



Transportation Challenges Across Asia



October 2015

Ti, in partnership with oTMS, recently undertook a survey to understand more about the transportation challenges facing companies in Asia.

Supply chain visibility, as the survey results show, is considered a critical component for service delivery. So why is it so difficult to achieve? The technology is available to capture, record and share the relevant data across the supply chain. Information can be received on numerous devices, either by request or as pro-active alerts, all at relatively low cost.

It's been almost 20 years since the Internet was generally accessible to the industry and since the early days of applications exploiting the World Wide Web to deliver supply chain visibility, the same challenges remain. These have nothing to do with technology 'per-se', but more to do with accuracy of data collection, trust between trading partners and security. Security and trust are probably the biggest hurdles to overcome, because it is a topic that is not well understood and is often subject to inaccurate and hysterical reporting in the media.

Accessing sensitive data across the Internet in a secure manner is now commonplace, as can be seen in the general adoption of online and mobile banking services. The technologies to support it are proven and most importantly, seen to be trustworthy. Most instances of so-called 'hacking' usually occur by socially engineering access to passwords and security codes. i.e. One person speaks to another and in the course of the conversation (or several conversations), accumulates enough key details to

access the data as if they are the legitimate user. Therefore education and discipline rather than additional technology are the necessary attributes to address a majority of 'hacks'. If this approach is combined with a sufficiently robust technology platform, security is maintained.

Trust between trading partners is always an issue and as supply chains involve cooperation and collaboration between multiple parties, the absence of trust makes any kind of information sharing difficult to impossible. In some cases, the reluctance to share information originates from fear of repercussions if mistakes take place. However, in an enlightened and trustworthy relationship, occasional mistakes are tolerated (perhaps even healthy) as the problems can be resolved faster. The greater the trust between partners, the more information they are prepared to share, resulting in improved visibility into the supply chain.

Because supply chains are becoming more agile and dynamic, the operators not only require modern, open, technology platforms, but they also need accurate and trusted data and transparent, swift communications. All of these ingredients have been available for a while, so those logistics service providers who seek improved supply chain visibility should consider how they could be implemented into their supply chain operations.

The survey also indicated nervousness about using systems and services across 'The Cloud'. Again, this may be due to a general misunderstanding about the security and reliability of such services. Cloud services have been

subject to a huge amount of interest and hype over the past few years and it is now incumbent on vendors to be clear in explaining just what they are talking about when they claim to provide such services. If they do, the general reluctance to embrace such technologies will probably diminish.

It is interesting that the results of this survey definitely show a clear interest in enhancing or augmenting technology to improve customer service. The increased demand for visibility solutions is something that has concerned the industry for many years. This is probably driven by the demand from customers to manage their inventory, orders and shipments as efficiently as possible. If the vendors are able to respond to these demands appropriately, everyone will benefit. Continue to ignore them and customers will vote with their feet and move on to one of their competitors.

