LogiSYM

The Magazine for Supply Chain Executives

OCTOBER 2019

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COMBAT MARGIN EROSION IN FIVE STEPS
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HOW MODERN SUPPLY CHAINS CAN THRIVE WITH ELASTIC LOGISTICS
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MY LOGISTICS LOGIC
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The Official Journal of The Logistics & Supply Chain Management Society

Combat Margin Erosion in Five Steps

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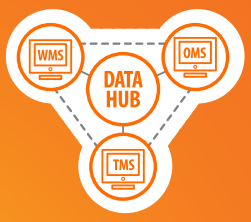

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from the editor

...are we now seeing the real effects of the Trade Wars start to kick in hard?

Dear Readers,

After a very successful LogiSYM Conference in Dubai, we are back to some serious realities. The signs of slowing global economies, is now well confirmed, as we move into the last quarter of 2019. Even thriving new economies will not be spared!

The evidence of slowing trade activities is visible around the major economies. The first indicators for October, seem to be by far worse than those for September. The impact on all supply chains is clearly of more disruption and change. The unresolved trade talks between the US & China, undoubtedly leave us all in suspense on how to plan the next moves.

Whilst the US-China open issues on trade balances and tariffs have a clear and serious global impact, we discover the wide reach that they are having. Japan and Korea have their own trade issues. And whilst they are both trading with US and China, is their slowing economy linked to the US-China trade saga or is there something else?

The Semiconductor industry is at the forefront of technology. It drives new innovations, new applications and responsible to generate strong demand from many industries. It is also the barometer of a changing economic tide. It usually starts to experience both a downturn and an upturn at least 6 month ahead of any other industry.

Semiconductors are strong technological contributors to the automotive, telecoms & mobile, consumer and industrial markets, which in turn drive major global economies.

The supply chains linked to semiconductors and the industrial sectors, are known to be fast moving and highly dynamic in speed and agility. Disruptions of any sort has a huge economic impact. But they have matured and become more resilient. Nevertheless we are seeing a slow down and changes, as the new dynamics are evident. In Asia these are predominantly impacting China, Korea, Japan and some South Asian Countries.

But apart from high tech and high performing industries, we are also seeing potential trade wars threatening olives, olive oil, wine, cheese & whiskey from several European countries. This is the US retaliating against Airbus. As a consequence, it is imposing heavy tariffs on all countries involved in the Airbus consortium. This action is not only impacting the supply chain for these products but also threatening the very existence of small enterprises in these sectors

In previous issues talked about the impact of distractions and disruptions and the need to develop a resilient culture to defend against such changes and conditions. But it clearly evident that prolonged and protracted trade disputes, will create unmanageable and irreversible situations and potentially the very existence of small enterprises.

This is a major change in the outlook to the global supply chains we developed in the '90s! So what is the challenge of global supply chains as we know them??

As always we welcome your feedback & contributions on topics or subjects you would like to share with us. Write to the editor at info@lscms.org

Happy Reading & good wishes from the Editorial Team at LogiSYM.

Joe Lombardo
Editor in Chief
info@lscms.org

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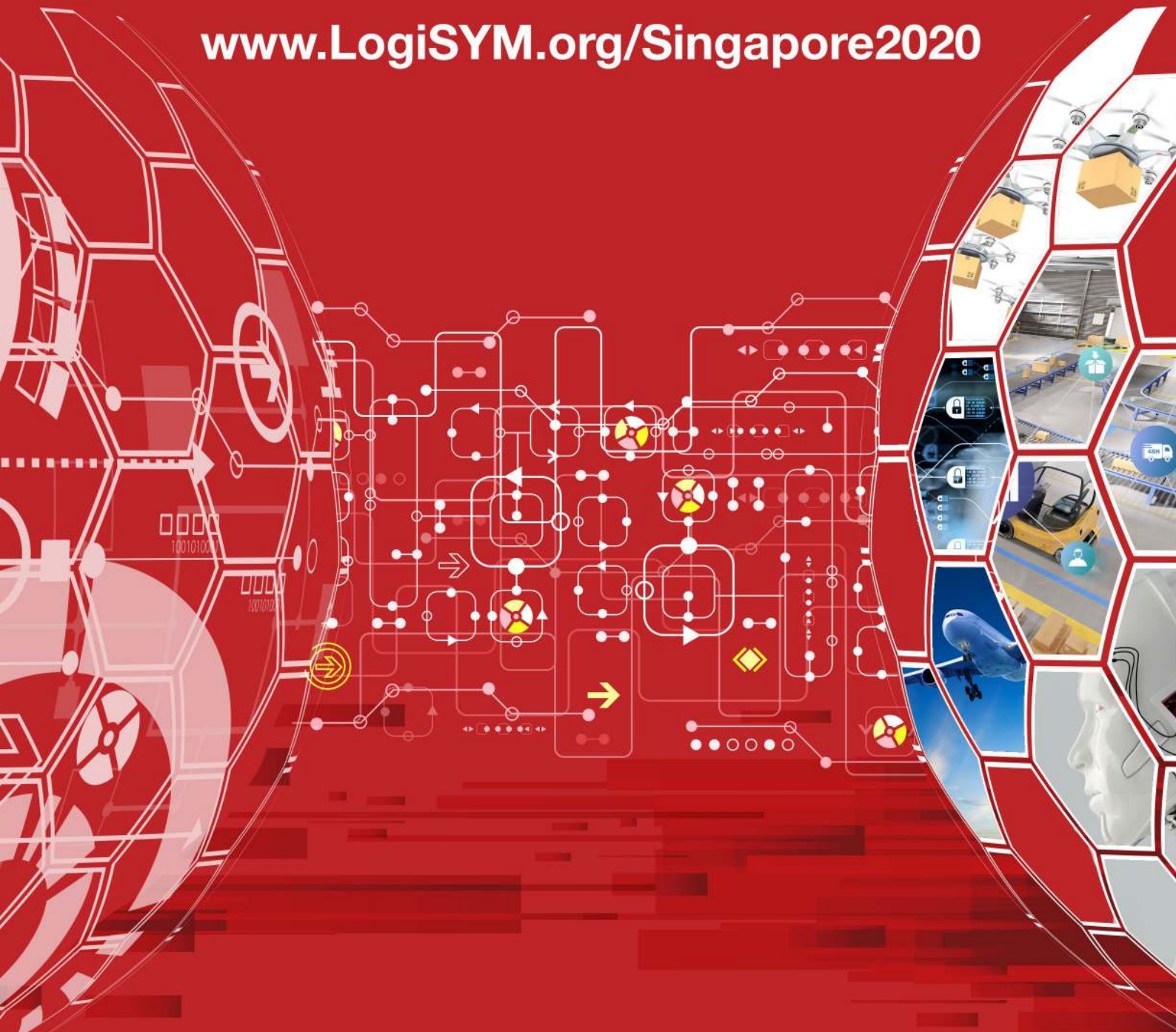

a word from the president

What's Ahead for 2020?

