



FREIGHT SYSTEMS
Supply Chain Solutions

EXCLUSIVE INTERVIEW OF MR. VINOD ALEX

The Key Driver For 3PL

What drives 3PL growth in India?

Many of the leading Manufacturing, Retail and Consumer Packaged Goods (CPG) enterprises are facing increasing pressure to improve operational performance, increase productivity and drive innovation in supply chain management by streamlining processes, eliminating errors and reducing costs. The industry is additionally challenged by the power of a demanding customer and multi-channel fulfillment business model.

By adapting latest supply chain solutions, the companies are benefitted manifold:



Vinod Alex,
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- Helps companies to focus on their business.
- Increases financial flexibility.
- Process simplification leads to overall reduction in distribution cost.
- It reduces handling cost, inventory and efficient distribution system.

What are the challenges that promote the adoption of 3PL?

- Cost to purchase and deploy 3PL infrastructure.
- Speed of change in supply chain design requirements and network.
- Rising customer collaboration requirements.
- IT backlog and time to implement new solutions.
- Globalisation of sourcing, manufacturing and distribution leading to an increase in the complexity of material movement.
- Competition that has forced companies towards more responsiveness and a reduction in inventories. There is an increased need for small but frequent shipments with 100 per cent reliability, requiring core competence in logistics management.
- Resource constraints that require companies to concentrate only on their core manufacturing or new product development activities.
- Regulatory hurdles: Companies which have traditionally been operating with 30-35 depots may start operating with four distribution centers (DC) and companies which have been operating with four DCs may start operating with one centralised DC. Warehousing will no more get driven by taxation, but by business needs.
- Lack of skilled manpower is an industry wide challenge. There is a huge shortage of skilled manpower in the logistics sector.

A combination of IT, RFID and BI on the manufacturer's side leads to efficiency. The results indicate that it has powerful business potential.

What are the major infrastructure challenges?

Infrastructure problems like bad road conditions, poor connectivity, inadequate air and sea port capacities and lack of development of modes of transports like railways and alternatives like inland water transport and domestic aviation have been constant irritants. Due to the infrastructural bottlenecks costs per transaction in logistics sector is high as compared to those in the developed markets.

Rail is a highly reliable, environment friendly, safe and secure mode of transport. Indian Railways boast of the second largest rail network in the world, yet its share in goods transportation is much less compared to the share of roadways. In comparison with countries like USA, Russia and China, the cost of transport per ton per kilometer in India is high, almost three times that of China. The railway has the potential to bring down the freight cost to greater extent with favourable commercial characteristics, dense and long distance freight lines and strong flows of bulk products.

How does technology make the supply chain efficient?

IT is considered a prerequisite for the effective control of complex supply chains. Today companies are often not considered independent entities, but parts of multi-company, multi-echelon networks, that is supply chains, delivering goods and services to the final customer. Companies are under pressure to better manage the supply chain and to improve efficiency and logistics operations while remaining responsive to changing market conditions. So, organisations need to adopt IT to support their supply chains and increase their efficiency.

The use of IT for optimising SCM can be divided into:

- Transaction processing.
- Supply chain planning and collaboration.
- Order tracking and delivery coordination.

Transaction processing stands for the use of IT for increasing the efficiency of repetitive information exchanges between supply chain partners. In this type of IT use the exchanged information is typically related to such tasks as order processing, billing, delivery verification, generating and sending dispatch advices, and producing order quotes.

Supply chain planning and collaboration represents the use of IT for sharing planning-related information such as demand forecasts and other demand information, inventory information, and production capacity information, with the intention of increasing the effectiveness of the supply chain.

Order tracking and delivery coordination refers to the monitoring of individual orders or shipments, which may consist of components or final products, with the aim of coordinating their delivery or conveying timely information of their location.

What technology is used in SCM?

When “Radio Frequency Identification” (RFID) is used with IT, the combination promises to enable an automatic collection of supply chain data for optimisation purposes. The above combination makes it possible to implement a finely grained and immediate collection of data, which in turn enables more detailed and precise analyses on the ‘Business Intelligence’ (BI) side.

A connection of RFID, IT & BI has powerful business potential that goes well beyond incremental operational improvements. The combination for tracking and tracing, and sensor technologies additionally enables the identification and localisation of root causes for quality issues.

Sensor data such as abrasion, temperature, humidity, or brightness can be measured automatically for each transport unit and stored on the RFID chip. Later this data is made readily available by IT for aligning the flow of goods with the actual demand.

The pursued objectives are reducing storage space at the 'Global Distribution Centres' (GDC) while curbing the risk of out-of-stock situations. In an optimal scenario, goods arriving at the GDC can be directly forwarded to the retailers without stocking (Cross-Docking).

Conclusion

The world is shrinking day by day with advancement of technology. Customers' expectations are also increasing and companies are prone to an uncertain environment.

Companies will find that their conventional supply chain integration will have to be expanded. The strategic and technological innovations in supply chain will impact on how organisations buy and sell in the future. The strategic and technological innovations in supply chain will have an impact on how organisations buy and sell in the future.

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