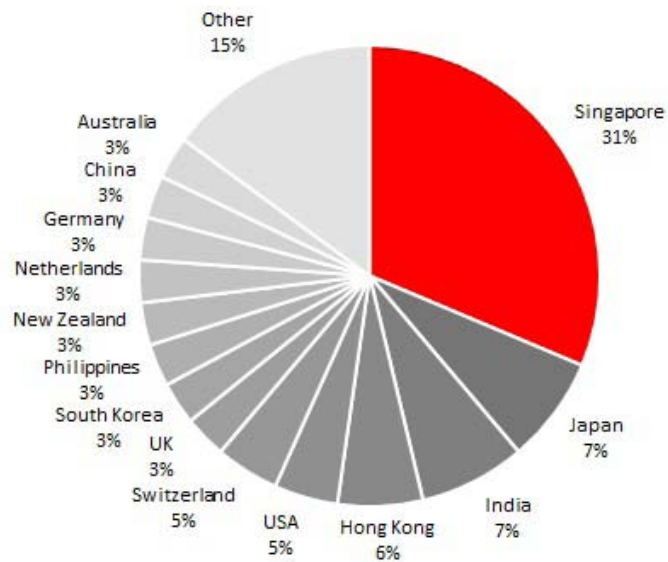
Ken Lyon, Founder, Virtual Partners

Analysis of Survey Results

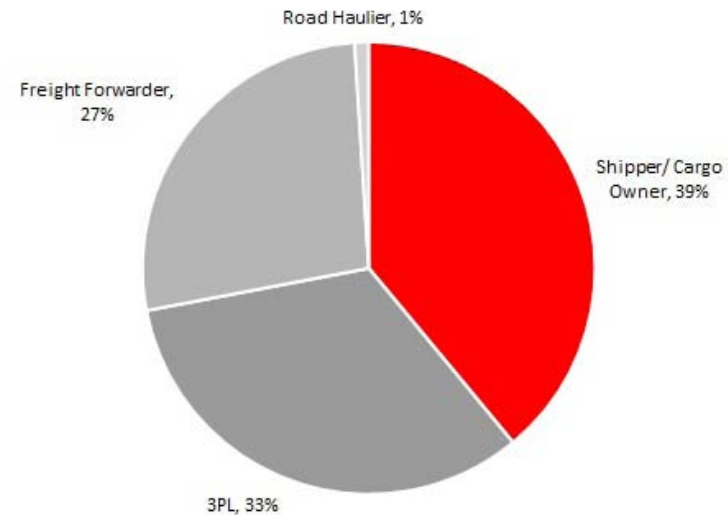
With regards to the survey alluded to above, we asked nine questions to respondents who are chiefly based in Asia (80.6% including Australia, New Zealand and the Middle East). The country most represented by survey respondents is Singapore, which contributed 31% of the participants.

As part of the survey, respondents were split into four groups; 3PL's, freight forwarders, shippers, and road hauliers (though the last represented less than 2% of the sample). The most heavily represented respondent group were the shippers, who made up 39% of the total. 3PL's accounted for 33%, whilst Freight Forwarders represented the remaining 27%.

Geographical Distribution of Respondents



What type of company do you represent?

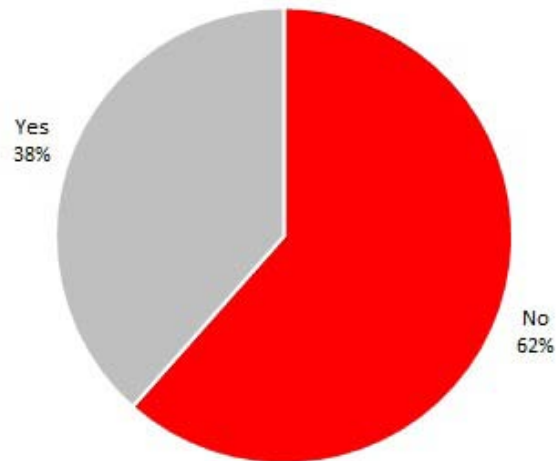


Analysis of Survey Results (continued)

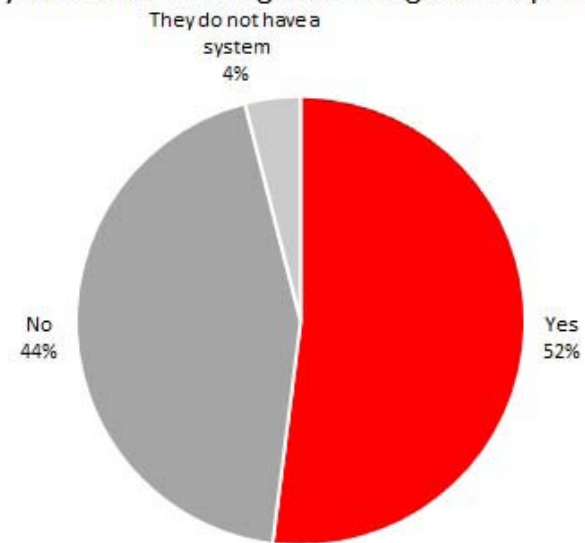
The common thread amongst these respondents, through their answers to a number of questions, is that supply chain visibility represents a priority area for development. Around 60% of the sample stated that visibility, and issues associated with the availability and accuracy of shipment information, represented their primary transportation management concerns.

