

## Logistics to have an even greater impact on company success

*An interview with the four Groenewout partners – Alain Beerens, Wendel Dijker, Mari van Kuijk and Arthur Zondervan – by Marcel te Lindert.*



**From linear supply chains to autonomous networks, and from a cost to a competitive weapon – in 2016, the year in which consultancy firm Groenewout celebrates its 50th anniversary, the logistics profession is once again facing a major period of transition. The four partners at Groenewout discuss the second 'revolution' that has just got underway. "Everyone knows what logistics is nowadays because everyone's received a parcel now and again."**

Strictly speaking, the logistics profession didn't even exist 50 years ago. Back then it used to be referred to as transport and warehousing, or perhaps business administration. The profession as we know it today only first began to take shape in the 1980s. One of the pioneers was Eliyahu Goldratt who published a management-oriented novel called 'The Goal'. "He was one of the first to explore what we really needed to store and how we could translate a sales forecast into a production plan and subsequent purchasing plan. It suddenly made sense to start using statistics, for example," says Alain Beerens, one of the four partners at Groenewout together with Mari van Kuijk, Arthur Zondervan and Wendel Dijker.

Globalization was another factor. Van Kuijk describes how a growing number of American companies opened European facilities from the late 1960s onwards, followed in the 1980s by Japanese companies with their 'lean' principles and concepts such as 'just in time' and 'kanban'. They also started thinking about managing the suppliers who were required to deliver goods directly to their production lines. "And don't forget the elimination of European trade barriers in 1993. That gave the logistics sector a huge boost; opening up the borders made new logistics constructions possible. And, of course, new IT-related possibilities have emerged," states Zondervan.



*From left to right: Alain Beerens, Mari van Kuijk, Arthur Zondervan and Wendel Dijker.*

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### **From storage shed to intersection**

The recognition of logistics as a profession meant that companies themselves paid more attention to it. Logistics became a role in its own right and, as the profession continued to mature, the discipline was increasingly represented at board level. "Companies have gained ever-more awareness of the value that logistics can add to a product. For example, the warehouse evolved from a location for merely storing goods to somewhere that could also add value. It suddenly became a place for order picking and cross-docking, which also altered its role in the supply chain. The warehouse changed from a 'storage shed' to an 'intersection'," comments Dijkster.

We're now on the threshold of a new revolution in the logistics profession. Until the 1980s, companies were only focused on shipping goods from A to B. Then they started exploring how to do that as efficiently as possible to achieve optimum delivery reliability. "And logistics has now become a service item. Just look at the developments in e-commerce or fashion. The secret to the huge success of Zara and H&M is their ability to change their collections continuously rather than just a couple of times a year," explains Beerens.

### **Much bigger risk of failure**

In the not-too-distant past, logistics was regarded as nothing but a cost. Warehousing and transport had to be arranged adequately, but that was all. In contrast, logistics has increasingly become a competitive weapon in recent years; webshops strive to outdo one another in terms of delivery speed and delivery options. The risks have increased too. Today's product ranges are much wider than before and yet product life cycles are shrinking. As a result, there is a much bigger risk of failure nowadays. Beerens: "Companies take a very precise approach to their finances in order to minimize that risk. It's no longer about the moment of goods receipt or dispatch, but rather about when the customer pays and when the company itself has to pay the supplier. The aim is to optimize that cycle."

One thing that has definitely played a role in the new revolution is that the profession now also touches consumers directly. "Everyone knows what logistics is nowadays because everyone's had a parcel delivered to their door now and again. Plus everything is transparent – you can see exactly who's got what in stock. That creates expectations," says Zondervan. Van Kuijk adds: "When it comes to e-commerce, the profession is still in its infancy. We'll see various major advancements in that respect in the coming years, and they will also impact on the business market. In fact, they already are."

### **From linear supply chains to networks**

In a further development, the traditionally linear supply chains are increasingly becoming networks. That shift is most clearly visible in the ever-growing differentiation in the retail market.

