

URUGUAY AS A REGIONAL DISTRIBUTION CENTER

By:

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- II. WHY WOULD A COMPANY CHOOSE URUGUAY AS A LOGISTIC HUB?**
- III. HOW DO FOREIGN COMPANIES OPERATE IN URUGUAY?**
- IV. AN EXAMPLE OF A SUCCESS CASE**

INTRODUCTION TO CALOG

I. INTRODUCTION TO CALOG

CALOG (Cámara Uruguaya de Logística), Uruguayan Logistics Chamber, is integrated by organizations, professionals and companies related to Uruguayan logistics.

CALOG was founded by two institutions with long trajectory in logistics, such as URULOG (Uruguayan Logistics Association) and AOLU (Uruguayan Logistics Operators Association).

Objectives:

- Generate training and discussion about Logistic.
- Increase business efficiency.
- Positioning of Uruguay as a Regional Distribution Center for the MERCOSUR countries.

WHY WOULD A COMPANY CHOOSE URUGUAY AS A LOGISTIC HUB?

II. WHY WOULD A COMPANY CHOOSE URUGUAY AS A LOGISTIC HUB?

A) GEOGRAPHIC LOCATION

URUGUAY – RDC

- Within 2000 kms
 - 140,000,000 Consumers
 - 75% of the GDP OF MERCOSUR
 - 2,5 hours flight time



II. WHY WOULD A COMPANY CHOOSE URUGUAY AS A LOGISTIC HUB?

B) LEGAL FRAMEWORK

- Government promotes foreign investment.
- Total exemption of taxes for foreign companies establishing RDC in Uruguay.
- Stability of the Uruguayan legislation of the different regimes (Free Trade Zone Law & Free Port/ Airport Law)
- Total exemption of customs taxes for goods that are stored in transit.
- In FTZ there is no limitation in regards to performing Value Added Activities, that make the stock flexible.

II. WHY WOULD A COMPANY CHOOSE URUGUAY AS A LOGISTIC HUB?

C) PEOPLE

- More than 90% literacy rate.
- More than 20.000 people work in the logistic sector.
- Third grade or postgraduate level education: over 44%.
- Multi-lingual staff.
- Stability and Safety at work.

II. WHY WOULD A COMPANY CHOOSE URUGUAY AS A LOGISTIC HUB?

D) INFRASTRUCTURE



PORT OF MONTEVIDEO

- Located on the shores of the La Plata River along the main cargo routes of the MERCOSUR.
- One of the most competitive and efficient ports of the region.
- Reference on international and regional shipping routes
- Volume of TEUS handled in 2012: 750,000.

II. WHY WOULD A COMPANY CHOOSE URUGUAY AS A LOGISTIC HUB?

D) INFRASTRUCTURE

CARRASCO INTERNATIONAL AIRPORT

- The new terminal at Carrasco International Airport was opened in 2009.
- With a modern infrastructure, the new airport has tripled its operational capacity, transforming it into the new MERCOSUR hub.
- Awarded in 2013 with the International Architecture Award by Architizer A+ Awards.



II. WHY WOULD A COMPANY CHOOSE URUGUAY AS A LOGISTIC HUB?

D) INFRASTRUCTURE



FREE TRADE ZONES

- Today, there are 13 Authorized Free Trade Zones. (FTZ).
- FTZs in Uruguay are exploited by the State, or by private companies.
- The regime allows for all types of commercial, industrial or services activities, with no restrictions.
- Companies working at a FTZ are exempted of all national taxes, whether existent or to be created in the future, except for contributions to social security made in the name of Uruguayan employees.

WITHOUT A DOUBT, URUGUAY PROVIDES THE FOLLOWING BENEFITS AS A REGIONAL DISTRIBUTION CENTER:

Inventory Optimization

- Reduction of total domestic inventory in each country
- Reduction of total regional inventory

Cost Reduction

- Administrative and Operational costs
- Financial costs
- Country risk buffer
- Port efficiency and cost

Service Improvements

- Decrease lead times
- Capacity to capture other market segments

Flexibility

- Products are in transit.
- Possibility to adapt product to country requirements while the product is in transit.

BOTTOM LINE:

**“Real improvement in
Inventory management:**

**A CDR reduces country risk and provides
immense flexibility in terms of adaptation and
control.”**

HOW DO FOREIGN COMPANIES OPERATE IN URUGUAY?