This roughly matched the number of respondents who stated that they did not have real-time visibility of shipments, though for this latter question, only responses from shippers were taken into account. Nonetheless, over half of shipper respondents also stated that they were satisfied with the ability of their provider's TMS to handle their requirements.

Do you currently have real-time visibility on the status of your shipments?



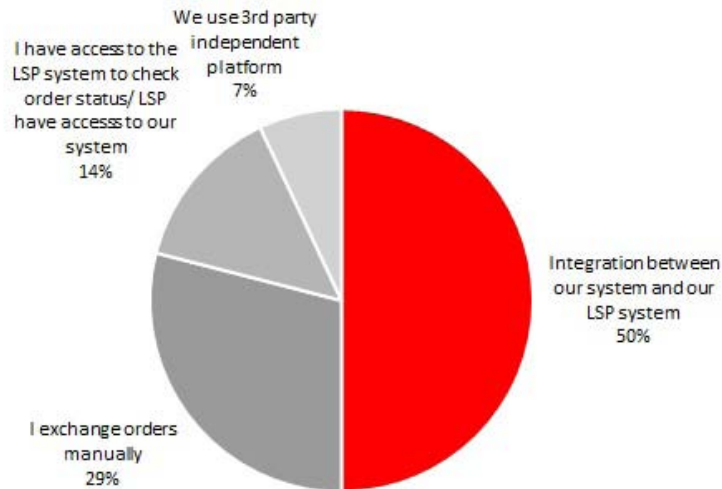
Do you think your logistics service provider's system can meet your current management target or requirement?



Analysis of Survey Results (continued)

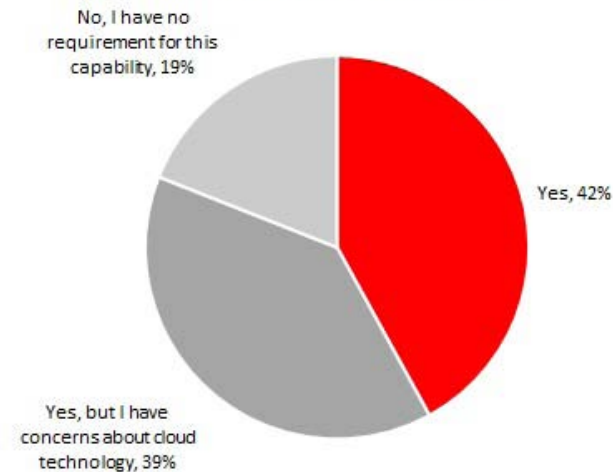
Another question asked survey respondents how they transfer shipments to their LSPs, and in doing so, how do they gain access to information regarding the status of these shipments after the transfer is complete. Whilst 50% reported integration between themselves and their LSP, a large minority (29%) stated that order exchange is achieved manually.

How do you transfer shipments to your logistics service providers (LSPs) and access shipment status information?



With regards to the uptake of new technologies, survey participants appeared overwhelmingly positive; approximately 80% of respondents reported that they would consider using a cloud-based TMS. Of this 80% however, just under half (39%) stated that they do have concerns about cloud technology.

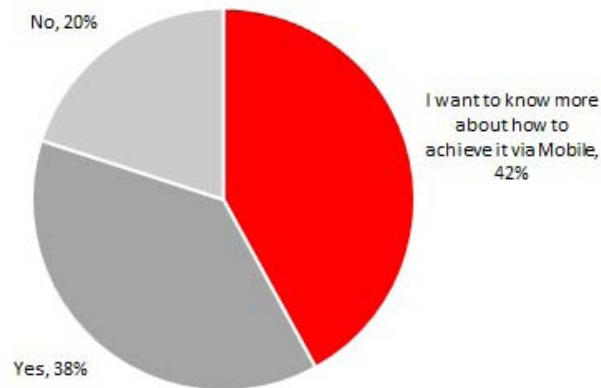
Would you consider a cloud based transport management system (TMS) that integrates all your transport providers on one common platform?



