



SPECIAL REPORT

THE LOGISTICS TRANSPORT EVOLUTION: THE ROAD AHEAD

DHL Supply Chain

➤ ABOUT THIS REPORT

The global freight transportation sector is the definition of volatility. Rates and capacities fluctuate as wildly as a commodity trading market.

But transportation – particularly ground transportation – is undergoing change that far exceeds the norms of regular market fluctuation.

➤ WHAT IS THIS CHANGE?

Trends such as the explosive growth of e-commerce, the continued urbanization of markets, and big data analytics and digitalization are driving a massive change. This shift is ratcheting up service expectations, supporting growth in emerging markets, creating new ground transportation solutions, and above all injecting advanced technologies and service options into how shippers and 3PLs manage global transportation flows.

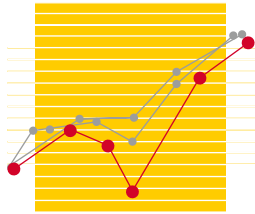
In the face of these changes, what are the top five factors that are rewriting the guide book on ground transportation today?

To find out, DHL Supply Chain conducted a global survey¹ of more than 200 transportation decision makers across the globe and within all the major industry sectors, asking about their current and future transportation operations and strategies.

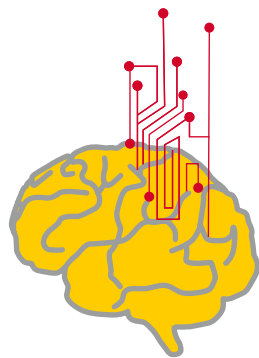


¹ For 'Reimagining the Future of Transport', DHL surveyed Managers, Directors, Vice Presidents and Senior Vice Presidents as well as Corporate Officers, CXOs and Presidents from over 200 companies. Sectors in which the companies operate include automotive, technology, life sciences and healthcare, engineering and manufacturing, energy and chemical, retail and consumer goods. Respondents were based in Asia Pacific, Europe, Latin America and North America.

> WHAT DID WE DISCOVER?



Transportation is strategic to business growth



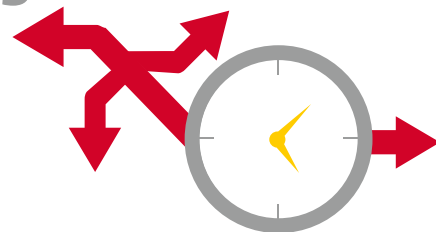
Transportation trends are driving 'must-have' technology capabilities



Regional variation is clear; transportation maturity models differ by geography



Hot business trends like e-commerce are pushing expectations up... and up



Value is the new expectation, but what does it look like?

> AND NOW, THE DETAILS

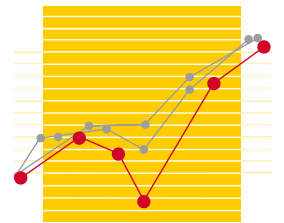
> 1. TRANSPORTATION IS STRATEGIC TO BUSINESS GROWTH

Customers across all regions recognize that transportation is a strategic component of their business. Managed effectively and efficiently, a company's transportation promise can help improve business growth.

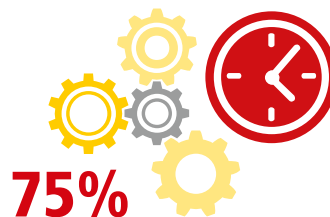
Consequently, transportation is moving up the "strategic importance ladder." Companies in mature markets indicate a growing willingness to pay for certain value-added services and options in transportation. The caveat – these services **MUST** generate a return – and a measurable one at that. In other words, if a service offering is "worth it" – if it helps a company outperform its competitors – then a growing set of businesses are willing to pay for such added value.

Thus, in many cases, ground transportation is moving beyond its traditional role as simply a commodity, towards becoming a business differentiator. Shippers now need a lot more from their third party logistics firms (3PLs) in order to compete. On a maturity scale, shippers' expectations are likely to migrate upward toward higher value-added services that include greater visibility, streamlined reporting and real-time issue resolution, optimization, last-mile solutions and so on.

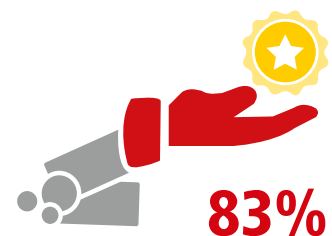
This evolution of transportation's role is market dependent, meaning its perceived value differs depending on market and geographic region. In a mature market such as Europe, for example, added value could include network transport optimization. In a developing or emerging market, by contrast, value could simply mean reliable, on-time, perfect-condition delivery.



