

## **Information Technology Online (ITOL) Program**

The Tasmania Logistics Online (TLO) Project was awarded \$80,000 in May 2000 under Round 4 of the ITOL program. TLO demonstrated the commercial benefits available to logistics and transport providers, as well as their customers, when they migrate from paper-based workflows to an automated operation. A key feature of the initiative was the creation of a central technology hub for the Tasmania's transport and logistics providers to show how an automated and electronic operations system would boost business efficiency, increase savings, improve customer relations and maximise profits.

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## **Tasmania Logistics Online**

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*Chris Anderson, National Operations Manager, Patrick Tasmania*

## **Introduction**

The advent of eBusiness technology has created the potential to iron out workflow inefficiencies, raise productivity and maximise profit.

The Tasmanian Electronic Commerce Centre (TECC) recognised the benefits of applying eBusiness technologies to the state's logistics and transport sector, and to this end established the Tasmania Logistics Online (TLO) project in March 2001.

TLO demonstrated how an automated and electronic operations system could boost business efficiency, increase savings and improve customer relations. At the conclusion of the demonstration project TL was processing 11,000 consignment transactions per month, and its success has led to the service being offered as a commercial solution in February 2002 through Tasmania Business Online (TBO), a specialist eBusiness service provider.

TECC believes offering the service as a commercial product will fundamentally change the way logistics are managed in Tasmania, with positive flow-on impacts on every economic sector in the state.

## **Objective**

Logistics and transport underpin supply chain management. Many enterprises must allocate significant resources to warehouse, distribute and manage inventory. Additionally, customer fulfilment is often predicated on the ability to efficiently move goods to shopfronts, manufacturing floors, storage centres and shipping points. In the past, logistics and transport were largely overlooked in eBusiness with the focus instead on procurement and marketplaces.

TLO was designed to showcase the strategic importance of transport and logistics in eBusiness solutions, and the benefits eBusiness technology can bring to the delivery of transport and logistics services. The main objective of the project has been to facilitate the transition from paper-based workflow towards automated and electronic operations.

## **Project**

TLO began with a select number of organisations drawn together by TECC and ultimately involved 21 organisations, including national enterprises like Woolworths and Patrick's.

The project is managed by the TECC and was funded with an award of \$80,000 from the Federal Government's Information Technology Online (ITOL) Program.

A great deal of the logistical workflow is dependent on the exchange and processing of consignment notes, goods advice, invoices and other business documents. This requires a

high level of manual preparation and re-keying of information, and generates inefficiencies such as process duplication and clearance delays. These inefficiencies create problems throughout the supply chain by hampering service capabilities and cash flow, adding to administrative overheads.

Recognising these problems, TLO stakeholders saw a place for eBusiness technology to enable logistics businesses to automate and streamline document and workflow management, and create the potential for significant administrative and transaction savings. eBusiness also increases the accuracy of information by reducing the number of data entry points and improves the timeliness and flexibility of information management by providing for improved data collation. This leads to better cargo tracking and transfer functionality, and improved responsiveness to customer needs.

Furthermore, eBusiness has the potential to speed up both time-to-market and cash flow by centralising order management and settlement functions.

## **Challenges**

Adopting eBusiness technology is a significant and strategic move for any organisation. The TLO project assisted companies to make the transition by providing advice on technical issues such as integrating legacy IT systems into eBusiness solutions.

TLO is also addressing the need for case studies and benchmarks to improve industry awareness, as well as creating a critical mass of trading partners to create economies of scale.

The latter points to the principal challenge which initiatives such as TLO face – driving the move to a collaborative business culture.

An effective eBusiness supply chain solution requires stakeholders, who quite often compete aggressively for market share, to share trading space and information that previously had been internal and perhaps proprietary. For example, stakeholders may need access to information such as inventory levels or cargo locations. Stakeholders need to be assured that this type of information sharing will not negatively affect their individual competitive advantage.

