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Consumers driving digital
Implications and opportunities for the transport & logistics sector

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So what does this mean for public sector mass transport operators?

Transport agencies must become information brokers

Alliances to streamline multi-modal journeys

Positioning for long term prosperity?

Freight transport

Digital mobility is driving change

No player too big to fail

Technology enablement & leadership

The Australian transport and logistics sector must lift its game for the nation's prosperity, says Deloitte

Australia's $140 billion transport and logistics sector (employing almost 600,000 Australians and represented by almost 135,000 enterprises) is facing a 'perfect storm' that will force public and private operators to lift their game and collaborate to form an agile transport eco-system, according to Deloitte[1].

Macro-economic pressures, expanding customer expectations and technology change will converge within a decade to change the face of Australian transport. Public and private players in the industry must be prepared or risk failure, the firm says.

Deloitte says the time is ripe for the nation to build on the increasingly connected suite of transport infrastructure and the national recognition of the importance of the sector to enabling the national economy while adopting key elements of its best-of-breed counterparts in other OECD countries such as the UK and Scandinavia. The challenge for the local transport sector is to create a mature ecosystem that is more than the sum of the parts we have right now. While local and global commentators often cite examples of "best practice" from overseas, Australia's urban and regional communities present some unique attributes that demand local design efforts that fuse community needs with global experience.

[1] Source: ABS report

As state and federal governments, led by NSW, Victoria and Queensland, begin to integrate transport clusters, Deloitte predicts three megatrends will combine to form a high-pressure change environment in the sector:

1. There will be a large scale shift of assets and services from the public to the private sector as governments pursue contestability opportunities, divest or recycle assets, and seek innovation from the private sector in front-line service delivery.

2. Customer expectations will continue to expand well beyond the need for transport and logistics services that are simply 'on time'. In line with the experience-based economy that is already transforming consumer products, transport and logistics customers will seek experiences that are convenient and integrate into their broader personal and commercial service ecosystem – all supported by fully informed and up-to-the-minute service choices.

3. Technology change will rapidly accelerate, revealing both more opportunities and more challenges to enhance customer experience, improve operational performance and asset utilisation. Increasing innovation and adoption of mobile technology, will drive demand and capability for delivering app-enabled, information rich transport services. Whereas embedded devices and more connected operational technology – or 'the internet of things' – will underpin smarter transport networks that adapt to prevailing operating conditions and changes in supply and demand.

So what does this mean for public sector mass transport operators?

A new wave of public sector reform in transport has begun, spearheaded by the creation of integrated planning authorities charged with overseeing the delivery of interconnected assets and services. Transport for NSW (TfNSW), Public Transport Victoria (PTV) and DTMRin Queensland, represent a new breed of transport policy-makers to tackle the challenge of integrating transport modes and orchestrating improvements to asset planning and service delivery.

Of course integrated transport delivery has been pursued in various forms by state and federal governments over many years. What makes this new wave of change different is that politicians and transport bureaucrats have realised that policy coordination, on its own, is not sufficient to realise effective integration. New tools are needed to deal with the complexity of multiple transport networks, capital allocation, shifting demographics and technology innovation.

To this end accountabilities for functions such as network planning, service scheduling, contract management and customer channels are being reallocated. Public and private mass transport operators are increasingly focused on core service delivery, with the peak transport authorities assuming responsibilities well beyond their traditional policy-setting roots. This shift, coupled with the three megatrends described above, demand new skills and capabilities. This will see public agencies building new skill sets in areas such as customer experience design, and digital and social channels.

A second wave of reform is underway as governments seek to pursue contestability opportunities. Asset maintenance and service delivery will increasingly shift to the private sector, leaving the public sector to focus on service integration and policy reform. To capitalise on the opportunities presented by customer experience expectations and technology innovation, public sector transport agencies will need to shift from transport operators to information brokers.

