

# SME EXPORT TALK



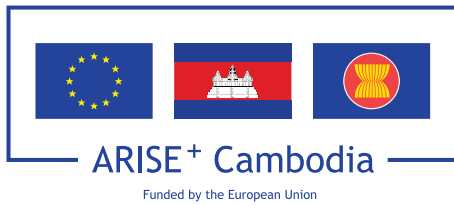
# Logistics Providers for Export

[www.cambodia-ariseplus.asean.org](http://www.cambodia-ariseplus.asean.org)









Implemented by



# INTRODUCTION

## ARISE Plus Cambodia:

- Is co-funded by the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ).
- Is implemented by GIZ, the German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit).
- Aims to support greater connectivity and economic integration between Cambodia and the rest of ASEAN, by implementing the ASEAN Economic Community Blueprint 2025.

Among others, **ARISE Plus Cambodia** aims to assist **Cambodian SMEs in increasing and/or diversifying exports**. SMEs contribute greatly to job creation, new income opportunities and economic development in rural areas. Exporting is a possible solution to achieve the long-term sustainability of such enterprises. In this regard, the key for successful business is the ability to access reliable and accurate information, particularly with regards to export requirements and strategies. Therefore, together with EuroCham, ARISE Plus Cambodia is organising a series of information events, the **“SME Export Talk”**. These events will cover several topics related to exporting and SMEs, and will last until the end of 2022.

The content of the SME Export Talk includes, for instance: social media for SMEs, export opportunities in ASEAN, product/process quality standards, product branding, ASEAN Non-Tariff Measures (NTMs), effective business matching and negotiation, participating in trade fairs, third-party logistics and others.



## DEFINITION OF THIRD-PARTY LOGISTICS

---

Logistics providers are often named “**third-party logistics companies**” ; this term refers to an outsourced service provider. Logistical services include managing how resources are moved to the areas required from their production site. The services of a logistics provider are transportation, warehousing, cross-docking, inventory management, packaging, administrative procedure with customs, and distribution. These services are integrated, or packaged together, by the provider.

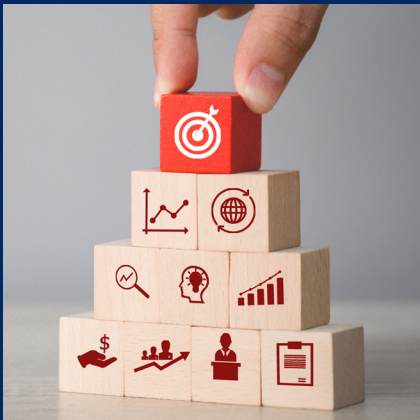






## THIRD-PARTY LOGISTICS FOR SMES AND ITS ADVANTAGES

Third-party logistics providers play a crucial role in the supply chain for SMEs. Nowadays, customers and business partners have become accustomed to fast shipping due to the efficiency of logistical firms. Small businesses often lack the resources to ship products quickly while maintaining a profit, therefore hiring a **logistics provider often means the SME takes the orders while a logistics provider manages the storage, shipping, and often certain customer service functions.**



A logistics provider can help companies deliver goods faster while providing several other significant advantages:

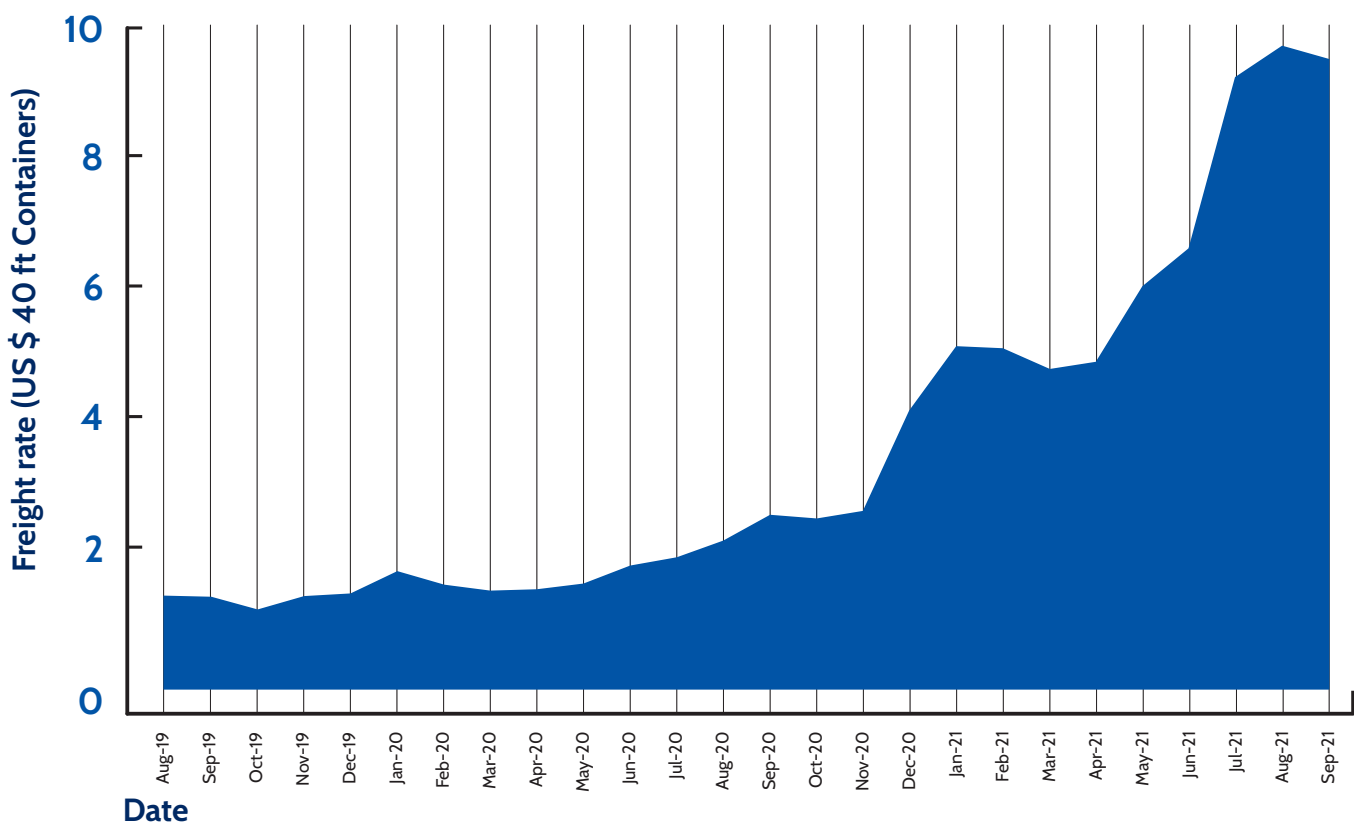
- **Shared cost of supply chains**
- **Access to advanced technologies**
- **Greater knowledge of supply chain best practices**



## COVID-19 HAS LED TO INCREASED SHIPPING COST

Logistical firms, which are involved in the movement, storage, and flow of goods, have been directly affected by the COVID-19 pandemic. Exporting SMEs have experienced a significant increase in shipping costs and delivery delays. In some cases, the shipping costs are higher than the value of the exported goods, presenting a significant obstacle to the international development of SMEs. The surge in costs is also attributed to fewer available vessels and containers due to declining demand in retail from Europe and North America, and robust exports to China. Ocean freight relies on supply and demand, there it is not subjected to any regulation.

World Container Index



Source: Dewry

According to the World Bank, long-term logistical costs will continue to be influenced by tighter cross-border processes and controls fuelled by concerns regarding the transmission of diseases. As a result, many businesses will diversify in terms of areas of operation, suppliers, business models, products and customers.



## HOW TO PICK THE BEST EXPORT TRANSPORTATION MODE?

Transportation defines how the product moves, from the place where it is produced or stored to the point where it was agreed to be delivered to the buyer.



