

**2014 APEC Workshop on Advancing REI in the GVC Era**

# The Role of Logistics Services in Advancing Global Value Chains

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# Outline

- GVCs at a glance
- Logistics Services for GVCs
- Foundations for Global Logistics Services
- Logistics Performance Disparity between Economies
- Emerging Global Logistics Issues
- Pursuing Sustainable GVCs Together

# GVCs at a glance

# A Generic View of GVC

## VALUE-ADDING ACTIVITIES



# A Generic View of GVC

## MATERIALS & SEMI-FINISHED GOODS FLOWS

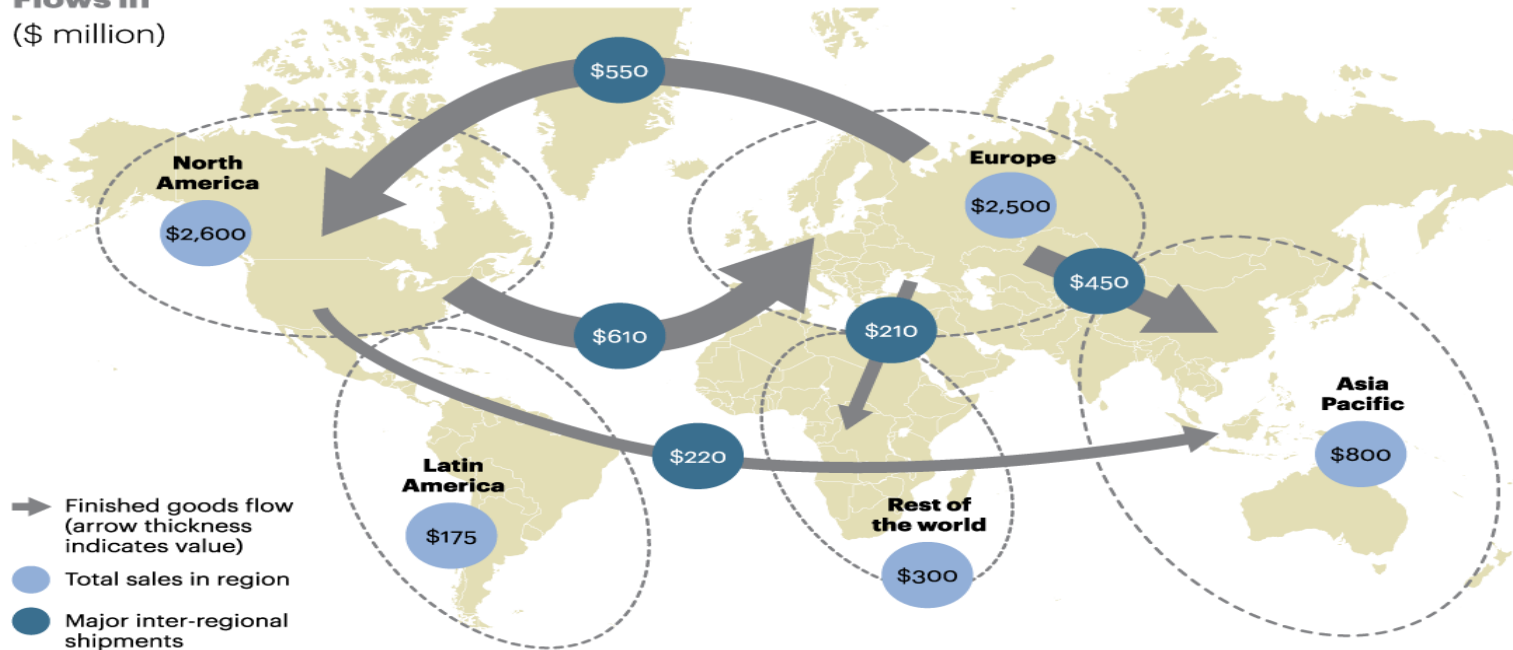


# A Generic View of GVC

## FINISHED GOODS FLOWS

### Imbalance of finished goods flows among regions

Flows in  
(\$ million)



Note: Sanitized client example; only finished goods flows greater than US\$100 million are shown  
Source: A.T. Kearney analysis

