

LOGISTICS IN MALAYSIA

OPPORTUNITIES FOR SUSTAINABLE COMPETITIVENESS

The Industrial Revolution of the 18th century put Britain on the route becoming and advanced industrialised nation. New mode of transportation and communication technology allowed British firms to spear the global economy. Policymakers globally recognize the logistics sector as one of their key pillars for development. As early as the 20th century, we can see that the economic flow has landed in the Asian region and provided a value proposition to the participating countries. The trade powerhouses in Asean region like Singapore and Malaysia has becoming an as an engine of growth and integration with global value chains.

In this situation, improving logistics performance becoming the central of the economic growth and competitiveness agenda. Since 2007, the Logistics Performance Index (LPI) has been established to support the role of logistics for growth and the policies in areas such as infrastructure, service provision, and cross-border trade facilitation. The logistics operators, government and stakeholder evaluated their performance by comparing their actual and optimum throughputs, economic value, policy implementation, cost efficiency, eco-strategy, best practices and many more.

Data from Logistics Performance Index surveys conducted by the World Bank in partnership with academic and international institutions showed that Malaysia's position has declined since 2018. This situation has created a sense of urgency among industry players. Malaysia has dropped to ranking 41 from ranking 25, as recorded previously. In the LPI for 2018, Singapore is now ranked seventh, followed by Thailand at 32 and Vietnam at 39. So what exactly is going on? How to restore this situation for the betterment? How can LPI be used to set new strategies to reach a better ranking?

"When performance is measured & reported, the rate of improvement accelerates"

Economy	2018		2016		2014		2012	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
China	26	3.61	27	3.66	28	3.53	26	3.52
Thailand	32	3.41	45	3.26	35	3.43	38	3.18
South Africa	33	3.38	20	3.78	34	3.43	23	3.67
Panama	38	3.28	40	3.34	45	3.19	61	2.93
Malaysia	41	3.22	32	3.43	25	3.59	29	3.49
Turkey	47	3.15	34	3.42	30	3.50	27	3.51
Romania	48	3.12	60	2.99	40	3.26	54	3.00
Croatia	49	3.10	51	3.16	55	3.05	42	3.16
Mexico	51	3.05	54	3.11	50	3.13	47	3.06
Bulgaria	52	3.03	72	2.81	47	3.16	36	3.21

Source: Logistics Performance Index 2012, 2014, 2016, and 2018.

Setting Up the Performance Indicator

Since the initial establishment of Logistics Performance Index, the good policy implementation is matter to develop efficient logistics performance. Nevertheless, we can see that many developing countries still lag behind.

The main issues that still prevails consist of trade, border management and customs, and transportation cost. In a global environment, customer require more certainty about when and how deliveries will take place. This increases the demand for quality in logistics services, posing challenges for logistic operators and for governments, all of which face pressure to facilitate trade while safeguarding the public against criminal activity, health concerns, or terrorism threats.

Efficient border management is critical for reducing avoidable delays and enhancing expectedness in border clearance. Coordination among government agencies will remain essential in trade facilitation efforts as will introducing best practices in automation and risk management. On the other hand, due to Covid-19, transportation costs have increased as logistic operators face new challenges and protocols entering different continents and countries with different security regulations in response to the pandemic situation.

To improve this situation, the parties involved need to set targets and understand performance indicators that will help them improve their capabilities.



01

Logistics security incident are intentional. They involve damage to property or injury that may occur in land or water that undertaken by individuals.

Any disruption in the materials flow at any stage will be appear as logistics risk. In order to prevent the incidents from occurring, a specific performance measure need to be established to reduce the risk. Among the indicators that can be considered are number of safety/ or security incidents, effectiveness of the procedures, response time and safety features. This safety and security indicator depends on the state of the business to be operated.

