One key step to finding answers to any logistics, supply chain, or technology challenge is knowing the right questions to ask.

*Inbound Logistics* assembled a team of supply chain and logistics technology leaders, and asked for their perspectives on the important logistics challenges and opportunities impacting your business.

More importantly, these logistics thought leaders can give you guidance when considering improvements to your business processes.

# THOUGHT LEADERS

# Opening a Dialogue on Freight Payment

**Q: A recent report revealed that only 18 percent of shippers discuss best practices in freight payment processing with outside organizations. Were you surprised by that number?**

**A:** As a company that works hard to help our clients think strategically—and views payments as a strategic function of any company—we'd love to hear that shippers are making freight payment processing a primary topic of discussion internally and among peers. I'm not surprised to hear the statistic, though, and I think the reason for the silence is that shippers just don't know what questions to ask.

**Q: What questions should they be asking?**

**A:** The most important question is about how freight payment organizations are handling your freight funds. Many vendors use a float model, which means they take in shippers' money, co-mingle it with other funds for interest and investments, hold funds for a few days, and then they pay carriers. The problem can arise during that middle step when freight funds could be used for risky investments or outright fraud. As we saw back in 2013 with a few providers that went bankrupt, if the money disappears before payments are made to carriers, shippers are out money, yet their carriers still expect to get paid.

**Q: If float has intrinsic risks, what's the alternative?**

**A:** The alternative is a trade finance model, which is what U.S. Bank Freight Payment uses. Because we're a bank, we're held to higher standards and our freight payment process never holds freight funds to earn money from "float." With a trade finance model, a payment-processing organization ensures that carriers get paid. In fact, we actually pay carriers before taking shippers' money, so there's no risk of your money disappearing before an invoice is paid. It's important to ask how your funds are being handled and measure the time between the payment to your provider and the payment to your carrier. As a customer, you should have ongoing visibility, so you can be confident your funds are being managed in a way that ensures they're safe throughout the process.

**Q: What additional questions should shippers be asking?**

**A:** Shippers should also ask about audit and automation. Is your provider delivering a 100-percent audit on every invoice? Are duplicate invoices from carriers counted as "savings"? Take a realistic look at how your provider audits your invoices and manages your carrier contracts to make sure you are not leaving potential audit savings on the table. On average, U.S. Bank Freight Payment customers save 2-4 percent on monthly transportation costs. This is not including so-called "savings" from duplicate invoices.

**U.S. Bank** | 866-274-5898
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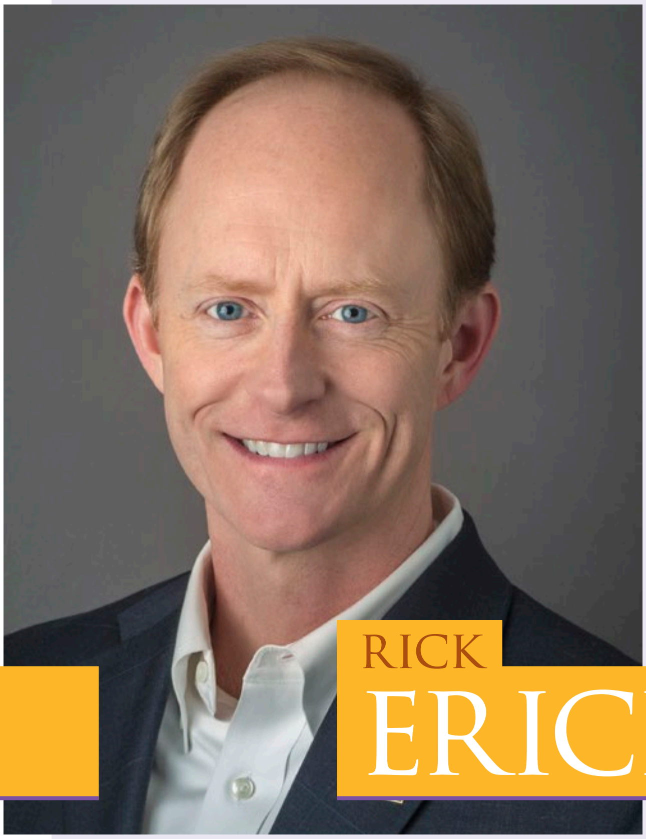

