EDPx2023

Doubling Down On Efficiency

July 2023

Agenda

1.) Basics on Revenue/Cost/Margin

2.) Procurement / External Cost

3.) Make or Buy?

4.) Efficiency / Internal Cost

5.) Organisation Structure & Efficiency

6.) Efficiency vs. Differentiation
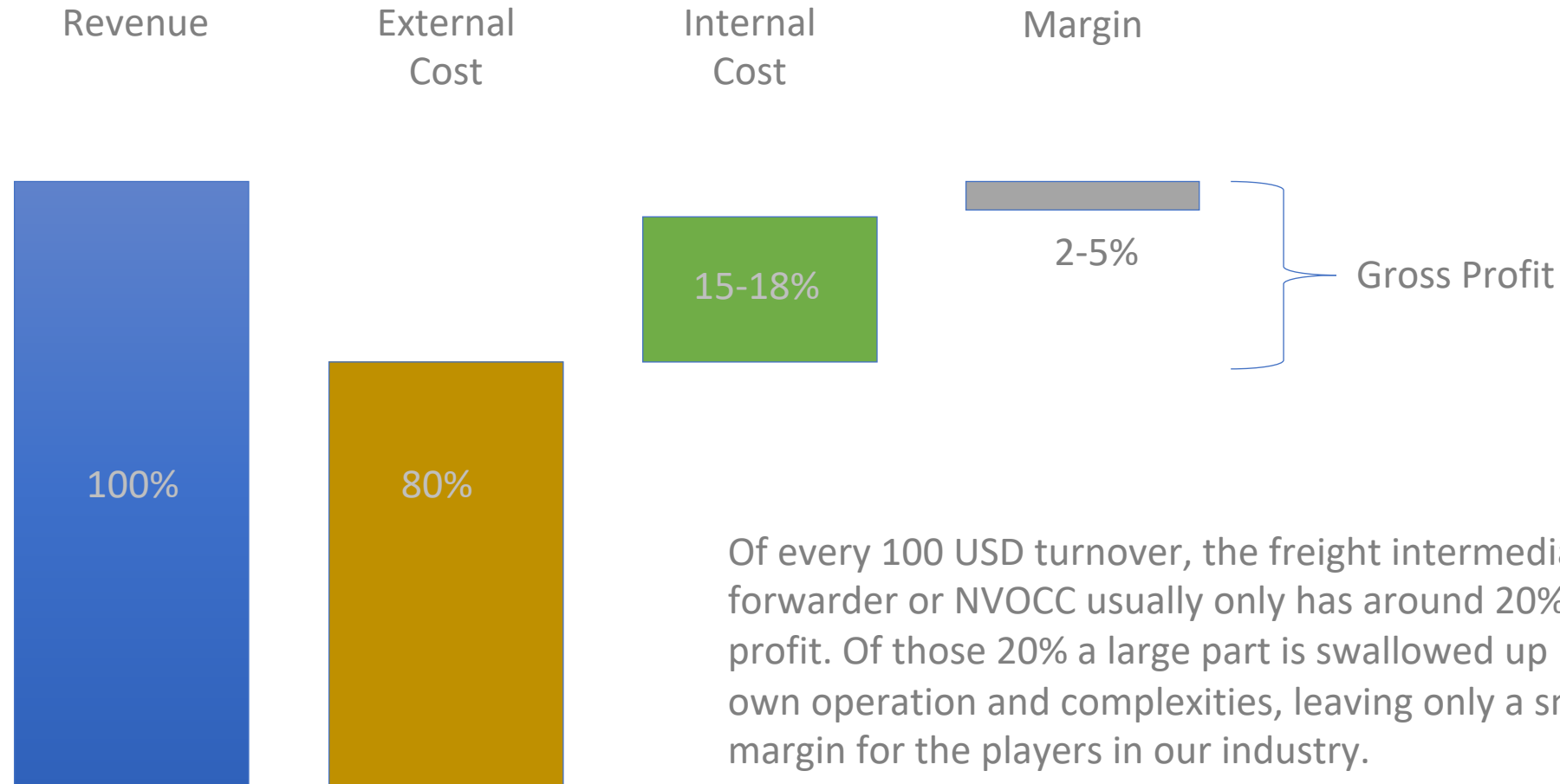
7.) Transformation & Change Management

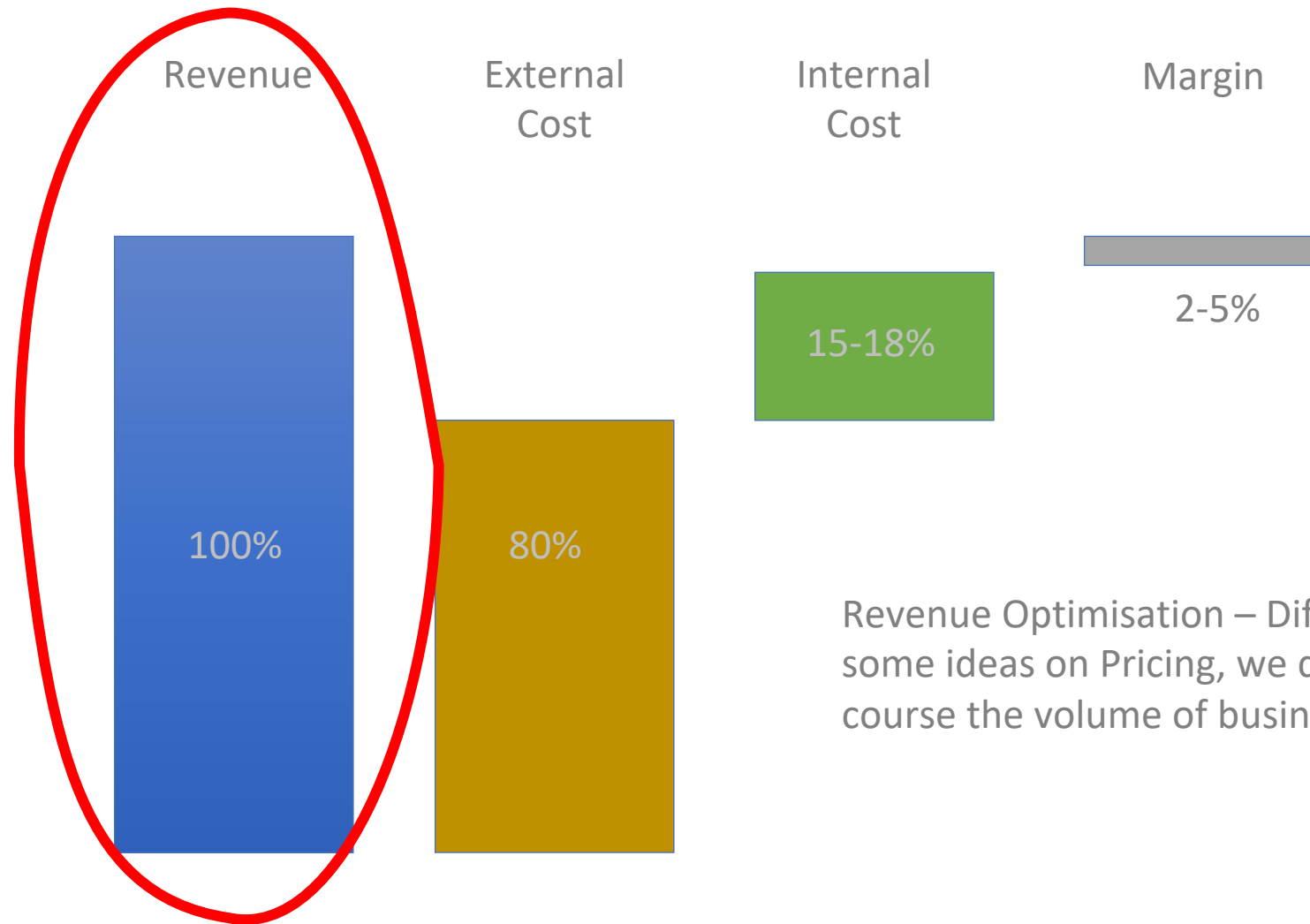8.) Discussion

Revenue / Cost / Margin

Some Basics

The game of the intermediary in freight...

Revenue

External Cost

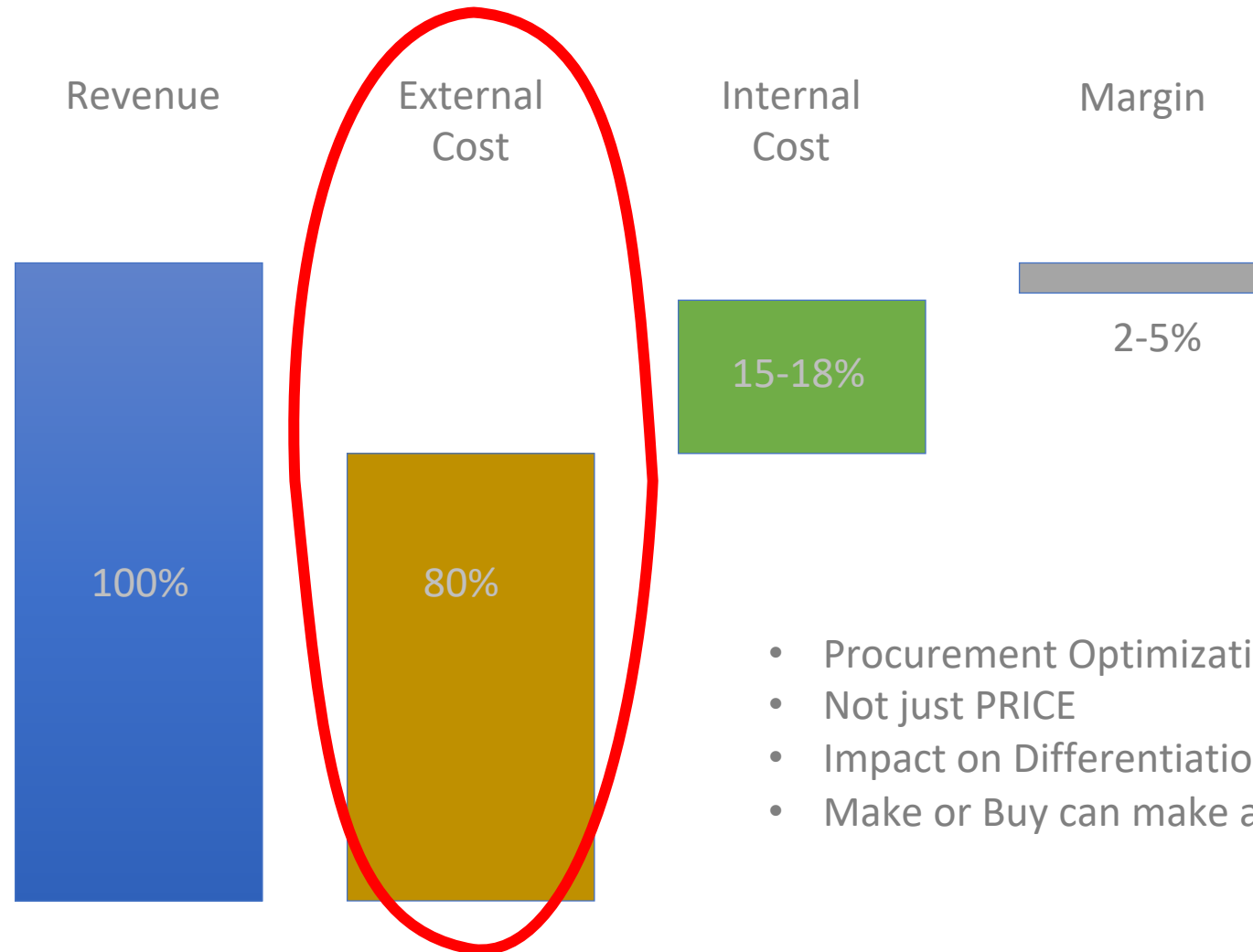Internal Cost

Margin

100%

80%

15-18%

2-5%

Gross Profit

Of every 100 USD turnover, the freight intermediary, forwarder or NVOCC usually only has around 20% Gross profit. Of those 20% a large part is swallowed up by own operation and complexities, leaving only a small margin for the players in our industry.

Revenue Optimisation / Topline Growth

Revenue Optimisation – Differentiation Strategy and some ideas on Pricing, we discussed in Session ONE – of course the volume of business is the multiplier here.

