Development of a Marketing Plan for fostering co-operation between Latvian and British transport and logistics companies

Riga
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2. Project Methodology
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Project Aims and Objectives

• Development of a practically applicable Marketing Plan for fostering co-operation with British transport and logistics companies that service the UK exporters that ship their goods to the Baltic States and CIS and likewise the UK importers

• **Target sector**: Transport & Logistics and UK importers and exporters from and to the Baltic States and CIS

• Assist in planning **Trade Missions** and setting up meetings with potential cooperation partners
Project Methodology (Performance requirements)

• Examination of UK transport and logistics companies - interviews
• Examination of UK exporters and importers – interviews
• Analysis of the competition to the Latvian Offer from other countries, with SWOT analysis
• Marketing Strategy
• Marketing Plan
• Action Plan
# UK trade with Baltic States and CIS countries (2014)

<table>
<thead>
<tr>
<th>Country</th>
<th>TONNES (Export)</th>
<th>%</th>
<th>TONNES (Import)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td>326,554</td>
<td>23%</td>
<td>1,311,174</td>
<td>4%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>86,670</td>
<td>6%</td>
<td>1,454,512</td>
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<tr>
<td>Estonia</td>
<td>95,522</td>
<td>7%</td>
<td>237,766</td>
<td>1%</td>
</tr>
<tr>
<td>Russia</td>
<td>753,143</td>
<td>53%</td>
<td>26,616,427</td>
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</tr>
<tr>
<td>Belarus</td>
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<td>1%</td>
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<td>2%</td>
<td>114,898</td>
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<td>122</td>
<td>0%</td>
</tr>
<tr>
<td>Turkmenistan</td>
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<td>1%</td>
<td>209,506</td>
<td>1%</td>
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<tr>
<td>Kyrgyzstan</td>
<td>433</td>
<td>0%</td>
<td>12</td>
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</tr>
<tr>
<td>Tajikistan</td>
<td>230</td>
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<td>2</td>
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<tr>
<td>Ukraine</td>
<td>89,943</td>
<td>6%</td>
<td>1,615,152</td>
<td>5%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,416,454</strong></td>
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Maritime traffic between UK and Baltic States and CIS countries (2014)

<table>
<thead>
<tr>
<th></th>
<th>Export (‘000 tonnes)</th>
<th>Import (‘000 tonnes)</th>
<th>Total (‘000 tonnes)</th>
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<tbody>
<tr>
<td></td>
<td>Unit load</td>
<td>Bulk &amp; General</td>
<td>Unit load</td>
</tr>
<tr>
<td>Latvia</td>
<td>130</td>
<td>333</td>
<td>127</td>
</tr>
<tr>
<td>Lithuania</td>
<td>30</td>
<td>31</td>
<td>166</td>
</tr>
<tr>
<td>Estonia</td>
<td>38</td>
<td>63</td>
<td>30</td>
</tr>
<tr>
<td>Russia</td>
<td>300</td>
<td>209</td>
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<tr>
<td>Finland</td>
<td>282</td>
<td>711</td>
<td>507</td>
</tr>
<tr>
<td>Poland</td>
<td>20</td>
<td>1,188</td>
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<tr>
<td>Total</td>
<td>800</td>
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UK unit load export volumes (tonnes) to Baltic and Russia ports
Comparisons between UK trade and maritime freight traffic flows in 2014 (‘000 tonnes)

<table>
<thead>
<tr>
<th>Country</th>
<th>UK traffic</th>
<th>UK trade</th>
<th>Ratio traffic/trade</th>
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<tbody>
<tr>
<td>Latvia</td>
<td>6,896</td>
<td>1,638</td>
<td>4.21</td>
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<tr>
<td>Lithuania</td>
<td>1,619</td>
<td>1,541</td>
<td>1.05</td>
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<tr>
<td>Estonia</td>
<td>980</td>
<td>333</td>
<td>2.94</td>
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<tr>
<td>Russia</td>
<td>20,489</td>
<td>27,370</td>
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<tr>
<td>Total</td>
<td>29,984</td>
<td>30,882</td>
<td>0.97</td>
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</table>
‘All road’ traffic between UK and Baltic States, Russia and CIS countries

