



Logistics News ME sits down with five of the biggest names in the logistics and transportation industry to discuss the importance of technology and how to balance it with labour



In today's world of cut-throat competition, logistics companies have been faced with an era of unprecedented change where automation has taken over as customer expectations evolve. According to a recent study by PwC, new technologies are enabling greater efficiency and more collaborative operating models; they're also re-shaping the marketplace in ways that are only just beginning to become apparent. New entrants, whether they be start-ups or the industry's own customers and suppliers, are also shaking up the sector.

Technology is changing every aspect of how the logistics companies operate. The PwC report further suggested that digital fitness will be a prerequisite for success, the winners will be those who understand how to exploit a whole range of new technologies, from data analytics to automation and platform solutions. Those who don't, risk obsolescence. But with so many technologies competing for management attention and investment, defining a clear digital strategy that's integrated into business strategy will be critical.

There are vast opportunities in the region to improve performance and serve customers better; the potential is huge, but the industry has thus far been slow to seize it.

Against the backdrop of this, *Logistics News ME* hosted its first CEO Roundtable at The Oberoi Dubai. The event got together five of the biggest names in the logistics and transportation industries to discuss the adoption of technology and the roadblocks impeding the development. Participants included Christian Juul-Nyholm,



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managing director for UAE, Qatar, Oman, and Iran, Maersk Line; Bassel El Dabbagh, chief executive officer, Agility Abu Dhabi; Mohsen Ahmad, vice president for logistics at Dubai

South; Mohammed Kamal, general manager for Indian Subcontinent, Middle East, and Africa (ISMEA), UPS; and Tom Nauwelaerts, managing director for Momentum, the logistics division of Gulfair Group.

During the course of the discussion, each participant was asked about the importance of the adoption of technology for the logistics and transportation sectors. And apparently, it turned out that all that were present voiced nearly the same opinion.

Dabbagh commented: “The way technology has been around brings in a significant change that will allow us to do things differently. At Agility, we have an internal and an external approach. Internally, we are continuously working on our existing operating platforms. We have our warehouse management system (WMS) that is standardised and we deploy it across all our warehouses and distribution facilities across our portfolio.”

He mentioned that internally, Agility have been actively developing a website/portal that is dedicated towards small and medium enterprises (SMEs). “Their requirements are different from well-established and bigger organisations. Hence, we are trying to automate and dedicate certain features for these SMEs, which will be live very soon.”

“UPS invests about \$1bn in technology globally, which shows how serious we take technology,” said Kamal. “Millions of shipments go from point A to point B throughout the day. It is not only about the movement of the packages,



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but also the data and the analysis that comes with it. In UPS, we look to provide end-to-end solutions to our customers.

“On the internal side, we are always looking into investments for the next level of development in the logistics industry. We are currently seeing self-driving vehicles, which is an area where we believe that in 2018-2022, we will see more of that for package delivery.”

“New technologies are coming in the market like cameras are getting installed and drivers are being monitored to name a few. And all the information is fed to the control room to enhance customer engagement,” said Ahmad. “We always sit around with companies to talk about disruptive technology. Within the last decade, the contribution of the industrial sector in Dubai’s gross domestic product (GDP) ranged between 11% to 14%, thus placing it as the third largest sector after trade and logistics.

“According to the Dubai Industrial Strategy 2030, the industrial sector demonstrated solid growth over the last few years, even within the global financial crisis. The strategy aims at making Dubai an international hub for knowledge-based innovation and sustainable industrial activities, through enhancing industrial coherence and integration with other economic sectors particularly strategic ones, and to create an attractive investment environment through a set of initiatives and incentives.”

One message that echoed across all the participants was the slow adoption of technology in the Middle East. Nyholm said: “In terms of technology, the Middle East has a long way to go; we are a fairly slow adopter. The most important decision to make in the near term is the integration of technology, which becomes the key for success in the Middle East. It looks quite simple to move a shipment from point A to point B, but the entire document flow along with the integration and handovers is not simple and sometimes not automated. And even if they are automated, the systems don’t speak for each other. A lot of small and medium enterprises (SMEs) are very slow adopters of technology; it’s very difficult to get them to move to electronic devices.”

Even Nauwelaerts agreed to the above. He said: “The Middle East still has a long way to go. Till date, we see that the shipping and ports are still very traditional sectors. There are interesting start-ups in these fields, but for sustainable business, it’s still long way to go.”

But he also mentioned that the UAE is performing better in terms of adopting technology as compared to its regional peers. “The UAE is better than other regional countries in terms of adopting technology. I am personally hopeful that the value-added tax (VAT) will force the emirates and the entire region to have higher



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standards of adoption. The markets are trying hard to adopt to the latest technologies by living in the real world. But who will be the driving fac-

tor pose a big question. Technology has already entered the business world; it’s all over the place, be in logistics or freight.”

Labour is a critical element of the logistics and transportation sectors, and up till now there’s always been a trade-off between service levels and costs. But automation has changed this equation, allowing firms to offer better service and save money at the same time. Some of the industry’s most labour-intensive processes are on the way to being fully or partially automated, from warehousing to last-mile delivery.

On the contrary, the roundtable participants have a very different outlook on the Middle East labour market. Kamal said: “Labour is still way too cheap in the Middle East compared to the cost of technology. I think the UAE could be a leading player in terms of technology adoption and labour costs. 80% of the labour comes from the outside the UAE. You can either have more people or more technology. The UAE is a small country; we all have regional titles here. We are serving a handful of people here, hence we must make sure of the ways we want to serve the region and make a hub out of it.

“Most the businesses are owned by third-party logistics (3PLs) providers. They know their business model, and when they do the cost comparison, the labour is still cheap in this part of the region.”

The future of logistics in the Middle East is autonomous vehicles, 3D printing, and automated technology in warehouses and vertical logistics solutions. “But I would still say that the Middle East is the most attractive human labour market,” added Ahmad. “I would say that an important factor to that is the cost to benefit. Talking about US, Europe, and Middle East, comparing the cost of labour to the cost of technology, the former is still cheaper. We do have a mandate from the government to balance modernisation along with the human element.”

The panellists unanimously agreed that no matter how high the level of adoption of technology is, the human touch will always remain of high priority in the Middle East. Nyholm added: “In the Middle East, the personal touch is still very important. We do have a lot of people walking into our office every day and a lot of resources are deployed in serving those customers. We need to do it efficiently and we are working hard to do that. It’s a non-value added part of our business. Maersk still has a legacy and reputation of being slightly better than our competitors and that’s what takes us forward.”

Dabbagh concluded: “The Middle East has a particular ecosystem, which will help them to achieve things in the long run. And at Agility, we continue to introduce new features to keep ourselves continuously updated.” ■