H.O.W.
HELP ON THE WAY

Need to know the best way to sustain a 3PL partnership? Move freight in volatile locations? Measure sustainability program results?

HELP IS ON THE WAY!

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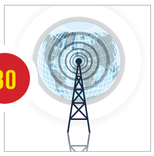

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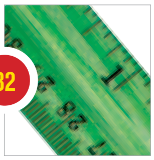


Matching supply to demand in today's volatile global environment requires tactical collaboration and strategic partnership to execute in the most efficient and economic means possible. *Inbound Logistics* is here to help guide you in the right direction. Over the past six years, we have solicited reader input and industry expertise to provide practical and instructive "how-to" guides that address fundamental transportation and logistics challenges. We are incrementally building a library of industry best practices to help readers turn interrogatives into imperatives.

The next 10 installments appear on the following pages:

You'll also find these articles on our Web site: **inboundlogistics.com/how** and in digital format: **inboundlogistics.com/digital**

How to Find Savings Through Landed Cost Analysis

As shippers adapt sourcing strategies to build redundancy, economy, and responsiveness into their supply chains, the complexity of drilling down total landed costs increases. Shippers often focus resources and attention on procurement, looking only at production and logistics spend. At a more granular level, a myriad of other factors can impact the total supply chain cost of moving a product.

For example, partnering with a contract manufacturer in China may be the cheapest alternative in terms of labor, but it doesn't factor in the anti-dumping cost–a protectionist tariff that countries impose on foreign imports they believe are priced below fair market value. This added expense may ultimately negate any production economies.

Other landed costs that often go unnoticed are commissions and royalties. If a shipper pays a commission to an agent, for example, and that agent then kicks back a certain percentage to a supplier as a referral, Customs may argue that the value of the shipped goods is more than what was declared on the commercial invoice. With import value adjustments such as this one, shippers often don't have the internal mechanisms to control or capture the necessary information.

The same problem occurs with the concept of assists. When high-tech or private label companies have a specialized or trademarked tool necessary to manufacture a product–i.e., a mold for a baking pan–or provide engineering assistance to manufacturers or suppliers, they must account for it when they declare their customs valuation. Shippers have to structure assists so that when they make a declaration, they're telling Customs, "my product costs $100, with one dollar's worth of assists, so I'm paying duties on $101."

Whether it's a matter of understanding global customs compliance standards such as assists, royalties, and commissions or country-specific anti-dumping and excise taxes, shippers should have a system in place that aggregates this data so they have a more accurate valuation or estimate of their landed costs. A global trade management (GTM) solution can automate the process of comparing total landed costs, providing shippers with full visibility into all associated costs and regulations. This enables shippers to make faster, better-informed sourcing decisions.

4 WAYS TO REDUCE TOTAL LANDED COSTS

1. SORT OUT CLASSIFICATION PROCESSES. Without proper classifications, it is difficult to manage correct duties. Many organizations believe their buyers have a proper understanding when they really don't. Creating better alignment with internal compliance teams can help ensure proper classification and more accurate calculations.

2. IMPROVE LOGISTICS COSTS ESTIMATES. Knowing trade lanes and the costs relative to those lanes provides more accurate estimates. Well-prepared companies use actual carrier rate contracts to determine total logistics costs as part of their estimate, and have global trade management processes in place to understand the cost implications of changing a trade lane, route, or mode.

3. UNDERSTAND INCOTERMS. People often see costs as linear, but they aren't. Freight and insurance may need to be included as part of a shipper's valuation when declaring duties in different countries. In the United States, for example, if you buy freight with CIF terms, you can reduce your valuation. If you're charged $100 on the commercial invoice, and the freight portion is $10, you pay your duty based on $90. This is not the case, in the European Union, however, where countries assume freight is always added.

4. RECOGNIZE IMPORT VALUATIONS. Import valuations include everything that affects the final cost you expect Customs to see. Often these costs aren't immediately visible, as organizations tend to myopically focus on the purchasing aspect of inbound logistics– how to move goods, and the contract price. Using a global trade management solution that can filter and account for these extraneous expenses is often a good start.

How to Manage the Supply Chain Following a Natural Disaster

Planning for supply chain exceptions is increasingly an expectation for risk-sensitive shippers. The last decade has unleashed a flood of global weather disasters, from Hurricanes Sandy and Katrina to the eruption of Iceland's Eyjafjallajokull volcano to the earthquake and tsunami in Japan. Each has impacted business operations in different ways.

Failing to properly react to supply chain disasters can have long-term implications to the bottom line. That's why it is compulsory for companies to regularly assess inherent risks within their supply chains, build redundancies into their operations, weigh economy versus resiliency, and engage in collaborative partnerships to offset sudden variations in supply and demand.

4 WAYS TO EXECUTE IN AN EMERGENCY

No matter how much preparation goes into contingency scenarios, companies can still find themselves behind the eight ball when environmental disturbances strike. Here are four areas to consider when marshaling your supply chain in the wake of a natural disaster.