<table>
<thead>
<tr>
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<th></th>
<th></th>
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<tr>
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<td>2</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Latvia</td>
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<td>3</td>
<td>3</td>
<td>3</td>
<td>7</td>
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<tr>
<td>Lithuania</td>
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<td>47</td>
<td>57</td>
<td>53</td>
<td>74</td>
<td>76</td>
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<tr>
<td>Poland</td>
<td>250</td>
<td>270</td>
<td>289</td>
<td>401</td>
<td>432</td>
<td>478</td>
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<tr>
<td>Total</td>
<td>290</td>
<td>322</td>
<td>353</td>
<td>460</td>
<td>516</td>
<td>569</td>
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</table>
UK air freight exports and imports to and from selected countries (in tonnes) in 2003 and 2014

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Estonia</td>
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<td>3,058</td>
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<tr>
<td>Latvia</td>
<td>347</td>
<td>781</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>161</td>
<td></td>
<td>119</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>1,659</td>
<td></td>
<td>1,045</td>
<td></td>
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<tr>
<td>Belarus</td>
<td>58</td>
<td>152</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Ukraine</td>
<td>611</td>
<td>622</td>
<td>159</td>
<td>190</td>
</tr>
<tr>
<td>Russia</td>
<td>3,288</td>
<td>5,210</td>
<td>4,108</td>
<td>1,476</td>
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<tr>
<td>Kazakhstan</td>
<td>696</td>
<td>2,562</td>
<td>330</td>
<td>1,100</td>
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<tr>
<td>Kyrgyz Republic</td>
<td>17</td>
<td>53</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>1,255</td>
<td>8,359</td>
<td>119</td>
<td>502</td>
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<tr>
<td>Tajikistan</td>
<td>15</td>
<td>6</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>67</td>
<td>597</td>
<td>16</td>
<td>74</td>
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<tr>
<td>Uzbekistan</td>
<td>254</td>
<td>102</td>
<td>129</td>
<td>8</td>
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<tr>
<td>China</td>
<td>14,729</td>
<td>44,882</td>
<td>89,199</td>
<td>130,566</td>
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<tr>
<td>Mongolia</td>
<td>12</td>
<td>53</td>
<td>11</td>
<td>42</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>23,452</strong></td>
<td><strong>62,599</strong></td>
<td><strong>99,097</strong></td>
<td><strong>133,988</strong></td>
</tr>
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</table>
## Freight RoRo, LoLo and auto services between UK and Latvia

<table>
<thead>
<tr>
<th>DAY</th>
<th>UK PORT</th>
<th>SERVICE</th>
<th>TRANSIT (DAYS)</th>
<th>BALTIC PORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>Harwich</td>
<td>Mann Lines</td>
<td>3</td>
<td>Paldiski</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tschudi Lines</td>
<td>8</td>
<td>Muuga</td>
</tr>
<tr>
<td>Tuesday</td>
<td>Teesport</td>
<td>Containerships</td>
<td>5</td>
<td>Riga</td>
</tr>
<tr>
<td>Wednesday</td>
<td>Sheerness</td>
<td>Containerships</td>
<td>4</td>
<td>Riga</td>
</tr>
<tr>
<td></td>
<td>Sheerness</td>
<td>Containerships</td>
<td>10</td>
<td>Klaipeda</td>
</tr>
<tr>
<td>Thursday</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Friday</td>
<td>Teesport</td>
<td>Containerships</td>
<td>4</td>
<td>Klaipeda</td>
</tr>
<tr>
<td></td>
<td>Tilbury</td>
<td>Transfennica</td>
<td>4</td>
<td>Paldiski</td>
</tr>
<tr>
<td>Saturday</td>
<td>Teesport</td>
<td>Containerships</td>
<td>4</td>
<td>Riga</td>
</tr>
<tr>
<td>Sunday</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Study consultation - Introduction

• During the course of this project there have been meetings with Latvian forwarders and UK forwarders, as well as with UK exporters and importers trading with countries in the Baltic States, Russia and CIS countries

