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## Turning on a dime

3PL Innovation Roundtable

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# Turning on a dime



The 3PL Innovation Roundtable panelists, left to right: Ameet Sareen, Manager, Cargo Products, Air Canada Cargo, Greg Braun, Senior VP Sales & Marketing, C3 Solutions, Jim Jones, VP Solutions & Operations Excellence, Schenker Logistics, Ryan Persad, Director, Purolator Logistics, Joe Tersigni, Senior Director Of Sales, Ontario, Groupe Robert, John Panunto, President, PSI Engineering.

## Agility + cost control = 3PL innovation

By Emily Atkins

Innovation is the lifeblood of business. In the incredibly fast-paced world we inhabit, change is never-ending and disruptive. Those who don't anticipate, adapt and create new solutions and ideas will be left behind, unable to keep up with changing demands.

This is particularly true in the world of third-party logistics. That's why we brought together a group of executives, who are well versed in keeping ahead of the curve, to talk about what innovation means and what some of the most interesting developments are in the logistics realm.

Our roundtable panelists were: Jim Jones, VP Solutions & Operations Excellence, Schenker Logistics; Ryan Persad, Director, Purolator Logistics; Ameet Sareen, Manager, Cargo Products, Air Canada Cargo; Greg Braun, Senior VP Sales & Marketing, C3 Solutions; John Panunto, President, PSI

Engineering; and Joe Tersigni, Senior Director of Sales (Ontario), Groupe Robert.

### What is innovation?

To warm the group up and ensure we were all talking about the same thing, a definition of innovation was requested from the group. Jim Jones from Schenker Logistics made it easy by supplying one he had found on [businessdictionary.com](http://businessdictionary.com).

It is: "The process of translating an idea or invention into a good or service that creates a value for which customers will pay."

The group agreed this is a good starting place for the discussion.

C3 Solutions' Greg Braun noted that adding value is a key part of the definition: "It has to be real value that people are actually going to pay for. You can do all these great things, but is there really a cost benefit there, and are people actually going to pay for it?"



### How does it happen?

With a definition agreed to, the group next tackled the question of how innovation takes place.

When asked if innovation occurs because of customer demand, or internal push, the simple answer—from Purolator’s Ryan Persad—was an emphatic “Yes!”

Kidding aside, he said, “It’s absolutely both. It takes a culture shift as well.”

Ameet Sareen from Air Canada Cargo, elaborated: “When you’re innovating you’re probably doing something that’s going to give you results down the line, not something that brings you results just right away. It does take big time and leadership.”

Persad looked at the way innovation starts: “There’s usually one or two champions within the organization. They have to lobby the executive team for months and

socialize the change and innovation idea for it to be accepted. And finally one person within the senior executive team realizes that this has to happen for the future of the organization, and that’s the way it starts.”

And how does the innovator convince a skeptical senior management?

“It’s a business case,” said John Panunto from PSI Engineering. “Look at BlackBerry. They were the innovation superpower at one time and guess what happened to them? So if you use examples like BlackBerry in your presentation to management, the reference might indicate that maybe we ought to do something.

“It’s all business. You could show numbers and everything else and people will be motivated. If you can’t present your case properly, it’ll be difficult to turn a big dinosaur.”

Jones pointed out that it really takes two parts: “One is top-down, bringing ideas to the table, providing the justification. The flip side is spending time out in the operation listening to the people that do the work. Because if people that are on the floor feel like they’re part of the process, that drives the change.”

For Braun, it comes down to the corporate culture being in place to accept change in a timely manner. “The time frames we’re dealing with are so short. When there’s a new idea or a concept that consumers want, if you can’t adapt to it very, very quickly, you’ve got huge issues. So if you don’t have that culture that can actually deal with that and accept those changes and ideas, it’s not good.”

Joe Tersigni from Groupe Robert said another key is to immerse yourself in the culture of your customers. “Once you start dissecting the entire supply chain, you’ll find so many efficiencies” that can be implemented.

### How IT has changed the environment

At this point we asked the panel to talk about some of the specific, influential innovations they’ve seen in the contract logistics environment.

Greg Braun focused on the particular impact that information technology has had changing the way third-party logistics gets done, perhaps more than in other areas.

“Fifteen years ago you were not expected to bring IT solutions to the table,” he said. “But, in today’s world, software is a service. From the point of view of a 3PL, there are all kinds of solutions out there that are offered in the cloud, whether it’s TMS, ERP systems...so now, when 3PLs are adding value to their customer’s operation, they can very easily procure these types of systems. There’s no capital involved. Usually they’re pay-as-you-go, no long-term contracts.”

He added that in the world of short-term contracts designed around flexible business needs, it’s almost impossible to justify large capital outlays on long-term solutions.

Braun also pointed out that IT capabilities have meant a greater call for data integration.

“In a 3PL situation you’ve got multiple entities: you’ve got the actual customer, you’ve got the shippers and the 3PL. That’s three, four different entities that have to be all on the same page at the same time. So no longer can you just rely on that one system behind the firewall.”

