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UNLOCKING THE FUTURE: EMBRACING DIGITAL TRANSFORMATION IN LOGISTICS

Survey-led report produced
in partnership with CargoWise



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FOREWORD

In an era of rapid digital advancement, logistics companies worldwide are recognizing the strategic imperative of embracing digital transformation. The need for change is now more evident than ever, especially in light of the valuable lessons learned from recent global disruptions and the pressure exerted on global supply chains.

Our research explores the importance of embracing a holistic approach to digital transformation in our industry, and the critical factors necessary to drive successful implementations.

Embracing the technological revolution

Section one of the report delves into the technology investment landscape of logistics companies, revealing a strong consensus on the need for increased digital capabilities. An overwhelming 82% of participants reported increasing their technology investments since 2020, underscoring the belief in the transformative potential of these tools. Supply chain management systems, digital documentation, and warehouse automation were among the key areas attracting investment.

Transforming operations and customer experience with technology

While the industry progresses towards a technologically advanced future, it is also crucial to address the challenges and barriers hindering a holistic approach to digital transformation. Section two sheds light on the need for enhanced visibility in operations and the positive impacts of technology investments in this area. Overcoming challenges such as a perceived lack of resources and workforce resistance to change is vital to unlock the full potential of digital transformation.

Navigating successful digital transformation

Finally, section three highlights the critical role of organizational change management in successful technology implementations. The findings emphasize the importance of comprehensive training, regular communication, and implementation teams to facilitate a smooth transition. By following these best practices, companies can navigate the complexities of change and ensure the successful adoption of new processes and technologies.

We believe collaborative digital transformation holds the key to the future of logistics. By embracing technology investments and prioritizing customer and employee-centric outcomes, organizations can unlock their full potential.

Together, we can shape the future of our industry, drive operational excellence, and deliver unparalleled customer experiences.