There are 5 modes of transportation available in Cambodia:





## ROAD



### PROS



Good balance of cost and transit time compared to air and sea freight



Door-to-door service is often available



High-cost efficiency for tall packages



High-flexibility by changing routes in order to avoid delays



### CONS



Limited distance – only as far as mainland Southeast Asian countries



Cambodia road freight exports still need to rely ultimately on sea transport



Lowest level of overall security



Different rules and regulations for each country and toll charges can vary



Border crossings are more complicated by land

## SEA



### PROS



Cheap method of shipping



\*Bills of Lading allow the exporter to retain the ownership over goods, giving more ownership control to the shipper



As the longest serving global shipment method, it is the most common for exporters



Cargoes of most sizes can be shipped by sea



### CONS



Slowest method of transport with transit times



Longer shipping times mean increased exposure to risk of loss or damage



Highest chance of longer delays if port arrivals are delayed



Most onerous in terms of documentation (although a freight forwarder or agent can often handle this on your behalf)

---

*"A bill of lading is a contract between the owner of the goods, and the carrier stating what are the goods being shipping, where the shipment is coming from and where it is headed. It also serves as a receipt issued by the carrier once the shipment is picked up".*



## AIR



### PROS



**Best for larger orders** that need to arrive quickly



Highest standards of safety among transportation methods



Runs to accurate timetables meaning least delays on the whole



### CONS



The most expensive form of international shipping



More risk of load capacity problems due to limited cargo space compared to sea freight



Susceptible to adverse weather, particularly considering the expected speed of service







Highest negative environmental impact

## RAIL






### PROS

-  Least affected transport mode by weather conditions such as heavy rains
-  Safe transportation mode
-  Connection with logistics hubs such as the port of Sihanoukville and Poipet
-  Eco-friendly mode of transport



### CONS

-  Timings cannot be adjusted to individual requirements
-  No connecting lines in service with neighbouring countries
-  Railway freight traffic volumes are still too low to be commercially viable



## RIVERS



### PROS



Allows connections to the new international hub port of Cai Mep (south of Saigon in Viet Nam)



Safe transportation mode and cost efficient



Can travel on the Mekong River



Phnom Penh Autonomous Port has a new container terminal 30 km southeast of Phnom Penh along the Mekong River and National Road 1



### CONS



No railway connections to the PPSP new container terminal



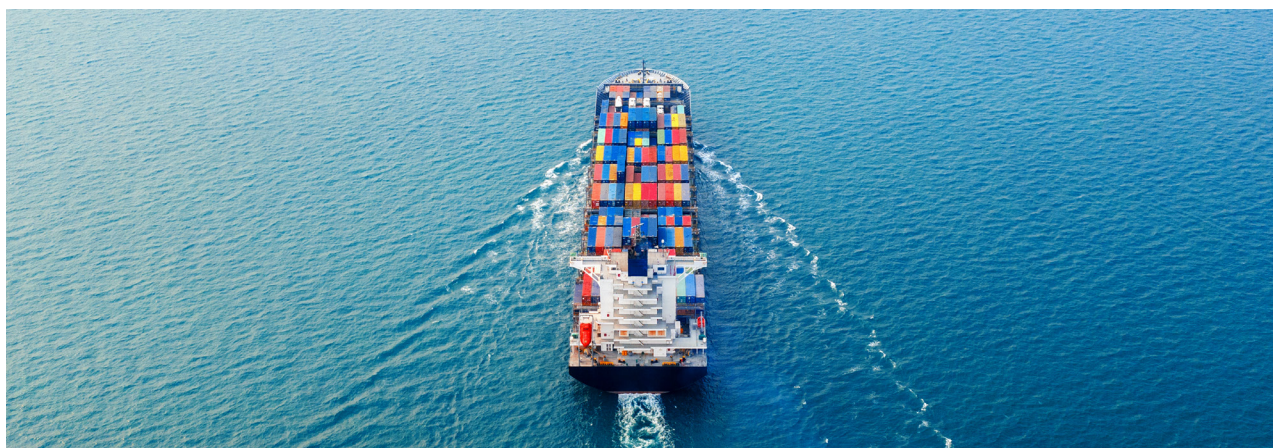
Quality Service at the border is limited



Old fleets in operation



Worldwide, approximately **90%** of products are transported by ocean due to lower costs, mostly high volume of products that need to be transported across borders. Air transport is generally used for small, valuable or urgent cargoes.



Several factors have to be considered when choosing a logistics provider.

#### **STRONG REPUTATION OF THE FIRM AND KNOWLEDGE OF THE SECTOR:**

Dealing with a reputable logistics firm reduces the risks of unexpected events. Besides, some goods - such as food and other expirable products - require specific logistics procedures.

#### **LOGISTICS MANAGEMENT FROM START TO FINISH:**

Choosing a provider with the expertise and resources to manage transportation logistics in an integrated way, as well as specific storage and value-added services, such as packing and security.

