



Technological University Dublin
ARROW@TU Dublin

Practitioner Journals

National Institute for Transport and Logistics

2007-04-01

What the Transport and Logistics Industry Needs Going Forward

Bernd Huber
Dublin Institut

Edward Sweeney
Technological University Dublin, edward.sweeney@tudublin.ie

Follow this and additional works at: <https://arrow.tudublin.ie/nitloth>

 Part of the [Business Administration, Management, and Operations Commons](#)

Recommended Citation

Huber, B., Sweeney, E.:What the Transport and Logistics Industry Needs Going Forward.CEO Financial, United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), April 2007, p.29-31.

This Article is brought to you for free and open access by the National Institute for Transport and Logistics at ARROW@TU Dublin. It has been accepted for inclusion in Practitioner Journals by an authorized administrator of ARROW@TU Dublin. For more information, please contact yvonne.desmond@tudublin.ie, arrow.admin@tudublin.ie, brian.widdis@tudublin.ie.



This work is licensed under a [Creative Commons Attribution-Noncommercial-Share Alike 3.0 License](#)



What the Transport and Logistics Industry Needs Going Forward

Dr. Bernd Huber
Edward Sweeney
National Institute for Transport and Logistics (NITL)

The transport industry - particularly in road transport - is under serious competitive pressure. Rising costs - evident but not limited to fuel and insurance - combined with a market place that has become more demanding in relation to price and service, has resulted in a situation where companies have had to seriously reassess the nature of their competitive advantage. The competitive strategies of companies in the sector are being reviewed in light of the effective commoditisation of transport as a direct result of the traditional strong emphasis on cost and price reductions.

The “race to the bottom” is increasingly being replaced by a strategic rationale which focuses on differentiation in the product offering. This gives companies in the transport sector the potential to move away from purely price-based competition towards the provision of a range of value-adding and knowledge-intensive services for trade facilitation. It is being driven by developments in the field of supply chain management (SCM) which places a strong emphasis on higher levels of integration between supply chain participant companies and on the need to focus on what really adds “value” – i.e. what the end-customer is willing to pay for.

The three big drivers for this are:

- a) globalisation - supply chains have become more global and therefore more complex.
- b) outsourcing – supply chains have become more 'virtual' and global relationship management has become more central as a result.
- c) technology - complex global and virtual chains require quite sophisticated levels of information and communication technology (ICT) for their effective control and management.

These developments have shifted the focus of the customers towards service-rich, “one-stop shop” transport and logistics services, allowing them to focus on their real core competencies in design, marketing, selling and other key business processes. For the transport and logistics sector to respond positively to these changes it needs to focus, broadly speaking, on two key areas (the “soft” and “hard” wiring respectively).

The former is based on the need to build new and innovative relationships with customers, based on the concepts of partnership rather than on traditional adversarial approaches. The desire is to move towards mutually beneficial (i.e. “win-win”) relationships to replace traditional arms-length (often “zero-sum game”) relationships. This requires a paradigm shift in the ways in which customers and suppliers relate and interact with each other; it requires that hostility and mutual suspicion are replaced by trust and transparency. Collaboration is becoming a critical capability as companies increasingly migrate to extended supply chains. This does not happen overnight but there is evidence that it is beginning to take place. The evolution, for example, of the so-called fourth-party logistics service provision (4PL) sector¹ is an example of this. Co-operation between manufacturers, shippers and logistical service providers is becoming more long-term in nature and is combined with a high level of integration in the organisational structures and informatics. We can expect that logistics service provision is evolving from a more transactional-basis to a more strategic one in nature, as companies expand their operations, technological capabilities, and their services to meet the increasing number and complexity of demands by their customers.

The latter (i.e. the “hard” wiring) is based largely on the potential role of ICT in improving (i) the level of customisation of transport and logistics services and, (ii) the level of integration between transport and logistics service providers, their customers and other key supply chain partners. Recent years have seen a proliferation of ICT solutions,

¹ A 4PL is a supply chain integrator that assembles and manages the resources, capabilities, and technology of its own organisation with those of complementary service providers to deliver a comprehensive supply chain solution.

e.g. RFID, with the potential to make real advances in these areas. Transport service provision will build more around ICT platforms that permit greater pipeline visibility. However, the transport and logistics sector has for a variety of reasons, such as the financial risk involved or the lack of training and education, been slow in adopting these solutions. Wider dissemination of appropriate technology has the potential to contribute significantly to the strategic differentiation of firms – particularly smaller firms – in the sector.

One of the necessary skills in the transport sector will therefore be the ability to manage increasingly complex supply chains, as companies in general are challenged by a combination of mass customisation, shrinking product life cycles, rapid inventory depreciation, complex multi-sourced supply chains, customer involvement in design, rising expectations of retailers and consumers, and the resulting need for co-ordinated data communications. This forces the transport sector into integrated supply chain management strategies.

Evidence is also available in the 2005 NITL report ‘Global Competitiveness: Chain Reactions’ (see attached), where 1073 firms were surveyed in the Republic of Ireland and in Northern Ireland across a broad range of sectors. Respondents identified that the outsourcing of transportation is going to accelerate in the next three years, along with just-in-time and overnight deliveries as well as shorter delivery times. The evidence also suggests that companies need to leverage their SCM capabilities and add value to their customers in delivering cost-effective multi-modal supply chain solutions.

Successful transport organisations of the future will be operating in an increasingly complex environment of well integrated supply chain networks communicating over well developed ICT systems on a real time basis. The design of supply chain solutions is a highly skilled, knowledge-intensive and complex activity, reflected in a shift from “box moving” to the design and implementation of “supply chain solutions” developments. Education and training needs to be addressed by stimulating the development of industry-relevant logistics and SCM resources and skills.