This dovetails into what he calls “systems of engagement”. “We’re expecting everyone to be able to contribute towards any kind of a problem,” he noted. “So how do you keep everybody in tune?”

It’s complicated, he said, but the technology is there—social media, imaging, Skype—these are all part of the innovation that allows for useful communication.

“Systems of engagement are going to become the standard in a very, very short time frame. The speed of the Internet is such that all of these innovations are going to take the level of service that 3PLs are going to be able to deliver to the next level.”

Jim Jones pointed out that “we used to have systems just to collect information and then we could deal with it. Now the point of collecting data is so that we can

► MM&D’s 3PL Innovation Roundtable is an editorial feature, made possible with the support of the following companies. Their input was exclusively through participation in the panel discussion.



AIR CANADA  
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**“3PLs have got to do it for less money, but then they’ve got to actually enhance the whole thing as well.”**

— Greg Braun

take action on that data quickly.”

Tersigni offered an example from his business. “All our drivers have BlackBerrys. And as soon as they complete a delivery, that information’s live

right into our system. If there’s an issue with a delivery where there’s a shortage or something that happened, that information is fed live into our systems. Our customers have access to that information. It’s all real-time information to the point where we could actually plan the driver’s route on his way back to our facility.”

Braun (who worked at Robert in the past), said: “Robert has been doing this for years. But that wasn’t for the faint of heart. Now the beauty of the innovation that’s taking place, is that any 3PL provider—it doesn’t have to be super-dedicated in providing information solutions—can get onboard and do this kind of thing. The solutions are there. You don’t necessarily have to be inventing them but you need to be bringing them to the table for your customers and just adding that extra value.”

### Customer care

Innovations to better serve the customer—whether a 3PL itself, or the end user—were a common theme for the panelists.

Ameet Sareen discussed ways that Air Canada Cargo is adapting to meet customer needs.

“We have such a highly regulated industry; and speed is our key selling point. So we have to try and meet those regulations and comply with them, and on the other side we have our customers who are looking for new ways to do business, new ideas, new products, new services.”

He described how the company gained huge efficiencies between the warehouse and the plane by creating a simple-to-use dispatching tool. It alerts the drivers to where they need to go next, saving time and improving the workflow on the ramp.

“When talking about pharmaceuticals, food com-

modities, live animals, you don’t want them to be exposed to the ramp for an extended period of time. And we have been able to reduce, significantly, that exposure time of those shipments, which affects greatly our customers and our 3PLs as well in delivering the added value. So they in turn are able to plan their product promise to the customer.”

Also on the tech side, Air Canada has recently received regulatory approval to allow GPS tracking devices in its cargo. This is something customers use, independent of the airline, but it was Air Canada that had to jump through the regulatory hoops to allow it.

This innovation is purely a customer benefit, Sareen said. “They procure it, they buy it and they put it on the shipment. They just have to declare to Air Canada what device is on that particular shipment.”

Purolator’s Persad pointed out that this comes right back to Jones’s point about collecting data so it can be put to immediate use. “The customer wants to own the information to make the decisions,” he said.

Joe Tersigni jumped in with examples of his company’s customer-focused innovation. In this case it was all about customizing solutions and essentially integrating operations with a food manufacturer so Robert was supplying ingredients and packaging materials on a just-in-time basis to the manufacturing line.

“At the end of the day, it’s got to be cost-effective for the customer,” he said. “It certainly has to be cost-effective and lean for us too. You’re providing a solution to some of the pain points that they’re having, but it has to make sense.”

Persad looked at it from the perspective of the end



**“Be realistic in how much you can change and how fast you can change.”**

—Ameet Sareen

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**“Listen to the customers. It’s so important that we really engage with the customers to find out what is going on in their world.”**

—Joe Tersigni

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customer. E-commerce, led by Amazon, has driven many changes into the home delivery business.

Vendor-managed inventory, for example, has gone so far that the online customer makes an order and when it shows up three days later, they don’t know that it just landed in Vancouver the day before.

The online retailers are “no longer keeping inventory or starting to keep inventory in large facilities, in blocks and then shipping out, or they’re keeping it at the manufacturer and then pulling it in just in time to bring it into the country.”

Another area of change Persad pointed out is in distribution networks. Because of just-in-time, replenishment and returns demands many companies are using just 20,000 square feet in an 85,000 or 100,000 square foot facility they’ve contracted for five-years.

“They don’t know what to do,” he said. “So they’re looking at the option of sharing through a 3PL, a multi-client warehouse, versus their own warehouse or owning the facility.”

### Eco-friendly innovation

Not all innovation comes out of customer demand or efforts to improve customer service. Some of it is purely focused on the bottom line, and ends up reaping other benefits, including better service, better rates and environmental responsibility.

Technologies that benefit the environment through the reduction of CO<sub>2</sub> emissions are an important part of business at Robert, Tersigni said. Trailer side skirts are one such development that the company takes credit for. They cut drag, thus saving fuel and reduc-

ing carbon emissions.

