

One key step to finding answers to any logistics problem is knowing the right questions to ask.

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

More importantly, these logistics I.T. thought leaders can give you guidance when considering applying technology innovations to your business processes.

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Second-Generation Logistics Software: Accessible Anywhere

Q: What is the latest logistics software trend?

A: Transportation management systems (TMS) have morphed into communication hubs with Web and mobile access. The PC user interface for employees—while still crucial—is becoming much less important than it once was.

Q: How can that be?

The first generation of software focused on employees adding and viewing data in the office. Now it's all about other means of access. The second generation lets your system talk to employee, client, and vendor systems. If your system does half the job electronically, you save half your labor costs.



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For third-party logistics providers (3PLs), less-than-truckload orders can come in via electronic data interchange (EDI) and be automatically routed according to lowest-cost carrier. Then the shipment information can be automatically transmitted to the carrier—all without a transportation manager even looking at it.

Q: What other types of communication are available?

A: Automated alerts are another useful tool. You can receive email alerts for everything from late shipments, missed pickups, credit warnings, low margins, short-pays, and insurance and compliance issues.

Alerts are great because you can be proactive instead of reactive. For example, if a customer is about to exceed its credit limit, you can receive an alert.

Alerts can bypass your staff and go directly to your customers and vendors. Customers can receive shipment status alerts, automated balance due statements, EDI transmission confirmations, and more. Vendors can receive accounts payable information, requests for insurance and compliance data, and status updates—all automatically from the TMS.

Q: Where does a company Web site fit in with this?

A: Most 3PLs have their clients and carriers access their system from the Web. Carriers can now self-bill, upload delivery receipts, and choose payment terms. Your customers can enter orders, track shipments, and print their own proof-of-delivery documents. If you are a 3PL, you no longer need to pay employees to do these jobs.

Q: Do mobile applications really help?

A: Think about combining apps with automated alerts, your Web site, and EDI. Your employees, clients, and vendors can access key information around the clock. If your staff receives an alert, they can access everything they need via their phone. If a customer or driver calls your employee for information, it is readily available. Better yet, the driver or client can look it up on your mobile application, and not have to call your staff at night or on the weekend. That's a winner.

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GTM Solutions Keep Businesses Plugged In

Q: Why is it difficult for organizations to integrate true end-to-end global trade management?

A: True end-to-end global trade management (GTM) means managing and optimizing all the functions required to move goods across international borders. Organizations may argue that they are already doing GTM, when in fact they are only undertaking disparate pieces, such as international trade compliance or global transportation management.

GTM functions may be distributed among departments such as warehousing, shipping, and legal. It can be difficult to unite business processes and establish communication channels where none exist. Adopting GTM technology helps achieve this. Each section of the organization gains an understanding that its activities tie into larger objectives and can affect outcomes outside that department.



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Q: What do customers look for in GTM solutions?

A: Customers want GTM solutions that are flexible enough to support different supply chain segmentation strategies. These tools must address the different needs of unique product segments within a company. They must also be flexible enough to accommodate the requirements of the company's extended supply chain partners, such as suppliers, logistics providers, and customers. In particular, systems must be able to:

- Extend processes to suppliers and logistics providers.
- Manage logistics and compliance activities within one solution.
- Tune or configure business processes to support each segment's needs.
- Provide a centralized view of the global supply chain across all segments.
- Capture all associated data to support reporting and predictive analytics.

For example, an organization may need supply chain processes specialized to goods with unpredictable demand, as well as goods with more predictable demand that require steady replenishment. Similarly, other goods may have higher import and export compliance requirements that must be carefully managed.

Q: What are the most important criteria for evaluating and selecting a GTM solution provider?

A: Look for a GTM provider that has successfully deployed its solution at a company similar to your own, within your industry, with similar segmentation require-

As with adopting any technology, organizations may struggle with managing change and pushing through the initial disruptions that a system implementation can cause. Today's Software-as-a-Service solutions minimize the need for IT support, and dramatically decrease disruption to daily activities. This makes them a good option for organizations that don't currently have any systems in place.

ments, equivalent number of products, global shipping volumes, and within countries or regions that map to your own.

Global trade management can be very complex, and there's typically no better indicator of future success than finding a vendor that has been there and done that with one or more companies that mirror your own.

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World-Class Logistics Operations Require Multi-Party Processes and Technology

Q: How can supply chain technology help businesses improve logistics operations?

A: The majority of IT solutions available today constrain logistics operations performance. Most logistics problems are inter-enterprise, but the majority of logistics technology solutions are enterprise-focused. As a result, too much of the coordination still takes place over email and phone, and only involves the buyer and seller—not the transportation and logistics companies that actually move the goods. Even when collaborative planning is common, as in the retail or distribution markets, the flow of products from suppliers often fails to match the requested quantities or delivery dates. As changes occur across the supply chain, not all parties are aware of the changes or their impact.

Three important inter-enterprise factors to consider when evaluating logistics technology are:

Multi-party solutions. Multi really means many—buyers, sellers, logistics services providers, brokers, and government agencies. Coordination has to occur across the business process, and each participant should be aware of changes that occur and their impact. Multi-party solutions provide participants with visibility to the total

Cloud computing. To work effectively, these solutions cannot be delivered by a single enterprise solution. The technology provider must act as a neutral party, working across the supply chain partners, standardizing processes and harmonizing data. Cloud-based solutions have the sophisticated capabilities to run large, complex multi-party supply chains.



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process and help ensure the efficient and effective flow of goods. Maintaining data and function control allows only the relevant data to be shown, and changes can only be executed by authorized parties in a pre-agreed-upon way.

Network-based data sharing. Effectively collecting and disseminating data is the single biggest obstacle to achieving high-performing logistics operations. The data business is messy, and requires a network to clean it up. Information comes from all supply chain participants, whose capabilities vary, and it has to be synchronized and parsed before it gets to the multi-party applications. In addition, tools must address “high-tech,” “low-tech,” and “no-tech” parties that exist along with wireless and GPS-related sources.

It is now possible for companies to implement multi-party processes and technology that are quick to deploy and require minimal upfront investment. The challenge for supply chain executives is to think differently about the processes and technology now available to give them greater control of their supply chains and fully leverage their partners.

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Taking Control of Transportation Spend Management

Q: Cloud computing is fast becoming a reality of everyday business life. How can companies get started in leveraging interconnected shared logistics platforms, and why does it save time and money?

A: As enterprises strive to show almost-immediate return on investment, they seek solutions that are globally accessible, scalable, and require minimal up-front investment. Maintaining a vast connectivity network, promoting leading-edge Web services solutions, and fueling continued innovation is a pricey proposition, so sharing these infrastructure costs among many users makes sense. Both global leaders and small or mid-size players can realize dramatic improvement when switch-



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ing to a configurable—yet secure—cloud platform.

Recent studies show tremendous savings potential in transportation spend management (TSM), and most best-in-class companies outsource at least some aspect of this function. Reviewing your current TSM processes and identifying opportunities is an excellent way to start logistics cloud computing, as these initiatives pay for themselves very quickly.

Keep the big picture in perspective, and choose a partner that offers not only end-to-end TSM, but seamlessly integrates execution, collaboration, sales, and operations planning and compliance options.

Q: How can value-driven sustainability be efficiently embedded into supply chains to increase routing accuracy and account for carbon swap costs?

A: While global leaders have had sustainability and carbon footprint initiatives for several years, broad adoption has been slow. Embedding carbon modeling into transportation management platforms brings knowledgeable routing decisions to the desk level. Leverage a global platform to communicate optimized logistics choices to your entire supply chain with ease, while driving bottom-line savings.

Q: Managing fuel surcharges, rate volatility, and reduced carrier capacity is a growing challenge. How should businesses tackle this problem?

A: Multi-dimensional optimization relies heavily on distributed data sources. Correlating capacity allocations with transit times, cargo availability, and deliver-by dates—in concert with total transportation cost as supplied by a dynamic multi-leg routing engine—is the holy grail of logistics optimization. One way to achieve this goal is by utilizing Freightgate's unique template approach.

Q: Why should businesses use a neutral-technology platform with global reach as their logistics information hub and decision-support solution?

A: Truly neutral logistics technology providers have no vested interest in driving up freight spend. They can help transform your data into actionable information through TSM by managing procurement, optimization, carbon initiatives, dynamic multi-leg routing, capacity, booking, visibility, metrics, compliance, audit, and payment.

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Maximizing Global Logistics Management Effectiveness

Q: What are the biggest challenges shippers face with globalization in today's market?

A: Many shippers face the challenge of orchestrating an end-to-end process and managing interplay with third parties, such as customers, suppliers, ocean carriers, freight forwarders, customs brokers, and government agencies. Doing so effectively is difficult, regardless of whether the shipper is importing or exporting internationally.

Next, international freight management is still largely dominated by manual processes and point solutions. That is changing quickly, but many companies looking for technology solutions are met with a very short list of providers offering the robust functionality needed to



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manage all the moving parts and pieces of global logistics on one platform. Furthermore, since many supply chain organizations are not fully integrated—separate groups and often separate systems manage domestic and global logistics—it is even more crucial to have visibility and connectivity with supply chain partners.

Lastly, as if dealing with international laws and regulations – and multiple languages, currencies, and units of measure – is not difficult enough, supply chain security and compliance programs such as the Customs-Trade Partnership Against Terrorism place even more burdens on global shippers.

Q: How can shippers use technology to help support their companies' global initiatives?

A: To support global initiatives, shippers can leverage a Software-as-a-Service transportation management system with global functionality. These tools provide multi-modal planning, execution, trade compliance, carrier connectivity, financial reconciliation, and reporting features to effectively manage global transportation. This innovative global logistics technology enables companies to successfully manage all modes of transportation under a common umbrella while providing complete visibility. This technology also enables direct communication between shippers and carriers.

Q: How can companies impact their bottom line while efficiently managing global transportation?

A: By utilizing global logistics management technology, companies can directly impact the bottom line. Automated communications, processes, and workflow between supply chain partners allow companies to improve efficiencies while gaining visibility into freight payment and discrepancies before they impact the company's finances. Furthermore, embedded trade compliance tools reduce the burden of ensuring regulatory compliance.

By leveraging technology to manage global logistics, companies can understand true costs and lead times to make better sourcing decisions for importers while also being able to monitor and manage carrier performance.

Finally, many international companies have carbon emission directives that make a significant impact on their organization. When businesses fail to meet or cannot document these standards, it affects everything from market perceptions to bottom lines. With enhanced emissions reporting and analytics, technology tools give companies greater insight into making better decisions for their company as well as the environment.

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Bringing Clarity to Visibility Solution Investments

Q: How do you define visibility?

A: Visibility is understanding the location and current status of key assets—whether on-time shipments or inventory stockouts. Visibility boils down to three elements: orders, shipments against orders, and inventory.

Q: Why is supply chain visibility such a challenge for companies?

A: Visibility is hard to quantify. Companies may make incremental improvements where pain is the greatest without investing in a more holistic visibility solution. What makes it even more difficult is that visibility involves players outside the enterprise—suppliers, carriers, and manufacturers—and trying to get these partners to collaborate toward mutual benefit.

Also, some enterprises confuse electronic data exchange (EDI) capabilities with true visibility. EDI provides a certain amount of information—whether a purchase order has shipped, for example—but it doesn't necessarily offer granular-level detail. There is always a subset of trading partners that lacks this capability, which

creates black holes and distrust in the system. EDI is part of visibility, but in and of itself, it's not a visibility solution.

Q: What key factors should a buyer consider when evaluating visibility solutions?

A: Visibility solutions should allow enterprises to see everything going on in their supply chain. This entails several factors. First, make sure the visibility platform is interconnected—with no limitations as to partners that can join the network. Second, the platform should be holistic so that access stretches upstream and downstream in the supply chain. Third, visibility solutions need to be versatile. They need to collect and render information so that it is usable by different parties inside and outside an organization. Finally, visibility solutions should be customizable. While everyone is sharing the same version of the truth, different functions can see and leverage information in their own unique way.

Q: What ROI should you expect from a visibility solution?

A: Benefits are both subjective and quantitative. Having better supply chain visibility will inherently improve a business's ability to sense and react to change faster and more efficiently. Turning it into firm ROI is more challenging. But some areas are easier to quantify. With inventory, for example, visibility allows companies to analyze inbound shipments to identify and eliminate bottlenecks. If you can squeeze hours or days out of lead times, you can carry less inventory.

Moreover, shippers can level out lead-time variability or better manage exceptions—stockouts, for example—by recognizing backlogs and taking necessary steps to correct them.

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KPI Data Creates Improvement Opportunities

Q: What are the latest logistics software innovations?

A: Improving how key performance indicators (KPIs) specific to freight are developed, measured, and managed seems to be a growing theme with leading software providers. KPIs are used to collect and measure actionable data to help improve accurate shipping decision-making and processes. The key word is actionable. As the old adage says, “You can’t improve what you can’t measure.”

Take, for instance, a “Lost Savings” KPI. This indicator shows where decisions were made to ship with less-than-optimal (or less-costly) carriers for particular freight transactions. Companies can compile this shipment data for a given period to identify shipments that did not comply with its freight program.

Suppose 95 percent of the shipments were processed in accordance with the company’s rules, and five percent were non-compliant—that is, not using the optimal carrier. Software tools can provide details about the non-compliant shipments, including which employee

shipped them, which carrier they should have been shipped with, and what the shipping costs should have been. Detailing the “lost savings” in this manner holds everyone accountable.

Most companies know it is not practical for 100 percent of their shipments to be in compliance. The non-compliant five percent, however, represents an opportunity to improve.

A Lost Savings KPI paired with a “Freight Savings” KPI—which compares each freight transaction’s current cost/carrier to its previous cost/carrier—should work in concert with each other. A Lost Savings KPI shows the opportunity, while a Freight Savings KPI measures the success.

Q: Why do companies have such a hard time embracing global trade management?