#### **WORLDWIDE PRESENCE:**

A firm that operates internationally, with great knowledge of the destination markets, including customs regulations and foreign trade compliance, is better prepared to meet delivery deadlines.

#### **COVERS ALL TRANSPORTATION MODES:**

A service provider can more easily coordinate the delivery process when using several transportation modes for the same SME. Mode flexibility also ensures better tracking.

#### **SECURITY AND TECHNOLOGY:**

A reliable logistics provider ensures the safe delivery of a shipment from the moment it leaves the facility to the final destination. In this regard, transparency and integration of IT systems for transport and warehouse management are vital.

## OVERVIEW OF TRANSPORTATION MODES IN CAMBODIA

Share of export in % by logistics hub in Cambodia



● Sihanoukville Autonomous Port

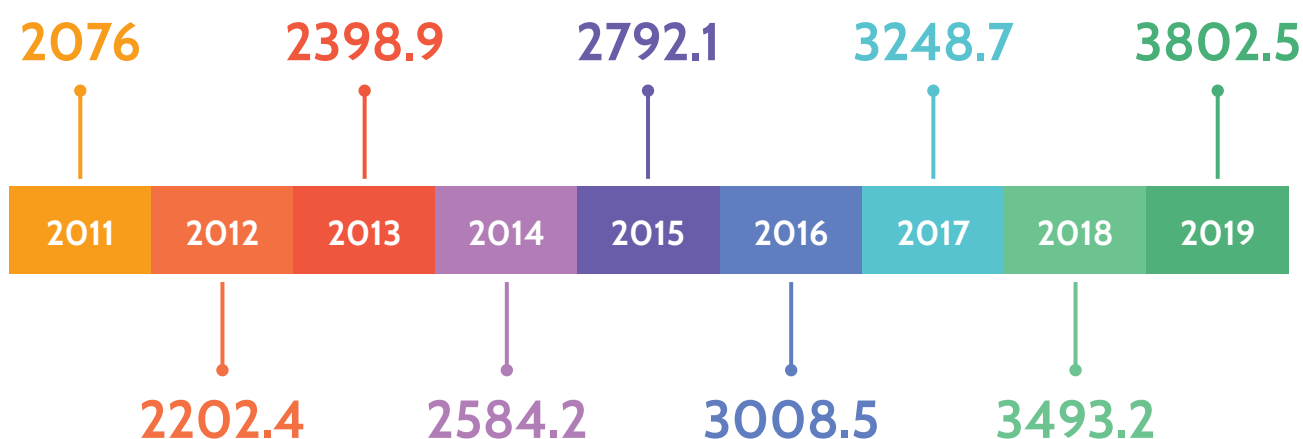
● Phnom Penh Autonomous Port

● Bavet & Poipet

Source: ADB

Cambodia is experiencing continuous economic growth; the World Bank predicts a **2.5% growth rate for 2021**, despite the consequences of the COVID-19 pandemic. The economic development of Cambodia has increased the volume of imports and exports. On the other hand, the benefits from the Generalised Scheme of Preferences (in particular with the US and EU under the Everything But Arms scheme), as well as the recent ratification of international trade agreements with major economies (China and Regional Comprehensive Economic Partnership), has accelerated the export of goods and highlighted the need for better logistics infrastructure, to reduce the cost and timing of shipments.

GDP From Transport in Cambodia, KHR Billion



Source: National Institut of Statistics



## Cambodia has four:

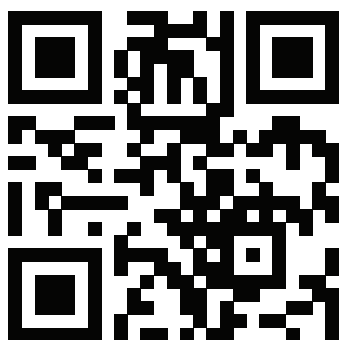
The ports of Sihanoukville and Phnom Penh, and the border towns of Bavet (bordering Viet Nam) and Poipet (bordering Thailand). To enhance its economic competitiveness, Cambodia's logistical sector needs more high-quality infrastructure, institutional harmonization, and regional economic integration.