External Cost Optimisation / Procurement

Revenue

External Cost

Internal Cost

Margin

100%

80%

15-18%

2-5%

- Procurement Optimization on TOTAL COST BASIS,
- Not just PRICE
- Impact on Differentiation
- Make or Buy can make a difference

Internal Cost Optimisation / Efficiency
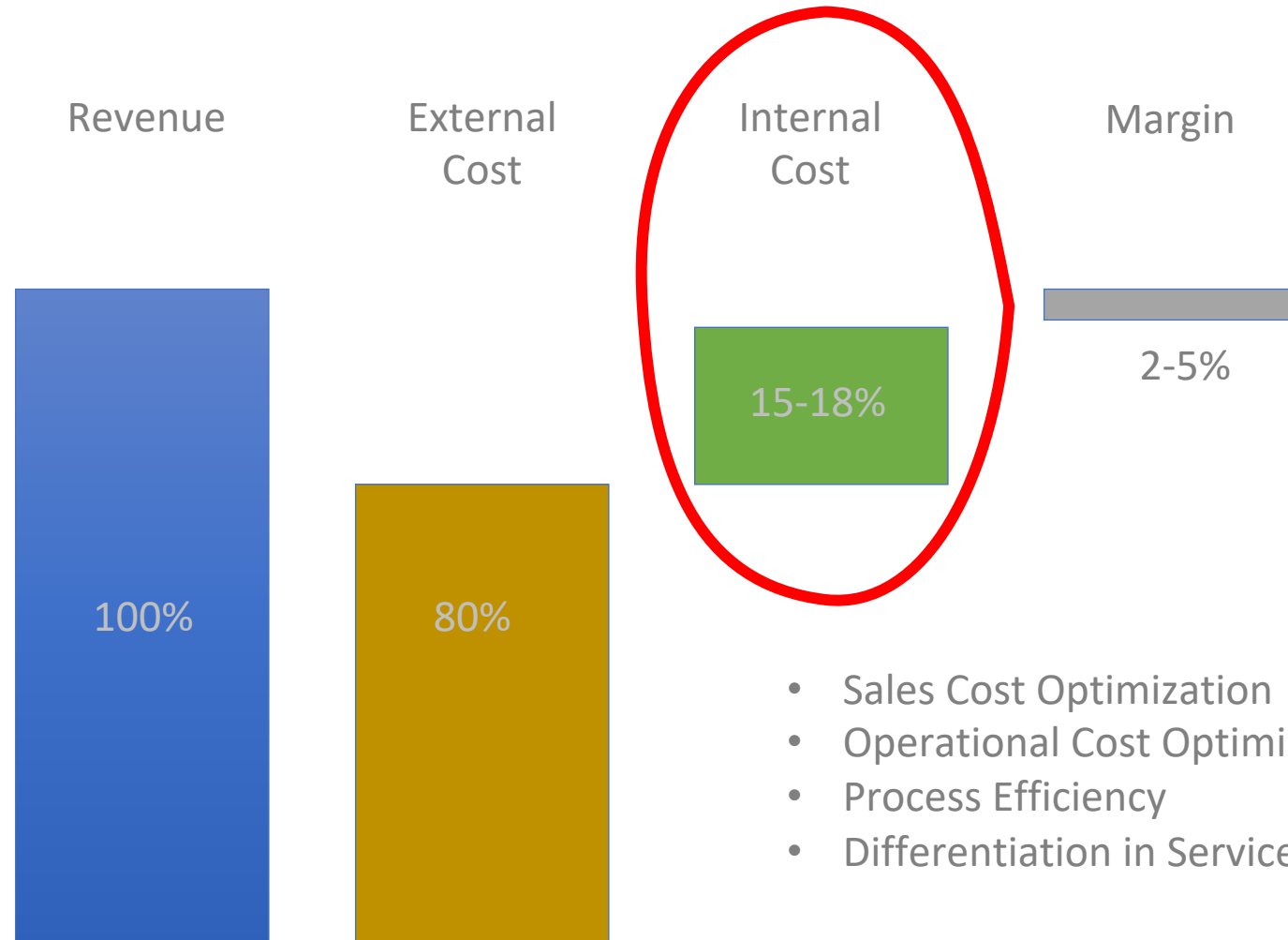
PROCUREMENT EXTERNAL COST

External Cost Optimisation / Procurement
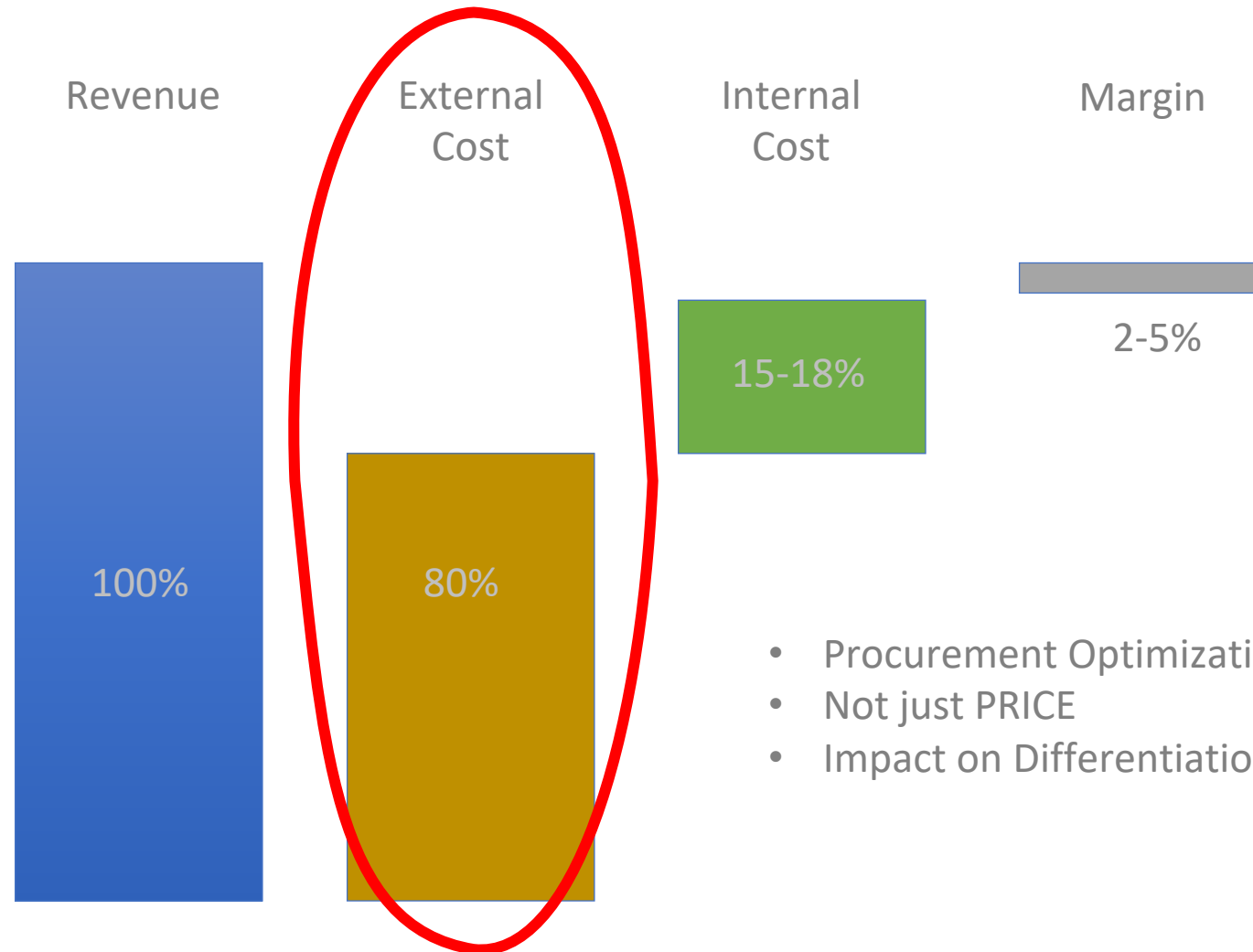
Revenue

External Cost

Internal Cost

Margin

100%

80%

15-18%

2-5%

- Procurement Optimization on TOTAL COST BASIS,
- Not just PRICE
- Impact on Differentiation

- Buying vs. Selling

  - Incentivation and Measurement

  - What is a good rate?

  - Procurement & Sales / Organisational Challenges

  - Scale Effects

PROCUREMENT INNOVATION

- Change from Case by Case buying (Efficiency & Speed)

- Explore digital means to buying

- The value of Benchmarking

- Together is better / Co-operate

FREIGHT BENCHMARKING

- INDEXES
  - SCFI
  - Freightos Baltic
  - WCI

- DREWRY's Benchmarking Club

- Other providers
  - E.g. XENETA

➔ «Paper rate comparision»
➔ But potential upside on a micro-level

- Future Marketplace based?
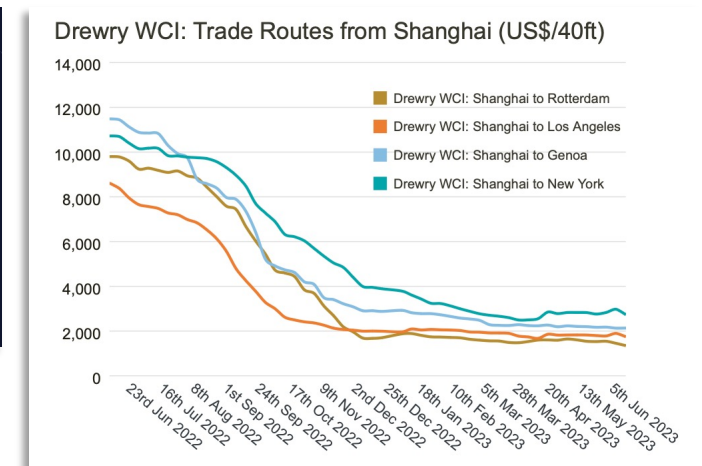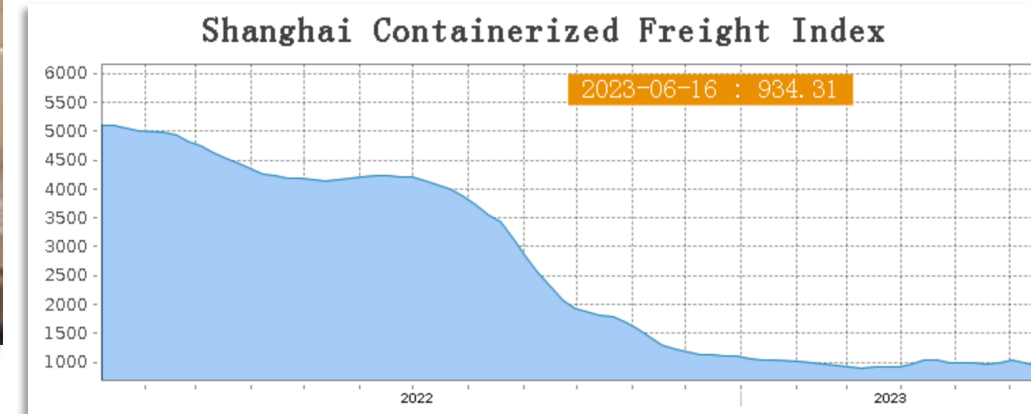
The efficiency of your procurement is an internal cost, that in the end, also becomes part of your procurement cost.

More on this later, when we look at rateflow efficiency and tariff management.

OCEANFREIGHT PROCUREMENT

- CONTRACT vs SPOT

- TIMING as a key element

- Relationships matter and will continue to matter

- Past Performance matters too, balancing when to stick with commitments and when to seize opportunities remains important.

- You always want to be the first one down and last one up, does not always work. Sometimes you have to take risks.

OCEANFREIGHT PROCUREMENT

Good procurement is an effort, takes time and has a cost.

«Together is better»

    - Collaboration is always an option too

    We have several members that are very strong on the procurement side and can provide a better buying basis, with less time lost.

PROCUREMENT OPTIMISATION / Example Inland Transport

- CMA CGM Inland Transportation via SCORE & Transporeon

- MAERSK e-Auction Portal

- SCHENKER - Drive4Schenker & DHL - SALOODO

- K&N works with ONVENTIS

- Independent tools, e.g.:

driveMybox

鸭嘴兽 DUCKBILL

文鳐科技 FLYING FISH TECH
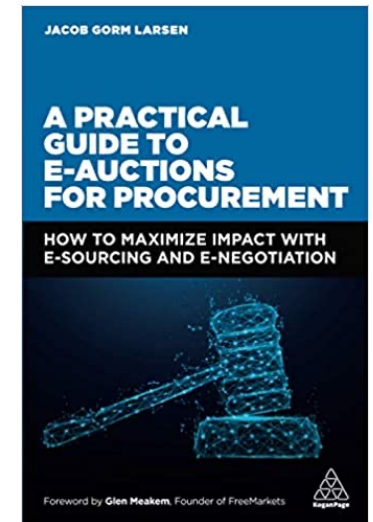
Book Tip:
Jacob Gorm Larsen - A Practical Guide to E-auctions for Procurement: How to Maximize Impact with e-Sourcing and e-Negotiation

PROCUREMENT OPTIMISATION / example Warehousing & Fulfillment

- Warehouse and Distribution Marketplaces

From a storage marketplace towards a virtual distribution network.

e.g. FLEXE, OYM Alliance

PROCUREMENT AUTOMATION on the client side

- KEELVAR example GRUPO NUTRESA

Keelvar >

Sourcing Optimizer Reduces Time in Negotiation and Award

https://www.keelvar.com/webinars/

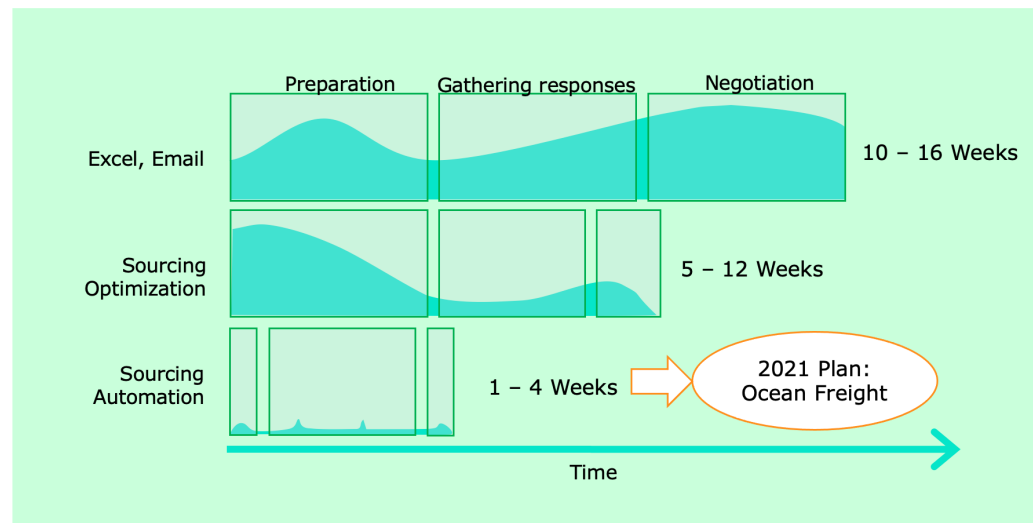https://www.keelvar.com/blog/webinar-takeaways-how-optimization-has-transformed-grupo-nutresas-strategic-sourcing-journey

Which Spends, Which Tool? Grupo Nutresa's Matrix:

		Auction	RFQ Spreadsheet	Sourcing Optimization
Competition	Number of suppliers	• Many suppliers • High competition between them	• Many suppliers with less complexity at SKU / plant level OR • 3-5 suppliers with good competition between them or possible use of global sourcing	• Many suppliers • High competition between them
Complexity	Number of SKUs and plants	• Few SKUs • No need to optimize to SKU level • No need to optimize to plant level	• Not limited to number of plants and SKUs, but can't manage many restrictions (e.g. 2 suppliers per plant or 2 suppliers per SKU group)	• Any combination with complex restrictions (such as: many suppliers, brands, plants, specifications, alternative offers)
	Allocation	• Allocation based on price	• Allocation is based on the sourcing strategy • Supplier portfolio may be required (tactical, strategic and low cost)	• Same rationale as RFQ spreadsheet • Allocation requires to build several complex scenarios

PROCUREMENT AUTOMATION
Brave New World

- Rate Management Updates by API

- Automated price comparison and feedback

- Automated benchmarking, further increase of transparency

- Dynamic Pricing Automation for sales, based on the automated buying.

Make or Buy? Producing In-House

EXTERNAL PROCUREMENT – MAKE OR BUY
e.g. Warehousing, Trucking, Distribution

MAKE or BUY DECISION

High

Strong control needed

→ MAKE

Advantages of MAKING
Low cost
Better quality
Unique characteristics
Better time management
...

Moderate control needed

→ PARTNERSHIP

Weak control needed

→ BUY

Low

Low

Risk tied to BUYING / OUTSOURSING
Size, power of producer
Technical capacity of buyer
...

High
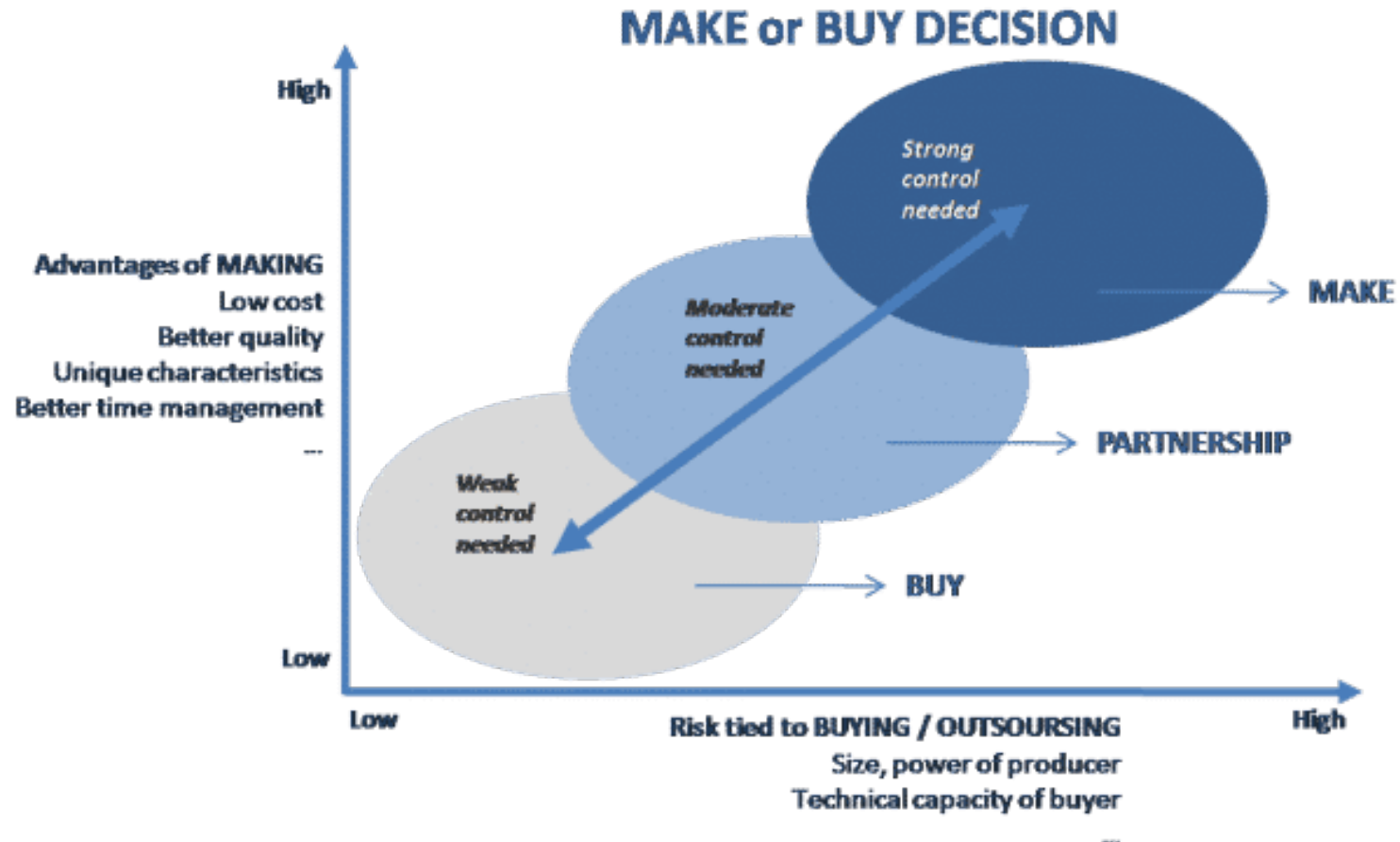
EXTERNAL PROCUREMENT – MAKE OR BUY
e.g. Warehousing, Trucking, Distribution

- SCALE

- FOCUS

- CAPABILITY

- DIFFERENTIATION

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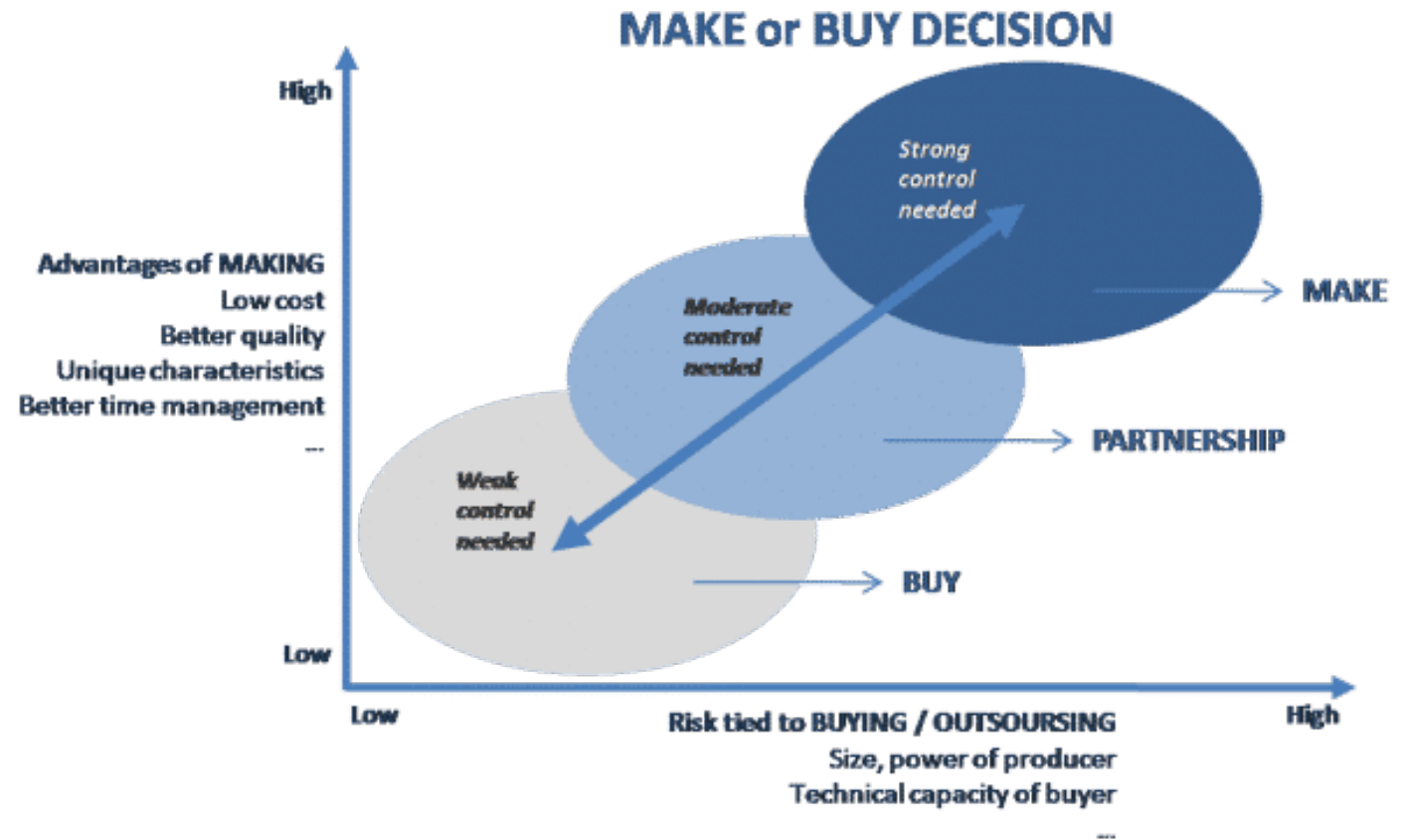
EXTERNAL PROCUREMENT – MAKE OR BUY
e.g. Warehousing, Trucking, Distribution

- SCALE

- Do you have the critical scale needed?

- Can you build scale, without subsidizing one for another?

- Does your strategic direction require growing capabilities in a certain area? Can will you grow into it?

EXTERNAL PROCUREMENT – MAKE OR BUY
e.g. Warehousing, Trucking, Distribution

- FOCUS

- Focus is essential, as the business you decide doing yourself, must be competitive to those that focus on only this business.

- While synergies might look great on paper, if you do not have the confidence you could do it at a competitive cost and quality to the «open market», rather do not do.

- Doing something on your own, also dilutes your focus on other subjects.

EXTERNAL PROCUREMENT – MAKE OR BUY
e.g. Warehousing, Trucking, Distribution

- CAPABILITY

- Self-assessment, do you have the capabilities needed to run a certain service or function on your own?

- Can you be better or cheaper than incumbents?

- Do you have the ingredients and talents needed?

- Might a partnership or outsourcing be the better options?

EXTERNAL PROCUREMENT – MAKE OR BUY

EXTERNAL PROCUREMENT – MAKE OR BUY

- DIFFERENTIATION

Does MAKING help you to differentiate and generate additional business? Is it SEEN by the customer and maybe even a decision criteria for them?

Remember: There is nothing wrong with a focus strategy that builds on your strengths.

EFFICIENCY
INTERNAL COST

INTRODUCTION

With market prices in sales and procurement increasingly transparent, one of the key success factors for performance has become efficiency and the actual cost for handling a shipment.

Our analysis of some of the leading logistics companies in 2018 has shown, that the difference in internal cost to produce one TEU was the single largest element impacting EBITDA variance per shipment between the firms.

Internal Cost Optimisation / Efficiency

Revenue — 100%
External Cost — 80%
Internal Cost — 15-18%
Margin — 2-5%
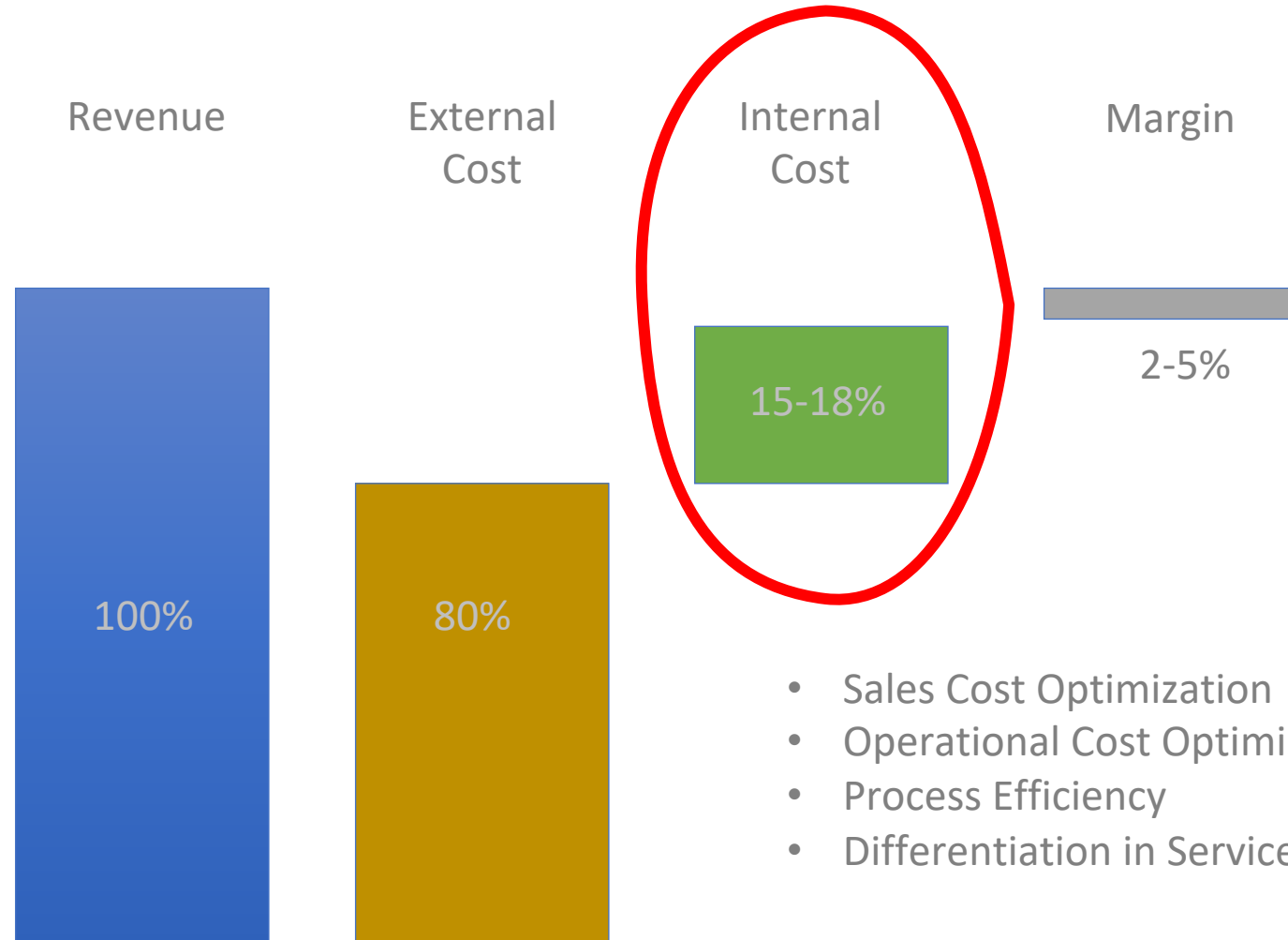
- Sales Cost Optimization
- Operational Cost Optimization
- Process Efficiency
- Differentiation in Service

The Cost Spiral K&N Example

Internal Cost Optimisation / Efficiency / K&N Case

- Revenue per TEU

- Gross Profit per TEU

- Expenses per TEU

- EBIT per TEU

Internal Cost Optimisation / Efficiency / K&N Case

eXecutive DEVELOPMENT PROGRAM

Sea Logistics

Legend:
- GP/TEU in CHF
- Exp/TEU in CHF
- EBIT/TEU in CHF

GP/TEU values: 311, 321, 440, 524, 678, 732, 929, 869, 764

Exp/TEU values: (198), (217), (252), (263), (270), (277), (336), (342), (321)

EBIT/TEU values: 113, 104, 188, 261, 408, 455, 593, 527, 443

X-axis: Q3 2020, Q4 2020, Q1 2021, Q2 2021, Q3 2021, Q4 2021, Q1 2022, Q2 2022, Q3 2022

The cost of doing business, to handle one shipment keeps increasing.