• In order to lay the grounds for developing cooperation it has been important to understand the current operations, issues, plans and concerns for UK companies

• Similarly, through initial meetings with Latvian companies, the Latvian Investment & Development Agency, the Latvian Logistics Association and the Latvian Transport Ministry, it has been possible to gain an appreciation of the Latvian Offer and the important gaps between the Offer and the demands of the UK companies

• This short presentation highlights the positive grounds for cooperation and the logistical ‘gaps’ that need to be bridged, aided by greater cooperation
UK Sectors under consideration

- Oil & Gas
- Alcohol
- Automotive
- Transport & Logistics
- Importers
Trade Missions organised to 2015

• **May 18-21 2015**
  - Automotive, Oil & Gas, Whisky
  - Port of Tyne, Aberdeen Harbour
  - Seminars in Newcastle and Aberdeen

• **September 21-25 2015**
  - Automotive, Oil & Gas, Whisky
  - Forth Ports Grangemouth, Scotline Inverness
Tailor Made Proposals

• Oil & Gas sector
UK Oil & Gas sector

Why Latvia and Latvian forwarders and logistics companies are a good match for cooperation with UK companies involved in the Oil & Gas sector:

- Oil & Gas companies, based in the UK, whether they be oil majors like BP, key primary contractors such as drilling companies, or project management companies like the Wood Group, require the expertise of freight forwarders and logistics companies to move equipment and project cargoes around the world.

- International forwarding companies with offices in the UK (Aberdeen) and local specialist forwarders provide the specialist services and contract with the specialist sea, road and rail transport companies to transport goods from and to the UK.

- On a UK-wide basis, the Oil & Gas supply chain generates £39 billion (in 2013) of revenue a year and exports, of goods and services, comprise 42% of this turnover (roughly £16 billion). Already, 40% of UK-based supply chain companies are exporting their expertise abroad and the percentage is predicted to grow.

- UK exports directly associated with the Oil & Gas supply chain are difficult to identify in the UK trade statistics but a simple analysis of specific ‘articles of iron and steel’, such as tubes and pipes, wire and cables, chains and anchors indicate an export value of approximately £65 million (13,000 tonnes), sold to the Baltic States, Russia and CIS countries. This represents roughly 4% of the total value of UK exports of these commodities and 2% of the volume.

- However, there are identifiable reasons why these UK companies might find greater cooperation with Latvian forwarders to be highly beneficial. There are known routings for oil & gas related cargoes (conventional and RoRo) through Lithuania and Estonia that need to be exploited.
UK Oil & Gas sector

Potential Opportunities

• Growing oil & gas exploration activity in Central Asia, Caspian Sea and Arctic Russia, as well as in the eastern Baltic Sea. Areas that could be supplied from the UK via Latvia, with potential cost savings over all-road and time savings over all-sea routings.

• Cooperation with International forwarders based in the UK could also lead to freight traffic from other countries (say USA) being routed through Latvia to ultimate destinations.

• UK companies involved in the sector could also set up operations, linked to supply chain development, utilising the location and economic advantages of Latvia’s four strategically located Special Economic Zones (SEZ).

• Potential opportunity for Latvian companies to supply goods and equipment to UK oil & gas sector?
UK Oil & Gas sector
The Latvian Offer

- **Latvian port infrastructure and capabilities in place** to handle and store conventional cargoes, project cargo and equipment, out-of-gauge, RoRo and container services
- **Established** container service link (Containerships) and **potential to utilise** conventional vessel capacity on returning TTS Shipping, Scotline and Lacy & Middlemiss vessels that carry forest products from Riga to the UK
- **Direct access from Latvian ports** and availability of equipment for transport, by road and rail, through Latvia to the Russian and Belorussian borders
- **Long-standing relationships** between Latvian rail companies and counterparts in hinterland countries in order to ensure secure and scheduled transit to destination
- Knowledge and contacts in place with Latvian rail companies to enable **speedy evaluation of new rail routings** in response to enquiries. **Common rail gauge**
- Latvian forwarder’s **experience and expertise** in handling the EU/Russian border documentation and processes in order to be able to efficiently clear cargo for onward transit. Many Latvians also have the advantage of being **trilingual** (Latvian, English and Russian)
UK Oil & Gas sector
Recommendations and areas for improvement