Analysis of Survey Results (continued)

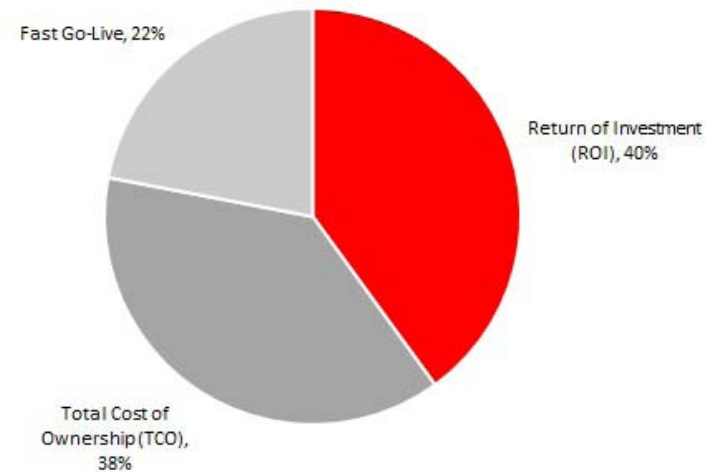
Furthermore, whilst 38% of respondents already use or have made plans for the use of mobile technology to provide real time shipment visibility, a larger number (42%) wanted more information on how to achieve the capability.

Do you currently or do you have plans to use emerging mobile tech like APP to provide real time shipment visibility?



Predictably, financial implications represented the most important factors in the respondents' considerations for TMS improvement, though they were divided on specific measures; near to 40% of respondents saw return on investment as the most prominent consideration, whilst nearly 38% ranked the total cost of ownership as most important.

What would be the most important factor in improving your existing transport management system?



Dependability and reliability are cornerstones of modern supply chain management practices. Economies throughout the developed world rely heavily on comprehensive and robust transport infrastructure that links key logistics nodes. For upstream and downstream supply chains to function efficiently, ports, airports, road and rail hubs need to be linked with manufacturing clusters and likewise with the main consumer markets. This applies not only to transport infrastructure but equally to technology and financial networks.

At the same time, an effective, high-quality and competitive supply-side of logistics service providers is essential and for this to develop a robust framework of governance needs to exist. Regulations need to be applied fairly and transparently, taking into account a range of issues including security for the shipper and health and safety for workers and other road users. The most efficient transport and logistics sectors operate in an environment of low bureaucracy, which not only reduces direct costs for logistics service providers but also the opportunity for corruption.

So how does China measure up against these benchmarks for an efficient and low cost supply chain sector? Unfortunately, despite progress on many of these issues outlined above, China has some way to go.

The country still has sky high logistics costs, which prove a huge drag on the overall economy. It is estimated that China's logistics costs as proportion of GDP are 18%, compared with around 8.5% in the USA. Pressures on the

logistics industry are only going to rise as manufacturing moves to lower cost labour locations in the West of the country and away from 'logistics-friendly' cities on the eastern or southern coastal regions.

To meet these additional needs, China has been investing heavily. Again comparing China with the USA, China spends about 11% of GDP on infrastructure projects against just 2% of GDP in the USA. The majority of this investment goes on roads, with the latest five year plan committing to seven new highways focused on Beijing, nine more running north-south and 18 east-west.

However, new roads are only part of the challenge. In many cases road freight companies will not use the new highways as the high cost of tolls imposed make operating unsustainable. Instead they will often use slower and cheaper local networks which not only are inefficient but also leave them open to municipal tolls which are often extorted by corrupt officials.

Another major challenge facing the supply chain industry is the complex, opaque and often shady way in which the road freight sector works. Integration of pick up, trunking and final delivery using the assets of a single company is rare; instead multiple layers of sub-contracting are employed which makes visibility of where a consignment is within a logistics network very poor. Moreover, it is difficult to identify who has control of the shipment at any one time.

This lack of visibility has a major impact on supply chain integration. For decades, manufacturers in developed

countries have been able to schedule production anticipating when consignments are due to arrive: the ubiquitous Just-in-Time concept. However multi-tiered sub-contracting of shipments, without accompanying technological linkages, mean that customers must resort to numerous phone calls to find out where their consignment is and when it will arrive. The requisite shipping documents are more often than not in paper and other 'meta-data' may take numerous forms in various spreadsheet software packages, for instance.

