

Illus Wf. Go for the Great!



Give me sand to stand on, and I will give you the sky to fly.

Become like the unknown growers and distillers of these raw sweet potatoes. After the Korean War, they created joy for many with shochu, a distilled version of sake.

Illus Wg1. Ugly.



Illus Wg2. Joy for many.



Make your day. Approach the many sources for more specific suggestions and guidance. Sweat now and shine later.

Make history with success as the unsung hero in providing Logistics services to enjoy any day with your clients and business partners.

All the best, Dr B.

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PART INTRODUCTION. “WHAT IS GOING ON?”

IN0. Introduction.

In this PART, images and text relate to Dr B's observations in this century, resulting in relevant impressions for the next 15 years, with a starting point derived by analyses about distribution.

Table IN0a. Distribution, as expected in the early 21st century in developed countries.

Traditional Delivery	VS	Online Delivery
One link	Accountability	Supply chain
More than \$ 1,000	Average order quantity	Less than \$ 100
Product push	Consumption style	Product pull
Family	Client	Unknown
Concentrated	Destination	Fragmented
Stable, consistent	Product demand	Fragmented
One direction	Product flow	Multi directional
Bulk	Shipment configuration	Packaged

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From observations and initial analysis, five significant developments are relevant:

- Natural disasters
- Urbanization.
- Convenience, resulting in more outsourcing.
- Technologies which emerge.
- Human touch.

Developments can be observed from the following perspectives:

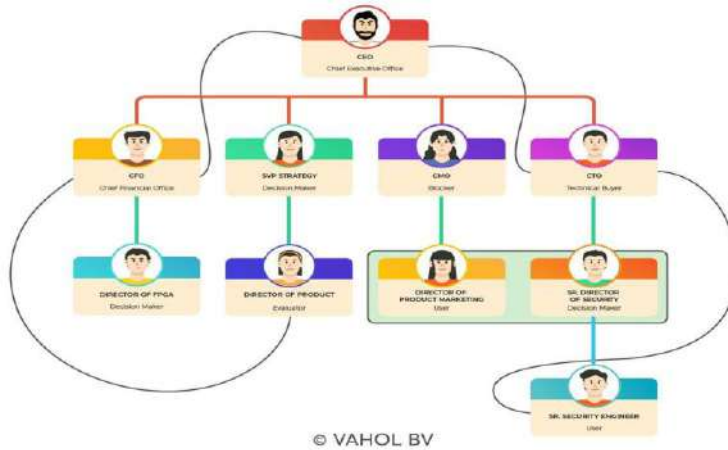
- Means to move and store physical products.
- Tools for management, planning and control.
- Systems to provide Logistic services.

The Vikings (800 - 1100 AD).

Without knowing about the magnetic compass, invented during the Han dynasty in China, Vikings repeatedly sailed successfully from Europe to North America when crossing the Atlantic Ocean. Despite information on developments elsewhere, lacking a crystal ball, a compass or GPS. How then?

The Vikings used sundials made of wood. But those only worked when the sun could be spotted, not hidden behind clouds.

Illus A-A13a. Like a spider in a web.



Ref A-A13a

From the smallest to the most all-encompassing tasks, Logistics Management tackles them all to get the right product distributed to the customers at the right time and at a price that benefits the business.

Last but not least, Logistics management is a component of the supply chain process, and being strategic about it goes the extra mile in adding value to that process as a whole.

The primary purpose of Logistics Management is to streamline various aspects of the project lifecycle.

What does it take to handle the process effortlessly? One can name certain requirements such as multitasking, expertise, and precision knowledge of employee roles and responsibilities at each stage of the product's journey.

Ref A-A13b

Fortunately, most of the above can be managed by using common sense. Think of rearranging the work sequence and parsing out time and labour so that truck bays can be freed up in the least amount of time.

