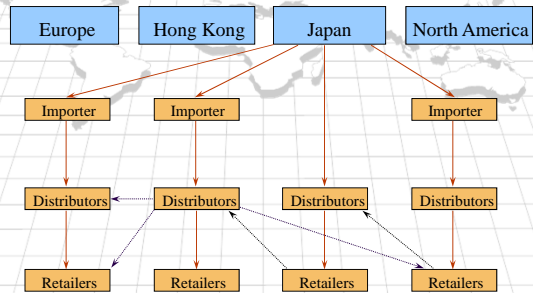
- Capital
- Coverage
- Character
- Continuity

### Japanese Import Distribution Alternatives - Distribution Route of Italian Spaghetti



Source: Allied Import Company, as reproduced in Michael R. Czinkota, and Jon Woronoff, *Unlocking Japan's Markets*. Chicago, IL: Probus, 1991, p. 104. Used with permission.

### Seiko's Authorized and Unauthorized Channels of Distribution



Broken arrows denote the flow of Seiko watches through authorized channels of distribution. Solid arrows denote the flow of Seiko watches through unauthorized channels of distribution.

Source: Jack Kaikati, "Parallel Importation: A growing Conflict in International Channels of Distribution," Symposium on Export-Import Interrelationships, Georgetown University, November 14-15, 1985.

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