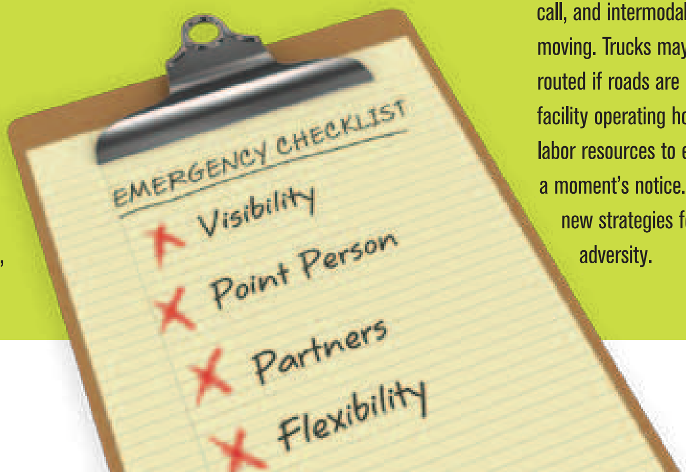
1. ENSURE TOTAL VISIBILITY. If there is ever a time to grow transparency, it is during a crisis. Shippers can explore solutions and expedite responses by opening lines of communication and sharing data with their partners. Having real-time access to tracking information similarly allows retailers, carriers, and suppliers to easily and seamlessly reroute shipments or re-position inventory. Because supply and demand patterns will fluctuate considerably in the aftermath of a natural disaster, it is equally important to capture and communicate these variances so you can re-allocate labor resources and appropriate assets to need. In lieu of managing forecasts from disparate sources, it is prudent to establish one source of accurate data so that all supply chain parties can act in unison.

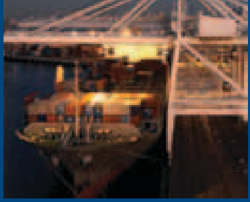
2. DESIGNATE A POINT PERSON. Following a natural disaster, a lack of organization and coordination can easily infiltrate a vulnerable supply chain. Establish a chain of command that engages all functions and planning teams, and is directly responsible for creating a business continuity plan. This person or group can identify all possible disruptions to the company's operations, and determine how to quickly address these concerns. When operating on the fly, costs such as expedited shipping can spin out of control. Maintaining a central command in charge of the response can help control and mitigate unnecessary spend.

3. LOOK TO PARTNERS. One advantage of developing strong supply chain partnerships is the latitude they provide when times get tough. In a true gain-sharing environment, business partners have a vested interest in providing assistance when you need it. You, in turn, reciprocate that trust by committing your business to them.

Transportation and logistics service providers have experience managing exceptions, and are capable of finding the right solution in a pinch. They can help you ramp up production and find capacity elsewhere, or explore how to reroute shipments, mix modes, access capacity, and expedite transportation to meet demand.

4. REMAIN FLEXIBLE. Companies often face the greatest difficulties when they rigidly adhere to predetermined plans. That's why opening lines of communication between internal departments and extended supply chain partners is critical. Keep planning fluid so you can respond to new challenges as they arise. For example, it may be necessary to consider alternate routings, ports of call, and intermodal options to keep shipments moving. Trucks may have to be dynamically routed if roads are closed. You may have to adapt facility operating hours, and bring in additional labor resources to ensure they are accessible at a moment's notice. Companies can often uncover new strategies for execution in the face of adversity.





How to Make Driver Recruitment a Competitive Differentiator

One challenge the logistics sector faces is, well, finding new faces. While the U.S. recession largely suppressed a dormant truck driver shortage, the prospects of economic recovery are stirring old concerns. Adding to the problem, recent government mandates including the Federal Motor Carrier Safety Administration's Hours of Service and Compliance, Safety, Accountability rules threaten to shrink the available pool of qualified drivers, and complicate recruiting, training, and retaining valued employees.

Creating a proactive corporate-wide program for recruiting drivers brings a number of benefits. It demonstrates a company's commitment to human resources, as well as customer service. Service providers and private fleet owners can use such investment as part of their value proposition to customers. Increasingly, the human asset is becoming just as important as the physical ones.

Whether a company is looking to reduce driver turnover costs or vet a business partner to make sure it has the necessary resources to deliver acceptable customer service, maintaining a dedicated recruitment and retention strategy communicates a strong message both internally and within the extended value chain.

4 WAYS TO CREATE A PROACTIVE DRIVER RECRUITMENT ENVIRONMENT

1. HIGHLIGHT DRIVER JOB BENEFITS. It is important to highlight and celebrate the corporate culture, values, and benefits that make working for your company great. Managers need to be aware of everything the company has to offer, and communicate those advantages to existing drivers and prospective hires.

2. TALK ABOUT COMPENSATION. Two-way communication must exist between management and drivers so all parties understand performance expectations, and share in both successes and failures. Silence breeds speculation and unease.

Have managers regularly review location pay studies and current monthly pay averages for drivers to help set goals and provide incentive. Know your drivers' weekly and annual gross pay – and ensure they are aware of how well they are compensated for providing great service to your customers.

