

WHITEPAPER

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# 7 LOGISTICS TRENDS THAT WILL RADICALLY CHANGE THE MANUFACTURING INDUSTRY IN 2020

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# Introduction



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*“Predictability and efficiency will no longer be the cornerstones of success in 2020. The winners of the new decade will invest in flexibility and the ultimate customer experience.”*

For years, manufacturers have been a link in a long supply chain. A mid-point where raw materials are transformed into usable products for resale by distributors and wholesalers. A linear and predictable process from input to output.

But is this linear model keeping pace with our modern economy? Increasing customer demands for delivery speed and precision, competition from new countries, and political tensions are making the supply chain more dynamic than ever. In addition, the emergence of both e-commerce platforms such as Amazon or Alibaba and direct-to-consumer channels is rapidly transforming manufacturers into direct-to-consumer suppliers.

These new developments impact logistics. Volume per shipment is decreasing, while the number of delivery locations is steadily increasing. Traditionally, trucks with full, identical pallets left the warehouse. Now, half pallets or small parcel shipments are the norm.

This requires manufacturers to radically transform their logistics. Predictability and efficiency will no longer be the cornerstones of success in 2020. The winners of the new decade will invest in flexibility and the ultimate customer experience.

**Ready to learn more? This white paper reveals the 7 logistics trends that will have a profound impact on the industry in 2020 and how you can optimally respond as a manufacturer.**

# 1. Digitization of sales processes calls for greater flexibility



*“Supply chain managers are increasingly moving away from standardization.”*

For some time, the term “digitization” has failed to describe the end-to-end transformation underway in manufacturers’ supply chains.

In the first wave of “digitization,” paper-based processes were replaced with ERP systems that featured smart tooling and user-friendly databases. These powerful but complex applications connected and streamlined organizational processes, syncing data from multiple functions and providing stakeholders with a “single source of truth.” This development marked a huge leap forward for manufacturers in terms of productivity.

## To sell means buying a brand!

Only recently have manufacturers begun to digitally transform sales. Traditional brochures, order forms, and emails are rapidly being replaced with B2B sales portals and e-commerce platforms. Today’s sales managers use laptops, tablets, and cell phones to record orders directly into systems.

At the same time, “direct-to-consumer” models are on the rise. Manufacturers of Consumer Packaged Goods in particular are exploring new sales channels and incorporating them into their mix alongside traditional retail and wholesale models. For example, customers can now visit a brand’s website and buy directly, often enjoying attractive discounts on bulk orders.

Increasing productivity and reducing costs are of lesser importance in this digital transformation. Rather, the primary goal is to increase brand value and the overall customer experience.

**13%**

13% of consumers already prefer to order directly from a brand rather than from a multi-brand retailer. A further 14% expect to do so more in the years ahead.

*Source: ABN AMRO Bank, 2019*

Market transparency has never been higher, which makes it increasingly difficult to compete on price or product. As a manufacturer, you have a major advantage here: your brand experience. Providing personalization and a variety of service level choices will differentiate your brand from the competition and foster brand loyalty. Logistics marketplaces such as Uber Freight and Alibaba's Cainiao Network respond to this need.

## Do ERP systems still hold their place in this model?

The crucial question is whether applications from the previous wave of digitization are still a good fit in this new landscape. At the heart of ERP systems is standardization: productivity is at a maximum when everyone is following the same processes. But today's customers don't appreciate standardization. They're demanding flexibility and exclusivity. As a result, supply chain managers are moving away from standardization and implementing a tech stack with multiple, flexible systems.

## 2. Omnichannel means omnipresent



### 5% to 10%

Stores are increasingly being used for fulfilling and shipping online orders. This process reduces the distance to customers, saving retailers 5% to 10% in shipping costs.

*Source: SAP Benchmarking*

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*“Business clients are also ‘ordinary’ consumers in the evening, used to the convenience of omnichannel.”*

Consumers search online and then buy a product in store. Others research products in physical stores and end their search with the best deal they can find online. And if the online order doesn't appeal when it arrives? The physical store is the logical place to return it.

For modern consumers, online and offline channels merge together seamlessly. Retailers have embraced this development on a massive scale, leading to omnichannel retail; customers can order products, have them delivered, and return them anywhere, anytime.

