

# CAN 3PLs CONQUER THE DIGITAL FRONTIER IN CHOPPY WATERS?

**YOGENDRA GOYAL,**  
EXECUTIVE VICE PRESIDENT,  
WNS GLOBAL SERVICES

**“My logisticians are a humorless lot... they know if my campaign fails, they are the first ones I will slay.”**

– Alexander the Great

The Greek emperor's words may not be entirely irrelevant for the logistics industry caught at an interesting crossroad. The industry is in a sink or swim situation. On the one hand, small players are rapidly getting 'consolidated' by larger competitors that have both pricing power and the means to spend on future technologies. On the other, new entrants whose competitive strength is access to 'disruptive' technologies are threatening to dis-intermediate entire sub-segments of this industry. These trends mean that legacy players have very little time to get their act together and come up with strategies to combat this threat to their survival.

The scope of opportunity from the adoption of digital technologies such as social, mobile, robotics, cloud and

analytics is substantial. One study indicates that there is USD 1.5 Trillion of value at stake for logistics players and a further USD 2.4 Trillion worth of societal benefits as a result of digital transformation of the industry up until 2025.<sup>1</sup> Unfortunately, most players in the industry are not positioned to grab this prize. Further, a PwC study found that only 28 percent of logistics companies rated themselves as 'advanced' on digitalization.<sup>2</sup> In stark contrast, the industry's customers were found to be way ahead — 41 percent of automotive companies and 45 percent of electronics companies believe they are 'advanced' on this front. These digitally advanced customers often demand services that can be fulfilled by logistics companies only if they have adequate digital know-how.

## Building a Digital Enterprise

Building a digital organization ground up is an uphill task. However, a structured approach to integrate the technologies and capabilities required can help companies move faster on this journey. However, there are a few key aspects that logistics companies should keep in mind.

- **Become a technology company that is into logistics:** Logistics companies need a shift in mindset to compete in today's disruptive ecosystem. They have to start thinking like a technology company that also provides logistics services
- **Become asset and resource light:** Logistics companies are known for their steadfast focus on retaining 'control.' They find it difficult to shed their traditional business and operating models that lay a premium on 'doing it all by myself.' For example, should these

<sup>1</sup><http://reports.weforum.org/digital-transformation/the-digital-transformation-of-logistics-threat-and-opportunity/>

<sup>2</sup><https://www.strategyand.pwc.com/media/file/Industry4.0.pdf>

companies perform manual transactional tasks in-house or can they engage with providers specializing in back office operations? This will allow logistics companies to focus on strategic tasks, optimize costs and increase their investments in the technology stack of tomorrow

- **Select the right partner:** A right partner should obviously have the relevant competencies to be of help. However, more importantly, they should also have the expertise to recommend technologies that are appropriate for logistics companies' diverse contexts. Not every company needs to implement a 'big data analytics' technology stack. Sometimes knowing what not to do is also equally important
- **Re-define enterprise strategy as a starting point:** Logistics companies need to take a hard look at their enterprise strategy in light of the technological disruptions that are happening. For example, does it make sense for companies to concentrate on the truckload segment given its rapid commoditization that makes it ripe for disruption? Will they be better off focusing on the last-mile delivery market which is growing exponentially and needs 'sticky' customer service?

Based on a well-thought strategy, logistics companies should identify their competitive strengths and know how they can deploy 'right fit' digital technologies that can play up those strengths or mitigate the weaknesses. Companies' digital strategies, in other words, are a subset of their enterprise strategies and not the other way round

- **Implement quick wins:** There are many digital implementations that can deliver quick results with a fairly low investment. Why not start with implementing Robotic Process Automation (RPA) to automate transactional processes in back offices? Another example is integrating social media into customer service channels to gain valuable customer insights. Similar measures can offer initial quick wins that are important for a good start

The digital enterprise of tomorrow is all about leveraging technology disruptions that can do more with less. Here are a couple of examples where RPA and other technologies can open new frontiers for logistics providers to offer differentiated delivery capabilities. Using drones for last-mile deliveries can reduce logistics' carbon footprint while the shorter delivery time can appeal to customers. Amazon's Prime Air drone service, for example, aims to

deliver five-pound packages within half an hour of the customer's order.<sup>3</sup> The company expects the service to be operational by end of 2017.

Similarly, autonomous trucks offer the promise of significantly improving the bottom line while reducing accident rates and carbon footprint. The International Transport Forum estimates the volume of freight on the road to quadruple by 2050.<sup>4</sup> By that time, autonomous trucking convoys are expected to optimize last-mile deliveries for both business-to-business and business-to-customer logistics. In October 2016, Otto — Uber's self-driving trucking subsidiary — made its first driver-less delivery over 120 highway miles in Colorado, U.S.<sup>5</sup>

## Conclusion

Digitalization is no longer an abstract idea. It has already taken tangible form and is driving irreversible change. To compete, logistics companies need to take a hard look at evaluating their existing business models and the technology stack on which these are run. The most important thing for logistics companies is to begin their digitalization journey without further delay and embrace the forces that are shaping the technology trends of tomorrow.

<sup>3</sup><http://www.flyingmag.com/amazons-us-drone-delivery-service-moves-one-step-closer-to-reality>

<sup>4</sup><http://reports.weforum.org/digital-transformation/harnessing-new-technologies-to-transform-logistics/>

<sup>5</sup><http://fortune.com/2016/10/25/uber-anheuser-busch-first-autonomous-truck-beer-delivery/>

