



Means
Business

Navigating the road to a digital future



Foreword

The freight and logistics industry is entering a new era.

High inflation and decreasing demand are putting increasing pressure on a sector that's already dealing with a shortfall of talent (**400,000 workers by 2026**), unpredictable geopolitical events, growing customer expectations and increased competition and regulation.

It's clear that if organisations want to stay ahead, they must make changes now. Increasing adaptability, efficiency and competitiveness, will help them to navigate this uncertainty and continue to deliver services for their customers in the long term.

Many organisations are turning to technology to help them meet both customer and employee expectations. In fact, **59% of logistics providers have accelerated the pace of their digital innovation** in response to business challenges over the last two years. But being successful isn't a given, as these challenges can threaten even the best laid plans.

In this whitepaper, we'll be looking at:

- 1 The current landscape and the challenges facing the freight and logistics industry.
- 2 The need for digital transformation to:
 - Increase business resilience and deliver exceptional customer experiences.
 - Deliver enhanced sustainability and employee wellbeing.
 - Strengthen security and reduce risk to performance and reputation.
- 3 The journey to digital freight and logistics.

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The current challenges facing freight and logistics

We're in an unprecedented period of uncertainty, with CEOs stating they're having to simultaneously deal with **10 or more challenges to their business.**

The freight and logistics industry has been heavily impacted by staff shortages, supply chain disruptions, increasing costs and growing customer pressure, including unpredictable demand and increased service and pricing expectations.

84% of 3PL logistics providers are either actively implementing or are researching their supply chain operations with new technology and/or automation to offset talent shortage.

Source: 3PL Study

The talent crisis

Driver and warehouse staff shortages have been an issue for logistics companies over the last few years. But office-based staff also pose a resourcing challenge, with a lack of talent threatening to not only disrupt the ability to deliver existing business, but also curtail future plans – especially when it comes to logistics operations and technology.

This competition for workers is also leading to an increase in labour costs. And in a market that's increasingly cost-conscious, this is a major challenge. By creating an organisation with great workplaces, modern ways of working and opportunities for digital progression, organisations can attract more highly skilled talent and keep them engaged for the long term.

But even with these positive changes, **29% of operators expect that resource shortages will be a permanent challenge** with the only way to supplement this labour gap being through automation and technology.



A third of businesses are making flexible working a priority.

Source: UK Logistics Confidence Index 2022 (Barclays)

Unpredictable demand and inflationary pressure

The industry has benefitted from an e-commerce boom and decreasing supply-side pressures. However, economic and geopolitical uncertainty is growing.

