

# A Conversation with John Motley

CEO and founder, LOG-NET, Inc.

**LQ:** How feasible is it for a 3PL that serves a multitude of customers in disparate industries to develop a single technology platform to address customers' distinct needs? *(Tom Goldsby, Ph.D.)*

**John Motley:** The majority of top 3PLs have technology infrastructure that enables them to support a broad variety of distinct customer needs. However, it is important for users of these services to understand the offering and the value proposition of the particular 3PL. LOG-NET is a provider of such a technology solution. We have spent years enabling a configurable application that is just as happy moving pork products as it is handling the logistics of Tickle Me Elmo. The benefit of such a highly configurable application is that it removes many of the technology constraints of a single platform by using simple customization. However, this quickly makes differentiation among the excellent 3PLs an issue of expertise and execution capability. Armed with a toolkit like LOG-NET, 3PLs can create an enormous number of system solutions for clients. There are three key areas of staff expertise that users of these services should look for:



1. process management staff who understand the customer's business and how to adapt the system to support that business,
2. data and systems engineering staff who are fluent in the e-commerce of the trading partners that is to be implemented, and
3. staff in the locations that the customer needs who are fluent in support and day-to-day management of both the customer's business processes and the technology infrastructure used to support it.

3PLs with this type of staff and IT infrastructure typically offer three distinct levels of services, which are usually based on the cost of the service and the level of customization that the customer will be provided. Broadly speaking, these can be described as follows.

1. **Adjunct Services:** This offering is an add-on to core transportation, forwarding or brokerage services. It is typically a structured program offered in a broad variety of locations. As this is a mass service offered as an add-on, it is typically lower-cost and less customized. A major benefit to this type of service is that it is structured and usually has broad training around the globe, supporting the probability of high quality of service with lower training needs. This is usually identified within the 3PL as a corporate service as opposed to a separate profit-and-loss center within the organization.

2. **Boutique/Customized Services:** The boutique service

will provide highly customized services where the 3PL integrates with the customer and the procedures and processes are predominantly driven by the customer. These services will be separately priced and will involve custom e-commerce and process integration. Many 3PLs have set up separate integrated or global logistics divisions to cater to this market. These provide benefits that include tremendous alignment with customers' goals and revenue or cost-reduction objectives. The trade-off is that the custom nature of this type of solution requires more aggressive staffing and management to both deploy and maintain.

3. **Hybrid Custom/Add-on Solutions:** Some 3PLs will enable clients to mix and match their core, add-on and custom services. The trade-off in this environment can involve blurred lines of accountability within the 3PL that may not be in the best interest of the customer. Customers should make diligent efforts to understand and clarify roles and accountability for a delivery that may be shared across transportation, forwarding, warehousing and brokerage entities within a 3PL. They should insist on a single point of contact for problem resolution in any area.

From a technology perspective, applications such as LOG-NET are supporting all these types of 3PLs, but there are differences in the size and breadth of technology and process management staff within each 3PL.

**LQ:** What is the likelihood of technology providers being able to successfully combine ERP and supply chain functional software? Who are or will be the leaders in making this happen? *(John Langley Jr., Ph.D.)*

**John Motley:** The end client of the 3PL is clearly driving this set of requirements. In the past 12 months we have seen a major increase in the volume of clients moving to build collaborative frameworks between best-of-breed 3PL and supply chain technology to extend the capabilities of the ERP infrastructure. Many ERP users are ending their wait for the ERP suppliers to build out their multimodal or international logistics capabilities. The result is requests for deep integration with how the leading ERP applications are being deployed. To the 3PL and supply chain technology providers this means gaining a deep understanding of the data and business process models that the ERP applications operate.

By way of example, we recently deployed several international multimodal solutions for SAP clients. This is an area in which SAP provides very limited fidelity. LOG-NET has built a

*continued on page 30*

## GALLICK / McKENNA

*continued from page 10*

marketplace. Who are the best providers? Who will offer the most support? How customizable are the technologies to our customers' needs? Should we develop the capability internally?

**Tom McKenna:** Should we consider application service providers (ASPs)? And how do we transition our current systems to a service-oriented architecture (SOA) that promises even greater flexibility?