# Key Trends

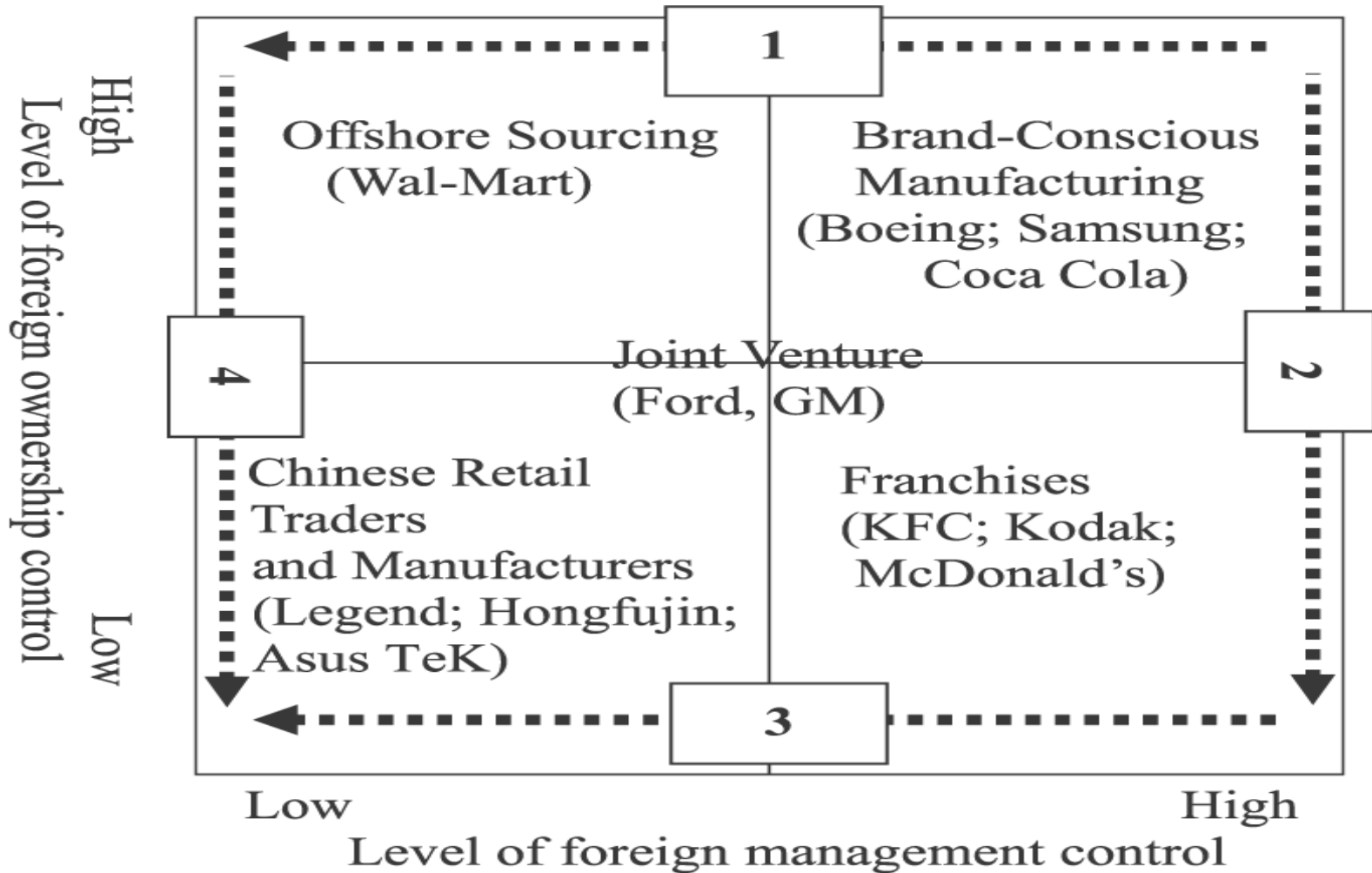
- \$26 trillions flow of goods, services, and finance in 2012, equal to 36% of global GDP.
- The global value chains that the Multi-National Companies operate have become the world economy's backbone and central nervous system.
- Rising trade in intermediate inputs for both advanced and developing economies.
- Changing role of emerging economies from mainly product supply to embracing product consumption.
- 63% of global goods flows through the top 50 routes in 1990, down to 54% in 2011
- 38% of total cross-border flows of goods, services, and finance from emerging economies in 2012, up from 14% in 1990
- Rising costs of energy-related services and non-renewable materials .