III. HOW DO FOREIGN COMPANIES OPERATE IN URUGUAY?

- a) URUGUAY AS THE ENTRANCE TO THE REGION.**
- b) URUGUAY AS A RDC TO THE REGION.**
- c) URUGUAY AS DISTRIBUTION AND CUSTOMIZATION CENTER TO THE REGION.**

A) URUGUAY AS THE ENTRANCE TO THE REGION

ENTRANCE
Maritime, air or road



DESTINATION
Maritime, air or road

Transfer - Cross-docking
in URUGUAY
24 hs

| | BRASIL | URUGUAY | ARG |
|-----------------------------|---------------------|----------------|-----------------|
| Sea freight (ASIA) | 30 days | 35 days | 35 days |
| Port terminal and clearance | 15-45 days | 3 days | 5 - 15 days (*) |
| Road Transport (inland) | 1-2 days | 1-3 days | 1 day |
| TOTAL (average) | 45 – 75 days | 41 days | 43 days |

**TIMING
+
SECURITY**

B) URUGUAY AS A RDC TO THE REGION



ENTRANCE
Maritime, air
or road



INBOUND

Unlimited storage time
(average of 45 days)
Quotes in m3
Special or general cargo



OUTBOUND
Order picking
24/48hs



BRAZIL

ARGENTINA

PARAGUAY

CHILE

BOLIVIA

URUGUAY

C) RDC WITH CUSTOMIZATION

ENTRANCE
Maritime, air or road

INBOUND



**Warehousing
+
Value Added Logistics**

Unlimited storage
Quotes in m3
Special or general cargo

VALUE ADDED ACTIVITIES

- Labeling
- Packaging
- Kit assembly
- Warranties/catalogue inserts
- Placement or change of power supplies/electronics.
- Mini-factories



BRASIL

ARGENTINA

CHILE

PARAGUAY

BOLIVIA

URUGUAY

OUTBOUND





INVENTORY MANAGEMENT POSSIBILITIES

- Real time tracking – Supplier Managed Inventory (SMI).
- Installation of Customer's personnel within the facilities of the logistics operator (permanent offices or for specific operations).
- Space leasing.



BUSINESS UNITS

- Raw Materials.
- Consume goods
- Pharma/Biotechnology.
- Agrochemicals.
- Retail.
- Food & beverages.
- Electronics.
- Sport items.
- Automotive industry.
- IMO.

AN EXAMPLE OF A SUCCESS CASE

Lexmark Inc - RDC Uruguay

Latin American Operation

Place: in Zonamerica Free Trade Zone, 3PL Costa Oriental



LEAD TIME REDUCTION POST RDC



Asia

Cost Reduction and
Improved Efficiency

40 Days
To RDC



30 Days



72 hs.



24 hs.



72 hs.



72 hs.



BENEFITS: COST REDUCTION + INCREASED FLEXIBILITY

SITUATION

Freight prices increased by more than 50%

NEED

Reduce Freight Costs Substantially

SOLUTION FSA PROJECT

FSA PROJECT:

Increase Loading Efficiency: Merchandise arrived to Uruguay in Bulk. The 3PL Company sourced all the packaging including the development of 16 local and international providers.

Freight optimization: reduction from 3 to 1 containers.

RESULT

- 60 % of **savings in Freights and Port costs**
- Stock becomes totally **flexible** for the region







BENEFITS: ADDITIONAL REDUCTION IN COSTS

NEED

SOLUTION

BENEFIT

OPERATIONS

Consolidation of functions

Centralization of functions in regional office in Uruguay with a reduction in salaries

SAVINGS of 30% in salaries

WAREHOUSES

Substitution of Domestic Operations

Centralizing inventory and sending the goods directly from Uruguay to final customer or importer (Exw Uy)

SAVINGS of 45% in CHI y ARG.