It has been a turbulent year to date. Trade Wars, Natural Disasters, Brexit and much more have caused havoc with some supply chains and is leaving many pessimistic as to what lies ahead in 2020. But is it all doom and gloom or are there some opportunities on the horizon? By the time you read this, many of your would have already attended LogiSYM Digital here in Singapore and gotten an insight into what the experts who were presenting expect to happen.

The other question that's probably playing on our minds is how will digitilasation and Industry 4.0 really help us. Many like me are 'gun-shy' when we hear how this or that latest technology will change, optimise or improve our Supply Chains. Having lived through the era of big, high cost ERP implementations that today hinder instead of help competitiveness, we are somewhat reluctant to take at face value the claims of niche solution providers no matter how good their solution is or how credible they are. Also, many companies today have a fragmented technology architecture that has resulted in silos between functions within the same company - not to mention the entire supply chain. This results in different groups trying to solve the same high-level problem with completely different and often conflicting objectives.

My take is that in 2020 we will see more companies looking at platforms that can synthesise, standardise and simplify the information gathered from disparate sources and harmonise this into a shared silo-breaking view that will help eliminate waste and issues like the bull-whip effect. The data is out there. Filtering and distilling and transforming this into useful information spanning across the entire supply chain is what we still strive for.

As always, LogiSYM, is with you on your supply chain journey and we hope to see and interact with you in the coming weeks.

Raymon Krishnan, FALA, FCILT
President
The Logistics & Supply Chain Management Society

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Ingo Kloepper is the Founder and CEO of www.toplogisticsmanagement.com, a logistics advisory specializing in improving the profitability of logistics businesses. He is a logistics and supply chain professional with more than 25 years of experience. He held senior executive roles for multinational logistics providers both in Europe and the Middle East.

He successfully turned around various logistics businesses and established them as fast growing, highly profitable and award-winning organizations. Ingo is passionate about improving P&Ls and is dedicated to helping businesses become more profitable in times of ongoing margin pressure.

Joseph Lim

Regional Director, APAC
BluJay Solutions

Joseph is a highly experienced regional sales leader in the Supply Chain, Industrial Automation, and Security space. Prior to BluJay Solutions, Joseph assumed various leadership positions including as ASEAN Director with Honeywell Safety & Productivity Solutions, Regional General Manager with Datamax-O'Neil by Honeywell and Senior Channel Management Director with Entrust Datacard. His highly consultative and collaborative approach has helped many organizations achieve business improvement and increased profitability through value-driven solutions and automation.

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Airfreight Braces for More Tariffs as Trade War Expands

The news of additional tariffs levied by China on $75 billion worth of U.S. goods and a subsequent increase from 25% to 30% in tariffs imposed by the U.S. on Chinese goods is the latest development in the trade war that has already pushed some supply chains out of China and into Southeast Asia. While some manufacturers had already moved to revamp their logistics networks, China-based forwarder Apex Logistics told Air Cargo World the newest round of tariffs will likely push those suppliers who had taken a "wait and see" approach to finally shift their supply chains.

Apex Logistics held a summit in Taiwan during July for large electronic shippers to discuss how the trade war is affecting supply chains out of Asia. One of Apex's customers is "moving out of China very aggressively and wanted to make sure we have the capacity in place to accommodate that change," Michael Piza, senior vice president, corporate business development and customs brokerage at Apex Logistics, said.

The forwarder is investing in increasing its capacity out of Taiwan, Thailand and Vietnam, Piza said, but has maintained capacity out of China, as with its regular charters out of Wuhan (WUH) into Columbus (LCK) that began this weekend, operated by Asiana Cargo with a 747-400F. The forwarder is also planning a new charter out of Vietnam for September, but declined to provide additional information on the charter at this time.

> ***China has the ability through its formal system of state-owned enterprises and its informal system of influencing nominally private enterprises to decrease the imports of certain goods.***
>
> **Nelson Dong**
> **Senior Partner & Asia Group Co-head**
> **Dorsey & Whitney**

Although the trade war has led to an increase in discussion of Vietnam as the new Asian gateway for air cargo, Piza said the shift has been slower than expected, likely because manufacturers in the region have already invested substantial time and capital into their supply chains in China. Apex Logistics said that as of August, there is "still more capacity than demand" out of Vietnam, but the newest tariffs are likely to accelerate the shift. "Now that it's escalated to this point, you'll see swifter action over the next coming weeks and months," he added. "At the summit, a lot of the customers were in 'wait and see' mode, but I think that this most recent situation will encourage people to move more quickly."

The tariffs may be a pitfall for Chinese exports, but the U.S. faces its own, perhaps more serious, challenges, as noted by Dorsey & Whitney senior partner and Asia group co-head Nelson Dong. In a statement on the impact of the tariffs, he noted that "China has the ability through its formal system of state-owned enterprises and its informal system of influencing nominally private enterprises to decrease the imports of certain goods."

Agricultural products China normally imports from the U.S. have been hit particularly hard, and as Dong said, "there are multiple competitor countries who would eagerly replace American suppliers that have invested years or even decades in establishing their sales channels into China."

"The longer these tariff wars go on, the more China can be expected to use this 'power of the purse' to regulate and influence where China buys such commodities and the greater the danger that such displacements of American suppliers will last beyond the financial endurance of individual farmers or their creditors."

Top Performers Praised at The Maritime Standard Awards

Photo: Winners of The Maritime Standard Awards 2019

The sixth annual The Maritime Standard Awards, held on Monday 21st October at the Atlantis Ballroom, The Palm, celebrated the achievements of the top performers in the region's shipping and maritime sectors in some style. As always, a glittering and glamorous occasion, the event demonstrated clearly why it has earned the right to be considered the leading awards ceremony for the industry in the Middle East and the Indian Subcontinent.

Over 700 executives from the worlds of shipping, ports, shipbuilding and repair and related sectors, from almost 70 different countries packed out the Ballroom to see the dramatic events of the night unfold. H.E. Eng. Ahmed Mohammed Shareef Al Khoori, Director General of the Federal Transport Authority - Land & Maritime, gave the keynote speech of welcome, in which he said, "The maritime sector is an important incubator of economic growth and diversification, and companies and organisations active in this sector are to be valued and encouraged. That is what these Awards tonight will do."

