

Why a Lead Logistics Provider could be the answer to supply chain problems

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Over recent years, supply chain disruption has challenged even the most robust global supply chains.

Global issues including Covid-19 lockdowns, the war in Ukraine and the ongoing challenges of Brexit, have caused major disruption to businesses supply chains. We have seen unprecedented levels of shortage and failure across the automotive industry, resulting in what would previously have been perceived as unacceptable OTIF (on-time-in-full) performance, excessive WIP (work in progress), longer lead times for finished goods and excessive build up of stock in the supply chain.

Combined, this disruption has led customers to re-evaluate their current supply chain management partnerships. Furthermore, as supply chains expand, they can become increasingly more complex - which is why a Lead Logistics provider (LLP) could be the answer to alleviating a supply chain team's worries, through taking the hard work off their hands, so that they can focus on other value added activity.

In this article, LLP is explored in the context of recent supply chain challenges, focusing on how building resilience through the supply chain can provide multiple benefits for businesses, particularly in manufacturing.

What exactly is a Lead Logistics Provider (LLP) and how does it work?

A Lead Logistics Provider is one provider that can manage all of a businesses supply chain activity on behalf of a customer, taking responsibility to drive real transformation and benefit into a businesses global supply chain.

Historically, some large-scale businesses supply chain functions have relationships with multiple 3rd party logistics partners, which can often create confusion and complexity. LLP essentially streamlines this, where a business can have a single provider, acting as their one point of contact that can manage everything for them on their behalf. The LLP can achieve this through designing and managing the overall supply chain, to optimise costs and service levels.

Think of an LLP like a conductor for a 200-piece orchestra. Alone, the disparate parts can usually operate alone well, however, sometimes they can veer off and cause a headache if they become out of sync. Which is why having a single partner, a conductor, who will oversee and manage everything together, via control towers with enhanced visibility, just makes sense. Like a conductor, it's important the LLP works with multiple players, showing no favoritism to any individual, to ensure the best performance for the client.



Many sectors have extremely broad and complex supply chains.

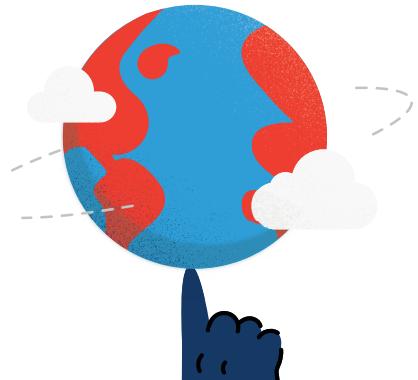
Lean, just-in-time models dominate many industries, providing businesses with an array of benefits; to support a huge variation of customer choice, to provide manufacturers with the agility to amend production schedules to meet customer demand, and to reduce inventory holding and space.

To deliver this supply chain model, OEMs have developed an extensive network of single source global suppliers to drive down procurement costs. Manufacturers' supplier base has evolved over the years to take advantage of lower-cost manufacturing in developing economies as shipping lanes have become established. It's an incredibly effective and efficient operating model when everything goes to plan, but the vast number of global suppliers, long lead times, and reliance on a single supplier for each component, results in extremely tight tolerances.

This leaves manufacturing sectors like automotive extremely sensitive to disruption - constant adjustment is required, but lean, JIT supply chain models are built to be standardised and struggle to react quickly enough.

When there is a major disruption, effects are severe.

As mentioned, the Covid-19 pandemic and war in Ukraine have had a huge impact on supply chains. Whilst these tragic events dominate our recent memories, over the last 12 years we've had fuel crises, financial crises, earthquakes, tsunamis, volcanic clouds, Brexit, ransomware and the Suez Canal blockage, just to name a few. In short, supply chain disruption is the new norm.



**Richard Hankinson,
Unipart Logistics's
Automotive Sector
Strategy Director
comments on the
disruption caused by the
Suez Canal blockage:**

"Shutting something as fundamental to the flow of products as the Suez Canal was unprecedented and the effects were seen rapidly across global supply chains. Shipping lines and supply chain decision makers were faced with the dilemma: do you join the back of the queue and wait, or do you take an alternative route all the way around Africa - adding 10 days' of sailing time and huge cost? Our insights suggest most ships decided to take the long way round. Some port stops were missed entirely and those that were included became very congested causing disruption for weeks with parts ending up in the wrong place."

Post-Covid, the semiconductor shortage continues to cause a crisis with European automotive OEMs. It is understandable that the automotive industry needed to protect itself in the short term by turning off the tap with semiconductor suppliers when Covid hit and automotive production halted. The consequences however are causing long term damage as semiconductor manufacturers simply redirected their spare capacity to the booming IT equipment and infrastructure market.

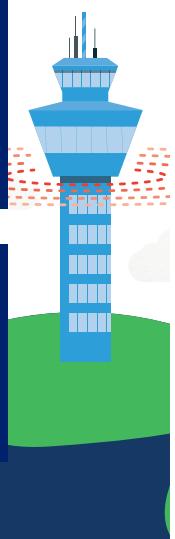
**Hankinson comments
on the continued effects
of the semiconductor
shortage:**

"The decisive action taken by automotive OEMs has left them with reduced semiconductor availability at a time when the complexity of vehicle electronics and the number of semiconductor components are increasing dramatically with vehicles having more and more connected technology and autonomous driving functionality. The result post-covid is of a highly exacerbated issue, with the impacts still being keenly felt across the industry."



These disruptions whilst ‘once in a lifetime’ individually, are causing collective chaos for many OEMs, especially in the automotive sector:

Issues	How an LLP can avoid these issues
Increased transport costs	An LLP has visibility across the supply chain of SKUs by stock location and in transit
<ul style="list-style-type: none"> Volatility in shipping container costs Increase in expedite air freight spend Demurrage charges due to blocked ports Container redirection costs 	The LLP is able to take a holistic view where independent 3PLs are limited by the scope of their operation The LLP uses data driven analytics to determine the most cost effective solution to meet the service requirements
Warehousing and in-plant logistics chaos	An LLP will create control and visibility in the supply chain
<ul style="list-style-type: none"> Congested storage, unloading and stand trailer locations - capacity exceeded Stock loss Over ordering Increasing footprint requirements to hold excess stock Pile up of incomplete production vehicles awaiting missing parts 	Acting as a single point of contact, the LLP will manage individual 3rd party providers in a way that gives the LLP team full control over the operations of the LSPs
Customer dissatisfaction	The strategic supply chain view of an LLP enables greater visibility and control for the customer
<ul style="list-style-type: none"> Huge lead time for customers, waiting up to 2 years for their vehicles Poor aftermarket parts availability leaving customers with replacement vehicles for many months 	Accurate measure of OTIF, cost to serve and root cause analysis ensures that the customer is able to better manage service and their customer communication
Revenue loss	With LLP, real-time data driven decisions can help to build a resilient supply chain
<ul style="list-style-type: none"> Production downtime due to product shortages and long lead times 	A continuous improvement agenda is focused on driving down a customer's total logistics cost and towards other strategic targets



In addition to 'one-off' events, known challenges and the inherent sensitivity of supply chains, there are also mega trends affecting the supply chain industry.

1. Climate change & net-zero emissions targets

Direct effects:

- Ever increasing frequency of extreme weather events

Indirect effects:

- Future legislation and taxes to limit use of unsustainable fuel sources
- Sustainability conscious consumers
- Likely financial consequences for businesses that can't demonstrate a credible plan to achieve net-zero emissions by 2050
- Transition to lower carbon freight transport modes

2. Logistics sector labour shortage

Direct effects:

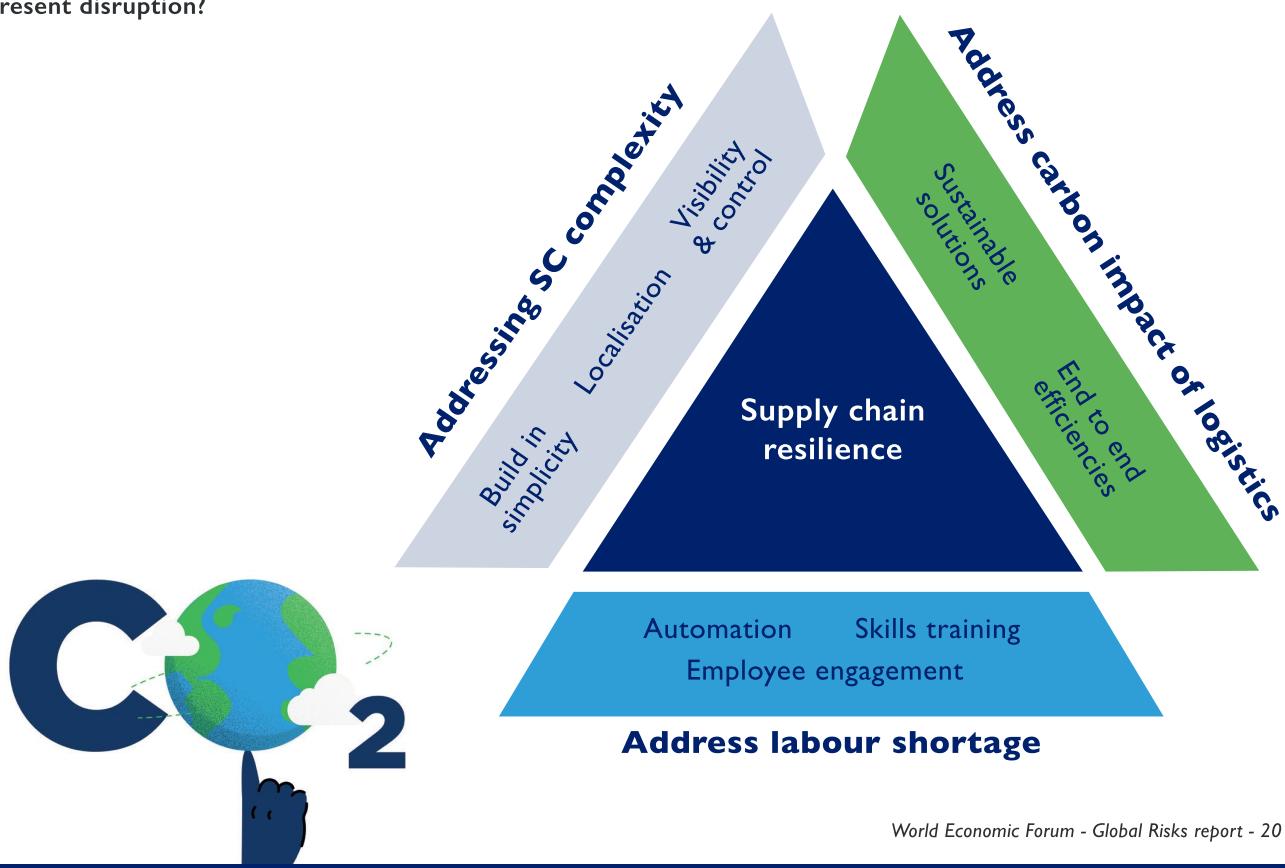
- Skills shortage in the sector
- Reduced availability of a flexible workforce to support peaks and dips demands in inbound, outbound warehousing and shipping volumes

Indirect effects:

- Increased payroll costs due to higher salaries to attract talent
- Increased employee demands and possible strikes

What options are available to design more resilient supply chains in the face of such ever present disruption?

The World Economic Forum defines resilience as, 'The ability of a global supply chain to reorganise and deliver its core function continually, despite the impact of external and / or internal shocks to the system'.



World Economic Forum - Global Risks report - 2011

Addressing Supply Chain Complexity
Simplify products, simplify production, simplify supply chain

Companies with reduced product specification options, e.g. some OEMs' have built simplicity into their supply chain. This enables manufacturing to batch build and avoids the requirement for sequencing. Not only are the JIT operations simpler with less suppliers and SKUs, but it also allows for control over their supply chain as there are less players involved to manage. An LLP could add further simplicity through having one partner to manage all supplier relationships on an OEMs behalf, because the LLP views the customer's supply chain in a more holistic way, identifying opportunities for simplification and rationalisation.

Visibility, intelligence and control

A Lead Logistics Provider can supply live insight into inventory, costs, OTIF and CO2 performance across the supply chain, which equips logistics leaders with logic and data to make intelligent business decisions. This constant monitoring also provides early warnings of supply chain issues and unlocks the ability to proactively mitigate, or avoid disruption. Through using an LLP, this also frees up time for business leaders to focus on other core value-added activities.