Example from K&N, where cost per TEU have reached 342 CHF/TEU in Q2 2022, up more than 1/3 from the year before. Assume 2020 GP levels...

Q4 was at 330 CHF/TEU

Internal Cost Optimisation / Efficiency / K&N Case

Sea Logistics
Yield management boosts Q1 2023

TEU '000	GP/TEU in CHF	EBIT/TEU in CHF

TEU '000: 1,048 (Q1 2022), 1,114 (Q2 2022), 1,135 (Q3 2022), 1,089 (Q4 2022), 987 (Q1 2023)

GP/TEU in CHF: 929 (Q1 2022), 869 (Q2 2022), 764 (Q3 2022), 615 (Q4 2022), 695 (Q1 2023)
2014-2019 avg. GP/TEU: CHF 336

EBIT/TEU in CHF: 593 (Q1 2022), 527 (Q2 2022), 443 (Q3 2022), 285 (Q4 2022), 349 (Q1 2023)
2014 - 2019 avg. EBIT/TEU: CHF 102
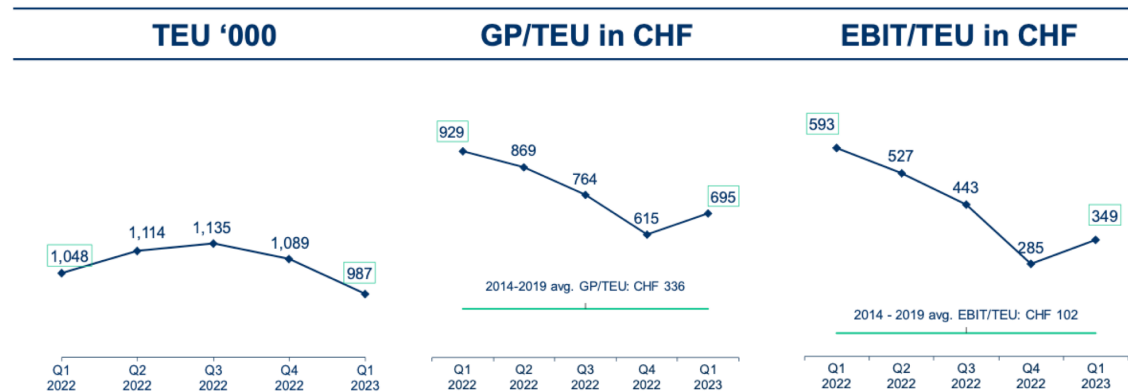
In CHF million	Q1 2023	Q1 2022	Variance
Gross profit	686	974	(30%)
EBIT	344	621	(45%)
Conversion rate	50%	64%	

GP/TEU   CHF 695 in Q1
EBIT/TEU CHF 349 in Q1

Expenses per TEU in Q1
CHF 346

A new High!

Internal Cost Optimisation / Efficiency / K&N Case

K&N figures are a good example, for they always nicely illustrated Gross Profit per TEU (margins) and Expenses per TEU (internal efficiency).

While GP per TEU benefited nicely during the boom years, we try to focus on the expenses and the internal cost to handle one TEU, which despite all the digitalisation, scale benefits, automations, centralisations have gone worse:

In Q1 2019 those expenses were at 236 CHF per TEU, Q1 2020 at 247 CHF, Q1 2021 at 252 CHF, Q1 2022 at 336 CHF and Q1 2023 at a new high of 346 CHF!

Yes, cargo mix, business mix, tradelane mix, currencies, changes in the underlying business, etc all play a role in these figures and thus the comparison is certainly oversimplified. However the time of rising GP is over and GP per TEU is coming down for everyone.

As a brief reminder, K&Ns GP per TEU in Q1 2019 was at just 333 CHF, a number that would put them into negative EBIT territory at todays cost and a potential margin world that people will need to start preparing for.

Excursion LEAN Management

"LEAN"
Anyone knows what that is?

Is that LEAN?

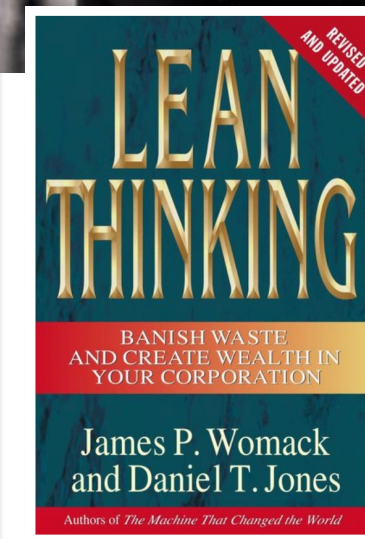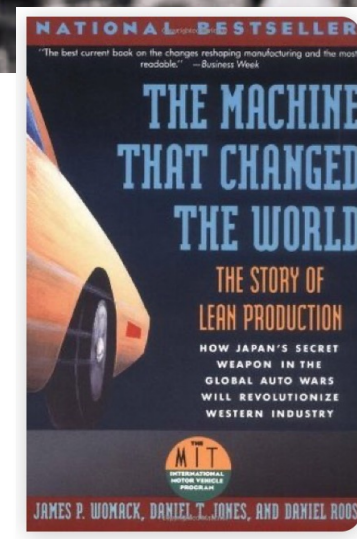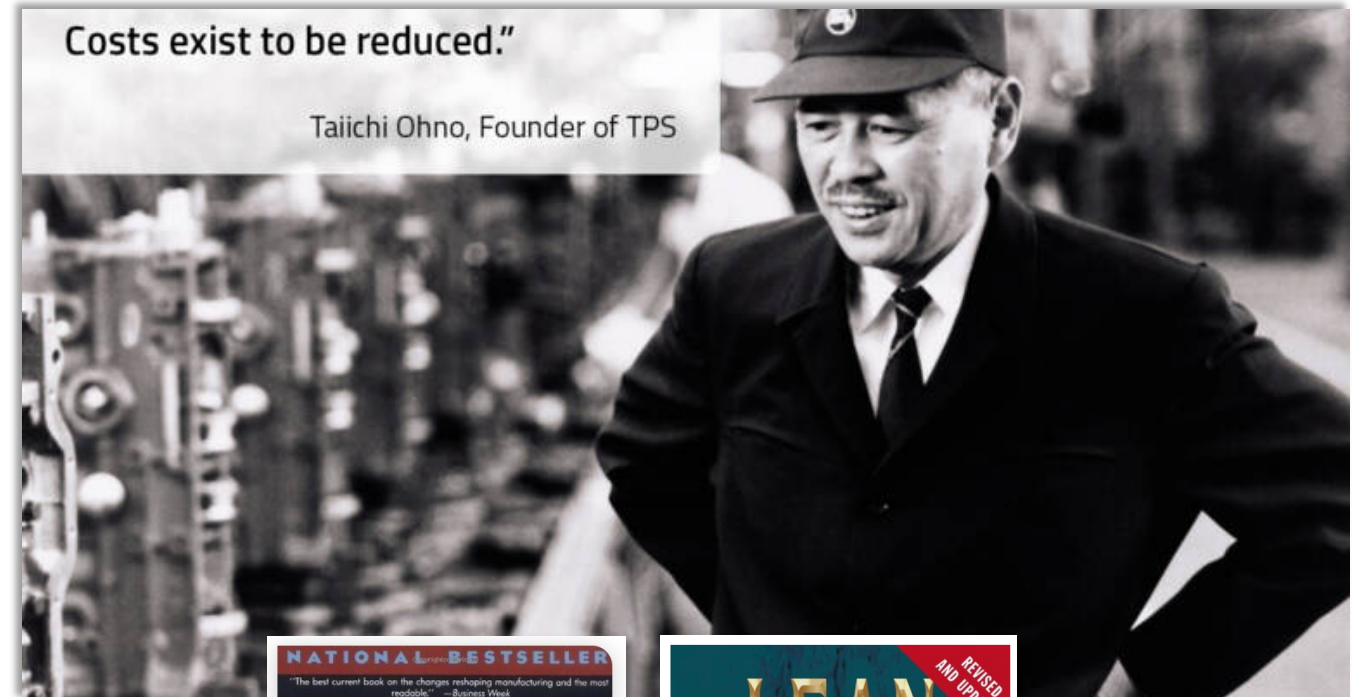eXecutive DEVELOPMENT PROGRAM

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Lean Management

Lean management is a way of running a business that focuses on eliminating waste and maximizing value for customers.

It started in Japan after World War II, when Toyota wanted to make cars more efficiently and compete with American manufacturers.

Toyota developed a set of principles and practices that became known as the Toyota Production System, or TPS.

TPS inspired other companies and industries to adopt similar methods, and the term lean management was coined in the 1980s by researchers who studied Toyota's success.

Costs exist to be reduced."

Taiichi Ohno, Founder of TPS

NATIONAL BESTSELLER

"The best current book on the changes reshaping manufacturing and the most readable." —Business Week

THE MACHINE THAT CHANGED THE WORLD

THE STORY OF LEAN PRODUCTION

HOW JAPAN'S SECRET WEAPON IN THE GLOBAL AUTO WARS WILL REVOLUTIONIZE WESTERN INDUSTRY

MIT INTERNATIONAL MOTOR VEHICLE PROGRAM

JAMES P. WOMACK, DANIEL T. JONES, AND DANIEL ROOS

REVISED AND UPDATED

LEAN THINKING

BANISH WASTE AND CREATE WEALTH IN YOUR CORPORATION

James P. Womack and Daniel T. Jones

Authors of *The Machine That Changed the World*

Lean Thinking – Basic Principles

1. Define Value
– What adds value for the customer?

2. Map the Value Stream
– All activities that lead to value for the customer, are part of the value stream.
- Everything that does not add value to the customer is waste (MUDA):
    - Non-value adding but necessary ➔MINIMIZE
    - Non-value adding but unnecessary ➔ ELIMINATE

3. Create Flow
- Value adding activities need to flow smoothly
- Break down the steps, configuring them optimally, levelling the workload, create cross-functional teams, train people to be multi-skilled and adaptive.

4. Establish Pull
- Pull-based systems are always created from the needs of the end customers.
- Follow the value stream and working backwards to satisfy the needs of customers.

5. Pursue Perfection
- Culture of continous improvement, always find ways to get better.

Adapted from Jones / Womack

Lean Thinking – The 7 Wastes

- Transportation – e.g. task switching, process interruptions, etc.

- Inventory – preparations that are not being put to use.

- Motion – e.g. unnecessary meetings, extra effort to find information, etc

- Waiting – e.g. waiting for approval from higher management

- Overproduction – performing many different marketing activities without having a clear vision and strategy

- Over-processing – e.g. manual generation of reports

- Defects – Miscommunication, wrong data, etc.

7 Wastes of Lean

Inventory   Waiting   Defects   Overproduction

Motion   Transportation   Over-processing

Muda
Waste

Mura
Unevenness

Muri
Overburden

Lean Thinking – Kaizen

Kaizen – Continious improvement

Kaizen is a Lean manufacturing tool that improves quality, productivity, safety, and workplace culture. Kaizen focuses on applying small, daily changes that result in major improvements over time.

Kaizen (改善) or Chinese GaiShan comes from two words: Kai (improvement/change) and Zen (good), which translate to "continuous improvement".

Experiment - TRY THINGS!
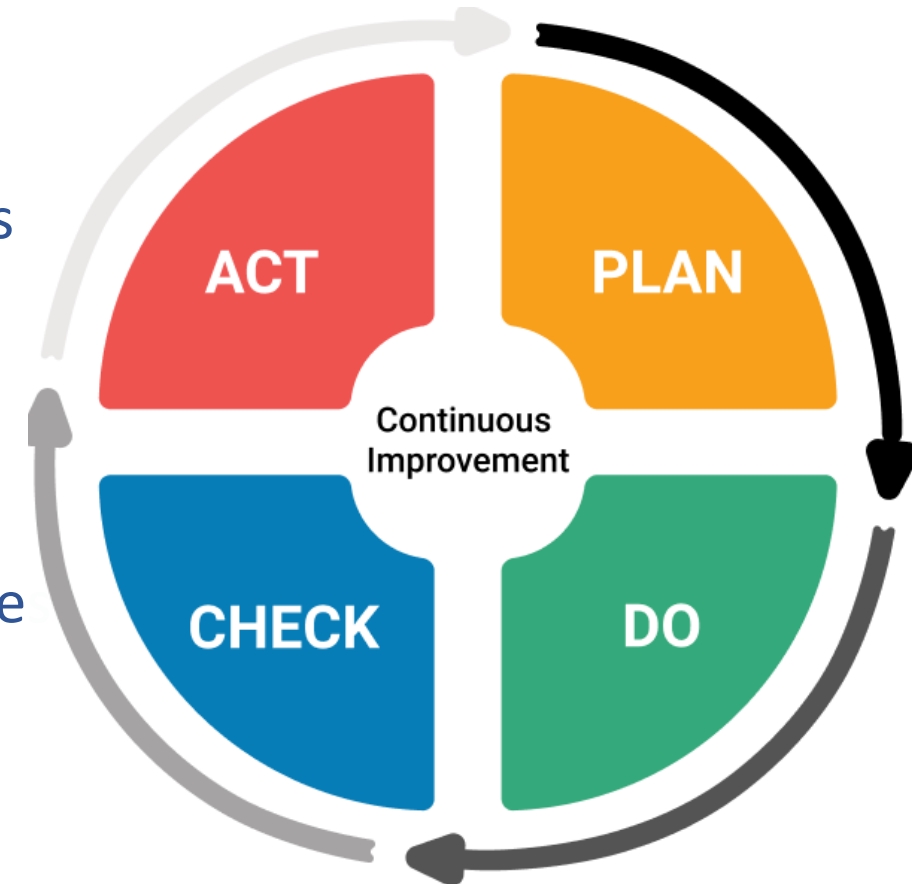
Adapted from Jones / Womack

OceanX
Efficiency
Workshop

SELF ASSESSMENT WORKSHOP

A.) Process & Innovation Flow Analysis

B.) Communication Analysis

C.) Customer Questions Review

D.) Efficiency Monitoring & Measurement

E.) Innovation / Simplification /
Self-Reinvention

https://oceanx.network/download/42/efficiency/7823/oceanx-efficiency-workshop-2-0june-2023.pdf

PROCESS & INFORMATION FLOW ANALYSIS
Some Examples

G 1. Tariff & Cost Management

'Case by Case' is a killer for efficiency, it has a cost associated, not only in terms of shipments lost due to speed of quotation but also in terms of workload and inefficiency. Creating, maintaining and simplifying your internal tariffs is a key to efficient operations.

Digitalised Tariff Database	Structured Tariff Database	Partly structured Tariffs and Charges	Case by Case

G 2. Product Information / Schedules

Vessel schedules are a very classical case of information that needs to be obtained and updated, the process in which this is handled, does not only impact the quality of service, but also the efficiency of operations.

Live Schedule information via EDI digitally available in internal systems	Partly available via EDI in internal systems	Centrally obtained from one website/portal	Manually obtained from each carriers website

G 3. Workflow Ergonomics

A key element of workflow efficiency is the number of different systems, different tools and screens used, in daily operation of a function. For example, if information has to be obtained from a different system or source, in order to complete a task. A very traditional example here, is the location of contact information, is it accessible from within the central application, can communication with customers, carriers, vendors and overseas partners be initiated directly from there?

<3	<5	<10	<15

Some Examples

E 1. Booking Receipt

How are bookings being received is of relevance not only for your own efficiency, but also from end to end perspective in collaboration with your customer. Manually transmitting information from one firm to the other, results in a cost at both ends. Webinterfaces only improve efficiency on one side, while the convenience of direct connection also can increased customer stickiness.

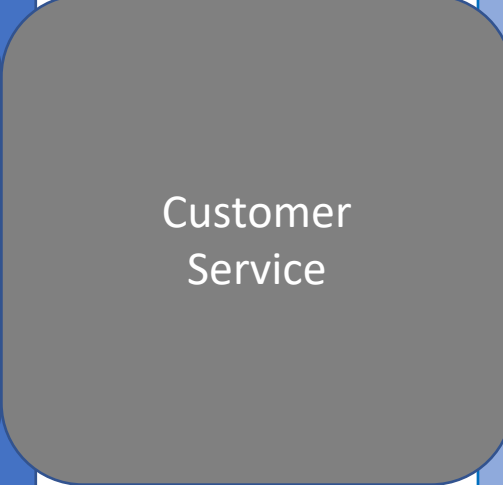| Fully digital by EDI directly from customer systems.	Webportal / Dashboard Gateway	Partly per EDI, requiring manual completion/edit	By Email / Chat / Phone

Bear in mind, processes with external parties, do have two sides.
Improving efficiency of your vendor or your customer is also a benefit from an end to end perspective.
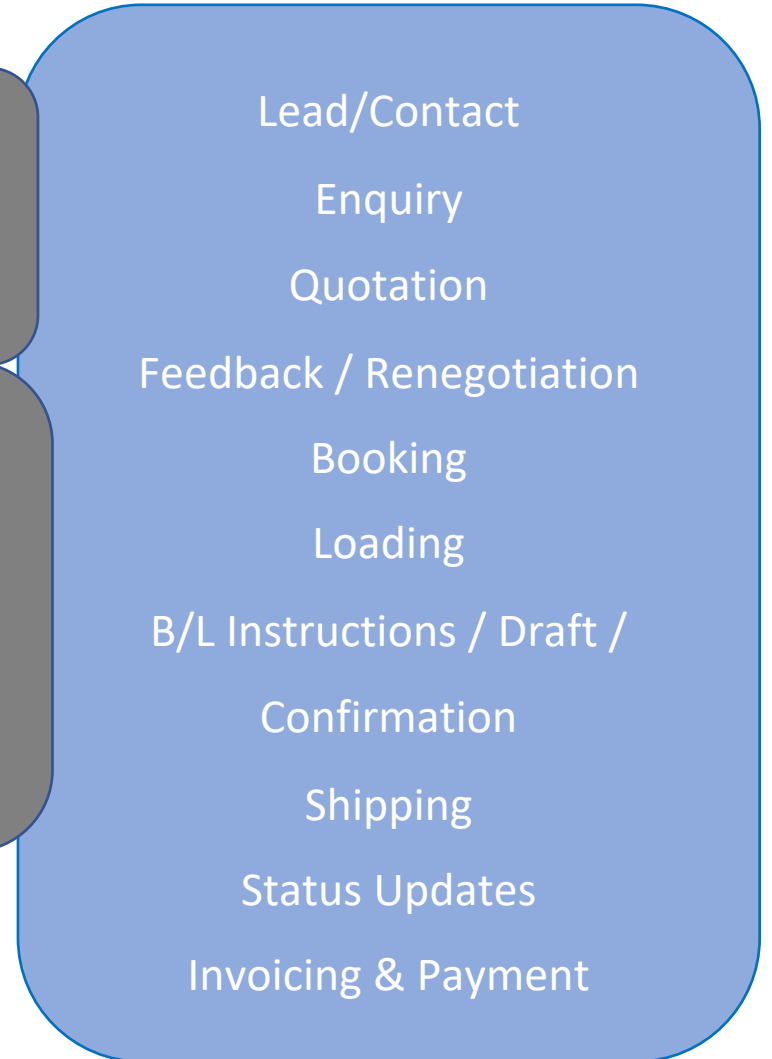
Traditional «Dossier» Forwarding

„Dossier" Forwarding / The shipment file logic

Vendors & Partners

Carrier

Trucker

Intermodal Operators

Customs Clearance Providers

Customs

Warehouse Providers

Terminals

Overseas Partners

Customer

Lead/Contact

Enquiry

Quotation

Feedback / Renegotiation

Booking

Loading

B/L Instructions / Draft /

Confirmation

Shipping

Status Updates

Invoicing & Payment

Product MGT Procurement

Sales & Marketing

Operations

Customer Service

Finance

Communication Cost

Key element for efficiency, as a lot of tasks in logistics turn around it.

Whats the main communication tool in 2023?

eXecutive
DEVELOPMENT PROGRAM

COMMUNICATION – The 3$ Email

Email = Read + Understand + Take Action

= 3$

Example:
Cutting 20 unnecessary emails per employee, per work day in a 70 people team is one million USD in efficiency cost per year.

www.oceanx.network

COMMUNICATION – The 3$ Email

- Ruthlessly eliminate unnecessary internal E-Mail communication.

- Develop a culture where non-required copy holders are actively removed.

- Further, delegation of tasks, that are related to a specific shipment, should be communicated within the the system, creating a task for the respective department/function/employee, directly linked to the shipment. Sending an email or chat to a colleague to do something is not an efficient means of standard communication.

COMMUNICATION – Email

Outgoing emails and notifications to customers and/or vendors should move best case, triggered automatically by system updates, thus not requiring two actions while it is also ensuring that the internal data is always updated.

Some helpful ways to identifying unnecessary communication:
 Categorise communication, e.g.

• Customer enquiries (on product, price or status)

• Vendor Status Updates

• Overseas Status Updates

• Exception Management

- What is being done with the information in a specific email or category of emails?

e.g. System is updated - Can this be automated?

e.g. Someone needs to be informed - How can it be directed/allocated to the right person from the start?

COMMUNICATION – CHANNELS?

- With every channel comes a cost (Loss of focus)

- Notification overload / attention management

- Escalation Channels

- Internal Channels / External Channels
  - Preferred channels
  - On the customer side, the client chooses and we adapt and our time no doubt is omnichannel.

The case for an effective CRM

CUSTOMER CENTRIC INFORMATION MANAGEMENT

- The case for an effective CRM Solution

    - A customer perspective on the business / alignment

    - Information / Preferences etc are clear.

«I'd argue that for service organizations, especially non-asset-based ones, CRM should be that backbone system, with operations an off-shoot of that customer engagement and retention strategy.»

Eric Johnson

https://ericjohnson.substack.com/p/crm-the-overlooked-lynchpin-in-logistics

Efficiency Measurement
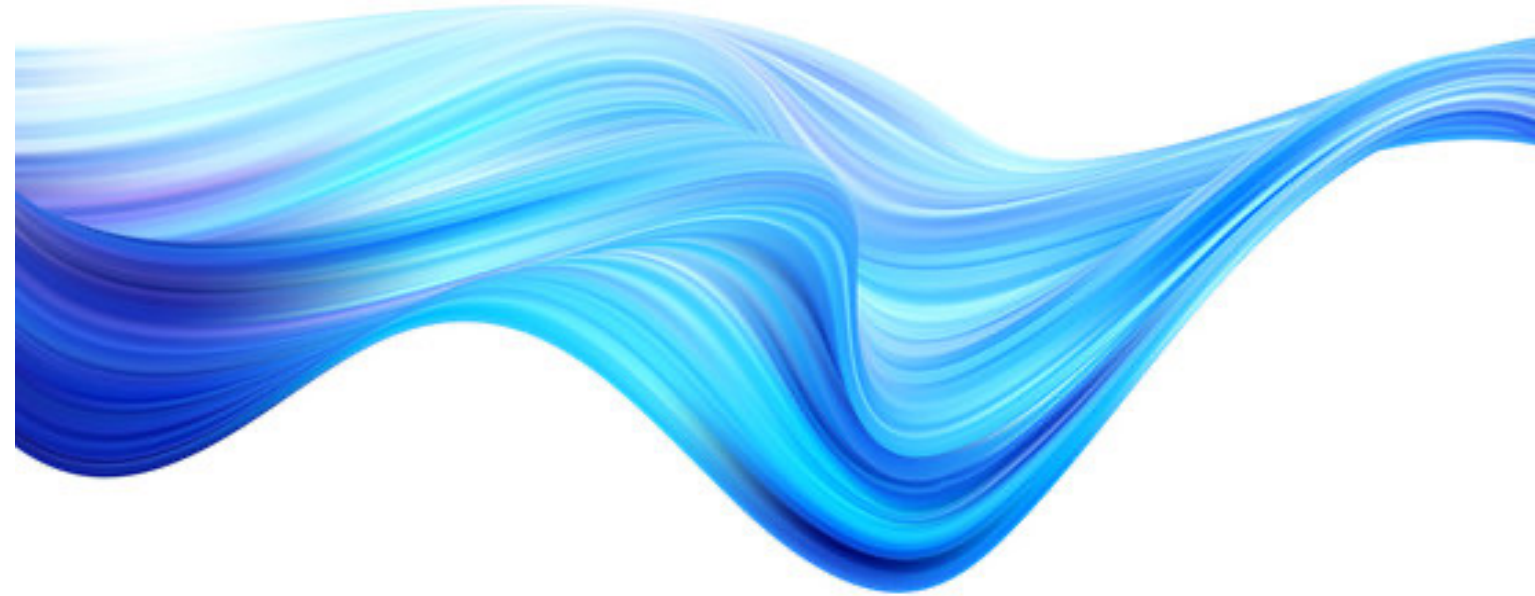
How to measure internal efficiency?

How to measure internal efficiency?

- Total internal cost per shipment

- Total number of shipments per headcount per day/month/year

- Total man hours spent per shipment

Efficiency in Sales
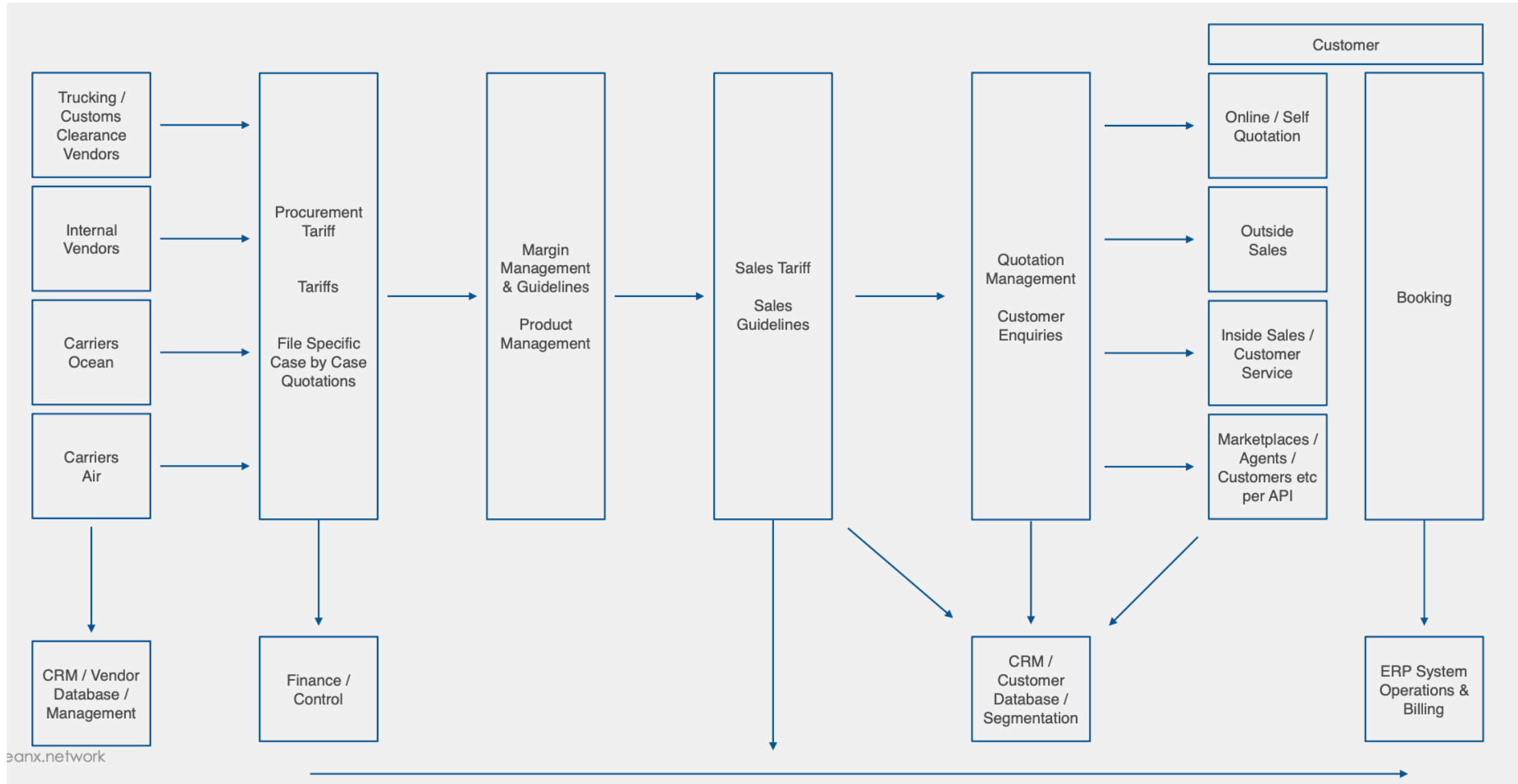## Case Study
Rate Flow

QUOTING IS NOT SALES

Assume 10 Quotations a day for a sales individual, 20 working days in a month, 200 quotes over that month.