**Joe Gillick:** All of these decisions, of course, must address and balance the voice of the customer with the voice of the shareholder (ROI). The distinct advantage we have to offer our customers is the fact that we've lived through and made these decisions already, allowing them to receive the full benefits of digitization in real time and with minimum investment and performance risk. Our approach has been a blended one, leveraging best-in-breed technologies with internally developed software and creative middleware to enable specific business processes—customized to fit the needs of each customer, yet within standard platforms that enable us to leverage scale and repeatable processes among many customers.

**LQ:** Do customers look to you for technology solutions or enhanced process performance — performance that may be enabled through technology? (*Tom Goldsby Ph.D.*)

**Joe Gallick:** This question very much gets to the heart of the preceding one. Oftentimes a customer will come to us with an RFP for a specific technological solution. This is usually the result of a business process assessment that has specified the need for a particular technology (for example, TMS, WMS) and has assigned sourcing this need to a procurement group to address the purchase/outsource alternatives. Over the years we have learned to resist the obvious temptation and to probe deeper to understand the rationale behind the request, and challenge accordingly.

Logistics service providers must have the necessary IT tools to be considered by any serious buyer. More important, however, is the capability and experience the provider must have to fully understand the underlying processes this technology will support and the performance improve-

ments it is projected to enable. Additionally, value-stream mapping the processes the technology will support, as well as the preceding and resulting ones, is critical in ensuring the ultimate adoption and usefulness of the tool. This exercise sometimes achieves a valuable result. While certain technologies may be more robust and have the latest features, a more flexible and nimble solution, tailored specifically to the customer's processes, may yield the best ROI and results.

*Questions for this Executive Interview were prepared by LQ's board members: Russ Doak, Director, Supply Chain Logistics, Heli-One and Tom Goldsby, Ph.D., University of Kentucky.*

## JOHN MOTLEY

*continued from page 12*

deep understanding of how SAP uses things like material numbers and line numbers on orders to manage manufacturing, apparel, hi-tech, retail and pharmaceutical clients. This enables us to create fluent dialogues between the SAP instance and the trading-partner community. Significantly, we can also be a layer between the trading-partner community and the ERP application. When enabled with a 3PL, we can extend the enterprise infrastructure and management process from the clients to their suppliers, using our configuration capability to provide the homogeneous environment the ERP seeks while accommodating the heterogeneity that typically permeates most trading-partner communities.

The leaders in this industry will be those suppliers of 3PL and supply chain IT that provide the highest level of configurability, domain expertise and proven execution in multi-enterprise integration and management. ERP applications are setting benchmarks of business practices, and the 3PL community is responding aggressively to maintain their positions of excellence in supply chain IT.

*Questions for this Executive Interview were prepared by LQ's board members: Tom Goldsby, Ph.D., University of Kentucky, and John Langley Jr., Ph.D., Professor of Supply Chain Management, Georgia Institute of Technology.*

## ROBERT HANEY

*continued from page 14*

robust to accommodate variation in data capture, communication and processing? (*Tom Goldsby, Ph.D.*)

**Robert Haney:** It is feasible for a 3PL to effectively serve customers across multiple verticals. However, the supply chain knowledge and operational flexibility required to deliver consistent operational excellence across disparate industries cannot be purchased with a packaged technology solution. The capacity to effectively serve customers across verticals must be purposefully developed in house and grown through experience. The key requirements for cross-vertical support are end-to-end systems and an effective global implementation team.

This question of feasibility regarding single platforms is appropriate, given how the technology needs of modern supply chain managers are stretching our systems' capabilities with regard to data integration and system functionality. In order for systems to span multiple 3PL services across multiple verticals, the systems must provide independent support for unique segments of the supply chain while at the same time offering the ability to "plug and play"—in other words, flexing to deliver end-to-end solutions.

At APL Logistics, our core systems each address a specific supply chain operation. For example, we maintain systems to address purchase order distribution, label printing and scanning, booking management, consolidation optimization, deconsolidation, origin warehouse, rail management, domestic freight optimization and management, and document management systems, to name a few. Each of these systems can be deployed in a stand-alone mode as needed, or it can be integrated to deliver a complete supply chain solution to support varying models across verticals.

But solving the systems challenge alone is not sufficient to deliver effective cross-vertical supply chain solutions. Knowledge of best practices and vertical-specific implementations must be a core competency of the service provider. At APL Logistics we house this knowledge in our Global Implementation Solutions Group. This team follows