



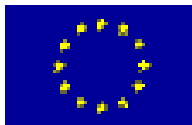
Sectoral e-Business Watch: ICT and e-Business Impact in the Transport & Logistics Industry

29 November 2007

ALTRAN

**Interim report presentation
Brussels, 29 November 2007**

A programme of the



**European
Commission**



The European e-Business
Market Watch

Global trends and challenges in the transport & logistics sector

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An initiative of the



**European
Commission**

29 November 2007, Brussels

Global trends & challenges in the transport & logistics sector



Independent view on issues in the sector;
sometimes the **shipper's** and on other occasions the **consignee's views** or **requirements**.



Supply Chain “Best Practices”

“Co-ordination of complex global networks of company activities is becoming a prime source of competitive advantage..

Today’s game of global strategy seems to be increasingly a game of coordination getting dispersed production facilities, R&D Laboratories and market facilities really to work together”

Prof Michael Porter

Harvard Business School

Quotes from the LOGISTICS industry

“Reliable Logistics are essential”

“Make your Logistics work”

“Logistics is your competitive edge”

“Winning with Logistics”

“By supplying JIT, Logistics is essential: doing it right the 1st time”

“Supply Chain performance is key to corporate profits”

(Accenture study)

High level – global business execution trends

Major Business Trends

- Convergence - global consumers
- Global manufacturing
- Supply Chains compete – Logistics Management
- Collaborators and Relationship Management
- Information technology and communications