Assume that sales costs you 2000 USD a month and you are at 10 USD per quotation.

Of your 200 quotations, you usually get 40 bookings. Which puts your quotation cost alone at 50 USD per booking.

Case Study – Rate Flow

Case Study – Rate Flow

- Speed is crucial, not only for efficiency, but also serving your customer.

- Case by Case Quotations are costing too much time.

- Selecting to quote or not to quote makes sense.

- We need to get ready not only for online/digital selling but also for digital procurement.

➔ Centrally managing what you are buying and selling is essential.

➔ If you make use of your data, it allows you to sell before your buy.

Case Study – Rate Flow

The „Rate Kitchen" - We all need a place to cook

The concept of the „Rate Kitchen" is based on the idea to establish a central tool, where the different procurement and sales channels, as well as margins, contracts and customer agreements are being managed.

This is often a combination of different tools and might begin with something as simple as a shared drive or an intranet repository of files, that relevant staff have access to.
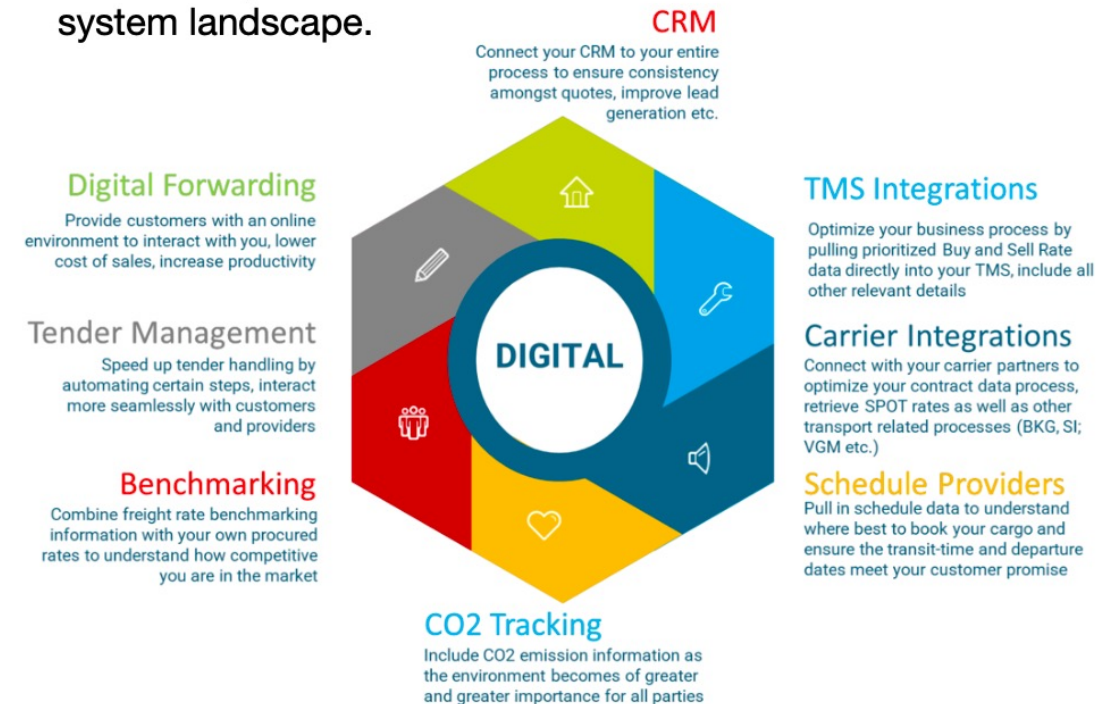
Case Study – Rate Flow

Some key lessons from our Rates & Drinks session

In 2021, we did a dedicated webinar on the subject together with <u>Christian Ove Sorensen</u>, a recording is <u>available here</u>.

A few of his key lessons were:
* Speed is key - do something
* Don't think in silos, but across functions
* Become a bit of tech company (Talent)
* How do you want to differentiate and position your firm is an important questions to guide your actions.
* Control what you can control
* Test with care and selected solutions, don't play Startup Bingo

Further he promoted to think in terms of a digital eco-system, where companies do need combine several elements into their system landscape.
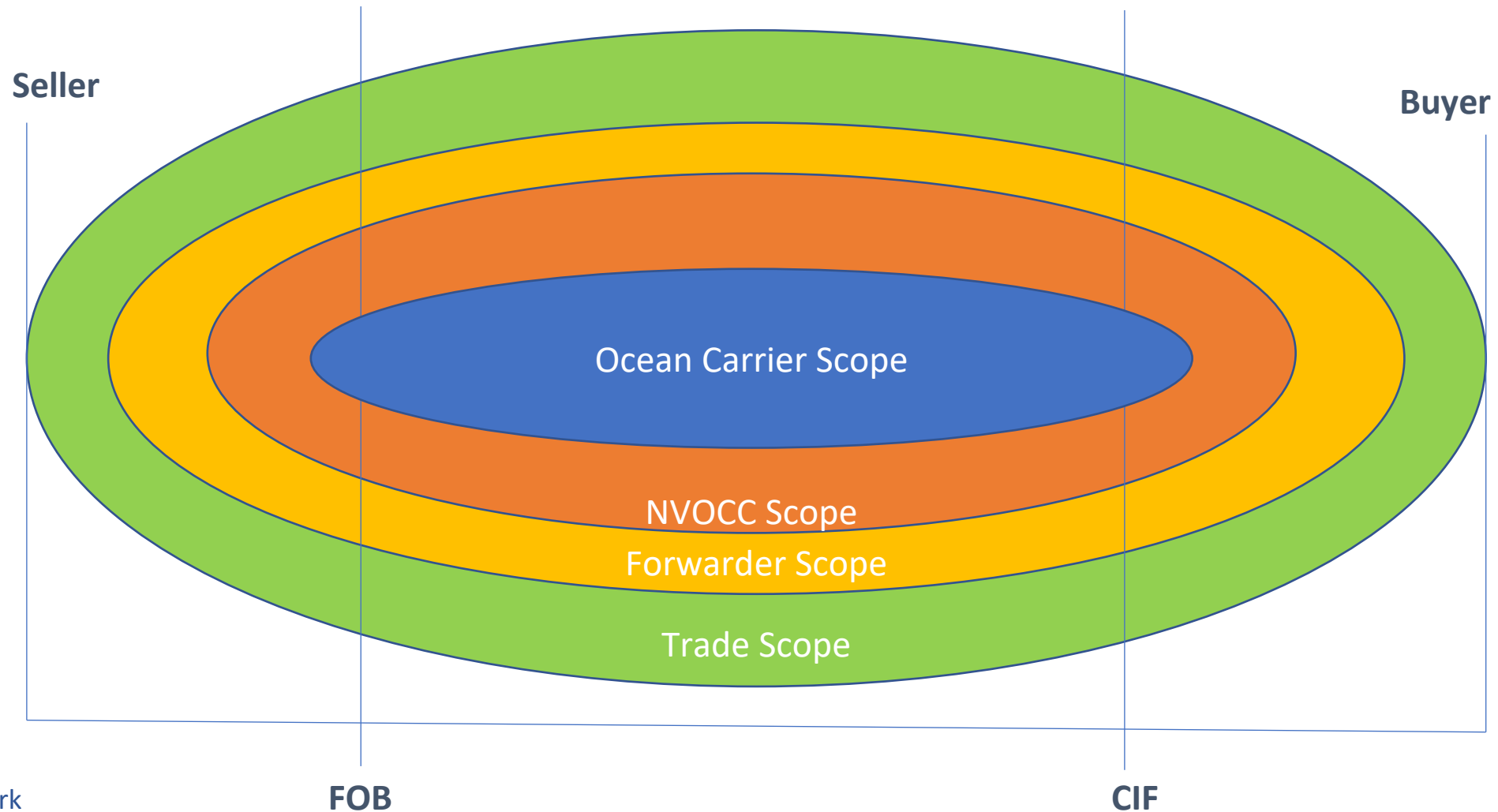
CRM
Connect your CRM to your entire process to ensure consistency amongst quotes, improve lead generation etc.

Digital Forwarding
Provide customers with an online environment to interact with you, lower cost of sales, increase productivity

Tender Management
Speed up tender handling by automating certain steps, interact more seamlessly with customers and providers

Benchmarking
Combine freight rate benchmarking information with your own procured rates to understand how competitive you are in the market

CO2 Tracking
Include CO2 emission information as the environment becomes of greater and greater importance for all parties

TMS Integrations
Optimize your business process by pulling prioritized Buy and Sell Rate data directly into your TMS, include all other relevant details

Carrier Integrations
Connect with your carrier partners to optimize your contract data process, retrieve SPOT rates as well as other transport related processes (BKG, SI; VGM etc.)

Schedule Providers
Pull in schedule data to understand where best to book your cargo and ensure the transit-time and departure dates meet your customer promise

DIGITAL

Efficiency
- End to End Case Study
- Bill of Lading

Multiple Bill of Ladings

Multiple Bill of Ladings – Cargo Detail

Administrative Overkill

Forwarder – Customs Clearance

Forwarder – House Bill of Lading

Consolidator – House Bill of Lading

Consolidator (Coloaded) – House Bill of Lading

Carrier – Master Bill of Lading
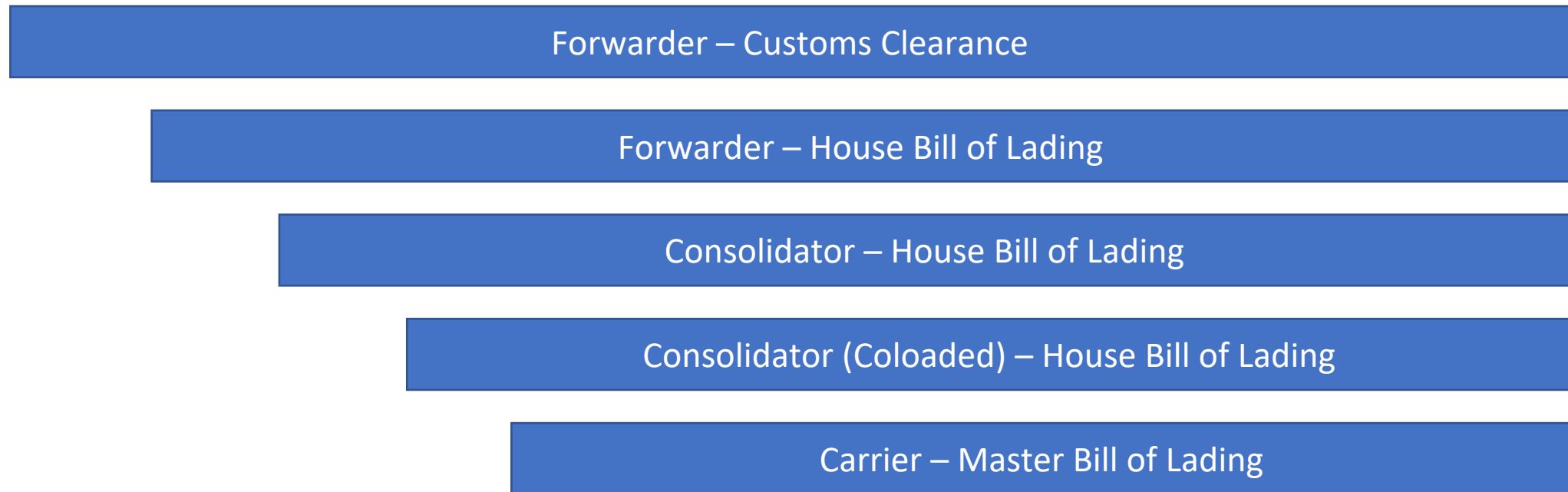
RPA
Robotic Process Automation

Robotic Process Automation (RPA)

«Robotic Process Automation is the application of technology that allows employees in a company to configure computer software or a «robot» to capture and interpret existing applications for processing a transaction, manipulating data, triggering responses and communicating with other digital systems.»

Institute for Robotic Process Automation 2020

An excel Macro is a very rudimentary RPA.

Robotic Process Automation (RPA)

RPA in forwarding for a large part, focuses on automating processes, that have previously been centralized and outsourced, as kind of next stage for

- Communication Automation
  - A large task in transportation management is communication of information and state.
- Administration Automation
  - Invoices, documents, reading, matching etc.
- Operations Automation
  - physical moves, e.g. inside warehouses, movement, dimensioning etc.
- Buying, Selling & Pricing Automation
  - Pricing & Selling Automation - Other Industries as examples

Robotic Process Automation (RPA)

Identify tasks for potential RPA:

1.) Repetive or variable?

2.) Independent or Interactive?

3.) Physical or Mental?

(Based on Jesuthasan & Boudreau 2018 – a good video on the subject of the future of work: https://hbr.org/webinar/2018/12/reinventing-jobs-how-to-optimize-humans-and-machines)

Robotic Process Automation (RPA)

Examples:

Recommendation: Focus on non-customer facing items first!

- **Response Bots:** Requests for quotes, sailing schedules, tracking, and more can be provided to customers within seconds - without human intervention.

- **Document Bots:** Migrates data from shipping instructions, BOLs, packing invoices, and other documents.

- **Workflow Bots:** Initiates interactions with your customers and processes within systems.

RPA LABS

«Tech is easy, implementation is hard.»

Adapted from Guy Kawasaki

«legacy, whether mindset or infrastructure, is increasingly the primary obstactle to sustainable automation and the future of work.»

Jesuthasan & Boudreau 2018

Culture is key here, creating an environment internally, where team members are encouraged to question repetitive tasks. (KAIZEN Culture)

Without fear of making themselves redundant.

«If you are able to make your function redundant, I will always have a job for you.»

Start simple, the small «1%» improvements.

- Where do I touch something several times?

- Process reinvention:

Why do we do this a certain way?

If the answer is that it was always done that way, this is where you

start.