For new employees, set expected weekly hours and annual pay range for their first year of employment. Design your pay packages to make sure drivers make enough money, so they won't be lured by competitor claims of better compensation.

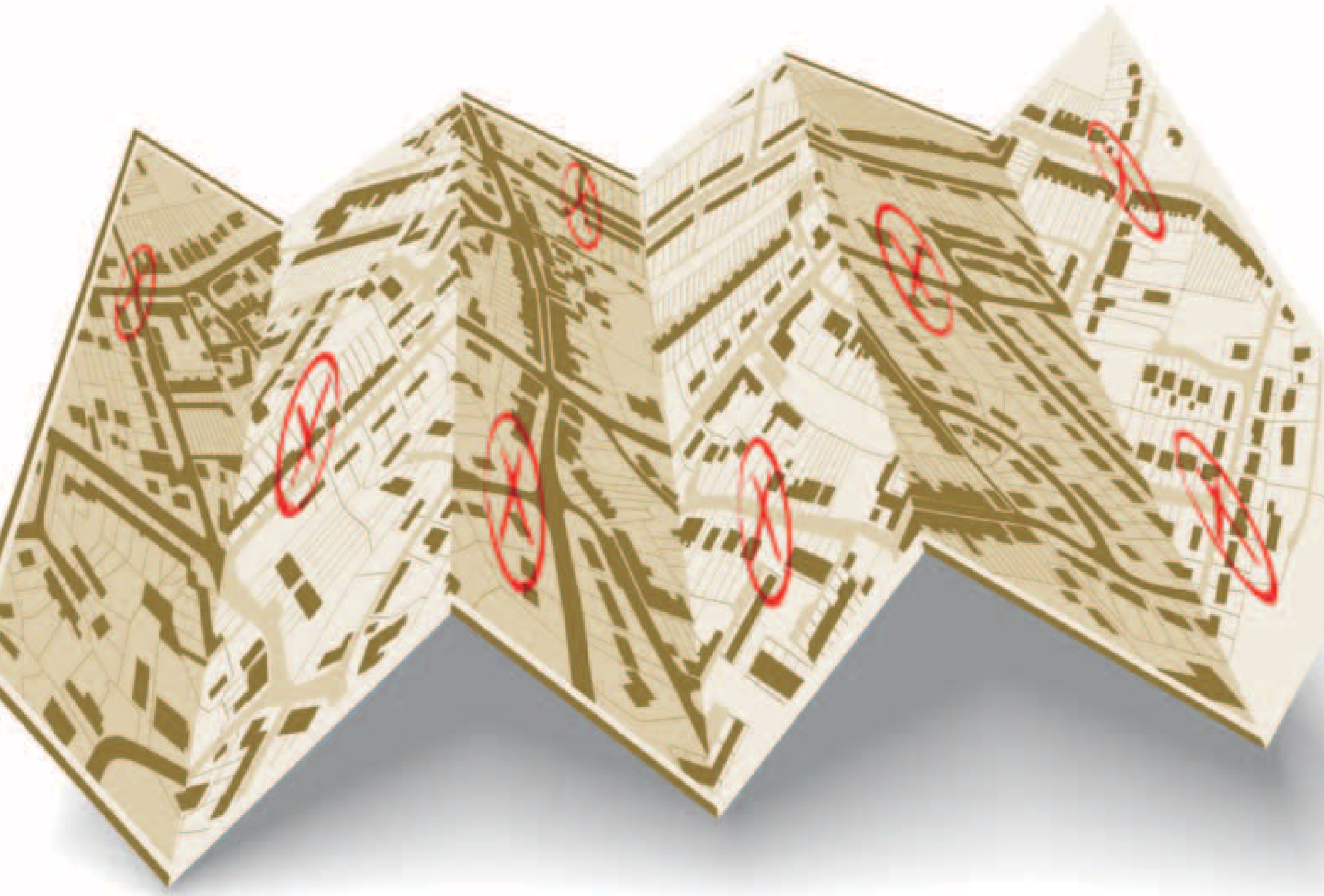
3. KNOW THE COMPETITION. Drivers won't know how good their job is if you don't. Evaluate how industry at large compares in terms of hours, benefits, and pay. Develop a target list of competitors in the local market, organize by priority – whether it's vertical, services, or individual company – then narrow your research focus.

Once you know who you're competing against for drivers, develop a plan for acquiring competitive pay/benefits data – i.e., managers surveying drivers to gather information about past employment, and talking with business partners and customers.

With this level of local market analysis, you can better understand where capacity stands and whether you are positioned to stay ahead of the curve.

4. INVEST IN RECRUITING. It is difficult for companies to simply rely on newspaper ads and word-of-mouth referrals to fill their driver needs. You have to become more creative and resourceful in how you target new hires. Consider circulating around truck stops referral flyers and cards that detail the benefits your company provides versus the competition. Also educate your drivers on how they can screen potential applicants and increase their chances of earning a referral bonus. Drivers can often be the best recruiters.

