THE LOGISTICS POINT

YEAR 5| ISSUE 01 | JANUARY 2024

EXCLUSIVE VIDEO CONTENT INSIDE

2024: GEN AI, SLOWER ESG INVESTMENT & LABOUR TROUBLES

What does the new year hide for the industry and what should we be excited and worried about?

THE COSTS OF SOCIAL RESPONSIBILITY

THE IMPORTANCE OF SOFT SKILLS

CYBER SECURITY IN LOGISTICS STEPS UP

2024

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EDITOR'S NOTE

Happy New Year!

I would like to start this year by wishing all of you a wonderful 2024 full of excitement and prosperity.

I would also like to thank all our readers, followers and members, who have been part of The Logistics Point story for the last five years. We started as a website dedicated to logistics news and have grown into a platform where logistics, retail and supply chain professionals share invaluable insights. Thank you!

What does 2024 have for us?
In this edition we focus on some of the predictions and expectations for this year. We explore how the industry is adapting and what we all need to look out for.

One of the key topics is cyber security as the industry tries to get ontop of the mountain pressures of the digital world.

You can find what more is in store this year in the edition.

Memberships & Events
Finally, I would like to invite you to our two events this year. We are hosting a networking event on ESG in May. You can register here now!

Another one is coming later in the year on last mile & urban logistics.

You can also become a network member and enjoy our events with your colleagues and clients.

We hope you enjoy this read!
Happy New Year!

Nick Bozhilov
Editor in Chief
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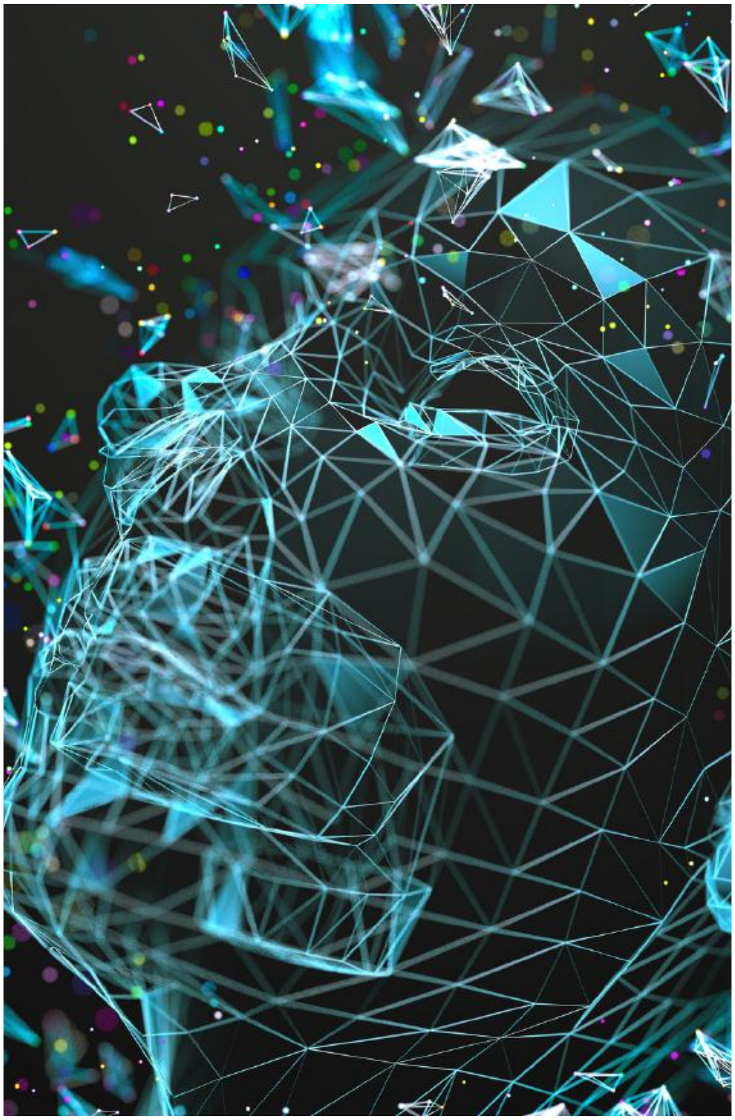
IN THIS EDITION

IN THIS EDITION



2024: THE YEAR OF GENERATIVE AI, SLOWER ESG INVESTMENT & MORE LABOUR TROUBLES

Exiting the pandemic, 2023 ushered in a transformative period for retailers and their supply chain operations. In 2024, amidst slow economic growth and rising operational costs, retailers are navigating a landscape where customer influence is more pronounced, demanding both enhanced productivity and innovative transport operations. Here's a glimpse into the trends shaping retailers' logistics and transportation success in 2024.

In H1 of 2024, global growth will continue to be sluggish, with signs of recovery in H2. However, this doesn't mean the logistics transportation industry should expect 'more of the same'. Societal and geopolitical upheavals – not to mention new technologies like generative AI – mean the sector is in constant flux,' states Nikolay Pargov, Chief Revenue Officer at Transporeon.

Collaboration is the answer

Supply chain collaboration emerges as a pivotal focus for 2024, aiming to improve communication and foster partnerships between suppliers and distributors across the UK and Europe.

Lucie Hyde, Managing Director at LNH Transport says that this collaboration will help fulfil customer needs which is a vital part of logistics, as there continues to be an increased demand in services like last-mile delivery and dedicated services.

Generative AI

Generative AI emerges as a key highlight for the year, with companies translating AI excitement into actionable strategies.

Initial AI use cases will likely involve automating internal processes and/or using past data to make future predictions. Autonomous procurement tools – which use AI, ML and applied behavioural science to drive efficiency, develop shipper and carrier profiles, calculate price predictions and make offers – are just one example.

“

Brace for remarkable growth in the adoption of Generative AI and, notably, Conversational AI solutions within the supply chain sector. The capability to engage in a dialogue with a connected 'business network,' linking all your systems and external trading partners, will deliver immense value to companies across the board.

