



RateLinx

INSIGHT 24

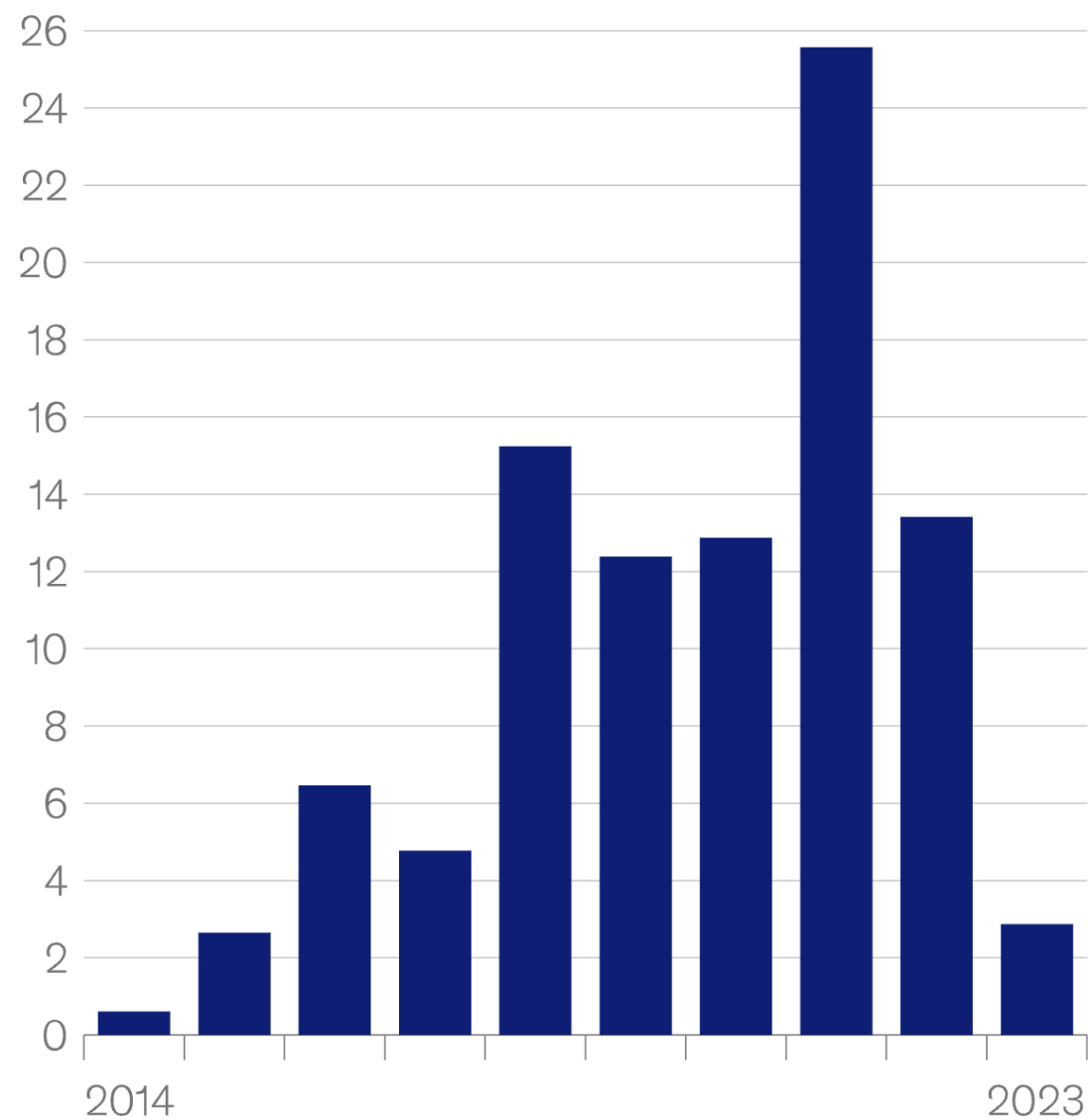
***Moving Back to a
Bottom-Up Approach to
Tech Investment***

