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

Building an Effective Import Compliance Program

Q: How do shippers create an importing program?

A: Meeting import control obligations need not be a painful experience. Proactive import compliance planning and governance will minimize the risks and negative consequences of non-compliance.

First, understand current import laws and regulations. Familiarize yourself with government policies and procedures prior to actually importing your goods. You should also be aware of any entry requirements specific to the particular commodity you are importing.

Second, articulate and circulate a compliance program to educate staff.

Third, facilitate implementation with administrative support and technology tools. By providing easy access to appropriate technology-based tools and processes for everyone involved, you'll facilitate consistent implementation of your import compliance program.

Q: What practices can facilitate implementing an importing program?

A: An import compliance plan is of little practical value unless implemented consistently across the enterprise. But the requisite due diligence screening of restricted parties, recordkeeping, monitoring, review, and audit processes can make compliance tedious and time-consuming. Rapidly changing restricted-party lists further complicate the process.

With the appropriate groundwork, every institution can deploy a technology solution that facilitates and dramatically improves process efficiency and accuracy. Improved efficiency also enhances the likelihood that employees will comply consistently.

Some best practices to consider while creating an import compliance program include: establishing a clear position on governance; implementing continuous risk assessment; creating a written compliance guidance manual; establishing internal recordkeeping, review, and audit processes; implementing screening protocols; automating the import compliance process; and highlighting the penalties for non-compliance.

Many first-time importers consult a licensed customs broker for help filing entries, particularly if they find the process complicated. Remember, however, that even when using a broker, the importer of record is ultimately responsible for the accuracy of the entry documentation and all applicable duties, taxes, and fees.

Q: What should companies look for in a technology solution?

A: As with all technology, finding the best fit is important. Here are a few qualities to look for in an import compliance solution: ease of deployment, preferably available using a subscription-based, on-demand model; ease of use, including multiple integration points with other in-house systems; accurate and real-time content updates from government sources; and fully automated and comprehensive screening against active global government-issued denied-party lists.

A good technology solution should also have advanced tools to identify controlled technologies and determine import license requirements for all possible scenarios; flexible restricted-party screening rules; and backing from a provider with proven experience in global trade management, automation, and trade compliance solutions.

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Connect and Collaborate to Better Manage Freight Spend

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Q: What are the current challenges of managing freight spend?

A: In today's slow-growth economic environment, organizations are pressured to reduce costs and manage inventory well. The result is demand for frequent deliveries, which amplifies the need to control shipment costs, according to research by the Aberdeen Group. In addition, organizations operate increasingly complex supply chains that reach around the world.

Many companies have divisions or suppliers—or both—in different countries. That makes managing freight spend and payments challenging, because rules and regulations vary by geography. Frequently, organizations use different local freight audit and payment systems that do not connect to each other or to financial management systems. Only 36 percent of companies have a centralized spend management platform with multi-currency and multilingual capabilities, according to a 2012 study by the Aberdeen Group. This "silo" approach makes controlling freight spend difficult—and the outcomes are costly.

Q: Why are silos a problem?

A: While a silo approach makes sense from a local perspective, it's a barrier to managing total freight spend. Most global views are a summary of freight spend, yet they lack the detail to analyze freight spend based on supplier or product line across the organization.

For corporations managing freight spend in geographic or divisional silos, putting that analysis together is time-consuming. It is more difficult if each system is not capturing all the data necessary for the analysis—or not capturing it in the same way. Companies waste time and money managing inefficient, disconnected systems.

Q: How can shippers address these issues?

A: Supply chain professionals benefit most from a global solution built for freight spend. But, buyer beware: many providers claim to be global without "feet on the ground" in other regions, or while servicing only one customer in another country.

Only consider solutions that:

- Connect with true local resources who understand the local regulations and logistics industry.
- Support your growth with multi-currency and multilingual capabilities.
- Accommodate local requirements, such as consolidated invoices, value-added taxes, and government-compliant e-invoicing.
- Provide the right data in the right format by capturing all relevant data and ensuring data harmonization for important information such as currencies.
- Properly control access to data. While not all users need access to all data, they do need access to the right information—which may include data across several entities for analysis.
- Efficiently allow access to global reporting and business intelligence.

By seeking a global solution with these attributes, organizations can better manage freight spend, regardless of geographic or divisional boundaries.

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Truckers and Shippers Prepare to Meet Over-the-Road Challenges

Q: What challenges do domestic transportation service providers face today as a critical part of the value chain for manufacturers and retailers?

A: One of the most competitive segments of the trucking market, truckload (TL) companies also represent the core business of most asset-based, but diversified, transportation companies. Their most common concern, according to a recent survey of over-the-road, long-haul truckload carriers, is maximizing asset utilization—increasing the revenue-generating ability and productivity of their existing trucks.

