

Today, nearly all of Ukraine's commodity markets face similar difficulties, which resulted from the 2008-2010 economic crisis. Many players in different sectors are still suffering from the low purchasing power of the Ukrainian consumer, with their profit margin having significantly dropped. In this difficult climate, producers, suppliers, importers, distributors, Horeca, and modern trade operators are all looking for ways to earn more and spend less. While a 'to earn more' strategy can be found in active trade marketing activities, category management and penetration of new niches and sales channels, 'to spend less' is primarily realized by reducing in-house costs and improving the overall business performance — with both logistics and the supply chain playing an important role.

The World Bank's recent surveys have been gradually raising Ukraine's ranking in the index of logistics performance — an integrated parameter covering transparency of customs procedures, infrastructure, accessibility and quality of service providers, which proves that, along with farming and retail, the Ukrainian logistics sector is still an attractive proposition for infrastructure investors and FDI's.

However, separate segments of the market are underdeveloped: for instance, in transportation and freight forwarding the number of transport companies dealing with international transportations is approximately 50 (5-6 leading companies with 2-4-year old fleet containing over 150 trucks), while the number of expedition companies exceeds 500.

Contract logistics, or 3PL operators (10-12 companies), have a key role in the logistics services market. However, as more sophisticated logistics become organized operationally — due to the consignee's requirements becoming tougher, the greater the likelihood is that both the 'electronic' logistics and the focus on outsourcing will change and evolve.

Despite a whole variety of specific and sometimes unique peculiarities in each of the commodity sectors and logistics segments, the 21st century requires the effective organization of material, information, resource, cash and other flows in each of these markets. A carefully crafted logistics strategy, with thorough planning of commodity flows, the optimization of costs in each part of the supply chain, wide-scale use of up-to-date computer systems, and the continuous improvement of service levels, will help to maximize sales and improve the loyalty of customers, while helping to ensure greater budgetary control over logistics and associated expenses.

TOP 6 INSIGHTS INTO LOGISTICS

Forgot Logistics, you lose



Oleg Kalenskiy
Non-Executive Board Member, UVK

One of the key priorities of the newly set up Committee is to provide actual tools for logistics players to reach a better efficiency and performance in executing logistics operations within their supply chains. On the backcloth of the currently under-developed transportation services market in Ukraine, many cargo-holders, distributors and retailers feature as low as a 30-40% load co-efficiency while round-trip trucking across Ukraine, suffering from the unavailability of so-called 'shared trucking' concept locally. Thus, the Committee shall elaborate schemes for an efficient cargo consolidation and actively involve the EBA and Committee Members to take benefits out of the project.



Svitlana Strelyanaya
Chairman of the Board PJSC, ATP 16363

The participants of the Logistics Committee believe that supporting educational programmes for students and staff is one of the biggest objectives for the Committee. You might ask: 'What is it needed for?' The answer is simple — we want to invest our time, knowledge and resources into our potential future colleagues in the logistics sphere. After all, the concept of logistics is relatively new given our situation. And we, the operators of the market, believe that there is an urgent need for younger and higher qualified staff. Despite the ongoing development of higher education, particularly with the new faculties and subjects, the vast gap between what is studied and what is required in practice is yet to be substantially reduced. There is a lack of the understanding of how it works and functions, not only for students, but often for the teachers as well. That is why the main task for us is to assist in overcoming this gap between knowledge and real logistics work.



Bernard Draily
Operations Director, Danone Dairy Ukraine

Danone is actively supporting the creation of a professional logistics committee facilitated by the European Business Association. The company will also specifically support working groups focused on developing the refrigerated cold chain logistics industry in Ukraine. Ukraine has underdeveloped infrastructure in warehousing and transport, notably for cold chain. Danone represents 10% of cold chain volume, this is why we are inviting all stakeholders of fresh food logistics to join us to develop practical opportunities that will increase flows and bring benefits to Ukrainian consumers. Already, we are developing concrete steps on co-logistics in several formats, which will bring benefits to all parties, resulting in deliveries of fresher and better food to consumers. We are keen to discuss these objectives with manufacturers of fresh food, 3PL companies and retailers, in order to establish concrete initiatives that will be developed.