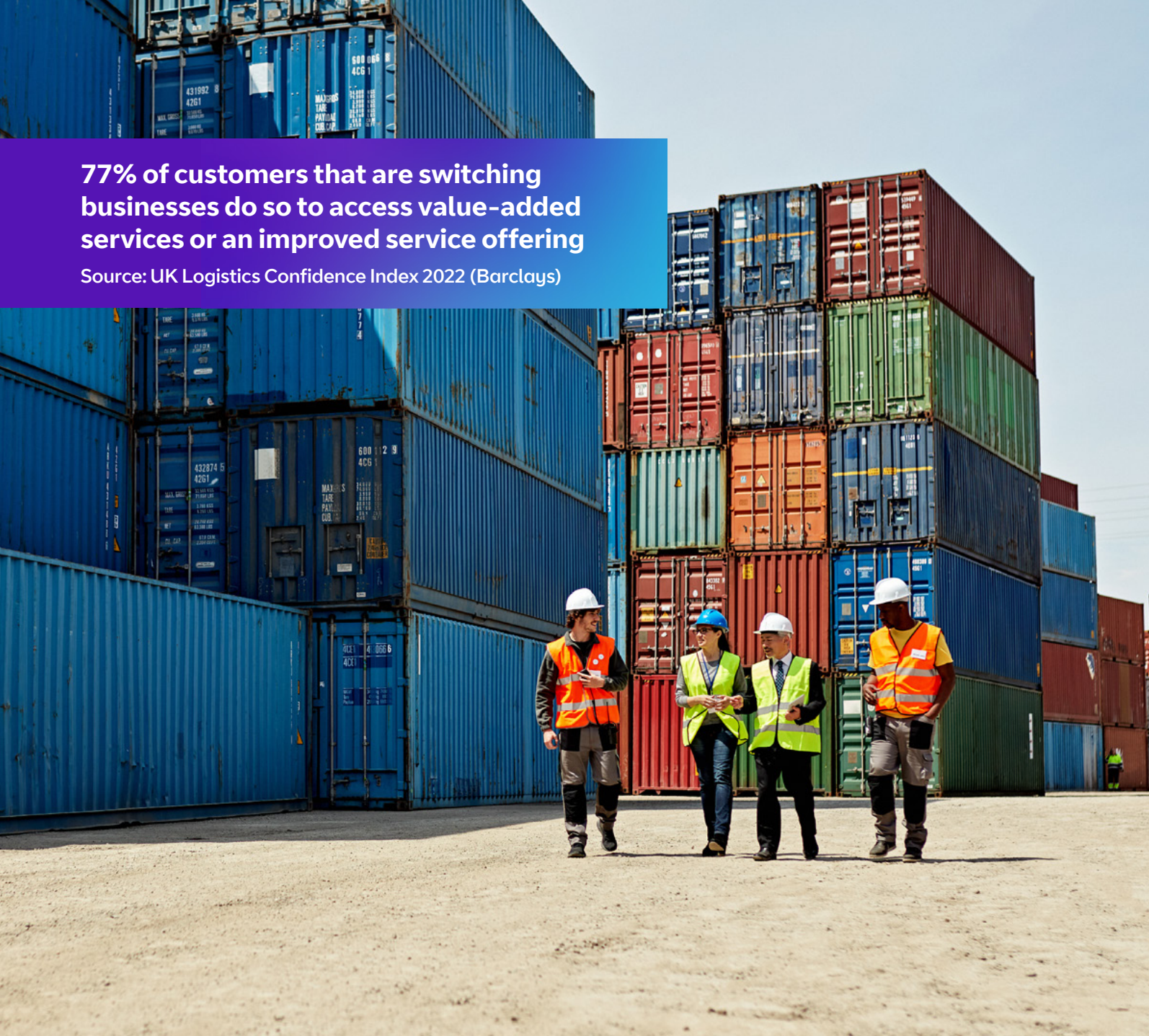
With increasingly challenging trading conditions, rising costs and a limited set of resources, organisations need to be more adaptable and efficient, able to react quickly to customer market changes, and to do more with less.

Successful organisations are beginning to overcome some of these issues by driving efficiency, scale and resiliency through service and asset consolidation, increased industry collaboration and partnerships and shortened, more localised supply chains.

52% of operators are making greater use of investment in technology to drive efficiencies, increase productivity and, to some extent, overcome challenges in labour markets.

Source: UK Logistics Confidence Index 2022 (Barclays)





77% of customers that are switching businesses do so to access value-added services or an improved service offering

Source: UK Logistics Confidence Index 2022 (Barclays)

Changing customer expectations

Customers expect simple, quick, tailored services that require new levels of transparency, accuracy and intelligence across their supply chains.

But their demands don't stop there. With end customers also needing to optimise and de-risk operations, they're asking their logistics suppliers for an expanded set of services and more end-to-end capability. From more advanced warehousing and fulfilment solutions to full-blown contract logistics.

Organisations are taking different approaches to meeting customer demands, either by developing the services themselves or through acquisitions and partnerships. But whichever route they choose, the speed in which they can get these services to their customers is likely to be the key to success.