Onshoring & dual source

Shifting to localisation and dual source procurement strategies brings stock closer to the point of consumption, reducing the opportunity for problems to occur in transit. When further afield suppliers are unavoidable, holding local buffer stock brings the supply chain closer. While piece prices may be higher, the overall supply chain cost and resilience must be taken into account.

Addressing Climate Change
Proactively make sustainable choices

Some businesses aren't taking sustainability seriously today as there's no short term benefit in 'thinking green'. Considering transport generates around 30% of global CO2 emissions, it would be foolish to expect our businesses to continue to operate as they do today. Supply chains must build sustainable resilience but can't expect carbon reduction initiatives to come for free. By capturing the total cost of supply, businesses can make better cost comparisons and future proof their decisions against likely legislative changes.

Deliver efficiencies to indirectly reduce carbon impact

To maximise efficiency across a supply chain, integration between 3rd party providers and end-to-end processes is key. Logistics leaders and Lead Logistics Providers are able to act as the conscience for their business or customers. By streamlining and optimising supply chain design and operations, both carbon and cost to serve will be reduced. LLP can have the capability to optimise transport routes by adding visibility on carbon footprint. Through this, businesses can make the right logistical decisions, with sustainability in mind.

Addressing Supply Chain Skills and Labour Shortage
Automation

It's no longer appropriate to build a business case for automation by calculating the payback period of replacing people with automation. Investment in the right automation solutions, both digital and mechanical, results in increased productivity and mitigates against the cost of failure due to staff unavailability at peaks.

Skills training and employee engagement

Internal training schemes to upskill colleagues such as apprenticeships, embedded learning and advanced supply chain institutes address the skills gap challenge and builds in-house expertise. Combine this with employee engagement excellence to encourage retention.

Summary

Modern supply chains are a complex beast, requiring technical, manufacturing and logistical precision. The global nature of both customers and suppliers add to the complexity and overlay a significant carbon footprint to the industry. The time has come for a transformation in how supply chains are designed and managed, where leading businesses are looking to partners with expertise in the sector to ensure a successful transition.

Expert logistics providers, particularly Lead Logistics Providers (LLP), can help businesses to build resilient solutions and a revitalised supply chain strategy, working to devise short, medium and long term objectives to improve supply chain resilience.

To achieve this, an effective LLP provides real time end-to-end visibility of performance and inventory across the supply chain. Performance measurements must capture more than just OTIF, providing cost to serve and carbon reporting as standard. This holistic data capture enables the identification of risks, measurement of failure rates, observation of trends and provides advanced warning of future risks.

Working in partnership with customers, suppliers and other logistics partners, an LLP will build a transformation roadmap to address high risk factors specific to customer requirements and supply chain design. Common quick wins typically include sourcing alternative component suppliers, impartially onboarding additional transport providers, setting up localised storage facilities, or innovating to address a labour shortage, but how this applies to each customer is completely unique.

An LLP will be able to balance risk against supply chain cost to build and operate a more resilient supply chain, fit for the future

Unipart Logistics has worked with leading names across many sectors including automotive, technology and health, demonstrating we have the operational capabilities, the technology and the characteristics to be a leading LLP. Our customers know that, which is why they've asked us to be their LLP, because they trust us and they know we have the experience and the approach to be successful.

We engage positively with colleagues, customers and partners to serve our customers better, in a true partnership, which is why we call our approach to achieve supply chain resilience in the modern day our newest service: Lead Logistics Partnership.

While there are many 3PL operators, Unipart has three clear USPs that position us as a prominent Lead Logistics Provider



We are inherently **carrier neutral**, always selecting the best service provider to meet your customer need



We have **unique experience** in delivering successful transformation to some of the best companies in the world, with the size, scale and agility to consistently 'go the extra mile'



Our **unique heritage and culture** unlocks productivity through innovation and continuous improvement



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Joe brings a wealth of knowledge gained from over 15 years' experience working in the supply chain sector for businesses such as Maersk, CEVA Logistics and EV Cargo. He leads a development team concentrated on developing new relationships globally and helping new customers understand how our advanced supply chain solutions including eCommerce and Lead Logistics Partner translate into resilience, productivity, sustainability and customer experience benefits for their business.

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