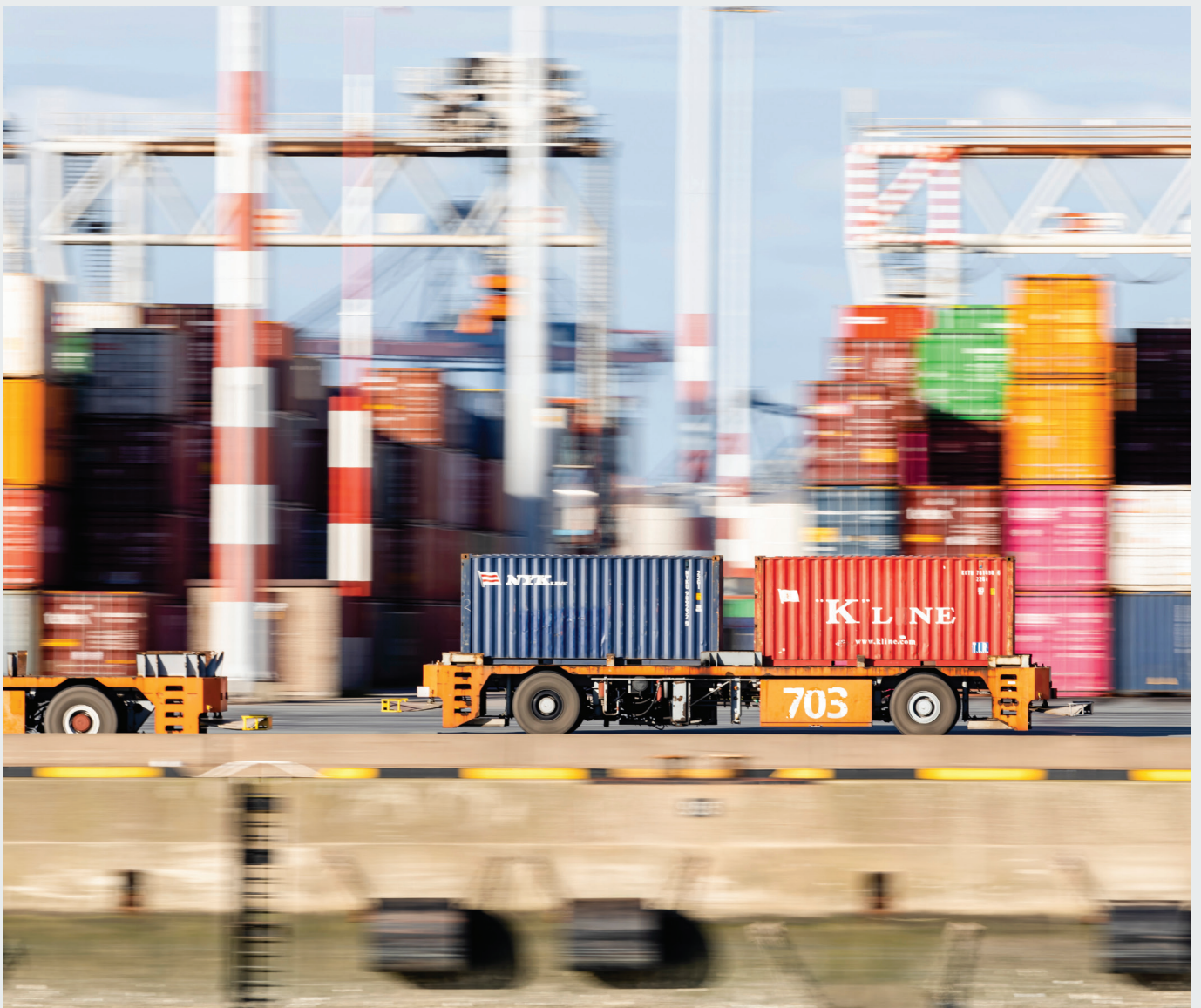
Gene Gander
General Manager
CargoWise

METHODOLOGY

A total of 468 logistics and supply chain professionals from around the world were surveyed between March and April 2023 for this report.

They included logistics solutions providers, manufacturers, 4PL, 3PL and freight teams, retailers, and other supply chain professionals throughout the North American, Latin American, EMEA, and Asia-Pacific regions.

The results were anonymized and then analyzed; they showcase a broad cross-section of industry opinions on the potential for digitalization in the future.



SECTION 1

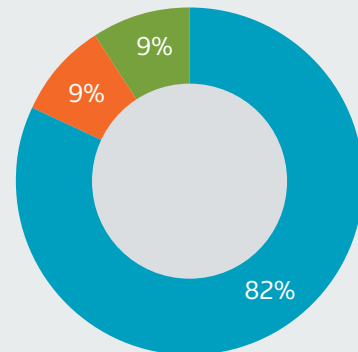
EMBRACING THE TECHNOLOGICAL REVOLUTION – HOW LOGISTICS COMPANIES ARE INVESTING

Investment trends: Unveiling the priorities shaping the future of logistics

Today, embracing digital transformation is more than just a necessity for logistics companies – it is a strategic imperative. The disruptions experienced in global supply chains have served as a wake-up call for many in our industry, compelling organizations to reevaluate their digital strategies and embrace innovative approaches.

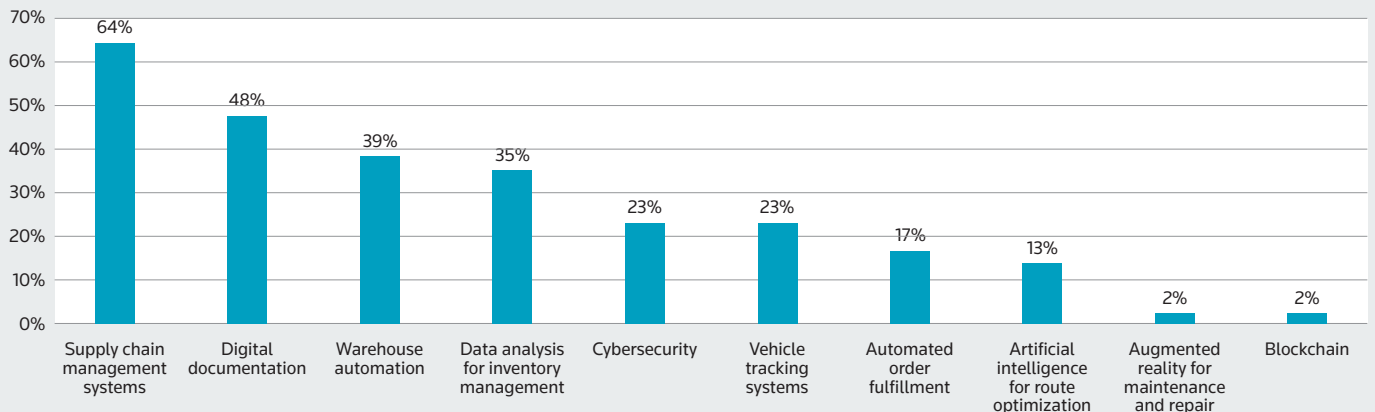
The research suggests the need for increased digital capabilities is now widely accepted and most logistics businesses have, in recent years, placed a higher emphasis on the importance of tech investment to enhance productivity and efficiency across their business.

When it comes to your technology investments, over the last three years, have you:

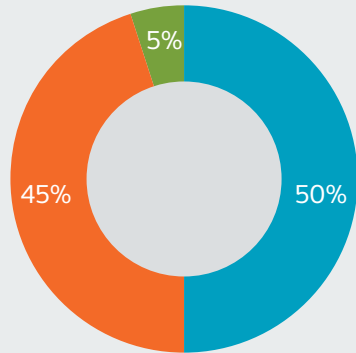


- Increased investment: 82%
- Scaled back investment: 9%
- Had no digital business initiatives: 9%

What areas has your company invested in when it comes to digitalization and IT transformation?



Over the next 12 months, do you expect your investment in new IT systems and technology to be:



- Remaining consistent: 50%
- Increasing: 45%
- Decreasing: 5%

As the logistics industry progresses towards a more technologically advanced future, it is useful to understand the specific areas of digitalization that industry players are investing in.

The future of technology investments in the logistics industry also holds great promise. As businesses prepare to navigate the next 12 months, there is a clear and strong commitment to technological advancement.



Commentary:

Clearly, the focus of IT investment revolves around key areas that directly contribute to productivity, efficiency, and effectiveness. This trend can be attributed to the intensifying competition within the logistics market and the growing demand from customers for precise and timely information regarding their shipments. Notably, recent research conducted by The International Air Transport Association (IATA) affirms that digitalization and cost reduction were two of the main priorities for shippers in their supply chain transformation activities, as well as sustainability (2022 IATA Global Shipper Survey).

Our research shows that the logistics industry is primarily investing in supply chain management systems, also known as Transportation Management Systems (TMS). A significant majority of participants, representing 64% of the respondents, are channeling their investments into this technology.

The need to navigate the complexities of global supply chains – exacerbated by post-pandemic peaks and normalization, geopolitical events, and a tougher economic outlook – has intensified the demand for logistics companies to optimize inventory, improve visibility, and facilitate smoother coordination among stakeholders. This has elevated the significance of robust supply chain management solutions as the backbone of modern logistics operations.

With a strong recognition of the power of digitization in streamlining administrative processes, nearly half of the participants (48%) in our study have invested in digital documentation technology. By replacing manual paperwork and cumbersome documentation with more efficient digital systems, logistics organizations can not only reduce costs, but also streamline workflows, reduce errors, and enable a more seamless information exchange.

The quest for increased efficiency and productivity has likely propelled 39% of participants to invest in warehouse automation technologies. With the adoption of automated systems and smart inventory management solutions, logistics businesses can optimize warehouse operations, reduce labor costs, minimize errors, and accelerate order fulfillment, ultimately leading to improved customer service.

Beyond the top three areas, investment in data analysis for inventory management is an emerging trend, attracting investment by 35% of companies. This underscores the growing recognition of the transformative power of data-driven decision-making. By harnessing sophisticated analytics tools, logistics organizations gain valuable insights into demand patterns, inventory optimization, and supply chain performance, empowering them to make more informed decisions.

Surprisingly, our research reveals that only 23% of respondents have made investments in cybersecurity, despite the digital interconnectedness of global supply chains and the ever-present threat of cyber attacks.

In the face of increasing cyber threats, safeguarding sensitive data and ensuring the integrity of digital infrastructure should be considered of utmost importance. This is particularly crucial given the transportation sector experienced a 41% increase in the average number of cyber attacks in 2022 versus 2021 (Check Point 2023 Cybersecurity Report).



The lower level of investment in cybersecurity may suggest an expectation that the technology tools and service providers they engage with already have built-in security measures. However, it is important to remember that risk cannot be fully outsourced. While selecting technology solutions, suppliers, and partners with proven security capabilities is key, logistics organizations must also ensure their own systems, processes, and employees are equipped to prevent cyber attacks and breaches, and be prepared to minimize their impact should they occur.

This issue is compounded by the industry's historic tendency to use different software solutions for each geography or business function, such as freight management, supply chain visibility, or warehouse operations. While this "best of breed" approach may initially seem reasonable, it often creates a very complex internal tech landscape with numerous applications operating in silos.

This fragmented approach poses significant risks and challenges for logistics companies. Firstly, the integration of multiple systems becomes a complicated task, requiring extensive resources and time. Incompatibilities between different software systems can result in data discrepancies, communication breakdowns and operational inefficiencies.

Furthermore, maintaining and managing multiple software solutions increases the surface area for cyber threats. Each application requires its own security measures and updates, making it harder to ensure a robust and consistent security posture across the entire infrastructure. Any vulnerability or breach in one system can potentially expose the entire network, compromising sensitive data, customer information, and disrupting critical operations.

