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Bridging the Gap Between Craft and Technology

Blockchain, artificial intelligence, the Internet of Things, autonomous vehicles…it seems like you can't have a conversation about technology without these buzzwords being thrown around. These kinds of technologies are extremely exciting and will likely change the way we live and work. Having said that, it's important for companies in our space to strike a balance between the craft of our industry and technological progress happening today.

There is currently an arms race in the transportation and logistics arena. The larger companies are continuing to consolidate in order to drive scale. Too often though, this actually results in bringing more complexity to their business processes. Simultaneously, many smaller companies are working diligently to break into the market with the next new widget.

The irony here is that both companies are, generally, working to try and answer this problem for their clients: "How do I get the visibility I need over my supply chain in order to make better business decisions and, ultimately, execute for my customers." While the challenge on the surface sounds fairly straightforward to the average person, anyone who has spent enough time in logistics understands no two shippers are the same. All the same, even with the incredible complexity of this business, providing clients with a complete view of their supply chain is not a pie-in-sky concept–it's something that is happening.

The "how" is fairly clear–translating raw customer data into actionable information. Many companies are already doing this, however, going a step or two further will be the real innovation. The good news is many logistics providers are extremely rich in client data. The bad news is nearly all freight forwarders struggle to turn the data into information that can drive meaningful decision-making. The largest providers amongst us often struggle since they are usually using dated, multiple, or disparate data sources and systems (a byproduct of growth through acquisition strategy that dominates the logistics industry).

These business realities result in an extremely difficult environment to deliver on global visibility. On the other side of the spectrum, many smaller technology companies are starting with a clean slate and a slick system. But most lack the basic knowledge of freight forwarding and don't have the scale to procure with the air and ocean carriers. They have sexy technology, but, in reality, it doesn't move a lot of freight.

Time and time again our Fortune 500 clients say what they need is both. Shippers need an enterprise with great technology and also logistics professionals who understand their extremely complex supply chains. While this industry is obviously ripe for innovation, it is crucial that we don't lose sight of the ageless craft that makes this business work.

Our belief at Crane Worldwide Logistics® is that those businesses that will truly lead this industry are the ones that bridge the gap between the craft of logistics and technological innovation. Having tools such as predictive analytics technology integrated with artificial intelligence, while still enthusiastically embracing the craft of logistics, will be how our industry truly innovates for our clients.

Visibility looks at yesterday, predictive analytics is looking around the corner and into the future. It is exciting, that's for sure, but one thing I am certain of is that you can never automate best-in-class customer service. And you never will.

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Supply Chain Strategy and E-Commerce Success

Companies with an e-commerce strategy often sell a wider variety of products than brick-and-mortar companies. To reap the benefits of that product mix, however, they may need to adapt their supply chain strategy to accommodate the needs of every product they sell.

According to the U.S. Census Bureau, e-commerce sales for the second quarter of 2017 reached $111.5 billion, an increase of 4.8 percent from the first quarter, and more than 16 percent from the same quarter in 2016. With growth like that, it makes sense to make an extra effort to ensure that every product is available to meet demand. Here are the five most important elements to consider when creating an item-specific supply chain strategy.

1. Product Life Cycle

Determine where the product is in its life cycle, and how long the life cycle is likely to extend. If the item is on the ascending side of the demand curve, you may want to invest in inventory to enable quick deliveries. As the item peaks, rein in inventory to avoid being stuck with unsellable stock.

2. Demand Volatility

Consider the product's ultimate market. Consumers are notoriously fickle, so you will want to minimize the amount of inventory on hand for consumer-focused items. Depending on the lead time, you may want to consider frequent deliveries in small quantities, and stay in close touch with suppliers so you can replenish stocks quickly when needed — without forcing either company to take an inventory hit.

Business machinery and equipment may have longer shelf life because new product introductions are slower and product life cycles are longer. Technology products have extremely short life cycles and sharp demand curves, so plan accordingly.

3. Forecast Accuracy

The success of any supply chain strategy is only as good as the forecast it's based on, so do whatever you can to improve forecast accuracy. Forecast accuracy is one of the most important metrics you can follow if you are interested in improving your supply chain efficiency.

Invest in a flexible forecasting tool that uses best-fit algorithms to calculate demand. Then, add unique insights from marketing, sales and key customers.