...agree that ground transportation is strategic to their organization's operation



...believe spending time and resources to improve their ground transportation will directly help sales



...are willing to pay more for better service

➤ 2. REGIONAL VARIATION IS CLEAR; MATURITY MODELS DIFFER BY GEOGRAPHY

Shippers in different regions have different requirements and expectations of their transportation carriers and 3PLs. That's not surprising given the differences between markets across the world.

This becomes clearer when you look at the question of whether shippers feel they have the appropriate software tools to integrate ground transportation into their business. Globally, 55% believe they do. But the numbers change when reviewed on a regional basis. For example, in North America, only 43% of respondents state they have these data toolsets and integration capabilities in their transportation operations. Conversely, LATAM respondents peg this number at 76%.

One possible reason for the differing responses among regions lies in the nature of shipper expectations as defined by market/region development.

In a more established country like the United States, shippers look not just to manage transportation, but to leverage and incorporate analytics and big data into their overall transportation strategies and operations. By comparison, an emerging region such as LATAM focuses on more transactional transportation data requirements – e.g., status updates and delivery confirmations. In the future, as developing regions mature and increase their investment in transportation technology, their expectations are likely to assume the characteristics and expectations of a more mature market.



55%

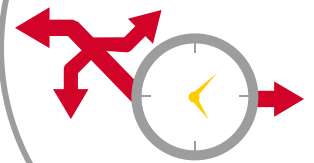


"I have the appropriate tools (software) to integrate ground transportation data into my business."

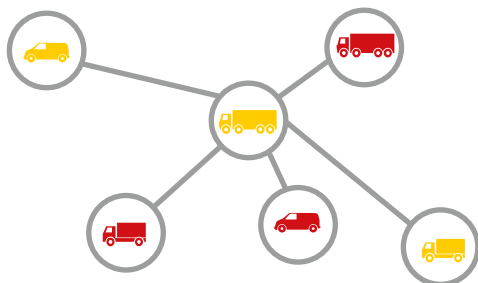
> 3. VALUE IS THE NEW EXPECTATION, BUT WHAT DOES IT LOOK LIKE?

So what exactly do shippers mean when they reference value in ground transportation? What do shippers want from their 3PLs?

To find the answer, the survey asked respondents to list their top reasons for choosing a 3PL.



#1 REASON FOR CHOOSING A 3PL



“Ability to manage multiple transportation solutions that solve all my ground transportation needs”

The number one requirement when choosing a 3PL was the ability to “manage multiple transportation solutions that solve all my ground transportation needs.” Also high on the list of priorities was the ability to implement ground transportation solutions around the world. This shows that the new complexity in ground transportation – and the ability to manage it – if taken in combination, has created a strong need in the marketplace. In other words, shippers recognize that a transportation solution that represents true value balances multiple requirements: a fair price and the ability to solve a wide range of transportation issues and requirements. In particular, the complex issues created by an e-commerce-driven business environment – and a global reach.

➤ 4. HOT BUSINESS TRENDS PUSH EXPECTATIONS UP... AND UP

There's a lot of trend noise in the marketplace now. Companies must deal with everything from changing geopolitics to technology transformation.

But in terms of their ground transportation operations, by far the biggest issue on companies' minds is e-commerce and its implications on service and ground transportation requirements. The extraordinarily high service expectations born of e-commerce are impacting B2C and B2B business nearly equally. B2B, unlike five years ago, no longer "lags" B2C in its e-commerce service requirements or transport solution needs.



SERVICE EXPECTATIONS INCLUDE OFFERINGS SUCH AS:

- Same or next-day delivery service
- Variable last-mile delivery options, including crowd-sourced transportation
- "White glove," high-touch, high-value service offerings, including installation, set-up and product configuration
- End-to-end order fulfillment and in-transit visibility
- Flexible and/or free return policies
- Always in-stock inventory
- Rapid/immediate problem resolution

Of course, the impact of e-commerce on markets, in general, and ground transportation in particular, varies by region. It depends, largely, on maturity. For example, when comparing the impact of e-commerce over the next one to two years versus three to five years, U.S. respondents expect the impact to slightly decrease, from 63% to 60%. Comparatively, in Europe, Middle East & Africa, Asia Pacific and Latin America, that same impact number increases from 65% to 69%.

