2020 LOGISTICS & EFFICIENCY INDICATOR SURVEY, PHILIPPINES

The logistics cost in the Philippines remains the most expensive as compared to its neighboring Southeast Asian countries (Arvis, et al., 2018). According to the World Bank, high logistics costs can be attributed to poor logistics performance. And based on the World Bank's 2018 Global Logistics Performance Index (LPI) rankings, the Philippines lags behind Malaysia, Indonesia, Thailand, and Singapore at 60th spot.

The Department of Trade and Industry (DTI), specifically the Supply Chain and Logistics Management Division (SCLMD), embarked on a partnership with the World Bank and conducted a survey on the country's logistics efficiency in 2017. This was conducted to determine the logistics performance of the country as experienced by both manufacturers and logistics services providers.

The primary objectives of the current survey are to review and update information about the logistics practices of manufacturers as of 2020 and evaluate these practices' impact on logistics cost.

Modified the data collection system from a self-administered questionnaire done in multiple locations to a combination of telephone and web surveys conducted or administered by trained enumerators.

Target Regions are National Capital Region, Region III, Region IV-A, Region VI, Region VII, Region X, Region XI, and Region XII. Target industry sectors are Agribusiness, Auto and Auto Parts, Chemicals, Construction Materials, Electronics, Furniture, Garments and Textile, and Processed Food.

PROFILE
OF RESPONDENT-MANUFACTURING FIRMS

Base: 300 Respondents

19 Years
in Business Operation

TYPE OF BUSINESS

91.3%	6.3%	2.3%
Corporation	Single	Others

ASSET SIZE

47.0%	29.0%	24.0%
Small	Medium	Large

36.3%
Have Php 15M to Php 100M Gross Sales

243
Average Number of Employees

FOREIGN EQUITY

32.3%	10.3%	57.3%
50% or more	Less than 50%	None

PROFILE
OF RESPONDENT-MANUFACTURING FIRMS

Base: 300 Respondents

MAIN AREA OF OPERATIONS

TOP 3 REGIONS

- Region IV-A (57.3%)
- Region VII (15.3%)
- NCR (12.3%)

TOP 3 PROVINCES

- Cavite (23.3%)
- Laguna (21.7%)
- Cebu (14.7%)

MAIN CORPORATE OFFICE

TOP 3 REGIONS

- Region IV-A (55.7%)
- NCR (17.7%)
- Region VII (15.3%)

TOP 3 PROVINCES

- Cavite (22.7%)
- Laguna (21.0%)
- Cebu (14.7%)

