

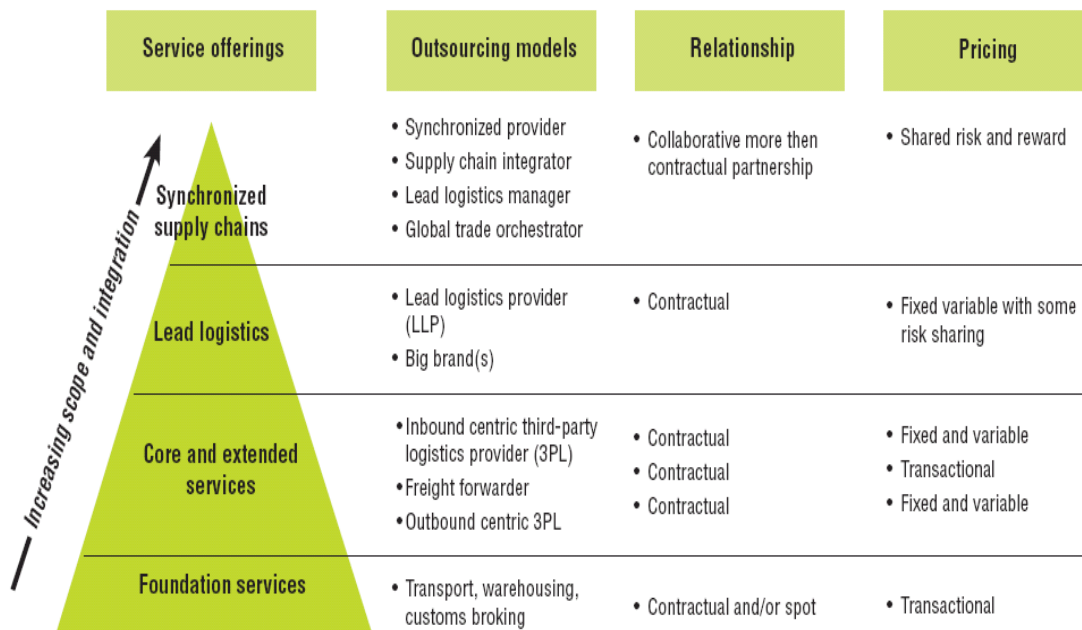
Lead Logistics Management – Extending The Boundaries

SnT Global Logistic Sdn Bhd

Evolution Of The Logistics Provider Model

In the late 80s and the early 90s, with the evolution of electronic commerce clients began to realize the importance of outsourcing their basic transportation needs to specific providers. This allowed the client to control costs, reduce staffing, and try to begin realizing logistics improvements by using specialized providers.

This leads us to today and the emergence of the Lead Logistics Provider (LLP). The LLP theory leverages the abilities of process managers, Third Party Logistics Providers (3PLs), and technology service providers together to provide the client with greater operational autonomy and cross-functional integration. A LLP must deliver comprehensive supply chain solutions that focus on all elements of supply chain management and ensure that the solutions are made to fit the needs of the client.



An LLP will be a single point of contact with the client and will provide the management of multiple service providers through alliances and partnerships. The LLP concept is a unique concept compared with the supply chain outsourcing options available today, because it can provide a supply chain solution and deliver value over the entire spectrum of the supply chain.

