



TRANSPORTATION & LOGISTICS

Adding wings

An industry in transition.
Powered by innovation.



Foreword



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As the Indian transportation and logistics industry transitions towards scale and sophistication, innovation will be a key enabler, alongside capital and talent. The difference will be that while the flow of capital and talent is generally known to be determined by expected returns, innovation is a mindset, the returns from which may not stand the test of impatient evaluation. And that is the challenge the leaders of the industry shall have to manage. To keep at it.

When we set out to develop this paper, we were, admittedly, not confident about the number and quality of operational innovation examples that the industry will be able to come up with. However, the response from the industry overwhelmed us. Not only were there scores of innovation examples from across industry segments, the enthusiasm with which their managers presented them to us told us a thing or two about their zeal and belief in this concept and process.

We, at KPMG in India, have had the opportunity of working closely with several transportation and logistics companies across the sector, placing us in the midst of events shaping up this industry. We are glad that we could use this experience and mobilize that of the top representatives of the industry towards the development of this paper. The intention of this paper is to discover, share and spread innovation which will, we are confident, eventually represent the wings the industry will take for its flight to success.

Transportation and logistics is an exciting industry. In fact, it is a constellation of several large industries, each with a different construct and significantly varying complexities, making it a fertile ground for innovation with great depth and width. Unsurprisingly therefore, there are multiple innovations around creating viable transportation modes as alternatives to road but also several others focused on integrating multiple transportation modes for seamless connectivity even if that involves inter-company co-operation. Then there are technological innovations essential for driving visibility, communication and integration in supply chains or creating productivity improvements at our ports, airports and warehouses. And the fact that all this has been achieved within the limitations of our physical and legislative infrastructure is remarkable, to say the least. This suggests that the industry is not waiting for a favourable tide but pushing against it.

We are grateful to KPMG for mobilizing the case studies contained in this paper from across the industry truly making this paper for the industry, of the industry and by the industry. We also have admiration for the several organizations who actively participated in the development of this paper and shared ideas and information without fear or prejudice for the good of the industry and its customers.

This paper well represents the very purpose and the DNA of the Supply Chain Leadership Council. SCLC is dedicated to be the playground as well as the platform of the Indian transportation and logistics community. In its role as the playground, SCLC will create quality and frequent interaction opportunities between the members of this community – cargo owners, service providers, investors, infrastructure creators and policymakers. In its role as the platform, SCLC will crystallize the opinions, discussions and wishes of the Indian transportation and logistics industry to the attention of the industry itself but also policymakers. Accordingly, we are glad to have provided the platform of India Container Logistics & Infrastructure Summit 2011 for the release of this paper.



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Contents

Preface	1
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Case studies

▶ ABC India	3
▶ Agility Logistics	5
▶ AllCargo Global Logistics	7
▶ APMTerminals Pipavav	9
▶ Arshiya International	11
▶ Future Supply Chain Solutions	15
▶ Innovative B2B Logistics Solutions	17
▶ Kale Logistics Solutions	21
▶ Safexpress	25
▶ Sun Logistics	27

Air freight

Coupling businesses, decoupling inefficiencies

Kale Logistics Solutions



Context

The movement of air cargo in the Indian scenario gets affected on account of multiple factors that contribute to higher lead time in the movement of cargo, increased paper work, delays and other inefficiencies. The stakeholders of the cargo community in India - freight forwarders, Custom House Agents (CHAs), consignors, consignee airports, seaports, airlines, transporters, and customs amongst others - have to grapple with many challenges to perform their core job of transporting the cargo, timely, safely and within budget.

Complication

Almost all the key stakeholders were facing their own set of operational hurdles that practically converged into the single big challenge of smooth and timely exchange of information across the players and their diverse technology platforms with different capabilities:

Consignors: Lack of shipment visibility across the supply chain prompted the consignor to stock larger inventory to minimize stoppages in assembly line production. For lack of end-to-end automation, even world class Enterprise Resource Planning (ERP) systems on part of consignors could not be of rescue due to lack of similarly capable interactive systems on the part of other stakeholders (Forwarders, CHA, Transporter, Banks and Consignee) in the supply chain.

Freight forwarders: Forwarders' role on coordinating shipment's entire movement involved interaction with several stakeholders, but via manual/semi-automated media, entering the same data

in at least 6-7 different systems during the transit of goods which ultimately results in delays, increased costs and errors.

Airlines: Given that most of the forwarders did not have the capability to electronically create and transmit the shipment data, multiple clients including a leading Indian private airline and a leading middle-eastern airline, used to receive enquiry & booking requests manually which added to its costs, reduced profitability, impaired planning and delayed transportation. Also, there was no audit trail for future reference. In case of loss of papers, airlines' failure to reproduce critical documents resulted in penalties. Inappropriate charges on waybills cause erroneous Air Way Bill (AWB) information which in turn leads to revenue leakage and redundant data entry. Above all, the company had to forego market opportunities due to inability to reach the highly fragmented freight forwarding industry in India.

Customs House Agents: Companies in this segment, for instance, Transline Air Cargo Services, had to manually handle a lot of documentation related to operations, finances and forwarding in addition to communicating through phone/ e-mails that also included communication related to job status. Also, several CHAs' systems were not able to maintain customer contracts/ quotations.

Resolution

To address these challenges, Kale Logistics in association with Air Cargo Agents Association of India (ACAAI) and other stakeholders from the air cargo industry developed 'Universal Platform for Logistics and Integrated Freight Transport' (UPLIFT), a first-of-its-kind community wide automation platform for the air cargo



industry. The product addressed most of the challenges faced by the industry stakeholders by mutually integrating a variety of company types: freight forwarders, CHAs, consignors, consignee airports, seaports, airlines, transporters, and customs.

Consignors: UPLIFT provided companies here with complete shipment visibility and also ensured seamless interface to directly exchange data between consignors' systems and UPLIFT, thus, ensuring end-to-end automation across the supply chain.

Freight forwarders: Challenges that originated due to a forwarder's complex coordination with multiple stakeholders were resolved by providing a single window for interactions with all involved entities like in case of how the interaction takes place now between Links Forwarders and United Shipping Services. Forwarders no longer needed to re-enter the data that had been entered by shipper at his end as this data now got automatically updated into the UPLIFT system and was made available to all the constituents in the cargo supply chain.

Airlines: UPLIFT enabled electronic receipt of waybill data like Master AWB/House AWB for airlines. Post UPLIFT implementation, airlines received alerts from custodian / agent regarding Freight Status Update (FSU) messages and GALAXY (enterprise wide cargo handling system for cargo ground handlers) messages. Such electronic communication prevented revenue leakage and redundant data entry. Further, UPLIFT, staying updated always, helped airlines remain compliant with global initiatives such as e-freight, without which airlines would have to bear the costs in storage / maintenance of physical documents.

Customs House Agents: UPLIFT resolved the complications of CHAs too as in the case of Sanco Trans Limited & Links Forwarders. These players could now electronically execute multimodal air-ocean transactions, resulting into significant cost saving with UPLIFT's multi-branch feature that can be accessed from anywhere and anytime.