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# Temporary Bills and Lack of Investment Threaten U.S. Infrastructure


TOM HEINE
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**Q: The House just passed a three-month highway bill. Will that impact infrastructure investment?**

**A:** On July 28, 2015, the House voted to approve a temporary $8-billion bill extending federal transportation funding until the end of October. They sent it to the Senate only two days before the nation's road and transit spending would have expired.

Congress has been playing a deadly game of chicken with our roads and bridges. We limp from one temporary transportation bill to another. Partisanship has seemingly ended responsible government. Transport requires long-term planning and investment, not three-month bills.

The U.S. Federal Highway Administration has rated nearly 200,000 bridges—one of every three bridges in the United States—as structurally deficient or functionally obsolete. And more than one-fourth of all bridges are more than 50 years old, the average design-life of a bridge. These are bridges that we depend on for a living, and that our families drive on every day. We have all our eggs in one basket, and the basket is falling apart.

Some places still need new roads to ease congestion. Southern California has shown us that adding new lanes and roads doesn't always solve the problem. But in many places, an extra lane or two will make a huge impact, reducing bottlenecks. Smoothly flowing highways are also safer, more fuel-efficient, and lower polluting.

**Q: What about U.S. rail infrastructure?**

**A:** Like our highway system, some rail infrastructure is just fine. Other parts are even worse off. Consider this: A 105-year-old swinging railroad bridge in New Jersey serves 750,000 people each day on 2,000 intercity and commuter trains. It connects in one direction to a 105-year-old badly decaying tunnel under the Hudson River. If the tunnel or bridge goes, the Northeast Corridor rail system from Washington to Boston is out of service, and 550,000 commuters have to find another way to enter New York City. What would be the financial impact to the U.S. economy if that happened? If you add all those commuters to the already overcrowded roads, how will the trucks get around?

**Q: Is one alternative to reduce traffic loads?**

**A:** Sometimes those methods don't make sense financially unless you look at the bigger picture. Yes, Amtrak loses money each year, but it benefits us overall. It takes pressure off our already-over-capacity road system. If there is a major road or bridge failure, it's crucial to have redundancy and extra capacity.

Is it time to give up a few aircraft carriers? What is more of a threat: militants with machine guns on pickup trucks on the other side of the world, or being on our decrepit U.S. roads where 2.5 million people are injured, and 30,000 die annually? I am not saying militants and rogue nations aren't a threat, but could we be spending our money more wisely? It's at least worth discussing.

Our nation also needs to invest in other infrastructure, schools, sewers, high-speed Internet, and electric transmission capability. Our current air traffic control computer system is antiquated. We have structurally deficient dams, and thousands of superfund sites. People involved in transportation should let their voices be heard about the need for maintaining and improving infrastructure. Without adequate investment in roads and bridges, we are costing ourselves much more in the long run with inferior results. The time to start is now. In November, vote for someone who will vote for our infrastructure and for transportation.

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# Leveraged Platforms: The More Efficient Road Ahead

### Q: What is a leveraged platform?

A: A logistics services provider leverages its platform to employ the same best practices to manage its own supply chain needs as it does for its own client base of direct shippers. By augmenting their global scale with a vast network of local stations, these service providers are better able to develop a thorough, real-time understanding of their clients' latest shipping needs and patterns.