43% of logistics companies strongly fear becoming a takeover target if they don't proactively invest in expanding their offerings portfolio

Source: Service expansion will determine logistics' leaders (Accenture)



Competing priorities

It can be hard to look at the long term when so much needs to be addressed right now. But with competition from Europe threatening the amount of UK business available, and changing regulations, especially around topics such as sustainability, organisations must balance priorities and consider longer-term solutions and investments, to ensure they're future-ready.

“Freight & Logistics is a competitive industry where margins are really tight. End customer expectations are high, so that demand is being pushed back onto the logistics companies to tackle.”

Ian Barlow-Taylor
Retail & Supply Chain Business Development,
Major Accounts, BT

Technological disruption

Advanced technologies such as cloud, automation, robotics, IoT and AI, are playing an increasingly important part in the industry and promise to help bring new levels of efficiency and innovation.

In fact, CEOs see technology as key to business resilience, with **52% of organisations relying on technology to underpin profit growth in the next 12 months**. And 22.8% of logistics companies say their main driver for investing in tech over the next three years is to gain a competitive advantage over competitors, or at least keep up with them. The danger is clear for organisations who fail to understand or recognise this seismic shift in technology, as they could soon get left behind.

“Challenges for this sector are incredibly complex, largely consisting of improving day-to-day operations while reducing disruption, inventory management, protecting workers and the environment.”

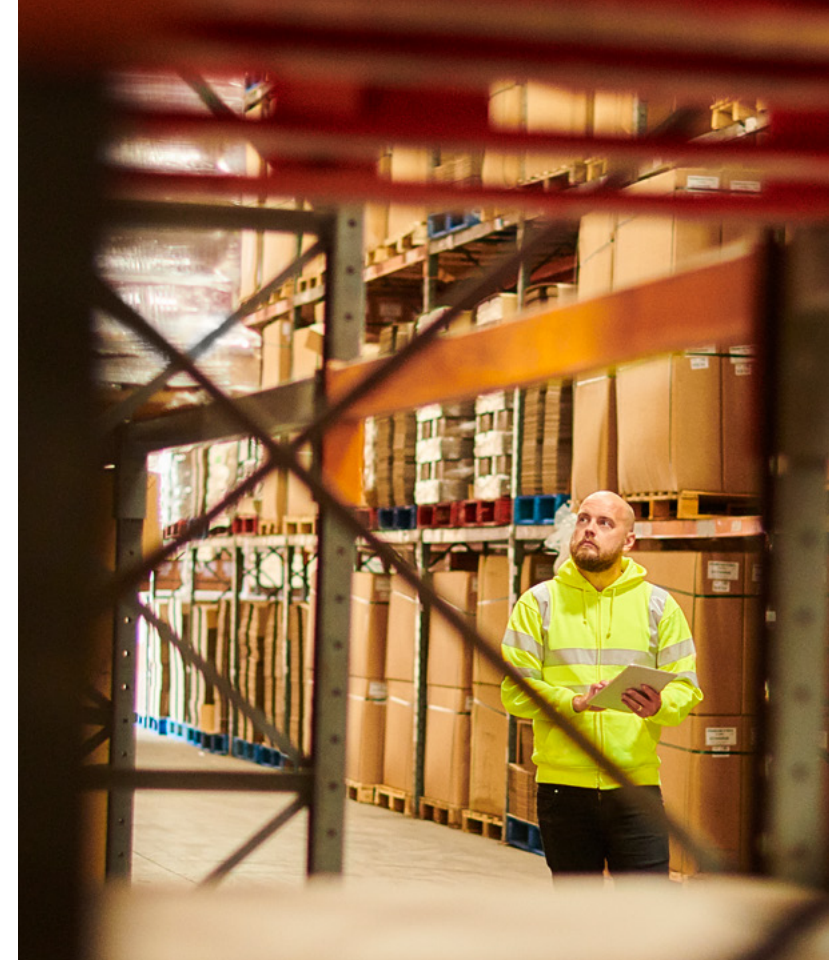
Christopher Gill
Senior Manager, Solution Consultants
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Organisations must take a holistic view of where these technologies can add value, and how they'll interoperate across supply chains. They must also be wary of point solutions that can help overcome specific challenges today, but have a limited ROI and could increase problems in the future.