02

Customs and Border Management consist of trade facilitation issues targeted at greater predictability, transparency, effectiveness and efficiency of government services and regulations. It involves the clearance of import, export and transit transactions across international borders. The Border Management contains a number of comprehensive regulations, both domestic and international, managing trade and travel flows, while maintaining a balance with compliance requirements. The related aspects of performance indicators such as coordination effectiveness, response time, clearance, joint-border control effectiveness, and risk assessment can surge cross-border cooperation among beneficiary countries.

"The Logistics Performance Index (LPI) has been established to support the role of logistics for growth and the policies"

03

The emerging trends of global logistics industry is becoming more multifaceted due to niche demands from various industry sectors. Global trade activities have pushed the companies to look into logistics service providers which can provide total logistics solution and efficient services. Over the years, trade activities in Malaysia have increased significantly and the logistics sector contributed more than 3.5% to the country's GDP since 2019. Based on this fact Malaysia has a strong opportunity to market the country as a regional logistics hub as the country is strategically located within the heart of ASEAN. Nevertheless, the logistics infrastructure seems to be improving in order to attract more international companies to establish its regional operations here. The major determinants of infrastructure performance are ports, airports, rail, roads, warehousing and transloading, and ICT. The infrastructure development can create perfect business ecosystem and support trade relations to further attract the establishment of regional hubs in the country and position Malaysia as a potential destination for Regional Logistics Hubs.

Malaysia scored well in international shipments according to the Logistics Performance Index survey conducted by World Bank in 2018



04

The Quality of Logistics Services is balancing basics the physical distribution service and marketing customer service. From the logistics point of view, the service quality is measured by the ability to accomplish the clients' request. The five key factors to measure the service performance are based on tangibles, reliability, responsiveness, assurance and empathy. All the components can be quantified through many variables. In order to offer outstanding services, logistics operators need first to recognize clients' desires and potentials. They can plan on how to serve the client better and more attention should be placed to yield better results.

05

Eco-strategy is about setting the vision into the set of sustainability issues and response options to the environment. Companies that can solve their environmental problem will see the rise of revenues.

It may provide goodwill, add to their brand luster and a rise in market value based on intangible that go beyond growth in sales or profits. To draw the indicators, start by identifying the list of 'common metrics used to assess business environmental impacts' that seem relevant to the business. Among the strategic indicators are greenhouse gas reduction, renewable energy, commitment to alternative energy, engagement with NGO's and carbon disclosure project.

The critical measures in logistics operation is about the timeliness. The ability to manage entire logistics process consists of managing inventory, fulfilling orders, and shipping packages require a good time management. Punctuality in logistics is the arrival and departure of goods delivery according to a predetermined schedule. The role of timely response in logistics operation and handling complaints after service failure promoting satisfaction among customer. Therefore, the logistics operator can set a specific performance indicator that can reflect the level of timeliness required by the customer.

06

07

Tracking and tracing enable us to determine the physical position of goods in the chain. It becoming one of the important area that give a big impact towards customer satisfaction. As supply chains become increasingly complex, goods delivery monitoring becomes even more critical. It helps the logistics operator to track accurately physical location of goods, from raw materials to finished products and from storing to picking, packing, transporting, and delivering products to customer.



08

International shipment is defined as goods delivery taken from one country and delivered to an address in another.

Malaysia scored well in international shipments according to the Logistics Performance Index survey conducted by World Bank in 2018. Expedited international shipment becoming essential because the service moves the goods quickly than an economy service. Economy service might take 5–10 days to be delivered from one country to another, expedited international shipment takes just 1–3 days on average. The process to achieve this target needs to be refined to achieve the set target.

Continuous Improvement

Sustainability must be understood not as an endpoint but as journey. Every logistic operator needs to regularly update its performance indicator progress and rethink the risks and opportunities presented by the evolving set of sustainability pressures. The action items need to be highlighted in the discussion should be undertaken on a basic level and then redone on intermediate and advanced levels. The Logistics Performance Index is a benchmarking tool created to help logistics operators identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance.