Growing Business Through Digitization: A Roadmap for Logistics Service Providers
Table of Contents

Challenges of Logistics Service Providers | Page 2

How to Optimize Your LSP Operations – Your Questions Answered | Page 5

How Logistics Service Providers Can Use Technology to Compete | Page 8
Challenges of Logistics Service Providers

In this section:

- Freight Forwarding is Evolving, LSPs Need to Change Too
- Managing Fixed and Variable Costs Will Enhance LSP Profit Margins
- Centralized Data and Communication Improves Accuracy
- Providing Accurate Quotes and Personalized Services Keeps LSP Clients Happy
- Complying with Global Logistics Regulations Means Avoiding Issues & Penalties
- Improving Business Processes Across Logistics Means Greater Efficiency & Reduced Waste
Challenges of Logistics Service Providers

Logistics Service Providers (LSPs) are facing a rapidly changing industry. Increasing customer demands, expanding global supply chains, fleet and capacity restrictions and high fixed and variable costs all impact the success of an organization. Technology can solve many of these issues — if it’s used in the right way. As LSPs continue to face competition and disruption from freight forwarders, in-house logistics teams and well-funded startups, it’s worth exploring what can be done to meet these unique challenges as they scale their logistics business.

Freight Forwarding is Evolving, LSPs Need to Change Too

Freight forwarders are among the biggest competitors for logistics clients. Forwarders tend to act as brokers, negotiating pricing and contracts between third parties and clients. While legacy freight forwarding brokers are likely to fade away or be absorbed into larger businesses, freight forwarders are accelerating technology adoption, moving to digitize and automate as much supply chain management as possible.

LSPs can compete by introducing digitization programs of their own. Logistics organizations can realize huge efficiencies through automation, integration, reporting and communications. This is the single biggest change an LSP can make, and it’s central to maximizing competitiveness with freight forwarders.

Managing Fixed and Variable Costs Will Enhance LSP Profit Margins

LSPs take on large fixed and variable costs, all of which need to be priced to ensure profitability. Greater insight into where money is being spent makes it easier to price services and ensure budgetary planning for increasing demand and growth.

LSPs can take advantage by:

- Understanding fluctuating transportation costs, like fuel and maintenance
- Getting transparency on charges levied by third parties, like storage or port facilities
- Figuring out logistics staff costs, including salary, benefits and expenses
- Calculating operational and behind-the-scenes costs from support staff and functions
- Withholding appropriate taxes

A centralized view of all these areas will help build an up-to-date, complete and comprehensive cost model that will help maintain profit margins and bring costs down. Financial insight also allows you to plan for growth, based on forecasting future customer demand and current capacity. You can take action early to ensure you have the necessary vehicles, operators and support in place to scale as needed.

Centralized Data and Communication Improves Accuracy

LSPs need to manage enormous amounts of data. When storing and transferring huge volumes of information, it’s easy for mistakes (human error, duplication and other issues) to occur. At the same time, manually communicating everything creates enormous overhead and is extremely time consuming. The benefits of integrating data from multiple technologies, systems, third parties and into one centralized location include:

- Having “one view of the truth” that’s constantly updated with the latest data
- Ensuring visibility through notifications and real-time reporting
- Providing shipment visibility, logistics reports, and real-time status updates
- Gaining ability to analyze data to identify and resolve potential issues

Providing shipment visibility, logistics reports and real-time status updates to your clients will make sure they always know exactly what’s happening.
Providing Accurate Quotes and Personalized Services Keeps LSP Clients Happy

As the global supply chain expands, clients want to work with LSPs that they trust. Effective ways to build that trust include:

- Providing complete, robust, end-to-end logistics pricing
- Enhancing transparency by breaking down costs and charges
- Listening to a client’s needs and developing customized services
- Meeting commitments around price, quality of service and speed

The right LSP digital platform enable the creation of fast, accurate quotes based on specific cost models and desired profitability. Buffers can be built into pricing to ensure quotes are feasible.

Many clients also seek personalized services. Visibility into every part of the supply chain means the ability to offer these services with confidence. Sharing logistics reports with clients demonstrates KPIs and thresholds for timeliness, cost, quality and accuracy are being met.

Complying with Global Logistics Regulations Means Avoiding Issues & Penalties

Logistics compliance varies widely between modes of transportation, regions and countries. Health, safety, environmental, financial and other regulations are vital parts of meeting your commitment to your employees, clients, stakeholders and the public. With an ever-expanding supply chain, it’s important to understand regulatory needs wherever your LSP operates. Use your logistics platform to integrate with compliance and risk management software to ensure you’re meeting all necessary regulations.

Improving Business Processes Across Logistics Means Greater Efficiency & Reduced Waste

Logistics businesses have lots of overhead and it’s vital to reduce extraneous resource usage, costs and delays as much as possible. If you want to enhance business and logistics processes, you’ll need a self-contained improvement project or an ongoing continual improvement function in your organization.

Improvement only works if you have the right measurements, analysis, ideas and stakeholder support to make the necessary changes. Here’s how:

- Identify the specific business process or logistics function for improvement
- Centralize logistics and business process data reporting
- Put metrics in place. Set a baseline and measure performance
- Analyze metrics, talk to employees and understand the factors that create problems in the logistics processes
- Make small, incremental changes to improve accuracy, reduce costs or speed up operations
- Continue measuring to check if the changes have been effective
- Put controls in place so you can see that logistics processes are continuing to improve

Running this type of improvement project across entire logistics operations will streamline LSP processes, reduce waste, increase profitability and delight clients.

A powerful, centralized logistics platform will help manage risks and meet logistics challenges head on. You can take a high-level view of your logistics business and drill down into the areas that drive the most value for your clients and your organization and develop a customer-centric supply chain.
How to Optimize Your LSP Operations – Your Questions Answered

In this section:

- How can I better understand the costs of my logistics operations?
- I want to streamline logistics operations and reduce waste, where do I start?
- Can I predict supply, demand and capacity across my logistics business?
- How can I enhance information exchange and communications through the logistics supply chain?
- What are some common problem areas I can focus on to enhance my logistics operations?
How to Optimize Your LSP Operations – Your Questions Answered

We receive many questions from LSPs on how to enhance supply chain and LSP operations to yield better results and attract potential customers. Here are some of the most frequently asked questions with useful, practical answers.

**Q: How can I better understand the costs of my logistics operations?**

**A:** The secret to providing more competitive pricing and attracting more business is to have an accurate understanding of exactly how much it costs to provide logistics services. In order to understand your costs, you will need to:

- Establish all the end-to-end processes and steps involved in delivering a specific logistics service
- Set KPIs for each of those steps and processes
- Attach costs to each step: an ideal, benchmark costs, and actual costs that can be measured over a specific period
  - Factor in all costs including staff salaries, support costs, software, hardware, fleet, logistics equipment, other third parties and operational expenses
- Track these processes over time and audit the results to ensure your costs are accurate
- Create a complete, end-to-end cost for each service you deliver

Once you have this insight, you can build it into your LSP pricing model. Remember to review and audit pricing regularly, as inefficient processes can easily add hidden costs.

**Q: How can I better understand the costs of my logistics operations?**

**A:** Use your logistics cost analysis as a helpful starting point. Hopefully, you’ve already mapped your logistics processes and attached a price to each one, now it’s time to dig a little deeper. Review each of the processes and steps, looking specifically for issues, such as:

- Delays in the handoff of goods between your LSP and a supplier, manufacturer or end customer
- Delays in the transport of goods between locations
- Items going missing in transit or in your warehouse, or goods arriving late at the destination
- Unusual staff turnover or other problematic activities, like a high incidence of sickness or lateness
- Unusual costs that can’t be traced to a predictable increase in expenditure
- Areas where you’ve had to duplicate effort or rework a process
- Poor customer service delivery to an end customer

Each of these is an issue that can be traced back to a root cause. For each logistics issue, establish how important it is that you fix that issue, based on the costs to your business, the impact on your customer and how frequently the issue occurs. Once you have a prioritized list, go through each logistics issue in turn and look for the underlying root cause, by asking, “What caused this to go wrong?”

Once the cause is identified, you can start to put fixes in place and measure how effective your changes have been. Repeat this for all of your important logistics issues, and you’ll start to reduce waste and enhance operations across the whole business.
Q: Can I predict supply, demand and capacity across my logistics business?

A: Logistics is a very delicate balancing act of supply and demand—requiring you to ensure that you have enough equipment, storage space, vehicles and staff available to meet customer demands while planning for future expansion. The long lead times associated with adding capacity don’t help either.

Fortunately, you can use trend analysis, combined with predictive analytics, artificial intelligence (AI) and machine learning to forecast what your future demands are likely to be. When you’re planning for capacity, be sure to account for:

- Your existing customer base and their demands on your logistics business
- The storage space you have in place now and any new warehouses that will become available over the forecast period
- The age and reliability of your logistics equipment and your transportation fleet
- The capacity of your transportation fleet
- The size and turnover of your workforce, especially those in critical or hard-to-fill positions

You can build all of these factors and more into AI models that can generate various scenarios for likely future demand. Once you have the outputs from these models, you can sense-check them and start your contingency and capacity planning.

Q: How can I enhance information exchange and communications throughout the logistics supply chain?

A: A smoothly-running logistics supply chain relies as much on the rapid transfer of information as it does on the delivery of physical goods between locations. The easiest way to achieve good communication between parties is to move to a centralized platform that integrates with the systems, software and hardware that’s used by partners in the supply chain. We recommend companies:

- Choose a centralized logistics management platform that can handle day-to-day operations, asset management, cost control and other aspects of your LSP
- Work with partners to encourage them to move onto a centralized platform to enhance data transfer
- Ensure the platform you use can integrate with other supply chain and logistics systems
- Create reports and dashboards that show “one view of the truth” so you always have the most up-to-date information on how your LSP is performing
- Build a suite of communications processes so you’re always keeping customers, partners and third parties informed of the status of logistics and goods as they move through the supply chain

Q: What are some common problem areas I can focus on to enhance my logistics operation?

A: Although we’ve covered several of the major challenges for LSPs above, here are other areas that can benefit from measurement, analysis, improvement and optimization:

- The handoff of raw materials, parts and products between parties and ensuring the safe transition of ownership
- The tracking of vehicles and shipments by using GPS locations and IoT devices
- The impact of seasonal trends on logistics provision, especially in the retail environment
- Regulatory and compliance issues, especially as supply chains become more global
- Factoring in tariffs and other trade barriers and their impact on the free flow of goods
- Refocusing your supply chain to make it more customer-centric
How Logistics Service Providers Can Use Technology to Compete

In this section:

- Logistics Service Providers Have an Advantage for Moving to Digital Solutions
- Transforming Into a Digital Logistics Service Provider
How Logistics Service Providers Can Use Technology to Compete

LSPs are in constant competition to provide a complete, end-to-end service for transporting goods around the globe. If LSPs want to continue winning business, they need to become fully digitized and offer a seamless, online experience to customers who want a fast and easy way to move goods by land, sea or air.

Logistics Service Providers Have an Advantage for Moving to Digital Solutions

Since freight forwarders tend to act as brokers for logistics services, managing the relationships and contracts between providers, it’s easier for them to use digital technology to transform their businesses. On the other hand, LSPs are complex by nature, with hundreds of interlocking operations and services.

LSPs do have an advantage though—freight forwarders need to keep a healthy profit margin on everything they negotiate, so digital technology is an absolute necessity to drive value from their contracts. In contrast, LSPs can digitize parts of their business over time, and unlock significantly greater profit margins through automation, reporting, integration, communication and efficiencies. Some challenges LSPs face when digitizing services include:

- Concerns about shippers bringing their logistics and supply chain services in-house
- The proliferation of online freight rate marketplaces, making competition more difficult
- The growing number of well-funded freight forwarders
- New, digitally-enabled LSPs in their industry

Digital logistics technology can help across the board. Here’s how.

Customers Get Greater Insight into Supply Chain Management

Bringing logistics together onto a centralized platform gives customers much greater insight into how supply chain management is working. They can track goods as they move around the world, understand when products are likely to arrive and collaborate with LSPs to drive up efficiency and reduce delays and bottlenecks. This creates better relationships between LSPs and clients, leading to greater trust, longer term business arrangements and truly customer-centric supply chains.

Customers Can Understand Logistics Costs

Digitizing services make it much easier to provide both detailed and end-to-end quotes for every type of logistics operation. Customers can understand where their money is being spent and ensure they’re getting competitive pricing. A fully digitized LSP platform can provide rapid quotes for any type of shipping, compared to manual quoting processes which can take many days.

Logistics Service Providers Can Optimize Routes with Digital Technology

Automation, AI and machine learning makes it easier for LSPs to service their customers in a fast and cost-effective way. This includes:

- Instantly sharing logistics data between all parties for complete visibility
- Optimizing for the fastest, most cost-effective routes between destinations
- Tracking and locating goods and vehicles through GPS location and Internet of Things devices, allowing rerouting in the event of delays

This combination of technologies allows LSPs to provide faster shipping, reducing end-to-end delays in the supply chain. Clients get their goods delivered more quickly, enhancing their own competitiveness.
Logistics Service Providers Can Automate Back Office Processes

A large, fixed cost base is a problem for many LSPs. Staff salaries, property costs, capital expenditures and more all contribute to high costs that need to be priced into shipping quotes. Moving to a centralized digital technology platform allows for much greater integration and connectivity with other systems. LSPs can automate many of their more common, low-value tasks, freeing up their staff to work on value and revenue generating activities. Areas like customer service, finance, quoting, order management, warehouse management, fleet management and more all benefit from digitization.

