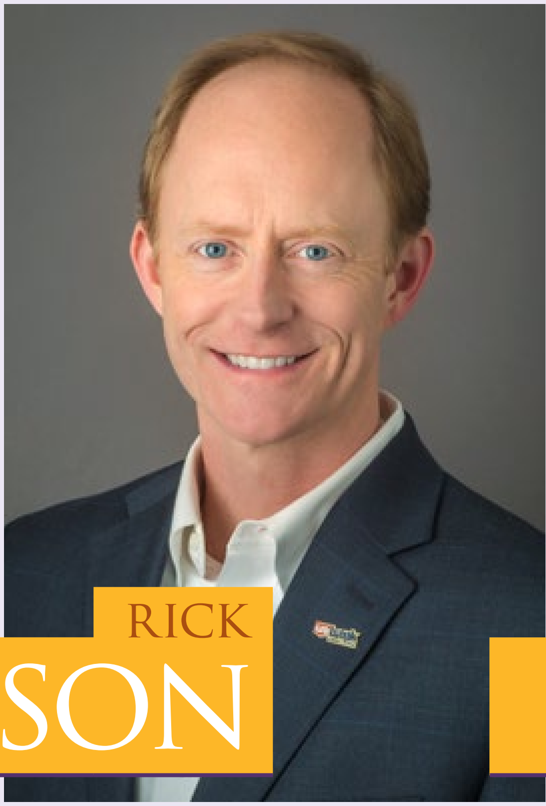
One key step to finding answers to any logistics, supply chain, or technology challenge is knowing the right questions to ask.

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

Choosing to be a Shipper of Choice



RICK ERICKSON

Global Director of Freight Payment Solutions
U.S. Bank

Q: In the face of increasing capacity issues, rising equipment costs, and new regulations, carriers prefer to work with shippers that will support their business needs. How can companies become "Shippers of Choice"?

A: In a word, it's about partnerships.

Q: Are there best practices for achieving this goal?

A: Yes. Pre-planning helps carriers anticipate load volume and frequency, and give drivers more predictable and profitable schedules – imperative for driver recruitment and retention. Keeping changes and cancellations to a minimum and reducing last-minute load requests also help. Having plans in place to notify carriers promptly when exceptions do occur builds trust. And honoring established bid commitments and schedules and paying quickly are essential. Preferred shippers do all they can to make billing and payment simple for the carrier – like using integrated freight payment tools for visibility, online exception resolution, and collaboration.

Q: Becoming a "Shipper of Choice" is about more than creating efficiencies. How important is understanding and appreciating drivers?

A: With ongoing driver shortages contributing to capacity issues throughout the industry, it's more important than ever for shippers to maintain a driver-friendly environment. Some of the things I mentioned earlier play a big part in that – such as maintaining consistent load volumes and frequencies, minimizing cancellations, and reducing last-minute loads. Efficient loading and unloading processes on site can limit wait times and get drivers back on the road quickly. But sometimes it's the small things that can make a big difference: a clean, comfortable waiting area, access to decent restrooms, a friendly greeting, and a quick cup of coffee or a snack.

Q: You've talked about techniques. What about technologies?

A: Using an electronic freight management solution can help streamline every aspect of the process. U.S. Bank Freight Payment, for example, can improve automated invoice processing with 100 percent pre-payment audit and real-time invoice status updates. Shippers and carriers benefit from a collaborative, online solution that allows them to quickly resolve disputes and put powerful business intelligence at their fingertips.

Ultimately, any successful business relationship is about collaborative partnerships. Strengthening those relationships can help you become a Shipper of Choice for your carrier partners.

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Strategic Shipping Solutions

Q: How is predictive modeling reshaping logistics?

A: Predictive modeling is changing the dynamic that exists between the carrier and the shipper. It's creating more of a collaborative environment, where the carrier and shipper can now talk openly about their goals with the transparency required to create and maintain a great relationship. The shipper now has the levers to pull that will instantly apply a new pricing proposal from a carrier, and provide instant feedback to the carrier during the rate discussions. Predictive modeling is also allowing the shipper to explore completely different strategies and understand the outcomes before investing a large amount of money to make the change.

