

## Optimising Performance Levels; Achieving ROI For Logistics Service Providers Through Technology

In today's global economic environment, logistics service providers (LSPs) are finding it more challenging to maintain their performance levels, increase business opportunities and improve bottom line profits. In large part, this is due to the substantially changing global business models of their shipper client base, increased operational overheads, rising costs and advanced IT-based reporting demands throughout the supply chain process.

The solution for international LSPs to optimise performance levels in order to meet shipper demands is to implement innovative technology into their operating platforms to enhance communications with customers, better understand the nature of changing business requirements within the marketplaces and improve supply chain visibility. As business models change and pricing pressure continues, LSPs are competing to recover ahead of the market. The need for strong, reliable and innovative business partners is increasing. Those LSPs that have, or will implement, advanced software systems to offer increased technological capabilities will undoubtedly have an advantage in providing improved service levels for their customers.

Given the current worldwide economic volatility, shippers are increasingly assessing their supply chains' effectiveness and seeking robust value-added software solutions and lower prices as they review their current vendor contracts or look for new partners. A recent report on global outsourcing released by consulting company Capgemini, in association with several logistics firms and institutes, found that 82 percent of shippers were cutting costs, and 60 percent of them were rethinking their supply chain strategies and vendors as a result of IT visibility gaps in their supply chains.

Clearly, shipper-LSP relationships are being impacted by instability in the global marketplace and LSPs are now seeking ways to achieve internal efficiencies as a means of combating economic conditions and achieving the right technologies and supply chain innovations required to meet new and more responsive supply chain visibility requirements -- not only for today's challenges, but those of the future. Business models and economic conditions will continuously change, and success in adjusting to new and unknown environments requires LSPs to proactively think ahead and adjust to evolving business models with flexible operating procedures through solid and creative logistics strategies that achieve both short- and long-term growth goals for their companies.

The same study found that 88 percent of shippers feel that IT-based logistics services are critical to optimising their success, but only 42 percent of shippers are satisfied with the IT capabilities of their current logistics provider. Many shipper respondents reported a capability gap with their LSPs, often citing a



Andrea Robinson, Business Development Manager - UK

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## VIEWPOINT

ANDREA ROBINSON, BUSINESS DEVELOPMENT MANAGER - UK

lack of key performance indicators (KPIs), reporting alerts and the supply chain agility and visibility required to meet changing logistics needs. At the same time, many LSPs reported similar difficulties in obtaining the data and commitment they needed from the shippers they serve.

Industry analysts generally agree that reputations and testimonials carry little weight with the customers of logistics service providers. Performance analytics and data reporting technology is the most important factor in selecting a software provider. Yet that same view is not always shared by LSPs when evaluating their role in the supply chain process and how they are viewed by their customers. *EyeForTransport* has reported that a large majority of LSP customers have made it clear that they place a greater significance on the quality of provider service than cost, with only 18 percent choosing lowest price as the most important factor in selecting an LSP. Eighty-six percent of LSP customers report that they expect their logistics service providers to have a robust software system in place that enables them to be more responsive to their real-time shipment needs. Shippers believe that good, real-time communication between trading partners helps eliminate time-consuming data processing and reporting errors that can hinder the quality of service provided. LSPs should be increasingly aware that innovative and responsive technologies are needed; and this, in turn, can dramatically impact their performance levels for customers when they renew their existing LSP contracts or seek better alternatives.

In summary, in a world gone global, the challenges of providing seamless supply chain solutions across geographical and cultural boundaries have increased at an exponential rate, just as the economic climate has become more volatile. This makes the optimisation of supply chain logistics performance levels increasingly important for LSPs seeking a competitive advantage to take into account whether or not they are going to technologically enhance performance levels and improve bottom line results.

Choosing an innovative, IT-based software system that can streamline the internal and external operating processes is critical for LSPs. Doing so can enable providers to quickly adjust to customer expectations and offer both current and future technologies through robust operating tools that enhance services and meet regular KPIs for increased customer satisfaction. The result will optimise LSP performance, achieve business growth and ensure the longevity and success of LSP business by providing the competitive edge necessary to maintain and develop client bases in today's volatile marketplace.

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