Held once again under the patronage of His Highness, Sheikh Ahmed Bin Saeed Al Maktoum, President, Dubai Civil Aviation Authority and Chairman and Chief Executive, Emirates Airline, the Awards were this year hosted by well-known comedian and impressionist, Jon Culshaw, who kept the audience well entertained.

The Maritime Standard Awards founder and managing director, Trevor Pereira, commented: "It was a tremendous night and we were honoured to receive His Highness' patronage for the sixth year in a row. Our aim is to raise the profile of those who are performing to an exceptionally high standard in our industry and I believe we achieved that goal."

In total 20 awards were presented to individuals and companies following the deliberations of the judging panel. Clive Woodbridge, editor of TMS and chairman of the judges, said, "We received a record number of entries this year, some from established players, but many from emerging companies who will help take the industry forward in years to come.

All the entries were of a high standard and this year more than ever before it was difficult to decide who should win Awards. Those who were successful had

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to overcome tough competition, whatever the category was."

In addition to the awards determined by the judging panel, there were a number of special awards presented by the TMS team for particularly impressive levels of performance. The Maritime Standard Lifetime Achievement Award was presented to Eng. Abdullah Aldubaikhi of Bahri; The Personality of the Year Award was given to Captain Mohammed Juma Al Shamsi of Abu Dhabi Ports; The Excellence in Shipping Award went to Sharjah Ports Authority's Yaqoub Abdullah; while the Outstanding Achievement Award was presented to Imtiaz Shaikh, founder of Tomini Shipping, for his achievements in over 30 years in the industry.

Other awards selected by The Maritime Standard included Dr Aisha Al Busmait, who was the recipient of the Woman in Shipping award, and Ananda Senanayake of Lanka Shipping and Logistics, who was named Young Person in Shipping. The winner of the Deal of the Year was Tomini Shipping of the UAE, while Dubai Maritime City was presented with the Editor's Choice Award.

Trevor Pereira added, "It was a pleasure to reward and recognise once again the tremendous achievements of these excellent companies and individuals. The Awards showcase to a global audience the high standards that exist in the region, and the continued progress that is being made. The occasion was both inspiring, and entertaining, and I am proud that the TMS team continues to stage the biggest and best awards for the maritime sector in the region."

cargo-partner Celebrates Opening of iLogistics Center near Ljubljana Airport

Photo: cargo-partner iLogistics Center LJU ©Miran-Kambic

After a construction phase of eleven months, cargo-partner celebrated the official opening of its iLogistics Center near Ljubljana Airport with an extravagant gala dinner. The new iLogistics Center is the largest logistics complex of the cargo-partner group.

On Thursday, September 12, cargo-partner celebrated the official opening of its iLogistics Center Ljubljana with more than 300 guests. The iLogistics Center in immediate vicinity of Ljubljana Airport had taken up operations in August. After one month of successful operations, the opening celebration was hosted as an opportunity to thank the responsible project team as well as key customers and partners in the region and celebrate the success together.

The evening was kicked off with brief opening speeches by cargo-partner's CEO Stefan Krauter and the company's Managing Director in Slovenia, Viktor Kastelic, as well as Sigrid Berka, the Austrian Ambassador to Slovenia, and Alenka Bratušek, Deputy Prime Minister and Minister of Infrastructure of Slovenia. After this, Mr. Kastelic invited the iLogistics Center project team to the stage to honor them for the successful construction and implementation. The following gala dinner was accompanied by an extravagant light show, live music performed by the a cappella jazz band "Perpetuum Jazzile" as well as an unusual dance show with parcels, led by renowned Slovenian choreographer Miha Krušič.

Viktor Kastelic, Managing Director of cargo-partner in Slovenia, explained his motivations behind the 28 million euro investment as follows: "Our goal was to make use of this important, strategic hub in the heart of Europe with a state-of-the-art logistics complex and to bring our headquarters as well as our other offices in Ljubljana together under one roof. We put a lot of love into this project as we want to offer the best working conditions, be a great employer for our staff and the best partner for our customers!"

Stefan Krauter, CEO of cargo-partner, expressed his delight about the timely completion of the project and the company's growing presence in Slovenia: "With its favorable geostrategic position, Slovenia is a natural connection between Central and Southeast Europe. In addition, the ports of Koper and Trieste provide an important connecting point to Asia and the Mediterranean. This major investment will further solidify our strong network and long-standing expertise in Central and Eastern Europe and provide the ideal basis for our continuing growth."

Sigrid Berka, Austrian Ambassador to Slovenia, emphasized the importance of the investment for the development of the region and commended cargo-partner for recognizing the significance of Slovenia as a thriving European

logistics hub as well as for the creation of modern and attractive workplaces.

The construction project was designed in cooperation with the architects Protim Ržišnik Perc and, despite the complexity and size of the building, was completed within eleven months. Over the course of August 2019, all cargo-partner offices and warehouses in Ljubljana, including the company's Slovenian head office, moved to the new premises, while cargo-partner's Koper office remains in Sermin.

ABOUT THE WAREHOUSE FACILITY

With a total area of 25,000 m^2, the iLogistics Center Ljubljana is one of the largest warehouse complexes in the country. The warehouse has 44 truck loading docks and offers more than 20,000 pallet slots. In addition, the facility contains a 6,000 m^2 small parts store and handling area as well as 5,000 m^2 of cross-dock and block storage space. An additional storage building with 8,000 m^2 can be added next to the current warehouse at a later stage.

The center enables storage under temperature-controlled conditions and meets the requirements for storing and handling the most demanding goods, such as pharmaceuticals and medical devices, automotive and high-tech goods. The high-rack aisles contain a combination of induction-guided narrow-aisle racking and standard wide-aisle racking systems. The warehouse complies with the TAPA standard and is strictly access-controlled.

Based on many years of experience and state-of-the-art equipment, the company provides a range of contract logistics services at the new facility, including short and long-term storage, picking and packing, labeling, cross-docking, consolidation, multi-channel distribution, and comprehensive eFulfillment for online stores.

ABOUT THE OFFICE BUILDING

The office building provides 4,000 m^2 of office space on four floors in an energy-efficient construction with integrated smart technology. The third and fourth floors house cargo-partner's own offices, while the second floor is available to external tenants who wish to take advantage of the beneficial location and modern facility. The ground floor contains the reception desk, common meeting rooms, office spaces for tenants as well as a recreation area for cargo-partner's employees.

