

# EMERGING MARKETS HOLD THE KEY TO LOGISTICS GROWTH

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*In the first of a series of regular briefings published in the run up to Ti's [Emerging Markets Logistics Conference](#), sponsored by Agility (Singapore, September 24-25<sup>th</sup>), John Manners-Bell, Ti's CEO, discusses the key findings of the [Agility Emerging Markets Logistics Index 2013](#) and the opportunities it identifies.*

In a global environment where economic growth in the developed world has stagnated, there is little doubt that the major opportunities for manufacturers, retailers and logistics companies lie in emerging markets. However, operating in this diverse set of markets requires a great deal of flexibility to adapt to the shifting dynamics.

Emerging markets are far from being a homogeneous group of countries. Complex patterns of trade are developing as a result of a number of important trends: the rise of an African, South American and Asian Middle Class; the unbundling of production processes and the spread of virtual manufacturing networks across regions; not to mention China's investment in Latin America and Africa. At the same time, the importance of China-Europe and China-USA volumes, in relative terms, is declining.

Ti, in conjunction with Agility, has researched and tracked Emerging Markets for the last four years, with a view to identifying those markets presenting the biggest opportunities for investors as well as examining the reasons behind their potential.

## **CHINA STILL TOP OF INVESTORS' PRIORITIES**

Taking into account market size, the "ease of doing business" with and the development of transportation links, it is unsurprising that China still tops the rankings. It is followed by two of the other BRIC group of countries – India and Brazil, although these countries are a little way behind.

However, it is interesting to see that countries such as Saudi Arabia and Indonesia are high up the rankings, ahead of Russia. Although Russia is important in terms of size and growth, it falls down on infrastructure links and the difficulties of doing business in a market where legal and security concerns are to the fore.

This contrasts with markets such as UAE, Qatar and Oman which are business friendly, stable, highly urbanised and welcoming to Western investors and have risen to positions of predominance as hubs in the Middle East.

Nigeria scores well in terms of "market size and growth attractiveness", but was only 33rd in the overall 2013 Index. Despite enormous potential from a consumer goods perspective and oil and gas resources, Nigeria continues to be held back by political problems, corruption and weak infrastructure.

In terms of transport connections, again we find that the Gulf States do very well, due to their huge investment in sea and air ports. They have attempted to diversify their economies from oil and gas, and are building on their favourable geographic location as hubs, supplying not only the Middle East, but also parts of Europe, Africa and the India sub-continent.

China, of course, is also high up on the list based on transport connections, just behind the UAE. Its economy's foundations have been laid on its integration with the world's trading networks. Well down the list are the other BRIC countries; Russia in 19<sup>th</sup> position, Brazil in 21<sup>st</sup> and India 27<sup>th</sup>.

## **THE EMERGENCE OF THE INTRA-ASIA AND AFRICAN MARKETS**

As part of Ti's research into emerging markets, we asked 375 senior level executives operating in emerging markets a series of questions about their perception of the challenges and opportunities which they face on a day-to-day basis.

We asked respondents to rate the trade lanes with the greatest potential. The Intra-Asia and Asia-Africa markets headed the list by a considerable distance. In addition, Asia to South America was also highlighted by the survey. South-North markets – South America-North America and Africa-Europe - were also identified by the survey. Overall, Asian trade lanes dominated – 6 out of the top 8 places involved an Asian origin - with the established lanes to Europe and North America third and fifth respectively. This seems to provide more evidence to suggest the changing emphasis in terms of goods flows. Although European and trans-Pacific flows will not disappear, a range of other trades will develop more quickly.

According to our survey, this trend towards complexity is only going to continue with Western manufacturers and retailers diversifying sourcing locations to a 'China plus' basis (that is, China plus additional countries throughout the region) or to a new low cost market completely. The Philippines, Cambodia, Vietnam, Malaysia and Indonesia are just a few of the markets to benefit from 'parallel sourcing' strategies.

The environment for global manufacturers, retailers and logistics companies is only going to get more complicated, not least due to the growing power of the Asian consumer. According to the Asian Development Bank, by 2030, consumer spending in Asia is likely to reach \$32 trillion — or about 43% of worldwide consumption. Multinational companies expect that more than 50% of their revenue growth over the next 10 years will come from developing economies. Asia, it seems, is no longer just an origin – but also a destination.

## **THE EMERGENCE OF SUPPLY CHAIN RISK**

Another challenge identified by respondents was the emergence of supply chain risk onto the business agenda. The risk has always been there of course, but with recent natural disasters in Asia – such as the tsunami and Thai floods – global manufacturers are looking at the issue far more seriously. Now, manufacturers are starting to cost risk into supply chains, whereas traditionally they

have looked more narrowly at transport and logistics costs. 90% of respondents rated the issue of supply chain risk as 'highly important' or 'important'.

With so much production located in emerging markets which are more prone to natural disasters and where security and terrorism issues are of greater concern, this issue will increase in relevance to global manufacturers and retailers.

### **About Emerging Markets Logistics Conference 2013, Singapore**

*The Emerging Markets Logistics Conference, sponsored by Agility, (Singapore: September 24-25, 2013) will discuss the issues included in this article and many more. It will provide exclusive research, with each session led uniquely by an expert Ti analyst, combining insightful presentations with contributions from senior figures in the manufacturing, retailing, consulting and logistics industries. In addition to a content rich programme, there will be plenty of networking opportunities to meet and discuss these issues with fellow senior industry professionals. For more information follow the link below:*

[www.ticonferences.com](http://www.ticonferences.com)

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### **About the Author**

*John Manners-Bell MSc FCILT, CEO of Transport Intelligence, has over two decades experience working in and analysing the global logistics industry. He is a member of the World Economic Forum's Logistics and Supply Chain Global Agenda Council and has advised a wide range of governmental organisations and industry bodies.*

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### **About Transport Intelligence**

*With a research organisation spanning the world's key markets, Ti is the leading provider of expert analysis dedicated to the global logistics industry. Ti has developed a range of market leading web-based products, reports, profiles and services used by all of the world's leading logistics suppliers, manufacturers, consultancies and banks.*

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