

DP WORLD 

THE NEW AGE OF
PORT-CENTRIC LOGISTICS
IS HERE

THE NEW AGE OF PORT-CENTRIC LOGISTICS IS HERE

Engaging Third-Party Logistics (3PL) providers to reduce supply chain costs is no longer a niche, it's the norm! Today's 3PL landscape is vast and highly competitive, but also highly fragmented. So how do you know you've found 'the one'? It must be understood that even the most sophisticated providers are often split by focus industries and supply chain segments, such as cold storage or over-the-road transportation, and have large gaps in global coverage. The 23rd Annual Third-Party Logistics Study found that for studied companies outsourcing logistics activities, **71% used 3PL for international transportation, 69% for warehousing, 50% for freight forwarding, and 40% customs brokerage.** So if you're an international company with touchpoints across continents, where do you find a single provider for all of these services? Hint: They're already handling your cargo!



IN THIS WHITE PAPER WE WILL EXPLORE:

4 The Immense Value
of Port-Centric
Logistics

9 The Port-Side
Regional Hub Concept

6 The New Age:
Port Operator as
Fully Integrated
Logistics Provider

11 The 10 Must-Haves
for a Port-Centric
Logistics Provider

THE IMMENSE VALUE OF PORT-CENTRIC LOGISTICS

Port-centric logistics solutions create powerful opportunities that cannot be matched by the 'landlocked' competition. Operators of ports and terminals are in a unique position to deliver significant value to their clients' bottom lines. This is particularly evident where the company funnels its goods through a concentrated import chain. In cases where all domestically-consumed goods can be stored duty-free at the port of entry, the customer can essentially hold safety stock in-country with little added cost. In times of high demand or supply chain disruption (such as the COVID-19 crisis), this replaces the painfully long time-to-market associated with ocean sailing with just-in-time capability and complete cargo visibility.





Customers storing imported product at the port of entry also lock in significant transportation cost savings. In past generations, original equipment manufacturers (OEMs) uniformly implemented the hub-and-spoke model by choosing a central warehouse within the nearest major metropolitan area. Back then, there were no port-side logistics facilities and less congestion, so it made sense at the time. Over time though, the flaws of this setup are creating real bottlenecks and the innovators in the industry are retracing the chain for new opportunities.

In this paper we will use the Dominican Republic to illustrate the value of port-centric logistics, and more specifically the value of a port-operating 3PL provider, in a real-world scenario. Much of the country's import and export volume flows through outdated industrial zones in Santo Domingo, its heavily congested capital city. To make matters worse, the primary zone is tucked into the far west side of the city. Considering that the main port in DR is Caucedo to the east of the city, as are the airport and the tourist haven of Punta Cana, this hub area is far removed from the consumption center of gravity in southern DR. So where does the product go next? After spending extended periods in sub-optimal storage facilities (local hub), the customer often backtracks their cargo through the city and to local DCs (local spokes) as replenishment. It takes little imagination to see that this model is slow, costly, and wasteful. Let's use this example to take a closer look at the case for port-centric logistics.



THE NEW AGE: PORT OPERATOR AS FULLY INTEGRATED LOGISTICS PROVIDER

DP World sees opportunity at its Caucedo operation by listening to cargo owners using its terminal and understanding common pain points, and there are an abundance in the land transportation segment. Let's explore a few of these constraints. The Dominican Republic is known to have a very strong union capable of controlling all facets of transportation to & from the port. While there are advantages to a powerful freight network, a low competitive landscape in this segment creates little incentive to build a better customer experience. Shippers seeking drayage from the port into the nearby capital city of Santo Domingo will observe

- 1) highly-skilled labor being forced to use tired truck fleets,
- 2) a lack of traceability, and
- 3) unreliable customer service when their shipment demands it.

Performance also suffers from inefficiencies in backhaul coordination due to the network's archaic and vastly inadequate Transportation Management System (TMS). What results is a cost structure that must factor in empty backhauls and leads

Another element is the demurrage, or extended holding of inventory until receipt of customer payment. In the DR, there is one primary provider and it is known for inadequacies in processes, tools, and customer focus. This makes a very rudimentary part of customer interaction much more difficult.