This combination of technologies allows LSPs to offer much more proactive, customer-focused technologies to their clients at a lower cost.

Logistics Service Providers Can Forecast and Meet Future Capacity and Demands

Predictive and prescriptive analytics, combined with demand and capacity forecasting means that LSPs can accurately understand what future demands are likely to be. This insight helps with fleet and carrier procurement and management to ensure there’s enough capacity to meet future client needs.

Transforming Into a Digital Logistics Service Provider

With so much potential for enhancing a logistics organization, LSP managers need a robust approach to digitizing their operations and services.

How to Create an LSP Digitization Strategy and Project

Moving to a centralized, digital logistics platform requires a structured, strategic approach to ensure you get the most value out of the software. You should start by establishing a business case for digitizing logistics services, then get your stakeholders on board to build a complete strategy for migration. Once you have a strategy signed off, you can create a digitization program and secure the resources and funding needed to go digital.

Choose the Right LSP Digital Technology Platform

You have several choices for an integrated, digital and centralized LSP platform. Although individual LSP needs will vary, platform features you’ll want to consider include:

- A wide and deep range of integration with existing technologies
- An established network of third parties, partners and providers
- Transaction automation for complete tracking and auditing of all agreements
- Deep logistics and business analysis and reporting
- Built in optimization for routes, fleets and other logistics operations
- Strong forecasting, capacity and demand planning capabilities
- Track shipments in real time through GPS and IoT

Understand Where an LSP Will Get the Most Value from Digitizing

To fully understand where value lies in the digitization process, complete an audit of all logistics operations to understand where you’ll get the most immediate returns on moving to a digital platform. Next, talk to operational teams, clients and business stakeholders to understand what their priorities and pain points are. In addition, create a digital technology migration plan based on the urgency, importance, benefits and savings you’ll realize from digitizing specific parts of your LSP business.
Use a Phased Approach to Digitize Specific Logistics Operations, Functions and Services

Once you have a strong digital migration plan, you can start moving parts of your operations to your new LSP platform and testing them once they’re up and running. As you migrate specific functions and services, you’ll need to train your employees, clients and third parties on the new technology.

Monitor Performance of Your New Platform and Refine as Needed

Once you’ve migrated everything to your new LSP platform, you can drive even more value and efficiency by using dashboards and reporting to identify potential issues. Start a continual improvement plan with a focus on customer expectations and use that to drive up the benefits and features you offer to clients.

Reap the Benefits of Being a Digitized Logistics Service Provider

Once you’re up and running, the benefits of digitization will become clear. Each LSP experiences its own benefits based on its area of specialty and the service it provides, including but not limited to:

• The ability to secure capacity, execute moves and standardize flow of information with carrier partners thanks to the right combination of network, technology and innovation
• Provide customers with exceptional service that is consistent, seamless and streamlined, as well as deliver industry-leading, truly differentiated customer experience with end-to-end visibility and precise information at the container, shipment and item levels
• Customers receive POD as soon as the shipment is delivered, including a report of shipment events within minutes
• Visibility into key milestones—regardless of mode traveled, where the shipment is or which carrier has it
• A consistent experience for customers and carrier partners
• Automation of tendering, billing and reconciliation process to eliminate manual invoice processing and billing disputes
• Clear understanding of spend across the network—including freight assessorials
• Conversion of empty miles into revenue generation opportunities
• Access to a network that vets and secures capacity
• Improvement in motor-carrier on-time delivery through benchmarking data
• Enhancement of inland transport operations
• Expedited processing of shipments at congested ports and rail ramps
• Reduction in carbon dioxide emissions with move triangulation and optimization solutions

Moving to a centralized, digital logistics platform doesn’t have to be daunting. You’ll unlock greater value and efficiency and gain valuable insights that can help you win customers. Because you offer an integrated, end-to-end service, you’ll have a competitive advantage over freight forwarders as you sustain and grow your logistics business.

About Blume Global

From the world’s largest global retailers, manufacturers and consumer products companies to the smallest local drayage trucking companies, success depends on end-to-end visibility and the orchestration of global supply chain networks across every move, every mode and every mile. With its AI-enabled, data-driven digital platform and solutions for real-time visibility, logistics execution, asset management, optimization and financial settlement, Blume Global leverages 28 years of data insights, its globally connected network, and advanced technologies to help enterprises be more agile and responsive, improve service delivery and reduce costs.