SCOTT VANSELOU

Executive Vice President, Marketing
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In addition to utilization, recruiting and retaining qualified drivers represents a major concern for carriers. An aging population of commercial drivers is fueling this concern, with more driver attrition prompted by negative CSA scores, and low numbers of new drivers entering this increasingly regulated job category.

The availability of qualified drivers – more than access to credit, industry freight rates, or competition from rail – is likely to be the single greatest constraint on the trucking industry in expanding to meet the demands of a resurging economy.

Unlike prior boom-and-bust economic cycles following trucking industry deregulation, rising freight rates are unlikely to draw enough new startup carriers to the industry to increase capacity and shift pricing power back in favor of shippers any time soon. There simply will not be enough drivers to fill the additional trucks. Much of our product R&D now is going into tools that help carriers visualize and consistently improve utilization.

Q: Will there be any major changes in transportation industry dynamics soon?

A: The Federal Motor Carrier Safety Administration's March 2013 announcement that it would not delay enforcing a July 1, 2013, start date for a highly controversial change in Hours of Service (HOS) rules for commercial truck drivers—despite pending court challenges to the new rules from industry—set conditions in motion that will have far-reaching effects for shippers.

Industry observers have already remarked that importers and exporters should focus on highway—not ocean—transportation challenges this year. Capacity for over-the-road trucking will contract further when the new HOS rules take effect in July 2013, and the truckload carrier segment is likely to experience productivity cuts of three to five percent—if not more—as a result of compliance. Freight networks may need to be re-engineered to accommodate curtailed driving hours, and more freight may shift from TL to less-than-truckload carriers.

The net effect for supply chains from the new HOS rules imposed on the trucking industry will likely be to lengthen them even more than slow-steaming has. Upward pressure on truckload rates will contract 3PL margins and take a larger bite out of shipper budgets.

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Transportation Management: A Layered Approach

Q: Why bother managing the inbound aspect of the supply chain?

A: Historically, organizations built their transportation management strategies and tactics around the outbound aspect of their supply chain. The gravity of customer revenue pulls the attention in that direction. This inattention in the supplier direction often leaves the inbound supply chain exposed to margin-draining activities.

By setting expectations with trading partners about how product should be routed, documented, and prepared for shipment, the organization is set up for the most efficient induction of materials into the enterprise. Establishing business rules by publishing policies and tactical instructions is an effective extension of the purchasing contract.

In addition to publishing policies, integrating a cloud-based solution that facilitates bi-directional communication between trading partners will create a dynamic portal for interfacing the inbound supply chain.

Q: Is a TMS right for my organization?

A: At the core of any effective layered approach is the transportation execution engine. Commonly referred to as a transportation management system (TMS), this solution provides the ability to accurately predict shipping costs and manage shipment execution.

While traditionally used on the outbound or downstream aspect of the supply chain, a comprehensive TMS solution offers the ability to add functionalities such as managing inbound shipments, serving as an RFP analysis tool, or facilitating real-time spot market quoting for appropriate modes. The benefits of cloud-based TMS have been lauded and extolled extensively, but the power and simplicity for an organization to easily plug into a comprehensive solution organically cannot be overstated.

Q: How can businesses close the transportation data loop?

A: Having the solutions mentioned above in place is a good start, but measuring transportation execution performance allows the enterprise to gauge the effectiveness of their controls. Certainly freight audit and payment systems come to mind as an example of these systems, but the opportunity for transportation data analysis extends beyond traditional freight audit and payment functionality. Businesses of all sizes must exert control over the ever-increasing costs of transporting goods by gathering and analyzing the data that is available.

If we consider that the transportation of goods and materials is a commoditized space, then the differentiation comes from how an organization manages this space. By establishing and communicating business rules to trading partners, leveraging carrier pricing agreements in a robust TMS solution and closing the loop with data aggregation and analysis, an organization positions itself for success with a comprehensive approach to controlling one of the most costly aspects of its business. When working in the commoditized space, the business with the lower cost model is positioned to win.