Viktor Kastelic, Managing Director of cargo-partner in Slovenia, on the staff's reaction to the new facility: "With its open and modern design, our office environment offers various informal break-out areas where colleagues can get together for spontaneous collaboration. In addition, a cafeteria, terrace and balconies provide further spaces for relaxation and creative communication. Our staff has greeted the new working environment with great enthusiasm, which I am especially pleased with."

Just like the warehouse, the business facilities are designed to follow the latest trends. In addition to attractive offices, large glass surfaces and terraces offer stunning view of the Kamniško-Savinjske Alps on one side and the airport at the other. The green wall in the lobby is another special feature. In addition to many dynamic corners for relaxation and socializing, as well as a large modern kitchen with a dining area for 50 people, there is also a fitness room for cargo-partner's staff. The building is equipped with automated lighting control, smart air conditioning controls as well as controlled access to indoor spaces. There are electric car charging stations in front of the office building.

STRATEGIC EXPANSION OF WORLDWIDE LOGISTICS CAPACITIES

cargo-partner has been present in Slovenia since 1996 and currently has over 100 employees in the country. With its iLogistics Center Ljubljana, the company is creating 30 new jobs in the first stage and makes a significant contribution to the economic development of the region. In 2018, SPIRIT Slovenia honored this contribution with the Invest Slovenia FDI Award in the category "Logistics Center/ Hub".

In recent years, the cargo-partner group has been heavily investing into the expansion of its worldwide contract logistics capacities. Beside the project near Ljubljana Airport, the most recent investments include new iLogistics Centers in Sofia, Vienna and Prague as well as the ongoing expansion of the iLogistics Center in Dunajska Streda, Slovakia.

APAC Business Leaders Adopting Technology to Support Growth Driven by On-demand Economy

Zebra Technologies Corporation (NASDAQ: ZBRA), an innovator at the edge of the enterprise with solutions and partners that enable businesses to gain a performance edge, today announced the results of its latest Warehousing Asia Pacific Vision Study.

The study analyzes IT and operations decision makers from manufacturing, transportation and logistics, retail, post and parcel delivery and wholesale distribution industries for their current and planned strategies to modernize warehouses, distribution centers and fulfillment centers.

"Warehousing, distribution and fulfilment operations are undergoing a modern-day makeover as they transform to meet the growing needs of the world's on-demand economy. Warehouse leaders today are turning to technology to address business critical challenges resulting from this global phenomenon, by adopting advanced technology and empowering their workers with a performance edge," said Aik Jin, Tan, APAC Vertical Solutions Lead, Manufacturing and Transportation & Logistics, Zebra Technologies.

"Expanding space, implementing new processes and enhancing workflows are only part of the equation. By 2024, warehouse leaders will be shifting their focus to the integration of more holistic solutions to build data-powered environments that balance labor and automation in the warehouse, ultimately empowering front-line workers with a performance edge to lead the way."

> ***Warehousing, distribution and fulfilment operations are undergoing a modern-day makeover as they transform to meet the growing needs of the world's on-demand economy.***
>
> **Aik Jin Tan**
> **APAC Vertical Solutions Lead, Manufacturing and Transportaion & Logistics**
> **Zebra Technologies**

The study reports on the forward-thinking fulfillment strategies that companies are focusing on to keep up with the growth of the on-demand economy. Both automation and worker augmentation solutions will be a key focus for decision makers' plans over the next five years. More than three-quarters (81

percent) of respondents agree that augmenting workers with technology is the best way to introduce automation in the warehouse, but only 34 percent have a clear understanding of where to start automating. Currently, up to 88 percent of decision makers are either in the process of or are planning to expand the size of their warehouses by 2024. Meanwhile, up to 85 percent anticipate an increase in the number of warehouses during this timeframe.

"The on-demand economy has fuelled that "want-it-now" mentality of consumers today, who are on the hunt for products almost 24/7. These demands have disrupted the supply chain, impacting manufacturers, retailers and the warehousing operations that serve their need," said Fang-How Lim, Regional Director for Southeast Asia, Zebra Technologies.

"Our study further revealed that 49 percent of the surveyed business leaders reported an increase in consumer demand as a top driver for growth, with almost 40 percent of respondents stating that shorter order lead times are fueling their expansion plans and causing them to reanalyze their strategies."

"To match up to the on-demand mentality of consumers, decision makers will need to quickly train their front-line workers to fill orders more efficiently. Outdated Windows® devices running green-screen applications are not designed to match the speed and volume of today's on-demand economy. Conversely, modern Zebra Android touch-screen devices like the MC9300, MC3330R and MC3390R are designed for faster, more flexible operation that improves warehouse performance to meet the expectations of demanding consumers today," added Aik Jin, Tan.

> ***To match up to the on-demand mentality of consumers, decision makers will need to quickly train their front-line workers to fill orders more efficiently.***
>
> **Aik Jin Tan**
> **APAC Vertical Solutions Lead, Manufacturing and Transportaion & Logistics**
> **Zebra Technologies**

KEY SURVEY FINDINGS

By 2024, automation will enhance worker performance rather than replace workers.

• 57 percent of decision makers plan to enable partial automation or labor augmentation with technology in the warehouse.

• 70 percent of respondents believe human interaction is part of their optimal balance in warehousing, with 43 percent citing partial automation (some human involvement) and 27 percent citing augmentation (equipping workers with devices) as their preference.

• Decision makers anticipate using robotics for inbound inventory management (27 percent), packing (24 percent) and goods in/receiving (21 percent) by 2024. Rethinking fulfillment strategies and operations to meet emerging challenges across the warehouse remains a top priority.

• 68 percent of respondents cited capacity utilization as one of their top expected challenges over the next five years.

• 68 percent of organizations cited labor recruitment and/or labor efficiency and productivity among their top challenges, with 62 percent of respondents wanting to improve individual worker or team productivity today while also achieving workflow conformity.

• IT/technology utilization was identified both as the biggest operational challenge (68 percent) within the next five years and a desired long-term outcome for increased asset visibility, real-time guidance and data-driven performance.

• As warehouses expand, so will the volume of stock keeping units (SKUs) and the speed items need to be shipped. Decision makers will seek increased visibility and productivity by implementing more robust returns management operations (85 percent), task interleaving (85 percent), value-added services (84 percent) and third-party logistics (88 percent).

The investment and implementation of new technologies is critical for remaining competitive in the on-demand economy.

• Almost half (48 percent) of surveyed respondents cited faster delivery to end-customers as the primary factor driving their warehouse growth plans.

• Three-quarters (75 percent) of decision makers agree that they need to modernize warehouse operations to remain competitive in the on-demand economy but are admittedly slow to implement new mobile devices and technology.