Consumers

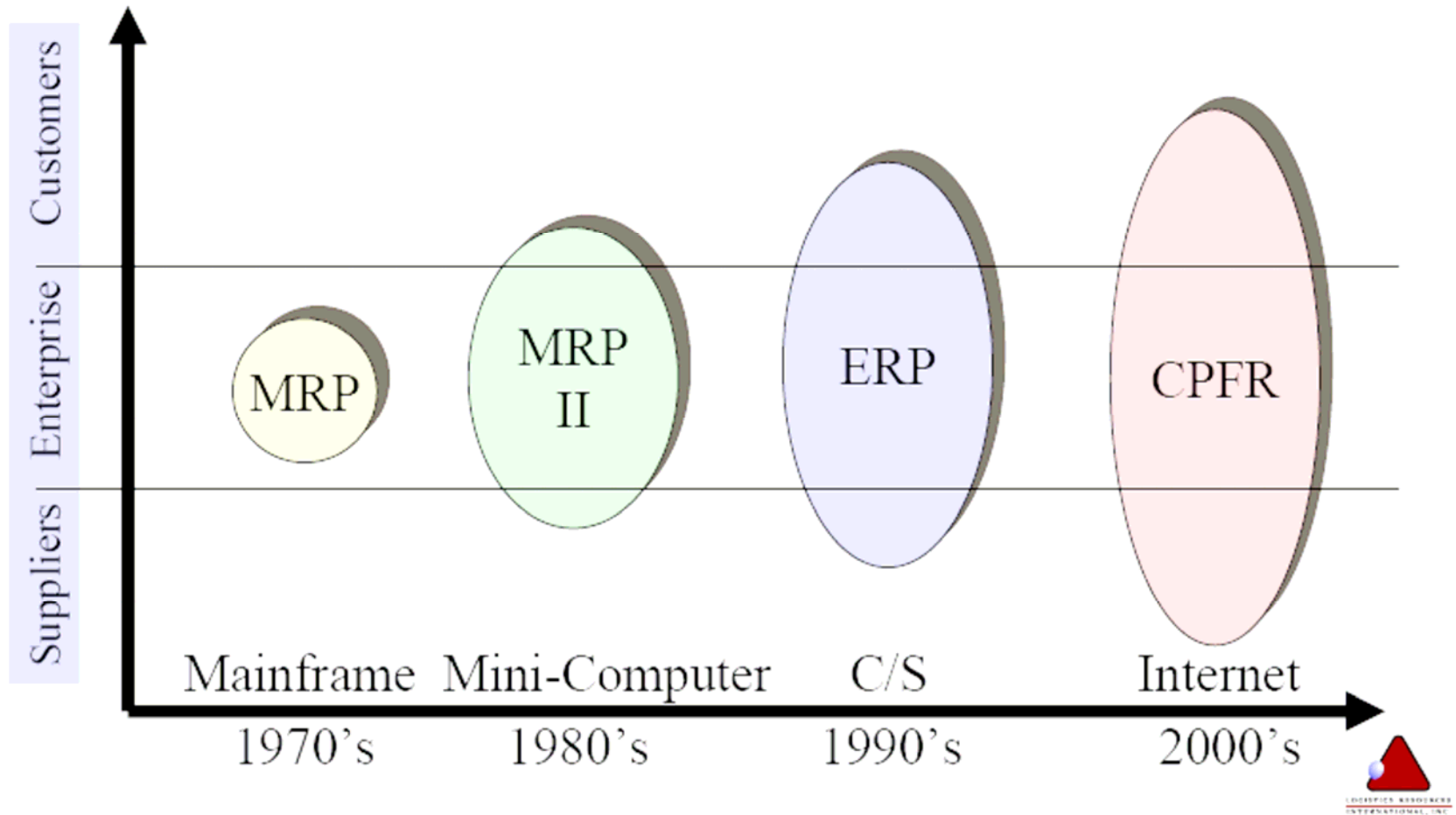
Sourcing

Visibility

New requirements of competition

- Advantage stems comes from capability/execution as markets become commoditised
- Quick erosion of product advantage
- Supply chains compete not companies
- Global over-capacity leading to price reduction and market consolidation
- Customers in control – from push to pull characteristics
- Product and technology life cycles are shortening – frequent changes
- Forecasting challenged – capacity and demand

Evolution of Integrated Logistics



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Global trends & challenges in the T & L industry

Main challenges **for the T&L sector,**
Internally as well as externally,
to satisfy customers:

- End-to-end Visibility
- Management tools/Technology
- Productivity Tools
- Collaboration
- Transportation Management
- Communications

**5 building blocks for
Business Interoperability**

!! Indispensable !!

***Common
processes***

***Common
naming &
coding***

**BUSINESS
INTER-
OPERABILITY**

***Common
Technology***

***Message
standards***

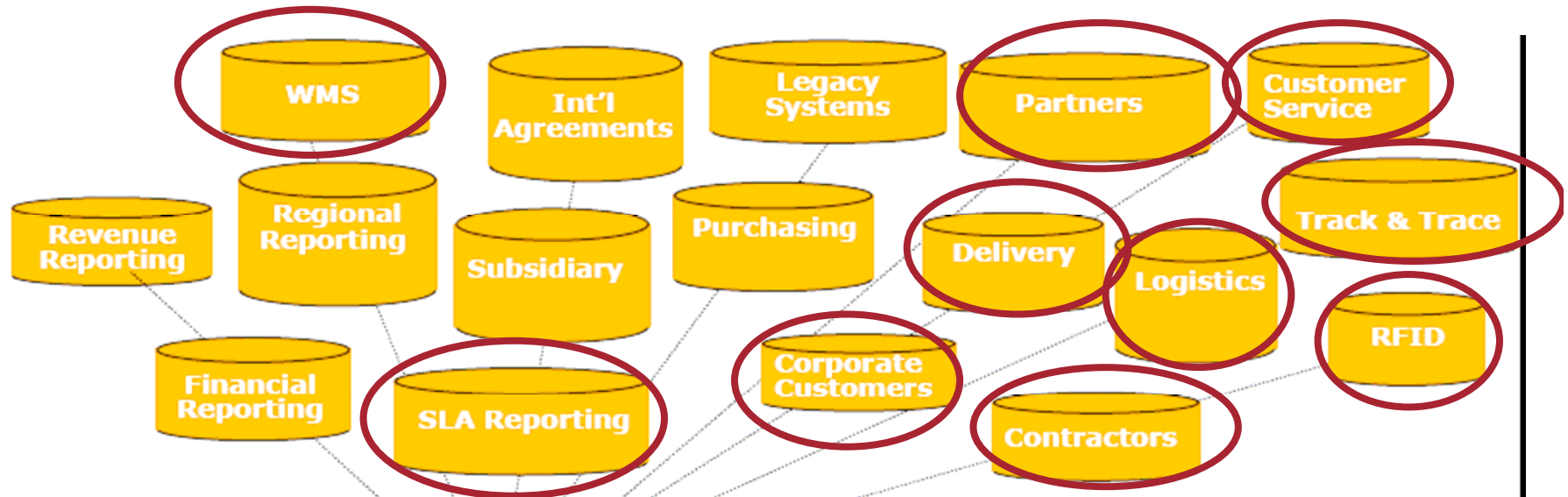
Global Customer Technology Requirements



Visibility

- Track & trace:
 - within the enterprise through event monitoring engines;
 - across partner network by receiving partner messages through EDI, XML or Web;
- Integration hubs: **manage connections among heterogeneous systems located in multiple enterprises (nodes);**
- Exception detection and alerting: **compare status messages with predefined metrics and workflows, sending alerts when predefined tolerances are violated.**

Visibility challenges !