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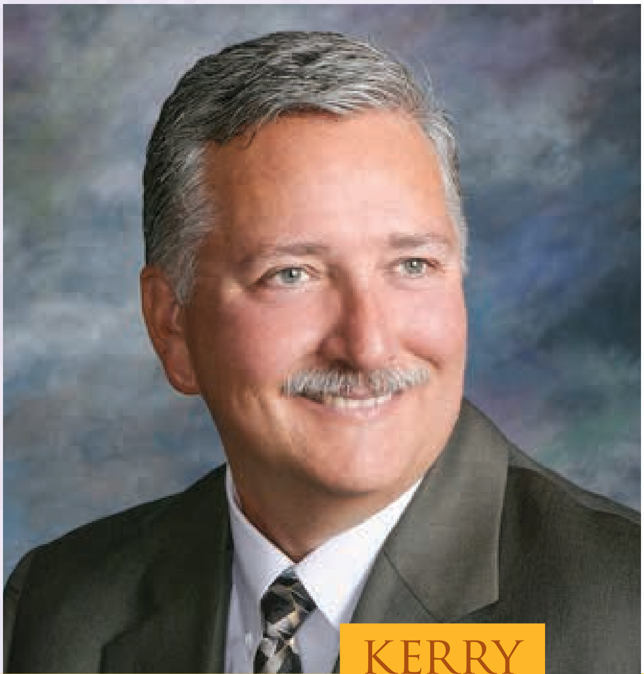

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The Strategic Approach to Optimizing Inbound Shipments

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Q: Knowing there are significant benefits to be captured using a transportation management system (TMS) and optimizer for inbound shipping, what are some of the typical roadblocks that shippers encounter when implementing an inbound optimization strategy?

A: A very common obstacle to optimizing inbound shipping is arriving at the proper rate structure. The whole point is to find more efficient and effective routes to deliver lower costs and improve visibility into movements across the supply chain, and that almost always means modifying routes, pick-ups, etc. If an organization is only prepared to consider point-to-point (fixed) rates when making these modifications, it is going to blunt the positive effects of optimization.

The optimizer needs to consider real-life factors, not just what seems to make sense on paper. If the company determines certain inbound routes should be modified beyond simple point-to-point shipments, the cost of the newly structured moves must not be calculated using point-to-point rates. Sure, carriers may oblige once or twice making these modified trips with the addition of stop charges, but ultimately, they'll call to negotiate rate-per-mile charges.

When this kind of thinking is not considered at implementation, it almost always leads to overestimating savings. Optimization must account for out-of-route miles and be configured properly to accommodate this kind of variable.

Q: How can an optimization strategy handle such variables?

A: Most optimizers are equipped to properly accommodate these variables. Frequently, users neglect to consider how these changes will impact their results, and don't configure their software tool to handle them.

Best practices dictate that shippers contact all their carriers and ask for accurate rates per mile for multiple lanes before performing an optimization. Then the system can be configured to say, "If a multi-point shipment is required, and the out-of-route miles exceed *x* percent, then the load should be calculated as a rate-per-mile shipment. Whereas if it is less than the established threshold, then it should be calculated as a point-to-point shipment with a stop charge attached."

Understanding the best way to rate each shipment is critical so carriers can accept loads without having to renegotiate rates when routes change during an optimization.

Q: What other key factors should shippers consider besides rates?

A: Understanding carrier needs regarding revenue per-day and/or per-stop to maximize equipment utilization is another critical concern. The better these needs are properly aligned with the overall network strategy, the better the results will be.

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TMS Technology for Mid-Market Shippers

Q: How have transportation management systems (TMS) evolved to serve shipper needs—and what is still missing?

A: Introduced about 30 years ago, early TMS focused on three functions: serving one mode, such as rail, truck, or air; creating solutions to determine the cost of shipments (rating); and paying freight bills. Solutions providers then moved on to develop decision-support algorithms for routing domestic freight. By 2000, the systems had expanded to cover all modes of freight all over the world. As with most enterprise application software markets, larger companies were the first to buy these products.

Today, many TMS companies focus on large, complex projects and requirements. These systems typically cost more than $1 million and take more than one year to implement. Because of the high cost and long implementation time, top-tier systems have not fared well in the mid-market space. Some smaller companies have emerged to focus on the mid-market TMS space. None have created compelling offerings, however, and have therefore not gained much traction.

For the TMS industry's veteran players and industry analysts, it's clear a gap exists in the mid-market. New products and companies need to fill that gap, because in spite of increased purchase interest, adoption levels have remained low.

Q: What kinds of companies need a TMS?

A: If businesses simply want to ensure shipments are delivered, they can use a small number of carriers and make simplistic decisions—or outsource the whole function—and they may not need TMS technology. But if they want to reduce shipping costs, improve on-time performance, gain visibility into their shipments, or take markup, then a TMS is valuable—and sophisticated shippers use TMS data in forming business strategies.

The more shippers want to save on transport costs or differentiate themselves, the more sophisticated their TMS must be. It is about matching the complexity of their needs with the right TMS. The majority of shippers find today's TMS offerings are either not powerful enough, or just too big and expensive. So most shippers manage transportation with spreadsheets, try to build their own solution, or use a logistics service provider.