Sources: The Global Enabling Trade Report 2012; Global flows in a digital age:  
How trade, finance, people, and data connect the world economy 2014

# Logistics Services for GVCs



# MNC Global Management Strategy



# Value of Logistics Services to GVCs

- Moving goods (raw materials, semi-finished goods, finished goods)
- Storing goods
- Adding value to goods
- Providing strategic market information
- Securing critical materials
- Designing effective supply chain networks
- Supporting business and humanitarian needs in disasters



# McDonald's Restaurants

409

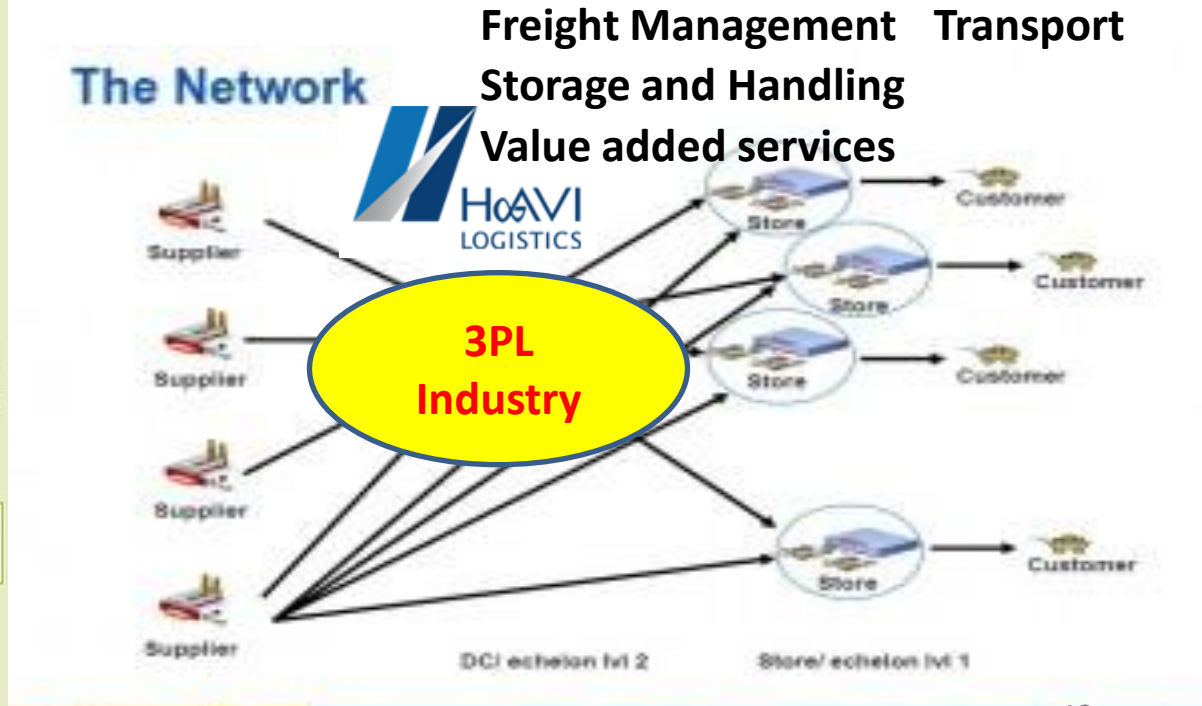
Year end, 2013

- Founded in 1955
- April 15, 2014 -> 59 years anniversary
- 35,429 restaurants worldwide (company-operated: 6,738; franchised: 28,691)
- 9,918 in Asia/Pacific, Middle East & Africa (2013)
- 119 economies (2012)
- Revenue: US\$ 28 billions (2013)
- Net Income after Tax: US\$ 5.6 billions (2013)