Success requires a strong, resilient digital foundation that offers flexibility, speed and control. So organisations have the data, devices and services to deliver efficient operations and unlock new outcomes.

“The pressure is on to provide a better, more reliable service to customers, while keeping a close eye on the bottom line.”

Ian Barlow-Taylor
Retail & Supply Chain Business Development,
Major Accounts, BT





Three key transformation areas to protect your future

Preparing for what's next needs an approach that takes your entire organisation into account and caters for the changing needs and challenges of your market, customers and logistics operations.

We believe there are three critical areas that logistics companies need to get right, to underpin future success:

Using digitalisation to increase business resiliency

You need to ensure your business can absorb threat, adapt and thrive, even in the most challenging of market conditions.

Digitalisation done well can ensure maximum efficiency in the face of increasing cost pressures, deliver greater visibility across your whole supply chain, and connect your people and processes with your assets and data. This will provide better customer experiences and unlock new opportunities for innovation.

A focus on sustainability and employee wellbeing

Being more sustainable is important to us all, but leading logistics operators are embracing it as an opportunity to further increase efficiency and create competitive advantage. For example, being able to account for those complex, indirect Scope 3 emissions within the supply chain, could help to identify hotspots that are open to further optimisation.

Investing in modern workplaces and ways of working is also a key element to attracting and retaining the talent you need, while expanding your reach into new demographics and opening up talent mobility.

Strengthening security in a connected world

Your supply chain is becoming more connected and collaborative, which means keeping your people, places and data secure is more complex than ever before.

Security is only as strong as its weakest point. You need end-to-end visibility, proactive response and strength in depth, to provide assurance that your business is safe. This can no longer be limited to IT - you also need to protect your operational technology (OT), processes, your facilities and employees.

“Digitalisation feeds into all those realistic things that need to be managed in terms of a workforce. It’s about getting freight onto lorries more quickly and making faster deliveries. But it’s also about looking after your people, from meeting working alone regulations and keeping people safe, to capping truck drivers’ data so they don’t rack up enormous bills in their cabs at night.”

Andrew Edgar
Customer Growth BT



A three-stage journey to digital freight and logistics

We've found that logistics operators are at very different stages of their digitalisation, sustainability and security transformations, with varying approaches and levels of success.

However advanced your strategy is, by taking some time to assess where you are today, and having a clear vision of where you need to go and the outcomes you need to achieve tomorrow, you'll see accelerated transformation, minimised complexity and reduced costs.

If you want to enhance your digitalisation, you need to consider the combined impact and benefit of your digital infrastructure, logistics operations and customer experience, and start mapping out the path ahead using a three-step approach:

Step 1: Lay the digital foundation

We have discussed being hesitant when it comes to deploying point solutions in your business. This is because the supply chain of the future is connected, intelligent and collaborative. Data and operations that have previously been siloed will need to be available and shared across different systems and people, not just within your organisation, but to your partners and customers too.

To take full advantage of this opportunity as you digitise your operations, you need to create standardised foundations with platforms and services that provide future-ready interconnectivity, reliability and flexibility.

Organisations at this step are:

- Leveraging cloud ecosystems for their flexibility and scalability, and establishing robust network and security infrastructure alongside modern IT operations.
- Adding intelligence to their operations by connecting and collecting data from their assets and facilities.
- Empowering staff with improved communications and flexible ways of working, whether they're at a desk, in a warehouse, or on the road.
- Creating simpler, more digital interactions for customers wanting to engage, order or manage their services.





“Digital transformation doesn’t need to be a ‘big bang’. Rather than tackling it all in one go, businesses need to see it as a journey.”