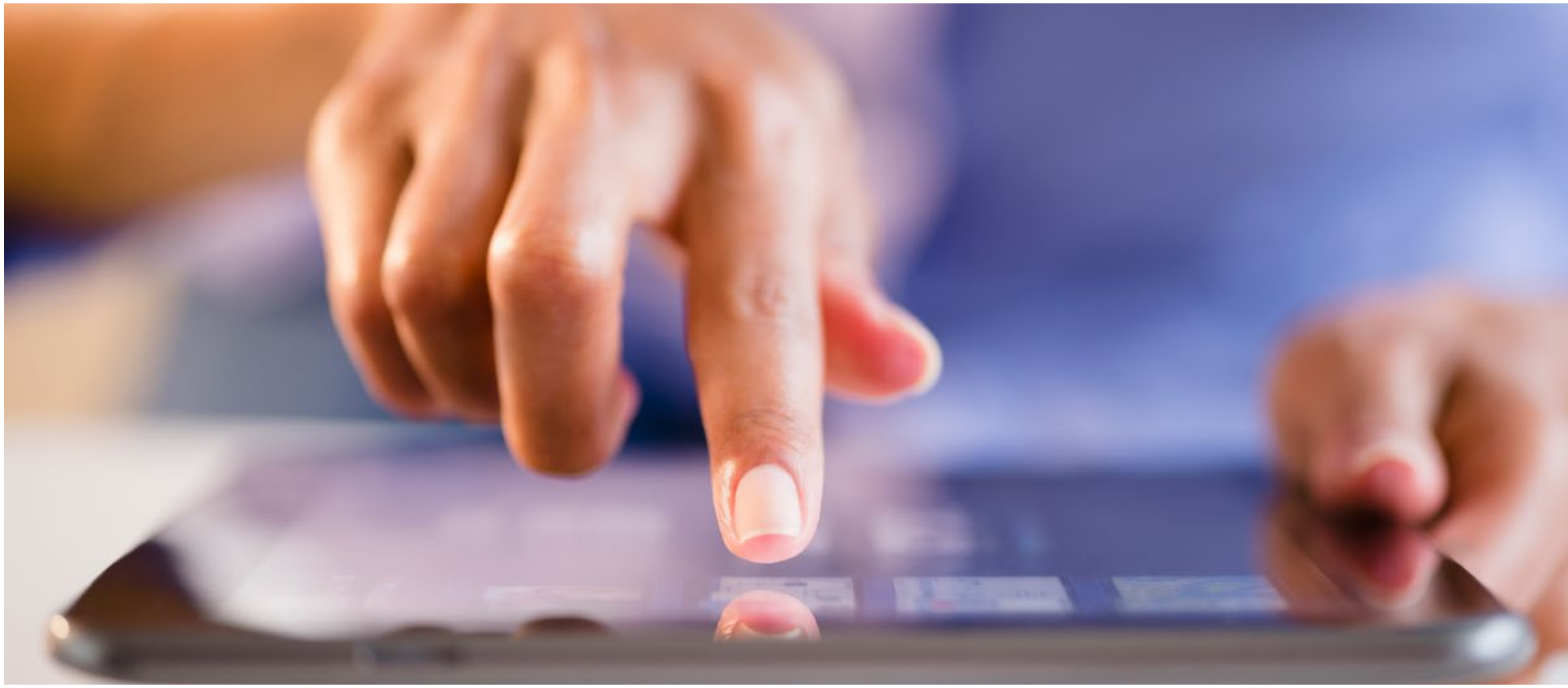
Effective service integration will require public agencies to facilitate information exchange and promote information quality amongst transport operators. Setting information standards, online channel development and user experience design will need to become core competencies for agencies.

Transport agencies must become information brokers

Public transport agencies will need to change from transport operators to transport information brokers with the private sector taking over much of the sector's operational function.

The Private sector will not be immune to these changes

State governments will need to facilitate information exchanges of 'bits and bytes' to enable multi-modal transport usage based on fast, reliable, customised data and messaging. They must begin to think of themselves as enabling the flow of passengers and goods, which will in turn result in a more efficient flow of vehicles.



Alliances to streamline multi-modal journeys

Commercial alliances will be forged between public and private mass transport providers aimed at speedy, cost-efficient end-to-end journeys for the Australian travelling public.