*Presented by Eric Johnson
Journal of Commerce*

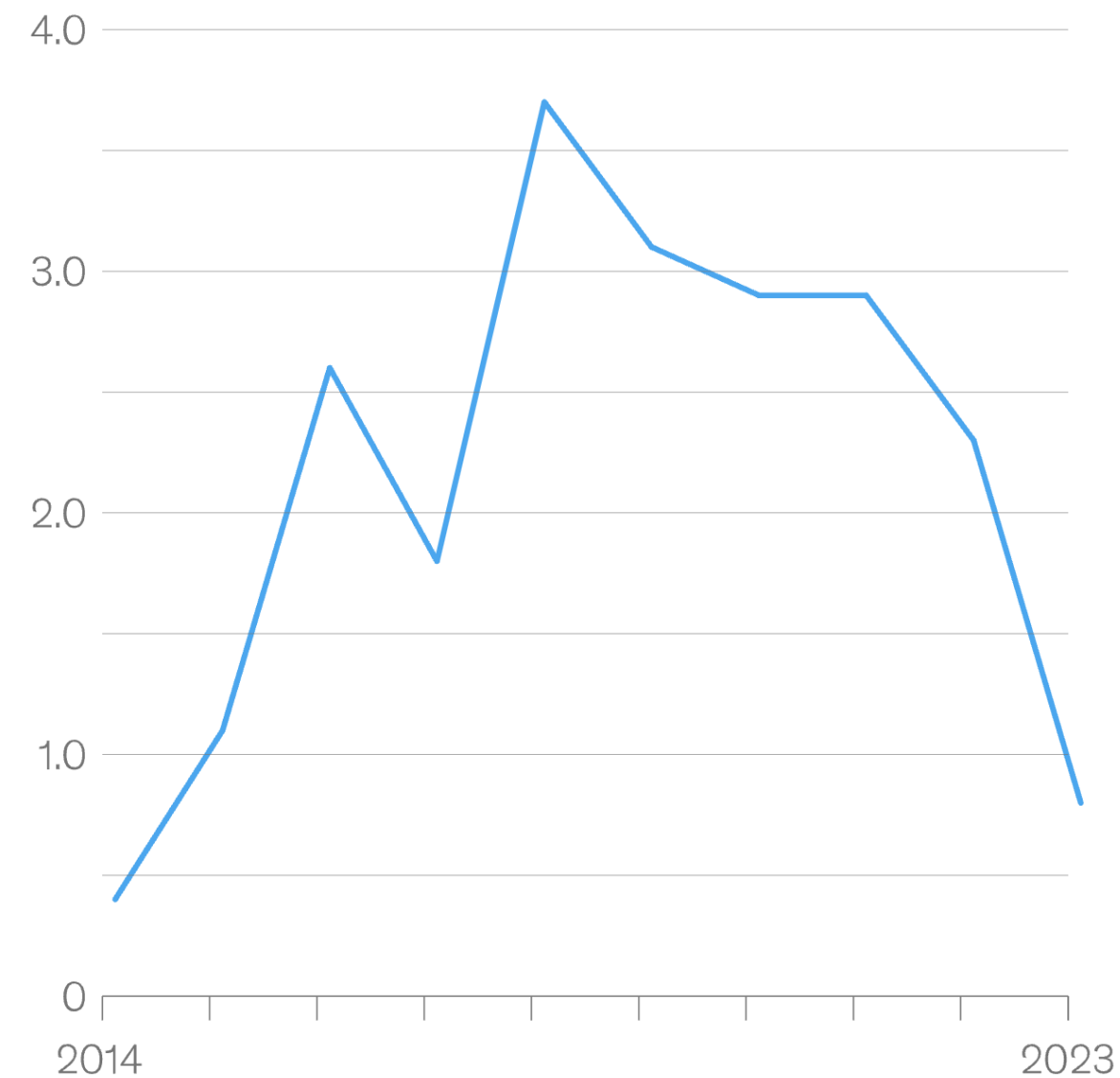
What Goes Up Must Come Down

Investment in logistics startups is plummeting, both in real terms and as a share of total venture capital funding

Total logistics funding, 2014–23,
\$ billion



Logistics funding, 2014–23,
% of total venture capital funding



A Misunderstood Industry?