• 73 percent of companies are currently modernizing their warehouses by equipping workers with mobile devices. By 2024, modernization will be driven by Android-based mobile computing solutions (90 percent), real-time location systems (RTLS) (60 percent) and full-featured warehouse management systems (WMS) (55 percent).

• 66 percent of respondents cited mobile barcode label or thermal printers as a key area of investment as part of their plans to add, expand or upgrade devices in the next three years.

KEY REGIONAL SURVEY FINDINGS
ASIA-PACIFIC

• By 2024, 87 percent of respondents plan to implement a mobile execution system to better manage workers on the warehouse floor.

• 73 percent of decision makers plan to invest in smart watches, smart glasses and hip-mounted wearables in the next three years.

EUROPE

• The square footage of the average warehouse is projected to increase by 26 percent—more than in any other region—in the next five years.

• By 2024, RFID and locationing technology usage is anticipated to increase for outbound operations with more than one in five planning to use them for packing (25 percent), inventory management (20 percent) and picking (19 percent).

LATIN AMERICA

• Latin American decision makers identified labor efficiency or productivity (71 percent) as the top operational challenge of the next five years.

• 95 percent of organizations plan to implement Android-based mobile computers in the warehouse by 2024 to help improve worker productivity and efficiency.

NORTH AMERICA

• Almost half (49 percent) of North American decision makers identified outbound packing, staging and loading as a challenge.

• 94 percent of respondents will have implemented or plan to implement trailer load optimization and/or load compliance solutions by 2024.

SURVEY BACKGROUND AND METHODOLOGY

The 2024 Warehousing Vision Study included 1,403 (of which 352 were from APAC) IT and operational decision makers in the manufacturing, transportation & logistics, retail, post and parcel delivery and wholesale distribution markets in North America, Latin America, Asia-Pacific and Europe who were interviewed by Qualtrics.

IQ Robotics, MENA Region's First Fully Robotic Implementation, Set to Transform Dubai's Logistics Sector

IQ Robotics, an Artificial Intelligence-driven fully robotic business that's spearheading the digital transformation of the logistics sector, has been launched in Dubai. The brainchild of Fadi Amoudi, IQ Robotics, marked its official launch at the Materials Handling Middle East exhibition today.

Fadi Amoudi, Founder & Chief Executive Officer of IQ Robotics, said: "IQ Robotics addresses a vital market requirement, especially as the region focuses on digital transformation. We are bringing world-class automated and robotic technologies that will enable businesses to scale up their growth. The UAE's focus on strengthening its digital infrastructure offered us the perfect platform to launch this pioneering business in Dubai."

IQ Robotics provides tailor made technology turnkey solutions to promote the automation of all processes, bringing significant benefits to B2B customers. A mini-robotic fulfillment center that showcases some of the solutions offered by IQ Robotics is on display at the Materials Handling ME Exhibition, offering business visitors a true feel of the benefits they can derive.

"IQ's technology stack includes a warehouse, order and transport management solutions that are linked into a data hub. IQ provides the right tech solutions that will add value to B2B and ecommerce customers from various industries and sectors" said Amoudi.

IQ Robotics offers solutions that cover robotics, warehouse automation, software solutions, package protection, labelling solutions and other related services. This is accomplished by IQ Robotics exclusive international partnerships with companies such as Quicktron, Honeywell Logistics Technology company, Damon technologies, Locked Air, COTAO and CubiLink, among others. Among the services offered by IQ Robotics, through its partners, include autonomous picking and sorting vehicles that will make logistics more seamless and efficient for SMEs as well as large-scale enterprises.

IQ Robotics is creating a center of excellence out of Dubai, with a team of international and local experts that is directly involved in the customer-journey from start to finish. Another innovative disruptive technology enterprise by IQ Holding is set to redefine the region's logistics sector through the power of robotics and AI.

Combat Margin Erosion in Five Steps

Image 1

INTRODUCTION

Buzzwords like digitization, artificial intelligence, IoT, big data, predictive algorithms, and drone deliveries have dominated each logistics conference I have attended over the last five years.

In reality, most freight forwarders and logistics providers still operate on 30-year-old legacy systems. The crown jewel of their IT applications is MS Excel.

Simultaneously, we are witnessing the disruption of the logistics industry through new technology and new players. According to Forbes, a new digital logistics start-up is born every five minutes – this translates to 288 digital logistics start-ups every single day, or just over 100,000 per year. The introduction of these start-ups increases competition and contributes to margin erosion.

Although customer expectations have increased, a number of logistics providers still operate on legacy systems. These providers face increased costs-to-serve because legacy systems require workarounds and manual intervention.

On the other hand, we witness rate volatility in both air and ocean freight. Volatility is produced because markets no longer behave according to the principles of supply and demand. A decade ago, rate levels could be predicted a year ahead; however, this is now not reliably possible.

So, what can you do to combat margin erosion?

PART ONE: MARKET POSITIONING & SALES STRATEGY

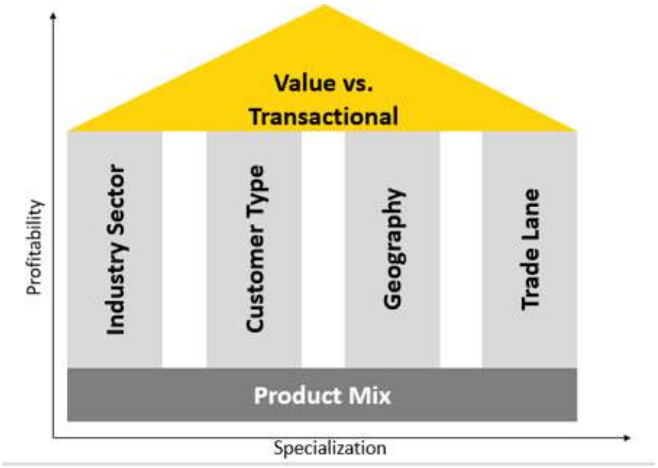
Your market positioning essentially determines your level of profitability and your level of specialization required. There are four pillars represented in the chart below: industry sector, customer type, geography, and trade lane. *(see image 2)*

Among these pillars, you want to focus on those industry segments, customer types, geographies, and trade lanes that can provide you with higher profitability than others. For example, focusing on hi-tech industry rather than commodity traders will likely return higher margins.

Should you then focus on multinational customers or on local SMEs? In which geographies should you execute your business? Generally, your customer type and size both have an impact on your productivity and profitability. Furthermore, niche and emerging markets tend to be more profitable than highly competitive and mature markets. Finally, you want to target trade lanes that generate higher margins than others, e.g., exports to US inland points vs. imports ex China.