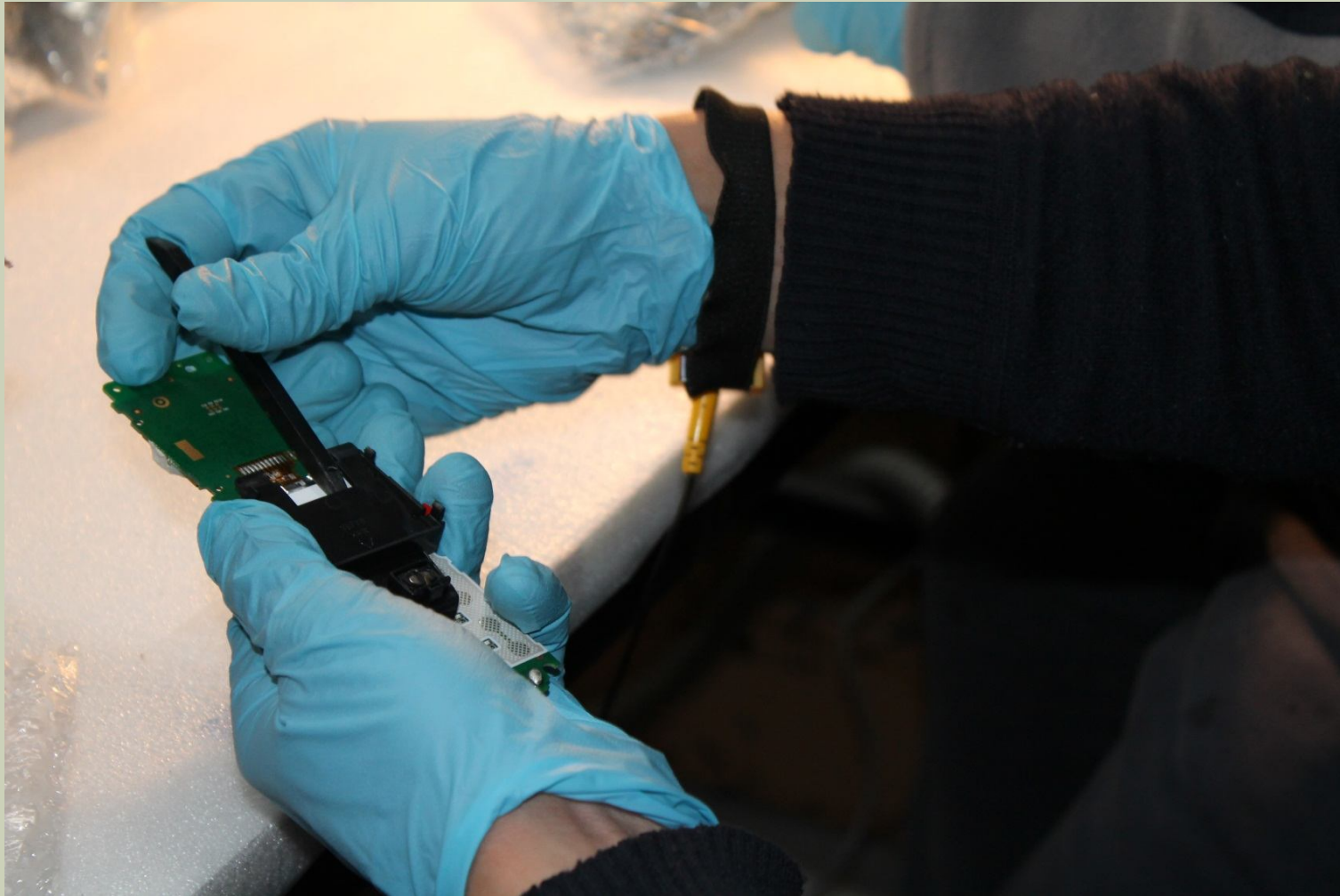
INVENTORIES

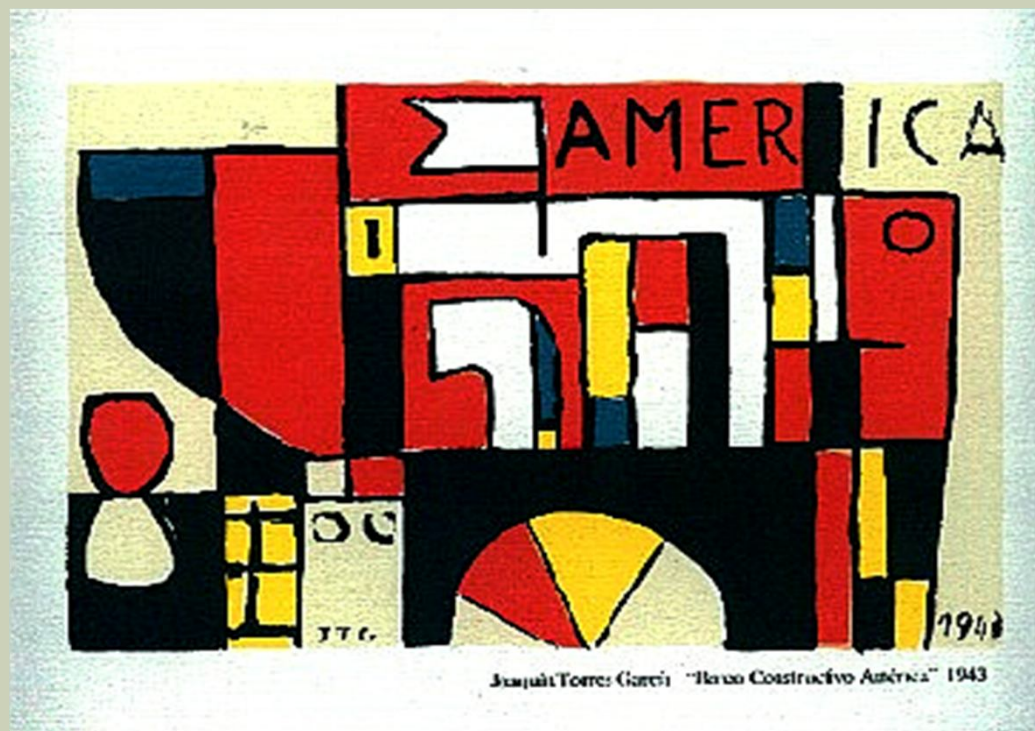
Reduction of South Region Inventory

Set up a single buffer warehouse with less imported inventory and less financial costs.

INVENTORY Reduction of 35%.

BENEFITS: ADDITIONAL FLEXIBILITY / VAL





*Don Joaquin Torres García,
Most famous Uruguayan Painter
Escuela Constructivista*

**THANK
YOU!!**