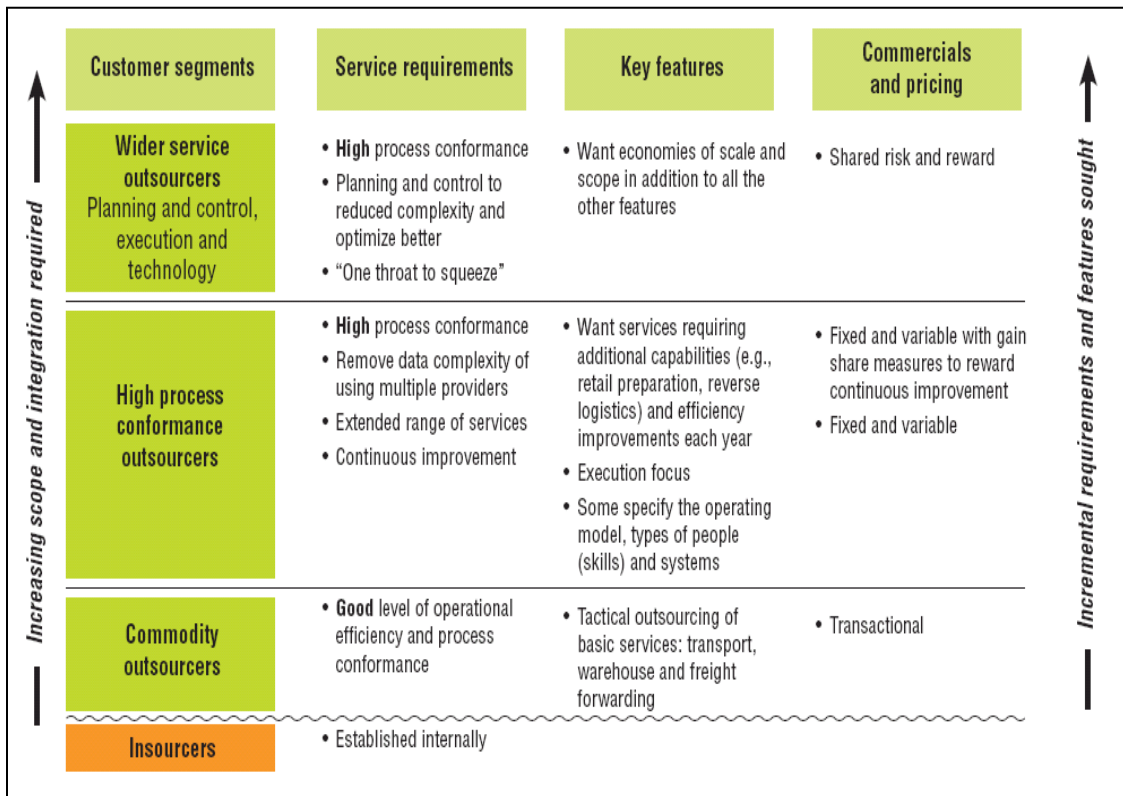
Today, 3PLs are focusing on creating value for the customer through operating cost reduction and asset transfer, whereas the LLP approach looks to provide the customer value through increased revenue, operating cost reduction, working capital reduction and fixed capital reduction. By using an LLP, a company would be able to realize revenue growth due to improved customer satisfaction, since the LLP is focusing on how to improve areas within the entire supply chain rather than focusing on just the lowest cost of transportation or warehousing.

Companies would be able to achieve economies of scale across the entire supply chain by outsourcing everything, instead of components. The operations efficiencies and process enhancement can lead to large operating reductions for the company. By proactively using the most up-to-date technology through the LLP a company would be able to reduce the order to cash cycle times and inventory reductions, these reductions would allow a company to see reductions in their working capital.

Finally a company would be able to focus on their core competencies of researching and developing new products, since a company would not need to worry about the "bricks and mortar of the company." The LLP would be in charge of this, thus leading to the company reducing its fixed capital and would allow the company to focus on core competencies.

A Look Into Future Needs

All across the globe, customers of logistics services are demanding more reliability at lower costs. Today, it is no longer impossible to obtain greater end-to-end integration especially with the rapid availability of visibility tools in the marketplace. As a result, we are beginning to clearly see more divergence in needs from the customers of logistics providers. In the near future, we are able to identify four broad customer segments (see Fig.2)



Service Performance Gap – Playing Catch-Up

More customers are recognizing that to realize the full value of the potential trade-offs from outsourcing, they need to broaden their span – from purchasing many piecemeal transportation and warehousing services, to fewer, bigger contracts with much wider scope. The spotlight of innovation is now fixed on deploying a standardized process for logistics management at the international level—the engine that turns business drivers into missions accomplished.

