

# The Netherlands as a logistics leader

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## Introduction

Consistently ranking in the top of the World Bank Logistics Performance Index, the Netherlands is a leading logistics hotspot in Europe. Home to the world's most efficient seaports and the highest quality of air transport in the EU, the Netherlands' logistics infrastructure provides unparalleled access to Europe. The Dutch are also developing new technologies and digital connections to create a smarter, more sustainable logistics network. These innovations are powered by 942,000 Dutch logistics specialists who comprise more than 10% of the country's workforce. Offering advanced distribution capabilities and a robust supply chain, the Netherlands allows businesses to reach customers in Europe and beyond.

The Netherlands also offers the most comprehensive and business-friendly **VAT implementation** of all EU member states (index score 14 out of 15).

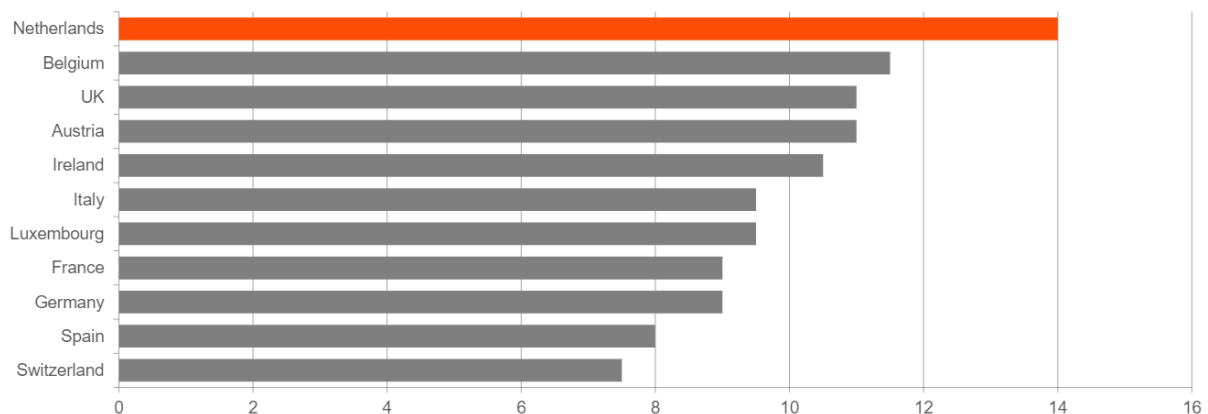


Figure 1: Deloitte VAT Index, 2016

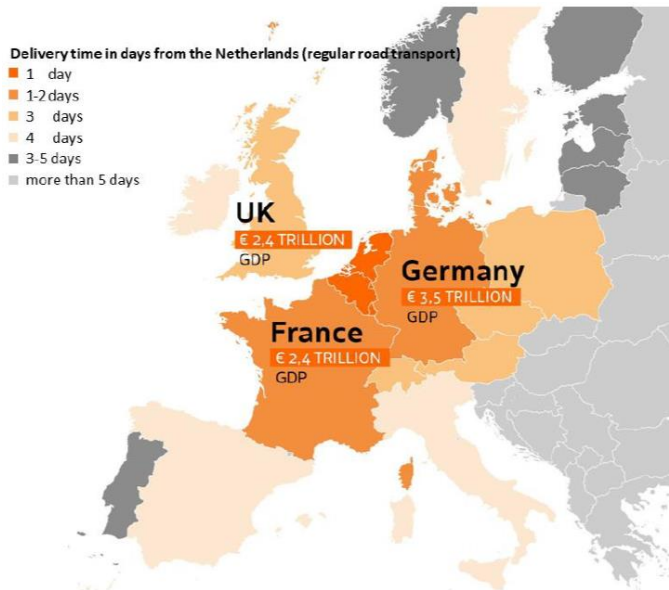
For companies with an eye on the European market, the Netherlands is the ideal choice. Major European economies, including Germany, the United Kingdom and France, are all within a day's reach of the Netherlands. Draw a 500km (300 mile) radius around the Netherlands, and you can access 170 million consumers. Expand it to a 1000km (600 mile) radius, and 244 million consumers are within reach.