Mobile technology will drive massive savings and efficiencies for transport operators and passengers as aggregated traffic information is quickly analysed and acted upon to enable dynamic scheduling of es, trains, taxis and ferries tailored, real-time to meet demand. The same trend has begun to take hold in freight and logistics, where we will see an ongoing maturing of digital services designed to augment the core transport offering.

Transport agencies and operators must be agile and adaptable if they are to seize the opportunities presented by the changing landscape. These will include:

- Improving innovation around the customer experience to ensure a globally competitive transport system.
- Passenger transport operators, in particular, must engage with social media to win back ground they have lost by not participating in social media conversations about their service levels and provision

The end goal should be for public and private transport providers to join forces and participate in an information marketplace, in which governments become service designers as well as information providers. Information from all channels – including crowd-sourcing and existing data from infrastructure technology – should be shared to empower transport operators, their customers and the travelling public.

New options for travellers may include allowing transport companies to access certain parts of their mobile diaries sharing, for example, that a customer is travelling interstate and needs the best way to get to the airport at a specific time from a specific place. In a real-time situation, passengers may 'reverse auction' a limousine journey to the airport to the driver who can offer the best price. Or, a domestic airline ticket may include a rail or bus sector as part of one digital ticket as is already common practice in long haul air travel.

Businesses are already able to access information so they can target advertising to individual mobile consumers based on their preferences. Transport companies must become adept at pushing productive information based on aggregated meta-data to help passengers plan their journeys.

Experience from the 2012 Olympics in the UK, demonstrated the benefits of digital analytics to the transport sector. Aggregated meta-data based on the number of phones detected would signal when and where crowds were building up and dispersing. This enabled organisers to better manage crowds coming out of several stadiums and converging on a station. Trains and buses could be scheduled in a dynamic way, assisting public safety and crowd control.

Privacy concerns, a top priority, should be addressed by ensuring that data is used at a level of aggregation that protects individuals' privacy. All stakeholders need to work together to put in place information security and privacy platforms and provisions that are mutually agreed and agreeable to the general public.

Positioning for long term prosperity?

The transport and logistics sector must rise to the challenge if Australia is to maximise the wealth-creating opportunities before it. A recent major Deloitte report forecast that five super-growth industry sectors worth an extra $250 billion to the national economy over the next 20 years hold the key to Australia's future prosperity. The report, entitled *Positioning for Prosperity? Catching the next wave* is the third edition of the firm's *Building the Lucky Country* series. It found there is vast potential to be tapped in five additional super-growth waves of agribusiness, gas, tourism, international education and wealth management.

Global population growth of 60 million per year will increase food demand especially, fresh, high quality produce including protein, according to the report. This one sector – for which the supply chain is vital – presents an exciting opportunity for the Australian transport industry, which will be relied upon to help deliver the grains, beef and dairy, wine, oil seeds and aquaculture products from the farm gate to the consumer in the years ahead. Meanwhile, tourism and international education will cause a surge of international visitors in the coming decade. The transport sector, parts of which are 25 years behind that of the UK in technology and operational advancement, will need to lift its game to meet the challenge of ensuring these visitors a comfortable and engaging journey.

Freight transport

Australia's private sector freight industry will undergo major consolidation over the next five years as small to medium sized companies decide whether to skill up or sell up in the face of the changes brought about by technology.

Deloitte says freight transport organisations must plan their information agenda and technology strategies now or be left behind.

Technology embedded in roads, traffic lights and phones, for example, could be better integrated and shared with businesses and consumers to help ensure a gridlock-free, smoother flowing transport system.

The firm estimates that up to 15 percent of businesses in the freight sector will be integrated into technology-smart, next generation transport and logistics companies who are already positioning themselves for the future.