How to Move Freight in Volatile Locations



Despite geopolitical upheaval, natural disasters, labor strife, war, and countless other disturbances that threaten supply chain efficiency and economy, freight still needs to move. From delivering humanitarian aid in hurricane-ravaged locations to managing mission-critical parts replenishment in remote areas and delivering heavy equipment in support of government operations, shippers need to be flexible and responsive to demand to make sure product moves quickly and safely.

Successfully moving freight into challenging areas requires an abundance of preparation and due diligence, test runs, and contingency plans to make sure moves happen without a hitch. Working with transportation and logistics providers that have demonstrated success moving project cargo and mission-critical shipments—and who have operatives and affiliated agents on the ground in different parts of the world—is always a first step when entering the unknown.

More than anything else, communication and partnership are paramount as companies work with customers and service providers to strategize appropriate solutions, remedy costly exceptions, and execute successful moves.

FIVE STEPS TO KEEP CARGO MOVING

1. LOCATE AN AIRPORT WITH CUSTOMS FACILITIES. If freight needs to move expeditiously in and out of an unsecure or unsettled location, it will likely be transported via air. While some transport managers assume all airports have Customs officials available to handle incoming freight, that isn't always the case. Consider all your options, as well as the possibility of mixing modes to deliver a product to a nearby airport that has a Customs presence, then trucking to the final destination. Take into account the total landed costs, especially in terms of how they relate to the expediency of a specific move if time is of the essence.

2. DO YOUR HOMEWORK. When you are operating on the edge – in terms of civilization, war zone, disaster area, or price margin – any disruption or mishap can have cascading consequences. Weather is often the most compelling obstacle, and one that shippers have little control over, apart from proactively re-routing shipments or staging inventory in accessible areas.

It's important to track potential weather scenarios around the world that might compromise the timeliness of a delivery, and how that might impact mode selection at pickup or destination. If airports close because of inclement conditions, trucks may still be able to operate. Keep in close contact with various airlines to see which ones are flying into trouble areas, and be flexible and creative in routing freight.

Also bear in mind possible delays at the local level that can stop freight in its tracks. In the Middle East and Asia, for example, offices may close due to holidays or religious observances. Always have contingencies in place to circumvent possible work stoppages.

Finally, as part of your total landed time and cost analysis and preparation, consider how and where you are moving freight across borders. Different continents and countries have cross-border variables that can impede even the best-laid plans. The fastest way from Point A to Point B is not always a straight line. Relationships between countries can cause complications. For example, to move a shipment from Kenya to the Congo, you must route it through Europe, because no carrier flies between those two countries. Similar circumstances exist in parts of South America, where it is easier to airfreight product from one country to the United States, then back to another country in lieu of trucking it across borders. Don't assume that just because borders touch, you can ship across them.

3. FIND A TRUSTY LOCAL AGENT AND SPEC OUT REQUIREMENTS UP FRONT. Having an operative on the ground who can act as a proxy to your best interests is important, especially when local regulations, customs, and language present possible obstacles. You have to rely on these agents to handle and transport your shipment and manage any exceptions, so make sure they are properly insured and recognized by the local government. Also, detail and discuss all requirements and agree to pricing up front. Legitimate agents will be open about costs, fees, and taxes, which can vary greatly between companies and countries, and therefore need to be spelled out without any uncertainty.

Screening agents is another way you can ensure your freight remains secure when it's out of your custody. Limit yourself to using approved agents who have been vetted for stability and reliability. Get written confirmation that they will abide by Foreign Corrupt Practices Act standards, which are intended to prevent bribery and other forms of corruption. If you are working with a freight forwarder, make sure its agents comply with these requirements as well.

4. MAINTAIN CONSTANT AND REDUNDANT MEANS OF COMMUNICATION. Communicating frequently with trading partners is always important. But when freight moves across oceans, through several countries, and via multiple transport modes, there is more room for error, and a long period between freight acceptance and delivery. Make sure to keep all involved parties updated on any issues or problems that arise.

Also, while person-to-person contact via telephone is preferred, it is not always an option for a number of different reasons. Email communication is therefore equally important, because it provides redundancy and a paper trail if issues arise. If there is a language barrier, email lends itself to easier translation than a phone call.

5. CHARTER IF NECESSARY. Sometimes you need to sacrifice economy for need. Commercial flights aren't always an option when shipping certain project cargo or into sensitive areas. For example, most freight moving to Iraq and Afghanistan is flown commercially to the United Arab Emirates, then moved via charter operators that fly to the necessary airports.

How to Reduce Costs by Integrating Packaging with Distribution Center Operations

Product packaging is often handled as a discrete supply chain function, separate from warehousing and distribution. But companies can capitalize on considerable efficiency and economy gains by driving toward greater integration of these functions. In fact, performing final packaging in the distribution center can reduce combined warehousing, logistics, and freight costs by 30 percent and order-to-delivery cycle times by seven days.

Instead of outsourcing packaging to contract packagers, shippers that bring the process in-house or partner with capable 3PLs can better control raw material use and resource allocation at different touchpoints within the supply chain – while eliminating costly transportation legs.