### Omnichannel requires more logistics channels

To deliver on the promise, successful omnichannel retailers now offer a huge range of delivery options, from ultra-fast same-day or even same-hour delivery to precise delivery windows in the evening or on the weekend. Order collection is gaining popularity, such as pick-up options in shops, supermarkets, or even unmanned lockers. Consequently, manufacturers wishing to take the direct-to-consumer step need excellent logistics to compete against omnichannel retailers.

### Drop shipping increases pressure

Even without a direct-to-consumer channel, the pressure to support more delivery options is growing. Manufacturers often act as drop shippers for sellers, forcing them to also deliver to consumers. Adding to the complexity, popular platforms such as Zalando and Amazon, and local platforms like Bol.com in the Netherlands require the use of specific transportation partners.



## Super premium services

The focus on service extends into B2B e-commerce. Business customers are also “ordinary” consumers in the evening. They’ve grown accustomed to the convenience of omnichannel, which leads them to have similar delivery and service expectations of their business suppliers.

Because delivery time has compressed and value-added shipments have grown for professional customers, we are witnessing the emergence of “super premium services.” Examples include supplying and installing spare parts, or delivering goods same-day, even internationally.

## Overview of all channels

Transparency is crucial in this complex omnichannel landscape. Manufacturers need visibility into all incoming order channels, including the logistics service provider data, and recipients expect to have both real time access to their shipment status as well as preemptive alerts when anything changes.

# 3. The rise of logistics marketplaces

## Will shipping costs continue to rise?

*Shipping costs for parcel shipments are under close scrutiny following a recent threat by the US to leave the Universal Postal Union (UPU). This cooperation between the national postal companies of 192 countries ensures the uniformity of shipping costs for international mail and parcel shipments. Critics maintain that companies cannot always cover their costs as a result of these price agreements. Ultimately the US agreed to stay in the Union, but it can start setting its own rates in the near future. Shipping costs (especially to and from the US) are expected to increase significantly following these developments.*

*Source: Logistics Management, 2019*

Manufacturers in both B2B and B2C supply chains traditionally engage in long-term agreements with a limited number of logistics partners. This strategy maximizes volume discount benefits and justifies the cost of complex technical integrations.

However, this philosophy is changing. Fueled by the demand for flexible deliveries, the relationship between manufacturers and their logistics partners is also becoming more dynamic. Fast changing market demands don't allow for long-term agreements with a select number of carriers. Instead, manufacturers need to remain nimble so they can leverage a lower price or a revolutionary delivery option when the opportunity presents itself.

## Better comparisons, smarter deliveries

Logistics marketplaces such as Uber Freight and Alibaba's Cainiao Network respond to this need. Independent platforms make it easy for shippers to compare carrier service levels, costs, and performance, as well as to quickly select the right partners. While these platforms have been well known in the world of freight and container transport for some time, they are now emerging in the parcel market as well.



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*These centralized marketplaces can provide visibility on the information, rates and services of different logistics providers, and enable solutions to be digitally tailored to meet the needs of each customer*

**DHL Logistics Trend Radar  
2018/2019**

## Creating a transparent logistics landscape

Shippers are welcoming this development with open arms. The services and cost structures of major parcel carriers involve a complex landscape of charges, conditions, and guidelines. As a result, comparing carriers and linking their systems to existing IT applications is a challenge for any logistics department.

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*Carrier compliance provides a key success factor for companies that have tapped into the international market. The process is a complex one that involves knowledge of import tariffs, packaging specifications, and customs rules and regulations. If these aspects of the shipping process are not handled properly, this could lead to incurring additional fees, major delays in deliveries or having the deliveries returned.*

**Gartner on the benefits of independent shipping platforms  
Market Guide for Multicarrier Parcel Management Solutions, 2017**

Logistics marketplaces take this challenge on themselves. By making shipping 'plug and play' for all carriers through their platform, shippers can quickly anticipate changing customer requirements. This creates a more transparent and competitive market that will ultimately benefit both shippers and customers. By combining their independent role in the logistics landscape with advanced business intelligence, the platforms also provide unique market benchmarks and insight into consumer demands, which is valuable input in any logistics strategy.

The big question is: to what extent will carriers go along with this trend? Logistics is about more than just shipping parcels at the lowest cost. It is just as much about identifying market trends and adapting to changing consumer demands. Leading carriers are therefore hesitant to enter in price comparisons via marketplaces, in order not to commoditize services. While the marketplaces are fantastic showcases for innovative new carriers, the benefits are harder to identify for leading carriers, meaning industry stakeholders will be keeping a close eye on this trend.