• Latvian forwarders and logistics companies should approach the UK Oil & Gas sector **directly** through the identified forwarding and logistics companies that serve the sector in the UK – approaches to companies further up the supply chain can prove to be very difficult

• Latvian companies need to provide a **clear marketing message** and demonstrate experience in the sector through Case Study examples

• These approaches, to build confidence and present a tailored Latvian Offer need to be followed up with **speedy and comprehensive responses** to requests for quotations from UK counterparts

• It will help to build confidence and develop cooperation if Latvian forwarders can use their own contacts to identify and **supply leads** to UK counterparts for further potential UK export and import business

• Latvian forwarders should also demonstrate an understanding of Latvia’s supply chain needs by working with ports, shippers and receivers to promote direct RoRo service links (Swedish Orient Line?) and identify conventional cargoes for direct shipment back from the UK to Latvia to fill empty capacity on TTS Shipping and other conventional services, returning to load forest products from Latvia
Tailor Made Proposals

- Alcohol sector
UK Alcohol sector

Why Latvia and Latvian forwarders and logistics companies are a good match for cooperation with UK companies involved in the Alcohol (Whisky) sector:

- Major whisky (and other spirits) manufacturers in the UK (many based in Scotland) rely upon forwarders providing specialised services for the handling and transport of export product (mostly bottled in containers and trailers)
- Key UK companies, such as Diageo, Chivas Group, Edrington and William Grant & Son work with major international forwarders, such as JF Hillebrand, Kuehne & Nagel and tpc Freight Management to move product, in containers, to worldwide markets
- In 2014 UK companies exported over 330 million litres of Scotch Whisky alone to worldwide markets, worth nearly £4 billion
- Latvia is already the 15th largest market for UK whisky exports (1.47% share), used as a ‘warehouse to warehouse’ operation within the EU and as a springboard for exports into Russia and CIS countries, providing vital ‘duty labelling’ services for destination countries
- However, there are identifiable reasons why UK exporters and their forwarders might find greater cooperation with Latvian forwarders and logistics companies to be highly beneficial
UK Alcohol sector

Potential opportunities

• This market (Baltic States, Russia and Central Asia) currently receives just 3% of total UK exports in this sector, suggesting some scope for development, utilising the intra EU warehouse to warehouse concept.

• China imports less whisky than Latvia and maybe Latvia could develop as a hub for supply to western China, Ukraine, Belorussia, Georgia and Azerbaijan, via rail.

• Cooperation with International forwarders based in the UK could also lead to freight traffic from other countries (say USA) being routed through Latvia to ultimate destinations.

• UK companies involved in the sector could also set up operations, linked to supply chain development, utilising the location and economic advantages of Latvia’s four strategically located Special Economic Zones (SEZ).

• Knowledge and contacts in place with Latvian rail companies and road haulage operators to enable speedy evaluation of new routings in response to enquiries.

• Latvian service provision needs to be enhanced and promoted to divert whisky traffic from the Estonian supply route to the Latvian supply route.
UK Alcohol sector

The Latvian Offer

• In 2014 UK exports of whisky, spirits and cider to the Baltic States, Russia and CIS countries amounted to **34,348 tonnes**, worth £157 million. Latvia currently receives 60% of these exports (Estonia 27%)

• **Latvian port infrastructure and capabilities in place** to handle containerised cargo and load direct to train services with opportunity to build upon service and relationships with Containerships and PD Ports Teesport to build this traffic. Further non-UK traffic could also be attracted to deep sea feeder services calling at Riga Port

• **Added value services** already in place to provide duty labelling, by bottle, and re-loading to containers and road vehicles for internal transport

• Long-standing relationships between Latvian rail companies and counterparts in hinterland countries in order to ensure **secure and scheduled transit to destination**

• Latvian forwarder’s experience and expertise in handling the EU/Russian **border documentation** and processes in order to be able to efficiently clear cargo for onward transit. Many Latvians also have the advantage of being trilingual (Latvian, English and Russian)
UK Alcohol sector
Recommendations and areas for improvement

• **Added value services already in place** to provide duty labelling, by bottle, and re-loading to containers and road vehicles for internal transport. The companies involved in providing these services (both Latvian and foreign) and the services involved need to be encouraged and developed.