'The transformative potential of IoT (Internet of Things) track and trace devices in the logistics sector over the coming five years is both exhilarating and promising. The evolution of IoT technology, especially in terms of its flexibility, weight, and longevity, is set to redefine how we manage, monitor, and optimise supply chains, tells us Sam Colley, CEO of Pod Group.

In the coming year, brace for remarkable growth in the adoption of Generative AI and, notably, Conversational AI solutions within the supply chain sector. The capability to engage in a dialogue with a connected 'business network,' linking all your systems and external trading partners, will deliver immense value to companies across the board.

This evolution promises to expedite supplier onboarding, streamline logistics flows, enhance inventory management, and quicken payments between parties. Get ready for a transformation in user interaction with business networks thanks to Conversational AI.

Sustainability & ESG

The industry is gearing up to adapt to new ESG mandates, leveraging business networks to exchange ESG and SCOPE 3 information and comply with evolving regulations.

In the upcoming year, there could be a shift away from costly 'sustainable hardware' ventures, such as electric trucks, towards a more cost-effective 'software-centric' strategy. This approach aims to minimize carbon emissions by boosting efficiency.

Through smart software applications, companies can trim unnecessary wait times, decrease empty mileage, devise more streamlined routes, and coach drivers in adopting sustainable driving methods. It's a move towards eco-friendliness through smarter, software-driven solutions

With the introduction of new ESG mandates worldwide, companies are being forced to make significant changes to their supply chain operations. Business networks allow companies to not only exchange information digitally, but they can also derive powerful insights to help optimize up and downstream processes and comply with regional compliance mandates.

From adhering to the Dodd Frank Conflict Minerals law in the US to ensuring that all companies in Germany embrace the 'Act on Due Diligence in Supply Chains', ethical and sustainable sourcing will become a required business practice moving forwards.

'Business networks will become central to the exchange of ESG and SCOPE 3 information, and we will likely see new EDI transactions emerge or existing transactions updated to include information about ESG and SCOPE 3 reporting,' says Mark Morley, Senior Director, Product Marketing at OpenText.

Stormy seas for maritime

In 2024, geopolitics and natural disasters will also shape the fate of ocean. The Panama Canal drought and missile strikes by Houthi rebels in the Suez Canal – which are forcing vessels to reroute via Cape Horn – are just two examples of disruption lengthening transit times.

'From a regulatory perspective, the European Commission's decision not to extend the legal framework exempting liner shipping consortia from antitrust rules will intensify upheaval as carriers adapt to a new environment,' outlines Nikolay Pargov at Transporeon.

LABOUR SHORTAGES

Comment by Chris Jones, EVP, Descartes Systems Group.
More on page 14

Finding labour and the quality of the candidates will remain a challenge for retailers in 2024. There is a general lack of people available across all industries and workers will continue to move across industries to find the highest pay or most favourable working conditions. These factors continue to restrain logistics and transport managers from readily filling existing resource gaps or building the operation for growth. ‘Retail logistics and transport operations will therefore need to prioritise retention strategies and leverage automation to ensure sustained efficiency.

2024

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Lastly, the EU's Emission Trading Scheme will take effect in January 2024, affecting all inbound, outbound, and transshipment vessel movements. Among other measures, it will tax inbound and outbound transshipments at 100% if the ports are within 300 miles of their origin or destination. This will encourage shipping carriers to choose transshipment ports outside the 300-mile zone.

New approach

In the fast-evolving landscape of retail, the traditional approaches influencing logistics and transportation costs are facing a shake-up. With profit margins in the spotlight, logistics leaders must innovate in 2024. Strategic modelling tools will play a key role in identifying tweaks within the supply chain network, sourcing strategies, transport modes, and service policies that promise substantial cost savings.

To navigate the pressure of cost reduction and heightened customer expectations, retailers are eyeing fresh logistics-driven business models and digital customer engagement. For instance, distribution sectors are transitioning from rigid delivery cycles for different customer segments to hybrid routes.

These new approaches combine fixed deliveries for priority customers with more adaptable routes for other segments, ensuring a balance between efficiency and customer service. Adaptability is key in the pursuit of both cost-efficiency and customer satisfaction.

> *Through smart software applications, companies can trim unnecessary wait times, decrease empty mileage, devise more streamlined routes, and coach drivers in adopting sustainable driving methods. It's a move towards eco-friendliness through smarter, software-driven solutions*

‘The result is much more cost-efficient delivery operations and more agile and responsive service for customers - a model that could readily be replicated across retail,’ says Chris Jones from Descartes.

Geopolitics

‘I do think there’s something to be said about national security playing a role in supply chains in 2024. Similar to how some government bodies have banned TikTok from employee’s devices—for fear of the Chinese government being able to exert pressure on the app’s owner to gain access to sensitive data of Americans—certain items manufactured in China are coming into question,’ says Jag Lamba, CEO and founder of Certa.

In India and other countries, we’ve seen Chinese manufactured goods banned from being used in telecom infrastructure due to the breadth and sophistication of espionage activity there.

It’s not unreasonable to think there might be similar restrictions on what we’re able to use within the supply chain technology stack as well as the items we can bring to America.

You can find more predictions for 2024 by the experts in our network on our website being published throughout January.

Some of the topics they cover:

- Regulations, national security & TikTok: More logistics trends for 2024;
- Volume increase in 2024 but High Street brands could still run out of steam;
- ESG, AI & Digital Product Passport: What to expect in 2024;
- From AI to labour constraints: Five transportation industry trends to watch in 2024;

FOUR LOGISTICS AND TRANSPORT TRENDS THAT WILL SHAPE RETAIL SUCCESS IN 2024

Exiting the pandemic, 2023 was a transitional period for retailers and their supply chain operations. For some organisations, the return to 2019 logistics levels was a welcome relief, while others saw the contraction as a challenge to revenue and profit margins. Chris Jones – EVP, Descartes Systems Group, takes a look into what awaits in 2024.

In 2024, with slow economic growth and operational costs rising, retailers must navigate a landscape where customers wield increased influence, requiring both more productive and innovative transport operations. Here are the four trends that will shape retailers' logistics and transportation success in 2024.

