



# AGL CEO: visibility next year's goal, adaptability and automation three-year outlook

November 26, 2018 Chad Prevost



(IMAGE: SHUTTERSTOCK)

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Overall supply chain and logistics tech spending will rise to a whopping \$87.8 billion over the next three years. That's according to new research from Logistics Trends & Insights and American Global Logistics (AGL). The study results show that U.S. companies will spend more than \$2.5 billion in disruptive logistics and supply chain technologies by 2022. The report, "Supply Chain Technology Investment Outlook," explores the rapid growth in supply chain IT investment and which technologies are likely to take the lead in the next five years.

"It's an interesting time," Jon Slangerup, chairman and CEO of AGL, tells FreightWaves. "Bottom line is this is long overdue renaissance with advance technologies in this industry. I don't view it as disruptive so much as an enabler to allow companies to approach logistics in a whole new way. It could be disruptive like with what say Walmart is doing to capture as much data as possible. The rest of the industry hasn't had good analytics and the industry is probably a little confused about what to do and how to get there."

"Since the last major supply chain investment cycle, technologies like artificial intelligence, connected devices, sensors, cloud computing, cybersecurity, and distributed systems are transforming the technology landscape," says Slangerup. "The next wave of supply chain innovation will focus on weaving these technologies together to make global supply chains more efficient, more resilient, more transparent, and less costly. While figuring that out will take time, we think this is the most promising investment opportunity of the next two to three decades."

As supply chain startups continue to develop innovative tools to serve customers, that innovation is fueled by the venture capital that continues to pour into the sector. Between 2012 and 2017, supply chain and logistics technology firms received more than \$8.4 billion in investments and the average total venture capital investment was about \$17 million. Many of these investments are in tools that didn't exist during previous investment cycles. In particular, startups are focusing on applications that sit atop or alongside established enterprise software, whether it's AI, blockchain or machine learning tools.

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Wildfires continue to burn in California in the West freight region, but some relief is on the way soon. Much needed rain should move through the Golden State from Wednesday through Black Friday, helping close the fire.

- The Camp Fire in northern California is 65 percent contained.
- Poor air quality will be a problem from southern Oregon to eastern Washington state, including Spokane.
- But the fire has already done so much damage, killing 77 people and destroying the town of Paradise.
- Drivers should take their breaks indoors until rain clears the air later this week.
- Nearly 1,000 people are missing.
- Snow and patchy ice will slow down drivers in the Midwest and Northeast regions today and Tuesday, winding down by mid-week.
- The Woolsey Fire near Los Angeles is nearly under control at 91 percent containment.
- Deathheading or heading light loads on Thanksgiving day could be difficult in the Midwest, Northeast, and Mountain Prairie regions.
- The same storm will produce snowy travel in the Sierra Range of eastern California and western Nevada, also from Wednesday through Black Friday.

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"U.S. logistics costs have increased at a five-year compound annual growth rate (CAGR) of 3.2 percent. Projecting this same five-year CAGR, the estimated \$75 billion in total logistics IT spending in 2017 increases to \$87.8 billion in 2022," said Cathy Morrow Roberson, Founder and Head Analyst, Logistics Trends & Insights. "The estimated \$2.23 billion in disruptive logistics technology spending in 2017 will rise to \$2.63 billion in 2022. It's important to note, however, that technologies considered disruptive today may no longer be disruptive in 2022, which means those investments will be part of total logistics IT spending instead."

"From my perspective I look at it from a much longer lens than a lot of others. I can't help it. When I grew up in logistics from the 70s through the 2000s at FedEx (NYSE: FDX) it paled in comparison to what the advances have happened. FedEx was pioneering custodial end-to-end solutions in the 80s," says Slangerup. "I was always so puzzled in 2013, 2014, 2015. I was stunned at the lack of technology and visibility. The lack of applications. Truly the inefficiency. I view it as a highly disparate of siloed entities running the supply chain, particularly in the marine space, maybe less so in the air."

Slangerup sees all the buzz around AI and autonomous and machine learning, and all of that is real and coming, however, that's not going to be the focus of 2019. "The focus is visibility," he says. "Is the product really there and can you really analyze the efficiency of moving goods through the supply chain. Eventually analytics will move into predictive analytics, and move away from some of the rote kind of work and eliminate the paper and allow people to be more proactive at the various points in the supply chain. What problem am I solving today that I couldn't solve yesterday? The folks we deal with are looking for simplicity. They're looking for clarity. They're looking for efficiency and saving money."

"We've taken a learning process with our customers," he says. "We sit them down and walk them through a workflow analysis. We literally map their supply chain end-to-end. Sitting down with the people who make it happen for hours and really helping them map. Once mapped where all the failure points are and how you can improve each of those points on a priority basis. When we don't have a solution with our own proprietary software, we go out and find it for them."

The idea is making visibility on a granular basis so everyone in the supply chain can do their job more effectively. "Ideally, the tech is going to take us to a place of predictive capabilities. Like knowing if we have a chassis shortage, we can plan for that and manage the expectations. It's a wild world. I'm looking out at our room of operators in Virginia. This is what they do day in and day out managing all the operations of this crazy world we're living in," says Slangerup.



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It's also about creating adaptive technology suited to each customer's needs rather than a one-size-fits all approach. Also, interestingly enough, Slangerup sees automation as creating opportunities for a more human-centric approach to customer relations.

"We serve both large and mid-size companies. The larger companies tend to use us a 4PL where they really want a common, enterprise system that optimizes the supply chain. On the 3PL side the smaller companies don't have the resources or desire to manage the operations. Their core competency is managing their single customer or whatever," he says.

"We have both logistics specialists that we call our operators that are dedicated to a customer. When we onboard a customer we do the mapping but they are assigned a human being, a



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logistics specialist or manager. They become a 24-hour, one-stop-shop, person. Over the life of that relationship it's almost as if they're an employee of that customer. A common theme is that these individuals are what are relied time and again. A year ago maybe two-thirds of an operator's time was spent gathering data from origin to destination through the various stages, then populate a field of information to the customer as to the progress of their shipment. If there was a failure they spent the rest of their time reporting to them. Today, all of that is automated. All of that data capture. It's amazing. Our operators now get to spend their time on a much higher quality basis. I call it analytics. Actually being able to think about how to help solve the customer's problems. All of that customer experience is enhanced by automation. It allows our company to scale without adding people—from the selfish side," says Slangerup.

"The same thing occurs externally," he adds. "We have built purpose-built supply chain. No one's supply chain is identical (rarely). So when we build out whatever applications they want we build it out for them—it's their workflows, not ours. We adapt to their workflows and supply chains to theirs. It's agile and friendly and works for everyone. The winners in the future are going to be the companies that are adaptive in nature like ours. Rather than a cookie cutter trying to make everyone adapt to their technology."

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The next wave of supply chain innovation will focus on weaving technologies together to make global supply chains more efficient, resilient, transparent, and less costly.

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