• Latvian forwarders with UK counterparts should already be working cooperatively in order to develop more competitive and geographically expansive proposals, in time for the next rounds of contract renewals with the whisky and drinks companies.

• There was an opportunity to engage with the Edrington Group in mid-2015 when contract renewals were being considered but the opportunity was missed. Latvian forwarders, port and transport operators and government bodies need to work together with the limited number of whisky manufacturers and UK forwarders involved in the sector to corner the existing market and help to expand it. Some of the UK forwarders working in the sector already have operations in Latvia that can be supported.

• Latvian companies need to provide a clear marketing message and demonstrate experience in the sector through Case Study examples. The experience is already there and the message is the provision of an efficient ‘warehouse to warehouse’ operation with reliable and cost effective onward distribution to a broad geographic area.

• It will help to build confidence and develop cooperation if Latvian forwarders can use their own contacts to identify and supply leads to UK counterparts for further potential UK export and import business. i.e. Russian Vodka exports.

• Latvian forwarders should also demonstrate an understanding of Latvia’s supply chain needs by working with ports, shippers and receivers to promote further direct and deep sea feeder container service links. Possibly increasing the number of Containerships’ service calls and attracting an eastern Baltic call from MacAndrews.
Tailor Made Proposals

• Automotive sector
UK Automotive sector

Why Latvia and Latvian forwarders and logistics companies are a good match for cooperation with UK companies involved in the Automotive sector:

- Major automotive manufacturers in the UK (many based in the English Midlands) rely upon **forwarders providing specialised services** for the handling and transport of finished export vehicles and import components. These forwarders, in the Short Sea market, work closely with the short sea car carrier services such as UECC and KESS.
- There are currently no regular calls at Latvian ports made by short sea car carrier services, with the nearest regular ports of call for these services in St Petersburg and Gdynia. Malmo has developed into the hub port for vehicle imports into the Baltic Sea region.
- There is insufficient detail supplied in HMRC UK trade figures to identify the spread of UK automotive exports by country. In 2014 the UK exported roughly **50,000 trade cars** (150,000 tonnes) to the **Baltic States, Russia and CIS countries**, along with roughly **3,000 commercial vehicles** (35,000 tonnes). These markets represents **6%** of the total UK export market for trade cars and **3%** of the commercial vehicle market.
- To attract regular calls by the short sea and deep sea car carriers as well as the development of automotive traffic on freight RoRo services, Latvian ports and forwarders need to convince UK manufacturers (and other nationalities) to direct a **critical mass of traffic** through Latvia.
- Estonia (Paldiski) benefits from Mann Lines direct RoRo ferry service from the UK (Harwich) for the movement of commercial vehicles and Latvia needs to attract a similarly **direct service** (Swedish Orient Line).
- Similarly, Lithuania benefits from the growing utilisation of the DFDS Seaways **land-bridge services** between the UK and Klaipeda, across Denmark and Northern Germany.
- There are identifiable reasons why UK exporters and their forwarders might find greater cooperation with Latvian forwarders and logistics companies to be highly beneficial.
UK Automotive sector
Potential opportunities

• The best opportunities appear to be with the luxury car makers (Jaguar Land Rover) and the commercial vehicle manufacturers (JCB, Caterpillar, Terex, John Deere, Case New Holland etc.)