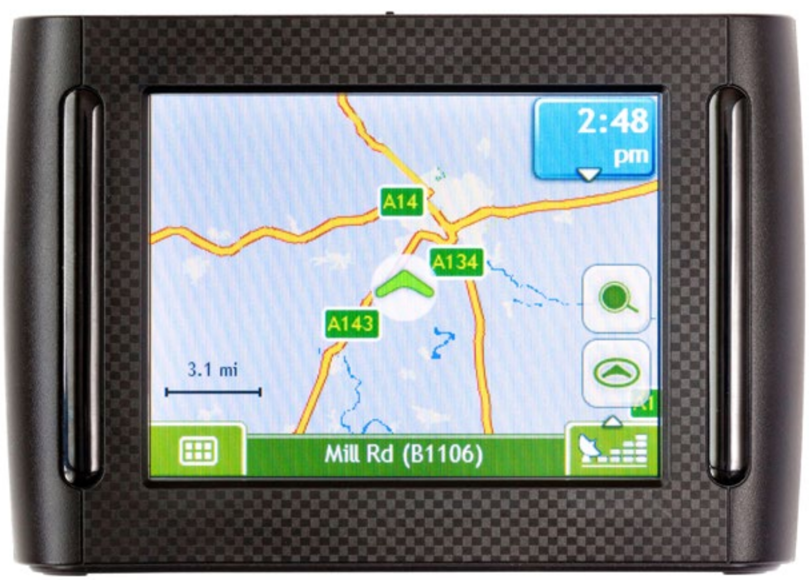
Private sector freight operators will need to skill up or sell up

Digital mobility is driving change

Consolidation is being driven by profound shifts brought about by digital mobility in business. These are changing consumer demands on all forms of transport providers. Technology that tracks and traces deliveries, identifies customer or traffic bottlenecks and ensures rapid replenishment of products are just some of the newer infrastructure required to meet new market and consumer demands.

High fuel costs, the still relatively high Australian dollar and the yet to be repealed carbon tax are further adding to the pressure and ever thinner margins for the freight sector.

Transport companies need to decide whether to raise the funds needed for technology investments and the up-skilling their workforces to equip them to be competitive in the rapidly changing environment. Many who are unable or unwilling to make the transformation will need to exit the industry, says Deloitte. The firm sees grass-roots evidence of the impending consolidation in the level of focus transport company-owners are showing on valuing businesses with a view to mergers and acquisitions.



No player too big to fail

Mobile devices are widely used in Australia for retail research and discovery, although few are currently used to the point of purchase. This is an area poised for growth.

Like their counterparts in the retail industry, large listed transport organisations with professional boards and management are only belatedly making the sorts of investments needed to be change-ready for the new world of mobility in consumer business. It is therefore not surprising that public sector organisations and smaller transport companies are even further behind the change curve.