Q: How can shippers harness their data to transform freight from a tactical necessity to a strategic advantage?

A: I see this as the biggest challenge facing shippers. It may seem obvious, but shippers have to start thinking more strategically and less tactically about freight. For example, shippers will perform an RFP with their carriers every year with the goal of lowering their rates each time. Instead, shippers should be evaluating their shipping profile to uncover the inefficiencies or lack of compliance that is currently costing them money. The shipper's rates may be the best rates in the market, but if they aren't using them correctly, how good are those rates? The data should be used to continually measure and monitor the health of their freight spend.

Q: How are shippers missing the mark when it comes to embracing big data analytics?

A: Big data is all about looking forward, not backward. I see shippers confusing big data with business intelligence, or descriptive analytics, which is looking backward to confirm the decisions that have been made. Running an analysis to show how much money has been saved three months after implementing a change is not taking advantage of big data analytics. Big data is defined using the three V's (volume, velocity, and variety). Measuring change in real time takes advantage of the velocity element to assess both the volume and variety of data. This allows you to leverage the prescriptive nature of big data by having real-time visibility and transparency around any non-compliance that is preventing you from reaching your savings goal. You can now make any necessary changes in a timely manner. Non-compliance is corrected, and you're on track for realizing the savings.

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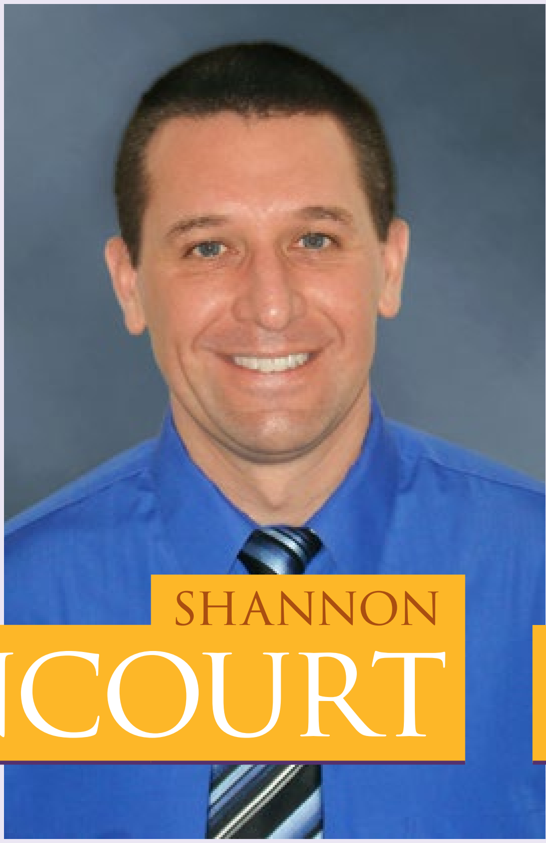


SHANNON VAILLANCOURT
President, Founder
RateLinx

How to Forge Successful Value Chain Partnerships

Q: How can value chain partners cooperate to create and share efficiencies?

A: With an unprecedented global reach, access to new markets, increased regulation, and huge advances in technology, today's supply chain environment is more complex than ever. Coupled with increasing customer demands for speed, flexibility, cost efficiency, quality, and customization, it is very difficult for any single player to do it all by themselves and consistently meet customer expectations efficiently.

Thus is born the need for business partners to work together across the value chain with the intent to maximize the benefit to their customers—and, as a result, also to their own bottom line. Smart partners will do that by understanding their needs and combining, in varying degrees, their core competencies, total assets, technology, and relationships toward the mutual goals.