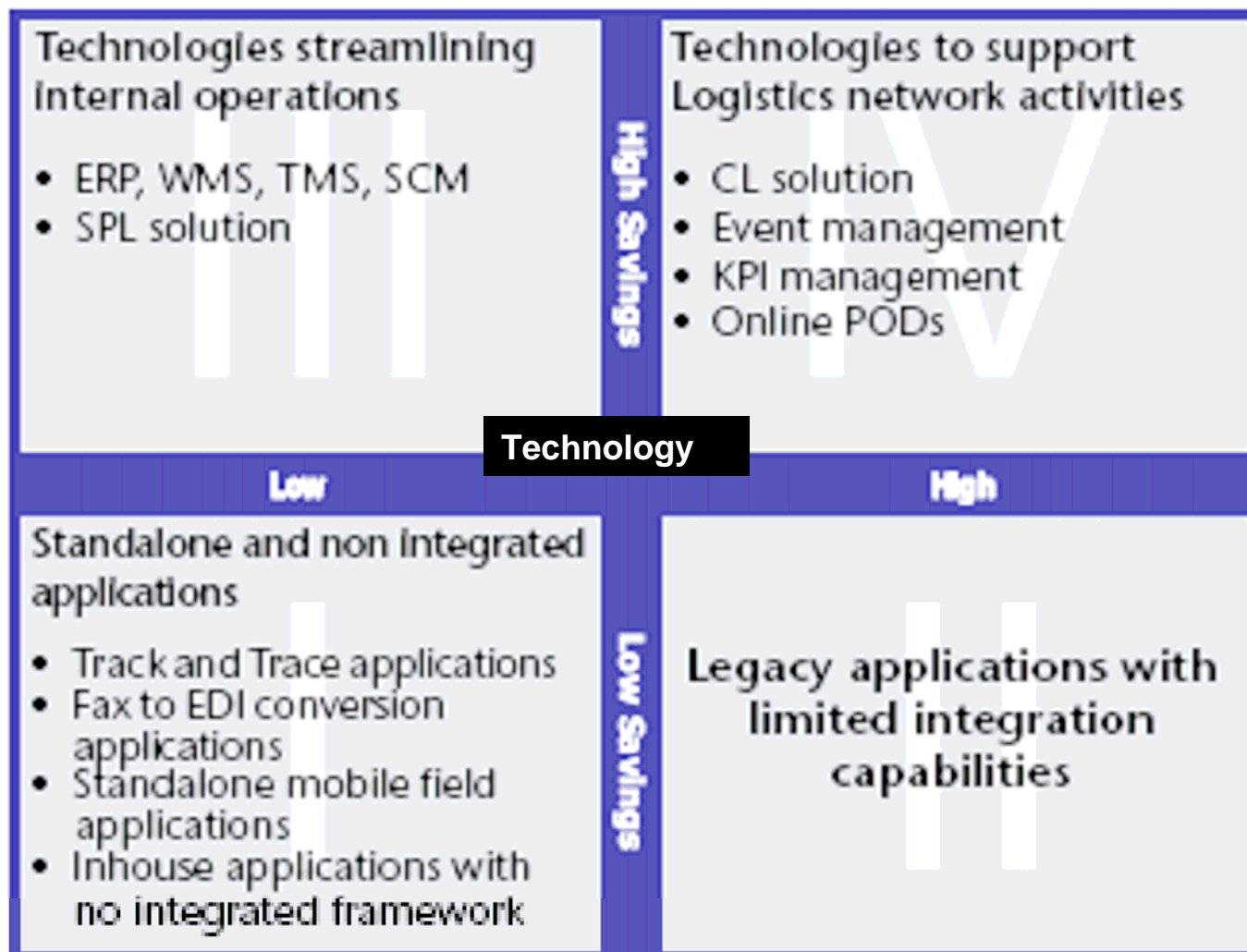
Supply Chain Mngmnt
& Ops department ??



