

1 IT outsourcing is gaining in popularity

2 **Cloud-based logistics: what**
3 **companies should be aware of**

4 **There is no getting around it: the demands placed on logistics are growing**
5 **steadily. Customers expect ever faster and ever more flexible deliveries. So**
6 **how do logistics operators react? They interlink their systems and, when it**
7 **comes to optimizing their supply chain, search for the needle in the haystack.**
8 **To stay on top of the sheer flood of digital data, many organizations have**
9 **come to rely on outsourcing their IT services. However, what do companies**
10 **need to keep in mind when selecting a cloud provider? Furthermore, when is**
11 **sensitive data actually safe and secure in the cloud?**

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13 Here are the facts: 82% of companies have already outsourced certain aspects of
14 their IT. It is companies working in transportation and logistics (82%) and in retail
15 and trade (83%) that most commonly employ the services of external IT providers.
16 These numbers from the Bitkom Digital Office Index 2016 show that logistics
17 companies in Germany have been rethinking their strategies – something that only a
18 few years ago would have been unthinkable. Due to the relentless pressure on the
19 logistics industry to optimize, companies are constantly developing new solutions to
20 make their supply chain even more efficient. Each step in the value chain is to be
21 smart, connected, and communicating. Data generated during this process can only
22 be managed by IT infrastructures that are state-of-the-art at all times.

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24 If they are to support a smart logistics ecosystem, IT infrastructures will need to fulfill
25 certain basic requirements. Flexibility and scalability are, of course, the most
26 important aspects. “IT systems need to grow alongside the company,” Jens
27 Heinrich, Managing Director of Ehrhardt + Partner Xtended (EPX), explains the ‘pay
28 as you grow’ idea. In his role, he deals with IT infrastructures in the logistics industry
29 on a daily basis. Jens Heinrich knows: “A top performance and the non-stop
30 availability of data are crucial.” Companies need secure access to a protected and

31 centralized system. Ideally, the IT infrastructure can also be accessed and
32 controlled using mobile devices, regardless of time and location. Mobile operating
33 systems already function on the basis of an innovative 'bring your own device'
34 approach. In the best case scenario, staff members can even access warehouse
35 processes right from their smartphone. "Each company will need to decide for
36 themselves whether they have the resources to build such an IT infrastructure, or
37 whether they prefer to work with a fully integrated solutions specialist," Heinrich
38 adds.

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40 **Focusing on their core business**

41 Many logistics operators do not have the necessary in-house expertise to build or
42 maintain a functioning IT infrastructure. Such companies are faced with installations,
43 updates, time-consuming management tasks, and the cost of constantly having to
44 acquire new hardware. It is for this reason that external service providers allow
45 especially the smaller companies to access technological solutions whose
46 development and maintenance would typically far exceed the capabilities of their
47 own in-house specialists. Which is why many logistics operators prefer to rent IT
48 capacities in the cloud. "The server cabinets are located in high-security data
49 centers. If a company requires additional capacities, they simply activate additional
50 cloud space," Heinrich explains. This helps companies to save on the high cost of
51 hardware. Ongoing support offered by the service provider ensures security and
52 professional operation of the IT infrastructure at all times. "The logistics operator can
53 then focus all of their attention on their core business," says Heinrich.

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55 When selecting the right IT partner, organizations need to make several
56 fundamental decisions. Where should the data be managed? Is there a secure
57 connection from that location to the logistics center? Also, is the system
58 performance going to be sufficient? "IT systems today are a business-critical
59 component. If they fail for hours at a time, this may lead to delivery bottlenecks or to
60 production outages," Jens Heinrich explains. To avoid such a scenario, the data
61 should ideally be hosted in Germany and connected to the customer's location(s) by
62 way of managed data lines. Due to the data being stored in a German data center,