Many retailers are pushing the need for more strategic packaging solutions that take advantage of niche e-commerce channels or marketing opportunities. For example, greater control over packaging operations at the DC level allows companies to specify customization closer to demand, thereby accruing economies of scale transporting and storing goods with the least amount of value-add farther up the supply chain.

Partnering with 3PLs often allows shippers to align packaging needs with transportation and logistics operations to find places and opportunities where they can optimize the process. Packaging can be a burning platform for strategic change – lean best practices, sustainability efforts, labor utilization, even DC design. 3PLs that have the right resources and expertise can help shippers make this aspect of their business a competitive differentiator.

UN-BUNDLING BENEFITS

Companies that pay close attention to packaging operations can uncover myriad economies upstream and downstream in the supply chain. Among the benefits:

LOWER FREIGHT COSTS. In a traditional scenario, products ship out to the contract packager, then back to the DC for final distribution. These additional runs hike freight costs an estimated 38 percent. Eliminating these legs on an $8-million spend saves $3 million, not to mention the added environmental benefit of taking trucks off the road and reducing carbon emissions.

LOWER INVENTORY CARRYING COSTS. Using an outside contract packager can add seven days to the distribution cycle. Worse, companies typically lose visibility of their product, creating uncertainty about the amount of product available for sale. Manufacturers deal with this uncertainty by adding inventory, which, in turn, adds warehousing, labor, and financing costs.

REDUCED LABOR AND EQUIPMENT. In a combined packaging/distribution operation, labor and rolling stock are deployed where they're most needed at any given time, across multiple functions. Cross-trained workers can address peak demands in the DC or the co-pack area. Management costs are also reduced, and the functions can share security, clerical, maintenance, and other facility staff.

REDUCED DAMAGE. The more product is moved, the greater the potential for damage. If it's a liquid product, the chance of shrinkage is even higher because damage to one bottle can destroy multiple cases.

REDUCED MATERIAL COSTS. Companies can streamline material spend – for example, purchasing bulk corrugate at a commodity price – by bringing packaging in-house and integrating it with DC operations. Those that have pursued a Lean path can operate in a more just-in-time fashion, making smarter decisions about procurement, storing less packaging materials, and avoiding packaging obsolescence when lines switch over.

How to Foster a Long-Term 3PL Partnership

When companies begin working with a third-party logistics provider (3PL), they are generally looking to address a functional pain point. The partnership is transactional and fills an operational gap. But the true value of 3PL partnerships can grow infinitely greater when shippers take a long-term approach that focuses on sustainable gains rather than short-term savings. In these circumstances, the contractual relationship often moves beyond simply procurement to more strategic leanings that benefit both parties.

In the 3PL industry, true partnership is demonstrated by the presence of two primary factors: a mutual understanding of goals and objectives; and the development of trust between shipper and service provider, allowing information, ideas, and innovation to flow freely back and forth.

4 TIPS TO REMEMBER WHEN TYING THE 3PL PARTNERSHIP KNOT

1. BE HONEST. When shippers enter a partnership, they should be willing and able to admit their shortcomings. Whether it's a matter of acknowledging pain points and limitations, or recognizing that bid data may be inaccurate, being upfront with service providers from the beginning is an important step toward building a collaborative relationship. Conversely, 3PLs should be equally candid about their capabilities. Such reciprocity builds trust.

2. ASK FOR HELP. Shippers should solicit ideas on the best ways to address a problem or optimize a network. Acknowledging areas that need improvement sets the table for developing attainable goals and expectations. This can begin in the bid process by providing accurate information regarding key performance indicators (KPIs). Sharing strategies, ideas, or concerns, and demonstrating a willingness to invest in the process and solution creates trust. Taking that first step establishes a team approach, rather than an adversarial one.

3. FOCUS ON OPERATIONAL EXCELLENCE INSTEAD OF THE PROCUREMENT PROCESS. When companies put out 3PL bids, they often focus time and attention on the bid itself, instead of assessing whether a new logistics service provider can perform to the level of operational excellence it needs. Shippers need to consider what the optimal scenario should look like once the implementation is complete, and how they can work with their 3PL partner to improve upon it.

Often a shipper will include KPIs that may not exist in order to complete a bid. The 3PL bids to those KPIs, wins the business, implements a solution, then realizes that the data included in the bid process doesn't match the customer's operational profile. There is a huge disconnect. Immediately, the shipper doesn't meet the expectations of the 3PL, and very soon the 3PL will likely fail to meet the expectations of the shipper.

4. RECOGNIZE WHAT'S IN AND OUT OF SCOPE. Many procurement-driven companies will push for more from their service providers. The danger of scope creep is that it can slowly erode the relationship. With the understanding that customers have leverage, 3PLs may build walls and become less willing to give more when customers are taking instead of asking. On the other hand, shippers that recognize when they are asking for out-of-scope solutions, and acknowledge it upfront, are likely to find 3PLs more amenable to help out and invest in the relationship. That recognition and honesty builds trust.

