

ENTREPRENEURSHIP

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INTEGRATIVE Case Study 2

Global Entrepreneurship

Partner Logistics: Entrepreneurial Decisions in International Context

By STIJN VAN DEN HOOGEN, *Tilburg University*

HISTORY

At the end of the 1990s, Bram Hage had been working for a large Dutch logistic service provider. Bram had been involved in a project to do research for an automated warehousing solution. The project was done in order to win a tender for a leading producer of potato products. When the project was almost finished, Bram's employer decided to withdraw from the tender, fearing that there was not enough expertise to support the tender. Bram, however, thought differently. He had a huge amount of confidence in the proposed solution. So he decided to quit his job and continue the project he had been working on for such a long time. He founded his own company: Partner Logistics.

In cooperation with suppliers and informal investors, the newly founded firm managed to win the tender. Partner Logistics (PL) signed its first long-term contract for operating an automated cold store in 2000. This first site in Bergen op Zoom (the Netherlands) became operational just two years afterwards, in 2002. In the same year, a second site in Waalwijk (the Netherlands) became operational as well.

At this moment, Partner Logistics has an annual turnover of €35 million, operates ten warehouses in four countries, and Bram is now CEO and in charge of over

450 employees, making Partner Logistics one of the leading players in Europe.

CORE BUSINESS

In the past few years, Partner Logistics has become *the* specialist in operating highly automated warehouses with designing, building and implementing expertise available in-house. This means that Partner Logistics actually develops and finances the warehouses by itself. In return, those clients are prepared and willing to sign long-term contracts for the provision of the warehouse services, which is quite unique in the field of logistics.

Partner Logistics manages to realise service level improvements and cost advantages for its clients by implementing advanced – but proven – technology in the field of warehousing. The key to success lies in the linkage of systems and people.

MARKET

With the first site in Bergen op Zoom (BoZ), Partner Logistics had entered the market of cold stores for food producers. As Bram and his co-founders had limited experience with frozen warehousing, a Belgian cold store company was

acquired, thus providing the entrepreneurs with the necessary know-how and people to successfully operate the new site.

At the same time, the Belgian acquisition meant the first international experience for PL. A second acquisition in Belgium introduced a new type of client: retailers. So from this moment, PL was active in two parts of the supply chain: both producers and retailers. Because of the dominant position in the supply chain, retailers are interesting parties to service. Having experience with servicing producers and retailers, PL becomes an interesting partner for all parties in optimising their supply chains. Because retailers often see the distribution centres as a part of their core business, it is very difficult to penetrate the market. The acquisition provided PL this opportunity and the specific know-how. Based on this experience PL has been able to attract new retail clients in the Netherlands and Russia.

Although PL's automated warehousing solutions can be developed for companies from various industries, in 2009 PL's clients are still mainly food producers and food retailers.

INTERNATIONAL EXPANSION

Thanks to the fast international expansion, since 2002 PL has developed into one of the leading logistics service providers in Europe in the field of operating automated warehouses.

Because the Benelux market is very competitive, PL decided to focus on entering markets with less competitive pressure. PL mainly looked at markets in which there are large volumes of business, but where the existing warehouse solutions are not state of the art. Another interesting opportunity lies in the fast-growing markets in which there is a large potential, but limited supply of any warehousing services.

Examples of the former are the UK, France and the US. Examples of the latter are Russia and India. In 2009 PL entered the UK market where two warehouses were built. In Russia the first warehouse is operational. And in both France and Russia additional warehouses are in the planning stage.

In addition to this international expansion, new projects in the Netherlands and Belgium were developed, and the Bergen op Zoom site was upgraded in 2009, now providing capacity for 126,000 pallets.

COUNTRY-SPECIFIC FACTORS

The search for growth, and seizing opportunities in new countries or markets may seem quite logical from a theoretical perspective, but in practice it is not so easy.

Besides the standard project risks, there are many threats to a smooth market entry that are not visible at first sight. Some of the challenges that PL has encountered are:

- Limited sector-specific know-how available.
- Receiving a permit to build a 33 meter high automated warehouse, or use of new technologies in the warehouse (e.g. oxygen reduction to prevent fires spreading in the high-bay warehouse).
- Continuous and reliable availability of electricity (cold stores require a lot of electricity, and the automated systems too).
- Availability of skilled employees.
- Financing projects in risky environments.
- Cultural differences (i.e. the power distance in Russia is much higher than in the Netherlands).

Some of the risk-mitigating measures that PL has taken when entering new markets are:

- Acquire know-how by acquisition of a company, perform market research, hire know-how, specialists.
- Form a partnership with a local company.
- Follow a current client to a new market.
- Have an own team of people to manage the entire project development process from first client contact to project implementation.
- Train local people to operate automated warehouse in existing sites.

- Work with long-term contracts only in order to secure long-lasting relationships with client and maintain cash flows.
- Focus on spreading the PL culture when starting a new operation. For this reason with starting up there is at least one (expat) manager with PL-blood.

QUESTIONS

The growth of PL is limited by, among other factors, the resources of the in-house development department. For this reason PL focuses its resources on implementing the most attractive projects in terms of project risk and profitability.

- 1 Which new countries or sectors do you think offer good project opportunities for PL? Why is that?
- 2 Which risk factors should PL take into account when developing its business in this new market/these new markets?
- 3 What can PL do to mitigate these risks?

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