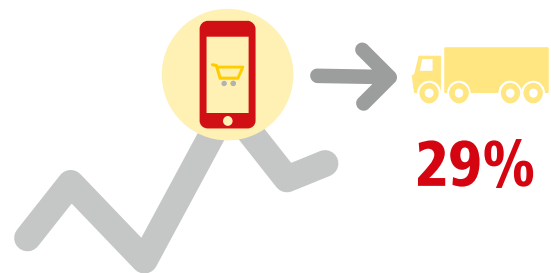
One possible explanation is that in five years e-commerce will have become business as usual in the U.S., and so not as difficult or impactful an operational issue as it is today.

Challenges to the success of the e-commerce business model abound. One, in particular, according to survey participants, is urbanization. Urbanization – the migration of populations into urban and mega-urban centers – creates congestion, which poses significant challenges for companies and their 3PLs trying to deliver into these high-density cities. Sixty-one percent of survey respondents indicate this demographic shift will significantly impact their future business.

Throughout Europe, the United States and Asia, more mega-urban centers are deploying congestion pricing/tolls on vehicles entering urban areas during peak business times – or, in some cases, at any time. Environmental concerns about transportation’s significant carbon footprint will only grow as an issue and a potential constraint in delivering goods into these highly populated urban areas. Today, 76% of respondents stated legislation around mandatory carbon reporting is having a big impact on their transportation decision making.



...of respondents believe e-commerce will have a significant impact on their future transportation strategy



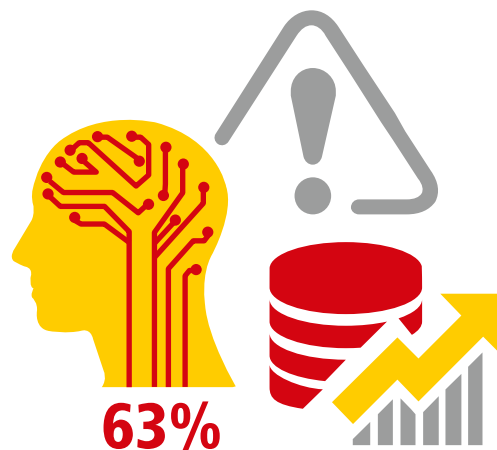
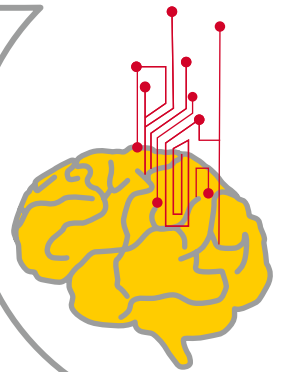
...say e-commerce is the trend with the greatest impact on their transportation strategy today

➤ 5. TRANSPORTATION TRENDS ARE DRIVING 'MUST-HAVE' TECHNOLOGY CAPABILITIES

There is no doubt that technology plays a huge role in transportation management today and will continue to expand its impact in this sector.

Sixty-three percent of respondents believe AI and Big Data will have a significant impact on their ground transportation decisions. This ranking remains relatively unchanged three to five years out, indicating a sustained focus on these emerging technologies as a support tool and enabler for smarter transportation operations. However, only 23% stated they have fully incorporated these technologies into their business.

From a shipper perspective, just what does this finding on Big Data and analytics mean? "One of the most frequently requested analytics is network optimization – the ability to collect transportation cost and service data, integrate it into a distribution model and optimize the network based on total cost to serve across the entire network," says Jim Monkmeyer, President, Transportation, DHL Supply Chain North America. "This is essential in e-commerce. Because of its complex order profile and shipping patterns, costs can easily get out of control. This kind of powerful optimization helps rein in those costs, and, at the same time, improve service. It's a win-win for a company."



...indicate big data analytics and artificial intelligence (AI) will significantly impact their ground transportation activities in the next 1-2 years

➤ A NEW GOLD STANDARD?

The world of ground transportation is being rewritten on the fly. And shippers are constantly being challenged to keep pace, regardless of how mature their region or market is.

They need supply chains that are smart, can optimize cost and service, and can ultimately provide competitive advantage for their company. This is the new 'gold standard' for the potential that transportation has to deliver in the next five-plus years.

It can be achieved – provided that shippers can find true transportation partners rather than just commodity service providers.



For further information

Contact our supply chain experts [here](#) >

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