In contrast, a unified platform allows for a more focused and comprehensive cybersecurity strategy. With a centralized database, security measures can be implemented consistently throughout the system, reducing the risk of gaps or inconsistencies. This holistic approach can help safeguard against cyber threats, protect sensitive data, and can ensure greater compliance with industry regulations.

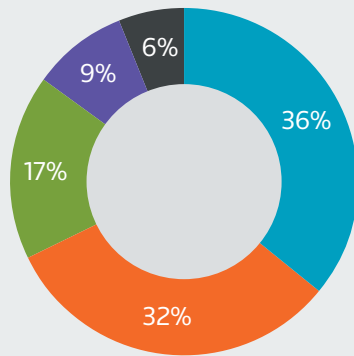
Finally, despite the widespread media attention and industry buzz surrounding artificial intelligence (AI) and augmented reality (AR), our research reveals that only a small percentage of logistics companies are currently investing in these technologies.

Bridging the gap: Embracing a holistic approach to digital transformation

The logistics industry finds itself at a crucial crossroads, where the undeniable necessity of digital transformation is more apparent than ever. However, it is interesting to note that despite the valuable lessons learned from a global pandemic and the immense strain on supply chains, many digital transformation efforts remain somewhat fragmented and disconnected.

The research reveals a disconcerting trend: while there is a general understanding of the advantages that digital transformation can offer, a collaborative and comprehensive approach across the entire organization is sometimes lacking.

Which of the following statements best describes the current state of digital transformation within your organization?



- We have individual digital transformation projects spread across the organization: 36%
- We have embarked on a holistic digital transformation journey across the organization: 32%
- We have embraced digital transformation internally and are pushing the logistics industry to adopt more digital practices: 17%
- We see the need but don't know where to start: 9%
- We have no digital transformation plans: 6%

THE GOOD NEWS IS THAT THE ONGOING INVESTMENTS IN TECHNOLOGY INDICATE A STRONG DESIRE TO HARNESS THE BENEFITS OF DIGITALIZATION

Commentary:

The good news is that the ongoing investments in technology indicate a strong desire to harness the benefits of digitalization. However, almost half of respondents have either individual digital transformation projects scattered throughout different departments (36%) or don't know where to start (9%).

A fragmented approach often results in isolated efforts that fail to deliver the full potential of transformation. Worse still, indecision on where to start creates paralysis, hindering progress and delaying the realization of initiatives and investments.

Digital transformation presents three significant opportunities for logistics organizations to unlock their full potential:

1. By leveraging advanced technologies for greater visibility, organizations can improve operational efficiency. Real-time data analytics and insights enable more informed decision-making, proactive problem-solving, and agile responses to changing market dynamics.
2. Through increased automation, logistics organizations can minimize repetitive tasks, streamline workflows, and optimize resource allocation. By automating manual processes such as data entry, inventory management, and order fulfillment, businesses can reduce errors, save time, and allocate their valuable resources more efficiently. This not only enhances productivity but also frees up employees to focus on higher-value tasks and strategic initiatives.
3. The transformative power of digital technologies extends beyond individual organizations. By embracing digital transformation, the entire supply chain can benefit from improved collaboration and coordination. Interconnected systems, deep integrations and straight-through data processing enable stakeholders to work together, fostering collaboration and ultimately enhancing customer satisfaction and business growth.

Redefining success: A continued focus on customer and employee centric outcomes

According to our research, the desired outcomes of digital investments in the logistics industry have remained consistent over the last three years, with a focus on increased operational efficiency and improved customer service.

The logistics industry recognizes the critical importance of enhancing operational efficiency and elevating customer service standards. The research uncovers key findings that shed light on these priorities and reveal a deeper understanding of the industry's motivations.

What are the opportunities created by the technology solutions you have implemented? (Rank in order of importance)

- 1 Increased operational efficiency
- 2 Improved customer experience
- 3 Reduced costs
- 4 Greater data accuracy
- 5 Streamlined processes
- 6 Increased collaboration
- 7 Enhanced security
- 8 Improved scalability



Commentary:

As explored in our 2022 research report, Global logistics: The link between technology and productivity, it is interesting that more traditional financial metrics – such as reduced costs – continue to rate slightly lower on respondents' priority list.

While cost reduction remains a top three priority in 2023, the fact it hasn't moved higher may indicate the industry's comfort with continuing to prioritize 'value over cost' sentiments in certain aspects of logistics and supply chain operations.

Rather than simply reducing costs, the pursuit of operational efficiency is now a growth strategy being driven by the industry's commitment to meeting growing customer demands and staying ahead of the competition.

Reflecting on the past, many logistics companies have long embraced the "just in time" model to optimize cost efficiency. The thinking was: why burden your business with excess storage costs and bloated inventories?