However, considering shortcomings in the workforce, technology and automation enable LSPs to speed up materials handling more accurately. Specific instances of benefits spring to mind, including:

- Decreasing the likelihood of product damage during the process,
- Faster loading and unloading of containers
- More efficient loading and unloading of containers
- Quicker changeover,

These enhancements result in several of the following:

- Cycle time reduction
- Fleet reduction (material handling equipment involved)
- Increased predictability of schedule
- Labour force reduction (being more productive)
- Reduced damage during loading and unloading
- Reduction of ergonomic-caused accident risks.
- Reduction of trailer waiting time.

What is the most essential variable we get from these benefits and results? It is 'time'. 'Time' is the wild card through which reductions can be realised when Management decisions include more technology and automation in processes.

Section A-B3. Right service.

Paragraph A-B31. Why do clients want services provided as the right service?

In the conventional context, the 'right service' is a demand-driven concept, loosely defined as a service with features and functions that meet customer needs.

However, in the operational dictionary, the definition of the 'right service' should also include:

- 1) the service is genuine, and
- 2) the service is delivered through the authorised distribution channel (among others, 'country of origin').

Suppliers must supply their customers with raw materials and semi-finished or finished products with the necessary properties for further processing and for providing Logistics services (for example, with a truck) to their customers. In other words, LSPs deliver someone else's product.

That is why providing Logistics services is about something else:

- moving that product from one location to another
- storing that product on its way to its destination
- keeping that product, aka stock-keeping-unit: SKU.

Such services are neither visible nor tangible yet are the backbone of any logistic operation.

Art A-B31a. Right service.

So, can an LSP increase the speed limit for trucks on the highway or speed up a steamship? Can an LSP reduce waiting times at the port of Marseille or Hai Phong or for a truck 'en route' from Rangoon to Mandalay?

Unfortunately for LSPs, many factors significantly impact their clients' experiences and expectations.

Not to mention, sellers and buyers, and even your clients, may not even see your dedicated drivers and packers, trucks or warehouse, perhaps not even your name and logo, as there is a different LSP with another name and logo involved for the final drop-off.

But there is still hope! Clients may remember the experience using your Logistics service. Ensure that your employees know your clients: KYC.

Paragraph A-B32. Strategies to provide the right service.

How do you get good interactions with your clients? It all starts with knowing their needs and wants. "Personalisation" is the one word that will get any client excited. KYC, 'knowing your clients', means learning their names and collecting notes from previous conversations in a database to refer to the next time you meet.

Illus A-B32a. Your contact person has many colleagues.



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Who owns the client experience in your company?

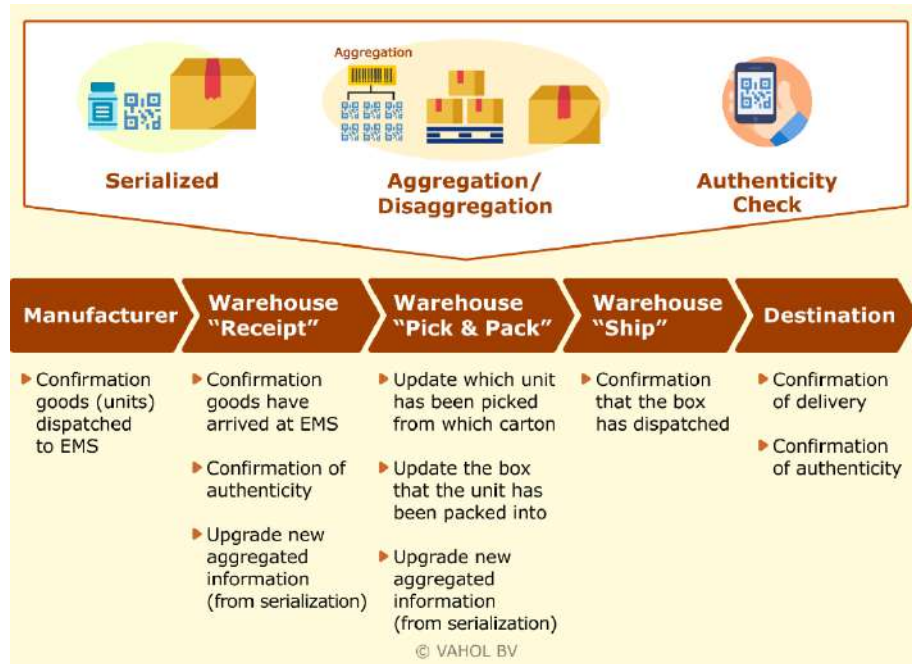
Example.