MAIN INDUSTRY SECTORS

Electronics 27.3%

Auto and Auto Parts 15.7%

Chemicals 13.7%

Construction Materials 10.7%

Processed Food 10.3%

Garments & Textiles 9.3%

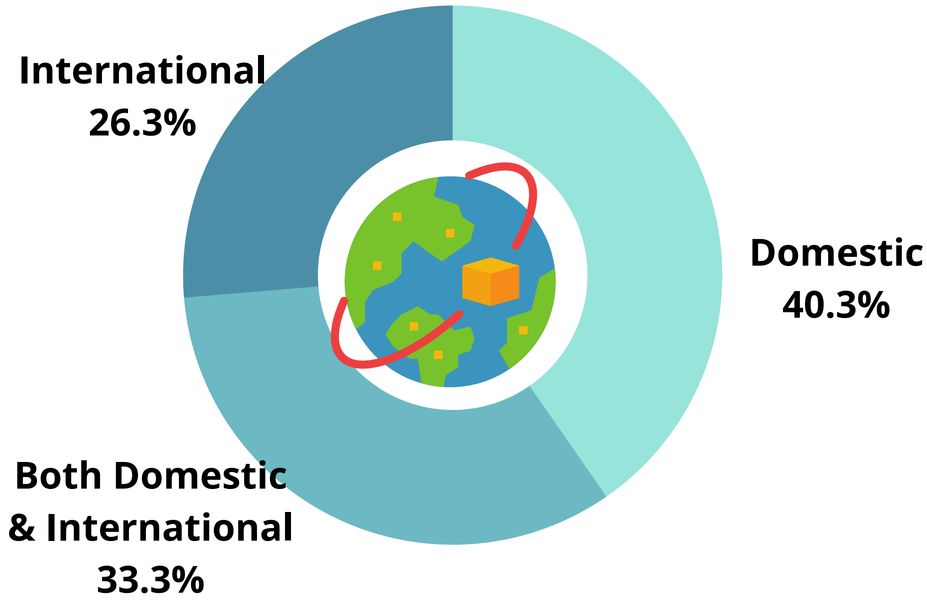
Agribusiness 7.0%

Furniture 6.0%

PROFILE
OF RESPONDENT-MANUFACTURING FIRMS

Base: 300 Respondents

MAIN MARKETS/ CLIENTS OF THE FIRM



DOMESTIC AND INTERNATIONAL MARKETS BEING SERVED BY THE FIRMS

Domestic

Base: 221 respondents

Top 3 Regions

- **Region IV-A (60.6%)**
- **NCR (36.2%)**
- **Region VII (17.6%)**
- **Region III (17.6%)**

International

Base: 179 respondents

Top 3 Continents

- **Asia (80.4%)**
- **North America (34.1%)**
- **Europe (26.3%)**

LOGISTICS OPERATIONS

OF RESPONDENT-MANUFACTURING FIRMS

Base: 300 Respondents

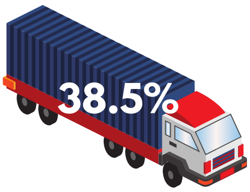
DISTRIBUTION CHANNELS

Export	42.5%
Direct to Customer Site	21.4%
Industrial Customers	19.7%
Direct to Wholesalers & Distribution Centers	8.9%
Direct to Store or Retailers	7.2%
Others	0.5%

MAIN LOAD TYPE WHEN DELIVERING TO DOMESTIC AND INTERNATIONAL CLIENTS

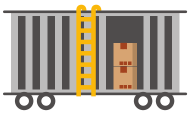
DOMESTIC

Base: 221 respondents which firms main market is domestic



Full Truck Load

33.0%



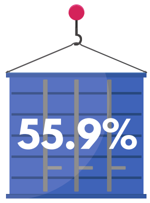
Unitised Cargo, LCL and/or LTL

26.2%

Smaller Land-Based Transportation

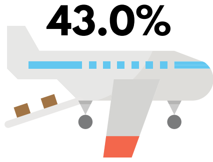
INTERNATIONAL

Base: 179 respondents which firms main market is international



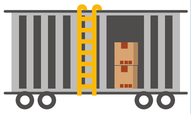
Unitised Cargo, Full Container Load (FCL)

43.0%



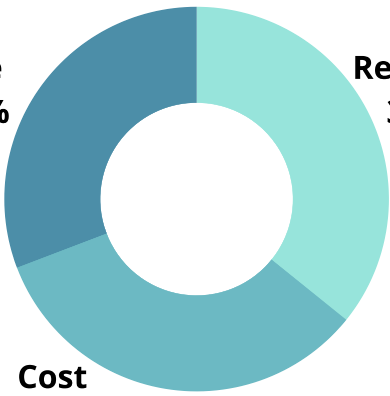
Air Freight

34.6%



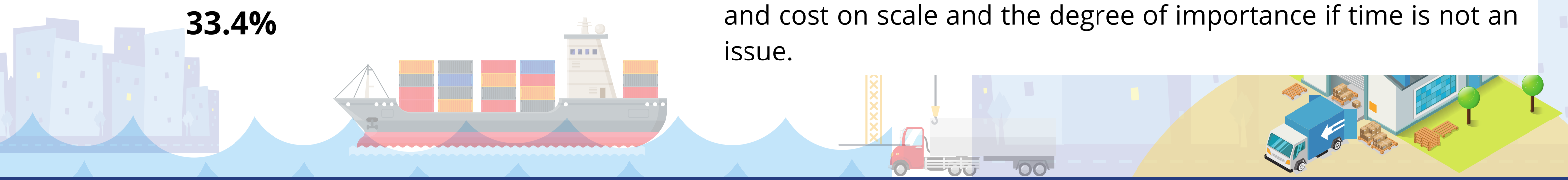
Unitised Cargo, LCL and/or LTL

PERCEPTION ON THE RELATIVE IMPORTANCE OF TIME, COST, AND RELIABILITY



Reliability is defined as consistency in performance both in the delivery of products and safe delivery of products.