Continuing labour shortage

Finding labour and the quality of the candidates will remain a challenge for retailers in 2024. There is a general lack of people available across all industries and workers will continue to move across industries to find the highest pay or most favourable working conditions. These factors continue to restrain logistics and transport managers from readily filling existing resource gaps or building the operation for growth.

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Retail logistics and transport operations will therefore need to prioritise retention strategies and leverage automation to ensure sustained efficiency.

Cost, Cost, Cost

Rising labour costs, fuel costs and capital costs will continue to be a significant concern for retailers in 2024, compelling logistics and transport leaders to prioritise cost reduction efforts.

In retail enterprises where there are low expectations of revenue growth to offset cost increases, there will be great pressure for large-scale cost cutting.

Traditional operating models and policies that impact logistics and transport costs within the retail sector will be challenged as the C-suite fights to maintain profit margins. Therefore, logistics and transport leaders need to get very creative in 2024 and turn to strategic modelling tools to identify changes in the supply chain network, sourcing strategies, transport modes used, and service policies that deliver the biggest cost reduction opportunities.

Retailers' logistics and transport leaders need to ensure that their delivery processes and systems can accurately and cost-effectively book tighter time windows, help keep drivers on track to meet their delivery promises and electronically engage the customer throughout the delivery lifecycle. Leaders using third parties should expect the same capabilities and ability to integrate booking and tracking data with internal customer facing systems.

New business models

As a result of the pressure to reduce costs and meet greater customer expectations, retailers should focus on exploiting new logistics-based business operating models and electronic customer engagement.

Industries such as distribution are moving from fixed delivery cycles for the "B" and "C" customers to hybrid routes that combine fixed deliveries for their "A" customers with dynamic deliveries for the B's and C's. The result is much more cost-efficient delivery operations and more agile and responsive service for customers - a model that could readily be replicated across retail.

The Logistics Point

DELIVERING GREEN

BREAKING DOWN ESG BARRIERS IN LOGISTICS

22ND MAY
CENTRAL LONDON

Eco-friendly delivery options will also impact retailer logistics and transport operations. Again, using a combination of new delivery models such as grouping orders for a single weekly delivery or using technology to identify the most sustainable delivery options in the buying process will not only give customers the ecological delivery options they will increasingly want in 2024, but reduce delivery costs.

Delivery strategies are rapidly advancing, and retail logistics and transport leaders need to look outwardly and beyond their own industry to the success others are having in deploying new delivery models. Equally important will be the 'thought leadership' that these leaders bring to the C-suite and customer owners to get their support for these new business models.

Retail logistics and transport leaders must view the key trends of 2024 as a pivotal opportunity to revolutionise their operations and elevate their strategic importance to the overall retail business.

As the pressure mounts for better financial performance and delivering superior customer experience, the role of logistics and transport operations in retail becomes more important. The ability of leaders to bring new strategies, thinking and operating models to the retail business will be the difference between a challenging 2024 and a highly successful one. ✷

You can learn more from Descartes Systems Group here!

VIDEO

THE SOLUTION TO THE $1.5 TRILLION SOCIAL COST OF CARBON AT THE HEART OF THE LOGISTICS SECTOR

The role of logistics in social responsibility is clearly crucial. The social cost of carbon is increasing and the focus is being put on logistics providers. We spoke to John Lash, Group Vice President Product Strategy at e2open, about the challenges and the opportunities this is bringing. You can watch the full video below.

John, what is the role of logistics companies when it comes to social responsibility and why has it become so important?

Social responsibility covers everything from forced labour through dealing with sanctioned parties and the environmental impact. For instance, emissions from logistics are roughly 15% of global emissions. That is around 8 gigatons of carbon dioxide, which is clearly a considerable amount.

The financial implications, which are measured by the Social Cost of Carbon and in the US it is marked at $190 per ton CO_2. This makes the SCC around $1.5 trillion dollars in social and economic costs every single year. And here we are focusing only on transportation.

Can we easily summarise how far the industry has gone on the path to being more responsible?

We are pretty early on the journey and a lot of companies have their Net Zero commitment targets. The challenge comes in how to meet them and what the different areas the organisation should focus on are. It will mean looking across the entire value change, where traditionally the focus was on what is happening within the specific company's operations.

You have got to extend upstream and downstream, which makes it a multi-enterprise problem. The first step will be measuring and reporting.

But just measuring is not good enough and you need to move to the second step, which is reducing these liabilities by integrating these capabilities within the day to day tools you use to run your business.

> The financial implications, which are measured by the Social Cost of Carbon and in the US it is marked at $190 per ton CO_2. This makes the SCC around $1.5 trillion dollars in social and economic costs every single year.

How to plan on executing something so complex and bringing all parties together?
The key is to encompass this within your day-to-day activities. It shouldn't be an afterthought. Think collaboratively and about creating shared value with your partners. I do not believe the right approach is to create a social responsibility product that only has ESG in its name – it needs to actually make an impact.

How can SMEs, which usually supply their services, do that? They might not have the finances, the know-how and the staff.
You do not need perfection right away. The important thing is to get started, in an area that's important to you and your clients.

For instance, if you look at emissions, you can do a life cycle assessment. This should not be your end goal but is a great figure to start with. You can then add granularity along the way.

And also look for examples. Groups like Patagonia are a shining star. But you do not need to be Patagonia to participate in this. Look at the kind of challenges for your specific sector and what others are doing, and gain inspiration from this.

You can watch the full video with John Lash, Group Vice President Product Strategy at e2open, and learn more about what you can take from leaders, regardless the size and capabilities of your company. ✷

2024 BRINGS A SHIFT TOWARDS SUPPLY CHAIN RESILIENCE

In the ever-evolving landscape of supply chain management, 2024 is poised to witness a rapid assimilation of cutting-edge technologies. Anticipate a significant surge in the utilisation of predictive analytics and machine learning algorithms, primed to revolutionise demand forecasting, streamline inventory management, and elevate overall supply chain efficiency. Joe Dunleavy, VP of Innovation at Endava, spoke to us about how technology will play a vital part this year.