Throughout these four pillars you also want to see a sustainable product mix. Air freight and LCL tend to generate higher margins

Image 2



than FCL. Door-to-door deliveries, including customs clearance at both sides, are also usually more lucrative than focusing on port-to-port or airport-to-airport movements.

Lastly, do you deliver any quantifiable value to your clients, or you focus on purely transactional clients, where all you do is offer a rate and a payment term. Obviously, your chances of success increase by quoting lower rate levels and longer payment terms.

But is this a sustainable business model?

First ask: can you quantify your value, i.e. do you reduce the cash-to-cash cycle and working capital intensity, take complexity and costs out of your client's supply chain, reduce lost sales, and ensure optimal inventory levels?

If you can quantify real value, you should be in a good position to demand management fees per shipment, which are higher than margins generated with transactional clients.

PART TWO: GOVERNANCE & RISK PREVENTION

Now that you have defined a sales strategy/positioning for sustainable margins, you need to ensure you have no leaks in your bucket. Manage to prevent one-offs, such as fines and penalties, and protect yourself (and your profit margins). *(see image 3)*

Customer Contract Management
You need to ensure that the majority of your business is executed against limited liability contracts and that your limited liability is covered through relevant insurance policies.

When it comes to claims management, you want to ensure that you limit commercial settlements. Instead, settle according to your limited liability terms (usually international conventions).

Regulatory Requirements
You should avoid fines from late tax/VAT reporting and comply with audit requirements as well as local labour laws. Ensure you fully understand and are compliant with the requirements of establishing or liquidating legal entities in other geographies.

Compliance
Ensure you are compliant with local legislation, and when dealing with multinational clients, compliance with FCPA and UK Bribery Act is an absolute must. Non-compliance in this area cannot only lead to your organization's termination, but you might be prosecuted personally.

Trade Compliance
Since logistics providers facilitate global trade, it is equally important to be compliant with EU and US Denied Party Lists' sanctions, as well as FMC regulations, if you operate as a NVOCC.

Image 3

PART THREE: ORGANIZATIONAL DESIGN & BUSINESS PROCESS OPTIMISATION

What does 'optimizing your organization' mean, and how can it help you combat margin erosion? *(see image 4)*

Review and simplify your organizational structure
Do you employ managers who have fewer than four direct reports? I suggest you revaluate whether you really need these managers.

The aim is to create a flat organizational structure with empowerment of the frontline and with an increased span of

ACTIONS:

- Review organisational structure
- Increase SPOC
- Review & Simplify Processes
- Introduce Standardization
- Delegate Authority
- Focus on Data Quality

BENEFITS:

- Efficiency
- Effectiveness
- Agility
- Reduced Costs
- Reduced Risks
- Improved Quality

Image 4

control, e.g., the number of direct reports reporting to a manager.

There is no golden rule as to what number of direct reports is ideal. The amount very much depends on the organization and the role of the manager. It is, however, likely that there is an opportunity to take layers out of the organization in order to improve agility, effectiveness, efficiency, and, ultimately, reduce costs.

Business Process Optimization

When was the last time business processes were amended in your organization?

Probably, it was quite a while ago. When you optimize business processes, the aim is to simplify them and introduce standardization whenever possible.

Most logistics providers have the ability to report tracking and tracing events digitally through their websites. Often you find that there is either no focus on data quality in the organization or that the level of customization for each client is too great.

For example, the system can report 10 standard events, but 15 are sold for customer A, 12 for customer B, and 21 for customer C. Both data quality and the absence of standardization make system usage obsolete and result in numerous individual tracking and tracing Excel worksheets, which are updated by the operations and customer service teams and then sent out to clients daily, weekly, monthly, etc.

In these cases, harmonization between the commercial and product departments is required so that, ideally, mostly standardized event reporting is offered and executed through the system. As you optimize and simplify business processes, you want to pay particular attention to repetitive, non-value adding tasks, such as pure data entry tasks, which do not really require intelligent human intervention. Highlight these tasks for the next step.

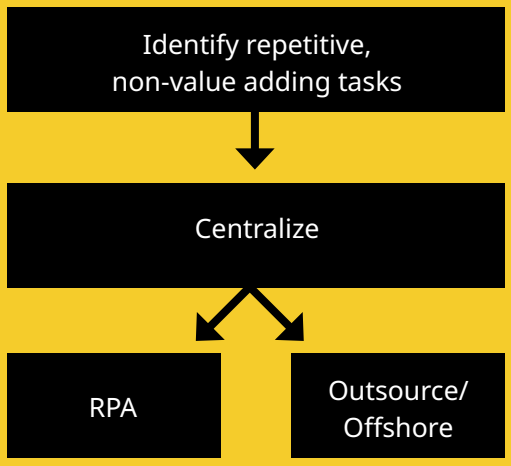


Image 5

PART FOUR: CENTRALIZATION OF REPETITIVE, NON-VALUE ADDING TASKS

With tech and AI more advanced than ever before, there's never been a better time to centralize non-value adding tasks to prevent margin erosion. *(see image 5)*

As you optimize your business, you will have highlighted repetitive, non-value adding tasks in the process.

You now want to centralize these tasks for two reasons:
a. Once you centralize these tasks, you will be able to realize immediate productivity gains.
b. More importantly, you can now outsource/offshore these tasks to service centers in labour cost attractive countries, or, ideally, deploy RPA (robotic process automation).

These software robots literally work 365 days per year, 24/7, never fall sick, and do not (yet) negotiate their salaries on an annual basis.

I have witnessed cases where one software bot assumed the work of 15 employees. This does not only have a positive impact on personnel expense, but also on data quality and timeliness. Moreover, your employees can focus on value adding tasks.

PART FIVE: CREATE A CULTURE THAT FOSTERS HIGHLY ENGAGED AND MOTIVATED EMPLOYEES

Find out how to create a culture that turns your employees into your most valuable (and profitable) asset. *(see image 6)*

In the logistics industry, personnel expense is usually the highest cost factor with personnel expense ratios anywhere around the 50% mark.

With that in mind, it is alarming to see that according to Gallup's State of the Global Workforce Report approximately 85% of the global workforce is either not engaged or actively disengaged (i.e. disruptive).