Respondents were asked to nominate which is more important between cost and time on a scale and the degree of importance of the nominated factor if reliability is not an issue. They were also asked to nominate which is more important between reliability and time on a scale and the degree of importance of the nominated factor if cost is not an issue. Finally, they were asked to nominate which is more important between reliability and cost on scale and the degree of importance if time is not an issue.



LOGISTICS OPERATIONS

OF RESPONDENT-MANUFACTURING FIRMS

Base: 300 Respondents

Logistics Operations Manufacturing Firms Outsource

	# of Firms Outsourcing = 100%	With Service Level Agreement	With Service Level Agreement
TOTAL OUTSOURCING	**239**	**53.1%**	**46.9%**
Customs Brokerage	149	48.3%	51.7%
International Transportation	137	49.6%	50.4%
Domestic Freight Forwarding	108	39.8%	60.2%
Domestic Transportation	104	40.4%	59.6%
Value Added Services	25	28.0%	72.0%
Logistics IT Systems	18	27.8%	72.2%
Warehouse & Inventory Management	15	46.7%	53.3%

Note: Horizontal Reading of Percentages.

Firms' Average Lead Time from Ordering to Delivery to the Main Customers (in # of Days)

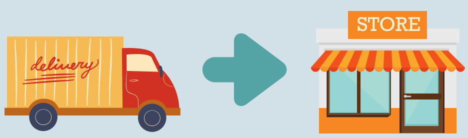
23 Days

Average Lead Time from Receipt of Order to Dispatch Prior to Actual Delivery

+

11 Days

Average Lead Time to Deliver to Main Customers



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34 Total Days

Average Lead Time from Receipt of Order to Actual Delivery

COMPANY OPERATIONS

OF RESPONDENT-MANUFACTURING FIRMS IN 2020

Base: 300 Respondents

TYPE OF SHIPMENTS RESPONDENT-FIRMS ARE USING

Type	%
Land Cargo	63.7%
Sea Shipment	48.3%
Air Cargo	31.7%

STATUS OF SHIPMENTS

Shipped Complete Per Month	Shipped On Time Per Month	Damaged Products Upon Receipt
95.1%	91.8%	2.2%

The majority (54.3%) said that their clients pay 100% within the firm's credit terms.

AVERAGE NUMBER OF DAYS OF SALES OUTSTANDING

37 Days

PAYMENTS MADE WITHIN TARGET CREDIT TERMS ON THE AVERAGE

88.4%

AVERAGE NUMBER OF DAYS OF PAYABLES OUTSTANDING

38 Days

8-30 days

Usual duration when companies hold their inventories of finished products

AVERAGE NUMBER OF DAYS FIRMS HOLD THEIR INVENTORIES

26 Days

AVERAGE RATIO OF RETURNS

3.1%

CUSTOMER COMPLAINT RATE ON THE AVERAGE

4.2%

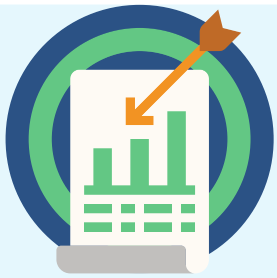
COMPANY OPERATIONS

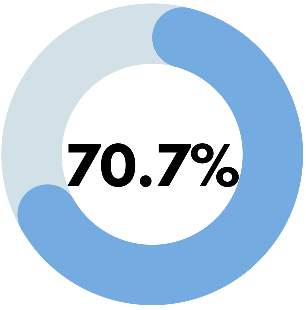
OF RESPONDENT-MANUFACTURING FIRMS AS A WHOLE