Robotic Process Automation (RPA) – Example K&N

eTouch in context

- Technology integral to realising full scope of efficiency gains

- Further standardisation of workflow and sequencing of tasks

- Centralisation of some customer and carrier facing tasks

- Meaningful opportunity for further digitisation and automation

- Result: free up front-line forwarding resource to provide even greater service while handling additional volume
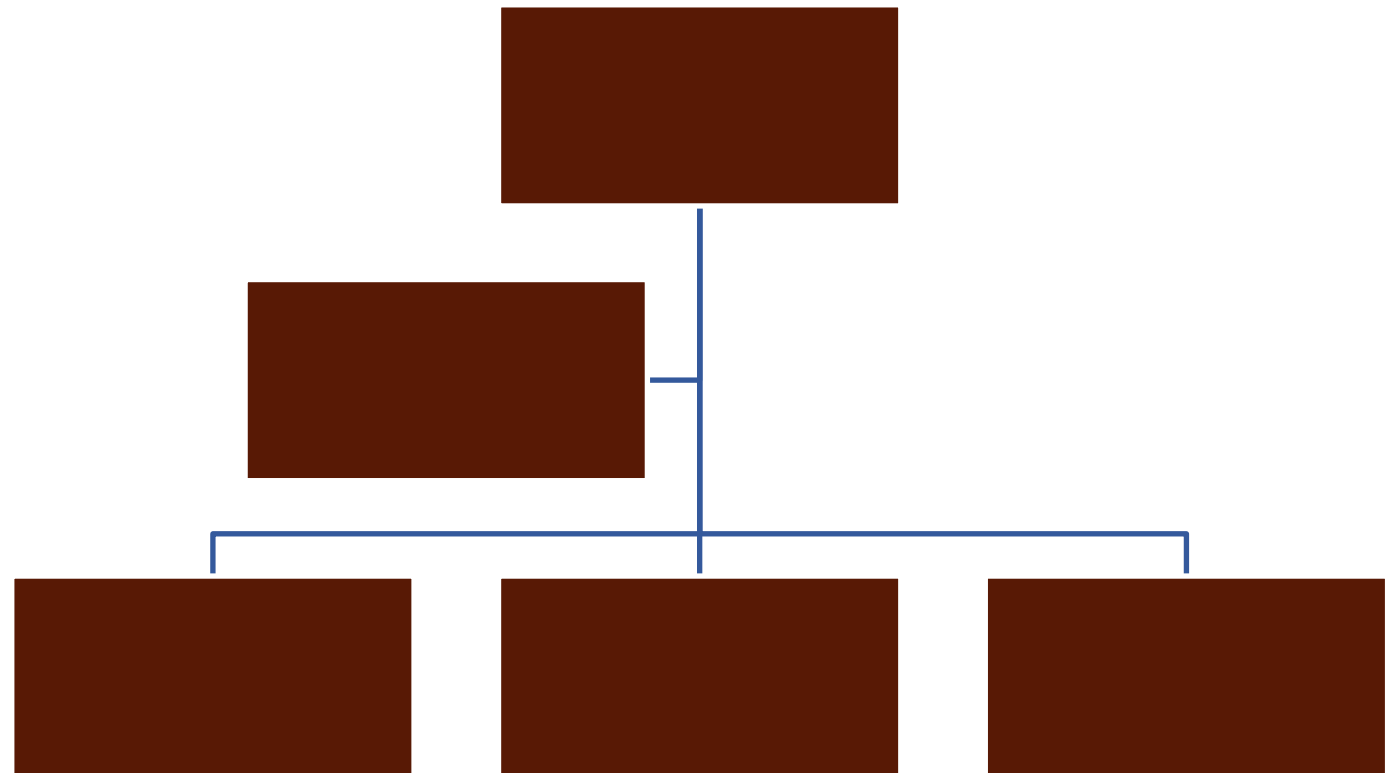
KUEHNE+NAGEL

Past workflow processes

Branch				
Sequence	2	1 + 4	3	…

Branch				
Sequence	1 + 3	4	2 + 5	….

Present / Future							
Sequence	1	2	3	4	5	6	….

eTouch

Shared service center

Shared service center

Operational evolution
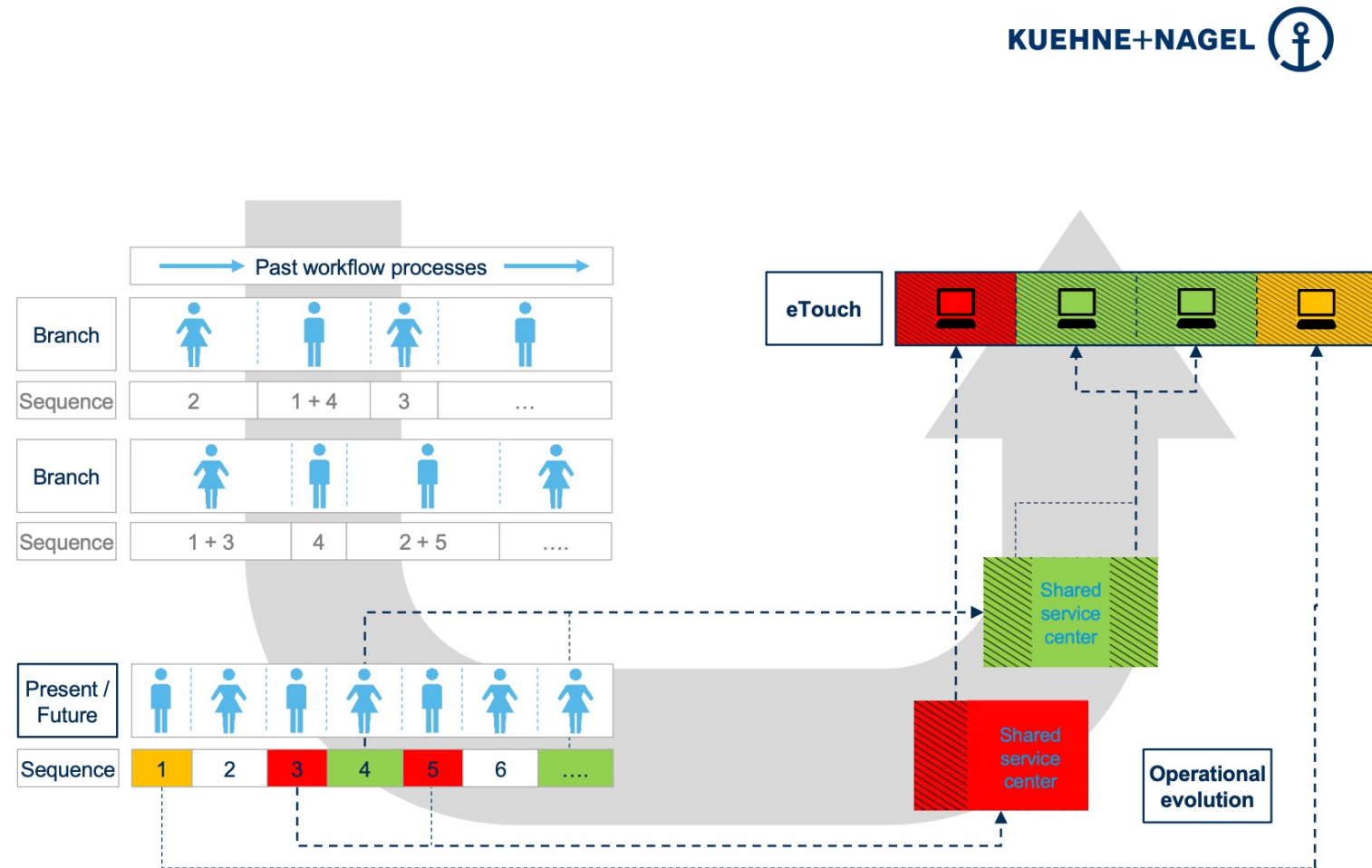
Robotic Process Automation (RPA)

More Reading:

- http://oceanx.network/rpa

- Interesting podcast on the subject:

  https://www.theverge.com/2021/3/23/22344938/kevin-roose-robotic-automation-

  future-rpa

Organisation Structure & Internal Efficiency

Historically, many offices are located in coastal metropolis, offering a higher cost base for talent and hardware.

In 2023 it is time to reflect on several elements:

- If an employee covering certain tasks does not need to face a customer personally in a certain location on a frequent or daily basis, does he/she need to be physically located there?

- Does full-time or part-time matter, or can some tasks be pooled in a way where people can almost work on a gig basis, enabling you to engage talent, like young parents that would otherwise not be available for the workforce at all?

- Who visits our offices?

  o Customers: Really? Normally you visit them.

  o Vendors: Is it necessary? If they are asset based, visiting their asset locations regularly might make more sense, while communication is mainly digital or by email and phone today, right?

  o Partners and Agents: Is it the best use of your time together to sit in a meeting room? Or would it add more value visiting some clients together, arrange site visits (terminals, ports, warehouses) to understand infrastructure & processes better (making them better sales people for you overseas), or spend the time strengthening relationships & trust?

Structure of the Organisation & Efficiency

- What is a branch in 2023 and what happens there? We have tasks that happen close to the customer and we have tasks that can happen anywhere.

- Remember – paper is dead: Document drop off or pick up, Cash payments are already gone in many markets, can be minimized or abolished.

- Do we need an office or company in every market or can we be present in markets, without entity or office?

Structure of the Organisation & Efficiency

- Company culture matters, bringing your people together, having personal accidental interactions in person, is not only the kit that bonds people, links them to the brand, aligns their values, but its also the place where ideas come up. Thus doubling down on providing room for those, is important.

- Remember Quotation is not sales. Sales is relationship building, trust building, understanding challenges, solving of problems and it happens in the face of the client (personally or by any channel the client prefers).

- Social Media is Sales too – B2B buying decisions are made humans for companies. Among your team are people that have a hang for new media and among your customers too. Instead of "staging" to service your channels with external vendors, tap into your in-house talent, invest in some equipment, have a central coordinator and give them time and authority to create content.

Offshoring

Offshoring of non-customer facing tasks to lower cost areas, internally or to external providers, is always an option and can deliver quick wins.

Potential tasks

(example from WNS)

Offshoring

There is a wide range of providers, some examples used by

members:

https://compliantbusinessprocessing.com

https://www.orangeot.com

https://wns.com

https://smartsourcing.co

Offshoring pitfalls:

- Make or Buy challenge

- Offshore Teams and Company Culture

- Maintain process improvement drive (incentivisation of vendors)

- Where possible, automation is better than offshoring

Customer Self-Service & Portals

eXecutive
DEVELOPMENT PROGRAM

Customer Self-Service makes your life easier, but:

- End-to-End efficiency does not get better

- Your customer has to work for you (?)

- Direct EDI/API system to system is the way the way to go.

- You lose a customer touchpoint

- Whats your value proposition?

Technology Solutions
&
Searching the holy grail

eXecutive
DEVELOPMENT PROGRAM

Reminder - Technological advancement can help our industry to develop essentially in two Dimensions:

1.) Differentiation – Doing things in new ways

2.) Efficiency – Doing things better

Technology Solutions

- Don't lose yourself in customisation

- Don't get lost in searching the perfect fit (Holy Grail Trap)

- Realise quick wins by adopting off the rack solutions.

- When you find something better, evaluate, change.

  → Keep upgrading as technology evolves (KAIZEN)

- Don't waste your time searching the «holy grail»

- Front-end: Optimize for your customer and with your value proposition in mind.

- Back-end: Optimize for efficiency

- Process is often more important than technology

- Technology keeps changing – revisit (KAIZEN)

- Align your vendors!

A large part of IT vendors are still charging per headcount, which does not incentivize them to help you become more efficient. Make sure pricing structure includes efficiency targets and be open to share part of the achieved savings as incentive.

Efficiency

vs.

Differentiation
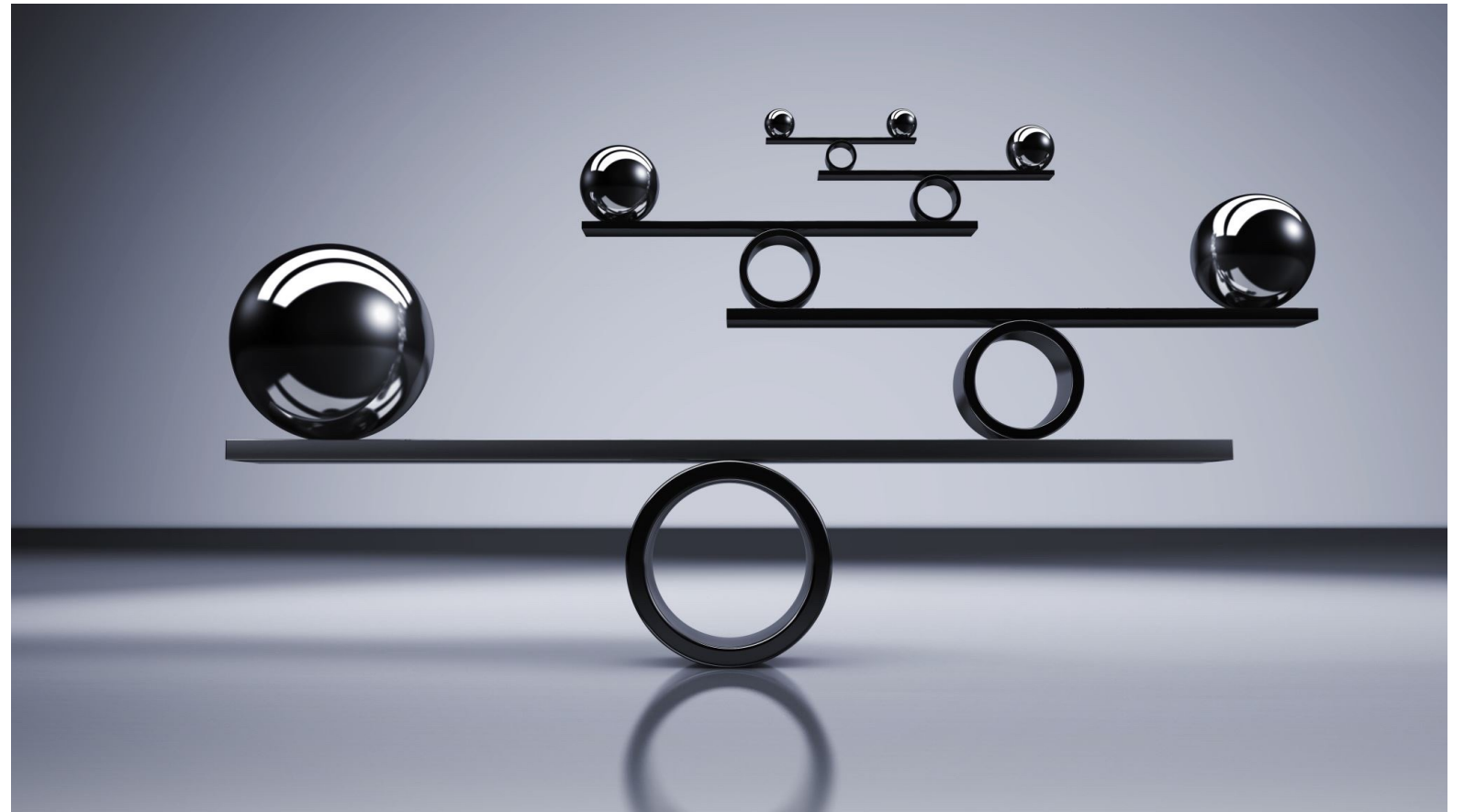
Why are most successful logistics firms owned and run by entrepreneurs or strong sales focused leaders?

