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Indonesia Logistics Market Overview by Ken Research

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The **Logistics industry in the Indonesia** is dominated by Freight forwarding Market due to trade with many Asian and European countries due to its Archipelago Location. Growth in the industry has been stimulated due to the betterment in ease of doing business and ranked 73rd position in the World due to huge infrastructural Support provide by the Indonesian Government.

The industry is dominated by Sea and land freight Movements considering its huge import and Exports with Asian countries such as China and India. The country has strong trade relations with Australia, European countries, US and neighbouring south East Asian countries such as Thailand and Vietnam. No international freight is by Land due to its geographical limits. Air freight is quite expensive than any other Mode and is usually used for Express Shipments. Indonesia also has a strong warehousing market segment with huge space catered by warehousing players and renting out at quite high Rates. Warehouses are concentrated in areas of Greater Jakarta, Surabaya and Makassar due to high population and presence of Seaports. The Courier, Express and Parcel market is driven by growth in Last-Mile deliveries and the E-Commerce segment in the country.

Challenges for Logistics Market in Indonesia

Inadequate Infrastructure: *Inadequate roads, railroads and ports in the country are major challenge for the logistics industry as the delivery of goods consumes high amount of time. Commercial trains are operated in Java and Sumatra only. Unreliability of domestic shipping due to poor performance of ports, serious backhaul problems with ships, complex supply chains and delay of delivery is a major challenge for Inter island Connectivity.*

Custom Clearance Duration: Customs procedures in Indonesia have lengthy administrative procedures. Geographically, the archipelagic nature of the country poses obvious challenges. Trans-shipment currently takes three days compared with just two hours in other more advanced countries in the region.

Limited Progress in E-Payment Gateways: The sophistication level in the country's e-payment gateways has been well below as compared to more developed international retail markets over the period. Cash on delivery has been the most preferred mode of payment for online shipments in Indonesia over the past few years.

Shortage of Skilled labor: There is Shortage of Skilled and qualified labor in Indonesia. The over reliance on short term contracting in Indonesia has discouraged skills investment. The Indonesian government had a target of 10,000 logistics workers to be certifies in 2015 to ASEAN standards but only 3,000 were certified. The industry players often hire logistics personnel from abroad from foreign countries such as Bangladesh.

Competition Overview

The competition in the Logistics space in the Indonesia can be divided on the basis of different service segments including Freight Forwarding, Contract Logistics (Warehousing) and Express Delivery.

Domestic and International players such as Seino Indomobile, CKB logistics, Lookman Djaja, Linfox logistics , Kuehne + Nagel, DB Schenker, DHL, Agility were identified to be dominant when it comes to freight forwarding and warehousing, as they have a strong brand name in the Global and local Market for their quality services. Local Domestic Transporters dominate the Road freight Market on the basis of type of fleets, number of trucks, Prices, delivery periods and more While the International Express market in the Indonesia is concentrated among local players such as Indonesian Post, JNE express, Lazada Express and more, the International Express market is dominated by DHL, Fedex, UPS and more in Indonesia logistics Market.

Future Growth

The logistics sector in Indonesia is expected to grow in future with a dip in 2020 due to lockdown for few months that disrupted the Imports and Export Movements by all Modes which is expected to revive back in 2021. Tech startups are filling the gap and capturing new business opportunities. Several key technologies deployed by logistics startups include radio frequency identification (RFID), GPS, cloud computing, and data analytics. New concepts such as micro-warehousing as done by Crewdible and cross-border e-commerce fulfilment AllSome are gaining popularity in Indonesian market. The pharma logistics segment and the e-commerce logistics segment are expected to drive growth in the future, given the expected increase in medical products requirements post COVID-19 and continuous funding in Express companies such as SiCepat Ekspres and Aggregator such as Kargo in Indonesia.