Today's transportation and logistics managers require information from numerous systems and multiple data sources combined to produce a "Single View of the Business".

A large part of the problem is that the growth rates in information capture can be over 30% even in a business growing its revenue by 4%.

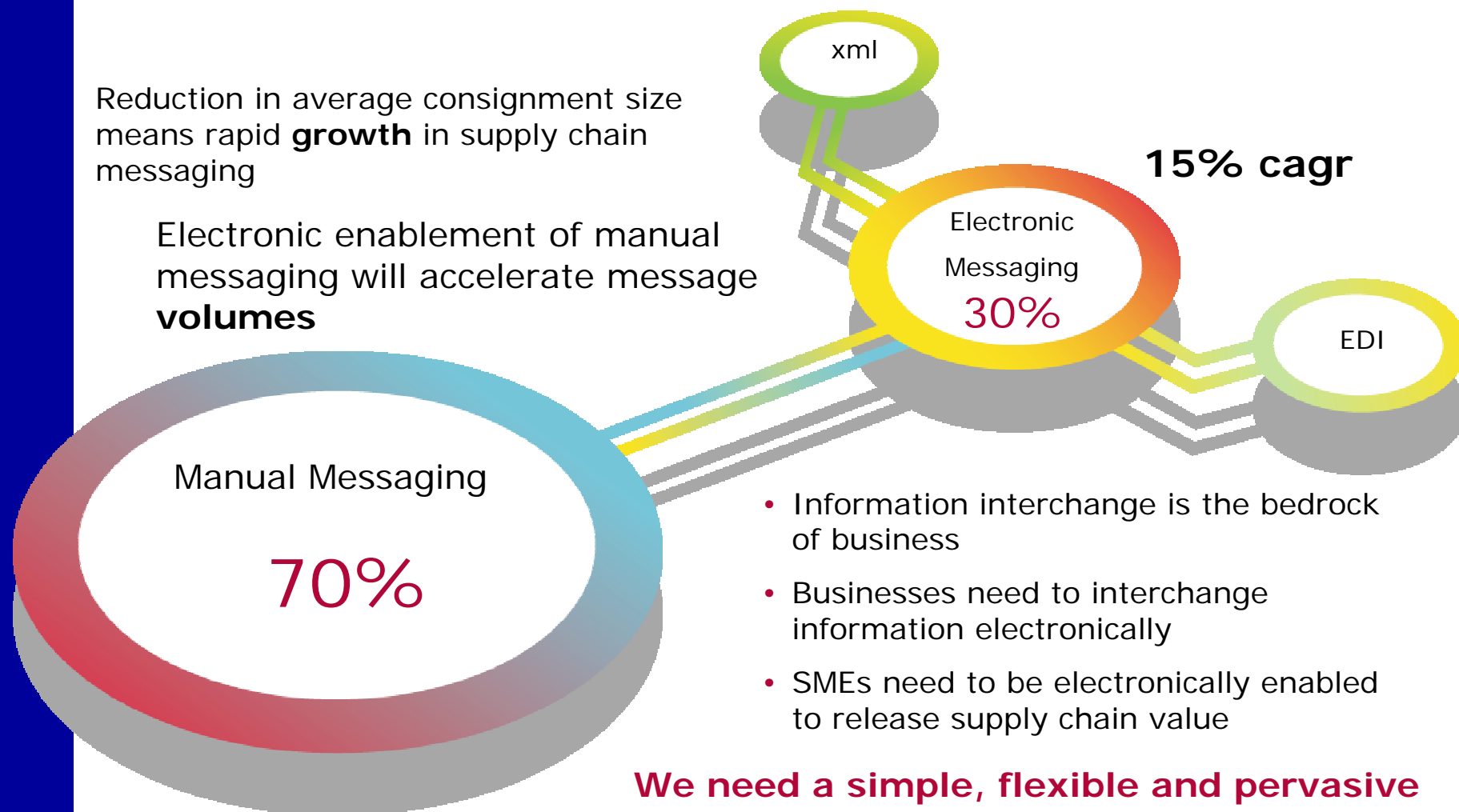
Degree of technology implementation vs logistics savings



Electronic messaging is critical, but stalled!

Reduction in average consignment size means rapid **growth** in supply chain messaging

Electronic enablement of manual messaging will accelerate message **volumes**



- Information interchange is the bedrock of business
- Businesses need to interchange information electronically
- SMEs need to be electronically enabled to release supply chain value

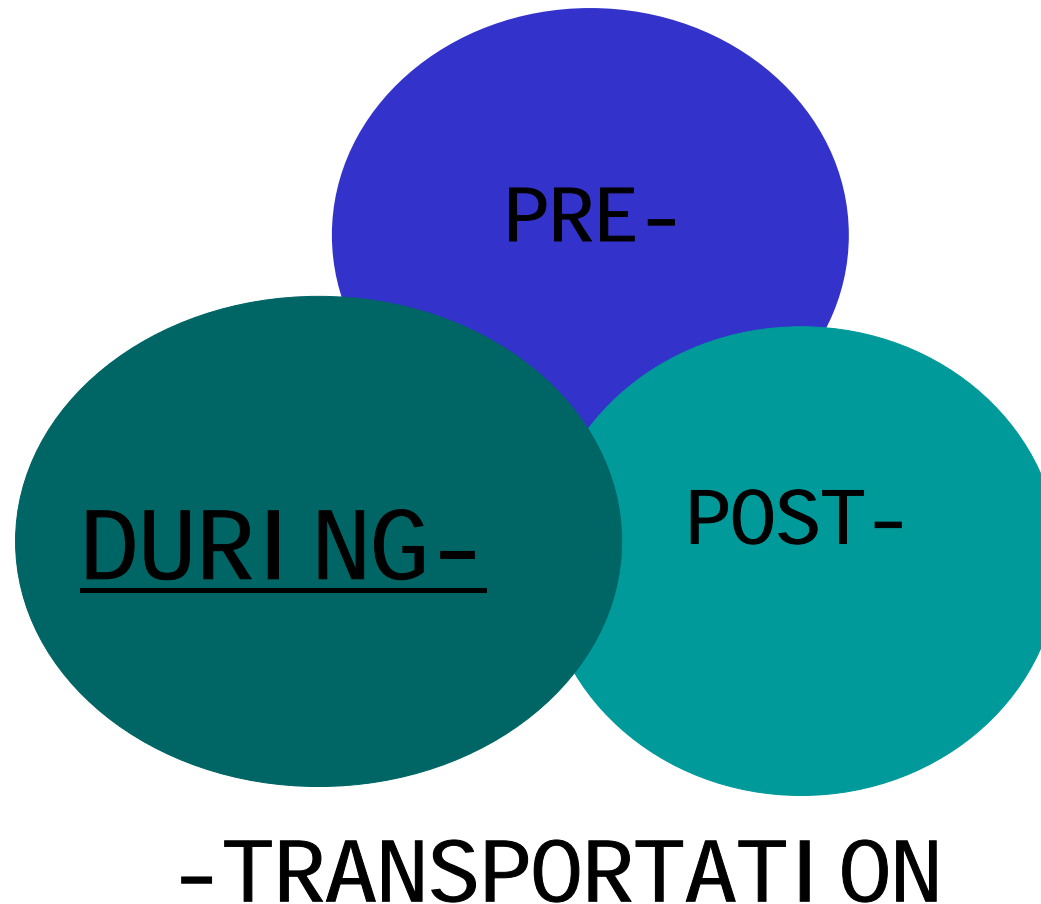
We need a simple, flexible and pervasive route to electronic messaging!

“Collaboration?”

There is a lack of **Collaboration** among different stakeholders of the industry to achieve greater levels of supply chain efficiency at both port of origin and port of destination !



Logistics functional areas PRE, DURING and POST in Transportation



Current Logistics Processes and Challenges

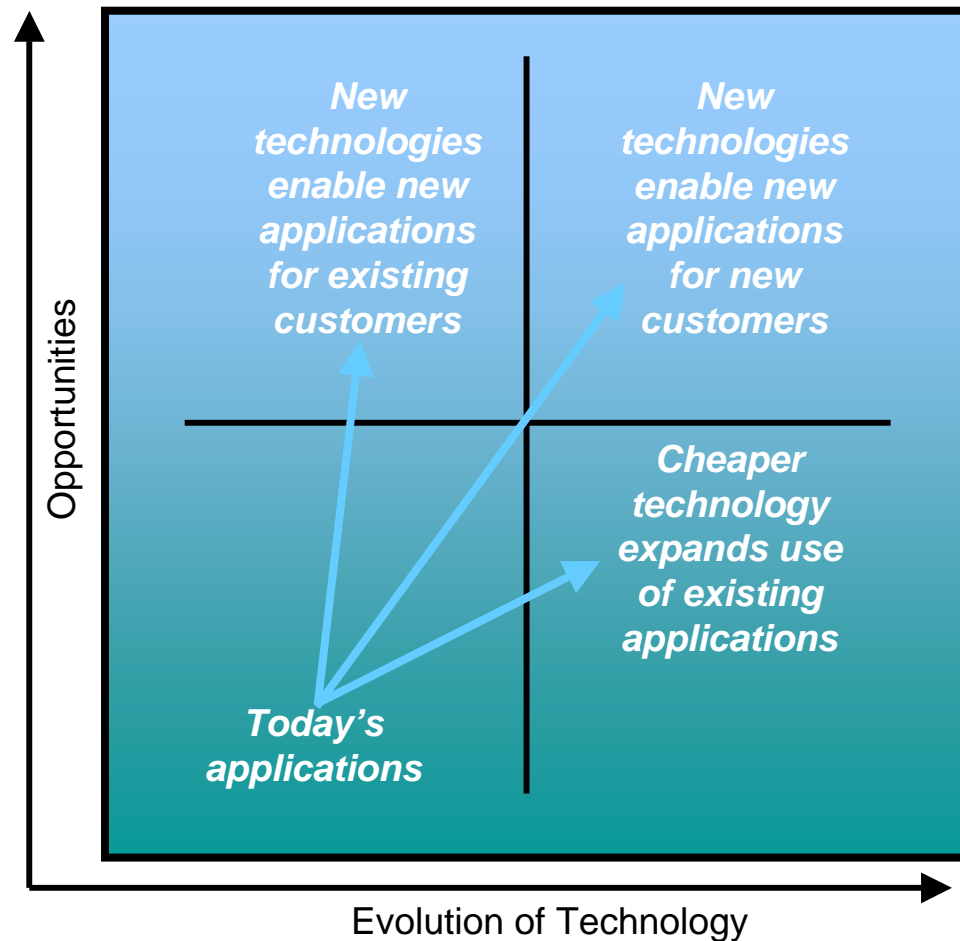
PRE transportation	<u>During transportation</u>	POST transportation
<p>Freight allocation</p> <ul style="list-style-type: none"> ■ Create call-offs ■ Acceptance & rejection ■ Cancellation & last minute changes ■ 1-2-1 ■ 1-2-partners ■ 1-2-many ■ Savings in employee cost through efficient collaboration and communication framework ■ Savings through efficient call-off management and carrier negotiations 	<p><u>Checkpoint updates</u></p> <ul style="list-style-type: none"> ■ Proactive notification on customisable events (eg delay, non-conformity, rejection, delivery) ■ ETA updated during transit ■ Savings realised in transportation costs ■ Savings in purchased transportation ■ Reduction in expedited freight ■ Reduction in waiting time ■ Savings in empty hauling ■ Overall savings through ontime deliveries 	<p>Reporting on KPI's</p> <ul style="list-style-type: none"> ■ Periodical statistics ■ Reports (eg non-conformity, waiting times, contract conformity) ■ Savings through avoiding invoice discrepancies ■ Reduction in churning of customers ■ Reduction in penalties and claims ■ PoD

Business Implications of New Technologies

■ Evolution of Technology enables new ideas to expand business opportunities

■ New price schemes make old ideas economically feasible:

- Serve new customers
- Provide broader support for existing customers



Productivity Growth

Objective of Productivity Growth:

Pushing or pulling more products or services through the channel (supply or value chain) based on “perfect” collaborative cross-functional processes (internal as well as external) with the right tools, creating added value in the chain.

To achieve this, companies must be innovative, adapt themselves to new market-structures and apply new methods, processes, procedures and adopt new technologies, like e-business.