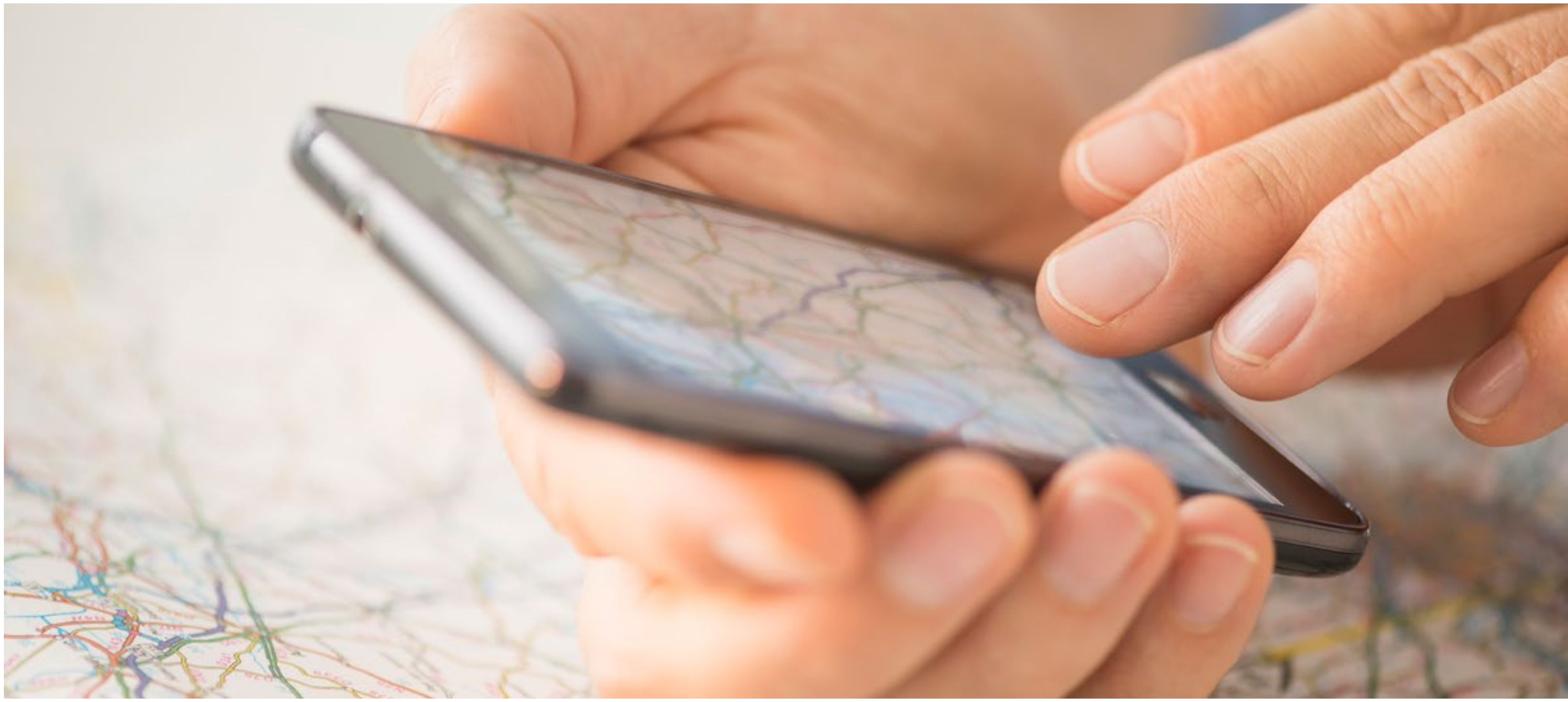
Many small to medium enterprises may not have the capital, knowledge and professional training to make the investments needed for the future. Some may need advice on how and what to invest in. There are both hard and soft costs to consider. As well as technology systems, hard costs include the upgrading of transport fleets so that they are 'right-sized' for the changing market conditions.

Big trucks, for example, are no longer best. The soft costs relate to the workforce. The freight transport sector has an ageing workforce whose members may no longer want to be road gypsies living in Albury or Wodonga, driving between Melbourne and Sydney. Labour is becoming harder to find and may need to be sourced offshore. There is also the need to ensure workers are trained to use the mobile technology becoming essential to do their jobs in order to meet the freight forecasts out to 2020. Older and younger workers will need to mentor each other in industry fundamentals and technology respectively. The transport and logistics worker of the future is likely to be a different breed to the stereotypical blue-singlet and shorts-clad road warrior of the past. He and, yes, she are rapidly becoming tech-savvy, integrated sales and servicing representatives who truly connect suppliers and retailers with consumers.

Technology enablement & leadership

Technology will be a core enabler and executive leaderships will fail if they don't recognise this reality. Technology upgrades need not be expensive. Pay-per user, hosted, cloud-based solutions are affordable even for smaller operations. In this rapidly changing environment organisations must talk to their customers about how the changes are affecting them and what that means for their distributors. They should craft their business strategy armed with that knowledge.

Finally, Deloitte sees leadership as the critical factor for all enterprises across the transport and logistics landscape – public or private. Navigating the rapid changes that will occur as the impact of the digitally enabled consumer is felt throughout the supply chain will challenge management and Boards alike. Current leadership needs to stay attuned to the needs of their markets and their personnel while concurrently identifying and developing talent that can bring new perspectives or skills to the issues and opportunities that will undoubtedly confront the industry over the next decade.



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