# 4. Sustainability is essential

**74%**

*Nearly three-quarters of millennials wish to adapt their purchasing behavior in order to reduce their impact on the environment. Among consumers as a whole, this figure is 48%.*

*Source: Nielsen, 2019*

**100,000**

*In September 2019, Amazon announced that it would purchase 100,000 electric vehicles from the start-up Rivian, in which it had previously invested \$700 million. The purchase is an important step in Amazon's ambition to achieve climate-neutral operations by 2040.*

*Source: TechCrunch, 2019*

Consumers are increasingly opting for brands with a sustainable business model, and they weigh multiple factors in their purchasing decisions - from the choice of raw materials to the factory locations or the recycling policy.

This awareness is permeating the entire supply chain. For manufacturers, being 'green' is more than just great PR: it has become an essential requirement in an era when product origin is more transparent than ever. This trend also requires a change on the part of manufacturers when it comes to logistics.

## Smaller packaging, cardboard instead of plastic

Green logistics starts with greener packaging. This situation depends on two factors: the material of the packaging itself and the amount of "air" in the shipment. Clear progress is evident in both areas. Plastic packaging and filling materials are increasingly being replaced with recyclable alternatives. Package sizes are also decreasing. In addition to weight, carriers these days are charging based on the size of consignments, making notorious examples of small packages in giant boxes increasingly rare.

## Slow logistics is greener

As well as the packaging itself, shipping mode and method have a major influence on carbon footprints. While rapid delivery may be increasingly important, as soon as the delivery involves planes or poorly filled vans, is the trend sustainable? Within the e-commerce landscape, the demand for slower logistics services with minimal environmental impact is growing. There are also a growing number of initiatives aiming to provide visibility into, and even compensate for, the CO2 impact of deliveries in advance - similar to long-standing practices in the aviation sector.

# 5. A return to re-shoring and near-shoring for faster fulfilment

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*“The prospect of 3D printing and robotics is changing our vision of efficient production.”*

It goes without saying that globalization can no longer be referred to as a trend. Our borders have been blurring for decades, and western organizations have moved parts of their operations or production to other countries, with Southeast Asia as the most popular off-shoring location.

Times are changing, however. Steadily, Asia’s lower wages are increasing, and consequently its desirability as an inexpensive alternative for manufacturing is waning. Furthermore, the prospect of 3D printing and robotics is altering our definition of “efficient production.”

## Shorter delivery times

As a result, we are now seeing a clear trend towards near-shoring or re-shoring of production sites. Eastern and Southern Europe have become popular locations for European organizations, and North American companies are once again opting for domestic production. The main advantage, of course, is that delivery times decrease considerably. As container ships turn into trucks, weeks turn into days.

**38%**

*In 2018, a record number of American companies returned home. A total of 1,379 companies relocated their production back to the US, an increase of 38% compared with the previous year. This increase is the largest one measured since figures were recorded.*

*Source: IndustryWeek, 2019*

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*“The companies closest to their end customers are tomorrow’s winners.”*

Manufacturers are actually following a trend that has long been visible in retail and e-commerce: the companies closest to their end customers are tomorrow’s winners. For example, Amazon has traded its mega-warehouse strategy for an approach that involves smaller, localized warehouses. The universal aim is to achieve the ultimate goal: near-instant delivery.

# 6. IoT – Internet of Transparency

*“Wireless sensors are paving the way for the ultimate in logistics transparency.”*

In the manufacturing industry, the Internet of Things is often mentioned in the same breath as predictive maintenance. Sensors are making machines ‘smart’, in turn enabling precise calculations regarding when the machines will need maintenance or replacement parts.

This process makes logistics more predictable than ever. If you can accurately predict which spare parts are needed and when, you can trigger timely manufacturing and shipping.

## \$20 per shipment

*The Swiss business Kizy Tracking SA is pioneering the real-time tracking of parcels by means of transmitters connected to the mobile network. While the technology and roaming costs are currently around \$20 per shipment, they are falling rapidly. This cost is offset by low investment expenses: the transmitters are significantly cheaper than RFID or Bluetooth.*

*Source: Parcel & Postal Technology International, 2019*

## Internet of Shipments

However, IoT applications go even further. Wireless sensors are paving the way for the ultimate in logistics transparency: enabling shippers to track shipments down to the parcel level. This technology is already becoming popular in container transport, allowing shipments to be traced in real time. As solution costs decrease, parcel transport will also benefit from the technology. Other applications include temperature tracking of refrigerated shipments or measuring the movement of fragile shipments.