In response, the Logistics Provider industry has been evolving to offer greater scope and more complex solutions. However, for the more demanding customer segments – those seeking greater integration and higher degrees of process conformance – there is often a gap between buyer needs and provider capabilities.

Often, providers market and represent capabilities that they have not yet implemented, so they over promise and under deliver. The business model of most providers traps them because of their inability to scale offerings, thus failing to generate returns that will allow them to meet the expectations of high process conformance buyers. High process conformance, in this context, is the ability to deliver end-to-end supply chain integration and synchronization repeatedly for many customers, establishing de facto process and technology standards.

Reinventing The Model

If there were one theme, one key phrase that I could use to describe the mind-set of the global shipper today, it would be the cash conversion cycle, or what is more well-known as the cash-to-cash cycle. In the highly competitive world of rapidly changing consumer tastes and shrinking profit margins, the art of turning an order from a buyer for product into cash in the bank is the impetus behind the current changes in our industry. Those companies that can master this business cycle by optimizing their supply chains will win competitive wars and prosper. Those that don't are chained to an uphill struggle against unyielding competitors.

LLP models will need to be reinvented to meet this changing dynamics and to meet the needs of the more demanding customers. So providers increasingly must innovate to profitably serve as big a footprint as possible across the large commodity segment. The payoff for providers is tighter integration with customers along the supply chain, delivering greater value and increased “lock-in.” Increased complexity offers more opportunities to sustain higher margins. Success will be measured by their customers, in terms of how well they increase reliability and overall service performance at a reduced total cost.

A New Breed

The new model is now fixed on deploying a standardized process for supply chain operations at the global level—the engine that turns business drivers into missions accomplished. The LLP who dare to think about this concept, are becoming a new breed. Traditional logistics managers are morphing into supply chain engineers. They know that achieving long term, bottom-line process improvement means coming face-to-face with a cold, hard reality: The old practice of squeezing blood out of a transportation rates alone has reached the point of diminished return.

The new breed of LLP measures success by:

- Lowering total delivered costs of products and inventory lead times
- Improving trading partner relationships
- Improving inventory performance –cost, velocity
- Improving transportation performance –speed, cycle time, reliability
- Lowering break-even costs and reducing the payback period
- Improving customer service and value
- Improving stakeholder value

However, getting there means a serious paradigm shift. For years, logistics providers have operated within a series of multi-domestic supply chains around the globe. One of the dividends of some web-based and web-enabled software innovation is that it can be applied to a broader solution to centrally command and control the international logistics link in the supply chain. But technology alone isn't enough. Information management is one tactical component in a strategic approach to logistics management that can simplify processes, give back time, deliver worldwide visibility, and control information...simply! It can also define the path to broad-based cost reductions.

Expertise Is Key – But It's Out There, Somewhere...

Perception isn't reality Where there is a demand for global process management, there is also supply—or more accurately, the perception of competent outside resources. No doubt, lots of third parties, anxious to cash in on the growing need among global shippers to seize control of logistics at the global level, have been more than willing to hang an "LLP" banner outside their door. Of course, the early industry shakeout has shown that perception isn't reality. To meet the demand, there must also be a new breed of expertise from within the logistics/transportation sector.

This elusive creature of international logistics, known as the Lead Logistics Provider (LLP), is not a figment of the overactive ego of some would-be Sanford marketing type. It is out there, if you know what to look for. Third-party suppliers, who don't possess a true, broad international presence, proven information management capability on a global level, as well as comprehensive knowledge of the customer's business, and objectivity, need not apply. In a word, it comes down to experience.

While contemporary IT infrastructure doesn't come cheap, technology investments by 3PLs with deep pockets aren't enough. Slick sales presentations with the facade of broad reach are one thing, but moving pretty pictures of PowerPoint slides is a far cry from actually moving information, products, and transactions end-to-end.