Figure 2: Invest in Holland, 2018

Thousands of small UK businesses have been plunged into crisis by the UK's departure from the EU, with exports to the continent collapsing because of delays at ports, increased shipping costs, and the sudden addition of VAT, customs duties, and in some cases tariffs, on shipments sent from the UK to customers within the bloc.

Many have been left with no option but to invest in distribution networks within the EU, and the Dutch logistics industry is reaping the rewards. Strategically located at Europe's front door, the Netherlands' world-class logistics hubs facilitate trade and transport for global markets. Providing direct access to 333 destinations worldwide, Schiphol Airport is the world's No. 2 best-connected airport and the No. 4 largest cargo airport in Europe. The Port of Rotterdam, Europe's largest seaport, is another major gateway to the continent. The Netherlands' high-speed rail, road and waterways open up the rest of Europe for multimodal transport and distribution.



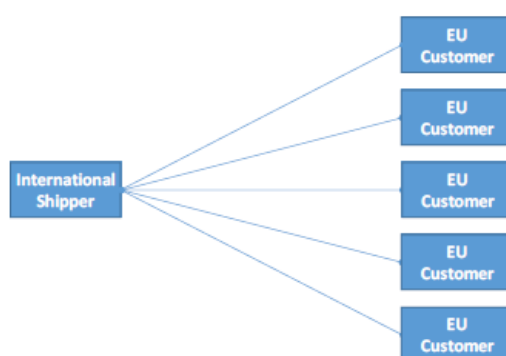
Concerning lead times from a Dutch location, the Netherlands is located between Europe's three major markets (Germany, France and the UK). These can be reached within 1-3 days. Most European countries can also be reached in that time. Furthermore, the Netherlands' express networks provide opportunities for next or even same-day delivery in Europe.

These short lead times guarantee timely replenishment of forward stock locations or regional distribution centres elsewhere in Europe.

Figure 3: Royal Rotra, 2018

## Distribution models for international shippers

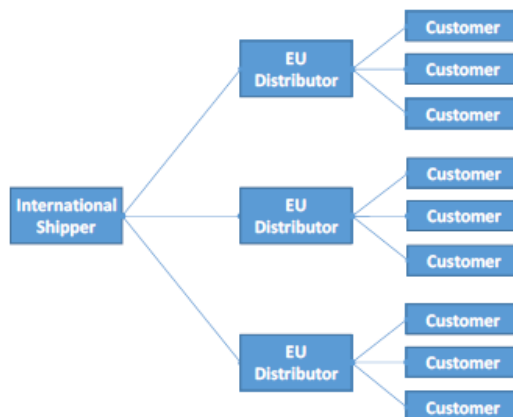
The interest among foreign shippers in starting to sell their products on the European market is high and rapidly increasing. Annual figures from [NDL/HIDC](#), responsible for representing and promoting the Dutch logistics industry, show stable double-digit growth figures for foreign logistics investment projects. Meanwhile, more than 1,000 American and Asian companies have already centralized their European distribution activities in the Netherlands. It is important for foreign shippers at the start of this journey to be aware of both the alternative distribution models that are available as well as the processes that need to be set up before they can start serving the European market.