Oleg Verzhbytsky
Managing Director, DB Schenker

It's not a secret for everyone that there is always a pressure from the authorities' side on business in our country. In this case, a stick is used more than a carrot. Business can and must defend itself and we have a wonderful experience in our association, as other countries have in the logistics industry and other industries in Ukraine. Logistics industry is of great importance in the national economy, and the business can and should influence the government, not vice versa. To do this we created a Logistics Committee industry in the European Business Association, where there can be both the companies — providers of logistics services, and companies in which logistics is an essential part of their business (eg. trade). One of the clearest examples of how we can influence on the legislative power is when preventing the adoption of laws which do not stimulate the development of the logistics industry, but on the contrary, slow it down in every possible way. To do this, all the members of the committee have the opportunity to participate actively in the process of additions and changes to existing and new laws in the area of logistics, what gives the opportunity to create a business environment in the industry, which is not divorced from reality.



Dmitriy Kalinichev
Director, DIANA Lux Logistic

The main responsibilities of the committee are to nurture a positive image of the logistics business, and promote best practice in outsourcing logistics in various market spheres, such as the automotive industry, agriculture business, pharmaceuticals, FMCG and others. More than 70% of the world's logistics outsourcing takes place in Europe. However, outsourcing occurs too infrequently in Ukraine. The majority of western companies doing business in Ukraine outsource their logistics. Effectively developing retail is generally effective with logistics companies and their cooperation is becoming more fruitful each year. There are lots of examples when companies try to use logistics outsourcing even when they haven't done it before, particularly in spheres such as pharmaceuticals, agricultural and automotive. Some new logistics companies have appeared at our market in recent years, which effectively provide services for the pharmaceutical industry by understanding the needs and requirements of the industry. More and more companies working in the agriculture sector are going to outsource logistics services, particularly given that seasonal businesses aren't able to use their own logistics. It's more efficient to use the resources of companies that provide services all along the supply chain. Thus, promoting logistics outsourcing is the main reason for setting up the logistics committee.



Vladimir Karpuk
Branch Manager, Asstra Forwarding AG

One of the main reasons for creating the Logistics Committee is to develop common standards and principles, which will be understood by logistics providers, as well as by the consumers using these services. Nowadays most of the transport logistics companies in Ukraine are guided solely by their own principles of work, unlike elsewhere in Europe, where they operate on the basis of uniform standards developed by cooperation within the industry. Furthermore, logistics services targeted at consumers only operate using internal resources when developing proposals and announcing tender conditions, often without considering the essential principles of logistics. As a result, many competitive freight forwarding companies refuse to participate or are forced to agree to the proposals, recognizing nevertheless that the demands put forward by the consumer are unaffordable to them. In the long term, guided by common developed standards, we will be able to change the current situation in the region and everyone will benefit.

The EBA Logistics Committee

will represent the interests of companies engaged in freight forwarding and logistics, in addition to other companies that have a significant interest in the sector.

The Committee's activity is focused on:

- Introducing amendments to legislation
- Promoting a positive image of the logistics business
- Supporting the development of infrastructure
- Supporting staff (student) education programmes
- Developing and adopting the standardization of logistics services
- Sharing information on unfair subcontractors in the sector
- Efficient cargo consolidation
- Promoting an increase in the number of high-quality transport vehicles in domestic transportation
- Defending the Committee members' interests with their respective state bodies
- Effective collaboration with other EBA Committees
- Other issues essential to the Ukrainian logistics industry

We invite the companies engaged in the following areas to join the Committee's activities: LSPs (2PL / 3PL); suppliers (producers, importers, distributors); retailers; and Horeca.

Should you require any additional information please submit your questions to the EBA office: committees@eba.com.ua.

The seven EBA members that set up the Committee are as follows:

