

Logistics Industry: Intentions are Good But You Need a Strategy to Survive

By: [Jose Allan Tan](#) | Posted: Feb 2nd, 2008

The Council of Supply Chain Management Professionals (CSCMP) /Logistics Management defines Supply Chain Management (SCM) as an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the Logistics Management activities, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance and IT.

For a logistics company, understanding all elements of the supply chain is crucial to ensuring that business runs smoothly. From the moment a quotation is created, through to the process of understanding the customer's needs and delivering on the expectations. For many, the process ends when the transaction is completed. But for the astute businessman, the process goes one step further - assessing the customer's level of satisfaction and identifying areas of improvement. In a business that is very dependent on repeat business, customer satisfaction is a high priority.

When supply chain management (SCM) systems were first introduced, they heralded an era of vertical integration resulting in business efficiencies within the logistics industry. But several trends, including globalization, outsourcing, and just-in-time practices, necessitate a transformation of the way logistics companies run their business.

In Asia's import and export industry, businesses are squeezing more costs out of the supply chain while trying to maximize opportunities for order fulfillment. Daniel Entac, managing director at TradeLink Technologies, a North Carolina-based solutions vendor for the logistics industry, observes that "Logistics companies now realize that 'moving freight' is a service that is treated as a commodity with a bottom to prices. Because of this they are asked to be more active in a customer's supply chain and provide a full range of services from cross docking to financing the shipment".

The result is a growing set of service offerings that is an amalgamation of services from various providers and delivered under one roof. The challenge becomes one of managing this increasingly complex supply network to ensure survival.

"Companies are becoming more externally focused, recognizing the necessary contributions made by other entities in the total supply network," says Trevor Barrows, director of Logistics Solutions at SSA Global Technologies. "This has created an emphasis on companies developing a supply chain management strategy for collaborative commerce processes to deliver on expectations whilst maintaining internal and external market relationships and total quality management."

An SCM strategy enables the alignment of mutual business goal within the network to achieve competitive advantage against other supply chain networks as opposed to traditional discrete company competition. At the heart of this strategy is technology and processes that enables a network of businesses to work seamlessly together to serve one customer. This provides the necessary assurance to the customer that their interests are the number one priority of the provider (and its partners).

To create an effective and efficient partnership, Barrows believes logistics companies face a number of hurdles including (1) interaction of disparate IT; (2) communication across multiple company boundaries and cultures; (3) the ability to operate effectively within rapidly changing circumstances

often due to competition); and (4) managing the dramatic increase in the quantity of available information.

Best practices in developing a SCM strategy

"Logistics services providers strive for profitability, efficiency and effectiveness in operations and global competitiveness," says Barry Ptashkin, vice president for Transportation Sector at EDS' global government industry group. "To achieve these goals, the strategy should focus on enhancing visibility of products, replacement parts, shipments, assets (vehicles and conveyances), people, data and security exposures. It is therefore important for logistics companies to commit to an operating strategy that provides end-to-end security."

Logistics companies can achieve visibility by implementing a highly flexible end-to-end IT platform for collecting, synchronizing and analyzing data and for securely communicating actionable intelligence to raise operational and security alerts.

"From an IT perspective, this capability can be achieved by building a system that can perform remote data capture, synchronize data for analysis through data warehousing and data mining technologies, and provide real-time data for immediate visibility on an operations dashboard to generate alerts and responses for either operational or emergency situations," adds Ptashkin.

CHAINS OF WISDOM

What are the key elements of a high competitive logistics organization?

Service providers and the IT vendors that support the industry share some common pointers:

Customer facing contact

Customers are outsourcing elements of their processes because they want to focus on their core business. When they turn to third party vendors to deliver these services, they expect service quality comparable to what they can perform or offer in-house.

"As we increase our portfolio of services to meet the demands of our customers, it is no longer just about having the best service team in the market. It is about being there when your customer needs you. For TradeLink Technologies, this means being visible to the customer on a regular basis. We augment these face-to-face visits with cutting-edge communication technology from WebEx to ensure that our customers know we are on top of their business," said Daniel Entac, managing director at TradeLink technologies.

Effective information technology

Customers select logistics service providers who consistently deliver on the promise of great service and value for money. Behind the business mantra is an IT infrastructure that links the providers close to their customers. Both DHL and FedEx use technology to make sure customers have instant access to information pertaining to their package. It is this connection that lets customers know they are ahead of the game.

"To stave off competition, companies look to IT to achieve more effective ways to interact and

collaborate with their suppliers, distributors, customers and business partners. Such multi-enterprise collaboration requires enhanced automation of processes across multiple organizations simultaneously. IT plays a crucial role in enabling sophisticated Internet B2B data sharing and broad-scale business visibility," said Buck Devashish, senior vice president of strategic initiatives for Asia Pacific at Sterling Commerce.

Trevor Barrows, director of Logistics Solutions at SSA Global concurs with this assessment: "The supply chain of the future will be determined by the impact of today's rapidly accelerating technology. This is creating the opportunity for a new breed of logistics supply chains capable of exploiting previously unattainable access to information."

Building the Digital Supply Chain

Any one who works in the logistics industry will tell you that it is evolving towards a business of collaboration - where the sum of the parts is greater than the whole. In such an environment, a clear vision of a connected supply chain is emerging that provides immediate and long-term solutions for achieving greater efficiencies at every stage of the supply chain operations -- starting at the manufacturing plant and extending to a retail organization's warehouses.

A white paper called 'Building the Digital Supply Chain' discusses the concepts underlying the digital supply chain and the infrastructure building blocks that facilitate the acquisition, filtering, aggregation, and distribution of supply chain data. The paper suggests that through technology advances that enhance global manufacturing, distribution and sales operations, the benefits of a connected digital supply chain can significantly increase the efficiency, productivity, and profitability of supply chain participants. Get your copy of the "Building the Digital Supply Chain" white paper [here](#).

About the Author:

Current I am the content director and web strategist for Questex Asia Ltd. I also have 6 years of Marketing and Communications experience with Hitachi Data Systems in Asia. Other prior stints include senior industry analyst for Dataquest (a Gartner Group brand) and account director at Euan Barty Associates - a PR firm in Hong Kong.

Printed From: <http://www.articlesbase.com/organizational-articles/logistics-industry-intentions-are-good-but-you-need-a-strategy-to-survive-322815.html>

[Back to the original article](#)