On top of challenges with the load management, there are further issues related to chassis rental (the frame upon which a shipping container must be transported). The limited supply of available chassis further increases time and cost when the customer ships multiple loads in the same bill of lading. Instead of the smooth and uneventful experience of importing in other markets, multinational customers are met with this costly, time-intensive, and bureaucratic process. As the operator of Port of Caucedo, DP World recognized these pain points and built a logistics park to solve them.

What does all this mean for the customer?

Let's explore a current beneficiary of port-centric logistics over a beer, shall we? AmBev is a large global beverage company and owner of Cervecería Nacional Dominicana (CND). Before they can produce DR's flagship Presidente beer, CND's imported materials undergo careful preparation. These special services include crating empty bottle imports for the bottling plant, finished goods labeling for domestic regulations, and so on. AmBev historically completed these services through various third parties around the Santo Domingo area, requiring multiple stops and individual handling before advancing in the chain. After all, the traditional 3PL operations in Santo Domingo are city-centric so there are limited alternatives. This is a common case for imported goods all around the world.

Recall the Dominican transportation environment we explored in the earlier section. For AmBev, this meant costly Union transportation in full containers from the port to the city-centric 3PL facilities for the domestic services. Once processed, the product often moved AGAIN to an internally-operated storage house before possibly consolidating with materials from other warehouses and finally starting the trek into more local distribution centers. This triangulation (or worse) introduced significant cost, time, and risk of handling damages to the logistics chain.

Let's see how each step changed when AmBev moved from a city-centric plan to a port-centric logistics solution



City-Centric Logistics	Port-Centric Logistics	Resulting Value Proposition
Push model to quickly move containers one-by-one from the port, to minimize storage fees for last containers out.	Pull model enacted to move cargo from container yard to port-side warehouse.	Near complete reduction of yard storage fees, reduction in container usage fees.
Coordinate third-party drayage of containers from port, using union labor and rented chassis.	Two-way radio to move from container yard to warehouse. Fully internal process via port-operating 3PL.	Elimination of costly drayage, chassis rental, and coordination with sometimes 3 or more external providers.
Transport container >50km through city to opposite side of Santo Domingo.	Transport container <1km to port-based logistics park warehouse.	Import over-the-road transportation reduction from ~90 minutes to 10 minutes.
Container unchanged from port into city; 18 pallets per haul.	Finished orders leave port in local sider trucks; 48 pallets per haul.	266% increase in transportation capacity.
Re-load and transport additional 10km for offsite 3PL services.	Value-added services performed in port-side warehouse.	Elimination of all transportation and added handling related to value-added services.
Empty backhaul from 3PL facility to warehouse.	Import product in, export finished goods out for round-trip hauler usage.	Minimal incremental cost of export moves.
Domestic taxes due during city-based warehouse storage.	Free-zone warehouse storage until ordered.	Eliminates import duties for re-export cargo, minimizes or delays duties for domestic consumption.

STILL NOT CONVINCED?

INTRODUCING THE PORT-SIDE REGIONAL HUB

The Caribbean is a vibrant region that serves more than 30,000,000 permanent residents and averages more than 27,000,000 annual visitors. About 24% of these visitors come to Dominican Republic while the remaining 76% visit mostly smaller islands that have lesser infrastructure for localized storage. For these reasons, Dominican Republic became and remains one of the strongest transshipment hubs in the world. What exactly is transshipment? In a nutshell, it is like an airport connection, or like a modern regional adaptation of the hub-and-spoke model we covered. Containerized cargo destined for smaller markets will stop through here and be re-loaded onto a new ship without breaking the seal.

In the case of Caucedo, where there is free zone warehouse storage available, large exporters to the Caribbean choose the port-side logistics park for their regional fulfillment center. They can import from all over the world and consolidate products here for tax-free storage, then serve local and regional demand directly from the port. This is particularly valuable for large manufacturers or retail that ship from different origins, like Ikea does in Caucedo. Leasing warehouse space at the transshipment port, before shipping to their stores throughout Central America, enables Ikea to effectively cross-dock their Caribbean-facing goods.