However, recent macro pressures – from pandemic-related supply chain shocks to frosty trade relations and the aftermath of Brexit – have meant many companies are re-evaluating their strategies.

Specifically, the era of "just in case" has emerged, where businesses are shifting gear and stocking up to safeguard against supply chains disruptions.

Undeniably, technology can play a pivotal role in helping to strike a balance between the "just in time" and "just in case" models.

With advanced digital platforms and tools, companies can gain unprecedented visibility into their operations, goods location, and customer demands.

Increasingly, they are no longer left second guessing or taking shots in the dark. Rather, technology is helping them make more informed choices, to ultimately minimize waste and respond swiftly to evolving market conditions.

SECTION 2

TRANSFORMING OPERATIONS AND CUSTOMER EXPERIENCE WITH TECHNOLOGY

Harnessing the power of visibility: How logistics companies are gaining a competitive edge

When it comes to efficiency focused benefits, investing in visibility tools enables logistics companies to optimize their operations in several ways.

Real-time tracking and monitoring capabilities deliver better visibility into the movement of goods throughout the supply chain. This allows them to identify potential bottlenecks and proactively react and adapt to the situation, resulting in a better customer outcome.

A significant portion of professionals in the logistics industry recognize the crucial importance of achieving end-to-end visibility as a top business priority. In fact, almost one-third (29%) of respondents rate increased visibility as their number one supply chain priority, with 78% overall having invested in new visibility technology and tools since 2020.

Delving into the impact of these technology investments, the research sheds light on the positive outcomes experienced by organizations over the last three years.



What do you think the main impact of your technology investment in visibility tools has been over the last three years? (Rank in order of importance)

- 1 Improved efficiency, accuracy, and scalability of our operations
- 2 Reduced manual processes and improved data integrity
- 3 Enhanced customer experience
- 4 Gathered valuable data for analysis and reporting
- 5 Overall reduction in errors and increased data accuracy
- 6 Enhanced ability to identify areas of improvement in our infrastructure
- 7 Greater understanding of our customer journey
- 8 Increased advantage against competitors

VISIBILITY IS ONLY VALUABLE IF IT SOLVES A PROBLEM. HAVING VISIBILITY ITSELF IS ACTUALLY QUITE MEANINGLESS UNLESS YOU CAN USE IT IN A VERY EFFECTIVE WAY TO CREATE TACTICS AND EXECUTION.

Commentary:

With the right visibility tools, logistics companies can optimize their operations by more effectively allocating resources, minimizing delays, and ensuring the speed and reliability of their services. It's like having a birds-eye view of the entire shipment process.

However, it's important to note that simply having additional data or visibility is not enough. That's because extra data, in a world where we are so overpowered with information, isn't automatically helpful. Rather, it must be integrated into a comprehensive system that combines automation and alerts to address specific issues.

This can streamline manual processes, saving valuable time and boosting overall efficiency. It also enables companies to detect potential issues in advance, triggering proactive measures to prevent disruptions. Furthermore, early warning signs of emerging problems can be identified, enabling prompt automated actions to minimize their impact.

Importantly, the benefits of visibility extend beyond internal operations and can also play a pivotal role in elevating the customer experience. By providing real-time tracking information and transparency throughout the shipment journey, logistics companies experience a remarkable reduction in phone calls and emails. This, in turn, enables employees to focus on higher-value tasks. On the other hand, companies without robust visibility tools find it challenging to compete, as customers increasingly demand the level of service they have come to expect from traditional B2C players.



Overcoming challenges: The path to enhanced supply chain visibility

While digital transformation brings a multitude of benefits, the journey towards achieving better visibility in operations has not been without its obstacles.

According to the research, two key barriers have emerged: a perceived lack of resources to drive adoption, and workforce resistance to change.

Commentary:

Approximately 38% of respondents reported resistance from their workforce, which may stem from various factors such as inadequate change management strategies, concerns about increased workload, or fears of potential job redundancies.

This resistance highlights the cultural aspect of digital transformation. Employees may be hesitant to abandon familiar methods in favor of new technologies.

Overcoming this resistance requires effective change management strategies that address employees' concerns, provide comprehensive training, and foster a positive environment for embracing change.

Additionally, 34% of respondents expressed concerns about the return on investment (ROI) associated with implementing visibility technologies.

This apprehension underscores the importance of demonstrating the tangible benefits and value that these technologies bring to the organization.

