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Transportation Survival Kit

January 29-31, 2018 • InterContinental® Dallas

<ins>Today's Logistics Challenges Require Disruptive Actions for Future Success</ins>

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PLG CONSULTING

PLG Team

- Real-world, industry veterans
- Delivering value to over 200 clients since 2001
- Over 50 logistics, supply chain, market, and engineering experts

Core Expertise

- Bulk commodity logistics
- Surface transportation and logistics
- Energy and chemical markets
- Logistics infrastructure design
- Investment strategy and corporate development

Services Include

- Logistics/supply chain diagnostic assessments
- Supply chain design and operational improvement
- Market analysis & strategy
- Independent logistics technology assessment and implementation
- Site selection
- Logistics infrastructure design & engineering
- Investment thesis, target identification, due diligence, post-transactional support
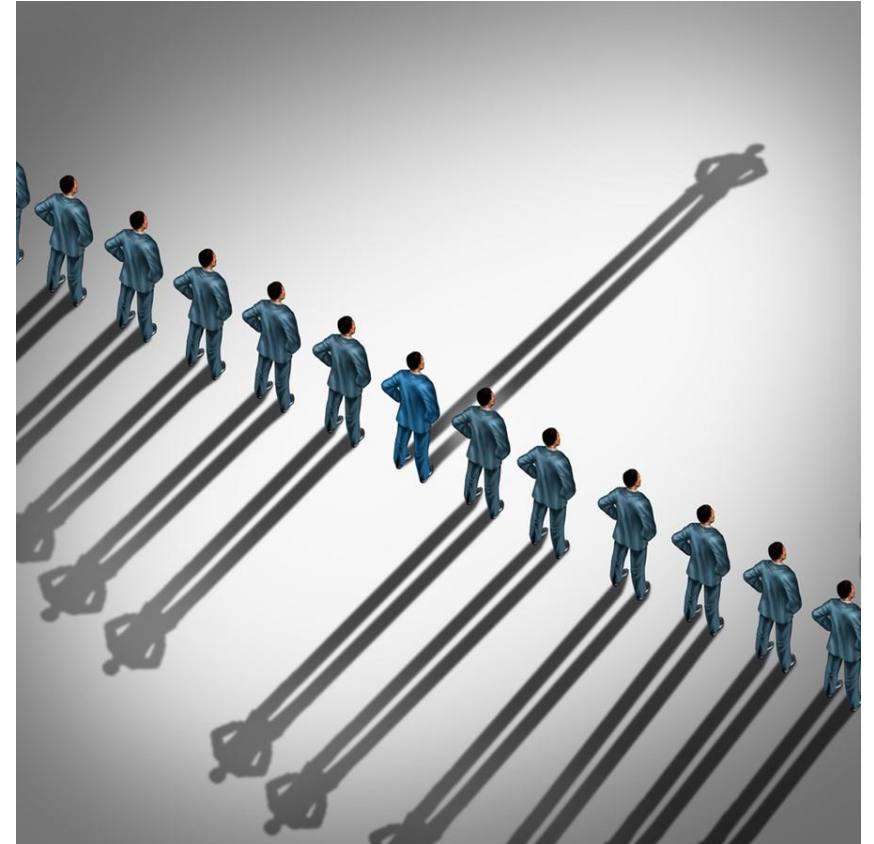
Partial Client List

Today's Logistics Challenges Require "Disruptive" Actions for Future Success

Today's Talking Points....

➢ How Did We Get Here?

➢ What Does It Look Like Today?

➢ Strategic Steps With a Three to Five Year View

➢ Practical Steps for the Next 18 Months

Disruptive = innovative or groundbreaking

How Did We Get Here? (last ~ 10-15 years)

- High focus on efficiency (vs. effectiveness) and cost cutting
  - Downsizing / Restructuring / M&A (possibly multiple times)
  - Outsourcing

- Extreme focus toward On Time Delivery (OTD) metric
  - Little focus on value-added services for the customer

- Loss of specific functional expertise through attrition or retirement

- Logistics' home in organizations shifting, not consistent
  - Some have moved to Supply Chain organizational structure
  - Some still report to Operations, Sales/Marketing, Procurement, or two different departments

- Generational workforce shift – challenged collaboration & respect

- Technology has evolved, but…
  - Disparate systems across the supply chain (supplier – company – customer)
  - Some still revert to spreadsheets to "run the business"

- Transportation rates have been depressed/stagnant in past several years

What Does It Look Like Today?

- Efficiency/cost push hasn't stopped - competitors haven't slowed down
  - Many companies are at the "end of their rope" without technology or structural breakthroughs
  - Insufficient data systems and limited analytical resources to significantly improve work processes
  - Some have an insular focus with a limited view outside their organization/industry – best in class?