# 7. Big Data analytics and logistics come together

*“The prospect of 3D printing and robotics is changing our vision of efficient production.”*

## 6 million dollars

Detecting patterns in Track & Trace data captured by IoT sensors can save organizations up to \$6 million annually, according to a Boston Consulting Group simulation. In the simulation, information was shared and analyzed in real time within a network of 30 nodes by means of machine learning.

Source: Boston Consultancy Group, 2019

*Technology International, 2019*

Partly due to the emergence of the IoT, manufacturers now have access to an unparalleled amount of data. This data contains the key to huge savings as well as insight into valuable patterns that help predict supply and demand.

When analyzing this Big Data, many manufacturers first look for opportunities to optimize “inside their walls.” In 2020, however, we will increasingly look beyond these walls.

## Big Data explains carrier performance

The shift from bulk shipments to parcels is providing a rapidly growing amount of logistics data, all of which contains valuable information, including the performance of logistics partners. For example, analyzing the intervals between shipment tracking statuses reveals whether carriers are meeting their service levels as contracted. This information significantly strengthens the shipper’s position during contract negotiations.

It is also possible to respond in real time to this information; for example, by proactively sending customers updates when a turnaround time is not met as promised. This way, shippers continue to control the customer experience, even if suppliers are underperforming.

Another application involves comparing logistics invoices with source data for delivered shipments. As carriers impose a separate surcharge for each exception or non-standard package, this analysis reveals a huge source of savings.

*“In 2020, Big Data analytics will increasingly gain predictive value in logistics.”*

## Predictive value

At present, Big Data analytics applications are either “retrospective” or “real-time” in nature. In 2020, however, Big Data analytics will increasingly gain predictive value in logistics. Most organizations have been using a data-driven strategy for several years, which has led them to collect solid data sets. With Big Data, patterns with a significant predictive value can now be detected in these data sets. For example, the average delivery time for a shipment between Vietnam and France last week is a good predictor of the delivery time for a shipment next week.

The ultimate goal in this area is Anticipatory Shipping, where goods are shipped before they have been ordered. Customer data is crucial here, since you can only avoid costly errors if you can accurately predict when customers will place an order and how long it takes for shipments to be delivered.

# Conclusion

Decades of relatively quiet global trade have helped manufacturers establish extremely efficient supply chains, and the combination of off-shore production and standardized processes has maximized the opportunities for cost savings in the chain.

## **How long will this situation continue?**

Turbulent international relations, trade wars, and climate change are shaking the foundations of these efficient but rigid supply chains. From factors such as Brexit to U.S. taxes on Chinese goods, it stands to reason the logistics models of the past cannot hold. And these trends only relate to supply.

Developments are even more radical on the demand side of the chain. Aided by the Internet's transparency and retailers' commitment to ensure a perfect customer experience, customers are more critical than ever - both about the price they pay and about the service they experience. This fact also holds true for logistics.

Delivery of goods has been an operational challenge for many years, and primarily judged on the basis of performance and costs. As a result, standardization has been the golden formula. In our new logistics era, however, the focus is shifting toward flexibility. Consequently, the role of supply chain managers in 2020 will become more strategic than ever; this is where the best opportunities to surpass the competition can be found. Never before has logistics had such an impact on the customer's decision to buy and order again.

Manufacturers wishing to remain successful in 2020 will embrace these opportunities. Modern supply chain managers are trading standardization for flexibility – in their systems, in their relationships with carriers, and in their service to customers.

**Do not fall behind: start making your supply chain more flexible today, so you can continue to grow worry-free over the next decade.**

**Contact Logistyx Technologies today.**

## CONTACT US FOR A FREE CONSULTATION

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## About Logistyx

Logistyx Technologies is the leader in transportation management for parcel shipping, providing a SaaS-based TMS solution with state-of-the-art business intelligence and an integrated global carrier network of more than 8,500 carrier services – empowering organizations to achieve on-time delivery in full while improving profits per shipment.