

Chapter 1

A Case Study of Singapore as a Logistics Cluster

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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 industry typically develops as a cluster around ports with high efficiency. Over the years, Singapore has evolved as a logistics cluster, with the presence of the world's top 3PL companies choosing to operate therein. Moreover, a number of countries are developing their infrastructure to attract international logistics service providers here. This case examines the future prospects of Singapore as a logistics hub.

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INTRODUCTION

After a brief general overview of industry clusters, this study 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 aims 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 shared their views on the evolution of Singapore as a logistics hub. Furthermore, to illustrate the strength of logistics in Singapore, this study presents an evaluation of how Singapore stands with respect to its competitors in Asia Pacific.

The results of analysis of the data through radar graphs and perception mapping techniques indicate that logistics services providers rate the strategic location, legal and customs processing, and quality of the infrastructure as the most important factors while determining 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, a few small and medium enterprises, that 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 is 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 for them to reach the competency of Singapore. Another key finding is 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.

The results of qualitative research reveals that there is a significant shortage of high skilled logistics professionals. However, this 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. The results also reveal that the global recession has resulted in reduction in freight volumes. However, the industry is expected to rebound this year.

This study also identifies a few areas where improvement is needed. The findings are summarized below:

- To keep up with the growing volumes of container and freight traffic it is important to conduct demand forecasting the.
- Reduction in the time lag at the pre-clearance cargo customs will help in avoiding losses for the logistic service providers.

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