Logistics profitability lags due to skills shortage

The logistics industry is geared to quickly hire operational skills like pickers, packers, and drivers based on seasonal scalability, but in a highly competitive environment, this isn't enough to ensure business profitability and happy customers.

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"A shortage of specialised skills that operate the technology optimising distribution of goods to customers is threatening even the best efforts at scaling operational capability," says Lukas Potgieter, general manager at VSc Solutions.

Humans need to provide insight

Technological advances have significantly eased the pain traditionally associated with outsourcing skills considered core to the success of a business, but having the right technology available is only one part of the solution.

While technology typically manages customer orders throughout the supply chain – whether it be for large quantities of car parts, or one pair of shoes – it is the team of humans operating the logistics technology that need to provide insight into the supply chain functions.

Some of these insights include route planning that optimise service levels and reduce costs, determining driver schedules according to labour regulations, and manage breakdowns, route deviations, and other exceptions that can result in costly redeliveries.

Impact of staff turnover

Potgieter explains that the knowledge and skills needed to efficiently use logistics technologies take some time to grasp, and is quickly lost when trained staff leave, or during planned or unplanned leave days.

"No business can afford to incur unnecessary costs or delay deliveries just because of a lack of trained staff," warns Jaco Kamper, senior contract manager at VSc Solutions. "We need to be able to compensate for specialist human resources needed for strategic insight and operational efficiency as much as we need it on core operational skills."

Impact of e-commerce

Due to the increased pressure of customer expectations brought on by developments in e-commerce, changes to customer ordering patterns and a move to centralised distribution services, businesses are finding themselves in need of both operational and consulting services that analyse and optimise their networks. These include advice on where to base production and distribution centres and warehouses, and the most optimal way to service customers, taking business constraints and customer service levels into account.

Shared responsibility

It is becoming more popular to share the responsibility of strategic decisions and the resulting outcomes, as well as the daily operational management of these systems, with specialist service providers specifically trained to operate and generate insights from supply chain software.

The solution to this strategic requirement lies in a so-called "control tower".

A control tower serves as a structure to manage the human resources – whether in-house, outsourced, or in a combined model – dedicated to managing the strategic optimisation; routing, and route execution software.

A control tower offers a depth of skills that can handle unforeseen circumstances as quickly as they arise. This negates the need for a business to employ fulltime resources for skills that might only be required on a part-time or ad hoc basis.

"The control tower method allows us to become outsourced specialists of daily operational functions of our clients," explains Potgieter.

Trust is key

Although the outsourcing of these specialised services through control towers have grown significantly over the last few years, many businesses struggle to understand how someone outside their organisation could potentially provide better insights into their business than fulltime resources can.

Potgieter explains that a control tower operator is less likely to get distracted by operational details and inherited inefficiencies, as their decisions and advice is primarily based on data generated by technology and best practice.

"We typically see an increase in customer satisfaction and a reduction in logistics costs for our control tower clients, whether they have a fully managed service or just a partial bureau service solution," says Potgieter.

A managed service has a lot of smaller benefits: the control tower can look at strategic considerations like the number and types of vehicles needed, whether a sales or nominated delivery day driven distribution model is needed, and advice on balancing and optimising operations based on customer service requirements.

"Probably the biggest benefit of a control tower service is the shared responsibility for improvement initiatives," says

Kamper. "Once a system is live it becomes very easy to measure improvement versus costs on a daily basis and make adjustments without costly delays."

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