

Technology solutions must for freight forwarders and 3PLs



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As more and more global corporations across the world started outsourcing their logistic operations, freight forwarders and third-party logistic providers (3PLs) have emerged as an important element in the supply chain. While the companies that outsource their logistic needs could focus on their core competence operations and also are able to achieve cost-efficiency, improved delivery performance and thus attain

higher levels of customer service, the pressure to differentiate themselves from other service providers and meet customer expectations have increased on freight forwarders & 3PLs.

Freight forwarding is a multi-dimensional business function with multiple business models hovering around a wide scope of business processes. It would extend from tactical activities such as deciding the right scope of service ranging from transportation from the source, offering warehousing service, getting the customs approval, ensuring the right documentation as required in the cross-border logistics as may be appropriate to suit to the statutory needs of the countries involved, working in tandem with a number of third party agents in the process and ensuring that customer satisfaction would continue to be a source for further and continued business.

In the pre-slowng economy era, the international freight forwarding industry definitely benefited from the globalised world economy witnessed of late, with supply chains extending both vertically and horizontally and to accommodate the evolving trends, there were lots of mergers and acquisitions too that led to quite a few number of global shipping companies in addition to the existing dominants. This also attracted lots of new financing from private equity since the asset to turnover ratio in this otherwise conservative industry was very

attractive.

However, the slowing economy, to some extent has impacted the rate of growth the industry had witnessed and has offered some new challenges. The growth in the last two years has been the slowest since the last six years. Slowing US economy that is also being caught from the European markets, could affect this industry too.

There would be reduction of 'premium and express' service models, less air-freighted cargo than before and the diversion towards 'sea' mode and sourcing from lower cost countries within Asia would lead to emergence of new players and partnership of agencies. There could be re-negotiation on the pricing contracts from customers' end which would actually be feasible due to the pressure the shipping companies go through with their spare/ excess capacities freed up.

However there are quite a few advantages that are favouring the freight forwarding industry as compared to other core industries such as weakening dollar leading to increased US exports, less-asset intense nature than others; this, when combined with the innovative and new business models the industry could come up with, well supported by employing the right IT and Technology solutions, would actually put the industry in a much better position than its peer industries on the manufacturing and trade.

Woes of 3PLs based out of India

While the business challenges and the IT requirements for an Indian freight forwarder and 3PL are common with any global operator as listed in the above-mentioned paragraphs, there are additional constraints that he has to manage and that puts special emphasis of the characteristics of the choices he has to make in terms of the tools and techniques he needs to employ in managing his business.

The market for 3PLs in India is relatively new and highly fragmented. Poor infrastructure for transportation and the lack of trust and awareness among the Indian firms on the value addition by 3PLs make their job difficult. This being high-cost and low margin business, different sales tax requirements across the states complicates the system. They are also facing stiff competition from the

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multi-national 3PL providers especially in the international freight movements.

Nevertheless, the domestic 3PL market is actually poised for a reasonably good growth with the developments witnessed globally. With the government's increased focus on improving logistics infrastructure, introduction of VAT as a uniform tax regime etc., are expected to impact on the industry's growth positively. Finally, the wide spread awareness of IT and its expertise available would help in adding new services such as fleet management systems, integrated supply chain management and reverse logistics to their portfolio.

Why shippers employ 3PLs & freight forwarders

Improved on time delivery, more specialised logistic expertise, reduced cycle time, operational cost reduction and enhanced geographic reach are some of the reasons why shippers employ the services of 3PLs. The decision-making factors of selecting the right 3PL include cost of 3PL services, reliability, responsiveness, service quality/capability and technological competencies of the provider. Finally, the performance evaluation of the 3PLs by the shippers are based on the on-time shipment, inventory accuracy, customer complaints, shipping errors, stock-outs, fill rates and total order cycle time among few others.

All the above-mentioned parameters would clearly spell-out the fact that employing the right IT solution for transportation and supply chain management is the key for the service providers' success. Already being a fragmented industry, the industry had traditionally relied upon paper-based transactions, with the pressures their customers face in the new economy, there are heightened demands to create a collaborative, on-line platform to let the entire supply chain players have the information shared at least cost and time. This is possible only when the IT vendors that the freight forwarders and service providers work with offer enabling technology based products and services.

Opportunities for the right IT vendor

In this background, an IT vendor that offers the breadth of services addressed in ready-to-implement applications with in-depth coverage of functional requirements yet offering enough configurability to tweak the process flow suiting to the unique business practices of each service provider, has definitely an upper hand. He scores over the IT services companies that develop software projects according to clients' specs and also over

multi-national ERP giants that do not have a mature product yet they try to use the same complex architecture that they have developed over a long spell of period for their manufacturing industry oriented ERPs.

What is needed for the logistics industry is a TMS (Transport Management System) that is an ERP like system that would address end-to-end business flow including accounting. The base architecture should be a simple one to build/ integrate add-ons as may be required. The technology employed must be scalable, multi-database compatible and robust. The company must be able to address requirements of both the large and SME market segments. It should offer products and services under one roof so that the client doesn't need to shop from multiple vendors. It should have global business leaders as its customers so that new customers do have the benefit of getting exposed the best business practices employed by industry leaders.

Four Soft fixes problems

Four Soft Limited, with about 7 years experience in developing and maturing the portfolio of products and services for LSP industry with about 50,000 users from 300 customers using its product across the globe, comes very close to this definition of the right IT vendor for TMS solutions. It has products that are positioned for each of the sub-verticals of the T&L industry and thus could address the IT requirements of stand-alone players and SME segment. Having said that, its products are also well integrated to perform the end-to-end business flow in getting the cargo moved from suppliers through-3rd party warehousing custom bonded, export and import managed, freight forwarded, custom cleared and goods delivered at customer's premises with a single system-use-and- feel and thus can meet the business requirements of large corporations that perform integrated 3PL operations. The product offering addresses the requirements of freight forwarders in all three modes air, sea and road duly integrated to offer multi-modal transaction, customs brokerage, contract logistics and warehouse management systems, transactional flow of liners/ carriers and NVOCCs, track and trace systems of orders and shipments and supply chain needs of logistics divisions of large industrial houses. The products are developed in scalable, database-neutral platforms and have interfacing capabilities to legacy and 3rd party applications that the 3PL might already have deployed. The products are configurable to address the business practices of small and large organisations with a focus on reduced implementation cycle.