Proof of delivery documentation is also often paper-based, and this takes time to travel back up the supply chain, increasing times taken for final payment. In fact many transport operators in China find themselves having to extend 90-180 days credit (even more in some cases) by the time that all the data needed for an invoice is assembled and the usual customer payment terms are taken into account.

In terms of security, there are also problems. As many shipments, especially less-than-trailer load, are cleared through public distribution hubs, a shipper may not have any control over the carrier moving their load. This has created an environment in which theft, substitution and counterfeiting of products can breed.

An Overview of Specific Challenges in China (continued)

So what is the solution? Obviously authorities must take responsibility for addressing issues related to corruption, extortionate tolls and over-loading, providing higher levels of governance and consequently raising standards. A deep-rooted culture of 'lowest cost possible' has led many shippers to turn a blind-eye to such practices. However, there is an opportunity in the market for industry leaders, especially in the LTL sector, to implement innovative technologies which transform their relationship, not only with their customers, but also with their suppliers. Providing the same level of visibility in China which shippers and transport service providers have long accepted as standard in many developed countries, will provide a huge competitive advantage. Armed with such a technological solution, the main challenge will be for the freight company to convince their customers that a greater investment in their logistics systems will result in a far bigger benefit in terms of inventory reduction and other efficiencies.

Professor John Manners-Bell, Transport Intelligence

Logistics service providers operating in the Chinese market have to manage shipments as efficiently and as reliably as possible. The key element for this is the use of a Transportation Management Solution (TMS). The technology has now evolved to the point where this can be extended to every part of the transportation chain, in a manner that is robust, inexpensive and secure.

Where good TMS solutions are in use, customers gain greater transparency through improved supply chain visibility. They also operate more consistently and can provide superior service levels to their customers, building loyalty and trust. Delivering clear and coherent data to all relevant parties as quickly as possible can only be done through these solutions. When implemented well, they enhance cash flows and reduce operational 'surprises' that are the usual cause of delays and miss deliveries.

Across the world customers are embracing solutions built on mobile and 'Cloud' technologies, as they are well established and proven to be very secure. Given the expansive nature of supply chain operations, many of the demands as illustrated in this survey, (i.e. improved supply chain visibility, enhanced data exchange, more accurate information, etc.) can only be addressed by using systems designed specifically for such platforms.

Ken Lyon, Founder, Virtual Partners

About Transport Intelligence

Transport Intelligence (TI) is one of the world's leading providers of expert research and analysis dedicated to the global logistics industry. TI utilises the expertise of professionals with many years of experience in the mail, express and logistics industry to develop a range of market leading web-based products. TI reports, profiles and services are used by the world's leading logistics suppliers, consultancies and banks as well as many users of logistics services.

www.transportintelligence.com

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About oTMS

oTMS is a leading provider of logistics management platform in China

- oTMS pioneered and commercialized the first community logistics management solution in China
- Over 150 shippers and 3PLS are using oTMS solutions to manager orders every day.
- Compared to traditional TMS, oTMS can help increase the efficiency and reduce the cost both by 10 times.
- oTMS has gained more than 1 million orders on average per month.
- oTMS now covers five major fields: clothing retail, consumer product, industry manufacturing and auto components, pharmacy.
- oTMS can bring benefits to all corporations linked in the transportation process by increasing efficiency, reducing cost and speeding currency flow.
- oTMS gained A+ round investment from Chengwei Capital, Matrix and Baidu in June 2015.

Vision of oTMS

By connecting the whole process of transportation, oTMS is aiming at bringing clients a new management experience and more business opportunities.

Concept of oTMS – Connected Transportation

oTMS creates and develops the "Connected Transportation" solutions at first in the market. Leveraging cloud computing and mobile Internet technologies, oTMS distributes SaaS solutions to connect every party in the transportation process, including shippers, 3PLS, trucking companies, drivers, into a seamless ecosystem with well balanced, mutual benefits and a shared work flow that can benefit everyone.

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