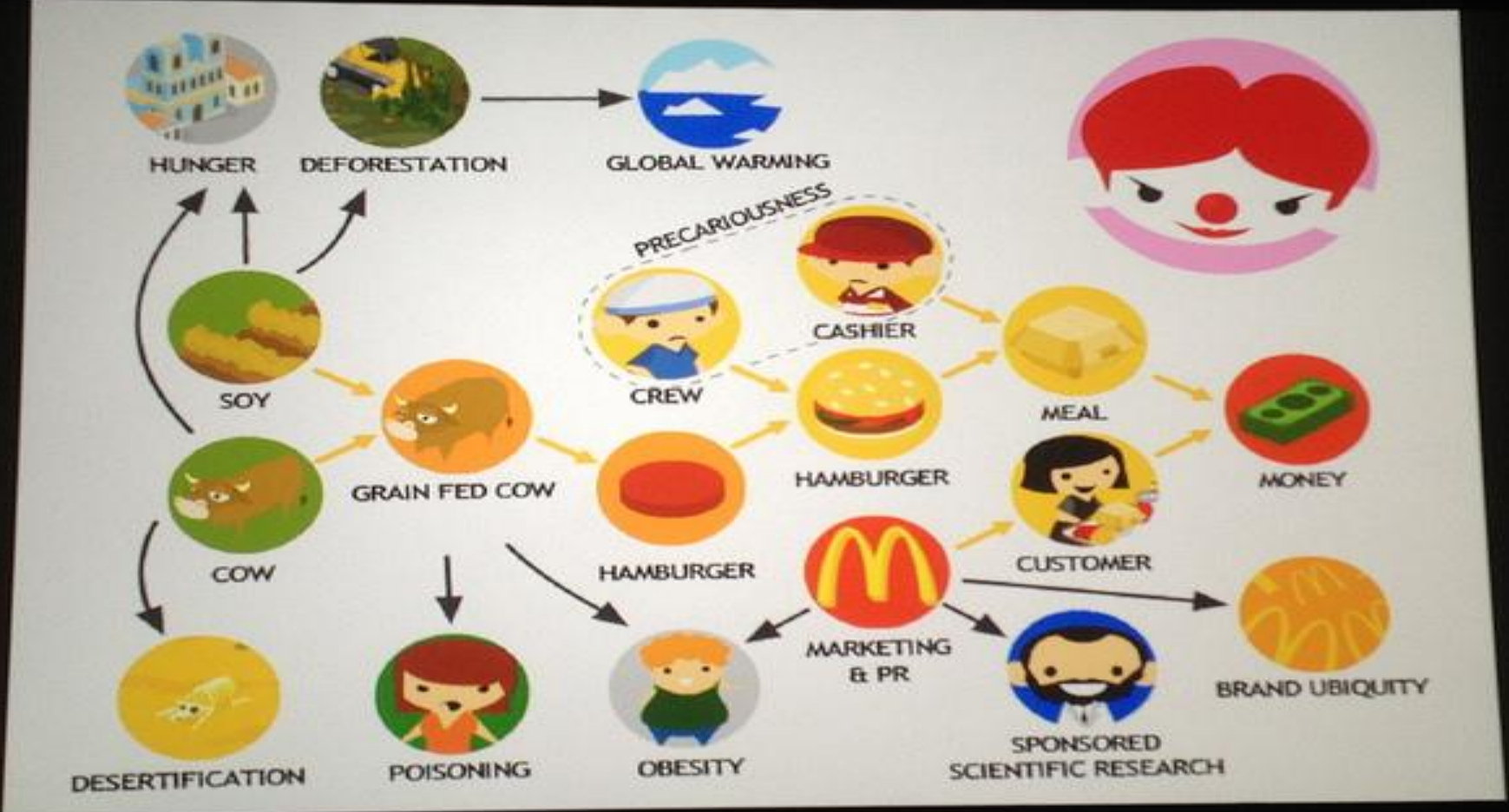
# McDonald's Supply Chain



McDonald's used cooking oil (UCO)  
-> Biodiesel fuels



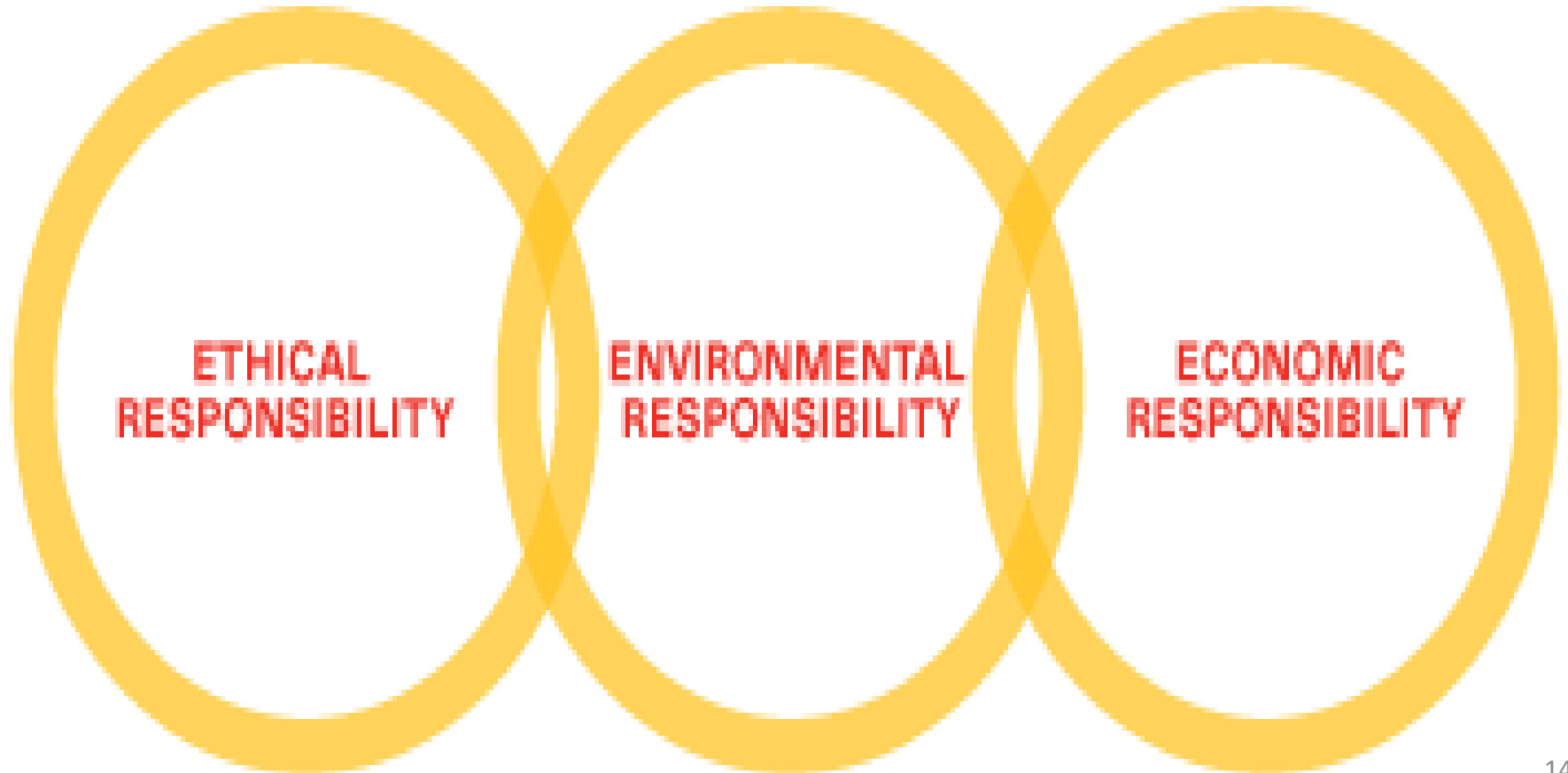
# Highly Public Visibilities (+ & -)



# Doing Things Differently in the New Century

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## THREE E'S: McDonald's Sustainability Supply Chain Vision



Is McDonald's a local firm or  
a global firm?

