

THINK Executive

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The
Logistics
Institute
– Asia
Pacific

**THE EMERGENCE AND SUSTAINABILITY
OF LOGISTICS CLUSTERS**
– A SINGAPORE PERSPECTIVE



A Collaboration Between



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A THINK Executive Whitepaper

EXECUTIVE SUMMARY

Industrial Clusters tend to grow in locations where there is a suitable environment that give them a competitive advantage over other places. Logistics clusters typically form around ports with high efficiency. Over the years, Singapore has evolved as a logistics cluster, with the presence of the top 3PL companies choosing to operate from here. With many countries developing their infrastructure to attract international logistics service providers, our research studies the future prospects of Singapore as a logistics hub.

After a brief general overview of industry clusters, the paper explores the formation of Hi-Tech Clusters in Singapore followed by an in-depth analysis of the formation of Singapore's Logistics Cluster. This research is aimed at determining the factors which contributed to the formation of a logistics cluster in Singapore. A group of top 3PL companies with regional headquarters in Singapore were interviewed to gather their perspectives on the evolution of Singapore as a logistics hub. Furthermore, to illustrate the strength of logistics in Singapore, an evaluation of how Singapore stands with respect to its competitors in Asia Pacific was done.

Analysis of the data through radar graphs and perception mapping indicate that the logistics providers rate the strategic location, legal and customs processing, and quality of the infrastructure as the most important factors while choosing a location for their operations. A key finding from the interviews is that even though the cost of doing business in Singapore is high, it is off-set by the efficiency in customs and legal processes. However, some small and medium enterprises, which are relatively new to the industry, may tend to go for lower cost markets, primarily to avoid heavy competition and high barriers to entry in this logistics cluster.

Interview findings indicate that, Singapore was clearly the location of choice with respect to other countries in the Asia Pacific. Though, some of the other countries have low cost of operations and rapid growth of development it will take considerable time to reach the competency of Singapore. Another key finding was that, for logistic service providers, the presence of competitors in a location does not affect the choice of their operating location; the decision primarily depends on the needs of their customers at that location.

From the qualitative research it has been derived that there is a significant shortage of high skilled logistics professionals, which is partly addressed by free immigration policy. But special attention must be given to this issue to make sure that the industry is not affected due to lack of skilled labour. It was also found that the global recession has caused reduction in freight volumes but the industry is expected to rebound this year.

Few areas of improvement were identified. Demand forecasting would help to make sure that the infrastructure does not fall short for the growing volumes of container and freight traffic. The time lag at the pre-clearance cargo customs should be reduced to avoid losses for the logistic service providers. Integrated IT solutions which provide a dashboard to view all clients' services across different business units in a single platform should be developed.

As Singapore is fast evolving in the biomedical industry, competency should be developed to tackle demands of this new industry in collaboration with research institutes. Also talent should be developed in terms of logistics planners and analysts, who have in-depth knowledge in industry verticals, by training and education programs. Singapore should examine opportunities for cost reduction and pricing to attract cost-sensitive companies into the cluster. Few Government initiatives can facilitate the growth of SME's by helping them with niche solutions.

The Singapore government has always been very proactive in living up to the changing needs of business. Although ahead of its competitors in various aspects like infrastructure, multimodal connectivity, shipping and aviation, Singapore has to keep reinventing itself to maintain its lead as a world-class logistics hub.

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