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Retail chains no longer have a single, standard store formula. Instead, they may also have webshops, convenience stores, flagship stores, outlets and shop-in-shop concepts. And within those networks, the returns flow is increasingly decisive too, claims Dijkster. "Think of the cradle-to-cradle philosophy and of companies that are selling services rather than products. That might not play such a big role right now but things are set to change in the future."

It is inevitable that the logistics discipline has been given a place in company boardrooms. In today's complex networks, board-level representation is essential to ensure that the right decisions are made holistically, in conjunction with the commercial director and financial director. "Logistics professionals are seated at the table where the medium-term and long-term decisions are made. Does the logistics director play a leading role in them? Well, he definitely has significant influence," states Van Kuijk. "In that respect, our founder Cor Groenewout's decision to focus on logistics in the early 1980s was a smart one. He sensed early on that this profession would be a dynamic one."

#### **Shift to autonomous networks**

Plenty more changes still lie ahead. Big data will also play a key role in logistics, for example. E-commerce companies are not the only ones who analyze the number of clicks per product in order to align their inventory in the closest warehouse. "However, the problem is that such analysis often still takes place offline. It always requires someone to take the initiative. When these activities become automated, that's when we'll be able to make the shift to autonomous networks. Take the example of how to fulfill an online order – from the central warehouse or from a physical store, if that works better? That requires IT, but the technology is already available," comments Zondervan.

Another development is the growing need for diversity and flexibility. Whereas a decade ago it was sufficient for a distribution center (DC) to offer just one or two storage concepts, it now needs three, four or even more. Companies are continually adapting their strategies all day long. For example, order-pick processes in e-commerce DCs handle bigger batches in the mornings than they do in the last couple of hours before the cut-off time. "All of that has consequences for the building that houses the warehouse too. Ten years ago we knew how a 'standard' DC should look, which kept investors happy. Nowadays we're seeing much more diversification in the number of different types of DCs – partly due to e-commerce – yet shorter rental contracts are becoming increasingly common. That's causing an element of tension that the real-estate world needs to resolve," believes Van Kuijk.

#### **Payment per month or per use**

When it comes to automation and mechanization, there will be rising demand for flexible, scalable solutions.

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Zondervan also foresees growing interest in lease constructions for hardware. Instead of companies having to invest, they will pay per month or per use, enabling them to scale their capacity up or down rapidly. "We've discussed this with various suppliers but we haven't yet completed a project on this basis," states Zondervan. Dijksterhuis envisages growth in systems that are also more flexible in terms of their applications. "Think of robots and automated guided vehicles (AGVs) that can be used in various different ways. They can be utilized for one process today and for a different process tomorrow."

Groenewout's activities have changed too. A decade ago, a feasibility study revolved around efficiency and labor savings only. Nowadays, the consultants are much more focused on market developments and market potential. "But Cor Groenewout's vision remains unchanged – that when designing a warehouse you start with the processes you intend to work with rather than the building itself," says Van Kuijk. Dijksterhuis: "And the question of which processes you intend to work with depends on the DC's role in the supply chain: storage, cross-docking or another function? That has to be defined first."

### **Cross-pollination between disciplines**

Just as the profession is in a constant state of flux, so too is Groenewout. The consultancy firm has developed the necessary e-commerce expertise over the past few years and this is now paying off. And in the field of supply chain, Groenewout is working on a new solution related to multi-echelon inventory management. "We follow the trends and developments closely and will continue to do so in the future. And we won't hesitate to bring on board new competencies as soon as they become relevant," confirms Zondervan. Van Kuijk: "We want to create a team that is passionate about logistics – one that comprises various disciplines to foster cross-pollination, because cross-pollination is crucial in order to stay at the forefront of the industry."

### **Text by Marcel te Lindert**

Marcel te Lindert is a journalist with over ten years of experience in logistics. He was editor-in-chief of the Dutch magazines *Transport+Opslag* and *Logistiek*. Nowadays he works freelance for trade magazines including *Supply Chain Magazine* and *Logistiek Totaal*.

### **More information**

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