### Direct shipping from overseas

Companies may decide to sell and supply their products directly from their overseas production or distribution location to their new European customers. Many companies enter the European market applying this approach. It does not require an upfront investment in either an in-house or outsourced European distribution structure, nor does it require building up a relationship with a network of distributors. Clear disadvantages of

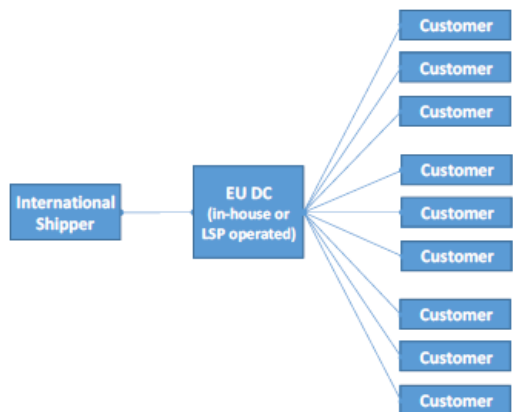
this model are long lead-times towards customers, high shipping costs, a loss of control and less flexibility.



#### Distributor model

Depending on the nature of a company's products, a distributor model may be a viable alternative to direct shipping from overseas. It shifts the European inventory point from the customer to the distributor, offers significant lead-time and shipping cost improvement and the distributor takes responsibility for part of the commercial activities of the company. Disadvantages are that typically the distributor also takes part of the product margin, that there could be a mismatch between the commercial strategies of the

shipper and that of its distributors and that a network of high-quality distributors offering Europe-wide coverage may not be available. Finally, individual intercontinental shipments to a network of distributors are still relatively expensive.



#### Own distribution structure (in-house or outsourced)

Most non-European companies that sell their products on the European market eventually decide to set up their own distribution structure in the Netherlands. This gives the company the ability to supply its European customers quickly, optimize its inbound shipments by creating full container loads, take control over its local inventory and be flexible towards current and prospective customers. Although the company may continue to use a network of distributors, it can also now engage directly with customers and set up additional distribution channels to boost the company's

sales and profits.

Most shippers outsource either all or part of their European distribution operations to one or more logistics service providers (LSPs). Warehousing and transportation are the most commonly outsourced logistics services. For every shipper that decides to set up its own European logistics distribution structure, about three shippers decide to outsource it to one or more LSPs. Outsourcing enables the shipper to make flexible use of labour, equipment and warehouse or trucking space as agreed with its service provider. Outsourcing also provides the shipper with the opportunity to focus on its core activities and to benefit from the best practices of the LSP. If the shipper's warehouse operations are integrated into a shared-user facility, there may also be synergies with the LSPs other customers. A dedicated warehouse setup is more prevalent for larger customer operations of about 10,000 m<sup>2</sup> or more. This is also the typical size of a warehouse compartment.

## Supply chain setup for international shippers

When deciding to set up a logistics operation in Europe, it is inevitable to notice that in the Netherlands, with its excellent and well-developed logistics industry, there is a wide array of service providers whose expertise is of the highest order. Amongst these are specialists in certain industries (e.g. medical devices, chemicals, apparel, automotive products) or activities (e.g. group transport, warehousing, parcel distribution), or geographical regions.

The services offered by logistics service providers (LSP) vary by company. Most of them offer a full range of integrated services that most commonly include:

- Ocean freight forwarding (full container loads & less than container loads);
- Air freight forwarding;
- Customs brokerage;
- Warehousing;
- Value adding logistics (VAL) activities (labelling, packaging, assembly);
- Value adding services (VAS) (fiscal representation, stock management, order management);
- Transport throughout Europe (full truck loads & less than truck loads, parcel, temperature controlled and tank).

Many LSPs have extensive expertise and vast experience in these fields and are thus ideally positioned to assist firms in optimizing their supply chains.

### Value Added Logistics (VAL)

VAL refers to activities that directly add value to the final product. They are the final step in the production process of the product and are therefore also sometimes referred to as 'postponed manufacturing'. From a logistics point of view, most companies want to minimize stock, while at the same time maximizing the variety of products they can offer to the market. By storing parts, or sub-assemblies, in the distribution centre, a company can customize its products when sales orders come in and assemble the product quickly according to individual customers' specifications. In order to reduce the order lead-time, VAL activities should take place as late as possible in the supply chain and as close as possible to the customers. VAL activities can be divided into basic and advanced VAL. Examples of basic VAL activities are:

- (re)packing goods;
- attaching labels to shipments;
- mixing basic products;
- adding documentation or software in the language of the country where the final customer is located.