The reluctance of stakeholders to make internal information visible across the supply chain is an issue for business-to-business communities and also a challenge for the TLO project.

## **Project Solutions and Learnings**

### **Community development**

The TL initiative was originally based around four independent project submissions made to the Tasmanian Electronic Commerce Centre. TECC believed it would be beneficial to integrate these projects to generate economies of scale and scope, and maximise flow-on benefits to the Tasmanian economy.

By integrating these four projects, TECC created a community based on a shared interest in developing the transport and logistics industry, and on pre-existing business relationships. The latter proved to be crucial, as the transition from a traditional “bricks and mortar” environment to an eBusiness “clicks and mortar” environment is generally easier when based on adding value to existing relationships and networks rather than generating new revenue streams.

This approach also facilitated the rapid introduction of eBusiness solutions. TECC identified stakeholders who understood the case for advancing eBusiness in transport and logistics, and who had experience in managing information technology projects. By fostering these partnerships, the TECC was able to leverage existing workstreams and industry networks, thereby reducing implementation problems and accelerating the benefits from eBusiness.

### **Technology selection**

The other major issue resolved by the TLO project was selecting suitable technology. The transport and logistics industry is fragmented, involving thousands of providers working at different service levels and often using custom - built legacy IT systems. These systems do not normally comply with or support any open source messaging standard that facilitate interoperability.

Asking stakeholders to reengineer their IT systems to meet the demonstration needs of TLO would have been complex and expensive, resulting in less buy - in. Another option – asking stakeholders to develop an industry-wide open source messaging standard –was also unrealistic, given a lengthy accreditation period and the short timeframe of the TLO project. TECC decided that the most cost-effective and technically feasible solution would be to implement a hub. Stakeholders would connect their respective IT systems to the hub, which would provide a clearinghouse service, translating and routing messages accordingly. The Virtual Logistics Organisation was selected as the technology provider.

## **Benefits**

Using an interoperable hub to integrate with existing IT systems minimised disruptions to workflow while allowing benefits to be realised almost immediately. Participants reported reduced documentation and operating costs and greater efficiency in consignment tracking. Chris Anderson, National Operations Manager for Patrick Tasmania, says the eBusiness systems have enhanced his company's ability to service customers. "We are really now starting to reap benefits, and best of all we know we have customer satisfaction. The reason is simple –any customer who has access to our system can track consignments with just a few keystrokes," he says.

Michael Ward, Marketing Manager for Tasrail, says engaging TLO was not so much a matter of shaving costs but ensuring information was entered in a timely manner to enable the company to use its computer system effectively. He comments that Tasrail was so pleased with the results of the project that it intends to introduce electronic logging of freight movements.

"We are about continuous improvement, adding value to the relationship with our customers. That's what the whole thing is about. I know that our customers want us to give them delivery confirmation information and to be able to link this back to them electronically. That 's what we are now achieving," says Ward.

## **Future**

The demonstration project concluded with 11,000 consignment transactions per month being processed – well beyond initial expectations. As a result of the pilot program's success, a process was established to transition TLO from a demonstration project to a commercial offering through TBO in February 2002.

An electronic proof-of-delivery (POD) system is in development. It will give customers the ability to track the progress of deliveries and ensure prompt payment to service providers when the proof is entered directly into the system.

TECC is also involved in developing two other value-added systems for monitoring perishable goods and vehicle movements. Perishable goods monitoring will involve tagging individual consignments to monitor temperature during transit and thereby underpin quality assurance guarantees. A vehicle management system will also enable trading partners to monitor the vehicle's whereabouts and routes.

At the same time, many of the TLO participants are advancing their use of eBusiness systems. Participants are providing their customers with computer-based consignment management systems and exploring the use of other new technologies to gain competitive advantages.

## **Websites**

Tasmanian Electronic Commerce Centre: [www.tecc.com.au](http://www.tecc.com.au)

Tasmania Business Online: [www.tbo.com.au](http://www.tbo.com.au)