• Latvian ports do not currently handle any regular calls from deep sea or short sea car carrier services, although automotive units could be imported on RoRo services from Sweden (Tallink and Stena Line) and Germany (Stena Line)

• The potential for a ‘land-bridge’ service link, with Stena Line, between the UK and Latvia must be explored, along with the addition of a Latvian port call (linking with Tilbury in UK) for the Swedish Orient Line service

• UK companies involved in the sector could set up operations, linked to supply chain development, utilising the location and economic advantages of Latvia’s four strategically located Special Economic Zones (SEZ)

• SEZ status could help support the development of a distribution hub in Latvia, for the Baltic States, Russia and Central Asia, for commercial vehicles and luxury cars

• Traffic on known routings for automotive movements through Poland, Finland and Russia need to be re-directed

• For the Russian market in particular where high import duties are imposed on finished vehicle imports there is an opportunity to develop the Complete Knock Down operation in Latvia, for subsequent re-assembly in country of destination
UK Automotive sector
The Latvia Offer

• Long-standing relationships between Latvian rail companies and counterparts in hinterland countries in order to ensure secure and scheduled transit to destination, with **specialised rail wagons available**

• Latvian forwarder’s experience and expertise in handling the EU/Russian **border documentation** and processes in order to be able to efficiently clear cargo for onward transit. Many Latvians also have the advantage of being trilingual (Latvian, English and Russian)

• Knowledge and contacts in place with Latvian rail companies and road haulage operators to enable **speedy evaluation of new routings** in response to enquiries

• Gefco, as a partner in this project, has already made good contacts with Jaguar Land Rover and other manufacturers, while already controlling significant flows of business. These relationships need to be developed in order to capture traffic through Latvian ports

• Latvian companies could also exploit an opportunity for adding value in the supply chain by developing a **Complete Knock Down** service operation for commercial vehicles
Recommendations and areas for improvement

• Latvian forwarders and port operators need to be working in cooperation with identified forwarders, such as Metro Shipping, to prepare competitive tender responses to the manufacturers, as and when required, backed by identifiable plans for infrastructure and service provisions
• The lack of direct car carrier service and freight RoRo service links between the UK and Latvia is a distinct disadvantage in attracting this traffic (‘chicken and egg’ scenario)
• Follow up required on the potential to attract Swedish Orient Line (SOL) calls, linking Ventspils with the UK port of Tilbury
• P&O Ferries and Stena Line Freight would also be interested in developing the route via, respectively, transhipment onto SOL service in Zeebrugge and land-bridge across Denmark and Sweden for Stena Line
• Latvian port operators and freight forwarders can learn from UK counterparts involved in the sector (say Port of Grimsby and GB Agencies) regarding infrastructure and service requirements
• More work is required in alerting the UK automotive industry to the Latvian Offer, through direct contacts, through trade organisations and media and by attending trade shows (Automotive shows and RoRo Conferences and Exhibitions)
• The aim for the Latvian ports and forwarders is to build interest and a potential critical mass of traffic
• Gefco has been alerted to opportunities and introduced to Jaguar Land Rover and Metro Shipping (JCB) through this project and close follow-up is required in order to ensure the best possible support and outcome for Latvian ports and Logistics companies
• Further follow up also required with Nissan and Toyota headquarter operations dealing with worldwide supply chains
Tailor Made Proposals

- UK Transport & Logistics sector
UK Transport & Logistics sector

Why Latvia and Latvian forwarders and logistics companies are a good match for cooperation with UK forwarders and logistics companies

• Partnering and cooperation arrangements with UK forwarders involved in the UK Oil & Gas, Whisky and Automotive sectors has already been highlighted as the most likely route for involvement for Latvian forwarders, rather than dealing directly with UK exporters.

• The organisational structure of different UK forwarders has to be understood with different parts of the organisation dealing with different industry sectors, such as with Kuehne & Nagel, with alcohol clients handled through an office in Milton Keynes and Oil & Gas clients serviced in Aberdeen.

• Latvian forwarders could seek cooperation with UK forwarders to provide the services required in Latvia and in onward transit that could not be provided by the UK forwarder and these services could be advertised in trade publications such as Lloyds Loading List.

• For Latvian forwarders the aim must be to handle trade that is already destined to and through Latvia as well as attracting other traffic to the Latvian route that might otherwise use Russia, Estonian, Lithuanian, Finnish or Polish ports.

• In addition, there are already international forwarding organisations located in Latvia, not necessarily working in partnership with their organisation’s offices in other countries, that could be approached in order to identify areas for beneficial cooperation.

• Incentivising international forwarders to set up operations in Latvia could promote additional traffic to and through Latvia but it may be at the expense of indigenous Latvian forwarders. Routing freight through Latvia has to be supported by sound and reliable port facilities and services and road and rail infrastructure and services.

