



Kale Logistics

Technology that Transforms



# Plausible application of technological disruptions in the Freight Forwarding industry

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The role of Freight Forwarder is no longer limited to merely providing traditional transportation and warehousing services. Modern customers select their freight-forwarding partners based on value-added services and their capability to encompass various freight forwarding functions under one offering. In this regard, the advancing technology, emergence of mobile apps, e-commerce surge and conducive trade policies across the world have supported the freight forwarding and logistics industry adequately. Though the utilisation of technology driven apps and platforms in freight forwarding business has begun, it is still at a very nascent stage. Many small and mid-size enterprises still rely on verbal and paper based contracts as a primary mode of business. However, it is important to consider that with the introduction of 'Apps', the technology has not just limited itself to appearing on the desktops and laptops, but has also ensured presence on Mobile screens.

### The Uberization of Freight Forwarding

Owing to the digital disruption that Uber has generated, 'Uberization' has become an antimere sort of... "It has become a buzzword that is applied to almost any industry including freight forwarding and logistics, with varying predictions of how drastically it is likely to change business models or create competition amongst industry players.

What makes Uberization what it is!

- **Surge pricing:** This simply means pricing is inversely proportional to demand. Though this pattern of pricing is not new, the dynamism with which it is happening is definitely something to reckon with.
- **Seamless Technology Connection:** Uber employs technology that ensures seamless connectivity between the providers and users of the service, in a fashion that is instantaneous, almost automated and simplistic.
- **New players:** By virtue of offering a service that is so simple and easy to use, the service enables completely new players to enter the Uber ecosystem and benefit from it easily. This has opened a new avenue for players who were previously oblivious to such an opportunity.



Considering that an app has changed the scenario of traditional taxi business, the idea of having such disruption extended to the Freight Forwarding business is not farfetched. Potentially, Uberization in freight forwarding can have multiple forms. For instance, it may encompass a platform, like CORVI Freight Forwarding software, that unites all the forwarding stakeholders viz., transporter, shipper, trucker, drivers, and the customer, on a single digital platform. With an enterprise-wide functionality, this system handles a gamut of functions like Customer relationship management, sales, invoicing etc. It is also equipped with a powerful BI module that supports MIS and operational reports. CORVI is connected to more than 110 airlines through UPLIFT cargo community system. To make CORVI more accessible and flexible, it is also available in an app form. Platforms and app such as CORVI are creating value addition for Freight Forwarders worldwide.



### **Giant online retailers are impacting global freight forwarding businesses**

Entry of retail giants such as Amazon and Alibaba have caused a stir within the Freight Forwarding industry. Amazon has entered the freight forwarding market by providing complete freight forwarding services to Chinese companies looking to export products directly into its 'Fulfillment by Amazon' (FBA) warehouses, or perhaps even cross-docking the goods to inject into Amazon's US delivery network. Amazon has also proposed to provide value additions such as limiting the number of cargo 'handoffs' within the supply chain. Taking complete advantage of robust IT platforms and Apps which the company already possesses for its retail off chute, Amazon is disrupting the freight forwarding scene with automation and strong IT capabilities. Along the same footsteps, Alibaba too has managed to place Freight Forwarders at a tough spot by setting up an integrated and cross-border logistics platform, through an agreement with its owned subsidiary.

### **Contemporary challenges of Freight Forwarding business**

In a market filled with competitors, declining margins, rising fuel costs, rising e-commerce opportunities and supportive trade policies, Freight Forwarders are expected to combat competition alongside. All these pose a multitude of trade challenges, as enumerated below.

**Competition:** Rising competition from new entrants, which comprise of many logistics companies that traditionally defined themselves as something else and are now extending their offerings portfolio to providing forwarding services.

**Commoditization:** Most shippers are focus on delivery fulfilment and price advantage rather than value addition. The crude commoditization of freight forwarding business has made it extremely difficult for Freight Forwarders to win customer loyalty based on value addition.

**Lack of standardisation and infrastructure:** Global freight forwarding industry comprises of several players with varying volume of business, type of infrastructure and IT capabilities. This makes it difficult to streamline and standardise processes and platforms for overall optimisation of the freight-forwarding domain.

**Ocean Volatility:** Ocean shipping encompasses a large part of freight forwarding. Complicated rates and contracts make it an unstable affair and makes it challenging for forwarders to adhere to a specific service tariffs and profit margins.

**Rate of Change:** One of the newest market challenge for forwarders is the trend for ocean carriers to form alliances (e.g., 2M alliance between Maersk and MSC). These alliances affect the rates and contracts that forwarders have the carriers, and service providers.

### **Technology can be a key differentiator for Freight Forwarding industry**

Technology in the form of IT platforms and apps have emerged as a key enabler for freight forwarding operations. For example, online freight marketplaces, load boards and brokerage apps. Realising the importance of IT, many global Freight Forwarders are now shifting their focus to achieve an edge with technology. This is apparent from a recent study conducted within the freight forwarding industry, where 65% of respondents agreed that technology is a differentiator while 30% said yes, but in five years and 5% responded that it is not a differentiator. The study indicates that the emerging trend of the freight forwarding domain is likely to be technology infused systems.

Thanks to the introduction of cloud-based technology, forwarders of all sizes are achieving valuable gains. As data obtained from the technology can be used for strategic purposes like creating new future solutions, expanding trade lanes and more, forwarders may be able to differentiate themselves based on data interpretation.

Advancement in telematics are critical in providing the real-time tracking of cargo movement through a supply chain cycle. RFID tags and Barcodes can enable freight forwarders to gain real-time visibility of their consignments and pass it to customers. With the ever escalating cargo volumes, technology is likely to create alternatives like drones as vehicles , 3D printers or “fabbing” (digital fabrication) to produce goods more locally, thus negating the need for transportation.

Currently, many online brokerage firms allow truckers and shippers to make spot market deals. Apps such as Transfix, enable dispatchers and drivers to instantly see load boards, based on driver’s location. A driver can book load, or submit a counterbid through it. After it is assigned, the app tracks the driver and in case of delay, flags it. Freight forwarders can utilise data through apps to provide rate forecasting and help customers to make better rate decisions.

Technology not just assists freight forwarders to achieve a competitive edge in the market, but also combats wastage of resources like, trucks driving empty to their next pick-up, time lost in looking for another load, and shipment processing time. According to industry estimates traditional brokerage takes two to three hours to process an individual shipment using phone, email and fax. With technology platforms and apps this time drops to about 27 minutes.

