Impact of COVID19 on Local Logistics Service Providers (LSPs) in Southeast Asia



April 30, 2020

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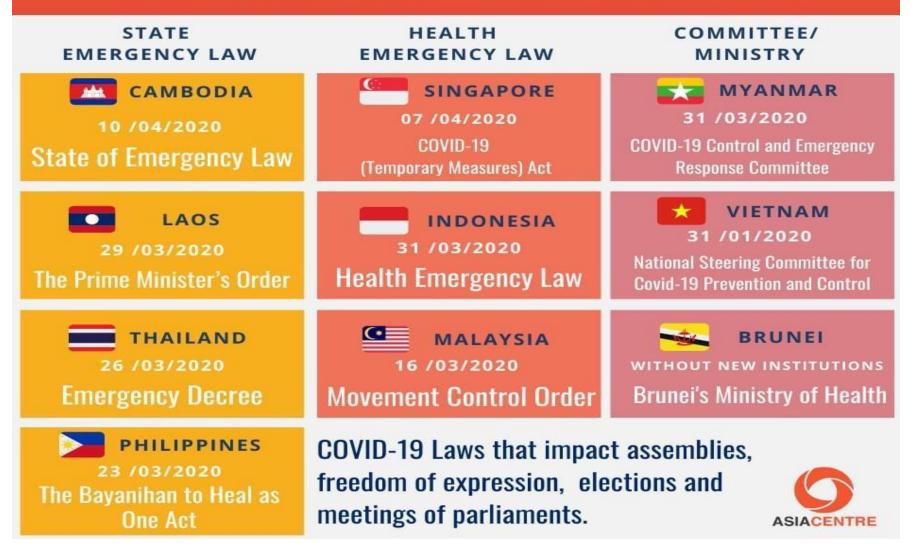
https://www.tbs.tu.ac.th/en/



Update: COVID19 Laws in Southeast Asia



COVID-19 LAWS AND COMMITTEES IN SOUTHEAST ASIA



Impact of COVID 19 and emergency laws on LSPs* in South East Asia



- Emergency laws restrict movement of vehicles, people and goods across various Southeast Asian countries.
- Economic downturn because of COVID19 and lockdowns reduce demand for logistics services.
- The majority of local LSPs in Southeast Asia are small and medium enterprises (SMEs).
- Customers are delaying payment and truckers/customs brokers are requesting advance payment for services or at least that LSPs pay faster
- Local LSPs have limited access to capital and cash flow has always been problematic.
- *) Logistics Service Providers



Key Metric: Cash to Cash (C2C)

- The C2C metric is an important metric from an accounting and supply chain management perspectives.
 - For accounting purpose, the metric can be used to help measure liquidity and organizational valuation.
 - For supply chain management activities, C2C serves as a measurement bridging the processes into and out of the firm within the supply chain.
 - The cash to cash cycle range average was between 9 to 22 days in the Southeast Asia during 2017/2018.

					Unit: days
KPI	Cambodia	Indonesia	Philippines	Thailand	Vietnam
C2C	9.49	19	21.77	13.9	20.29

Source: The author

Impact of COVID19 on C2C



- For SMEs having to wait for more than 7 days in normal situation to paid by customers is already a financial burden.
- LSPs have to incur additional cost to become COVID19 compliant
- Difficult to request increase in service fees as customers are also struggling financially and cancelling orders on a daily basis
- Government related fees such as Customs duty have to paid immediately, no credit is offered.
- The current trend is for local LSPs to suffer longer C2C.
- Today, anecdotal evidence shows a range of 60 to 120 days is not uncommon

The financial cost is too high and not sustainable...



"We face imminent bankruptcy while some have already folded and declared they are bankrupts." Sin Chanthy

President of Cambodia Logistics Association

Source: <u>https://www.khmertimeskh.com/50716985/logistics-providers-in-cambodia-face-bankruptcy-because-of-covid-19/?fbclid=IwAR3oE162DMdc7wQ7-dDb8rpsWC91uZMcCKgYxqhZ6v5xqqGq9zyEashKJSs</u>