63 and thanks to the data's point-to-point transmission via managed data lines, these
64 data fall under the special protection of Germany's Data Protection Act. Highly
65 redundant servers, such as IBM PureFlex systems, ensure adequate system
66 performance. Only data that is stored redundantly will prevent downtimes to the
67 logistics workflow. Here, a specialized provider will mirror all data across multiple
68 locations. In the case of a fire or other disaster, the servers automatically switch
69 over to backup. A highly responsive early fire detection system as well as cutting-
70 edge fire extinguishing systems protect data in the case of an emergency.
71 Furthermore, the power supply must also be designed for high redundancy since a
72 power outage may result in significant data loss. Modern data centers, for instance,
73 include Diesel-powered emergency power generators that ensure an autonomous
74 power supply for up to four days. In addition to the technological precautions, there
75 also exist physical safety installations: safety fences, barbed wire, and lightning rods
76 have become the standard. Ideally, an access control system allows access to
77 authorized users only. Such data centers are classified as Tier 3+ and are certified
78 in accordance with ISO standard 27001, thereby ensuring a maximum in safety,
79 security, and protection.

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81 **Cloud-based process optimization**

82 Deciding on a suitable IT infrastructure opens new doors for organizations. A cloud-
83 hosted supply chain execution system (SES) or other software solution, such as a
84 warehouse management system, can also help capture all the data coming from
85 additional logistic elements and store them in the cloud. "Ideally, everything that is in
86 motion communicates with a centralized, cloud-based piece of software. The wealth
87 of data thereby generated can result in an added value that significantly increases a
88 logistics operator's performance and efficiency," Jens Heinrich says. "In the future,
89 many innovative solutions will come from such centralized data sources." Experts
90 sum up this topic under the term of 'predictive analysis.' Empirical values in the form
91 of data collected will be used to make predictions about future decision-making. This
92 will result in all logistics processes, such as bin assignment within the warehouse,
93 gradually being optimized, thereby reducing efforts e.g. with picking processes.
94 Modern apps supporting truck drivers with their tours also take advantage of

95 centralized data analytics. During their routes, drivers are supplied with real-time
96 information, helping them respond immediately to any changes to the delivery
97 workflow. Developers are already thinking far beyond the field of logistics, as
98 Heinrich explains: “Following this pattern, we see more and more companies
99 outsourcing entire ERP systems to the corporate cloud.”

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101 **Companies are rethinking their strategies**

102 Acceptance of cloud-based solutions is increasing by the week. “In the past, people
103 used to think that the cloud was not secure. Today it is the opposite: cloud-based
104 solutions frequently fulfill significantly higher security standards than in-house
105 solutions,” Heinrich explains. “Ever since cloud-based solutions have successfully
106 made their way into people’s private lives, many companies have started to rethink
107 their strategies as well.” In the future, we can expect further increases in speed.
108 Coverage is improving, too. “The cloud is part of our future,” Heinrich asserts with
109 confidence. “Private hosting is of strategic importance to organizations. There will be
110 no way around the cloud in the long run.”

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126 **Ehrhardt + Partner**

Ehrhardt + Partner (E+P) is one of the leading logistics experts in the world. The LFS supply chain execution system (SES) is currently being used successfully across five continents. E+P, the global

group, was founded in 1987 and now employs upwards of 450 staff at 14 locations. More than 40,000 users the world over use the LFS system for their supply chain management. The scope of services provided by LFS includes everything needed for comprehensive logistics management: the LFS.wms warehouse management system to manage and control your intralogistics, the LFS.mfc material flow calculator, and the LFS.tms transportation management solutions for efficient tour handling and planning. Radio data transmission solutions, warehouse planning and consulting, private cloud and hosting services, and warehouse seminars conducted at the LFS.academy round out the list of comprehensive solutions provided by the E+P Group. Together with in-depth consulting services in relation to warehouse technology, extensive expert knowledge in the area of warehouse logistics, and solid technical support: E+P is your one-stop solution provider. At present, more than 1,000 customers across all industries can be found on our list of references.

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