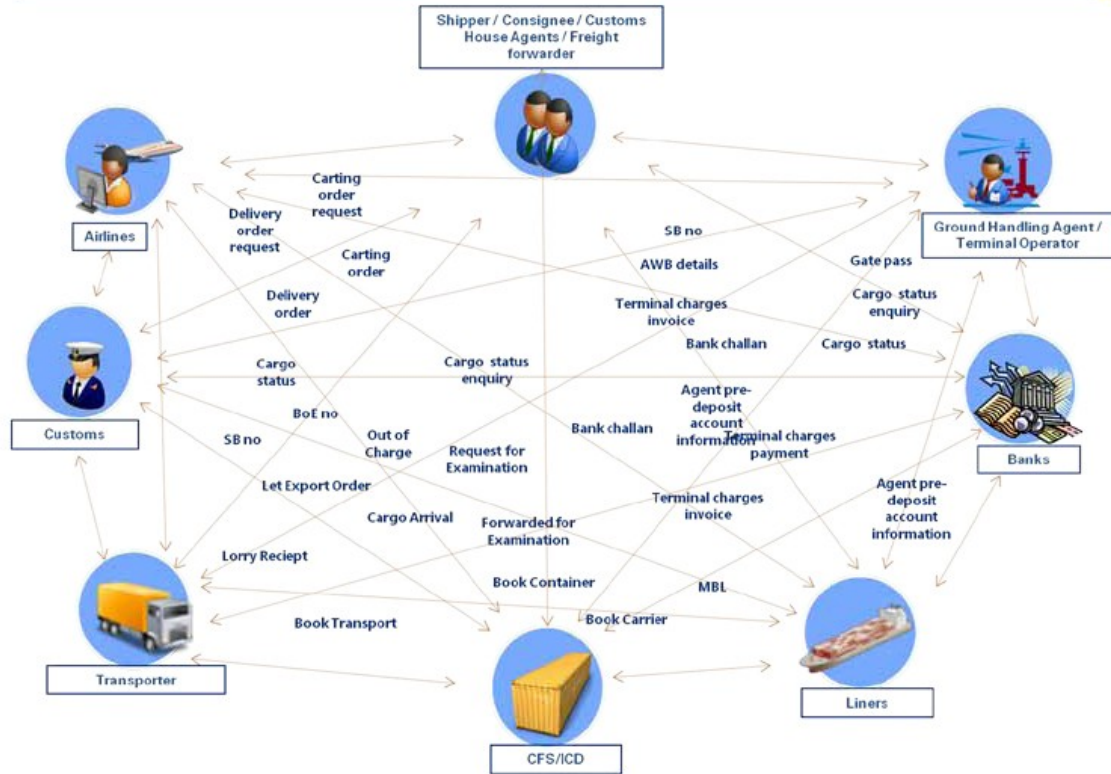
Outcome and Impact

Kale Logistics's innovation in the form of UPLIFT has practically overhauled the entire supply chain of its clients across industry segments.

/// Adopting a single window platform such as UPLIFT to communicate with all the stakeholders involved in cargo transportation and logistics will eliminate redundant communication and increase efficiency, thus reducing the overall operating cost. ///

Sumeet Nadkar
CEO & MD,
Kale Logistics Solutions

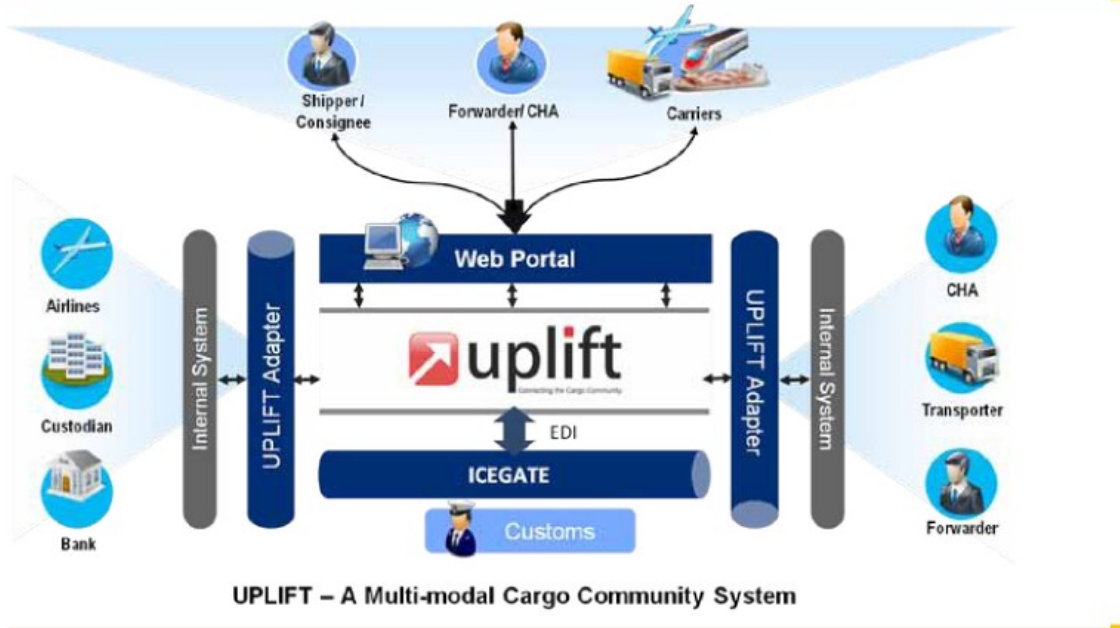
Industry scenario without UPLIFT



Note: The arrows and texts in the image above represent some of the information exchanged between the industry stakeholders.



Industry scenario UPLIFT



Specifically, UPLIFT has benefited clients in the following ways:

- UPLIFT successfully eliminated manual operations, paperwork, and redundant data entry and brought end-to-end shipment visibility across the supply chain.
- It also addressed key concerns of Indian custodians like Mumbai International Airport Limited (MIAL) by directly interacting with its present system (GALAXY), reducing data entry effort and time, thus improving user productivity by about 70 percent.
- It benefited smooth transportation of around 28 percent of India's air cargo shipments, since currently 40 freight forwarders and 38 CHAs get benefited from the UPLIFT Air

Cargo process. The system is connected to one of India's largest airport terminal operators, MIAL, for custodian operations and exchanges EDI messages with several airlines and with Indian Customs.

- Indian forwarders moving from manual operations to online filing through UPLIFT can look forward to at least two-third savings from its current costs per shipment which can be around 8-10 Euros for filing a single shipment as per EU regulations.
- Even the Airlines experience significant time & efforts saving due to electronic filing of AWBs coming from UPLIFT directly to their system, which they otherwise have to capture manually. This also avoids errors in data entry.