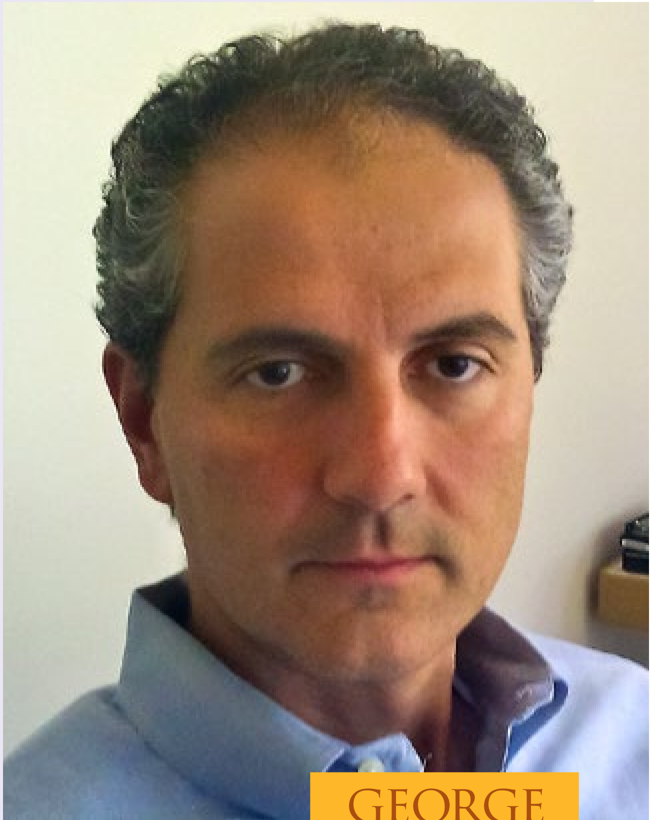
In all but the simplest of situations, this is not an easy endeavor, so it must be undertaken with great care. The first step is for each value chain partner to understand its own strengths and limitations. An honest assessment may not guarantee success, but a dishonest one—whether deliberate or not—will most certainly cause problems down the road and jeopardize the partnership's success.

At this point, the partners must also establish a well-defined framework of incentives and rewards. It is important for each side to feel motivated to do their best for the collective success of the partnership. It is equally important that all sides are satisfied that the eventual benefits will be shared justly and equitably.

Next, the specific elements of the partnership and the associated operational processes must be set forth. It could be a simple networking arrangement in which the parties exchange information about a new market's conditions, such as demand signals, local regulations, or processes in a new logistics hub. It could involve active coordination between the partners, such as using real-time track-and-trace to provide visibility for the exact timing of handoffs in the supply chain. Or the partnership could involve ongoing cooperation, including sharing resources to move freight or monitor freight flow.

Finally, at the pinnacle of this hierarchy is what we might call *collaborative logistics*, in which the partners have joint goals, share joint responsibilities, and incur joint risks. While the most complicated form of partnership, this model can also be the most rewarding, offering the highest potential to all partners involved.

Underlying all these arrangements—and fundamental to the partnership's success—is mutual trust and open communication. These elements develop over time, but when present, the sky is the limit for success in the value chain.



GEORGE KONTORAVDIS, PHD
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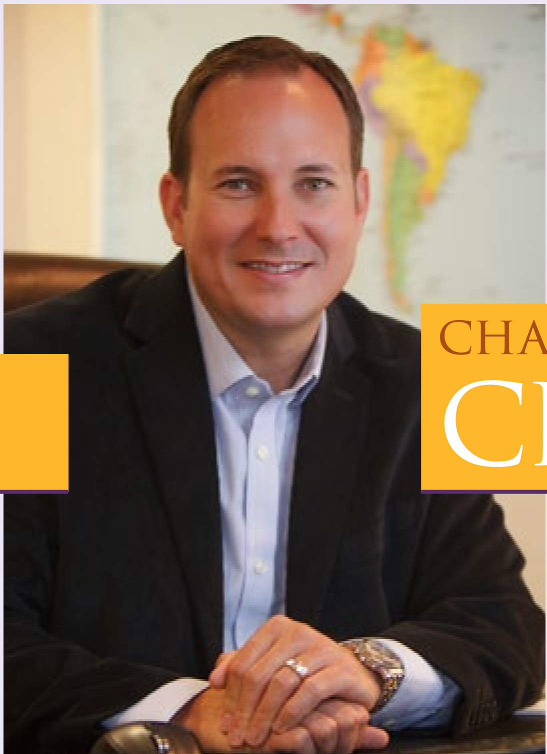
Offshore vs. Outsource for Transportation & Logistics

Q: Many transportation and logistics professionals based in the U.S. hear outsourcing and think offshoring. Is there a difference between the two? If so, what is it?

