

Supply Chain Technology: It's Not Just for Big Businesses Anymore, but is it Enough?

Even for businesses without vast resources at their disposal, building a digitized supply chain can deliver significant ROI.

By Jon Slangerup · April 30, 2018

Editor's Note: Jon Slangerup is the CEO of American Global Logistics.

Reaping the benefits of a technology-based supply chain used to be a luxury reserved only for the biggest enterprises. But buoyed by IT advancements and increasingly complex market conditions, businesses large and small are now getting in on the game.

As digital transformation forces nearly every industry to re-examine its business practices, shippers of all sizes recognize the importance of an agile, digitized supply chain. Supply chains are complex by nature, and the rise of e-commerce is creating even more complexity that requires precise planning and automated processes. Raw materials and products now take myriad paths from sourcing to fulfillment, and customers have little patience for delays, regardless of the challenges vendors face in getting product to them.

As a result, supply chain optimization is no longer a nice-to-have – it's table stakes for survival. Spending on supply chain management software hit an estimated \$13 billion in 2017, up 11 percent year-over-year, according to Gartner. Total software revenues in the supply chain management market will rise by an additional \$6 billion by 2021, the firm estimates, as business look to keep up in the digital age.

The digital 3PL of the future

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At the same time, third-party logistics providers are driving an uptick in technology investment as they digitize their offerings. In the heavily fragmented freight forwarding market, providers are setting themselves apart by developing new platforms to help customers optimize operations. According to a 2017 Logistics Trends and Insights survey, 58 percent of respondents believe digitization of all services will be the most common improvement among freight forwarders in the next five years.

By wrapping their logistics services around these technologies, 3PLs are experiencing significant growth – and small to mid-size customers are helping to drive this expansion. The global 3PL market will reach an estimated \$1.25 trillion by 2025, and many providers have their sights set on an SMB market ripe with potential. One survey found that small businesses with \$50 million or less in revenue are willing to pay an average of \$30,000 for supply chain management software, while mid-size businesses would pay an average of \$171,000.

The move to cloud-based technology is also making supply chain platforms more accessible for smaller businesses. By 2021, cloud technology will make up 35 percent of all deployments. Companies can use operating dollars to pay for these SaaS-based solutions instead of making big capital investments, and the days of lengthy installations and application upgrades are all but gone.

Optimizing costs, driving value

With supply chain technology now within reach for more businesses, the case for investing in tools that drive optimization is clear. A technology-driven supply chain helps improve end-to-end visibility and control over goods from purchase order to final destination, uncovering new ways to drive efficiencies and reduce costs. One Gartner study found that strategic supply chain outsourcing can save companies up to 20 percent of their costs over five years. Whether your supply chain spend is \$100,000 or \$10 million, those savings help to bolster business health and competitiveness – and it can be even more important for smaller organizations to rein in sourcing and fulfillment costs.

While technology is the backbone of the modern supply chain, small and mid-size businesses can drive even more value through a supply chain partner who combines technology with strong logistics expertise and support. With organizations managing more products and suppliers, sky-high customer expectations, and an uncertain trade environment, a partner can help improve supply chain resilience and minimize the disruptions that smaller organizations often aren't equipped to absorb.

Choosing the right tools

A supply chain management solution can be a particularly large investment for small and mid-size businesses, so due diligence is essential. When considering providers, think about the following:

- **Customization potential. While some providers attempt to retrofit enterprise solutions for the SMB market, businesses should seek technology flexible enough to adapt to their existing workflows. Your provider should start by mapping your current supply chain to understand the processes, players and handoff points, then configure the solution around your operations. For one chemical manufacturing company, simply going through**

this type of onboarding exercise revealed huge opportunities to improve consistency and efficiencies, and the tech-based strategy to make those improvements is expected to yield significant results.

• Deep logistics knowledge and relationships. The right supply chain platform can provide 360-degree visibility into every shipment – but what happens when those shipments go astray, and technology alone isn't enough? A partner with a wide logistics network who understands your workflows makes all the difference if you need to find capacity quickly or navigate a customs issue. And with new technologies like AI and Blockchain getting enormous buzz, your provider should be able to separate the real from the hype and guide you on what's relevant for your own business.

Even for businesses without vast resources at their disposal, building a digitized supply chain can deliver significant ROI. Smaller businesses are often naturally more agile than their enterprise counterparts, and the right tools provide an edge that can help them keep up with their biggest competitors.

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