

The conservative construction industry - a frontrunner in logistics?

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Express delivery within 30 minutes? Order at 6pm and have the goods delivered to your jobsite the same night? The construction industry is traditionally known for its low productivity and lack of standardization of processes. However, in terms of logistics, suppliers in the industry have stepped up their game, and thus also the expectations of the customers. This thesis explores the competitive environment of a supplier in the Danish construction industry and elaborates on what impacts the customer requirements.

Logistics has become a hot topic in recent years. It is a key component in the business models of e-commerce giants like Amazon. Free deliveries and free returns within a couple of days have become commonplace in the retail industries. In Denmark, a geographically small country, demands are even higher. For instance, having goods delivered the day after ordering is considered a standard delivery.

In business to business contexts, requirements are generally more formal compared to those in business to consumer industries. Service levels and response times are agreed upon beforehand, and a certain level of continuity across longer periods of time is common. Due to the nature of the construction industry, this does however often not apply. Each project is unique or on a new location and each job or installation can have case specific requirements. It is thus not necessarily possible to plan ahead on what specific products and quantities will be needed.

In the thesis, requirements from two customer segments were studied, contractors and installation firms. The above described lack of planning was found to be especially present in the installation business. One could believe that it would be in their own interest to plan better. However, interestingly enough, they expressed low incentive for doing so.

Five large retailers, serving both customer segments in the Danish construction industry, were studied, and found to differentiate on logistics service offerings. In recent years, they have expanded their offerings and now offer a broad spectrum of logistics services for their customers. These services were described to spoil the industry. It is thus not necessarily the customer side that demands these services but rather the retailers trying to differentiate.

In the current market, it is mainly the installation firms that utilize the full range of these services, especially fast and early deliveries. They have thus become used to them. Looking forward, contractors are however likely to follow. As forefront services, such as *express deliveries within one hour* and *night deliveries*, become more commonplace, competition on price of the services will likely increase.

Given the broad spectrum of services offered by the large retailers, it is not realistic, nor necessarily expected, that smaller suppliers compete on logistics services to gain any sort of competitive advantage on the Danish market. However, as many customers buy large shares of their products from these retailers, they become used to their services. It will thus arguably be important for smaller suppliers on the market to monitor how customer demands develop and be ready to adapt to meet them.

For companies supplying the Danish construction industry, the most important services to offer were identified to be *next-day delivery pre 7am* and *express delivery within 3 hours*. An arguably tough challenge, especially if logistics is not in the core of your business model. Maybe, the business to consumer retail industry should glance at the construction industry to see how customer demands could come to change?

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