'Track & Trace' is typically a Logistics service used by shippers or carriers to record the movement of goods during transportation. Think of it as a professional goods-tracking GPS.

With Track & Trace, an LSP provides a transparent end-to-end physical flow. This way, business partners and private clients, including their LSPs, are privy to the exact location of products and shipping status.

In addition, the Track & Trace system helps improve the efficiency of logistics network management and the quality of customer services.

Illus A-B32b. Track & Trace.



Is there a similar internal physical flow information service for Logistics employees in your company?

Deciding upon the 'place', i.e. location, can be realised through different strategies.

Art A-B32b.

Right Product or Service strategies.

Choosing a strategy is a pre-planning step - like plotting a course before a journey begins. Do not confuse a detailed plan for an actual strategy.
A strategy is, more or less, the result of the brainstorming process on how the company wants to realise its goals in the future. In reality, the outcome of the process rarely makes you feel comfortable, which is part of your inevitable growth. Often, it can sow fear about the future, which is also okay. [Ref A-B32a](#)

After a strategy is picked, what's next? The million-dollar question now is about to get it done.

However, Deming clarified that one should always analyse and plan before acting. A CRM-based approach will help analyse your logistics services.

Art A-B32b. Right Service, how to.

Section A-B7. Right costs.

A-B70. Introduction.

Think about how people always look for the best deal when going shopping. Similarly, a determining factor in Logistics services has always been keeping their well-oiled machines as cost-effective as possible.

In this game of logistical, “The Price is Right”, managers have to weigh between different service benefits at separate costs to deliver client satisfaction. It’s like choosing the best tool on the job; the goal is maintaining optimal product conditions without sacrificing trust-defining quality.

Now, the method for figuring the cost is essential.

Is a cost allocation sheet used (based on numbers, period, or some other way?) for which a cost unit must be determined?

Is an activity-based costing method used to determine the cost generator (such as a pallet)?

The final calculation must reflect any changes in the absolute cost level. Of course, a suitable billing unit is required: ton/kilometre, m³, or another unit of measurement.

Art A-B70a. Right cost.

Table A-B70a. Managing Warehousing, a cost breakdown.

	North America	Europe	LATAM	APAC
Rental cost	18-20	18-20	18-20	18-20
Labour cost	32-35	32-35	32-35	32-35
Equipment cost	6-8	6-8	6-8	6-8
Utility cost	4-6	4-6	4-6	4-6
Admin cost	14-15	14-15	14-15	14-15
Other cost	18-20	18-20	18-20	18-20

(All number in percent)

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Ref A-B70a

Subsection A-B70a. Revenues.

When it comes to revenue, clients will have to reward the logistic services rendered, whether they are included as an amount in the sale price of the physical product or not.

The amount of that reward can be related to the (sales) price or sales revenues: the higher the sales revenues per m³ of the physical product, the more room there is to charge a higher price for Logistics services.

In the long haul, a more promising pricing strategy can be based on the amount the client saves in case of a change or new Logistics service. The frequency of the service to be provided will then play a role. Profit is not about the amount saved per delivery but the amount to be agreed upon in a contract. With that in mind, we may charge that client 25-30% of the saved annual amount. There are also competitors to consider. To stay ahead, pricing strategies (deciding how much the services should be charged for) need to be discerning, just like shopping for the best deals mentioned at the beginning, but this time it is applied in the client’s shoes.