Why do financial investor oriented logistics companies have it harder?

The "CFO trap"

- Cost is important, but without cost no business.

- Sometimes we need to spend in order to earn.

- Often scale matters and is an important factor.

- „Panalpina" example…

TIME - Our most valuable resource

- Most of us are paid by time → Time is money – Efficiency Internally is key

- Customers do not want to wait – Thus speed also means differentiation

TIME - Our most valuable resource
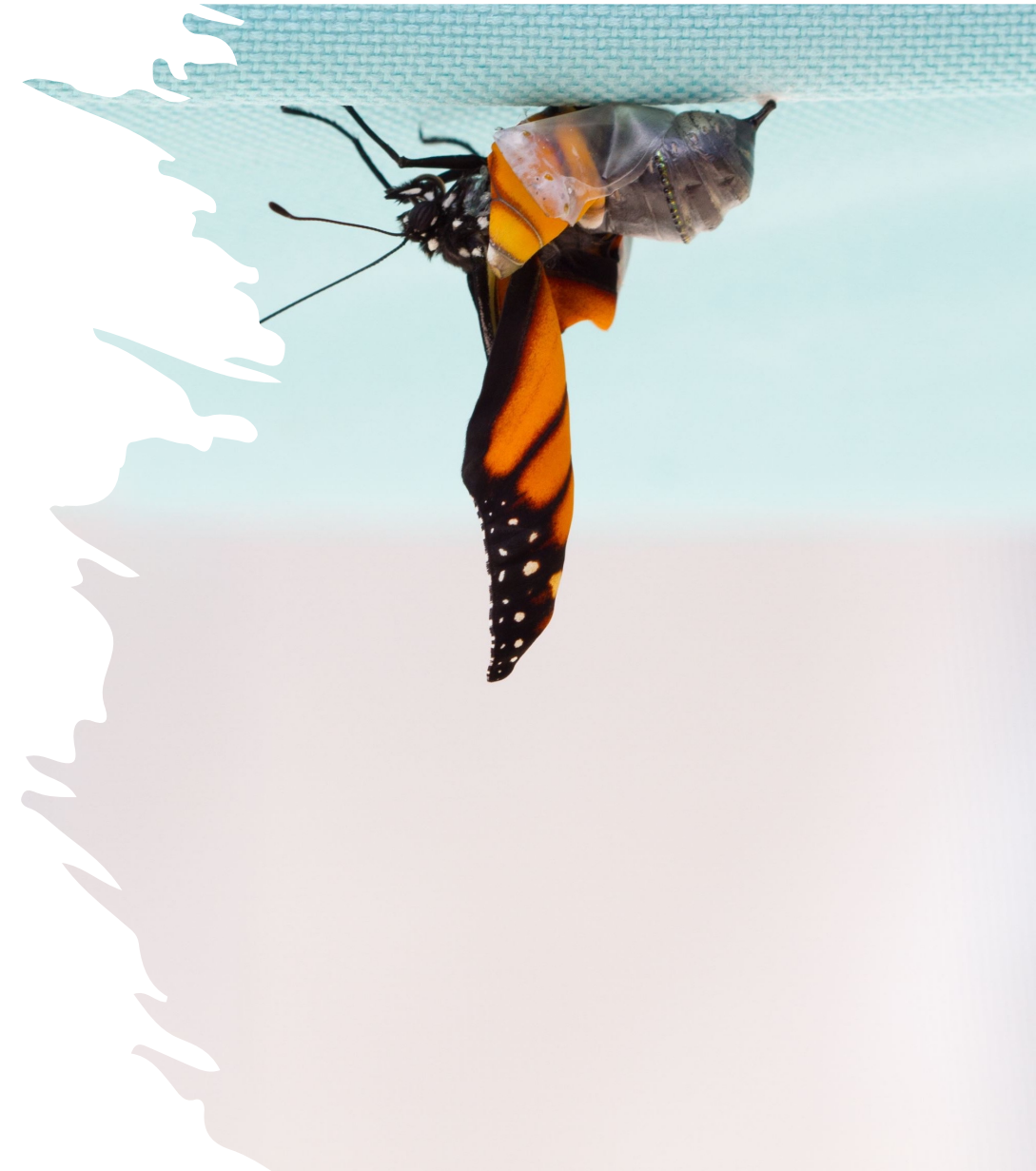
➜ Efficiency vs. Differentiation: Must not always be a trade-off

➜ Proactive service:
Answer questions before they are being asked!

➜ What are we essentially selling?

Peace of mind.

Transformation & Change Management

executive
DEVELOPMENT PROGRAM

PROCESS INNOVATION / SIMPLIFICATION / REINVENTION

Transforming, Continious Improvement, Innovation, Reinvention, Bringing Ideas Forward, all comes down to one thing:

CULTURE

Culture is built everyday by each and everyones action. Encouraging your teams to think beyond the daily routine is essential.

PROCESS INNOVATION / SIMPLIFICATION / REINVENTION

The last part of our self assessment is a creative exercise, that should be completed with cross functional teams, thinking out of the box:

- What elements of our process are crucial for the customer?
- Which are essential for a satisfied customer?
- Which steps cost us time, but do not add value for the customer? - Which tasks concern repetitive, manual handling of information? - What is our value proposition for the customer today? etc.

Many elements of the shipment handling process, its individual steps and timely order, has been defined decades ago and rarely been questioned.
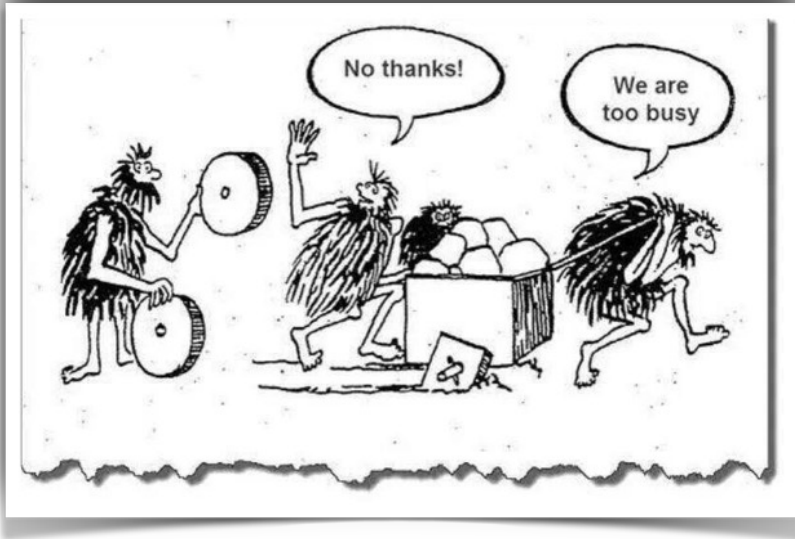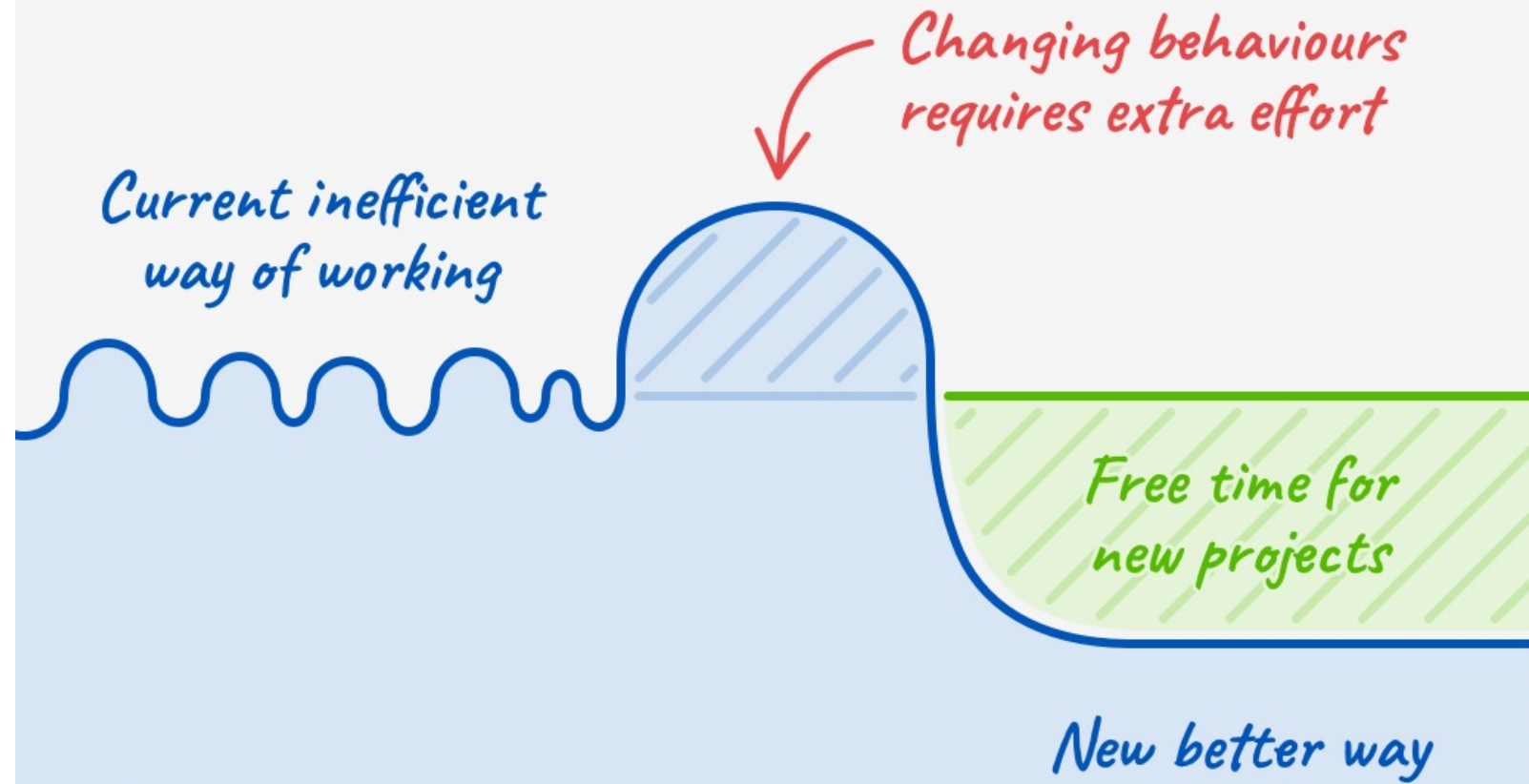
TRANSFORMATION – How to make change happen?
Per Edith Onderick Harvey

1.) Share a compelling purpose

2.) Look ahead and see opportunity
        Transformation helps to differentiate! You now have the tools!

3.) Seek out whats not working
        Helicopter does not see that

4.) Promote calculated risk taking and experimentation

5.) Look for boundry spanning partnerships

https://hbr-org.cdn.ampproject.org/c/s/hbr.org/amp/2018/05/5-behaviors-of-leaders-who-embrace-change

TRANSFORMATION – A subject of ist own – Extended Reading

Good one on „benefits" as a driver for transformation and change projects - „Today, organizations need to change regardless of whether they are successful or not. They can not wait years to start obtaining benefits; leaders need to create value faster than ever.": https://hbr.org/2023/05/organize-your-change-initiative-around-purpose-and-benefits

Maersk's transformation guy on transformation measurement… read it 3 times and still does not make sense to me…. lets just put it simple relying on any metrics or set of them, still does is not compensate for having your finger on the pulse of the people. https://www.linkedin.com/posts/navneet-kapoor-0a49b714_transformation-datadriven-feedbackculture-activity-7058338013579276288-tOaN?utm_source=share&utm_medium=member_ios

PwC survey on Digital Trends in Supply Chain is out - a shocker: 83% say that their supply chain technology investments have not fully delivered expected results.: https://www.pwc.com/us/en/services/consulting/business-transformation/digital-supply-chain-survey.html

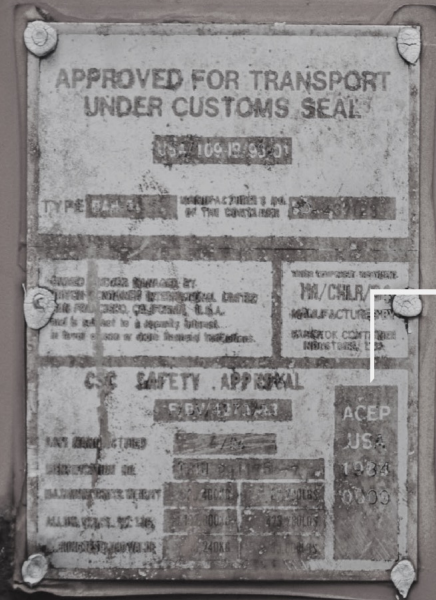A piece on maritime digital transformation by the Thetius team: https://thetius.com/free-report-avoiding-the-digital-divide/

And a good reminder from HBR on what goes wrong with Transformation often: https://hbr.org/1995/05/leading-change-why-transformation-efforts-fail-2

Finally an interesting concept to track digital transformation - „Digital transformation is difficult – and without a good sense of where you are in the journey, it can often lead to failure." yes that makes sense!
https://www.imd.org/ibyimd/innovation/the-measurement-of-digital-transformation-performance/

Discussion
Q & A

Contact us to arrange a session with your team:
info@oceanx.network

Thank You

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