Technological evolution is set to be further bolstered by the integration of hardware marvels like sensors and IoT, promising a reduction in costs and an unprecedented boost in operational agility—granting companies a definitive edge in the competitive market. 'Suppliers are expected to leverage these advancements to identify eco-friendly opportunities, curbing carbon footprints and championing environmental responsibility,' Joe explains.

The resilient supply chain

A visible shift towards prioritising resilience reflects a proactive stance in tackling challenges, ensuring that supply chain ecosystems not only weather disruptions but also flourish amid uncertainties. The future lies in building adaptable and thriving supply chains that can navigate and excel amidst unforeseen circumstances.

Robotics to the front

While warehouse robots have been a fixture for years, their evolution continues, unveiling new forms of robotics and automation annually. ‘The trajectory appears unchanged, with the warehouse robotics market poised for a substantial 16.13% growth, driven by increased investments and expanded capabilities in warehouses,’ Joe continues.

One standout expectation is the widespread adoption of Automated Storage and Retrieval Systems (AS & AR) in the upcoming year. The projected prevalence of AS & AR systems in 2024 signifies a marked leap toward automation, streamlining warehouse operations and curtailing manual interventions in workflows.

This anticipated evolution highlights the persistent quest for enhanced efficiency and precision in warehouse management.

Along the last mile

In 2024, an upsurge in the integration of autonomous vehicles and drones is poised to redefine the delivery landscape. Industry pioneers like Manna Drone and Wing serve as prime examples, showcasing the potential advancements. 'Customers increasingly demand both free and swifter deliveries. However, the last mile—accounting for up to 53% of total shipping costs—poses as the most expensive and time-intensive segment in the supply chain,' Joe explains. ✷

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THE ZERO TOLERANCE CONSUMERS TAKE OVER 2024 E-COM

As we look ahead to 2024 of continued rapid evolution of the ecommerce and retail landscape it's key to reflect on the lessons learned from 2023 from delivering a dynamic, cost-effective service to meeting the changing consumers needs and anticipating the changes and challenges that lie ahead. Will Lovatt, General Manager and Vice President, Deposco Europe takes a look at the consumer of this year.

We introduce you to the 'zero consumer' who is characterised to have zero interest in mid-range products or services but rather scrimps and saves where possible to splurge elsewhere. 'They have zero loyalty to brands and tend to go where they offer the best price or have the specific product that they desire,' explains Will.

The need for highly collaborative and personalised consumer engagement will be paramount in the coming year to optimise efficiency and maintain profitability. Businesses must be attuned to consumer preferences, offering tailored experiences and flexible purchasing options, such as varied delivery and click-and-collect choices.

To enable this, businesses will rely upon technology such as omnichannel platforms to make their carefully ranged product available at the time and place of the consumers need and want, utilising technology to then fulfil the order and ship to them at an affordable price.

Even more e-com

The growth trajectory of ecommerce will surpass its previous peak during the COVID-19 pandemic. Forecasts show that ecommerce sales will make up close to a quarter of total global retail sales by 2027. As a result, retail and ecommerce sectors will undergo transformative changes, necessitating a strong focus on agility to thrive, those who fail to plan or decide on a strategic approach may struggle. Workforce issues will remain a priority, highlighting the need for technology deployment, efficiency improvements, and a steady influx of skilled talent.

In the U.S., the focus will be on fulfilling the promise of omnichannel retailing, capturing sales opportunistically, and minimising cart abandonment across domains.

Brand loyalty

As we progress into 2024, the challenge of sustaining brand loyalty will increasingly include 'social shopping's' combination of online culture and e-commerce, necessitating the adoption of innovative marketing and delivery strategies aimed at capturing and retaining consumer attention in a saturated digital landscape.
Businesses will need to adapt and experiment with fresh approaches to connect with their audience. Social media platforms such as TikTok and Instagram hold the power to be seen as the modern era shopping channel.

However, for these endeavours to be fruitful, innovations must be authentically tailored to the needs and preferences of customers, rather than being imitations of competitor strategies. A case in point is the experience of a retailer in the US rapidly adopting a BOPIS (Buy Online, Pick-up In Store) model featuring automated lockers, only to quickly move back to a kerbside pickup service when that was not successful. A cautionary example of inauthentic and misaligned innovation leading to consumer disconnect.

The landscape of retail and ecommerce is currently in the midst of a significant transformation, steering away from the established models that were prevalent before the pandemic and moving towards adopting strategies that are centred around the consumer.

This shift necessitates a reimagining of traditional business practices and the adoption of innovative solutions that are tailored to meet the evolving needs of the consumer. ✷

MANUFACTURING CYBER SECURITY AND WHY LOGISTICS SHOULD CARE

In an era defined by technological advancement and interconnected systems, the manufacturing industry is embracing digital transformation to fuel unprecedented efficiency and productivity. However, this evolution is accompanied by profound and growing cybersecurity challenges. Kory Daniels, CISO at Trustwave shared with us how the sector is fighting the challenge.

'The sector's extensive repositories of intellectual property (IP) and supply chain data make it an attractive target for access and data brokers, who seek to capitalise on ransoming this valuable information,' says Kory.

A recent report from Trustwave shows there is a substantial surge in ransomware attacks, capable of singularly disabling an organisation's production facilities. This downtime translates to substantial financial losses, often reaching thousands of pounds per minute. Additionally, the industry faces threats such as intellectual property theft and damage to equipment. Consequently, this impact sets off a cascading effect, leading to the idle workforce of the targeted organisation and adversely affecting downstream customers.

Threat actors frequently impersonate trusted third-party brands like shipping companies to trick targets into clicking malicious links or attachments. For example, DHL was cited as the second most impersonated brand, comprising 13% of phishing attacks on the industry.

Logistics should care because...

'Threat actors frequently impersonate trusted third-party brands like shipping companies to trick targets into clicking malicious links or attachments. For example, DHL was cited as the second most impersonated brand, comprising 13% of phishing attacks on the industry,' Kory continues.