How to Mitigate Supply Chain Disruptions

As supply chains trend toward demand-driven, lean inventory models to eliminate waste, reduce costs, and increase responsiveness, their exposure to risk grows. When natural disasters, political upheaval, labor strife, supplier failures, and countless other types of supply chain events arise, shippers need to react quickly—without incurring undue costs—to keep production in line with demand.

Companies often become vulnerable to supply chain disruptions when they don't have a holistic view of their operations. It may be a matter of poor visibility among offshore suppliers, or not having adequate transportation flexibility to re-route shipments on the demand side—and countless areas in between. When exceptions occur and manufacturers are left without critical parts or retailers face stockouts, the risk of tarnishing brand value—or, even worse, losing customers—increases exponentially. A short-term supply chain glitch can have long-term repercussions to the bottom line if not handled quickly and effectively.

5 RISK MITIGATION CONSIDERATIONS

Shippers should regularly evaluate their risk exposure and perform a cost/benefit analysis to ensure they have a resilient and responsive supply chain.

1. RECOGNIZE RISK FACTORS. Prior knowledge about potential environmental, social, and political conditions can help companies prepare contingency plans. Having total supply chain visibility, whether it's through an internal control tower approach or via a 3PL partner, can also help screen problems before they surface.

2. EVALUATE GEOGRAPHIC COVERAGE. Sourcing strategies are largely dictated by the complexity of a company's supply chain. When critical parts are involved, a single-source strategy presents obvious problems when a manufacturing facility shuts down and the supply chain grinds to a halt. Companies need to assess their vulnerability if they cannot acquire certain components or parts. Do you have scalability to ramp up production in other locations to meet demand? Can you justify using a secondary or tertiary sourcing strategy, perhaps near-shoring closer to demand? Does it make sense to partner with a 3PL that can provide cover in case of a disruption?

3. BUILD IN TRANSPORT FLEXIBILITY. Shippers need flexibility to change routings, modes, and carriers, and stage/stockpile inventory. Proper risk management strategy favors redundancy—for example, having infrastructure and/or partnerships in place to pull shipments through different ports.

Companies should also consider how they structure transportation contracts. It may be economical to negotiate directly with carriers and lock up capacity, but that approach also limits shippers' flexibility to shift capacity when problems arise. Some freight buyers will split their volumes among different carriers and third-party logistics intermediaries as a means to allay risk.

4. LEVERAGE TECHNOLOGY AND SOCIAL MEDIA. One benefit of social media is the ability to capture and vet critical information in real time. Some supply chains are using social networking in the cloud as a predictive analysis tool to identify problem suppliers before shortages are felt downstream in the supply chain. Cloud networking also provides a platform for facilities isolated or impacted by supply chain disruptions to more quickly get back on line; and for companies to on-board new business partners as need dictates.

5. LEAN ON THIRD-PARTY LOGISTICS PROVIDERS. Transportation and logistics outsourcing used to be a matter of divesting non-core need for economy purposes. Now risk aversion is also a primary driver. 3PLs have on-the-ground resources, local knowledge, and experience to execute contingencies and minimize risk.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How to Select a Returns Management Partner

As retailers turn over stones looking for ways to reduce costs, eliminate waste, become greener, and raise the bottom line, returns management is an area ripe for picking. What was once written off as a lost cost has now become a can't-miss opportunity–and for good reason. In 2011, U.S. consumers returned more than eight percent of their purchases. That number climbs to as much as 20 percent in certain product categories such as consumer electronics. Despite this, and the fact that 80 percent of returned items are not defective, many retailers have yet to implement a comprehensive returns management policy.

It may be a matter of dealing with buyer's remorse and repositioning un-opened items into the forward logistics stream, or repairing and refurbishing defective merchandise for resale in secondary markets. The evolution of e-commerce channels for overstock and pre-owned goods, as well as popular brick-and-mortar outlets and value retailers, has created a new revenue stream for companies to tap in lieu of sending items to the scrap for recycling. The quicker they can process these returns and determine where value can be extracted without too much investment in time and resources, the more they stand to gain from resale opportunities–especially for fast-moving, high-value merchandise.

The cost of bringing returns management in-house is often prohibitive. So, many companies turn to third-party logistics providers to facilitate the process. Here are some capabilities to keep in mind when selecting a returns management partner:

- Consolidation to help meet peak returns volume.
- Tracking and reporting so that customers are constantly aware of a return's status.
- Distribution that provides returns to designated warehouse or refurbishment locations.
- Returns/replacement so that customers are provided with required replacement merchandise or account credit on a timely basis.
- Established distribution network that allows returns to avoid unnecessary route detours and warehouse layovers.
- Returns Management Authorization (RMA) so that customers can better track returned items and receive "early warning" with regard to any potential defects or product malfunctions.
- For international transactions, carrier must have the ability to seamlessly transport goods across borders, and to comply with all regulatory Customs and security mandates.
- Ability to integrate forward and reverse logistics into overall supply chain strategies.

