



Delivering what it takes

Delivering a top service for New Zealand's export firms demands freight and logistics providers who value relationships, leading-edge technology, and possess insightful market knowledge. It's a good thing they're out there.

By Donovan Jackson.

The movement of goods is fundamental to civilisation as we know it and, as the freight and logistics industry continues to take advantage of the technology available to it, more goods are being moved faster and more accurately than ever before.

It is a highly competitive environment with a multiplicity of service providers, local and global, delivering a range of options and choices to exporters, while achieving costs and speeds of delivery which are, in a word, remarkable.

However, despite what industry insiders describe as a relatively low cost of entry into the freight and logistics service provider market, there are pressures, and exporters are advised to seek partners capable of doing more than just moving goods from one place to another. Dealing with international markets demands a level of knowledge and a level of capitalisation which sets one service provider apart from another. The selection of logistics partners also depends to a large degree on the nature of the goods being moved, as much as it does on the destination they will be moved to.

That's all confirmed by Cunningham Gill managing director Jan McCallum. "You want your logistics provider to ask the right questions. There is transactional selling and there is relationship selling; there is definite advantage in building a relationship with your logistics provider, particularly for exporters looking to move goods to new markets.

"Knowledge makes all the difference in moving goods safely and effectively," she notes.

"As an exporter, you want to know everything about what is likely to happen in terms of reaching a market before you even start the sales process: how to pack your goods, how to move them, what the transit options are.

"There are a million questions which go well beyond the dimensions and weight of the goods being moved. Sitting with your logistics person can get the answers which will mitigate business risk."

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A technology business

Platinum Freight Management director Peter McRae says rapid advancements mean customers, society and technology have changed. “As information is so readily available [in general], customers want information and replies [on their goods in transit] at the same speed.”

Moving goods to market is no longer

just about cost, which is now just one factor, he says. “There are other factors such as methods of payment, education of the process, proactively looking at ways to make the [exporter] more competitive and to make the customer known and understood by all team members.”

These are all areas on which the availability of information and communication technology makes a real impact.

Daniel Silva, director at DSL Logistics, takes that a step further, saying the most important part of what the freight and logistics industry does, is keeping track of what it does.

“There was a time with small organisations where manual record keeping was sufficient. Now we’re looking after millions of items and it is no longer good enough to say ‘it is in a container somewhere’. People want to know – so we are far more data reliant and we have had to learn to cope with large amounts of data.”

The industry has gone from handling goods by the container load, to managing the 20,000 SKUs inside each one, Silva continues. “The consignments are becoming far smaller, and we are becoming more reliant on third party logistics providers.”

Silva says the magic lies in software. “When you’re handling 20 million units per year, you have to have good systems to take care of it and achieve superhuman accuracy of around 99.5 percent.”

Across the industry, he points to a growing reliance on information technology. “The challenges faced in freight and logistics aren’t really all that different from those of any other industry, even though our lines of business functions are very different. These challenges include the scale of things; we’re competing in a globalised environment where exporters can access a logistics provider anywhere in the world. Where we can differentiate ourselves is in being flexible; [for DSL Logistics] owning our own software



and doing our own programming is a huge advantage, as we can respond much faster."

Customers, Silva says, have become 'smaller', right down to individuals expecting to send or receive a single parcel. "It used to be about getting containers through the wharf, but that's become a commodity where it was once an art form. It's very difficult to tell one [shipping company] from another – they all use the same ships and airlines, after all, except for the really big ones."

Silva goes as far as to say effective logistics providers have to be technology companies. "The key – and where technology is indispensable – is that we need to know what to count and where to count it. We have to know where it is and when it will be somewhere else. All that depends on robust IT systems, particularly when reaction times are measured in hours, not days," he says.

Globalisation and commoditisation

Maersk Line's New Zealand managing director Gerard Morrison says exporters have a great deal of choice and are benefiting from that in terms of the cost of moving goods, as well as the wide choice of service providers available.

"Like any asset intensive business, shipping is ruthless and very competitive on a global and local scale."

As a result, he says the biggest pressure faced by global companies like Maersk is one of top line growth. "Our rate levels continue to come under pressure, driven by traditional supply and demand issues. We must though, despite that pressure, continue to find

ways to reduce our costs so as to be able to operate in the environment that exists. The global challenge of capacity against demand volume exists here in New Zealand as well. This issue is highlighted here, and made very difficult to manage due to New Zealand's volatile cargo volumes and link to many agricultural commodities."

In other words, the very competitiveness of the market can present a risk to exporters.

Cunningham Gill's McCallum says the market is 'over-traded', and that can lead to some providers going out of business, leaving the exporter exposed.

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– *Gerard Morrison, Maersk Line.*

Continuing, Morrison says the major challenge faced by many exporters is how to stay competitive on the world stage, when they are operating from a nation that is so far away from key markets. "Local exporters need to be thinking ahead and looking at what challenges may present themselves in years to come. Only when that forward view is taken, can they prepare for the challenges ahead, in whatever form they come."

Dealing with those challenges depends on having quality partners,

especially in the freight and logistics aspect of the business – after all, exporters seeking to reach foreign markets with their locally produced goods cannot expect to be experts in moving products into international markets where rules and regulations are subject to constant change.

Customer service and vertical markets

A common theme emerging from operators in the freight and logistics industry is that a major component underpinning their ongoing success is the quality of their people and the knowledge they offer.

While price and speed from their freight and logistics partners are routinely near the top of the wish list for most exporters, Cunningham Gill sales director Peter Manderson says choosing a supplier is slightly more nuanced than that. "Some goods don't need rapid transit; they can go on a slow boat to China and benefit from the lower cost. Other goods have to move fast and paying for that is acceptable. And that's where the differentiator lies, in knowledge of the product and the business goals of the exporter moving it. If you move without all the boxes being ticked, there could be problems."

It is this knowledge which provides room in the market for smaller operators (which cannot match the economies of scale achieved by the international firms) to exist, say McCallum and Manderson.

"Moving out of scope stuff [specialised goods] requires huge attention to detail, particularly where there are strict handling requirements, such



as pharmaceuticals or bank notes or other goods. You need specialised legal support and a customs agent with a very good understanding of the product. You don't want to move a perishable good only to find it sitting on a wharf somewhere with the wrong paperwork."

While he has stressed the need for solid business systems, Silva agrees that the other major factor for advantage is personnel. "People are smart, savvy and adaptable

and the longer they spend working in the industry, the more capable and empowered they become to take maximum advantage of the technology," he points out.

Maersk's Morrison is on board, too. He gives just one word to describe what distinguishes one logistics provider from another. "Trust. Our customers need to be able to rely on us to deliver on the promises they make to their customers. Whilst, of course, factors

like speed and cost are important, in my view its building a relationship that allows parties to trust each other. With that foundation we are able to work in partnership and make sure we are doing all we can to help support and develop our customers' business."

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