- Long sales cycles
- Aversion to change
- Scarce technology budget
- Pass-through revenue versus net revenue
- Volatility breeds reluctance
- Fragmentation is opportunity and challenge
- Innovation is outsourced



Challenges 3PLs Face

- Internal efficiency vs making the pie bigger
- Integrations are an expectation
- Consumer and provider
- Acquisitions create system overlap
- Shippers expect data and/or tech to be “bundled in”



Challenges Shippers Face

- Myriad competing internal priorities
- Who has the “juice?” Logistics or finance or sales or some other division?
- Scar tissue
- Control versus outsource
- If it ain't broke...



Challenges Software Vendors Face



- Improve an existing product...
- Or create a new category...
- Noisy market either way...
- Domain experts or “outside of the box” thinkers?
- Chicken or egg funding syndrome
- US or European model?

What Has Staying Power?

- Blocking and tackling in logistics has not fundamentally changed
- Plan, procure, track, manage, pay, measure
- If you're not meaningfully affecting one of these categories, rethink things
- Please, for the love of all that is good in the world, don't sell AI as a product



VC Maturation?

- Maybe, maybe not
- Still chasing “better versions” of old models
- Still chasing the long tail
- Still presuming buying and usage habits will change
- Better understands digital intermediaries vs software providers



Four Main Supply Chain Software Eras

- ERP
- TMS
- Cloud / SaaS
- VC-backed

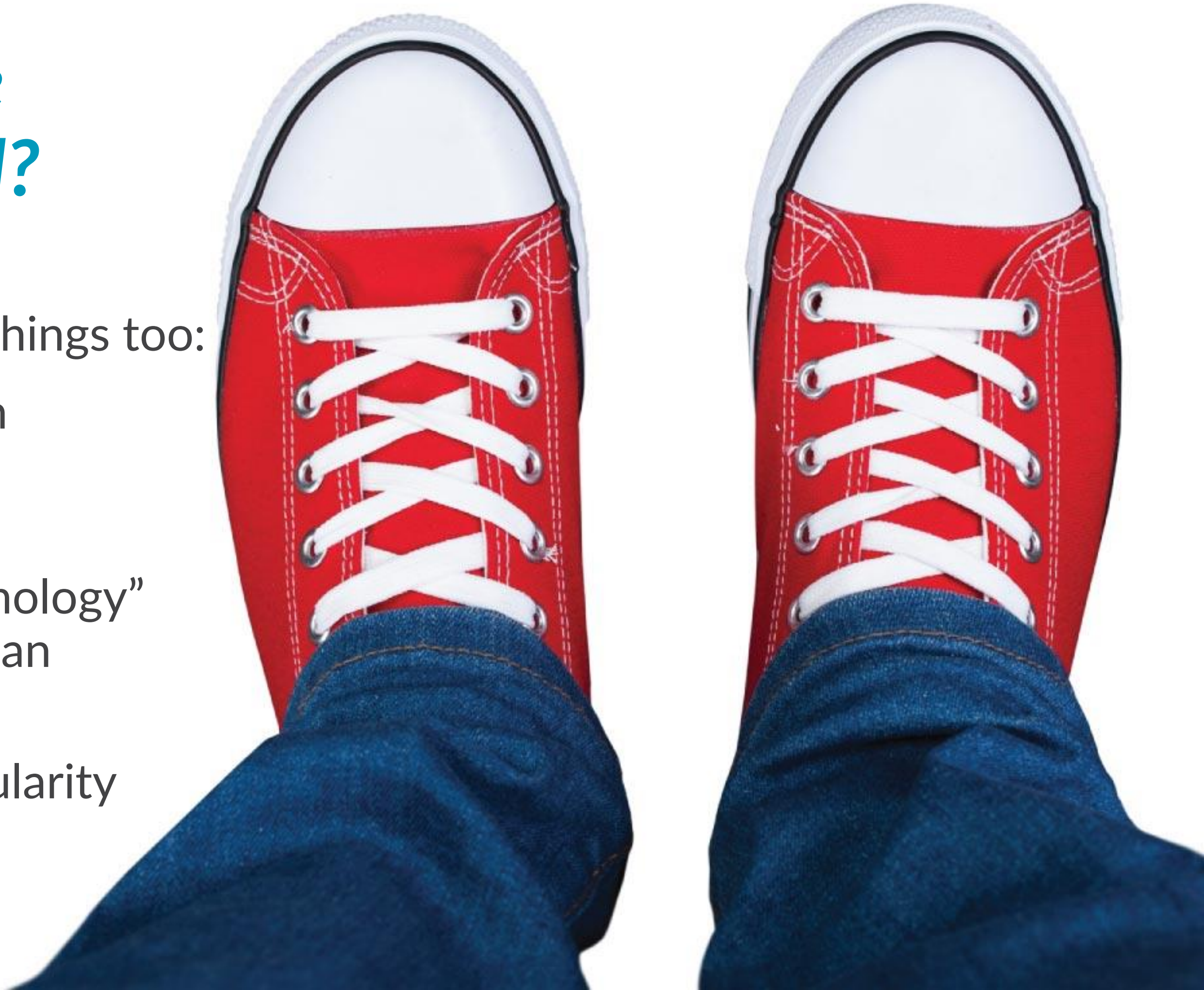


What Caused the Top-Down Model?

One word: **BLOCKCHAIN.**

Well, actually a few other things too:

- Blurring of lines between personal/professional technology usage
- Abstract notion of “technology” looked exciting to the bean counters
- All coalesced at the singularity (aka blockchain)

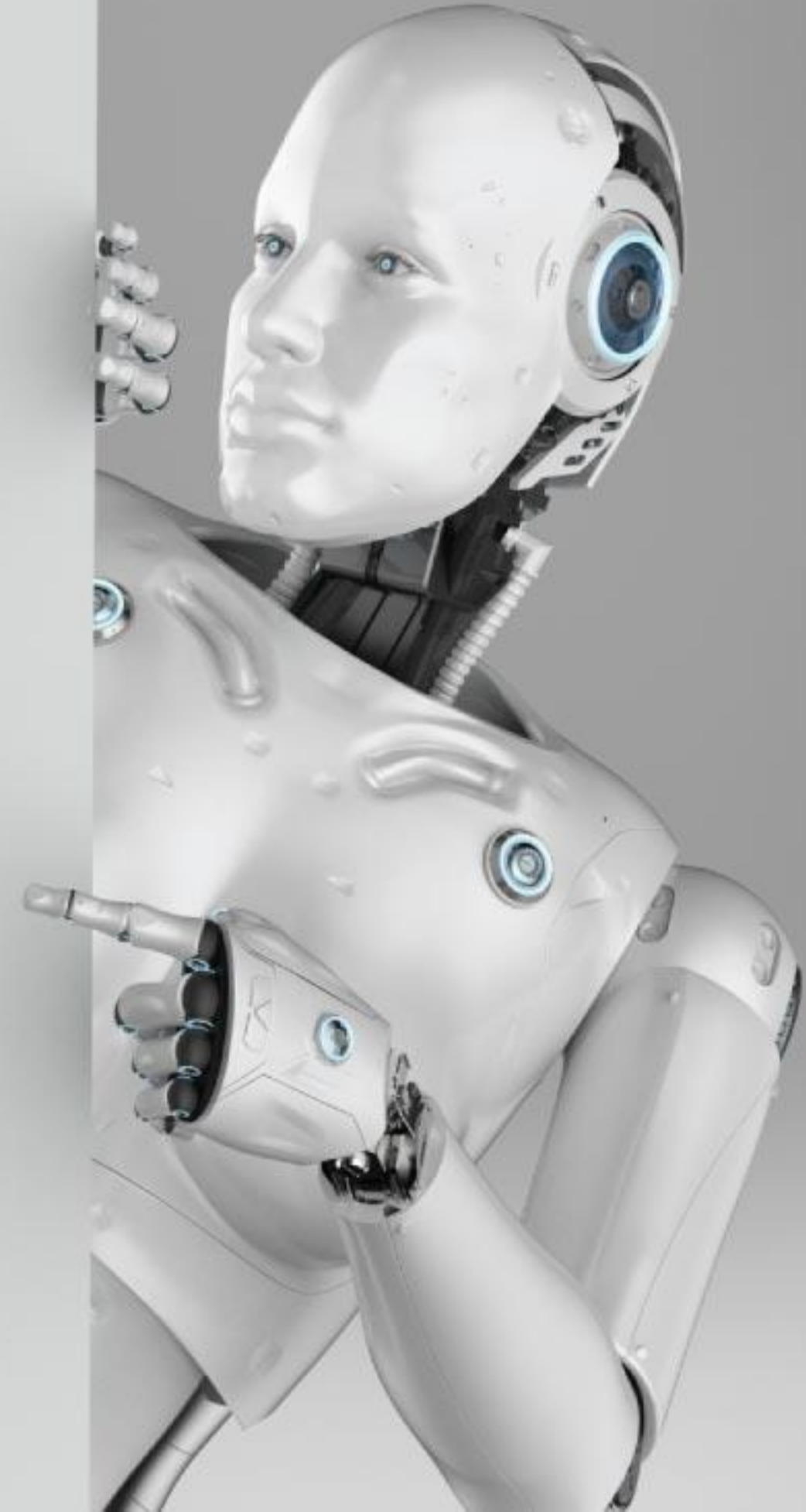


Is AI Basically Blockchain 2.0?

Not at all...

But it shares some similar extrinsic characteristics

- C-level fascination
- Magazine cover material
- VCs pumping money into it



Getting Back to the Bottom-Up Approach

- Operators know best
- But operators don't always have budget or buying power
- C-level has power but lacks nuanced understanding of operational problems
- Hybrid approach to technology investment works best, but is often great in theory, but tricky in practice
- Build the business case – oldie but goodie
- Logistics/supply chain has less clout than during the pandemic but more clout than pre-pandemic – use it

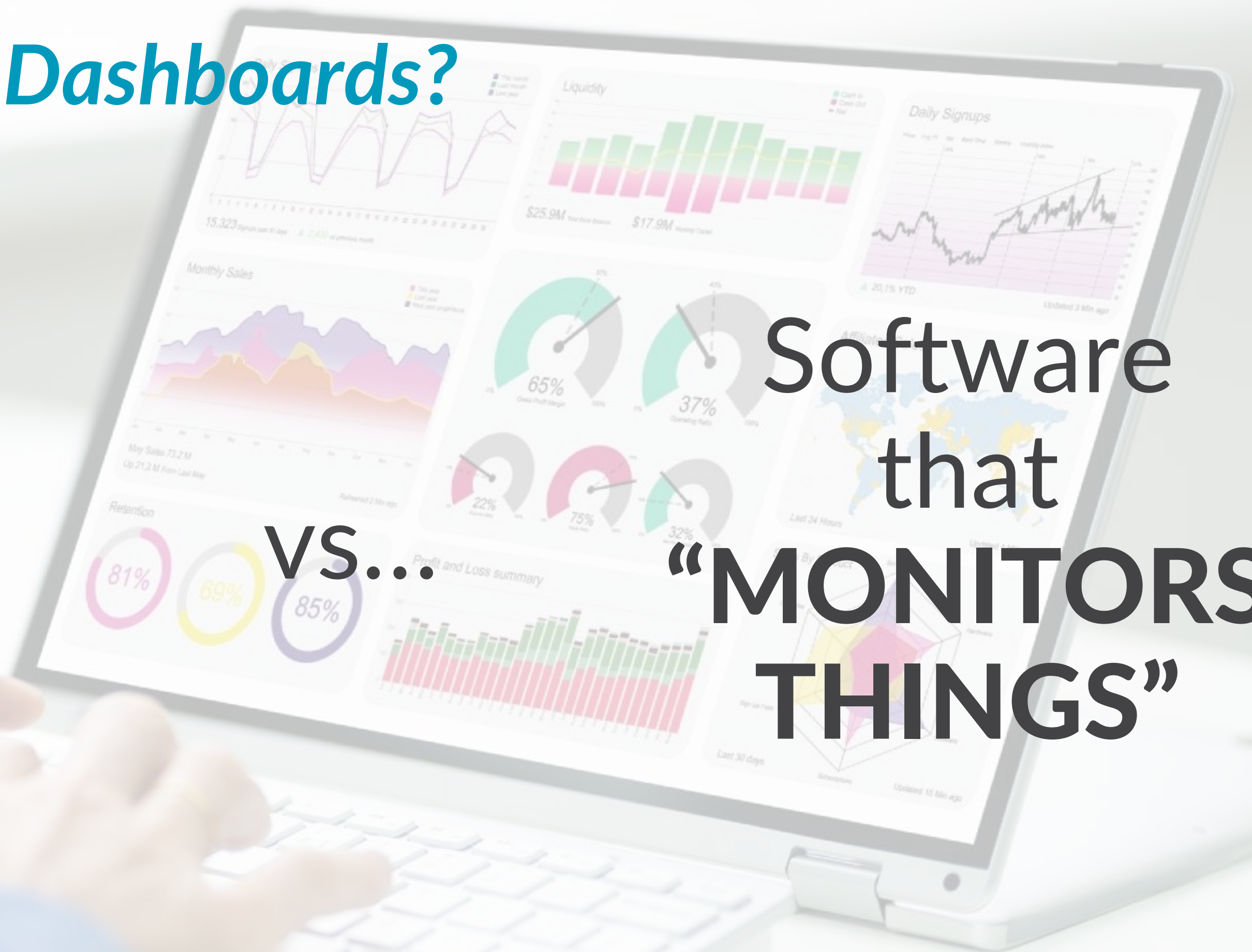


Execution...Or Dashboards?

Software
that
“DOES
STUFF”

VS...

Software
that
“MONITORS
THINGS”



Anatomy of the Bottom-Up Buying Process

- Shippers have problems at operational or analyst level
- Those problems filter up to management, and then to executive level
- Budget is allocated
- Operations researches options on the market
- Puts out an RFP/RFB/RFI
- Develops a shortlist
- Maybe uses Gartner 😊
- Decides on a vendor, scope of work, contract terms, implementation timeline, and support
- IT involved, maybe other divisions, but ultimately a logistics (or broader supply chain) responsibility



Anatomy of the Top-Down Approach

- Executive reads business magazine or talks to fellow executive about [insert buzzword here]
- Tells management to “get me some of that [buzzword]”
- Operations may or may not be consulted in market research/buying decision/implementation-adoption phases



Closing Thoughts

Operations needs primary role in:

- Problem identification
- Vendor determination
- Scope of project

C-Level needs to support, and then butt out.

Logistics is a niche industry with niche solutions that requires nuanced understanding.

My standing disclaimer:

Will AI render some of the traditional decision-making process moot?

Contact / Thank You

Eric Johnson

Sr Technology Editor, Journal of Commerce

213 444 9326

eric.johnson@spglobal.com

joc.com