• Latvian forwarders therefore need to ‘reach out’ and possibly arrange to visit UK forwarders involved in the Baltic, Russia and CIS trades in order to build relations and trust, enough to allow the UK forwarder to place its cargo under the Latvian forwarder’s control and vice versa.
UK Transport & Logistics sector

Recommendations and areas for improvement

• Contact and exchange of marketing materials
• Meetings and confidence building
• Contact building through attending conferences and exhibitions
• Direct marketing through purchase of contact lists and follow up mailshots
• Rapid and detailed responses to quotation enquiries
Why Latvia and Latvian forwarders and logistics companies are a good match for cooperation with UK companies involved in imports from the Baltic States, Russia and CIS

- UK forwarders working with UK importers will invariably be working with foreign forwarders working for the supplier organisation in the country of origin.
- The amount of work involved in any import freight movement, for a UK forwarder, will depend on the terms of trade, i.e. ‘Ex-works’ will require full involvement, while CIF (Cost, Insurance, Freight) will only require handling and organising from the point when the cargo is landed on the quay in the UK.
- UK importers will be seeking to minimise cost, risk and lead time when ordering and importing from overseas suppliers. Buying ‘ex-works’ can minimise cost but heighten risk while buying on a CIF, or fully delivered basis reduces the buyers risk but could well increase cost.
SWOT Analysis

Based upon the research and interviews carried out to date the strengths and weaknesses of the Latvian offer to the UK market, in terms of trade and traffic development and initiating and improving cooperation between UK and Latvian forwarding companies, are presented below. Leading on from the identified strengths and weaknesses are potential opportunities and threats to further development.
SWOT Analysis - Strengths

• Already prominent in serving unit load and bulk traffic moving between UK and Baltic States and Russian ports with positive development in 2014
• Latvian ports’ prominence in handling transit traffic
• Established railway links and services into Russian and Central Asian hinterland
• Latvian forwarders’ knowledge and understanding of Russian transit requirements, customs procedures and dealing with current sanctions and licencing issues – rather than shipping direct into Russian ports
• Development of tax ‘strip stamping’ services in Latvia has attracted the flow of whisky and other alcoholic beverages through the country but competition from Estonia
• Russian sanctions and the application of licences do not apply to whisky imports
SWOT Analysis - Weaknesses

- Dependence on Containerships links from Teesport and Sheerness to Riga
- Amount of transit traffic handled through Latvian ports that could be diverted to Russian ports
- Lack of direct European car carrier service calls and direct freight RoRo services into Latvian ports (Mann Lines direct Harwich / Paldiski, Transfennica direct Tilbury / St Petersburg, KESS auto carrier calls Paldiski)
- Oil & Gas sector not capitalising on general cargo vessel capacity returning to the Baltic (Riga) to load timber product
- Attracting a regular call from a European car carrier such as UECC or KESS requires the support of a number of motor manufacturers - Therefore the Latvian authorities and agents need to build a business case and suitable infrastructure, over a period of time, to convince the lines to call at a Latvian port
- Overland rail freight rates not competitive compared to deep sea shipping rates from China to Western Europe
SWOT Analysis - Opportunities