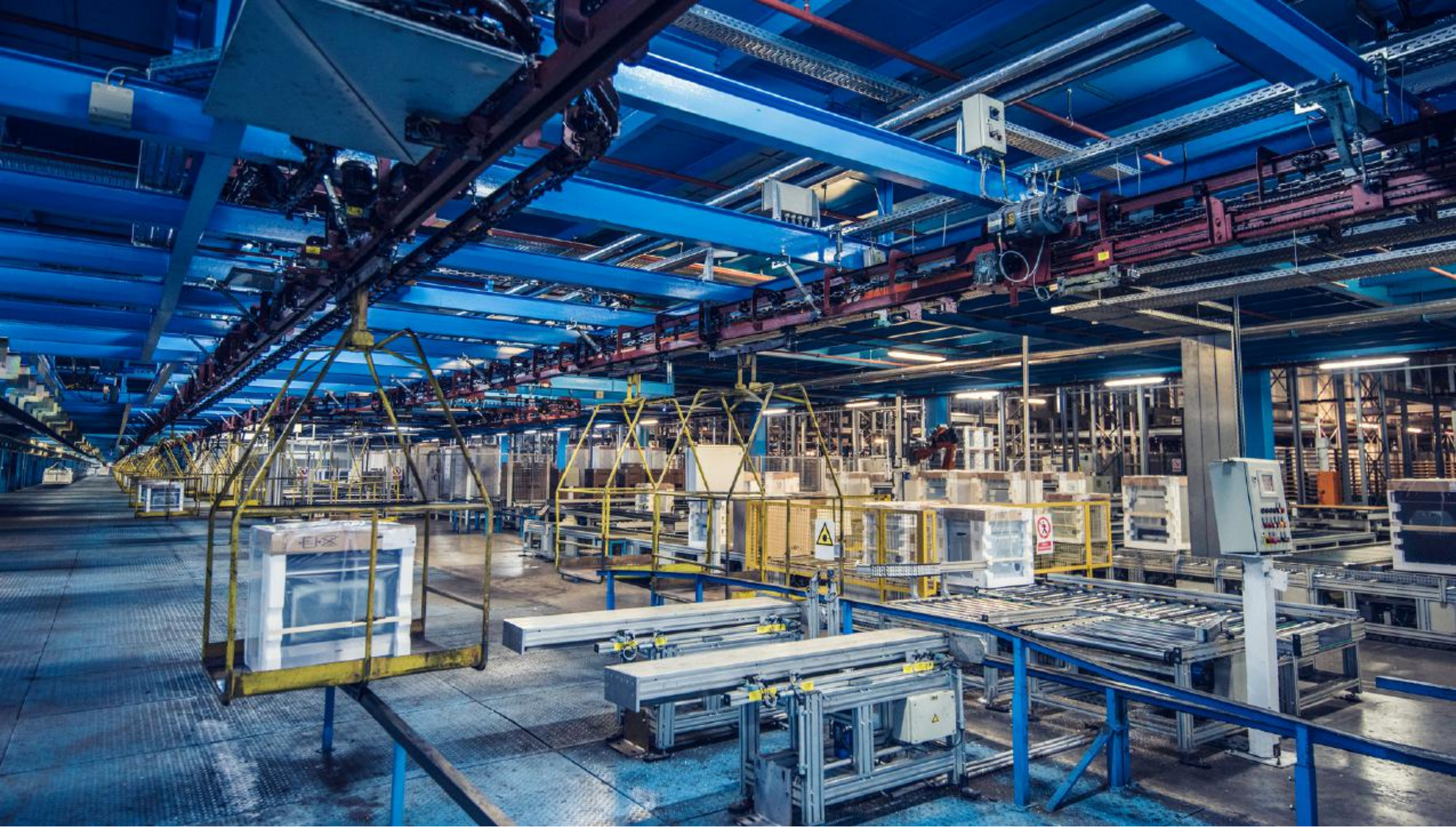
As logistics operators make up part of a company's supply chain, it's vital that they follow strict cybersecurity protocols and have effective policies in place. Threat actors tend to go for the weakest link, so if they're able to breach an organisation somewhere along a company's supply chain, they're likely to get access to their primary target and carry out a wider supply chain attack.

Preventing & protecting

Cyber threats targeting manufacturers are multifaceted, spanning from phishing emails to supply chain compromises to OT system attacks. With such a broad spectrum of risks, companies cannot rely on one silver-bullet to fix the problem. Training employees on cyber risks through regular mock phishing tests and security awareness programs is crucial because people tend to be the component attackers exploit the most.

In addition to the above, companies should also monitor for threats proactively. This involves monitoring the Dark Web on a regular basis for potential compromises as well as running continuous threat hunting through their environments for otherwise undetected dangers.

Finally, formalising and regularly testing an incident response policy for the scenarios most likely to target a manufacturing company is vital. These tests should undoubtedly be kept up to date and regularly performed to ensure they're still valid. ✷



IS 2024 THE START OF THE END OF CENTRALISED MANUFACTURING?

More companies are diving into the world of additive manufacturing (AM), integrating it into their factory operations alongside traditional processes. This move enables immediate and cost-effective manufacturing on-demand, revolutionising production methods. Gesa Schneide, Markforged's Central European manager, shares insights into the evolving landscape of AM and what's on the horizon for the manufacturing sector.

On-shore production and localised manufacturing practices are offering businesses greater flexibility, responsiveness, and resilience," explains Gesa. This trend is expected to continue in the coming year, ushering in more dynamic manufacturing practices.

Additive technology is getting smarter with connected AM platforms, allowing machines to learn and adapt from each build. Advances in AI are addressing hardware issues with software solutions, opening new opportunities and challenges for AM.

Looking forward, we anticipate further integration of data-driven technologies such as sensors, analytics, and AI to boost the quality, reliability, and efficiency of AM processes and products. These data-empowered, Smart AM platforms act as a safety net against supply chain challenges and enhance part design for optimal performance and returns.

Challenges on the Horizon

Two key challenges impacting AM's development are regulatory issues and tighter budgets. While standards bodies like ASTM have made strides in developing global AM-specific standards, clear guidelines, certifications, and quality assurance are still evolving. This poses risks and barriers to broad AM adoption, especially in industries like aerospace.