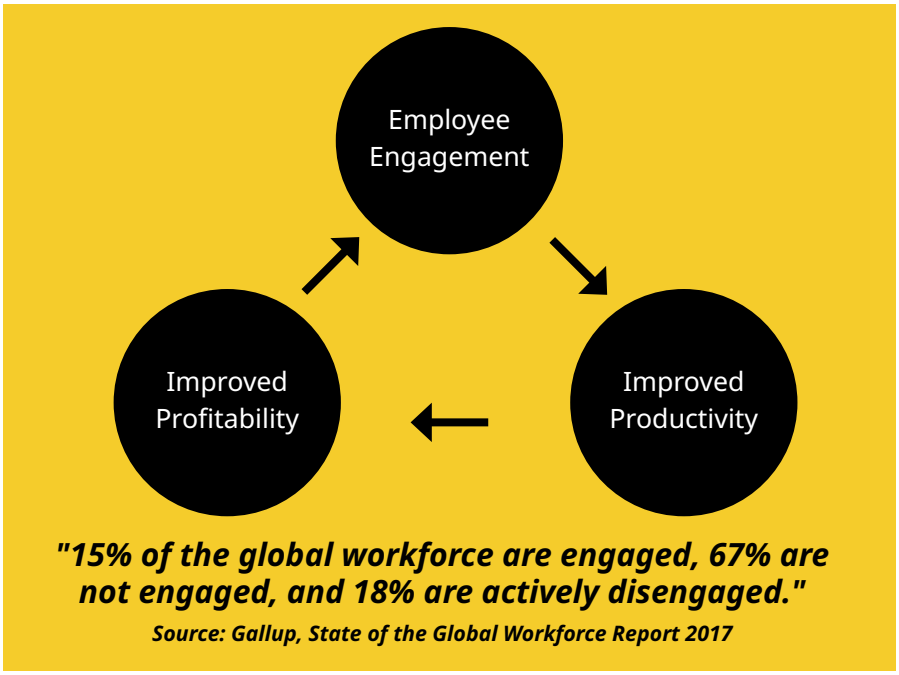


Image 6

Focusing on creating a culture that fosters highly engaged and motivated employees is therefore imperative.

Introducing performance management tools will help you create a transparent environment in which employees are aware of both organizational goals as well as personal objectives. Not only do you want to reward performance, ideally you want to reward over-performance.

According to Gallup, top-performing organizations achieve the following, versus low-performing organizations:

- 17% higher productivity
- 20% higher sales
- 41% lower absenteeism
- 70% fewer employee safety accidents

Ingo Kloepper
Founder and CEO
www.toplogisticsmanagement.com

Ingo Kloepper is the Founder and CEO of www.toplogisticsmanagement.com, a logistics advisory specializing in improving the profitability of logistics businesses. He is a logistics and supply chain professional with more than 25 years of experience. He held senior executive roles for multinational logistics providers both in Europe and the Middle East.

He successfully turned around various logistics businesses and established them as fast growing, highly profitable and award-winning organizations. Ingo is passionate about improving P&Ls and is dedicated to helping businesses become more profitable in times of ongoing margin pressure.

How Modern Supply Chains Can Thrive with Elastic Logistics

Supply chain and logistics managers are feeling the impact of rising consumer expectations that come with the 'now economy'—a time when products, services and experiences are expected in an instant. The immense volume of deliveries passing through the logistics network creates a constant peak for all supply chain providers. With brands like Amazon Prime and Alibaba setting a precedent for immediate communication and fast delivery times, it's evident that businesses, of all sizes across every industry, need to adapt to keep up.

Unfortunately, many businesses, especially in Asia, are overwhelmed by logistics and infrastructure challenges and unable to compete in the terms of scale, network, capacity and innovation. Add to this fluctuation in demand, environmental challenges and political disruption (for example, the US-China trade tensions) and supply chains globally are in a state of turmoil. In this environment, what these businesses need is an "elastic" approach to logistics; an approach that is always-on, consumption-based and scalable.

DRIVERS OF SUPPLY CHAIN INNOVATION

For decades, supply chain innovation has been driven by a desire to reduce costs. However, **new research commissioned by BluJay Solutions** found supply chain professionals expect customer experience to overtake price and product as the number one-brand differentiator in the next five years.

Delivering value in this way requires systems that provide seamless partner connectivity and data quality. The technology exists to help businesses adapt to this market shift; it is only a matter of which businesses are ready and willing to rework their priorities.

A shift in market behaviour means that businesses, whether delivering packages, experiences or any other product or service, must start to view customer satisfaction as crucial to delivering value. In the supply chain, this means focusing up on the all-important last-mile logistics, as well as real-time visibility based on evidence that customer satisfaction is increased by digital communication between supplier and consumer.

Delivering value in this way requires systems that provide seamless partner connectivity and data quality. The technology exists to help businesses adapt to this market shift; it is only a matter of which businesses are ready and willing to rework their priorities.

A good example of this is Dannon, a leading global food company that partnered with BluJay to address increasing customer demands and complexity in today's fast-changing marketplace. As customer-demand grew, Dannon needed a way to deliver products to supermarkets as quickly and efficiently as possible. This meant tracking hundreds of loads daily across three manufacturing plants, six distribution centres and liaising with numerous trucks from third-party carriers.

The challenge was coordinating the above while meeting customer demands for better scheduling options and increasing on-time delivery windows. With BluJay's guidance, Dannon moved away from outdated processes and systems like communicating via faxes and phone calls between siloed departments to

BluJay's unified transportation management solution (TMS) that allowed for real-time visibility between moving parts.

Dannon leveraged the power of data captured in its TMS to support planning, execution, claims and appointment scheduling, enabling end-to-end control and visibility across the entire supply chain.

As the Dannon case study illustrates, having an optimised supply chain allows tracking systems to update both businesses and customers alike, while data-driven collaboration between logistics partners ensures that goods can be moved efficiently. Instead of focusing on 'lean' practices, logisticians should look to flexible systems to expand and reduce capabilities, accommodating changes in demand within the supply chain.

NAVIGATING UNCERTAINTY

As it stands, global customs and compliance can be a challenge for businesses. Add to this political disruption, like the US-China trade tensions or delays to Brexit deals, and there is prolonged uncertainty for the supply chain community. Supply chains can survive such barriers with end-to-end supply chain visibility to help mitigate disruption.

A good example of this is the ongoing China-US trade tension, which for the US will likely spur a surplus of soybeans and other high-volume exports previously consumed by China. The flow-on effect of this will lower the price US producers will be able to get for their products, creating a spiral effect where farmers are unable to meet their financial obligations, reducing related industry purchases such as equipment and likely leading to more government subsidies to keep them afloat. Here, the flow-on effect will result in higher manufacturing costs and steel tariffs, encouraging companies to implement changes to their supply chin.

Considering the heightened tariffs and instability, many US multi-nationals are looking to alternative sourcing in countries such as India. Here, navigating India's complex customs rates, which vary according to the product, user, specific export promotion program that's open to administrative discretion, makes supply chain predictability a challenging task.

