



# SPONSORED CONTENT: Digital Disruption – exploring the Collaboration Conundrum

A Round table discussion has concluded that the most effective way to transform the logistics sector for the digital era is through collaboration, although commercial sensitivities lie in the way, reports *Richard Clayton, Chief Correspondent, Lloyd's List*

Logistics businesses have come late to the digital era. The sector is plagued with legacy systems and processes politely described by external observers as "out-dated". Senior management is split between those who understand the tremendous potential of analysing customer data and those who are waiting until a solution becomes unavoidable.

The way forward is through col-

laboration but participants at a Lloyd's List-hosted Round table discussion, sponsored by WNS Global Services, the business process management company, concluded that encouraging competitive businesses to share data is proving tough.

The concept of digitalisation has evolved over the past five years from being the e-solution to all supply chain

problems to becoming too vague to be of any real value. Businesses that have attempted to apply digitalisation to all their processes discover that nothing of substance is actually achieved.

Those who have had the greatest success have begun by recognising what the business does, how it interacts

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with its many stakeholders, which parts of the business are efficient and inefficient, and determining which of these would benefit most from an investment in digital processes. Of all the stakeholders, the customer is king; without looking to the customer's needs, the logistics enterprise has no chance of making digitalisation work.

Participants agreed that data was fundamental to digital solutions, although the many systems and processes used by logistics businesses have generated flows of data that are at times duplicated, less-than-clean, overwhelming in their volume, and in formats that cannot be accessed swiftly and easily. Perhaps more than anything else, the lack of data standardisation throughout the logistics supply chain business acts as a disincentive to the brightest data scientists.

The global technology companies do not regard data as a department or division but as a mindset that pervades all levels and personas. They regard customer-generated data as their *raison d'être*, and some logistics businesses have gained advantage by focusing on the customers' actual requirement rather than simply using digitalisation to improve the way the business is run.

But even data-driven businesses have come up against challenges. These include finding those elusive data scientists to analyse customer data, deciding how to invest in innovative technology that won't deliver significant results for two or three years, and whether to re-engineering the business itself to make best use of digital solutions.

The most effective way to tackle these issues is by exploring avenues of collaboration. There is little real transformation without interaction with other businesses. These might be Silicon Valley

start-ups with specific skills through to global supply chain players who recognise the strengths of the focused logistics enterprise.

As for investment in digitalisation, collaboration should begin by conducting a forensic audit of the requirements of the business itself. It was clear to many of the Round table participants that collaboration would achieve more if it involves companies from outside the logistics sector.

So far, participants' experience has been mixed. Larger data companies have been discouraged by logistics businesses' legacy systems and their lack of focus on their customer; there is a degree of fear about investing in digital technology only to find it is not compatible with other systems; and there is the traditional concern that sharing data with rivals would lose

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competitive advantage.

This is the essence of the collaboration conundrum: while the concept of a digital alliance is attractive to senior managers, the business model they are running regards any form of association as fraught with commercial danger. So rather than seeking to form partnerships, logistics businesses have tried to invest in digital technology to upgrade their 'business as usual', despite agreement that none of the players is large enough to go alone.

The aviation sector has formed a series of alliances because customers have demanded they do, but the same pressure has not been brought to bear on the maritime side of the logistics sector. And even as it is feared that globally-significant customer-centric delivery businesses will inevitably disrupt the sector, that commercial sensitivity has

been holding back investment.

Round table participants predicted that the logistics sector is overdue a transformation. The survivors will be those who have already embraced the benefits of digital technology, while planning for even closer alignment with customers. Those businesses who have yet to begin this process, who have failed to embrace the mindset of data- and customer-focused investment, and who continue to see digitalisation as a way to improve business as it has always been, face a challenging decade.

Both the early adopters and the digital laggards would do well to look outside the logistics sector. Universities, colleges and academies across the world are full of students who, if allowed to challenge the traditional mindset and if given the freedom to create their own supply chain solutions, could provide the roadmap for transformation.

This Round table brought an unusual breadth and depth of insight to the discussion about the challenges faced by the logistics sector from digital disrupters. Although the solution seems to lie in exploring collaboration in one form or another, the complexities of the logistics sector make simple collaboration hard to achieve.

It has become vital for companies in the logistics sector to re-invent the core elements of their business model. The legacy processes, people and value propositions are no longer fit for purpose. The digital world demands fresh thinking. This Round table made that very clear.

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