Base: 300 Respondents

Average Accuracy of Forecast Made Regarding Customer Demand for the Main Product

77.5%





PERCENTAGE OF COMPANIES WITH UNFULFILLED ALL ORDERS

TOP 5 REASONS FOR UNFULFILLING ORDERS

Base: 212 respondents who did not fulfill the orders of their clients

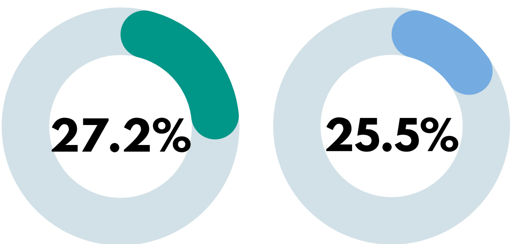
Reason	%
Delays in Customs Process	35.4%
Congestion	35.4%
Delays in Receiving Cargo	32.1%
Weather	20.8%
Availability of Logistics Services/Problems Coordinating Transport	17.9%

LOGISTICS COSTS

OVER ANNUAL SALES IN 2020

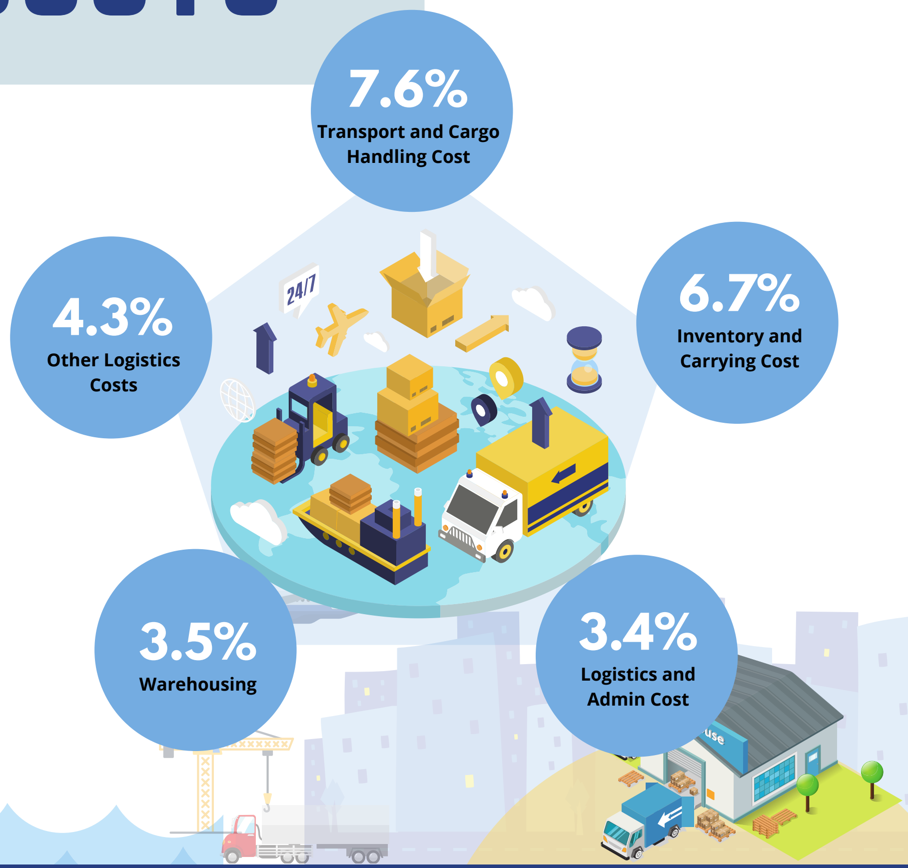
Base: 300 Respondents

BY YEAR



2017 LEI SURVEY

2020 LEI SURVEY

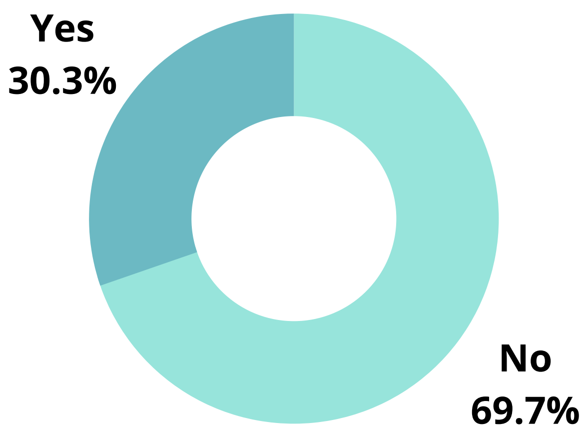


LOGISTICS COSTS

OVER ANNUAL SALES IN 2020

Base: 300 Respondents

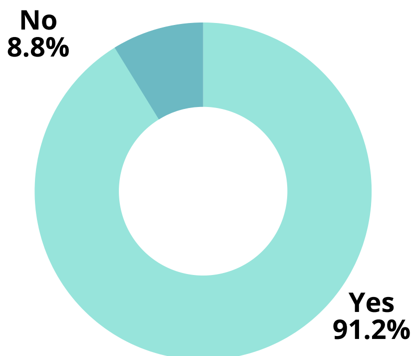
Presence of Documented Logistics Plan in the Firms



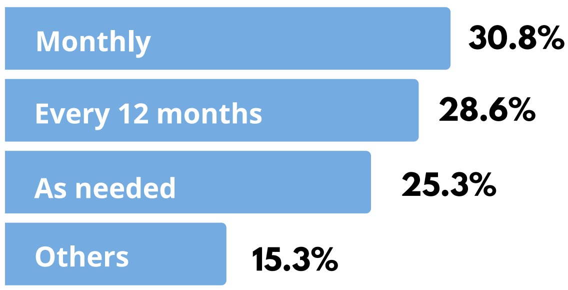
WITH DOCUMENTED LOGISTICS PLAN

Base: 91 respondents who have documented logistics plan

Linked to Corporate Plan



Frequency of Updating the Logistics Plan



Activities Occurred in the Development and Deployment of the Strategic Logistics Plan

- **69.2%** Operational Key Performance Indicators (KPIs) aligned with individual's objectives
- **53.8%** Performance Appraisal
- **35.2%** People set targets as part of planning process
- **27.5%** Operational workshops involving workforce
- **1.1%** Others

SKILLED LOGISTICS

AVAILABILITY AND DEGREE OF IMPORTANCE

Base: 300 Respondents

MANAGER LEVEL

	Percent Available	Mean of Importance (5 - Highest)
Operations Manager	96.0	4.7
Procurement & Supply Manager	84.3	4.5
Logistics/Supply Chain Manager	77.7	4.3

STAFF LEVEL

	Percent Available	Mean of Importance (5 - Highest)
Customs Brokerage	91.3	4.4
Warehouse Operatives	89.7	4.3
Truck Drivers	87.7	4.5
Packing/ Packaging Operatives	85.3	4.1
Inventory Planner	81.7	4.3
Forklift Operators	78.0	4.2
Logistics Planner	73.7	4.1
Forecast Planner	71.7	4.1
Logistics/ Supply Chain Analyst	65.0	3.9
Traffic/Transport/Load Planner	63.3	3.8