A: Yes, there is a big difference. When a company chooses to outsource, they are handing off a piece of their business to a specialist outside of the organization to manage. There are a number of reasons for this (e.g., cost savings, improved efficiency, faster turn-around time, higher accuracy, business continuity, etc.), but the main objective is to streamline business processes. Outsourcing can be across the globe or across the street. Offshoring, on the other hand, requires moving that piece of the business to another part of the world. You can outsource without having to offshore.

Q: If a logistics company wants to outsource without offshoring, will it suffer any loss in quality or cost? Why or why not?

A: Not necessarily. There are a number of solutions that leverage experienced onshore labor and/or innovative technology to reduce or eliminate costly man-hours, without sacrificing quality or cost. Dependable outsourcers who specialize in their individualized service offerings will utilize quality metrics and best practices to ensure the highest quality of output at very competitive prices.



Q: What are some examples of outsourcing projects that can be used to improve business in the supply chain without taking labor offshore?

A: The best examples are projects that integrate advanced technology wherever possible. The use of Optical Character Recognition (OCR) or Intelligent Capture (IC) is better now than it has ever been before in significantly reducing labor-intensive, manual data entry work. Large amounts of freight data can be captured, classified, extracted and transferred in any format, with a high degree of accuracy, without human intervention. This can be set up on-site or off-site, without moving work offshore. iCapture for Freight Billing is one example of our solutions that can be offered without moving labor offshore.

Q: Are there any outsourcing options for logistics companies that do not require eliminating staff at all? If so, what is an example?

A: Of course. For example, many transportation and logistics teams are trying to find ways to take raw data and turn it into useable information to make strategic business decisions. The problem is that many do not have the resources and time to do this. Partners like DDC make sense of client data by converting it into customized analytics reports and developing executive dashboards to equip decision makers with daily, weekly, or monthly snapshots of Key Performance Indicators (KPI's).

Instead of eliminating its billing staff after the rollout with DDC FPO was completed, Clear Lane Freight Systems simply re-allocated the team members to focus on the company's core competencies. When clients take this approach, we see that they benefit from much more than just reduced costs and higher quality data, but it strengthens their operations throughout, allowing them to work through a much healthier business model.

CHAD
CROTTY
Vice President of Sales
DDC FPO

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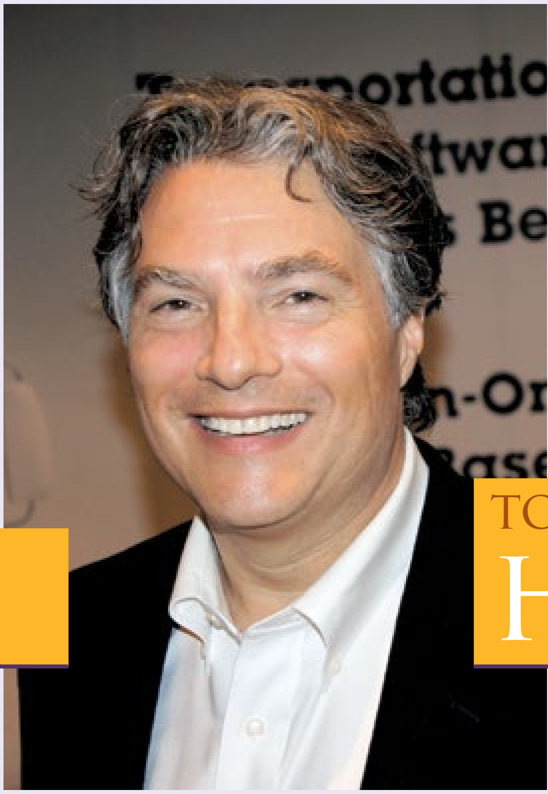
Using Technology to Maximize Value Chain Partnerships

Q: How can value chain partners cooperate to create and share efficiencies?