### a. Air

### b. Sea and Rivers

### c. Land

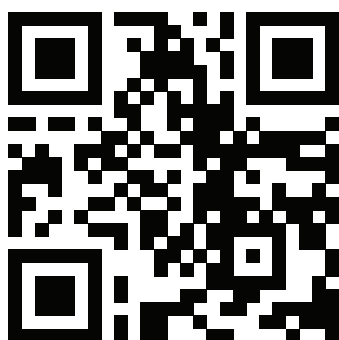
### d. Railway



Get started here, scan this  
QR code to know more about  
**Air Cargo**



Get started here, scan this  
QR code to know more about  
**Water Transport**



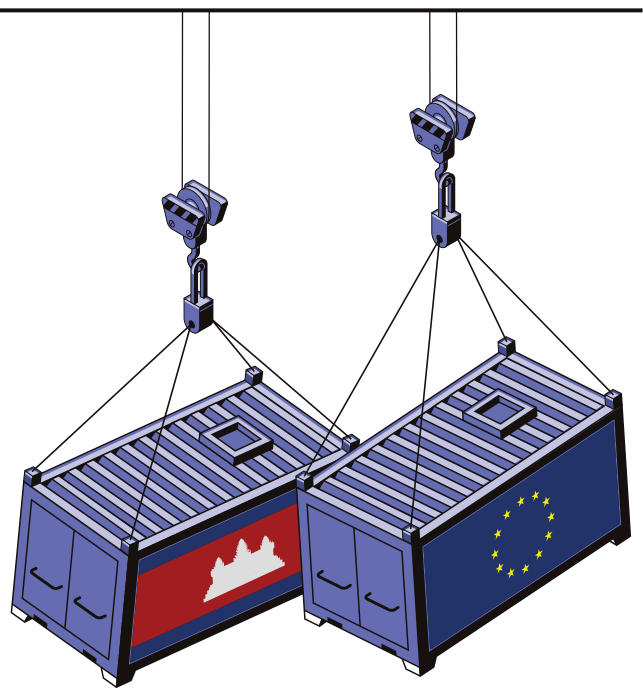
Get started here, scan this  
QR code to know more about  
**Road**



Get started here, scan this  
QR code to know more about  
**Railway**

# Dry cargo containers: the standard for exports

Dry cargo containers are used to transport all types of goods, with the exception of liquids. These containers are made of steel or aluminum, and they are airtight to prevent any outside element from damaging the goods inside. Standard dry containers are designed and constructed for **intermodal freight transportation** and commonly used for export. The two types of standard dry containers are 20 and 40 feet (suitable for most types of cargo).



Type	20ft	40ft
Container weight		
Gross	24000	30480
Tare	2,370	4,000
Net	21,630	26,480
Interior measurement		
Length	5,898	12,031
Width	2,352	2,352
Height	2,394	2,394
Door open		
Width	2,343	2,343
Height	2,280	2,280

## Outsourcing the logistics or doing it in-house:

The management of logistics can be done either in-house or be outsourced. In Cambodia, many SMEs choose to outsource logistical activities. According to a 2018 World Bank study, the share of logistical outsourcing in Cambodia reached 68%.

The most common reason for companies to outsource is that they trust logistical firms to carry out the process better, particularly in handling the complex administrative procedures. In Cambodia, if an SME were to handle logistics in-house, it would mean investing in and managing a vehicle fleet, as well as dealing with ocean vessels procedures. For many of them, this is too much to deal with. As a result, selecting a logistical service provider (LSP) helps SMEs to focus on their core business and leave logistics to firms with comparative advantage in this field.