Increasingly, executives are realizing that sound transportation management makes companies more competitive. In fact, taking control of transportation can improve operating income by five to 10 percent, and boost stock prices by 10 to 20 percent, according to Accenture.

Q: What will the next generation of TMS offer?

A: They will focus on mid-market shippers and third-party logistics providers that use less-than-truckload and truckload extensively. These products will balance ease of use, rapid implementation, and big return on investment.

Until now, many shippers chose not to buy a TMS because of poor choices—the products were not designed by people with real domain experience, and the companies themselves were not staffed with people with quality experience in the enterprise software or transportation software markets.

But, more and more companies are seeing the value of the sound management of transportation. In fact, about 25 percent of respondents to a recent ARC Advisory survey said they are planning to buy or upgrade their TMS.

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Quantifying Transportation Performance With Technology Tools

Q: What strategic direction have shippers and carriers developed to increase partnership value?

A: Shippers and carriers have become more collaborative in their approach to pricing. For example, in the less-than-truckload market, shippers have begun to use carriers' rate base when running their bids. This creates value for shippers by using each carrier where it operates efficiently, as its rate base is naturally lower in those lanes. Because the carriers are awarded the freight they desire, shippers have a more sustainable pricing model.

Q: How do shippers leverage integrated technology and services to increase transportation performance?

A: Today, it's all about Big Data. Everywhere you look, companies are using Big Data to make decisions, whether it's hospitals trying to predict how many people will be sick this flu season, or the fashion industry mining Twitter to see how consumers are receiving the latest trend.

Many of the same concepts can be used to help shippers achieve their goals. This all starts with gathering detailed information about your transportation spend during the freight payment process, then marrying it with data from your transportation management system (TMS).

TMS data provides context that is often missing from freight payment data alone. The TMS can analyze this combined data to ensure compliance and measure success. Once these systems are all sharing information, you can run simulations against your real shipments to quantify how much the next change in your supply chain may cost, which adds one more piece of valuable data to your decision-making process.

Q: What analytics and compliance metrics are most beneficial for shippers to quantify performance?

A: Shippers should monitor two key performance indicators (KPIs). First, the Savings KPI shows the savings achieved since making the last change to their supply chain. Second, the Lost Savings KPI shows their users' compliance with the program and strategy in place.

The goal is to move as much money as possible from the Lost Savings KPI to the Savings KPI. With the detail of each shipment available through the drill-downs of these KPIs, shippers can quickly and easily see what scenarios are causing users to fail to adhere to the program.

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Managing Shipment Data to Meet Customs Requirements

Q: How are Customs agencies changing their approach to reviewing transactional data, and how will this affect shipments and traders?

A: Collaborative Border Management (CBM) between Customs agencies will allow countries to exchange trader and shipment data in a live environment so non-compliance and perceived threats can be readily identified, measured, and monitored. Customs is also expanding its IT capabilities to harmonize data standards, which allow for the creation of real-time shipment visibility.

Companies will need to know more details about their products, suppliers, and customers, and to electronically communicate this information in advance of the actual shipment. A solid technology plan will be necessary to manage trade data that has historically been either processed manually or widely ignored.

Q: As companies continue to focus heavily on future growth opportunities in emerging markets, what type of trade requirements and/or Customs challenges should they plan to encounter?

A: It is imperative to first understand transaction transparency, along with taxation and regulatory requirements. Companies should account for a measure of uncertainty in the supply chain. Shipments may be subject to changing Customs regulations, lack of a unified approach, and political backlash manifested through inspections, fines, seizures, and corruption. Supporting service contracts may be challenging if used or refurbished goods are not domestically accepted.

Companies that want to bolster success will enlist quality business partners and develop relationships on local and national levels. Customs intermediaries and legal experts can help navigate complexities, introduce Customs to the company's business model, and act as a face to the government.

Finally, maintaining an open pipeline to ensure applicable regulatory news and changes are communicated promptly will minimize negative impact.

Q: How will increased focus on health, safety, and the environment affect the supply chain?

A: The Conflict Minerals Act, California Transparency in Supply Chain Act, Global Harmonization for Hazardous Goods, and other regulations are designed to increase transparency and visibility both upstream and downstream. To provide government and consumer assurances of product safety and social responsibility, these obligations of accountability and traceability permeate the supply chain from manufacturing and procurement through distribution and consumption.

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Shippers must translate requirements into process execution to satisfy mandated verification, marking, testing, auditing, certification, and training without damaging the supply chain's integrity. Over the past 10 years, the regulatory realm has grown larger, more expensive, and disproportionate, leaving smaller companies to determine if verticals are still profitable, while larger companies coax their business partners to implement similar models of compliance. True costs and effects remain unknown.

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