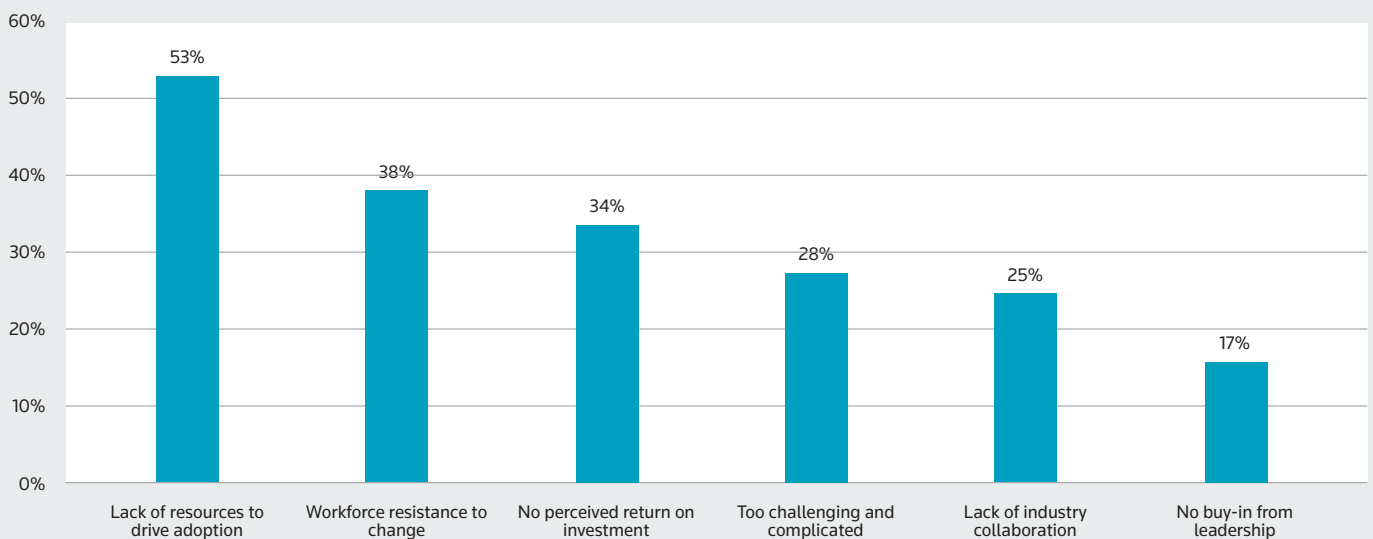
Clear communication and showcasing successful case studies can help alleviate doubts and encourage investment.

Interestingly, 17% of respondents identified a lack of buy-in from leadership as a hurdle in implementing visibility technologies.

This may be linked to the need to show clear ROI. Leadership support is crucial in driving organizational change and securing the necessary resources for successful implementation.

Engaging leaders, highlighting strategic importance, and aligning transformation goals with the overall business strategy can help overcome this obstacle.

What have been the challenges and barriers in implementing technologies that enabled more visibility throughout your operations?



SECTION 3

NAVIGATING SUCCESSFUL DIGITAL TRANSFORMATION

Driving adoption: Best practices for managing change during technology implementation

In the ever-changing landscape of digital transformation, it is crucial to recognize the significant impact of change management on successful implementations. Without a well-designed change management framework, organizations risk falling behind and missing out on the transformative benefits of enhanced operational efficiency.

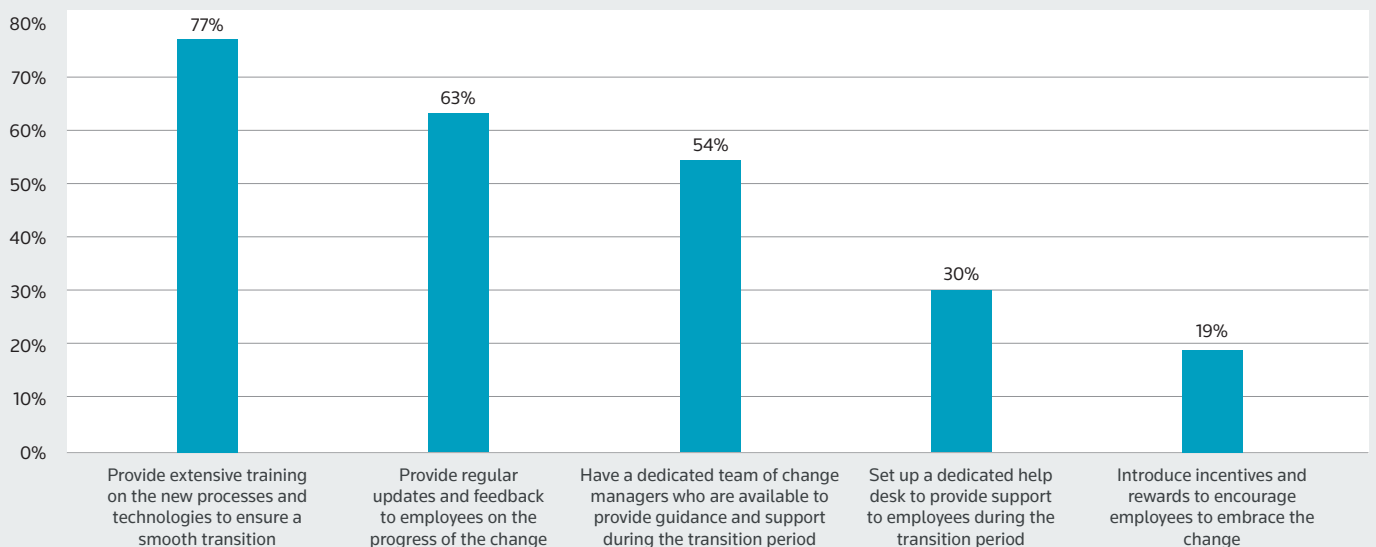
To uncover insights into successful change management practices, the research delved into the actions that companies should undertake during the process of implementing new technologies and altering processes.