HUMAN RESOURCES

OF MANUFACTURING-LOGISTICS FIRMS

Base: 300 Respondents

AVERAGE LENGTH OF STAY IN THE FIRM

9.7 Years

Operational Level Staff

11.1 Years

Management Level Staff

PROPORTION OF REGULAR AND CONTRACTUAL EMPLOYEES IN THE COMPANY

76.1%

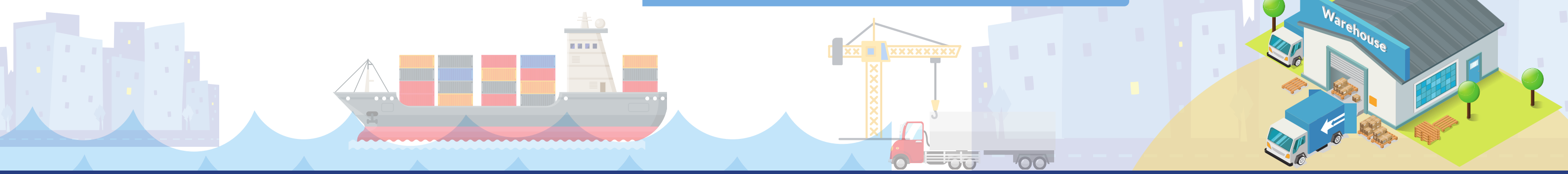
Regular Employees

23.9%

Contractual Employees

FIRMS' HUMAN RESOURCE POLICIES RELATED TO LOGISTICS SKILLS DEVELOPMENT

Internal development program with internal trainers	38.3%
External development programme (i.e. outside seminars or workshops)	38.0%
On the job training	28.0%
Internal development programme with external trainers	23.0%
Continuing professional development	23.0%
Others	1.3%
None, or not relevant	29.7%

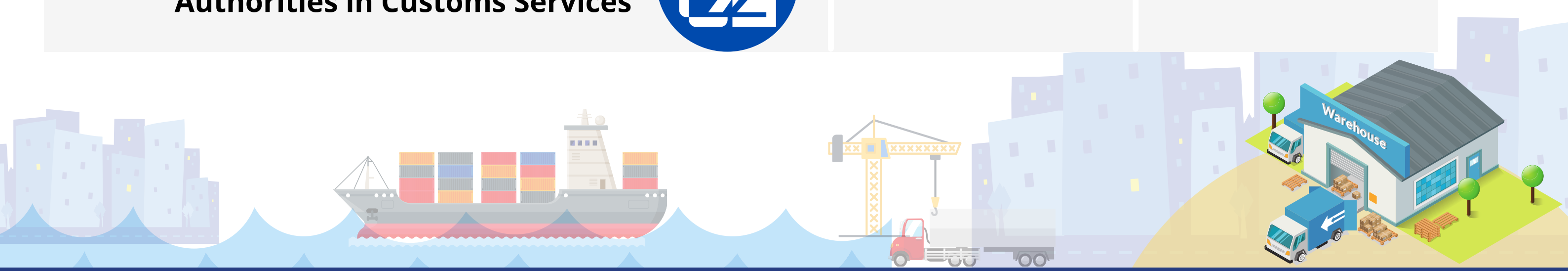


INTERNATIONAL LOGISTICS

EFFECTIVENESS AND IMPORTANCE OF FUNCTIONS

Base: 300 Respondents

	Mean of Effectiveness (5 - Very Good)	Mean of Importance (5 - Highest)
Quality of Logistics Services and Competence of Service Providers	4.0	4.5
Quality of Airport Infrastructure	3.9	4.6
Availability of Logistics Infrastructure (i.e. Warehouse, Distribution Centres, etc.)	3.9	4.5
Availability of Reliable Transport Services	3.9	4.5
Possibility to Track and Trace Shipments	3.9	4.6
Quality of Transport and Telecommunications Infrastructure	3.7	4.5
Quality of Port Infrastructure	3.7	4.5
Quality of Road Infrastructure	3.7	4.6
Probability of Shipments Arriving at the Promised Time	3.7	4.7
Effectiveness of Customs and other Authorities in Customs Services	3.6	4.4



DOMESTIC LOGISTICS

EFFECTIVENESS AND IMPORTANCE OF FUNCTIONS

Base: 300 Respondents

	Mean of Effectiveness (5 - Very Good)	Mean of Importance (5 - Highest)
Availability of Domestic Shipping Services	3.9	4.6
Availability of Reliable Transport Services	3.9	4.6
Quality of Logistics Services and Competence of Service Providers	3.8	4.5
Availability of Logistics Infrastructure (i.e. Warehouse, Distribution Centres, etc.)	3.8	4.6
Possibility to Track and Trace Shipments	3.8	4.6
Quality of Domestic Shipping Services	3.8	4.6
Probability of Shipments Arriving at the Promised Time	3.8	4.6
Quality of Airport Infrastructure	3.7	4.6
Quality of Transport and Telecommunications Infrastructure	3.7	4.6
Quality of Port Infrastructure	3.7	4.6
Quality of Road Infrastructure	3.6	4.6