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Leveraging IoT to travel on the GST highway

Technology & IoT will play a major role for logistics industry in the GST regime

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In the last few weeks the hot topic of discussion is around GST regime in India. Finally in place beginning day after tomorrow (July 1, 2017), many are labelling GST as the biggest reform initiative after liberalisation in early 1990s. There are mixed feelings from excitement to nervousness as companies gear up to the changes and challenges of this sweeping impact. It is going to be a tectonic shift to logistics sector thus far considered as the backroom boys and unsung!

Currently driven by taxation, manufacturers keep multiple stocking points in the country, at least one in each state where they operate, so as not to be levied Central Sales Tax (CST) on interstate movement. But with GST regime, that facilitates one country one tax, paves the way for transfer of consignments directly to the customer - trade in B2C or end user in B2B thus impacting holding costs significantly. This may mean a shrinkage in warehousing footprint by setting up bigger warehouses as mother distribution points instead of several small warehouses.

A Knight Frank Research estimates additional warehousing space requirement upwards of 200 million sq ft in India's top 7 markets over the next 3 years. For example, ITC is reportedly planning to prune the current 55 warehouses to 33 in 18 months. This dynamic impact will be one of realignment with small & peripheral operators gradually being phased out, consolidation of larger players and creation of hubs of an activity that was non-mechanised and unorganised, into an organised logistics and supply chain business.

Larger volumes, larger warehouses and hubs mean bigger trucks, realigning of transport routes, longer hauls, GPS tracking, fuel tracking, more drivers, and host of related issues. The GST Bill also has made electronic e-waybills mandatory and stipulates that every transporter transporting goods above Rs 50,000 should register and generate a e-way challan, prior to transportation. These e-challans will have one, three, five, ten or fifteen day validity depending on the distance and would need to reach the check points prior to the goods reaching them.

Errors, delays, misplaced items and redundancy in process are common in warehouse and with GST and competition, enterprises need to match it by driving efficiency. The most vital block in a product company is its supply chain system which leads to its warehouse management.

The next wave of business improvement in warehouse operation is going to come from IoT (Internet of Things) – specifically with the use of artificial intelligence (AI). This would

range from the use of robot carts to sensor enabled items. It will help to track the items both within the warehouse facility and as it moves through the supply chain and into customer's hand.

It will also help in reducing human intervention in warehouse management which will prevent the odd accidents that happen in warehouse and will improve the safety of warehouse. Warehousing takes up to somewhere around 2 percent and 5 percent of the expense of an enterprise and with GST, minimising warehousing costs has turned into an essential business issue underlining return on assets,

A McKinsey report estimates that IoT will have a potential economic impact of up to \$ 6.2 trillion by 2025 and the potential to drive productivity across \$ 36 trillion in operating costs across multiple industries, including manufacturing, healthcare, and mining.

Jeff Immelt, chief executive of General Electric, shares McKinsey's optimism and GE estimates that a 1 percent improvement in productivity across its global manufacturing base translates to \$ 500 million in annual savings. GE thinks a 1 percent improvement in industrial productivity could add \$ 10 trillion to \$ 15 trillion to worldwide GDP over the next 15 years.

In the Indian context, technology and IoT are going to play a major role in the GST regime by providing a seismic shift in the enterprise, with a multitude of ways of seeing return on investment. 'To understand the true value of IoT, businesses have to recognise that it will not mean the same thing to everybody'. The question is whether the Indian transporters & CFAs, still being unorganised fragmented and not tech savvy, are geared for this realignment, considering the roll out of GST is less than a day away!

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