

**SAP Solution Brief**  
**SAP for Logistics Service Providers:**  
**Chief Information Officer**



## **RAPIDLY DELIVER WORLD-CLASS COMPETITIVE SERVICES WHILE REDUCING COSTS AND TIME TO SERVE**

### **React Quickly to Customer, Business, and Government Requirements**

Chief information officers responsible for enabling fast reaction to customer, business, and government requirements often struggle to increase IT flexibility and decrease IT complexity. The SAP for Logistics Service Providers solution portfolio helps CIOs react quickly to changing requirements by coupling a flexible architecture with industry-specific functionality through enterprise services architecture. With this solution portfolio, CIOs can accelerate time to serve and decrease cost to serve.

### **Make Change Easier**

Change dominates the world of logistics service providers (LSPs). Macroeconomics and globalization drive continued mergers and acquisitions. Customers have rising expectations and demand more visibility. Government compliance steadily increases. These ongoing changes put more pressure on the supply chain, which itself is undergoing a migration from logistics execution toward process management. Furthermore, with deregulation, low barriers to entry, and increased outsourcing, the intensity of competition keeps growing.

Compounding the need to react to these changes is the pressure on LSPs to reduce costs and improve efficiency. According to the published results of a 2005 study of third-party logistics (3PL), U.S. logistics costs in 1995 were \$773 billion; in 2004, the comparable figure was \$1,015 billion. However, logistics costs as a percentage of U.S. gross domestic product declined from 10.4% in 1995 to 8.6% in 2004.<sup>1</sup>

Facing these dynamic customer, business, and government changes, an LSP's chief information officer must react quickly and cost-effectively. In carrying out this charge, you face a myriad of complex challenges. Because the demand to keep up with changing requirements has held the reigns on innovation for so long, disjointed landscapes have evolved, forcing you to cope with unresponsive business systems. Built on point applications and platform fixes, these systems lack the flexibility to support today's successful business processes. As a result, the cost and time to react to changes and new requirements are often far greater than they need to be.

1. *2005 Third-Party Logistics: Results and Findings of the 10th Annual Study*, C. John Langley Jr., PhD, Georgia Institute of Technology with Capgemini, DHL, and SAP. See also [www.3plstudy.com](http://www.3plstudy.com).

The SAP for Logistics Service Providers solution portfolio helps reverse this trend. The solutions allow you to keep pace with change while supporting your key business processes and help you reduce the cost of change by making multiple platforms behave as one. With this powerful set of solutions, you can enjoy a sustainable cost structure for your entire IT landscape. You can leverage existing technologies to lower the cost of new functionality. You can decouple and streamline business processes from your applications via business-driven enterprise services architecture (ESA). And you can enable fast reaction to change with new, competitively innovative, cross-functional business processes.

### **The New Bottleneck: Implementing Change**

As chief information officer of an LSP, you need the ability to move deftly from one strategy or business model to another, whenever necessary. For this reason, increasing the speed and agility of your company is the path to achieving new competitive advantage. But in doing this, you are surrounded by a host of external, internal, and business ecosystem change management problems that all contribute to the high cost and delay of making change happen.

External factors include the inability to keep up with changing government requirements. A typical cross-border shipment, for example, can involve the filing of many documents and compliance with numerous laws and trade agreements. Other external change management challenges include the difficulty in keeping up with changing customer requirements as well as the inability to meet customer expectations for new technologies, such as radio frequency identification, in a timely manner. Finally, companies do not quickly reap the benefits of their investment in mergers and acquisitions due to the lengthy delays in merging different IT landscapes.

Internal IT change management challenges include gaining a 360-degree customer view and a clear financial picture, as well as reducing delays in new-product introductions and geographic

expansion caused by language and regulatory barriers. In your business ecosystem, optimizing processes to work with carriers may require a large and costly integration project. A lengthy customer on-boarding process can delay revenue from new customers.

Efficiently managing change as it comes at you from all directions presents the following set of difficult challenges: **Disparate business systems** – Today’s successful business processes require a new host of technologies and applications – on top of what you already have in place. In trying to keep up with these new technologies and applications, you connect and integrate point applications and platforms to reduce costs. In the long term, this is not effective as it often results in a landscape that is neither flexible nor cost-efficient and, in the worst case, is not conducive to innovation.

**Lengthy delays for process change** – Over the past 20 years, the ability of LSPs to reinvent themselves and then build and execute a new business process or business model has improved but little. In fact, the normal expectation for an enterprise resource planning implementation of a relatively straightforward process change is one to two years for large organizations – longer when integration and custom development are needed.

**Inflexible LSP structures** – Although the business environment has changed, LSP organizations and their enterprise architectures have not. As a result, the IT of today’s typical LSP is not built for change; instead, it is heterogeneous, custom built, and adapted only on demand. As an LSP moves toward a build model and away from a buy model, every change implemented can decrease an LSP’s flexibility and ability to make future changes. Because IT is not aligned with the business, corporate growth strategies regularly conflict with the IT landscape, resulting in prohibitive costs and time to make IT changes. And the pressure on the CIO to lower total cost of ownership continues unabated even though most of the IT budget is earmarked just to “keep the lights on.”