Christopher Gill
Senior Manager, Solution Consultants
on Major Accounts, BT

Step 2: Connect and optimise

The second stage is all about bringing these newly connected systems and services together. Delivering transparency and control to your supply chain to improve efficiency, productivity, and customer service, and providing new levels of insight and proactive decision-making.

Organisations at this step are:

- Optimising cloud, network and security services to maximise efficiency, performance and adaptability, taking advantage of advanced cloud and data services.
- Beginning to integrate their operational logistics systems into their IT operations, delivering better operational decision-making by enabling solutions like real-time route optimisation and dynamic workforce management.
- Further enhancing their customer experience through more proactive, personalised capabilities, and seamless omnichannel customer service.

Step 3: Springboard to innovation and growth

The final stage is about using the competitive advantage that your investment and transformation has given you, to deliver innovation and business growth.

Organisations at this step are:

- Fully integrating and orchestrating their systems, data and digital and physical assets, to take advantage of technology like Digital Twins, that allows organisations to predict the impact of change and accelerate decision-making.
- Using artificial intelligence to deliver new levels of accuracy and productivity to their logistics operations, and providing truly personalised experiences and proactive issue resolution based on a deep understanding of their customers.
- Empowering their workers through augmentation, including things like remote equipment operations, cobot adoption and virtual guidance in real time through smart glasses.



Conclusion: it's time to act

Digitalisation can be a significant step towards creating a more resilient and adaptable organisation.

It's important to take time to understand where you are in your transformation journey, compared to your competitors, making sure you pay particular attention to where your customers need you to be, understanding:

- How you can deliver a modern, secure, scalable digital foundation that you can rely on to power your organisation, both now and in the future.
- What you need to do to become a leader in digital logistics and deliver new levels of productivity and efficiency to your supply chain.
- How you can retain and win new business with expanded end-to-end logistics services and simpler interactions.
- How you can set new standards for sustainability, efficiency and talent attraction and retention.
- How to secure your organisation in an increasingly collaborative and distributed world.

Wherever the starting point, being confident in knowing what your next steps are by learning from market leaders, and getting the support you need from trusted partners, will put you on the road to building a stronger, more resilient organisation.

The logistics industry is at a crossroads. Those who embrace digitalisation will be much better placed to adapt and thrive. **The time to act is now.**

Get where you want to go faster

Our dedicated teams are here to support your digital journey. We can help you today, by establishing a strong digital foundation for future growth and setting you on the path for a stronger, smarter tomorrow.

Why BT?

- Recognising that your people know more about your business than we do, we value the trust of your teams on the ground, and work collaboratively with them, and your ecosystem, to develop the right solution for you.
- We support your journey from end to end, adding value at every stage of your supply chain. And our service wrap means you'll always have us in your corner.
- We're already supporting businesses of all shapes and sizes as they undergo their digital transformations, and we'll apply our extensive experience to your organisation, too.
- Our products and services start small and work up. From interactive smart messaging, to fleet tracking, to entire infrastructure upgrades, we can deliver at any scale.
- Our award-winning networks underpin the digital technologies that enable you to connect people, places and machines across your organisation.
- We have a long-standing commitment to sustainability. We've been on a climate action journey for over 25 years, reducing the carbon emissions intensity of our operations by 57% since 2017, and have reduced carbon emissions by 19% in our supply chain over the same time frame. We've pledged to be a net zero and circular business by 2030, and 2040 for our supply chain and customers. We also hold a platinum EcoVadis rating, reflecting our comprehensive sustainability approach.

83% of organisations using IoT technology report major increases in business efficiency. Including better visibility across the organisation, and easier expansion into other markets.

Source: 'The Internet of Things: Today and Tomorrow' global study Aruba (a Hewlett Packard Enterprise company)

Get in touch

Find out how we can help you take the next steps on your digital journey.
Visit bt.com/freightandlogistics or contact your Account Manager



Offices Worldwide

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