Logistics in Spain: Challenges and opportunities

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The high price of petrol may be the shock needed to push companies to reassess their distribution networks and come up with better logistics.

As more companies have their own logistics department, the management of items flows between different installations has acquired an importance that was unthinkable a decade ago. Over the past 15 years, the logistics sector has grown at a rate of 2.8 percent per year (GDP, 2.4 percent) and now employs some 7,000 people across the European Union.

This upward trend is one of the facts contained in the first edition of the Barómetro de la logística en España (Barometer of Logistics in Spain), the premier report by IESE's International Center for Logistics Research (CIIL), in collaboration with Logitrans. IESE Prof. Marc Sachon and research assistant Jesús Arturo Orozco interviewed the logistics managers of 130 companies to assess the present situation of the logistics sector in Spain and to highlight the main trends, challenges and threats facing the sector.

Globally, transport costs have jumped 50 percent in the past three years (2005-2008), mainly due to the higher price of petrol, road tolls and taxes related to environmental protection. Apart from these ongoing challenges, more road congestion, lack of capacity and the growing complexity of logistical activities will also influence the future.

While everyone is particularly worried about gas prices, the report also reveals that greater traffic in the outskirts is of growing concern for distributors and logistics operators alike.

The Spanish subcontracting model makes congestion an even greater cause for concern among operators. In Spain, transport is one of the main activities that manufacturers and distribution companies subcontract out; it is also the main service that logistics operators usually provide. Such outsourcing is motivated by a desire to cut costs and optimize resources. But in doing so, the risk of cost rises and variations in work regulations are assumed by the operator, not the contracting company.

Challenges present opportunities

Amidst such challenges, one factor could become an opportunity for those companies that are agile in operations: The high price of petrol may, in fact, push companies to reassess their distribution networks out of the necessity to reduce logistical costs. Therefore, some systems, such as "warehouse on wheels" (WOW) or "just in time" (JIT), which might have made sense under a different set of conditions, have lost some of their appeal. Some companies, such as H&M, have already changed their value chains and committed themselves to reshoring, and have decided to bring some of their production back to Europe.

With regard to Spain, innovations in operations processes have been mainly determined by the size of the company: small companies have gravitated toward collaborative management; medium-sized businesses have focused on packing, such as made-to-measure; and large firms have committed themselves to inverse logistics.

Where's the sector going?

In the short term, the authors do not expect to see great changes in the modes of transport used by companies - the transport of items by road will be still the main option.

Nevertheless, the results of the barometer show that companies are prepared to integrate different means of transport in their strategy as soon as the Spanish railway system improves. In fact, the potential of the railway network is one of the aspects that need to be improved in order to optimize the logistical operations of the country.

In terms of technological innovation, the automation of warehouses and their management are due for improvement. However, the authors note, it will be a while yet before storage systems and systems of remote data management become widespread.

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