Commentary:

Successful digital transformation involves more than just a great technology solution. To encourage employees to use the tools requires a wider change management approach that includes communication, education, and updated procedures. This approach typically includes employee training so that they are comfortable with and know how to use it, clear communication about the reasons and benefits for moving to the new system, and identifying early adopters who can be champions to help engage and influence other employees.

An overwhelming 77% of respondents emphasized the importance of comprehensive training to ensure a smooth transition. By equipping employees with the necessary knowledge and skills, companies can mitigate resistance

When it comes to people and change management, what should companies do to help when changing processes/implementing new technologies?



to change and empower their workforce to embrace new processes and technologies. Training programs should be tailored to individual roles and provide hands-on experience to enhance proficiency and confidence.

Clearly, effective communication is vital throughout the digital transformation journey. The survey revealed that 63% of professionals recognize the significance of regular updates and feedback mechanisms. Transparent communication fosters trust, keeps employees engaged, and enables them to understand the progress and impact of the transformation.

To maximize the benefits of digital transformation, it is crucial for leaders to appoint change managers who possess deep operational knowledge and can provide

meaningful technical guidance. These change managers bridge the gap between the strategic objectives and the operational processes, enabling the realization of productivity gains that justify the change.

In line with this, over half of the participants (54%) emphasized the importance of having a dedicated team of change managers. This team, consisting of change champions and early adopters, plays a pivotal role in guiding employees through the transition period. By understanding employee concerns, providing support, and ensuring alignment between the change objectives and the broader team, these change managers help facilitate a smoother transition.

Finally, recognizing the power of motivation, 19% of respondents emphasized the value of introducing incentives and rewards. By acknowledging and appreciating individuals and teams who embrace the transformation, organizations create a positive environment that encourages more widespread adoption.

A WORKFORCE WELL-VERSED IN DIGITAL TOOLS AND TECHNOLOGIES BECOMES A VALUABLE ASSET, CAPABLE OF DRIVING INNOVATION, ENHANCING OPERATIONAL EFFICIENCY, AND DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCES

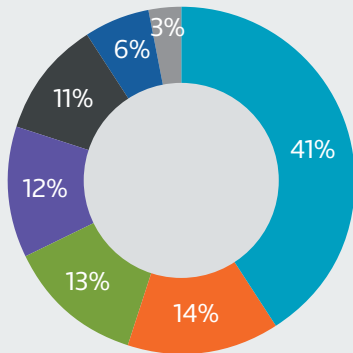
Addressing employee concerns: Unlocking the benefits of learning and certifications

Navigating the realm of digital transformation often generates objections from team members who harbor concerns about adopting new technologies. These concerns can stem from various factors, including a lack of understanding or the perceived complexity of the challenges at hand.



The human factor, and potential resistance to change, can not be underestimated. It is critical to address both the desire (attitude) and the capability (skills) to change to new ways of doing things.

What is the main objection from personnel in relation to new technologies?



- Difficulty in adapting existing processes to the new technology: 41%
- Fear of the unknown: 14%
- Costs of acquiring and maintaining new technologies: 13%
- Lack of understanding of how to use the technology: 12%
- Too much time required to learn the new technology: 11%
- Concerns about job security: 6%
- Concerns about privacy and data security: 3%

Commentary:

A resounding concern (41%) among many employees is the challenge of adapting old processes to embrace new technology. This underscores the importance of fostering the right workplace cultures and implementing effective change management strategies. This not only creates an environment in which existing processes can be digitized, but also one that has the opportunity to rethink and improve processes to suit today’s business needs and customers’ expectations.

