

A world evolving beyond recognition

Macro-economic circumstances were very different in the 1970s than today - just one area that's evolved beyond recognition in four decades, writes Rob Riddleston



Since the early 1970s, the logistics sector has evolved beyond recognition. Today, we take so many things for granted that didn't even exist 20 years ago, let alone 40 years ago, such as containerisation, online tracking systems, or simply the ability to deliver a package from the other side of the world.

Of course, the macro-economic circumstances were very different than today. The UK economy was battling with a 25% inflation rate in 1975 while the sterling/US dollar exchange rate was 2.4, compared with the 1.6 today.

Interest rates were averaging approximately 7% in 1970, but spiralled to 12% in 1974. The oil price in 1971 hovered around \$3.60/barrel (or \$19 inflation adjusted), compared with the \$120/barrel today.

Although these circumstances have played an important part in shaping the trends in the logistics sector, the change has mainly been driven by factors such as the internationalisation of trade, technological changes and de-regulation.

Trade flows have become increasingly international over the last 40 years. The relaxation of EU border controls in 1992 was a key growth catalyst while the importance of emerging markets, also as a result of the erosion of trade barriers, has been a major



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growth engine for the logistics sector over the last 10 years.

The increased globalisation of supply chains extending into low-cost countries has also reshaped the logistics industry and put some constituent parts under pressure – as evident by the recent Japanese tsunami and subsequent supply chain disruptions that were very quickly felt in the UK.

This would have been unimaginable 40 years ago.

Arguably, the most significant driver of change in the logistics sector has been the technological advances that have brought an increasing flow of information to logistics management.

The communication facilities are now instantaneous and automated. From telex and Denison to fax, email and, currently, GPS systems, the impact has been substantial with a higher operational efficiency, vastly