Subsection A-B70b. Profit.

Remember, a company is in business to make a profit!

And what's next for the following year? Usually, it is: make more profit.

When the content of the Logistic service changes, profit will be maximised when marginal revenues equal marginal cost.

Paragraph A-B71. Why do clients want services provided at the right costs?

The success of your service business will depend on how you answer this simple question: Do you want your services to be considered economical or exceptional? Positioning yourself as a low-cost service provider will expose you to worse problems than engaging in challenging negotiations.

Confused? Wondering why shopping for the best deals was somehow good in the previous section and is now bad for your business? As usual, everything is in moderation, or you may suffer pitfalls. And the paradox of this case is that positioning yourself as a "Bargain" service provider actually ends up attracting clients looking for a bargain. What's bad about that, you may ask? Here is why:

- Clients looking for deals need much guidance, which is a potential waste of time.

- Clients who buy services based on price often do not know what they need.

Clients expect you, the service provider, to help them develop, partly for free, solutions for which they will pay the price painfully beneath the effort you expended.

It does not take many sessions with penny-pinching clients who have never worked with a service provider before, holding their hand through the process, and receiving peanut-sized checks to realise, "Wow, it is so much easier if the customer already understands what you are about!"

Customers looking for deals do not appreciate what you bring to the table. But those that have developed the right budget for your service? They are the ones that:

- have purchased your type of service before, so they know the price.
- worked on projects using your services (transport, storage, inventory control).
- know the benefits your service provides (that's why they have the budget for it!).

On the other hand, all the bargain hunters above need to be "sold" at every step of the journey. And that is a tough sell.

Customers and clients looking for deals view your service as a commodity. However, your service business is people-oriented.

Do you want your employees and work to be treated like a commodity?

Besides, clients who want to bargain are almost always more demanding.

Illus B-A0b.

In a crisis, there will still be options.



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Before deciding to change, you need to know what in the organization can be realized more effectively in the eyes of your clients.

Powerful tools are available to find out, including choosing strategically defined and communicating goals. Then, determine where and what to optimize your in the organization and its performance. Coaching through the challenges along the way is obvious.

Illus B-A0c.

Quick scan to improve efficacy.



'Going green' is the other new paradigm.

As the number of deliveries continues to grow, the logistics sector faces significant challenges due to driver shortage, increasing popularity of instant and same-day delivery, and the associated increase in carbon emissions.

Failed deliveries worsen the situation, so a company like Smartmile set up an international network of parcel lockers in central locations. All couriers and carriers are welcome to use the parcel lockers to cover a whole neighbourhood with just one stop. Compared to home delivery or carriers' systems, this reduces the number of delivery vans needed in urban areas and the likelihood of failed deliveries.

Consumers can collect, ship and return packages for multiple carriers from a single location. The more couriers that integrate into such a network, the greater the potential to reduce carbon emissions. Such technology is the differentiating factor for LSPs.

Chapter B-C. Direction towards a situation in FUTURE.

B-C0. Prologue.

Reviewing the external causes for LSPs, i.e. natural disasters, urbanization and outsourcing, they should invest in direct representation in national, regional and local platforms dealing with the urban planning of infrastructure to move and locations to store physical products.

One of the issues is regulation for more extended registration periods, enabling more delivery flexibility.

LSPs with an extensive portfolio of services will face more trends.

Illus B-C0a Existing and newly expected trends.

Existing Trends



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New Trends



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Ref B-C0a

LSPs are not known for high-profit margins or Return on Investments. There are no signs that these performance indicators will change any time soon.

That is why the following approach is to be considered for calculating cost prices as correctly as possible per service provided:

- Step 1a: Decide which components and activities will be included in your standard service to move, store or keep physical products.
- Step 1b: Calculate the total cost of depreciation on investment ('land, buildings, machinery, installations, equipment), purchases ('landed cost!'), utilities, salaries, wages and operational expenses (fuel) for the forecasted demand for these three standard services.
- Step 1c: Decide a unit of calculation, for example, weight and distance, m² of storage space, and duration in storage.