The company has also adopted liquid natural gas (LNG) fuel, developing a partnership with a gas company for refueling stations. It also runs single-wide tires, and double trailer combos (LCVs) where permitted.

All these translate into savings for Robert and savings for the customer, Tersigni said, and allow Robert to be a leader in sustainable transportation.

This demand does still come from customers, Persad noted.

“No matter where it’s going, they’re looking to consolidate the orders,” he said. Previously the solutions were, ‘Build a solution based on my customer,’ whether it’s a B2B or a B2C, ‘And then tell me how to get it there.’ That’s changing from a sustainability perspective to, ‘I want you to consolidate my orders and get them to the closest point that you possibly can to my end customer, and then create a final mile distribution model for that solution.’ Which is a cost-savings, green, everything that comes along with that and speed as well.”

### Automation and labour

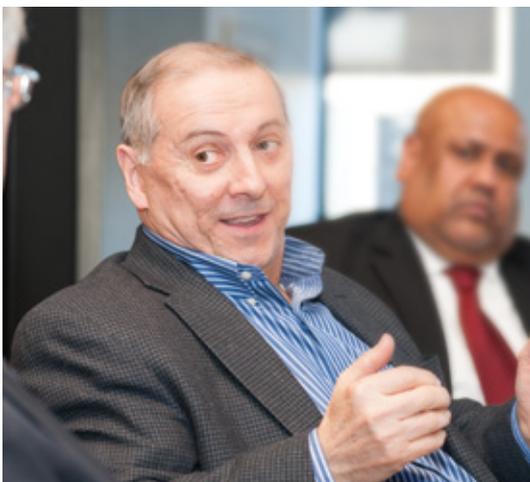
John Panunto talked about the imperatives of high volumes, particularly with e-commerce operations, and how they will force companies to automate processes that were previously done manually.

“With e-commerce, the little guys are doing things by hand. And before you know it, they went from 200 one year, they’re up to 2,000 the year after and they’d like to scale their business.

“In order to get to the next levels of 20,000 orders a day you really have to automate because all those pack stations that you have in place today; it’s got to change.”

With all the steps it takes to get products from the racks to the trucks, doing it manually will just cause errors and the costs add up.

“Each box could cost you a minute and a half to



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**“Keep your eye on cost and reduce the steps that it takes to help your customer.”**

—John Panunto

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**“It’s about data. It’s evaluating what the issue is, what the volumes are, what the time frames are and what’s the best solution to deliver for that particular need. Don’t try to cookie cutter solutions.”**

— Jim Jones

process and when you add that up over 2,000 orders a day or when that gets to 20,000 orders a day, the numbers are staggering in terms of the

cost to the end user,” Panunto said. “So, as a 3PL company, if you’re going to grow and really offer services you have to automate that whole line.”

Jim Jones agreed. “Labour is an issue for several reasons. First of all, there’s a limit on how much labour is available in many of the markets. Second is the cost because there’s going to be pressure on wage rates over the next couple of years. And third is volatility in demand.

“We have customers where a large portion of their demand comes within a very short timeframe which means you have to be able to respond to huge fluctuations of volume both seasonally and day-to-day. You can’t do that with an untrained labour force every day.

“So how do you do that? You start to look at capital investments in automation where it makes sense. You look at simplifying the work.”

Another side to that picture is the technology investments that need to be made in order to automate.

“There are conveyors for some circumstances, AGVs where a piece of equipment’s doing all the work. And then Amazon thought that the Kiva idea, where they’re delivering pallet to a pick location, was so important they bought the company,” he said.

“Now, there are other companies starting to do that, but that’s the type of innovation that makes sense because it’s relatively low capital investment; it has a very short payback.

“In our instance where we’re a 3PL operating in three- to five-year contract periods, we can’t make massive capital investments that take years to pay back. So we have to look at practical solutions within a short timeframe.”

### The big picture

Jones shared his perspective on some of the larger trends that are driving innovation. He talked about global network design, where in the last 30 years production followed technology, investment and low labour cost, primarily to Asia, but now it’s shifting again to Southeast Asia and back to Central America.

With globalized supply chains there’s greater potential for natural and man-made disasters to disrupt business. Earthquakes, conflict, atmospheric events and labour problems are the kinds of disruptions that are forcing businesses to re-think distribution networks.

### Turning on a dime

Ultimately the panelists agreed that innovation is about the ability to adapt successfully to the pressures being created by changing conditions. The growing sophistication of IT and the ever-increasing flow of information, e-commerce, the need to control costs and pay attention to customer preferences; all these shape the business environment for third-party logistics.

And they make it a volatile place to be. But with the right attitude, culture and tools, innovation is the differentiator that lets businesses thrive. **MM&D**

**“We’ve had no choice in our world, we’ve had to change. In order to compete and keep up you have to be flexible.”**

—Ryan Persad



Read the extended version online:  
[www.mmdonline.com/features/adding-value](http://www.mmdonline.com/features/adding-value),  
with an extra section on reverse logistics innovation