

Episode 163: Supply Chain Logistics with Westernacher's Rafael Avila

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Richard: Welcome to the Future of Supply Chain podcast, a podcast where we discuss hot topics, latest trends, and how things are evolving in today's global business. I'm Richard Howells and I'm joined by my wonderful co-host Oyku.

Oyku: Hello everyone. I'm Oyku Ilgar. I'm a marketer, blogger, and of [00:01:00] course podcaster in the supply chain and ERP space here at SAP. Today we are joined by our guest Rafael Avila from Westernacher as we dive into the future of logistics. So welcome Rafael. Thanks so much for joining us today. We're so happy to have you on the series. If you could take a moment to introduce yourself, give some insight into your past experiences and your current role at Westernacher today.

Rafael: Sure. Thanks Richard. Thanks, Oyku. My, name is Raphael Avila, . I am here from Westernacher. My role at Westernacher is that of SAP senior pre-sales lead for supply chain execution. So what that means is basically pre-sales for TM, GTS, anything related to supply chain at Westerners. So a little bit about me. I am a supply chain guy. Ever since I graduated from university, I pretty much got straight into SAP consulting, so I began my career actually at IBM. [00:02:00] So I was at IBM Canada for 12 years and I started off as a functional SAP consultant, my very first project that was part of the SD team. Very quickly there was a need for more logistics support. So they're like, hey, you are gonna go and do that. So that's how I ended up in the logistics supply chain space. So at the end of that project, turns out that my team lead ended up leaving IBM. So guess who became team lead? That was me at the time. So it was quite the learning experience, diving right into everything, SAP logistics. It was a wonderful sort of splash into the SAP supply chain world. So I ended up doing functional work for, I would say, probably seven to eight years. Really

learning everything about logistics. I very quickly pivoted and focused more on transportation management, so I did [00:03:00] several projects and after seven, eight years of doing. Various different types of roles moving up within IBM, learning the entire space, going through several go lives, I decided that I wanted to flex more of my creative sales muscles a little bit. So I started moving into more of the pre-sales team with an IBM. Getting a chance to work on RFPs, getting a chance to do oral presentations, doing things where I had to be a little bit more creative. I consider myself a very creative person. I do sort of YouTube on the side, other creative things on the side. So that was an opportunity for me to bring that into my everyday workflow, which made it very interesting, super fun. And that's how I got into that pre-sales world. I did that for a few years, which brings me to where I am today. Here at Westernacher. I decided to finally make that leap, leave sort of my first [00:04:00] home and come over to Westernacher. And the reason why I came over here is really because of that supply chain. Westernacher that really is our bread and butter. Doing the supply chain stuff we're known for EWM, TM We have a growing GTS practice. Even though we still have a very strong digital core practice, a lot of people within the industry know us as supply chain people. So that to me was extremely exciting and I figured. This is the perfect opportunity for me to take that next chapter and get right into more of that supply chain heavy world. So here I am, super happy to be here. It's been a great couple of months and it's been wonderful being able to meet the team and having a lot of opportunities already to meet with some of our clients. So it's, it's been a good time.

Oyku: So Rael transportation is often one of the largest and least visible sources of supply chain emissions, right? Maybe we can start talking about how can smarter, AI powered logistics make those [00:05:00] hidden emissions more visible and easier to manage?

Rafael: Definitely. So I think that's one of the biggest trends that we're seeing lately. A lot of clients are very much focused on emissions on sustainability. It's something that, in this pre-sales role, the best part about this is I get to talk to so many different types of clients. And time and time again, this is something that keeps coming up. How can we lower our emissions, how can we really take sustainability seriously? So I would say that transportation emissions, they're largely hidden because of the nature of transportation. They're spread out across thousands of daily decisions within transportation. Which routes do we take? How do we load our trucks? Which modes of transportation are we going to select? Whether it's rail, whether it's ocean road, air, which carriers do we select? And a lot of companies today, they only [00:06:00] really see these decisions. After the shipment is done. So in the traditional planning process, a lot of companies, they're so used to using the same carriers for this particular route. So when they're trying to start their sustainability journey, they come

across some of this trouble because it's only after the shipment is done that they realize, oh, okay, this is what happened. The smarter AI powered logistics, it flips that. It flips the way that they do their planning. So it brings emissions upstream into the planning phase where they can actually start thinking about these decisions ahead of time and incorporate this into the process where the decisions are actually made. Right? So instead of asking did this shipment arrive on time, AI allows planners to ask, okay, well why did we ship it this way? Right? Was this the most optimized way? Could we have consolidated this in a better way? Could we have loaded our trucks in a much more efficient fashion? Right? Was air freight actually necessary for this particular load. So [00:07:00] when you have that level of visibility, emissions stop being abstract sustainability metric, and it becomes a much more direct outcome of your planning choices. And once you can see the choices that you're making at the shipment or the lane level, it becomes a lot easier to manage. All of this is how that smarter AI using a system that uses smarter AI can give you more visibility and it can help you with these emissions, right? So always like to say that emissions stay invisible when they're measured after the truck leaves. And the visibility starts when planning decisions are made.

Richard: That's a really important point because sustainability and tracking of emissions can't be an afterthought, can't be just a reporting and compliance task. And it really does start with the planning to avoid those emissions or minimize those emissions to start with. So maybe you can walk us through an example [00:08:00] of what this looks like in practice.

Rafael: Sure, sure. Definitely agree. Like if we go even further, I would say that the reporting alone never reduces emissions. Let's think of an example. So, a lot of times what you're seeing in transportation planning, when you don't plan things properly, that leads to many last minute shipments. So when you're planning breaks down, you know you have poor forecasting or. Or silo teams where you're not getting proper communications companies, they fall back on expedited orders, right? They fall back on the expedites, and typically what that means is. Either air freight to get things to their final destination as quickly as possible, or a partially loaded truck because you didn't plan things properly, you weren't able to optimize space at another truck that was already scheduled. So you end up sending a truck that is partially loaded and both of these options are extremely [00:09:00] carbon intensive. So if you only report the emissions afterward, all you've really done is documented the failure. But if you improve the planning from the very beginning, that means better consolidation, windows clear priorities, earlier decision making. All of these rush orders, these expedites, they never have to happen in the first place. I would say that is probably the clearest example of where you're really seeing bad planning lead to heavy to heavy carbon footprints and the carbon reduction is really a byproduct

of better planning. It's not necessarily a separate initiative, right? So yes, sustainability and logistics, it lives or dies before the execution part starts. You don't reduce carbon by measuring it better. You reduce it by planning it earlier.

Richard: That's a great point. And that example of those rush orders and expedited orders are not just more expensive from a financial [00:10:00] perspective, but also from an environmental perspective as well. So when it comes to reducing a company's carbon footprint, does mode selection, whether you choose road, rail, ocean, or air, and also carrier choice actually play? And what are you seeing transportation planners taking into account when making those decisions?

Rafael: It plays a massive role, I would say. Carbon difference between air, road, rail, ocean, it's huge, And this, a single avoidable air shipment, I would say, can outweigh dozens of optimized road shipments. You could be doing a great job with doing load consolidation and all your trucks. But then because of that planning, you all of a sudden have to send something via air. Boom. All of your savings, all of your reductions automatically go out the window. So I would say there's a very, very big difference between the modes of transport. So ensuring that you're planning things properly and really using the right mode of transport [00:11:00] for the appropriate shipment. It's very, very important. You mentioned carrier choice, Richard. I think carrier choice matters too, because not all carriers are the same, and that's just the reality. Some carriers, they run modern fuel efficient fleets with optimized networks, they're a little bit more advanced in their sustainability journeys, while others they just simply aren't. And that's just the reality. So if carrier selection is based purely on price. Then the emissions, I would say they stay invisible, right? If that's the only reason we're selecting a certain carrier because it has the lowest price, then you can't track the sustainability metrics on that. Maybe a carrier is a lower price, but if you pay a little bit more for this particular carrier that has a more fuel efficient fleet, then you can be more aligned with your sustainability goals, right? So it's [00:12:00] really about informed trade-offs, I would say. So when it comes to modes of transport, do we really need air or can we shift to ocean or rail? Can we consolidate with a different carrier when we're talking about carriers or instead of shipping half empty? So I would say when mode and carrier decisions are made deliberately and not reactively, the carbon reductions tend to happen much more naturally. MO choice is one of the fastest ways to change your carbon footprint without changing your business model.

Oyku: Reducing emissions, cutting costs, and delivering better service.. They don't have to be separate goals nor trade-offs. So how can AI help companies achieve these three at once?

Rafael: That's very, very true. That's one of the biggest myths, you know, that the idea that sustainability is a trade off. It doesn't have to be a trade off. It really can go hand in hand because in reality, waste is expensive. Right empty miles, it costs [00:13:00] money. Like unnecessary miles will cost your company money. Expedites rush shipments, they cost money. Poor planning, all of that costs money. So AI, I would say it helps by identifying inefficiencies in your process that humans simply can't see automatically or can't see end to end. AI helps us identify that in a much more clear fashion. It can help us identify which shipments should be consolidated, which routes that we're currently using are redundant, where service buffers can be built without hurting customers, right? When you remove the waste. That comes with all of that, then guess what? Your costs will go down. So it really does go hand in hand. So you reaching your sustainability goals, removing that waste, your costs also go down because that means you are planning things much more efficiently. You are [00:14:00] optimizing your loads. You're not sending out as many trucks. Your service becomes much more reliable, and your emissions drop all at the same time. So you're not optimizing for carbon alone, you're optimizing for an overall smarter execution of your transportation process. So I would say most sustainable logistics decisions can also be the cheapest ones. All it requires is better planning.

Richard: I love that term you used a little bit earlier of informed trade-offs when it comes to selecting carriers and modes of transport. And that balancing act of costs, emissions and services and having the information available to make those right trade offs and decisions. But, and I wanted to follow on from that to get some advice to what basic planning or operations improvements could give companies the biggest sustainability wins? What are you seeing in your customers?

Rafael: That is a great question. Often [00:15:00] a question that our customers ask us. Because they wanna be efficient, they wanna be sustainable, and they also want to make sure that. They're doing things in a way that actually turns a profit. right? Like what we said previously, that these two things go hand in hand. So I would say there's a couple of big wings that you can get right off the bat. So number one, better load consolidation. So what that means is if you are able to load your truck in a much more efficient manner, then you can reduce the need for a second truck that is half loaded. You have two trucks going out instead of you having one truck that is optimally loaded.

Richard: And that's just good business practices as well.

Rafael: Exactly. It makes sense from a sustainability standpoint and a cost standpoint, right? You're operating much more efficiently and then you're also achieving your sustainability goals. The other thing I would say is with the better planning, you get fewer last minute shipments if you are [00:16:00] thinking about all of these different things from the very beginning of the process, you can avoid realizing, oh, this slipped through the crack. Now we have to send it last minute. Now we have to send it via airplane. Now we have to send it via truck that is only half loaded, so fewer last minute shipments. I would say when you're talking about your routes, making sure that your routes are optimized in the best way. Having AI powered systems or a smart transportation planning system will allow you to visualize, okay, what is the best route when we have these three customers that we have to deliver to? Do we hit customer A first? Do we do number customer C or B? What is the best route? So thinking of those decisions right from the beginning of the process will make things much more efficient. And I would say, when you're able to incorporate all of these different components within your planning process, you can deliver better delivery [00:17:00] promises to your customers. Instead of automatic expedites, you can say, hey, listen, this is when we plan to deliver. You can have a much better form of communication. And then again, your service increases, right? And none of that really requires a crazy overhaul of your entire business. All it really requires is. Proper planning with a great discipline, visibility and consistency across your entire planning team that is powered by an AI powered system. Once those basics are in place, I would say that's when you can really have an advanced sustainability tools that actually work. Because without these things that we just talked about, even the best green tech, whatever you have, it's really just documents of bad decisions faster, right? So you don't go green by adding tools. You go green by fixing your company's fundamentals, by fixing the transportation planning fundamentals.

Richard: I just want to [00:18:00] summarize everything you just said, because every example that you gave there is great practical advice, but it's simply embedding sustainability into your everyday practices.

Rafael: Exactly.

Richard: Because then better by default. Your emissions, miles driven, etc.

Rafael: Correct. Embedding all of that into your process, you get better load consolidation, fewer last minute shipments, smarter routes and clear delivery promises.

Oyku: We have talk about so far, making emissions visible, optimizing planning over reporting, and prioritising even mode selection and carriers and all of that. I have one more question related with the AI. Is AI automation and sustainability practices reshape the landscape? How do you see the logistics workforce evolving? What new skills or mindsets will be most valuable?

Rafael: Yeah. See, this is a great question because as soon as you mention AI, everyone gets a little bit weary. It's like, okay, what do we mean by AI? Is everybody [00:19:00] gonna get replaced? I don't even know how to keep up with these things. Right? So I think it's a very important question, and what I would say is with AI the logistics workforce, it's not being replaced. I would say it's being elevated. Because what AI is doing is it's giving you the tools to make better decisions, right? The role is shifting from manual execution to decision making and exception management. So, when we talk about transportation, and I've seen this in many go lives. One of the biggest problems we have is trying to shift that mindset because a lot of people who have been doing this job, they know the routes from the top of their heads, right? There's a lot of tribal knowledge that goes into this. They know that for this particular customer, we're always gonna use this carrier and we're always gonna use this route and whatnot. And a lot of these decisions, they're not necessarily recorded in a [00:20:00] system. Sometimes they're in an excel, or sometimes simply just in here in their heads. So I think AI helps them create this paradigm shift, which changes the way that they think about the process, right? Planners need to understand why a recommendation exists from the system and not just accept it blindly, right? So I think when we're talking about which skills or mindset matters most, I would say the most valuable skills going forward will be systems thinking, understanding how your system is thinking about the process so that you can then make a decision saying, okay, this makes sense for this particular route, this makes sense for this particular shipment. The next one I would say is having comfort, getting comfortable with data-driven decisions. For a lot of planners when we're implementing, say, a big TMS, this is the first time that they're working with a TMS. [00:21:00] A lot of the times, many of these planning decisions are done manually, or like I said, there's a lot of tribal knowledge involved. So getting comfortable with data-driven decisions, powered by AI and powered by your systems, and also there needs to be a willingness to challenge that mindset of, we've always done it this way. Because that to me has been the biggest friction when we talk to transportation planners, it's like, well, we've always done it this way. Okay, but what is the actual requirement? Okay, well, we need to get this from point A to point B, but we've always done it like this. Okay, well why? So there needs to be a willingness to challenge that mindset. And I would say that sustainability also adds a new mindset that planners aren't just moving freight anymore. It's not just freight. They're shaping environmental outcomes through their decisions. They need to

understand that when you're sending something out that has some sort of sustainability implications, and if you're able to do things much more [00:22:00] efficiently, you're hitting a double whammy. You're being able to be more sustainable, lower your carbon emissions, which hits your company's. Carbon goals for sustainability goals, and you're able to do things much more efficiently. So I would say that the future logistics professional isn't necessarily thought of as a dispatcher anymore. I would say they are a decision architect. They need to be able to take all of these decisions and they decide, okay, does this make sense for this particular shipment?

Oyku: Do you have any advice to companies that are planning to digitize their supply chains or any common pitfalls, for example?

Rafael: Definitely. So we obviously work with many, with many, many different types of clients in many industries. And for me, being in supply chain. I go in and and talk with many clients, and what I find is that many clients, when you ask them what their problems are, they're not gonna tell you they have a [00:23:00] logistics problem per se. It's more of a visibility problem. And what that means is if you think of the end-to-end supply chain, what does that entail? That entails your planning, that entails your warehousing, that entails your transportation planning, that entails collaboration, your compliance, and a lot of this for many companies is completely and totally disjointed, right? Warehouse is not communicating properly with the transportation planning team, with your spare parts, planning, with your freight collaboration, how you're talking with your carriers, if they're doing exports, are they using any sort of system that helps with their compliance. Are they able to have that full end-to-end communication. So what we at Western a like to do is when we're talking about supply chain, we don't try to focus on just something like EWM, your warehousing piece, something just like TM, your transportation planning piece, something like GTS, [00:24:00] which is your compliance piece. We don't see it in such a siloed fashion. We always talk to our customers in a very end-to-end solution focused way, because at the end of the day, supply chain isn't just one particular practice, one particular siloed. Everything needs to be. Planned and there needs to be visibility and orchestrated in a way that works smoothly, right? So when a lot of our clients come to us and they're wanting to start their transportation journey, what we like to do at Western A is we like to go in, look at all of their processes end to end. That includes EWM, the TM, the GTS, the freight collaboration, so BN four L for example and having that conversation end to end. From the beginning, because as we were talking about earlier, if you're thinking about sustainability as just sort of like a reporting aspect, you're not thinking about it from the very beginning, then you're almost doomed to fail. And it goes the same way when we're talking about your overall digital transformations. If you're [00:25:00] talking about supply chain in a very siloed

way, you're sort of doomed to fail. We really need to be thinking about all these different decisions from the get go. Building and orchestrating a good process from design up until go live.

Richard: Rafael, this has been a great conversation, but now I'm gonna ask you the hardest question of the day, because we're coming to the end of the podcast and I'm gonna ask you to try and summarize everything we've talked about in two or three sentences. So from your perspective, what's the future of supply chain from a logistics executive's perspective?

Rafael: The future of supply chain is intelligent, integrated, and intentional. Intelligent, because decisions are guided by actual data aided with AI. Integrated, because planning cannot live in silos anymore. Everything really needs to be thought of end-to-end and need to have proper visibility across the entire supply chain. And intentional, [00:26:00] because every decision has a cost, service, carbon implications. And logistics is where all three come together. So I would say in summary, the future of supply chain isn't just faster. It is smarter by design.

Richard: That was a great summary, and I love a great alliteration than you did that with the three. Is there integrated, intelligent, and intentional.

Rafael: By design.

Richard: There we go. Rafael, that was a wonderful discussion. Thanks very much. I learned a lot. I'm sure our listeners will love it as well. And thanks everyone for listening. Please mark us as a favorite. You can get regular updates and information about future episodes. You can also learn more about Westernacher in our show notes. But until next time, from Rafael, Oyku and I, thanks for discussing the future of supply chain.