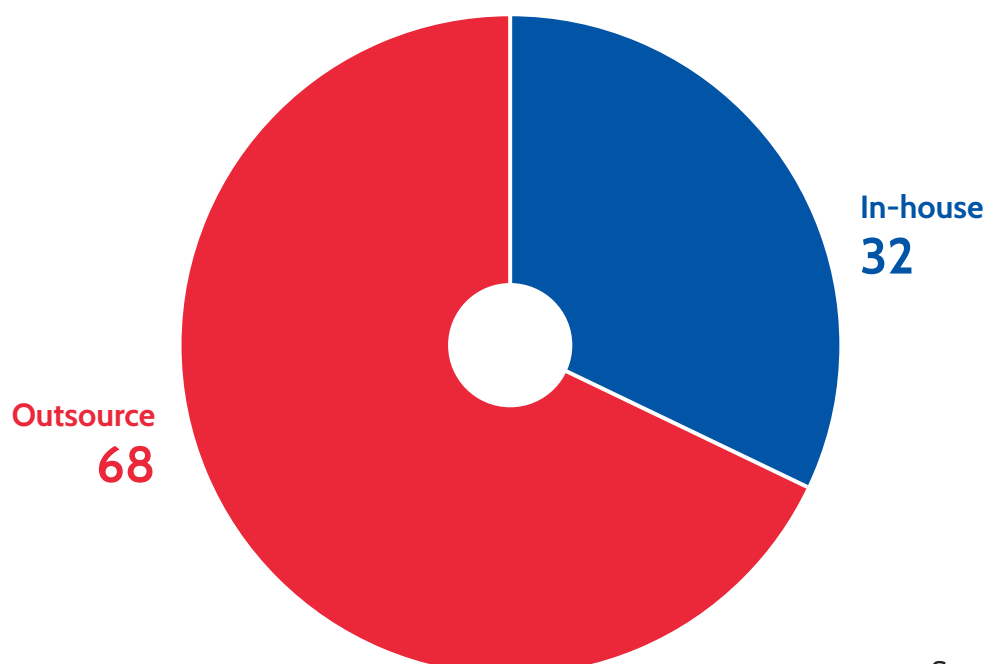


The World Bank study also highlighted that the situation in Cambodia is similar to that of Vietnam and Thailand, where outsourcing is once again the common way of managing logistics.

Many LSPs are SMEs themselves, even being family businesses sometimes. Among LSPs, large companies have internal staff training systems, whilst SMEs and family businesses tend to have insufficient or no training systems, which results in lower-quality logistical services. Many SMEs choose to outsource logistics to multinational companies which often also provide customs brokerage and general sales agents services for air freight processes.

Global logistics operators in Cambodia significantly contribute to trade facilitation and help to strengthen the capacity of local operators either through partnerships or joint ventures.

Outsourcing ratio



Source: World Bank

## Less than Container Load

This term is used to describe container loads which are filled with multiple orders or goods. When shipping a small volume of stock by container ship, it's more economical to combine a delivery with other orders. This is termed "Less-than-container Load". This service is often required to satisfy business demands of Cambodian SMEs and international supply chains.

LCL services are provided by international logistics companies and domestic trucking/dry port companies. Some of these firms have their own specialized logistics routes for their LCL activities, while others use Singapore as a LCL hub to dispatch less than full container goods to anywhere in the world. However, goods need to be gathered in Phnom Penh for international LCL operations

## The benefits of less than container load:

- Good for shipping small loads – a SME can choose to ship lower volumes of goods initially before ramping up volumes, LCL is a good option to start off when trading;
- Shorter delivery time – because there is no need to wait until sufficient volume to send a whole container of goods, the goods ordered would arrive faster to the destination;
- Less inventory management – as the volume of goods is lower than that of a full container, inventory management in the warehouse is minimal.

## Delivery of small parcels tracked by GPS

The delivery of small parcels has become very important for exporting SMEs since online-shopping is a growing market practice that has been accelerated by the consequences of the COVID-19 pandemic. To carry out the shipment, there are several internationally reputable express delivery service operators in Cambodia, that integrate modern technologies to ensure the safety of the shipment.

The GPS based tracking system has already been introduced and used by some private companies in Cambodia. GPS based tracking services and the provision of on-time information can satisfy SMEs. Furthermore, it also enables logistics companies to carry out cost-benefit assessments and manage their fleets, which in turn enhances their competitiveness. In Cambodia, tracking activities have been fairly widespread among international logistics service providers.

Published by

Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH

Registered offices  
Bonn and Eschborn, Germany

Dag-Hammarskjöld Weg 1-565760 Eschborn, Germany  
T +49 6196 79-0  
F +49 6196 79-1115  
E [info@giz.de](mailto:info@giz.de)  
I [www.giz.de](http://www.giz.de)

Author(s)  
Email

Guillaume Maltaverne  
[guillaume.maltaverne@gopa.de](mailto:guillaume.maltaverne@gopa.de)

As of

September 2021

Content and  
Design by

GOPA Worldwide Consultants

GOPA Worldwide Consultants is responsible for  
the content of this publication.