Examples of more advanced VAL activities are:

- repairing goods;
- assembling goods;
- performing sophisticated quality checks.

Occasionally, VAL activities are also used to minimize import duties that must be paid for importing into the European Union. In some cases, the sum of import duties on the individual parts is considerably lower than the import duty of the assembled final product. When savings on import duties outweigh the additional costs for final assembly in Europe, it could make sense to implement this set-up. However, as customs regulations are not always transparent to the outsider and since they are subject to periodical adjustments, it is advisable to consult with a customs expert first before implementing this set-up. Among the practical benefits of VAL are:

- Serving the customer quicker and with more flexibility;
- Reduction of total logistics costs and risks of keeping stock;
- Possibility of offering a larger range of products, country specific products, or even customer-specific products;

- Possibility of responding quickly to changing market requirements;
- Savings on import duties.

### Value Added Services (VAS)

While VAL activities directly add value to the final product, VAS activities add value to the supply chain in a more general sense, e.g., in financing, organization, or marketing. To focus on their core activities, many foreign firms outsource non-core activities to specialized external service providers. Research shows that companies in Europe not only increasingly outsource logistics activities to professional logistics service providers, but also outsource VAL and VAS to them. Examples of VAL and VAS activities commonly outsourced to logistics services providers include stock management, order management, handling of customs transactions, and VAT administration. But also invoicing, customer services like helpdesks and handling guarantee claims, performing repairs, and renting office space are increasingly offered by logistics service providers nowadays. So, while manufacturing companies increasingly focus on their core activities, logistics service providers expand the number of services they offer to these customers and more and more take over non-core activities from them.

### Fulfilment centres

Fulfilment centres enable ecommerce merchants to outsource warehousing and shipping. This relieves online business of the necessary physical space to store all products, which is beneficial for merchants without the capacity to directly manage inventory. Sellers send merchandise to the fulfilment centre, and the outsourced provider ships it to customers for them. Inventory management is a prevalent operational problem for many online stores but is an essential component of cultivating the best possible customer experience. Fulfilment centres make inventory management much easier and allow store owners more time to focus on other areas of their business. If you need help finding a suitable logistics service provider for your operation, you can contact the [Holland International Distribution Council](#) who are representing the Dutch logistics sector.

### World-Class Seaports

From receiving raw materials to exporting finished products, the Netherlands' ports on the North Sea are global gateways to reaching European markets. Its major ports are strategically located on open sea and at the mouths of three major European rivers, the Rhine, Maas, and Scheldt. This results in convenient opportunities for shipping needs by businesses operating within the Netherlands and further into the European Union.

According to the World Economic Forum, the Netherlands is the European leader in infrastructure with innovative and sustainable practices making expansion in the Netherlands a smart choice. The Dutch also have the highest-ranking seaports in the EU in terms of efficiency.

### Port of Rotterdam

The largest port in Europe is also the smartest. The Port of Rotterdam facilitates 14.5 million TEU per year, welcoming 30,000 sea vessels and creating 385,000 jobs. All major Western European centres are just 24 hours away. Aiming to be carbon neutral by 2050, the port is embracing sustainability, digitalization and innovation.

As the "Port of the Future", the Port of Rotterdam embraces the latest technology to help make shipping more efficient and environmentally friendly. The port's vision also focuses on sustainable economic development, ensuring that it is bringing societal value in more equitable ways.



## Port of Amsterdam

While the Port of Rotterdam is the biggest, other Dutch secondary ports are no less impressive. The Port of Amsterdam is the largest port for chemical goods globally, for example, and has a specific ambition to foster a focus on circular economy. It engages start-ups to find innovative ways to reuse and recycle industrial materials more efficiently.