- Encourage Swedish Orient Line (SOL) service from Tilbury to make a Latvian port call (Ventspils) backed by Metro Shipping and interest from automotive sector (JCB etc. and CKD operations). The Latvian option may give Metro shipping opportunities to handle other brands for export, as well as JCB
- ‘Landbridge’ RoRo service development into Ventspils, similar to DFDS Seaways link into Klaipeda, with Stena Line Freight
- Project cargoes and equipment for Oil & Gas sector shipping to and from UK via Latvian ports utilising the Scotline and TTS Shipping services in direct contact with freight owners and freight forwarders
- Latvian follow-up required with potentially willing UK partners identified
- Liaise with Aberdeen City Council to promote the Latvian ‘options’ via the Council’s web site
- For the automotive sector Latvian companies (ports, terminal operators, rail companies) need to develop a competitive package that Metro Shipping could use in its 2016 Budget calculations to promote with other manufacturers
- Work with JF Hillebrand to develop a greater range of inland routings through Latvia for the movement of whisky and beverages. Develop Latvia as a hub for distribution eastwards, fed from the west by container services and accompanied trailers
- Beam Suntory currently undertaking a supply chain review for the Baltic States and Russian markets
- Maintain contact with MacAndrews to promote a Latvian port call as part of the company’s reorganisation following CMA CGM acquisition of OPDR Line
- Potential follow up with DP World to promote intermodal hub and east/west rail service development
- Grangemouth Port keen to develop new direct container service links to the Baltic
- PD Ports Teesport interested in port cooperation
- Capitalise on the supply chain ‘re-engineering’ opportunity offered by Jaguar Land Rover
- Work with Teesport, DB Schenker and WH Malcolm to develop and promote rail services for container movements from Glasgow (whisky) to Teesport to connect with the Containerships service to Riga
SWOT Analysis - Threats

- Diversion of transit traffic to Russian ports
- Estonia’s growing expertise in handling whisky (alcohol) and automotive trades. Estonia has ‘stolen march’ on Latvia as through trade hub for automotive transit traffic
- Indications are that Seaway Logistics in the UK has built (over the last 15 years) an efficient shipping service system from the UK to Lithuania, utilising empty capacity on TTS Shipping’s dry cargo vessels and relationships with forwarders in Lithuania. Similarly DFDS Seaways has developed the RoRo ferry route from the UK to Klaipeda, via land-bridge across Denmark, for all modes of unit load cargo and project cargoes loaded on ship’s trailers. Both systems appear to be working well for the Oil & Gas sector
Marketing Strategy

- **Price** – Through rate and logistics package
- **Product** – Bespoke transport packages to meet customer demands using complete modal mix
- **Place** – Latvia as the Gateway and launch hub with direct EU border
- **Promotion** – Identify partner, develop trust, respond to enquiries. Promote success stories
- **People** – Recognise that forwarding is a people business
- **Process** – Qualification, Communication, Systems & Procedures
- **Priorities & Timeframe** – Telephone & face to face contacts, promotion, direct shipping service development
Action Plan

• A 25-point Action Plan has been drawn up to bring focus to the Marketing Strategy and Marketing Plan

• Key to the Action Plan, across industry sectors, are:
  ✓ Direct contact with identified UK companies to promote the Latvian Offer and promptly provide coordinated quotations in response to tender enquiries
  ✓ Develop a Business Package to promote the expertise of Latvian forwarders
  ✓ Promote the Latvian Offer through UK industry representative organisations, Regional Development Agencies, such as Scottish Enterprise, local authorities and chambers of commerce
  ✓ Attend and exhibit at selected industry conferences and exhibitions, such as ‘Offshore Europe’ in Aberdeen
  ✓ Attract more direct shipping service links; TTS, Scotline, MacAndrews, SOL, Stena Line, UECC, KESS etc.
  ✓ Further contact generation through identified web portals and through joint seminars with industry representative organisations
  ✓ Advertise in and submit editorial to trade magazines and publications, such as Lloyds List, Automotive Logistics etc.
Conclusions & Recommendations

• For the **Automotive** sector there is a need to build **critical mass** of interest and/or attract a **general RoRo service**, such as Swedish Orient Line, or develop land-bridge service with Stena Line.

• **Whisky** companies in Scotland have shown a **genuine interest** in the route and some already use the route and added value services in Latvia. Latvian forwarders need to build on this to further increase market share – serve more customers to greater number of destinations.

• Current low oil price is holding back **Oil & Gas** sector but in these times more **cost effective route options** will be under consideration and UK forwarders are interested in developing cooperation (Global Energy, Peterson SBS).

• Impression is that **UK importers** generally buy on a delivered basis (to quay at UK port). Latvian forwarders therefore need to work with Latvian companies to support their export initiatives.

✓ Latvian companies must, at least, use the contacts from this work to make contact, build relationships and formulate coordinated quotation responses.

✓ Other more general contacts have also been made that merit concerted follow-up: DP World, MacAndrews.