The new year may bring restricted budgets across industries, elevating the need for technologies to demonstrate return on investment (ROI). Highlighting benefits at the executive level and showcasing successes through proof of concept wins and case studies will help advance adoption rates.

Sustainability and ESG Focus

“AM's role in local and on-demand manufacturing has potential to reduce both monetary and environmental costs,” Gesa notes. However, there's more ground to cover.

The industry is exploring avenues to address sustainability concerns, contemplating the reuse of plastics from 3D printing processes, recycling production waste, and developing robust filament from recycled materials. ✷

UNDERSTANDING THE NEED FOR STREAMLINED DATA DOES NOT EQUAL ACHIEVING IT

A holistic approach to data integration is crucial as extreme weather events and rapidly changing consumer behaviour make the ability to quickly adapt to changes can provide a significant competitive advantage. We spoke to Marc Boileau, Senior Vice President Sales & Network Operations at FourKites EMEA, about data integration and enhanced visibility.

Marc, what are the barriers and how can they be overcome?

Key are issues related to data standardisation, as disparate systems often use different formats and terminologies. Overcoming this requires the implementation of universal data standards or the use of middleware that can translate between formats.

Siloed teams are another significant barrier, where different departments might be reluctant to share information. This can be addressed through organisational change management, emphasising the benefits of collaboration and shared goals.

Talent gaps, particularly in data science, are also a challenge. Investing in training and development, or partnering with specialised vendors, can help bridge these gaps.

Quantifying the cost and time frame for supply chain integration is complex and varies widely among organisations. Factors like the current technological infrastructure, the scale of operations, and specific industry requirements play a significant role.

Lastly, concerns over external data sharing, particularly with regards to security and competitive sensitivity, need to be managed through robust data governance policies and transparent communication with partners.

Why do managers think their supply chain integration is not good enough? Is it because of suppliers, their internal operations or outside factors?

Many managers recognize the theoretical value of an integrated supply chain but struggle to actualize its full potential. This can stem from several sources, including suppliers who might be hesitant to share their data due to privacy concerns, siloed internal operations or implementing the wrong technologies in the wrong order.

External factors, such as regulatory changes or market volatility, can also impede integration efforts.

The challenge lies in creating an ecosystem where data flows seamlessly, both internally and with external partners, to empower frontline teams to make swift, informed decisions that prevent or mitigate disruptions

Can we put a price tag on such integration and a time frame: how much and how long does it take?
Quantifying the cost and time frame for supply chain integration is complex and varies widely among organisations. Factors like the current technological infrastructure, the scale of operations, and specific industry requirements play a significant role.

However, it's essential to understand that it's not about overhauling the entire system overnight. Strategic, phased integration can be more effective and less disruptive. Starting with key areas that will yield the most immediate benefits, such as integrating your TMS with real-time visibility for better route planning, can provide quick wins and build momentum.

The investment in integration should be viewed not just as a cost but as a long-term value driver, with potential benefits including improved efficiency, reduced costs, and enhanced decision-making capabilities. While it's challenging to generalise a timeframe and cost, businesses should focus on incremental improvements and scalability, allowing for ongoing adjustments and enhancements.✷

REASSESSING FLEET FUNDING POLICIES CAN SAVE COSTS & IMPROVE RELIABILITY

Vehicle financing is an essential part of how fleets operate and can bring overall value if done right. But many organisations struggle as they might lack the know-how and the time to properly research and understand what needs to be done. We spoke to Peter Golding, Managing Director, at FleetCheck, about the new tax relief on vehicles and how funding would need to change.

'The conversations we have show that managers are aware of what vehicle they would like and they might also be aware of the tax breaks,' begins Peter Golding, Managing Director, at FleetCheck.

This does not necessarily solve all the problems. However, Peter is more optimistic that the announcement from the last budget made the tax break for vehicles permanent and this will help more companies, if they rethink their fleet policy and funding procedures.

Light commercial vehicles can benefit from the permanency of the decision. Peter says that firstly companies would need to look at the replacement cycle of vehicles.

He believes the whole process will be relatively straightforward but would require a higher level of knowledge that some organisations might not possess. In those cases, seeking expert advice could not only lower their tax bills but also ensuring the correct vehicles are selected for replacement.

Older fleets

Due to the acute lack of supply companies are now operating vehicles that are a lot older. Whereas in the past they would update their fleets much sooner now they are more hesitant or just cannot find what they need. This means there are more costs associated with maintenance and long lead times. For Peter these problems showcase how important it is to fund the vehicle correctly.

'It is now very normal to operate vehicles that are well past the manufacturer's warranty, this will increase your SMR costs, Peter explains. Companies might still be tempted to change their vehicles every three years, for example, but in the current market this is not as easy as it used to be. By deciding to simply extend the current leases, you could lose out on the tax benefits as well as incurring higher maintenance costs. ✷

THE LEVELS TO LOOK AT

- **Replacement Cycles:** due to the unavailability of vehicles this could cause problems; reassessing what type of vehicles you operate and shifting them around will also help. Reassessing conversions and specifications will also be a key part of the process. Specialised vehicles should be operated over longer replacement cycles due to the increased level of investment in both conversions and specification.

- **Funding:** just because you have always funded your vehicles in a specific way, does not mean you should not make changes. Talk to your accountants, financial advisers and funders, to ensure you select the correct funding method that can benefit from the 100% tax write-off.

HOW SOFT MANAGERIAL SKILLS WILL DRIVE RETAIL & LOGISTICS IN 2024

The industry might be focusing on technology in 2024 and rightly so, but it should not disregard soft managerial skills too. Comments from Scott Whiffin, executive director at supply chain and logistics consultancy, SCALA about the future of logistics & retail in 2024.

Scott, What do you think will shape the sector in the next 5 years: tech, management strategies, economic events?

Automation and robotics have taken logistics by storm in recent years. In fact, our Robotics and Automation Report research with manufacturers, retailers, and 3PLs suggested that over a third (35%) have between £1m and £5m invested, while a significant 28% have over £5m invested in warehouse automation. The next half a decade will see this trend continue as new commercial models make automation more flexible to fund, more modular installations are made possible, and further innovation continues to help providers improve efficiency.