It is both



# CoCo Fresh Tea & Juice



1997	The first CoCo store opened in Tamsui, Taiwan
2005	First 100 stores opened
2007	First CoCo store opened in Suzhou, China
2008	200 stores opened
2009	350 stores opened Accelerated expansion in the Chinese market
2010	500 stores opened Entered the overseas market, starting with the United States
2011	800 stores opened Stores opened in both Hong Kong and New York
2012	1000 stores opened Entered the Southeast Asian market Stores opened in Thailand, Indonesia and Malaysia First store opened in Los Angeles, USA
2013	Over 1500 stores opened worldwide Stores opened in Philippines, Singapore and South Africa

- Stringent selection of the best teas
- Global procurement of fresh harvests
- Focus on product innovation and development



# Growing Pain

- Founded in Chinese Taipei in 1997
- Entered Mainland China in 2007 and grow very fast
- Entered U.S. market in 2010
- Entered South East Asia markets in the last 5 years
- Challenge in opening new stores overseas
- Challenge of supplying oversea stores
- Challenge of procuring best teas and fruits globally.

## Store Locations:

- ✓ Chinese Taipei (255)
- ✓ China (1,190)
- ✓ Hong Kong (3)
- ✓ South Korea (1)
- ✓ Singapore (1)
- ✓ Malaysia (1)
- ✓ Thailand (24)
- ✓ Indonesia (6)
- ✓ Philippines (2)
- ✓ United States (13)
- ✓ South Africa (4)

Is CoCo Tea a local firm or a  
global firm?

It is Greater China focused, now  
expanding into other regions

# Foundations for Global Logistics Services

# Key Pillars

- Trade Facilitation (Customs' Effectiveness)
- Logistics Infrastructure (Material Flow Efficiency)
- International Shipment (Competitive Business Services )
- Carriers/Logistics Service Providers (Logistics Service Quality)
- Information/Communication Infrastructure (Tracking & Tracing)
- Supply Chain Logistics System Integration (Timeliness)

# Logistics Performance Disparity between Economies

# 2014 WB LPI Index Ranking among APEC Members

	Economies	Rank	Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Logistics Friendly	Singapore	5	4.00	3	2	6	8	11	9
	United States	9	3.92	16	5	26	7	2	14
	Japan	10	3.91	14	7	19	11	9	10
	Canada	12	3.86	20	10	23	10	8	11
	Hong Kong	15	3.83	17	14	14	13	13	18
	Australia	16	3.81	9	12	18	17	16	26
	Chinese Taipei	19	3.72	21	24	5	25	17	25
	Korea, Rep.	21	3.67	24	18	28	21	21	28
	New Zealand	23	3.64	6	22	8	27	38	40
	Malaysia	25	3.59	27	26	10	32	23	31
	China	28	3.53	38	23	22	35	29	36
	Thailand	35	3.43	36	30	39	38	33	29
Consistent Performer	Chile	42	3.26	39	41	53	44	40	44
	Vietnam	48	3.15	61	44	42	49	48	56
	Mexico	50	3.13	70	50	46	47	55	46
	Indonesia	53	3.08	55	56	74	41	58	50
	Philippines	57	3.00	47	75	35	61	64	90
Partial Performer	Peru	71	2.84	96	67	69	76	83	66
	Russian Federation	90	2.69	133	77	102	80	79	84
	Papua New Guinea	126	2.43	107	127	126	115	141	135

# Emerging Global Logistics Issues

# Challenging Issues

- Logistics disparity between economies
- Supply chain and logistics talent shortage
- Rising labor costs and declining frontline labors
- Energy and natural resource shortage leading to high transportation/logistics costs
- Fighting Global Warming and reducing its causes.



# Pursuing Sustainable GVCs Together

# Key Opportunities

- Cross border trade flow integration among APEC members (so that goods can arrive consumers faster, cheaper and produce less GHG)
- MNC Logistics Collaboration Innovation (to do more with less)
- Collaboration between governments, businesses and non-governmental organizations.
- Knowledge and Capital Infusion from *Logistics Friendly Economies to Consistent & Partial Performer Economies*

The End