4. Inventory Visibility and Accuracy

It's hard to plan for the future if you don't know where you are. Integrate your inventory management, order management and supply chain applications so all systems operate from a common inventory record. Ensure that the integration updates your on-hand balances in real time to avoid double allocations of scarce goods.

Take steps to improve the accuracy of your inventory records. Leading organizations such as APICS recommend that you strive for an accuracy level in the mid- to high-90s.

If you're not there yet, consider incorporating barcoding or RFID to tag inventory, and mobile devices or scanners to read those tags. Automated storage and retrieval (ASRS) systems can help by ensuring picking accuracy while expediting the process. It's hard to overspend on tools and technology to improve inventory accuracy and visibility since they are so fundamental to customer satisfaction and supply chain effectivity.

5. Customer Expectations

Customers are willing to wait for some products, but they are few and far between. If you have the equivalent of the newest iPhone model, customers may wait. Otherwise, they turn to a competitor that has the item they want in stock. You can test customer expectations through A/B testing, surveys, or watching sales trends, though monitoring competitor sites to see what they are offering for lead times on the same or similar items can be just as helpful.

Coming up with the right supply chain strategy for an item is complex. Even though there are only a few factors that matter, all the others affect each factor. You can experiment, perfecting the right strategy over time. Or, you may want to work with an experienced 3PL that can guide you through the process with simulation and optimization technology.

Regardless of the approach you choose, effective e-commerce demands a unique strategy for each item.

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Software-as-a-Service or Outsourced Managed Services: Which is Right for Your Organization?

When it comes to managing transportation operations, shippers are often at a crossroads. They may find themselves asking the questions: Should I implement a transportation management system (TMS) in-house or via software-as-a-service (SaaS)? Should I outsource everything to a Managed Transportation Services (MTS) provider? Or take a hybrid approach?

Not all companies' core competencies are the same, and there are a number of different paths and scenarios to consider when an organization has the need to improve their transportation capabilities and performance. So, what factors are key when it comes to choosing an in-house TMS, SaaS or MTS?

Factors to Consider: Software-as-a-Service Model (SaaS)

The software-as-a-service model may be a good fit for organizations that have a commitment to fully staff their operational team, but have hit entitlement on their performance capability and need technology to get them to the next level of improvement. The value of a SaaS environment is the ability to gain access to a TMS system without having to make a significant IT investment. SaaS mitigates the need for internal resources, does not require up-front capital investment, and minimizes overall infrastructure impact.

However, the SaaS route does require an ongoing investment into the team and resources surrounding it. When deciding if SaaS is right for their organization, shippers need to determine if transportation management is a core competency for them and if they are willing (and able) to invest in and continuously develop the processes and human capital needed to successfully utilize the technology in their daily operations.

Factors to Consider: Managed Transportation Services (MTS)

When considering managed transportation outsourcing, the maturity of the organization may come into play. Those organizations that do not continue to make the investments in the people and the process (unlocking new capabilities in the technology as they become available) typically see a degradation of performance after a few years. And those shippers that have a legacy of five, seven or ten years of an in-house TMS or SaaS may be interested in handing over certain services to a third party in order to drive more long-term results.

An MTS provider's industry expertise and proven processes can help by maximizing the technology and driving meaningful, sustainable benefits beyond what a single shipper may be able to achieve on their own. Collaboration with a third-party provider, and leveraging its extended network, can provide numerous optimization and cost saving benefits.

Results from a TMS or SaaS solution are easy to realize in the first few years because of the initial investment in training and change management that occurs with the implementation process, but in order to see long-term success, companies must sustain the resources, commitment and investment in not only the technology but also the accompanying operations. Therefore, MTS might become a more appealing option as an organization matures. Additionally, a hybrid approach to managed transportation is a viable option – shippers can choose to outsource only certain pieces of the supply chain puzzle (e.g. keep procurement in-house but outsource day-to-day execution).

The Key to Successful Shipper-Provider Relationships

The most important aspect of a successful managed services relationship is transparency and open communication. The right provider should be focused both strategically and tactically. This is an ongoing partnership, and shippers must realize that even after turning over certain processes to a third party, they will need to continue to be involved in their operations.

Finding the Right Solution

There is no "one size fits all" approach when it comes to managing transportation operations, so each shipper needs to carefully consider each option before making a decision. Factors such as network complexity, level of investment in the technology, processes and personnel, as well as the organization's level of competency in this area will help guide the decision.