We're also likely to see e-commerce volumes continue to rise with the convenience of online shopping and the ease of access to technology. This will drive the need for automation to keep up with further demand. Forward-thinking providers who choose to invest in smart solutions and optimise their operations will be able to future-proof and remain competitive.

Meanwhile, despite the ever-increasing demand for last mile deliveries, the race to net zero ticks on and we can expect increasing pressure from government and the consumer to adopt greener fulfilment methods. This could involve transitioning to electric delivery fleets or utilising rail as an alternative method.

ross international supply chains in recent years. To reduce potential future risks posed by global turmoil, some businesses may well look to nearshore their manufacturing operations over the next five years - particularly in Eastern Europe.

Are supply chain leaders prepared both mentally and also operationally?

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Meanwhile, post-pandemic, manufacturers have developed dual sourcing strategies for key components to avoid bottlenecks in the production process. Leaders will likely need to continue deploying these skills as they face the challenges that the coming years may bring.

What do managers need to do to prepare their organisations and teams for any change?

As routes to market and fulfilment models become increasingly varied and complex, many businesses are looking to make the shift towards direct selling. As such, leaders will need to ensure that they have robust cost-to-serve models in place so

Significant changes such as this will also require effective communication between the supply chain and wider business. It will be the responsibility of managers to ensure this takes place, ensuring any potential issues are identified and resolved as swiftly as possible, limiting risk in turn.

Is there something most managers are not expecting or are underestimating?

The hot topic of 2023 was the opportunities – and potential risks - that innovations such as AI could pose for the industry.

However, as we move towards increasingly intelligent supply chains supported by new technologies, managers must not disregard the importance of the softer skills that industry talent brings.

For example, when it comes to advanced supply chain planning systems, managing relationships between sales and manufacturing teams will remain critical in securing consensus and getting the job done.

Meanwhile, the implementation of automation and robotics will require careful change management to avoid alienating colleagues and promote a better understanding of how technology can enhance their productivity. ✷

COMBATING A NEW ERA OF MARITIME SANCTIONS EVASION

In recent years, deceptive shipping practices (DSPs) like AIS spoofing and dark fleet activity have surged, especially with the implementation of Russia-related sanctions and price caps on Russian oil. This shift aims to skirt compliance programs and authorities, creating a shadow economy outside established laws. Although these DSPs pose challenges for sanctions compliance, understanding, detecting, and addressing them is feasible. Noyonika Bhaduri, CMO at Pole Star, delves into 'Deep Blue Intelligence' research.

The challenge: maritime sanction evasion

Sanctions targets require access to allied countries' markets, including commodities traders; financial institutions; flag registries; and ship charterers ("covered persons") – all of whom have compliance obligations, including those relating to the price cap on Russian oil.

The Office of Foreign Assets Control (OFAC) and other sanctions authorities have outlined an attestation process to document that Russian oil sales are within the Price Cap. However, this is not a mere record-keeping problem. The current price cap for oil leaves very little room for margin, meaning threat actors may attempt to falsify documentation, pass goods off as being of non-Russian origin,

or violate other sanctions outside the Price Cap - such as acting on behalf of a blocked party or attempting to export oil to an allied country.

The authorities have therefore warned covered persons to be aware of evasion attempts. For instance, in April, OFAC singled out P&I clubs, ship owners, flag registries, and commodities brokers to remain vigilant for DSPs as evidence of sanctions evasion.

In addition, the UK's National Crime Agency has warned the wider financial community that sanctions targets may use proxies and enablers to gain access to the financial system - access they would otherwise be denied. This advice is equally applicable to the maritime industry.

Illicit dark fleet activity

There are two primary methods emerging for sanctions evasion: the "dark fleet" and "AIS spoofing".

The dark fleet is a fleet of tankers owned and operated by persons outside of allied jurisdictions. These tankers – estimated to number around 600 vessels globally - are acquired for trading with Russia or other sanctioned countries. Owners will go to great lengths to disguise their stakes in these vessels.

That said, dark fleet vessels are not used exclusively for sanctioned trade – and not all vessels will therefore present the same level of risk. For instance, they may be shipping oil within the confines of the Price Cap. However, they do present an increased risk to covered persons. Covered persons should therefore proceed cautiously when dealing with a dark fleet vessel and conduct enhanced due diligence on the provenance of the cargo, the buyer and the seller.

Determining whether a vessel is part of the dark fleet is a subjective process. A number of criteria and factors must be considered before a ship can be categorised:

- **Ownership:** A vessel's owner may be tied directly to Russia, Iran, or Venezuela. Likewise, threat actors may attempt to obfuscate their interest by owning the vessel through shell or front companies, or by making rapid changes to a vessel's declared owners and operators.
- **Movement:** Dark fleet vessels may frequent Russian or sanctioned ports with deliveries to non-allied countries, and/or conduct ship-to-ship transfers in known high-risk zones, such as those used off the coast of Greece.
- **Deceptive Practices:** Consideration for vessels who engage in AIS spoofing or who opportunistically turn off their AIS transponder with the intent of avoiding sanctions.
- **Timing:** The timing of a vessel's ownership change may indicate an intent to evade sanctions. For instance, moving vessels to new owners directly after the Russian price cap was passed. Likewise, if a vessel makes its first voyage – or routinely makes the same voyages – to Russia or a sanctioned country, this may indicate the vessel was purchased for sanctioned trade.
- F**leet coordination:** Consideration of a vessel's changes in conjunction with other vessels owned or operated by the same person. If a fleet of vessels change their flag simultaneously or incorporate into a new high-risk jurisdiction, this may signal that the owner and operators intend to misuse the vessel.

Finally, covered persons should also be aware of the increase in pop-up P&I clubs, outside of the recognised International Group consortium. Thorough and intensified due diligence on the vessel's owner, operator, or charterer, as well as the source of the cargo, is recommended.

The rise of AIS Spoofing

Spoofing was once considered a minor part of maritime sanctions evasion, but in the past six months, the practice has surged ahead to become the predominant form of evasion – at least for vessels carrying high-value cargoes such as oil and petroleum products.