A: You just have to use your imagination and dig in. There are so many ways you can help your customers. You just need to ask and listen. Some third-party logistics (3PL) providers get deeply involved to provide technology so they stand out from their competitors and add value to their services. For instance, we have one client who delivers motorcycles for a major manufacturer. When the bikes are loaded into a trailer, someone scans the VID barcode, which triggers the manufacturer's billing to the dealer. It actually gets even deeper than that. When the bikes are delivered, they are inspected by a 3PL-provided phone app, and damage reports are instantly transmitted to the manufacturer. If you are providing technology like this to your customers, it makes it very hard to lose the business.



TOM
HEINE
CEO
Aljex Software

Q: Wow. That's a lot of cooperation. Any other interesting examples?

A: Sure, lots. I have another client that has developed a whole system to automate and manage a major fragrance manufacturer's inbound shipments. When vendors want to ship, they login to the 3PL provider's portal and choose which active POs to ship. From there, the information flows to an internal portal where the manufacturer can change destinations, set appointments, change quantities, and even choose which trailer to load it into. After that, the information is sent by API to the 3PL. Once the 3PL assigns a carrier, a bill of lading automatically is sent to the vendor with all the corrections, and the cycle is completed. All of this technology is provided by the 3PL. One of the best parts is that a system like this benefits everyone involved. It's a win-win-win. It makes it more profitable for the 3PL by reducing manual labor and locks them into the business. It helps the manufacturer by lowering costs and making their supply chain more efficient. It also helps the vendors have more automated, less error-prone relationships with its customer, the manufacturer.

Q: That sounds complicated to set up. How do you get started with something like that?

A: Start small. See if you can help your customer with some custom reporting. Or, just come out and ask your customer where their pain is, and see if you can figure a way to remedy it. Many times, your customer's IT department is stretched thin and if you can come in with a solution, their best and easiest path is to outsource. If they outsource to you, you can lock your company into your customer's business for a long time to come. In my experience, many times these relationships last decades.

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Improving Operations With a Yard Management System

Q: What is the role of a yard management system?

A: Two main roles come to mind—visibility and communication. Today's best systems offer visibility into basic information including the location, status, and contents of assets on the yard. They are also able to offer more detailed information including historical data, load detail down to the SKU, and accountability of who is performing tasks and when. Communication plays a huge role in providing updates and access to key information for all necessary parties. These include the gate staff, yard drivers, dock personnel, warehouse managers, carriers, and customers. A yard management tool may be the first time all of the groups are able to access the same up-to-date information in one place. Operations teams, customers, and carriers may choose to receive e-mail or text communications for key yard events either passing or approaching. Old communication techniques like phone calls and faxes are replaced by real-time information that is correct and always up to date.

NATHAN HARRIS
President
YardView

Q: What metrics and reporting can be expected from a YMS?

A: Today's YMS systems provide information at a glance, like how many total units are on the yard, how many are empty or loaded, or how many of a specific load type are on the yard. Further information like number of inbounds, outbounds, moves completed by driver, and dock performance metrics, like how long it takes to unload or load a trailer, are available. All of these metrics can be run by time period like day, week, month, quarter, and year. The reporting available in YMS systems today helps identify opportunities to improve the operation and save money.

Q: How do I justify the cost of a YMS?

A: There are both quantitative and qualitative ways to justify the cost of any system. Quantifying the value can be easy. You can calculate the savings if trailers are spotted 25 percent faster, the monthly saving if trailer utilization is improved and rental units are no longer needed, or how long it takes to do a yard check that may be incorrect when finished. Qualitative savings may not as easily be calculated into dollars, but savings certainly occur. How long it takes to find the oldest empty, or any empty, waiting for a trailer to get out of a door, phone calls with carriers, searching for a lost unit, paying a detention fee that you have no way to audit, double spotting of trailers, hours spent rolling up report data—all have a cost impact on the business and a process impact on the rest of the operation. A YMS is a drop in the bucket when all costs are considered.

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