### Q: What are the benefits of participating in a leveraged platform?

A: Core carriers participating in leveraged platforms typically receive consistent, attractive internal freight volumes and specific lanes of business. Locally-based stations also give less-than-truckload (LTL) carriers highly accurate classification, reducing rebilling that may occur with 3PLs and their central call centers. In addition, co-loading large LTL shipments within dedicated networks can alleviate shipment and capacity issues—a current major challenge that will linger well into 2016.

### Q: How does technology play into all of this?

A: Today's web-based tools help carriers and shippers dive deep into distribution operations information, precisely tracking shipments, delivery metrics and other trends in real-time that greatly impact project outcomes. Sharing this data helps carriers spot-rate larger shipments to fit backhaul needs, while also helping shippers save through mode optimization and usage of co-load products or truckload (TL) partial when larger LTL shipments may be more expensive.

### Q: Can leveraged platforms help carriers streamline their processes?

A: Yes. Through a combination of integrated distribution services and extensive global carrier networks, leveraged platforms help streamline shipping processes, optimizing virtually every aspect of domestic and international distribution, including scheduling, tracking and pricing.

### Q: How can the goals of carriers and 3PLs be aligned?

A: Our 24/7/365 on-demand world means that client needs and lane volumes are continually evolving, requiring constant communication between all parties to keep things running smoothly. Drivers—and the capacity they deliver—can often be retained by finding return loads or by simply asking booking preferences after completing initial TL shipments. In one case, a core vendor expressed needed capacity for inbound freight into California. With a small and simple pricing adjustment, the carrier participating in a leveraged platform delivered twice the critical volume for the core vendor. This kind of solutions-oriented thinking will drive tomorrow's success stories.

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# Outsourcing to a Third-Party Logistics Provider

**Q: From a shipping perspective, how can manufacturers best address today's increasing regulations and demand volatility?**

A: Outsource your shipping to a third-party logistics (3PL) provider. The answer might sound a bit self-serving, but I believe most manufacturers would agree if they took the time to crunch the numbers. A 3PL is much more familiar in dealing with the complex transportation regulations of the federal government, as well as among different states. The same goes with handling the peaks and valleys of customer shipment demands — 3PLs have much more capacity with a network of carriers to deal with fluctuations in shipping needs. By leaving all these headaches to a 3PL, manufacturers can better focus on what they do best.

**Q: But what about the cost of outsourcing shipping?**

A: In most cases, a 3PL should be able to reduce transportation costs by at least 5 percent, and as much as 25 percent, for manufacturers who have been running their own shipping departments. In addition to the efficiencies that a 3PL provides, the manufacturer is able to eliminate costs such as payroll, taxes and workers' comp insurance. You also are reducing risk for the manufacturer, because the 3PL will even cover the cargo insurance for shipments.

**Q: How can manufacturers best decide whether outsourcing their shipping needs will benefit their operation?**

A: Typically, the deciding factor is the amount of your overall freight spend. Shippers of any size can outsource their freight on a spot basis and justify these types of expenditures. However, when it comes to freight management (bidding, procurement, carrier realignment, order consolidation and optimization, and load execution), manufacturing companies typically should consider hiring a logistics firm if their freight spend exceeds at least $3 million. In weighing the decision, you should also look at other cost savings besides reducing staff. For example, if you are a food company, you may benefit from using a 3PL to store product in refrigerated trailers versus renting from or owning a freezer facility for fluctuating storage needs. Or if a manufacturer is running its own private fleet, a 3PL can take over its operation — eliminating risk and expenses related to safety issues, reducing equipment costs, and getting rid of all the headaches of keeping up with DOT regulations. For shippers utilizing dedicated lanes, a 3PL that is asset-based can provide even greater cost savings.

**Q: What if the manufacturer still wants control?**

A: You don't have to give up control. Most 3PLs today provide the technology that allows you to keep a close watch over your shipments. But if you are still concerned about eliminating your shipping department, you can simply contract with a 3PL on a temporary basis during seasonal peaks. Many postal delivery companies, for example, contract with a 3PL during the holiday season to avoid ramping up with temporary drivers.

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