RETURNS ON INVESTMENT

Companies should take a closer look at how they are managing returns for myriad reasons. Among them:

- 58 percent of consumers report that a company's returns policy is a factor in their decision whether or not to shop with that retailer, according to KPMG, a financial advisory company.
- The estimated cost of generating a new customer is five times more than the cost of keeping an existing customer happy.
- The secondary market is a rapidly growing sector of the economy–accounting for 2.3 percent of U.S. GDP during 2010, according to research conducted by Dr. Dale Rogers, professor of logistics and supply chain management and the co-director of the Center for Supply Chain Management at Rutgers University.
- Consumers returned almost $2.2 billion worth of merchandise during 2011, a figure that accounts for more than eight percent of all sales, according to the National Retail Federation.
- Only five percent of returned merchandise actually has defects–with "defect" defined as something as minor as torn packaging, according to Accenture consultants. While those returned products cannot be resold as new, they can be resold on the secondary market.

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How to Drive Visibility Through A Supply Chain Network Control Tower

As supply chains become increasingly stretched geographically and functionally, the challenge of driving visibility through layered and disparate networks becomes infinitely greater. When it comes to managing compliance among third-tier suppliers in Asia, speeding asset turns at a domestic distribution yard, or keeping track of carrier partners and shipments on the ground, at sea, and in the air, there is no substitute for visibility and the control it provides.

Companies often outsource portions of their business to third-party logistics providers (3PLs) to aggregate control over, and bring transparency to, supply chain activities. In some cases where networks are decentralized or overly complex, fourth-party logistics providers (4PLs) or lead logistics providers offer comparable oversight with a single point of interface.

In a similar way, shippers can invert the 4PL approach to provide a "control tower" view within their own supply chains–a common platform for aggregating, cleansing, and communicating real-time data. The idea is that internal supply chain functions and external partners–3PLs, suppliers, carriers, customers–can tap this shared information stream to collaborate and perform in a much more efficient and economical way.

A network control tower provides flexibility so new partners can plug into new systems or interfaces. Apart from the economies of executing with standardized data, companies can use this platform to engage strategic change across the supply chain by identifying root problems and fixes, and optimizing systemic processes.

A Model Approach

Consider this example of a shipper that worked collaboratively with both an IT and 3PL partner to engineer a supply chain control tower. The objective was to drive greater visibility by creating one single, fact-based source of truth across its entire global network, eventually integrating most of its provider spend into one central source.

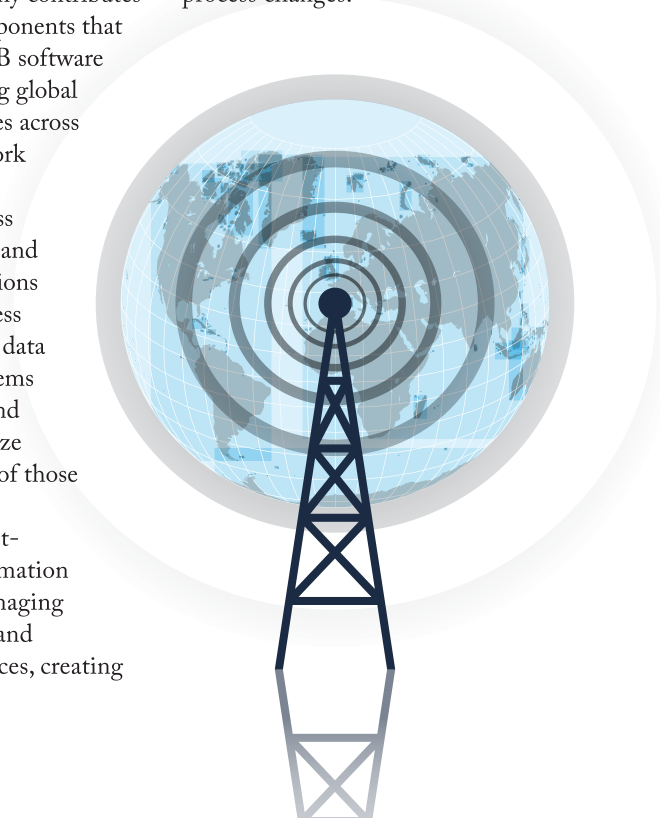
The company devised a control tower platform with two foundations: a cloud-based information architecture supported by an IT partner, and network analytics anchored by a 3PL. Transportation and logistics partners across the network individually plug into the platform. The two service providers are the virtual information layer that interacts collaboratively with strategic logistics partners to drive network excellence.