Productivity Growth

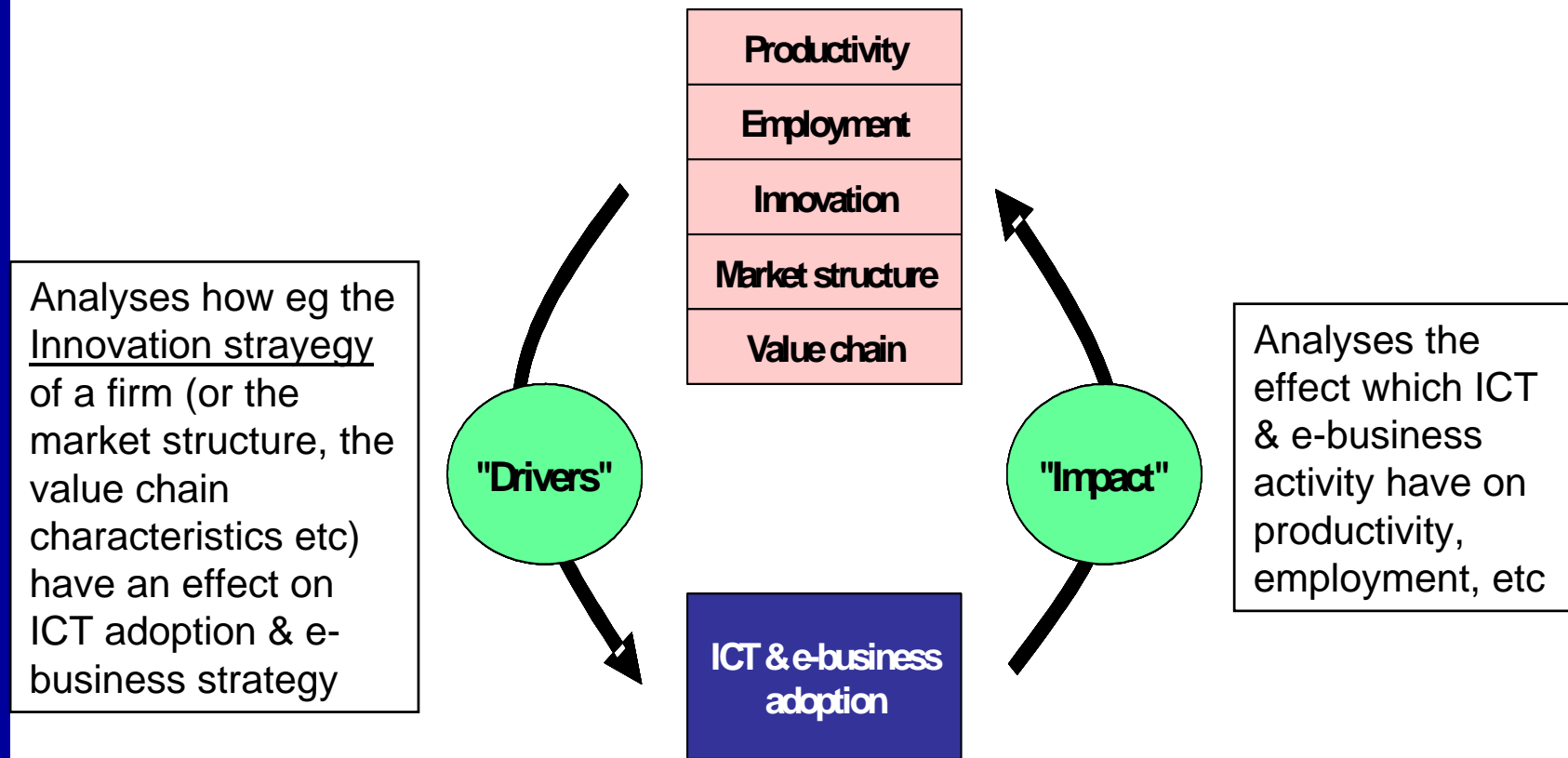
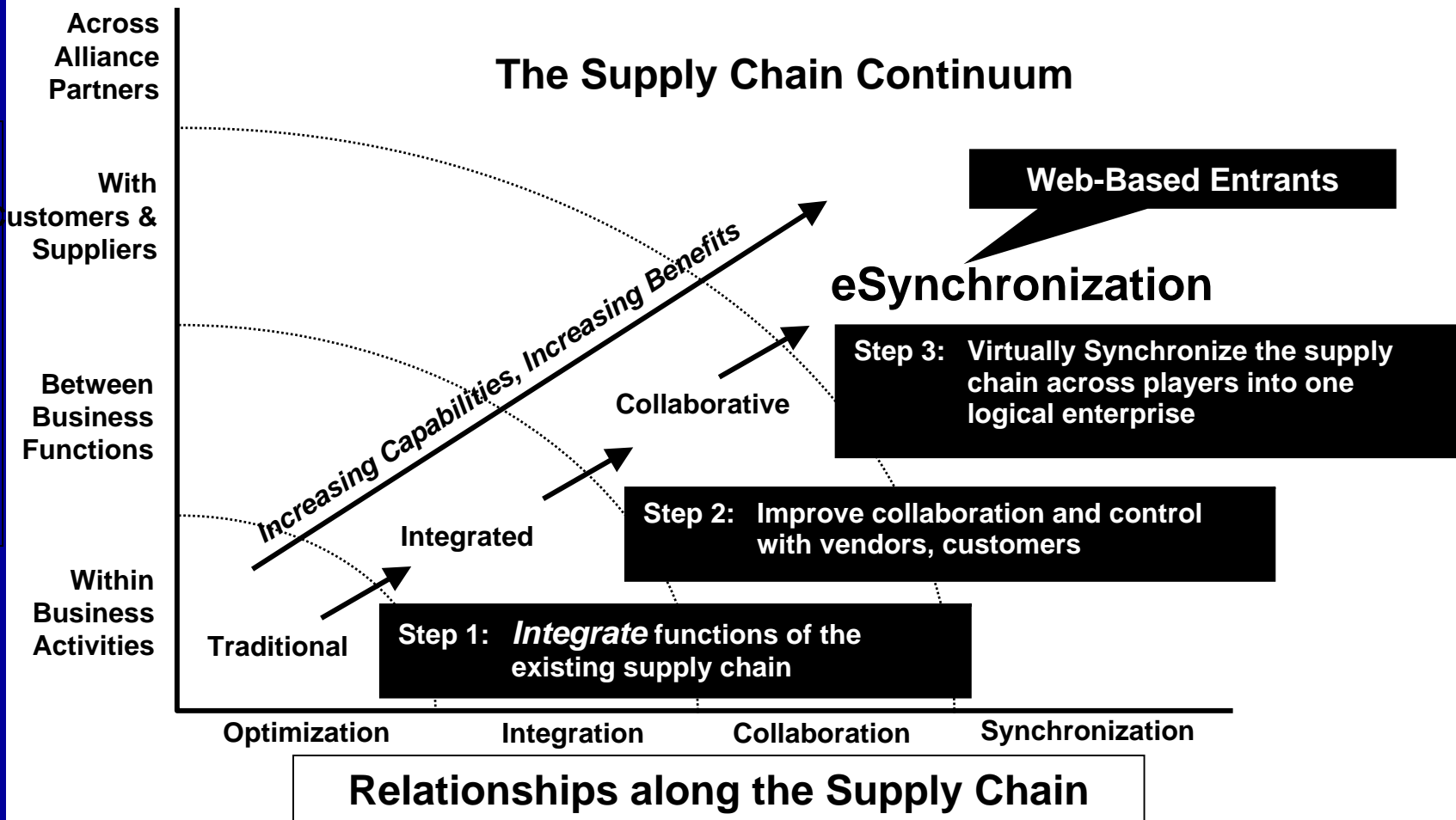