## Groningen Seaports

The Groningen Seaports consist of the port of Delfzijl, Eemshaven and the adjoining industrial sites. The Seaport hosts various clustered business sites, including a chlorine-related chemicals cluster. Eemshaven has specifically been earmarked for the development of energy-related industry with large energy producers such as ENGIE, NorNed, Vattenfall, TenneT, and RWE there, which attracted Google to set up its largest data center of Europe there.

## Zeeland Seaports

The Zeeland North Seaports in Zeeland is a multimodal port, with a strong focus on inland shipping, offering access offer multimodal transport possibilities into the European hinterland and beyond.

## Amsterdam Schiphol

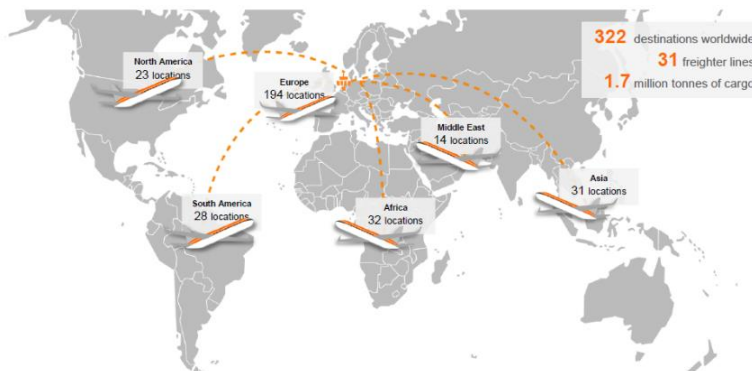


Figure 4: Amsterdam Airport Schiphol, 2017

Amsterdam Schiphol as a Mainport is a hub for many different modes of transport. That includes cars, lorries and trains as well as planes. For example, the high-speed train to Paris runs 9 times a day.

As Mainport, Schiphol has important economic significance to the surrounding area. Around 68,000 people work here. There are

also around 800 other different companies located at the airport. 104 airlines fly to 97 countries and 332 direct destinations. Air France-KLM is the largest airline at Schiphol. Amsterdam Airport Schiphol is the third largest airport in Europe in terms of cargo volume.

## Direct connectivity

Frankfurt remains the No. 1 airport in Europe in terms of direct connectivity in 2019, a position it acquired last year on the back of significant network expansion of both Lufthansa and Low-Cost Carriers. However, the airport is not seeing its direct connectivity increasing this year compared to 2018 – with Lufthansa's direct connectivity at its primary hub decreasing by 1.9%.

Amsterdam-Schiphol also confirms its position as No. 2 without seeing its direct connectivity increasing this year – due to the airport having reached its capacity limits. Over the past 10 years, Amsterdam-Schiphol has gone from the 6<sup>th</sup> to the 2<sup>nd</sup> position, **growing its direct connectivity by 30%**.

## Holland International Distribution Council (HIDC)

Holland International Distribution Council (HIDC) is a non-profit public-private organization, representing the logistics sector in the Netherlands. Services by HIDC are provided free of charge to international companies.

The Netherlands is pivotal as the e-gate to Europe. Apart from its proximity to the main e-markets in the UK, Germany and France and its extensive multimodal infrastructure, the Netherlands has a variety of high-quality e-fulfilment service providers, from courier providers, global express networks, and third-party logistics service providers to specialized e-fulfilment players that offer all services including back office. They can help any e-commerce company implement the integrated supply chain model that best meets its needs.

### Facts and Figures

- 816 million people live in Europe, 565 million of them use the Internet (69%), and 264 million are e-shoppers (32%).
- Europe has over 645,000 online businesses and more than 2 million jobs in e-commerce (directly or indirectly); over 3.7 billion parcels are shipped annually.
- European top 400 web shops comprise 56% e-tailers (online only), 38% retailers ('bricks & clicks') and 6% manufacturers.

### Resources

[Holland International Distribution Council](#)

[Invest in Holland](#)

[Amsterdam Schiphol](#)

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