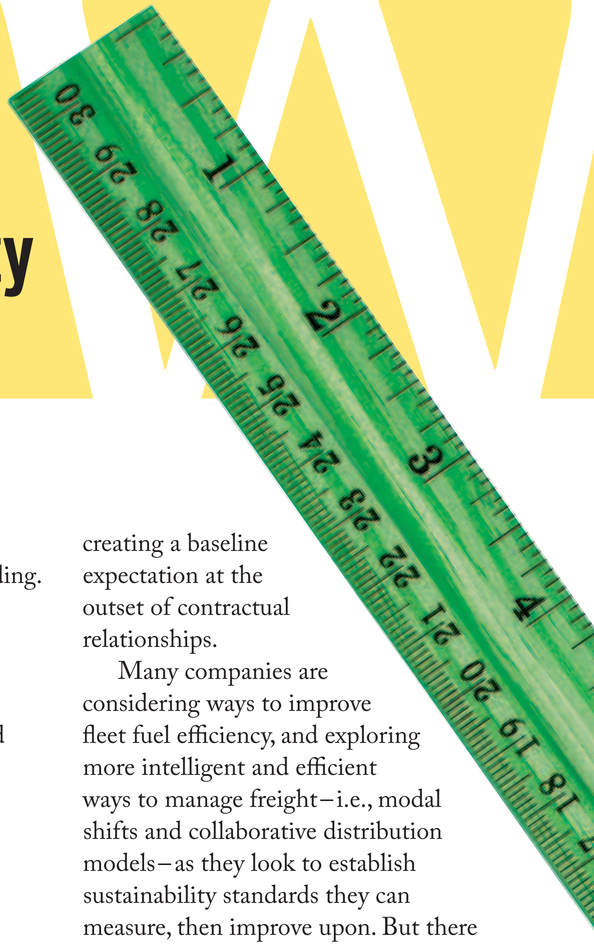
The technology company contributes three interlocking IT components that include: a collection of B2B software applications for automating global trade and logistics processes across business networks; a network controller for creating and managing dynamic business relationships, permissions, and roles of multiple organizations working together in business communities; and a global data grid to connect to the systems of thousands of partners and providers, and to standardize the data from the systems of those partners.

The 3PL provides front-end analytics to this information layer, aggregating and managing data from multiple cloud and proprietary customer sources, creating cross-database associations that enable common reporting to drive customer KPIs, and visualizing the data via a Web-delivered, highly configurable dashboard software suite.

Qualify and Measure

By filtering and integrating supply chain information through a network control tower, the shipper is able to qualify data, then measure performance throughout the extended network. The information is indisputable. Having anytime visibility to one source of truth enables the shipper to manage and audit rates; identify, prioritize, and realize additional cost savings via real-time optimization; standardize business processes holistically; and respond faster to supply and demand shifts while presenting a flexible platform for engaging more strategic business process changes.





How to Measure Sustainability Program Performance

For many companies, sustainability has become a burning platform for exploring smarter ways to move product through the supply chain. Sustainability principles dovetail with transportation and logistics best practices to rationalize natural resource and raw material consumption, and ultimately reduce operating expenses.

In addition to the economics of eliminating environmental waste, an element of risk mitigation and competitive differentiation also exists in green matters. Given the global landscape, and steps progressive countries and companies around the world have taken to reduce their environmental footprint, regulations will inevitably become more demanding. If companies are not in a position to react to changing legislation, they will inevitably fall below the curve–especially in terms of being able to differentiate brand image and awareness among a more socially conscious consumer base.

On the service side, companies are now specifying that prospective supply chain partners demonstrate sustainability and corporate social responsibility initiative before bidding on their business. In effect, they are creating a baseline expectation at the outset of contractual relationships.

Many companies are considering ways to improve fleet fuel efficiency, and exploring more intelligent and efficient ways to manage freight–i.e., modal shifts and collaborative distribution models–as they look to establish sustainability standards they can measure, then improve upon. But there is always room for improvement. Here are three steps companies can take as they establish or adapt their corporate sustainability programs:

STEP 1. Strategic planning and alignment. Assess the internal and external sustainability landscape to define your company's strengths, weaknesses, opportunities, and threats, as well as cultural values that may support your sustainability objectives. Recognize the voice of the customer, stakeholder priorities, and material issues that need improvement so you know where to focus your effort.

STEP 2. Solution engineering. Define the sustainability assessment boundary or scope, then establish a baseline for measuring and improving performance.

STEP 3. Operational excellence. Monitor performance. A lot of sustainability initiatives are driven by data capture, so make sure you talk about data compliance and communication, and identify pitfalls. Be specific about quantification and reporting–how to determine if sustainability has improved, and how to quantify, report, and communicate those results.

5 GUIDING GHG PRINCIPLES

The World Resource Institute's landmark Greenhouse Gas Protocol has published a corporate guide to help underpin greenhouse gas (GHG) accounting and reporting efforts. Its five principles include:

1. **RELEVANCE.** Ensure the GHG inventory appropriately reflects the company's GHG emissions, and serves the decision-making needs of users–both internal and external to the company.
2. **COMPLETENESS.** Account for and report on all GHG emission sources and activities within the chosen inventory boundary. Disclose and justify any specific exclusions.
3. **CONSISTENCY.** Use consistent methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series.
4. **TRANSPARENCY.** Address all relevant issues factually and coherently, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting and calculation methodologies and data sources used.
5. **ACCURACY.** Ensure the quantification of GHG emissions is systematically neither over nor under actual emissions, as far as can be judged, and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance of the reported information's integrity.