

## Viewpoint: LSPs Embrace Lean Logistics as Business Model

Today's dynamic business environment continues to generate leaner business strategies that incorporate multi-dimensional tools for greater end-to-end supply chain efficiencies to leverage existing resources and enhance the logistics process.

Employing the lean logistics business model to reduce risk and drive ROI remains very popular even as the global economy revives. While logistics service providers (LSPs) began to execute leaner logistics strategies during the economic downturn, that strategy is now being utilized more than ever in the logistics industry. LSPs are looking for ways to provide customers more efficient supply chain solutions by capitalizing on existing resources and minimizing waste to reduce future expenses.





## Doing More with What They Have is Growing Strategic Mantra

The ability to have benchmarking metrics and dashboards providing real-time global supply chain information, with exception management and tasks allocated to staff, groups of staff, or even third parties ensures that nothing falls between the gaps.

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### **Business model gains momentum as many global markets utilize lean logistics practices in today's economy.**

Often these strategic operations are tightly integrated with lean manufacturing processes, incorporating the principles of storing fewer materials, which are handled less and delivered on a just-in-time basis. This integrated supply chain practice is popular with LSPs as it provides a total view of overall waste for a company. For example, the inbound logistics process may be cost effective when serving a cost efficient manufacturing process; but if the outbound logistics process isn't equally efficient and inventory of finished product is stored for unnecessarily long periods, the cost of this outbound delay may outweigh the benefits attained in the inbound process.

Ultimately, while the lean operating model does provide some requirements for business monitoring such as Key Performance Indicators (KPIs) and other significant benchmarking metrics, visibility of information through all supply chain operating functions is really the key issue for LSPs in today's global market. Recently, with margins in supply chain execution tightened to new levels, the need to incorporate lean logistics practices into the movement of materials and products is driving many LSPs to embrace enhanced lean logistics techniques. This ensures they have a profitable business which meets the demands of their clients and is sustainable for many years to come.

Robust lean logistics processes require the sending, receiving and sharing of critical shipment information between business functions and trading partners throughout the supply chain and not all systems are completely successful. Some LSPs still

employ older IT solutions that are unable to efficiently incorporate modern data transfer mechanisms. This lack of agile, automated systems means that when new electronic messages are required to be exchanged between the LSP and client or supplier of goods, it can be difficult to deliver data requirements, defeating good customer relations.

Increasingly, however, leading LSPs are discovering the new generation of modern, automated technology platforms that offer not only the tools to provide deep supply chain visibility, but also a quick response and on-time deliverables in much simpler and standard ways than 15 years ago. This greatly magnifies the continued trend toward modern lean logistics practices. Many systems today offer innovative data exchange options for easy messaging interfaces, structured messages and holistic tracking views that take into account freight operations, customs processing, carrier processes and destination activity, providing a comprehensive overview of the entire supply chain process.

LSPs are learning that the transition to new lean logistics processes is not a step to be taken lightly, nor does it need to be taken in a single huge leap. But with the right project approach to an automated lean logistics strategy, the change in culture will reap huge benefits. A strong relationship with customers, suppliers and vendors is critical in all global regions where the company operates for maximum success, as local-global market wisdom is necessary to automating logistics throughout the supply chain. Using such modern systems, even with existing resources, can improve service, reduce costs, sustain client relationships and maintain profitability.

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