

## CHAPTER 3: Trends for more effective Last Mile Distribution

### UNIT 4: Improving logistics' effectiveness & impact

#### Capsule 3.4.4

#### Investing in new technologies



**To be done prior to this capsule:**

Capsule 3.1.1

**Capsule linked with:**

Capsule 2.1.3, 2.3.4, 2.3.5, 3.1.1, 3.1.3,  
3.2.1, 3.2.2, 3.4.1, 3.4.5

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# Objectives of the Capsule

The objective of the capsule is to provide a basic understanding of the context and reasons of last mile delivery (LMD) companies to invest in new technologies.

Category	Document, source	EQF		
		4	5	6
			X	X

Exercises included	YES
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Effort for the capsule	Content 5 Min.	Exercises 5 Min.	Extra material 30 Min.
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# Contents

1. Startup funding.
2. When to invest.
3. How to invest.
4. Examples: in what to invest

# Instructions for the Capsule

You will find attached to this Capsule several sources of information:

1. The first source is a web site article that focuses on start-up funding in logistics. You will get acquainted with how start-ups change the field of logistics in an innovative way.
2. In the second and third sources (web site articles) you will find general or more specific suggestions on when and how to invest in new technology in logistics.
3. In the last two sources (web sites articles) you will find two specific examples in what to invest in logistics for increasing efficiency.

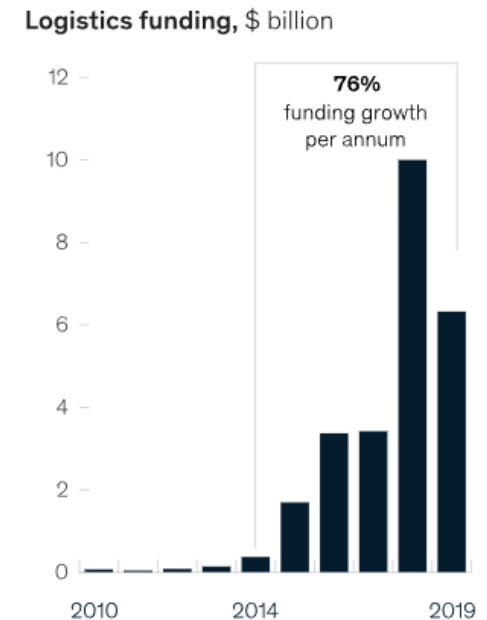
By reading through those sources you should get a basic understanding of how investing in new technologies works. Besides that, the following pages of the capsule bring a brief summarization of the source's content most relevant to the topic.

# Startup funding

The LMD sector is developing rapidly and attracts a large number of investments. New companies (*startups*) are emerging based on high investments in new technologies.

There is an often belief that startups can more effectively than established companies solve different kinds of challenges in the LMD sector. In just past few years, investing in logistics startups has grown rapidly (*see the chart right*).

What does that mean for the LMD sector? Investing in new startups can accelerate implementation of new technologies. Startups also will be looking for innovation and that can increase the probability that some disruptive technology or disruptive innovation will appear in the LMD sector.



Source (web site in EN): Hausmann, L. et al. (2020, May 28). *Startup funding in logistics*. McKinsey. <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/startup-funding-in-logistics>

## When to invest

Investing in any new technology is a big decision. Beyond the upfront cost, it takes time

and effort for a company to implement and master a tool.

Here are some general suggestions when to invest in logistics technologies:

- Manual processes are bogging the supply chain down
- Freight costs are consistently out of control
- Visibility between different locations is patchy at best
- Operations are scaling and the team is scrambling to keep up

However, in some cases, such as for small companies, a large scale investment does not have to be profitable. In that case outsourcing to an external operator/company can be more beneficial.



Source (web site in EN): CTSI-global. *When (and When Not) to Invest in New Logistics Technology*. <https://ctsi-global.com/2021/when-and-when-not-to-invest-in-new-logistics-technology/>

# How to invest

The logistics industry, with its long history of manual processes, has typically been behind the times when implementing technology. This has slowly been changing over the last decade. But there is still a lot of considerations when it comes to technology investment.



# How to invest

Following are four essential considerations in making technology work for you.

- **Don't misuse the IT department.** To invest in technology and think like a technology company, a company must focus on delighting the end-user and leveraging technology to solve business problems, not just deliver features.
- **Operate like a tech company.** One challenge for non-technology companies is investing in software like you're going to sell it. When you're building software as your company's product, you know that your customers have other options.
- **Start with team strategy.** Build the right team, empower them to build value for the company, and have leadership support from the beginning.
- **Remember your user – and make it easy.** Technology should be easy and intuitive. It should just work.



Source (web site in EN): Senftleber, M. (2020, August 18). *How Logistics Providers Should Invest in Technology*. SupplyChainBrain.com.

<https://www.supplychainbrain.com/blogs/1-think-tank/post/31753-how-logistics-providers-should-invest-in-technology>

# Examples: in what to invest

Let's examine two examples of investing in new technologies with great potential for increasing effectiveness.

## 1) Warehouse management system (WMS)

WMS is a type of software used in the manufacturing and retail industries for tracking all materials and goods as they come in and go out of the warehouse. Since the WMS has all of the information at hand, when a customer sends an order, it will immediately be able to check if the products are available. Many tasks can be automated, so the process is more effective.



Source (web site in EN): CTSI-global. Rittenberg, J., R. Watts. (2022, February 8). *Here's why businesses need a warehouse management system.*

Forbes.com. <https://www.forbes.com/advisor/business/software/what-is-wms/>

# Examples: in what to invest

## 2) Platform for customer service

As competition increases, great customer service serves as a powerful differentiator. To satisfy customers' needs a company should have to seek a suitable software solution that offers, for example, sending updates to customers, a tool for tracking or automated replies to customers' e-mail requests.



Source (web site in EN): Gani, F. (2022, March 30). *Customer service in logistics: how to improve that by using tech*. Hiverhq.com.  
<https://hiverhq.com/blog/customer-service-logistics>

## Document, Source 1

Hausmann, L. et al. (2020, May 28). *Startup funding in logistics*. McKinsey. <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/startup-funding-in-logistics>

## Document, Source 2

CTSI-global. *When (and When Not) to Invest in New Logistics Technology*. <https://ctsi-global.com/2021/when-and-when-not-to-invest-in-new-logistics-technology/>

## Document, Source 3

Senftleber, M. (2020, August 18). *How Logistics Providers Should Invest in Technology*.

SupplyChainBrain.com. <https://www.supplychainbrain.com/blogs/1-think-tank/post/31753-how-logistics-providers-should-invest-in-technology>

## Document, Source 4

Rittenberg, J., R. Watts (2022, February 8). *Here's why businesses need a warehouse management system*. Forbes.com.

<https://www.forbes.com/advisor/business/software/what-is-wms/>

## Document, Source 5

Gani, F. (2022, March 30). *Customer service in logistics: how to improve that by using tech*. Hiverhq.com. <https://hiverhq.com/blog/customer-service-logistics>



## Exercise: Open questions (1)

Why do start-ups in the LMD sector attract so many investments?

What does higher investments mean for startups and the LMD sector as a whole?

Name some general issues (present in the company) which indicate a need for investing into new logistic technologies (when to invest).

## Exercise: Open questions (2)

Think about different strategies when it comes to investing in new technologies in the case of large and small logistics companies.

Try to find out some other options in what to invest in the LMD sector than the ones named in the capsule. What competitive advantage would the investment bring to the company?