In the past, high-risk countries would simply prohibit the export of AIS data, and compliance officers denied access to AIS information. These gaps in AIS coverage were easy to spot. In reaction, there's been a major shift toward deceptive strategies, which is the provision of false AIS information. That is, inaccurate positional and navigation data is given, making a vessel appear where it is not.

This presents a far more difficult problem for the maritime community to tackle because threat actors have access to a broader range of spoofing techniques, and maritime intelligence firms will need to keep up with those tactics to counter them. OFAC recommends insurers, flag registries, and ship managers turn to "maritime intelligence services to improve detection of AIS manipulation".

False AIS data can be uploaded through a variety of means and can be targeted towards individual AIS ground stations and data providers, or through radio frequency broadcasts targeting satellites. Typically, an AIS position is broadcast from a vessel's transponder, which is then received by either a terrestrial ground station ("T-AIS") or an overhead satellite ("S-AIS"). This information is then transmitted digitally – such as through an API – to either an AIS aggregator or directly to a maritime intelligence provider.

A threat actor can insert its false data at any point in this chain. Yet, with the right security protocols or an automated ability, receiving sources can discriminate between valid and invalid transponders.

In general, spoofing can be categorised into four typologies, each having distinct signatures:

- **"Anchor spoofing"** simulates the vessel remaining in the same place for impractical amounts of time. The vessel may appear to be at anchor or may look like offshore storage. However, a review of the vessel's signal activity or use of human or imagery sources allows us to confirm that it is not the transmitted location.
- **"Circle spoofing"** describes a situation where the vessel moves in geometric circles at a set location. Circle spoofing is generally used closer to shores and ports over a few days to a week - which is enough time to visit a sanctioned port and return to the station.
- **"Slow roll spoofing"** is when the vessel pretends to be moving in a general direction of travel at very slow speeds. This movement will lack an economic purpose and/or be inconsistent with local traffic patterns.
- **"Pre-programmed route spoofing"** is the most realistic technique used. The vessel is programmed to travel along feasible routes. This requires either duplicating or sourcing past AIS data to successfully mimic the vessel's movements, or more careful planning is used to ensure that the route appears to have an economic purpose. This methodology is hardly infallible, but is difficult to identify based on a visual inspection of the underlying data. ✷

2024

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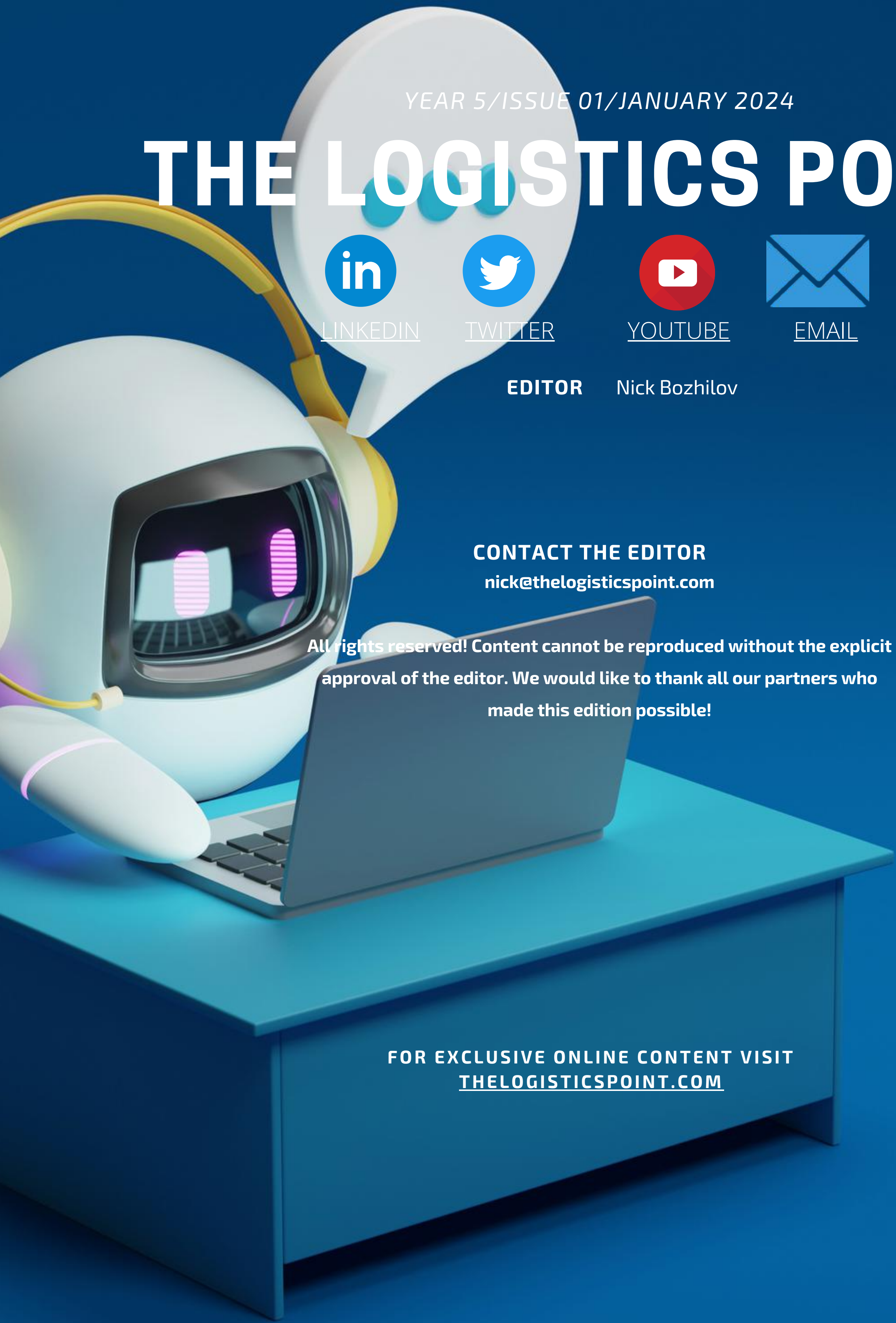

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