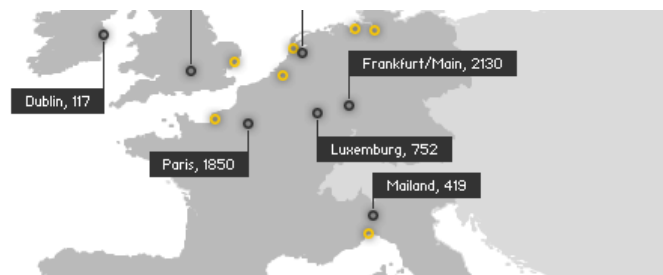


Western Europe

Logistics in western Europe

The logistics systems in western Europe are characterized more by political change associated with EU enlargement than by geographic features. As a result of uniform regulations, transport, storage, packaging and administrative jobs are becoming considerably more efficient. The transport networks are very well developed - but average shipping distances have grown principally in the wake of the European Union's enlargement. Logistics in western Europe is being increasingly affected by outsourcing activities because companies no longer consider logistics to be a core business.



Transport hubs in western Europe

Geographic challenges in western Europe

The creation of a common European market and the introduction of the euro have caused major changes in western Europe. While geographic conditions in Europe have remained largely the same in the past 15 years, changes in the logistics sector have generated increased efficiency in shipping, packaging and labeling. Here, the reduction of customs processing plays a critical role. In addition, technological improvements were introduced throughout Europe and not just in individual countries. As a result, order processing, inventory management, warehousing and IT technology are being further centralized [1].

In geographic terms, the Strait of Gibraltar is particularly important for western Europe. The strait is located between Spain on the north and Morocco in the south. It connects the Mediterranean and the Atlantic. Around 300 trade ships pass through it every day, making it one of the world's most heavily traveled water routes.

Core countries for trade

Trade between European countries is very lively. European air-freight exports are dominated by [North America](#) (about 30 percent) and the [Far East](#) (about 28 percent). A major role is also played by the [Middle East](#), [Africa](#) and the [Indian subcontinent](#). Exports to the Asian countries that emerged from the Soviet Union are growing rapidly as well - between 2004 and 2006, the growth amounted to 44.6 percent [2].

The most important importers of western European goods are primarily the [United States](#) and [China](#).

Western European infrastructure

European-wide transport networks have grown because of deregulation of shipments, optimal route and plan scheduling, and the development of national services. The membership of eastern European countries in the European Union has resulted in a shift in the balance among local, regional and long-distance transports. The number of long-distance transports has grown considerably [1].

In recent years, the largest growth in transport volume has been achieved by freight transports on roads and rails, closely followed by sea freight. The largest share of freight transports by far is performed by road transports. In 2005, its total was about 4.25 times greater than for rail transports and more than 10 times higher than inland waterway transports [2].

Rail transports gained hardly any market share across Europe. With a share of 16 percent, it ranks second among means of transport. But the increasing amount of road transports in western European is reaching its limits.

Logistics requirements and service areas

The outsourcing of logistics activities is widespread in western Europe and is gaining popularity. Many companies no longer view logistics as a part of their core business and hire specialized logistics service providers to do the job. As a result of this trend, many industrial companies have already outsourced parts of the standard logistics services like shipping, transshipping and storage. Added to this development are increasing numbers of high-quality logistics services and contract logistics. This also explains why the importance of contract logistics as a strategic business field of European logistics service providers continues to grow. The share of contract logistics in total revenue of European logistics service providers rose from 53 percent to 58 percent between 2004 and 2006. Experts estimate the annual growth rates of contract logistics will be 10 percent to 15 percent [3].

International logistics service providers are expanding European-wide service networks and are extending their range of skills by creating cross-border groups like the Logistics World Alliance.

In many European countries, western European postal companies operate very efficient networks for the distribution of letters and parcels and offer banking services. In addition, European postal companies are about to face liberalization. It is estimated that new competitors will boost their market share in the national mail business from the current level of 5 percent to 30 percent in 2015. The largest amount of correspondence is done in Belgium and Switzerland. The reason is the high concentration of banks and government agencies in these countries.

The western European market for courier, express and parcel services (CEP market) is characterized by high concentration and intense competition. With the help of differentiation, customer orientation and offers of added value, competitive edges are to be created. In the past, experts consistently viewed the market as a growth area. But, that is not always the case today. Despite the intense rate war, moderate increases in prices are expected in the first half of this year. The trend of western European providers is directed toward

extending their range of services by tapping eastern European markets.

Logistics centers in western Europe

The largest logistics markets in western Europe are Germany and France, followed by Great Britain, Italy and Spain.

One of the biggest changes in recent years has been the erection of central distribution warehouses. On one hand, bigger markets can be served with them. On the other, an improved network and a uniformly coordinated, European-wide strategy could create cost and service improvements.

A number of logistics and distribution centers were set up centrally in the Benelux countries and the Ruhr region of Germany. Other logistics centers have been built near major harbors and airports.

Important logistics service providers

The largest logistics service providers in western Europe include DHL, Maersk, Schenker, TNT and Kühne & Nagel.

Recommended reading

Fundamentals of Logistics Management | Grant / Lambert / Stock / Ellram
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