- Logistics may still not be an attractive destination in some organizations
  - Deemed as too hard or not important enough
  - Must find ways to attract & retrain top young talent (~1/2 of workforce soon will be millennials)

- Minimal win-win collaboration / partnering throughout end-to-end supply chains

- Definition / understanding of "digital supply chain" is still fuzzy
  - Supplier, producer and customers may not agree on definition
  - Therefore, difficult to effectively invest in and collaborate digitally
  - Strategies to digitally advance total organizations develop too slowly

- Disruption of traditional logistics by e-commerce logistics – last mile critical
  - One cause of the emerging inflationary period for small package and trucking costs

- Regulatory and trade legislation uncertainty confuse change objectives
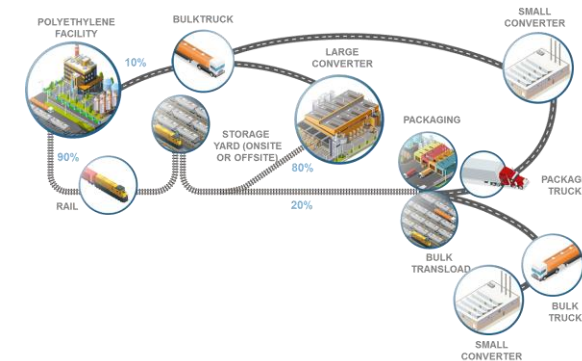
# Strategic Steps With a Three to Five Year View

- Perform a thorough core competency assessment of your logistics function
  - Current state vs. "disruptive" state with subjective and objective assessments
  - Required for sustainability and/or emerging competitive advantage
  - Assess optimal reporting structure and position in the organization

- Evaluate current work processes for future / emerging world effectiveness

- Assess current workforce / resources vs. required core competencies for desired state

- Formulate comprehensive workforce training and transition plans

- Develop 1st Generation digital supply chain and the transition plan

- Complete a comprehensive logistics strategic plan from above work
  - Update your strategy on an annual basis

- Pursue proactive leadership within your end-to-end supply chain after you have completed your initial improvement plan

Practical Steps for the Next 18 Months

- Conduct Value Stream Mapping of customer supply performance to identify and prioritize improvement initiatives
  - Must include cross-functional teams
  - Fresh eyes are very helpful

- Address initial workforce improvement requirements
  - Prioritize training and compensation planning for employees who can best contribute to a transforming organization – challenge "hi pots"
  - Partnering and / or joint venture collaboration to timely achieve desired state competencies
  - Outsourcing of non-core roles or in-sourcing activities that are actually core

- Take initial steps toward digital transformation plan
  - Clear identification of digitization quick wins – and then DO IT
  - Continually adjust plan with changing, new technology – but don't change direction!

- Get out of your shell to learn – and educate your leadership

- Track progress and readjust logistics strategic plan timely and appropriately
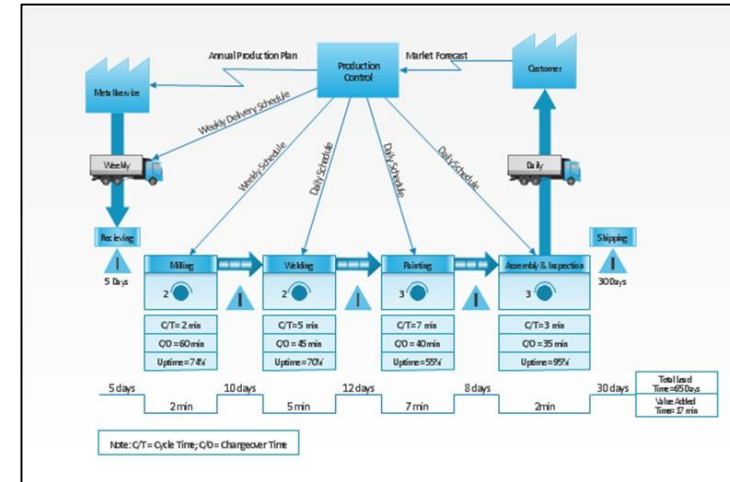
Call To Action

- Focus on *People, Processes and Tools* breakthroughs to improve customer performance and cost competitiveness
    - First address immediate operational sustainability issues
    - Then prioritize significant improvements that will enable disruptive performance
    - Without highly capable people and processes, tools won't work!

- Logistics teams need to become initiators of change within their organizations

- After your "house is in order", then you are ready to disrupt the rest of your end-to-end supply chain

Thank You!

For follow up questions and information, please contact:

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