ELASTIC LOGISTICS IS THE SOLUTION

Disruption—whether it's political, environmental or technological—

The answer: become ‘elastic’. Modern supply chains require flexibility to manage fluctuations in consumer demand and disruption

has a direct detrimental effect on modern supply chains. However, logisticians can also view this as an opportunity to expand or diversify their footprint. For example, with the China-US trade tensions, we are seeing businesses looking to Vietnam or Indonesia. But, how can businesses set up their supply chains to withstand disruption and capitalise on growth opportunities that may arise?

The answer: become ‘elastic’. Modern supply chains require flexibility to manage fluctuations in consumer demand and disruption, like the aforementioned scenarios. No doubt, operation in a static, closed on-premise transportation solution limits what an organisation can achieve. With the use of elastic logistics practices comes efficiency, visibility, the ability to scale and optimise quickly and increase overall customer satisfaction.

One important step to achieving an elastic supply chain is to join a global trade network. The power of network lies in its ability to bring clarity and visibility to everything that is happening within the supply chain, while offering on-demand connections to potential carriers that have execution capabilities when needed.

For example, when partnering with BluJay, customers gain the advantage of a cloud-powered portfolio of application services, hands-free customs, real-time data analytics and the visibility and velocity to adapt quickly. This includes access to a network that spans more than 40,00 members globally—including shippers, carriers, forwarders, suppliers and 3PLs—that can be easily tapped following a surge in consumer demand or unexpected disruption.

Global transportation management platforms can scale with your business, helping experts create frictionless, high-performing supply chains where goods cross borders quickly, information is shared easily, users operate efficiently and cost is reduced from operations.

Many in the industry take an ‘if it ain’t broken, don’t fix it’ approach to their supply chains. This is risky; we’ve seen businesses like Kodak and BlackBerry that have rested on their laurels been superseded by customer-centric businesses like Amazon. These businesses are constantly looking to improve and innovate on a daily basis, capitalising on shifts in consumer demand and the market. The companies that succeed in the modern age will be those that prioritise customer experience and set up their business to adapt with elastic logistics.

Joseph Lim
Regional Director, APAC
BluJay Solutions

Joseph is a highly experienced regional sales leader in the Supply Chain, Industrial Automation, and Security space. Prior to BluJay Solutions, Joseph assumed various leadership positions including as ASEAN Director with Honeywell Safety & Productivity Solutions, Regional General Manager with Datamax-O’Neil by Honeywell and Senior Channel Management Director with Entrust Datacard. His highly consultative and collaborative approach has helped many organizations achieve business improvement and increased profitability through value-driven solutions and automation.

MY LOGISTICS LOGIC

Returnable Packaging to Establish a Sustainable Supply Chain

Tony Sun
President, Founder and Chairman
Anwood Logistics Systems
(ALSCO)

WHAT WAS THE MOTIVATION FOR SETTING UP THE COMPANY BACK IN 1998?

The idea of setting up my own company emerged while I was still working as an employee in a Japanese company. I noticed pallets was a fresh market in China. I also learned how vital logistic system is to the industries, and yet it was still a missing piece in China. That was when I decided to leave and started my own company to provide such service in China and it was in 1998.

The name 'Anwood Logistics Systems' (ALSCO for short) was derived from my name Yanan – AN and wooden pallets – WOOD, which was one of the main focuses in the company when it first went into business.

HOW HAS ALSCO DEVELOPED AND GROWN OVER THE LAST 20 YEARS, IN TERMS OF E.G. RESOURCES, PRODUCT/SERVICE PORTFOLIO, GEOGRAPHICAL REACH?

We started with the products (pallets, containers etc.) and gradually moved towards logistics system.

We were involved in logistics equipment trading from 1998 till 2004. At around 2004, we discovered that the standardization in this industry is insufficient. That was when we started the 'contain concept'. We traded standard size containers both domestically and abroad until the financial crisis in 2008. After the financial crisis, we stopped the exporting business to minimize the risks. Our standardized containers enabled us to move towards the next stage of development – pooling. We were one of the first companies in China that got involved in Logistics pooling. Although this was a neglected topic back then, it turned out to be a significant cost safer for the clients.

WHICH ARE THE KEY REGIONAL/ COUNTRY MARKETS FOR ALSCO – NOW AND IN THE MID-TERM FUTURE?

Our current focus is on providing logistic pooling services for domestic/local automobile and retail industry. For the mid to long term development strategy, we will be centered upon Europe and South East Asia logistic pooling,

Returnable Packaging Solutions
Packaging Pooling Service

which is our EACH project. EACH stands for Europe, Asia and China. We aim to build an EACH bridge that will connect both continents through pooling.

WHICH ARE THE KEY INDUSTRIAL MARKETS FOR ALSCO – NOW AND IN THE MID-TERM FUTURE?

Our current key industrial market is automobile and will focus on express and transportation in the mid-term future. We are currently developing new container and pallets to cope with specific demands in those areas.

HOW ARE YOU USING TECHNOLOGIES LIKE RFID, GPS, ETC. TO IMPROVE THE CUSTOMER EXPERIENCE?

We would like to implement tracking sensors to all our assets, including pallets and containers. The clients nowadays are seeking for services beyond just couriers, but also the transport status controlling, which includes location, temperature, shock etc. More and more clients demand the transparency in the supply chain.

The clients nowadays are seeking for services beyond just couriers, but also the transport status controlling, which includes location, temperature, shock etc. More and more clients demand the transparency in the supply chain.

WHAT ARE SOME OF THE CHALLENGES FOR CHINESE COMPANIES EXPANDING TO OVERSEAS MARKETS?

There are four challenges as far as I am concerned.

1. Lack of knowledge of the overseas market as well as insufficient brand strategy to increase recognition in the foreign market.

2. Lack of original innovation and technology.

3. Differences between business cultures might increase the difficulties in communication.

4. Lack of long-term strategy for business development.

GIVEN ALSCO WOULD LIKELY BE AN UNFAMILIAR NAME TO MOST PEOPLE IN SINGAPORE AND SOUTHEAST ASIA, WHAT STEPS ARE YOU TAKING TO BOOST BRAND RECOGNITION?

ALSCO would like to provide global pooling services in Singapore and Southeast Asia and act as the foundation of logistics to provide solutions in returnable that increases sustainability in the industry. We will participate in forums and exhibitions in our target market areas to promote our green concept: Reduce and Reuse.

We also have a pallet volunteer project in five countries in SEA (Singapore, Indonesia, Malaysia, Philippine and Myanmar) which involves deploying 10000 pallets in those areas between 2019 – 2020 in the hopes of spreading our green concept.

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