Exhibit 3.12-1: Conceptual framework for the analysis of drivers and impact of ICT adoption

Distribution market : success lies in a seamless combination of capabilities across the extended supply chain

Scope of Impact



Conclusion

- Injecting intelligence **at all levels of the Logistics network has never been more critical than in today's Demand-driven & Globalized supply networks.**
- Affordable tools **are available today for making logistics networks “smarter” through Collaboration and Visibility.**
- **There are still challenges in** integrating the planning & execution processes **in a closed loop,**
- **...but that is clearly the** direction for the whole Logistics Industry!

If the EU wishes to further develop the “Logistics arena” for SME’s, what could be the Questions & Challenges?

- What generic overlay of system application(s) is required?
 -and is such a system available?
- YES, the internet can facilitate such an architecture, but...
 -all partners do need to be connected!
- Business process re-engineering is probably required for a large number of SME’s towards flexible processes.
- To be done across all partners/nodes for a specific business/ /product/value chain! = suppliers, manufacturers, LSP’s and customers.
- Are all partners in a single chain willing and capable to invest?
- These companies have to be able to create (more and/or better) service level offerings

Agreed focus is Small & Medium sized enterprises !

Conclusion

*“It is not the strongest of the species that survive
nor the most intelligent, but the one most
responsive to change”*

Charles Darwin

Questions & Answers