To use an example, let's suppose there are two Ikea containers bound for Latin America consumers. One has chairs from Holland and the other has bed frames from China. Ikea will unload these containers in its Caucedo Logistics Park (CLP) warehouse and store until specific locations need a mixed shipment. At that time, some chairs and some bed frames may marry up with other Ikea products in a container destined for Houston, or they'll fulfill a block shipment of floor models for the new Mexico City location.

From an import duty perspective, the mixed container may as well have come directly from Europe. Not to mention the more agile delivery (minimal sailing time) and difference in warehouse costs from deconsolidated European storage.

Enables country-dependent or customer-specific changes to the product, such as kitting or labeling

Commercial invoice is NOT required for import / entry to the port free-zone centers, only the packing list

Expedited Customs clearance, and IT-based auditing move the product faster

Greater visibility and availability of inventories

Improved time-to-market for key products



London Gateway
Logistics Centre

THE 10 MUST-HAVES FOR A PORT-CENTRIC LOGISTICS PROVIDER:

An intense focus on safety, with a visual workplace and daily emphasis on best and latest safety procedures.

1

The right talent. For DP World, it began with assembling a team of deeply seasoned professionals to form and lead the business based on their collective experiences. Leveraging professionals whose primary focus is 3PL service will be critical for successful implementation and stability down the road.

2

Complete customer perspective. Listening to pain points and acting on them demonstrates trust and engagement. Also understanding that the trust of the customer is earned and must always be evident through complete transparency.

3

Insistence on better data. So often customers lose control of the inventory and it is the 3PL's role to re-capture it. Weights, dimensions, volume, customer behaviors, market-specific and vertical-specific trends at the part level are requisite for the best solution. Ambiguity in this area is common but persistence to fill the gaps is key.

4

Agility. Being adept to changing forecasts and building 'what-if' scenarios in all processes to prepare for each possibility.

5

All-hands-on-deck. Identify opportunities to share 3PL resources across a diverse customer base, absorbing peak-volume challenges such as labor or equipment shortages.

6

Intense understanding of the customer's current logistics model. This allows the provider to identify opportunities to expand and scale services, from in-network transfers up to management of the regional or global logistics network.

7

Replication. Setting a standard and replicable global template of operational processes so that the efficiencies can be scaled and packaged for other geographies.

8

Letting the systems do the talking. At DP World, if our customer doesn't have a system, we'll build one. We're in large customer testing of an in-house, global track-and-trace program we call Cargoes Flow, and also an Enterprise Resource Planning tool called Cargoes Runner. Built entirely from the ground up, and using 100% DP World resources.

9

Leveraging influential relationships in the chain. At DP World, we have one of the strongest Customs relationship in the supply chain, where the most common and costliest delays can occur. By the time the customer or their offsite 3PL are notified of a Customs issue, our port-centric 3PL already resolved it.

10

CONCLUSION

International companies must seize opportunities to streamline their supply chains if they want to survive. In the age of instant gratification, this means that global companies must think locally. To think locally, they must position their product locally. Dedicated local storage for secondary and tertiary markets is not going to work for every company. Shared domestic storage, however, or even tax-free regional hub storage, is a possibility that port-centric 3PLs can make happen. For DP World, with more than 80 terminals and logistics parks, it's already happening. The customers spoke, and we listened.

Wherever in the world your cargo is moving, port operators are front-and-center to get your product there. They are the only link in the handling chain that collaborates with sea transport, domestic transport, customs, and cargo owners all in a day's work. It's time the cargo owners look to the ports for service beyond the container yard, and to be presented with newer and better import-to-market solutions. Demand it, make a change, or be left behind. At DP World, it's already happening.



DP World's 3PL Operation,
Caucedo, DR

For business enquiries, email commercial@dpworld.com