To overcome these objections and mitigate concerns, organizations can leverage the power of learning and certifications. By providing targeted training programs and coaching, employees can acquire the knowledge and skills necessary to adapt to new technologies with confidence.

For example, eLearning programs provide employees with the opportunity to acquire the knowledge essential to navigate the digital landscape. Through engaging and interactive online courses, employees can explore various

topics, including new systems and processes, new ways to manage and analyze data, good practices to minimize cybersecurity risks, and more. By gaining expertise in these areas, employees become well-equipped to contribute effectively to the digital transformation initiatives within their organizations.

eLearning can also help foster a culture of continuous learning, enabling employees to stay updated with the latest trends, tools, and techniques. By accessing a diverse range of online courses and resources, organizations empower their workforce to stay ahead of the curve and embrace innovation proactively. Continuous learning not only enhances individual growth but also contributes to the overall agility and resilience of the organization in the face of digital disruption.

Similarly, certifications hold significant value in the digital transformation landscape: they provide tangible evidence of an individual's level of expertise in an area, they offer pathways for individuals to grow their expertise, and for some they provide incentives to continue their learning, at little or no cost to their organization. This benefits the organization in the present and it helps build a future-ready workforce.

By equipping employees with the necessary digital skills, organizations can adapt quickly to emerging technologies, seize new opportunities, and navigate the ever-changing business landscape. A workforce well-versed in digital tools and technologies becomes a valuable asset, capable of driving innovation, enhancing operational efficiency, and delivering exceptional customer experiences.



CONCLUSION

The logistics industry is experiencing a transformational shift, driven by rapid digital advancement and the lessons learned from recent global disruptions. Our research highlights the opportunities logistics professionals face, giving valuable insights for a successful digital transformation journey.

Takeaway 1: Move away from silos

While many logistics companies have embarked on digital transformation journeys, there is a need for a more comprehensive and collaborative approach. Fragmented and disconnected transformation efforts hinder the realization of technology's full potential and can increase cyber risk. Organizations should strive for a holistic approach that spans the entire organization, aligning digital transformation initiatives with strategic goals and fostering collaboration among different departments and stakeholders.

Call to action: Assess the current state of digital transformation within your organization and identify opportunities for a more collaborative and comprehensive approach. Encourage cross-functional collaboration, and ensure that digital transformation initiatives are integrated and aligned with the overall business strategy.

Takeaway 2: Continue to focus on customer and employee-centric outcomes

The desired outcomes of digital investments in the logistics industry remain consistent, with an emphasis on increased operational efficiency and improved customer service. While cost reduction is important, logistics organizations should prioritize value over cost and recognize the potential for technology to deliver a wide range of benefits, including enhanced efficiency, improved data accuracy, streamlined processes, increased collaboration, and enhanced security.

Call to action: Keep customer and employee-centric outcomes at the forefront of your digital transformation initiatives. Continuously assess the impact of technology investments on operational efficiency and customer experience. Strive to strike a balance between cost savings and value creation, ensuring that technology solutions deliver tangible benefits to both the organization and its stakeholders.

Takeaway 3: Embrace continuous learning and adaptation

Digital transformation is an ongoing journey that requires continuous learning and adaptation. Our research reveals that workforce resistance to change is a barrier in implementing technology solutions. Overcoming this resistance necessitates a focus on change management and empowering employees with the necessary skills and knowledge to embrace new technologies and processes.

Call to action: Logistics companies should prioritize continuous learning and development initiatives for their workforce. By investing in eLearning, certifications, and upskilling opportunities, organizations can equip their employees with the knowledge and skills needed to navigate digital transformation effectively. Additionally, fostering a culture of innovation and providing platforms for employees to share ideas and contribute to process improvements can create an environment conducive to embracing change.

By taking these actions, logistics organizations can not only embrace digital transformation but also unlock the full potential of technological advancements, drive operational excellence, and stay ahead in the rapidly evolving logistics landscape.



ABOUT CARGOWISE

CargoWise is a single source, deeply integrated, and truly global platform designed to meet the diverse needs of the logistics industry.

A highly flexible and feature-rich system, CargoWise delivers powerful productivity, extensive functionality, comprehensive integration, and deep international compliance capabilities. A cloud-based software platform, CargoWise enables customers to execute complex logistics transactions and manage their operations on one database across multiple users, functions, offices, and countries.

CargoWise grows with your company, streamlining your processes, integrating your business with your customers and partners, and increasing your efficiency, visibility, and profitability at any size. Translated into 30 languages and operating across currencies, CargoWise offers truly global capabilities for a global industry.

For more information, visit www.cargowise.com