**Lack of IT innovation** – Findings from the 2005 3PL study reflect the need for IT innovation.<sup>2</sup> More than 90% of shippers agree that IT capabilities are a necessary element of overall 3PL provider expertise and are key to their selection process; however, only 38% are satisfied with the IT of their 3PL providers. Customer satisfaction with 3PL technology services has decreased with the emergence of a new business bottleneck – the time it takes to move to a new business process or strategy.

Until a permanent change management solution and IT infrastructure are implemented, this bottleneck will continue to diminish IT returns. And these inabilities and delays in adapting to change add to the already expensive cost of IT. According to an internal study, SAP estimates that 2% of a company's revenue is spent on the average LSP IT budget, with 25% being spent on integration and 15% on applications.

### **Keep Pace with Change**

In providing the key functionality that helps CIOs reduce complexity, the SAP for Logistics Service Providers solution portfolio enables you to overcome change management problems and the disadvantages of a disjointed landscape. The solutions give you the robust power to react to business, customer, and government requirements with speed and agility.

The solution portfolio enables you to change in the following ways:

- **Give control to your business users** – Decouple your processes from the underlying IT applications through ESA, the next-generation architecture powered by the SAP NetWeaver® platform.
- **Unify your platform with the power of SAP NetWeaver** – A single, integrated platform allows you to reduce costs by reducing point-to-point integration between systems, making multiple platforms behave as one.

- **Standardize and automate your processes** – You can leverage the rich functionality offered by SAP for Logistics Service Providers to automate and streamline business processes. For example, you can create templates that make it faster to bring business partners onboard.
- **Innovate while containing your costs** – Once you have integrated your IT landscape you can use SAP® xApps™ composite applications to leverage existing applications and reuse them to offer new proprietary services.

### **Benefit with Change**

With solutions from SAP for Logistics Service Providers, you can accelerate time to serve by ensuring that your IT landscape is flexible and can adapt to change. You can reduce your cost to serve by lowering TCO, including the costs of maintenance, innovation, internal integration, and integration to third-party applications. When TCO starts to come down, business benefits can begin to grow.

With SAP for Logistics Service Providers, you can gain from the following actions:

**Reduce cost to serve** – With SAP applications you can keep up with changing government regulations, enabling you to reduce the cost of compliance by delivering standard compliance reports on a timely basis. With streamlined IT, you gain a full-circle view into your financials, customers, and processes, reducing the cost to introduce new products and expand into new markets and new locations. Furthermore, through integrated processes you can improve overall process efficiency and cost-effectiveness.

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2. Ibid.

**Accelerate time to serve** – You have the power to make process changes quickly. With SAP NetWeaver, you can ease the integration of carriers and synchronize business processes beyond the enterprise. And process synchronization ensures on-time delivery. The ability to improve how you change and manage processes enhances your ability to offer new, competitive services faster; you can quickly deliver proprietary services based upon your existing applications and without having to write new code.

**Improve your ability to innovate** – SAP for Logistics Service Providers increases your competitive strength by giving you the ability to innovate as you control costs and reduce the time it takes to move to a new business process or strategy. IT costs are lowered because servicing an IT infrastructure built on a single platform affords efficiencies that result in significant savings over the management of an increasingly disparate IT landscape. And with SAP's unparalleled investment of \$1.2 billion in research and development, you can enjoy new technologies and reap their benefits without the high costs of investment.

Enhancing the benefits of change management and your improved ability to react to change are the advantages that flow from SAP for Logistics Service Providers. For example, you can expect a reduction in IT costs of up to 13%, according to an internal SAP study. You can improve service levels and provide cost

savings for customers, because you have complete visibility across all your processes. You can anticipate simpler and faster integration with systems and partners. And you can innovate at lower cost to compete at a higher level.

### **Speed: The Prerequisite for Future Success**

To learn more about how SAP can help increase your IT flexibility and your agility to react to change, now and tomorrow, call your SAP representative today or visit us on the Web at [www.sap.com/logisticservices](http://www.sap.com/logisticservices).

### **Powered by SAP NetWeaver**

SAP for Logistics Service Providers is powered by the SAP NetWeaver platform. SAP NetWeaver unifies technology components into a single platform, allowing organizations to reduce IT complexity and obtain more business value from their IT investments. It provides the best way to integrate all systems running SAP or non-SAP software.

SAP NetWeaver also helps organizations align IT with their business. With SAP NetWeaver, organizations can compose and enhance business solutions rapidly using enterprise services. As the foundation for enterprise services architecture, SAP NetWeaver allows organizations to evolve their current IT landscapes into a strategic environment that drives business change.