The Next Level of Expertise

True lead logistics management requires the next level of expertise; an entity that applies a systematic approach by reviewing, analyzing and upgrading the process on a global scale; manages the process including forwarders and brokers around the globe; serves as a clearinghouse for collecting and interpreting diverse, corresponding performance metrics; and provides shipment planning, order fulfillment, and project management. It really doesn't matter what you call it. What matters is execution, from analysis, design and knowledge sharing, to desk-level implementation. This new breed resource won't shy away from digging in and getting their hands dirty.

Leading Edge Examples

A growing number of companies are moving the concept of Lead Logistics Management from thought to practical reality. NEC Infrontia Asia Pacific (NECi) established a long-term agreement, appointing SnT Global (SnT) as Lead Logistics Provider for the company's Asia Pacific supply chain operations as well as its national distribution activities. In less than 20 months, NECi has enjoyed substantial hard cost reductions. "SnT Global is our recommended BPO Outsourcing Partner. The exceptional services and the expert knowledge we receive from SnT's team has made our professional relationship with our clients a delight" said Dave Chong, Managing Director, NEC Infrontia Asia Pacific Sdn Bhd.

Autonomy and objectivity are key factors in the LLP relationship equation. While SnT provides some essential logistics and warehousing services, it also coordinates the activities of other third-party suppliers in specific countries. It is a matter of having the discipline to think and act long term, with an unshakable mandate to always bring the best resources to the table for the client.

The value of this new LLP breed is that of a solutions provider company built on customer relationships and acclaimed customer service. Satisfaction with status quo just isn't part of the vocabulary. The new breed is nimble, metrics-driven... and always in discovery mode, seeking ways to raise the bar to help the customer grow. From there, the impossible dream of unparalleled, value driven process execution becomes beautiful reality.

The Continuing Journey – Beyond Boundaries

An increasingly important criterion for the LLP will be the ability to go beyond the provision of logistics management services to venture into the realm of the customer's own sales, supply and manufacturing activities. The extended reach will require the LLP to wear the hat of an operations manager, even an industrial engineer, by offering expert inputs in the customer's supply chain operations, i.e. its Plan, Source, Make, Deliver and Return activities, with synchronized and blended service level attainment.

One example is Malayan Newsprint Industries (MNI), one of the companies that is under the umbrella of the Hong Leong Group of Companies. SnT has been MNI's LLP for the last three years. "SnT Global's commitment towards services offered to MNI is excellent" says Phang Kwok Keong, Chief Executive Officer of Malaysian Newsprint Industries Sdn Bhd. MNI continues to benefit from SnT's deep expertise in supply chain management to continue to drive improvements and cost reductions in its operations.

The Key Imperatives For Success

The battle among providers in the future LLP space will be for the middle ground– for the more demanding buyers who tactically outsource while continuing to retain planning and control in-house.

The journey toward value starts with having strategic clarity about the market segments in which to participate – and how – profitably. It involves an overlapping sequence of activities to develop enhanced provider capabilities, including:

- Strategic clarity – Rigorously align target market segments and value propositions with organizational culture, business model, core competencies, asset planning and performance measures.
- Standardization and integration – Proactively sell the value of standardized and integrated global processes and shared user services – internally and externally. They will have to help ensure commonality of data definitions and service performance indicators.

- Focused Solutions – Provide customized solutions from a set of standardized – but configurable – process, information, workflow and value-added components. They will harvest knowledge, and discover how to make it readily accessible across the organization.
- Service innovation – Invest in new capabilities (such as visibility, supply planning and control; dynamic synchronization and optimization of business processes; a virtual supply chain information platform). They will need to enhance existing capabilities in transport planning and control, and extend into more areas of procurement. This will necessitate deep integration with their customers to provide end-to-end supply chain capabilities and visibility
- Teaming capability – Invest in teaming skills in the new era where the value and breadth of services offered to their customers will amplify as the service provider’s network of partners grows.

Conclusion

The future Lead Logistics Provider industry will be more global, more concentrated, more segmented around customer types and universally better at execution. Business processes will be standardized and systems integrated. There will be better visibility of end-to-end supply chain information, and integration with partners and customers. And, providers can develop a single view of their larger global customers.