The total cost divided by the total units of calculation shows the cost-price per unit.

Step 2a: Calculate quantities, cost price, and time of the resources for the activities required to provide one unit of the standard service, which will change due to more flexible variations in clients' demands.

Step 2b: Include variations due to more units in the revised calculations.

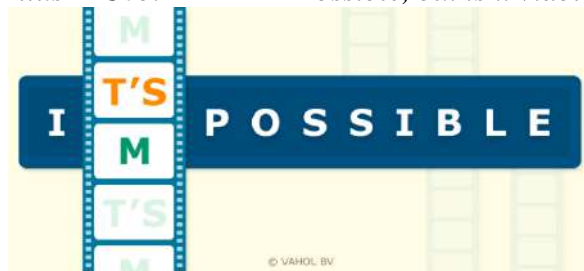
Step 3a: Calculate how much quantities, cost price, and time of the resources for the activities required to provide one unit of the standard service will change due to more variations in the client's demand for a VAS.

Step 3b: Include variations in the revised calculations due to including additional sources.

Following this approach will clarify the commercial department in your company:

- to which extent your service can be customized (= Customer service), and
- the effect on the cost-price (= basis for quoting a price to the client).

Illus B-C0b. Possible, but is it viable to provide?



Illus B-C0b.

'Too busy' is no excuse for not to improve.

TOO BUSY FOR IMPROVEMENT ?



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A positive company culture is believed to be the top contributor to success. Management needs to develop a culture that is:

- Engaging
- Respectful
- Safe,

to be achieved with daily actions.

Illus B-C0c.

Develop a positive culture?



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*C-B212.C. Structure follows strategy?
Or is it a reciprocal relationship?*

The adage is that to construct a system, 'structure follows strategy' (as form follows function). However, selecting strategies and goals that cannot be implemented and realized by the available structure is ineffective.

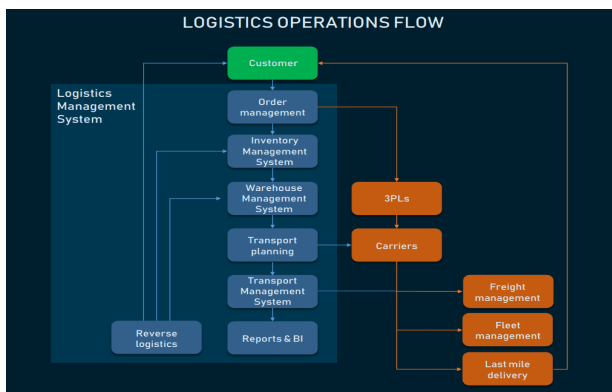
On the other hand, existing structures can be stretched and adapted to the challenges, which should require different strategies and goals.

Also the other way around, expertise is needed in a company to understand how systems, as the sum of processes, work before structuring them.

Art C-B212.Ca. Design Thinking.

All decisions about the value delivered to clients, your company's core values, strategies (and their building blocks), and stated business goals must be clear before constructing a system allowing Management to execute those decisions.

Illus C-B212.Ca. Logistic system, an example.



What is not clear in those decisions can get in the way of an effective structure in the construction of a system. It can also lead to (fatal) errors in business operations in pursuing the company's goals.

A fatal error could cause an unforeseen problem or prevent the company from achieving its goals. A fatal error may be relatively transparent, related to assumptions, or elusive and challenging to identify.

Example.

It has been noted that a recurring shortcoming occurs in contact with clients.

Consider omnichannel communication as another structure.

Art C-B212.Cb. Fatal flaws in Logistics.

As the pricing strategy often does not account for specific cost levels for individual clients, consider having nine or ten costing models available to calculate a more appropriate cost level for client work.