A: Entering the global marketplace allows companies to increase sales, and importing goods from international vendors may help cut costs. But for companies not used to processing international freight transactions, the documentation and regulatory issues involved can be intimidating. Lack of experience and overall knowledge about harmonized tariff code, ever-changing security regulations, and countries designated as “denied parties” can be a challenge.

Software is available to help companies navigate the paperwork, procedures, and processes, as well as service companies that focus on international trade. An issue that could be a problem is that these service companies resist setting up their smaller accounts with electronic data exchange billing because of the expense involved. This can create a paperwork nightmare when performing the audit function internally for these companies as their international volume increases. It may also be difficult to ensure that proper international shipping requirements are adhered to.

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Leveraging Lean and Labor Management

Q: In the context of retail, what is lean labor management and what does it entail?

A: Lean has origins in manufacturing, but some of its concepts apply in the retail space—notably, reducing waste and increasing quality. Using these lean components as a foundation for labor management increases productivity and reduces costs in a warehouse or distribution center. Companies can leverage this to create

its full performance entitlement. Lean labor management can target improvements in three areas.

First, a lean labor approach improves processes. This means creating better methods through more straightforward, standardized, and streamlined use of technology and materials handling systems.

Second, companies can improve time utilization. Whether it's a manual or automated operation, management wants employees working full shifts. Inactivity gaps often signal other problems.

Finally, setting performance goals and giving employees the chance to earn rewards for exceeding them based on daily performance increases work pace.

These three factors, even in automated operations, drive tremendous throughput increases and/or labor cost reductions for the same amount of investment.

Q: How can retailers create a lean labor management program?

A: Think of a lean labor program as a pyramid comprised of four levels. The foundation is lean thinking, process improvement, and quality. After creating a lean base, companies can establish statistically valid goals, such as engineered labor standards, to identify good performance. With these two building blocks in place, management has a platform to provide coaching and feedback, which demonstrates the company's commitment to continuous improvement.



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new standards and guide employees toward better performance, then recognize and reward accordingly. Lean labor management requires communication between operations staff, IT, human resources, and finance because each function plays a shared role.

Q: How does a company know when it needs to reconsider labor management?

A: There are two primary drivers: when the chief financial officer directs the company to reduce costs; and when a facility is out of capacity and needs to push more volume out of existing infrastructure. The first scenario is most common. If a company makes considerable investments in facilities, technology, and equipment, it wants to reach

Finally, at the top of the pyramid, management creates a recognition and reward structure. The trap companies often fall into is starting at the top and trying to implement a pay-for-performance program without any of the other foundational work. Typically, these efforts have a very short life.

Commitment must exist within the organization to ensure the underlying incentive structure is maintained fairly. A company can do it internally or outsource to a third-party logistics provider. Either way, having a lean labor management process in place becomes a fundamental game changer for how the company performs.

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The Right ERP Solution Puts All the Pieces Together

Q: How can today's manufacturers deal with increasing regulations, demand volatility, and shifting global trade currents?

A: Success for manufacturers today depends on agility. The one certainty with global trade currents, regulations, and demand is that they will change, and your ability to adapt defines your growth potential. A well-implemented enterprise resource planning (ERP) solution can help manufacturers remain agile to adapt to any changes.

ERP provides the comprehensive audit trails, data-tracking, financials, reporting, and business intelligence required to manage increasing regulations—as well as the foundation for standard operating procedures that enforce best practices and workflows within an operation. In addition, the right ERP solution provides

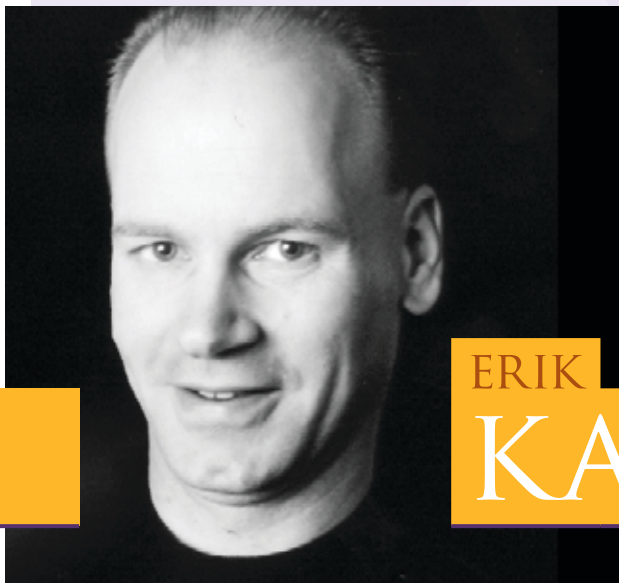
practice, or adapt to new regulations, you should evaluate alternative ERP solutions to better position yourself for future growth.

Q: Why is it difficult for companies to embrace global trade management?

A: With increasing worldwide compliance regulations, corporate financial visibility has become necessary for any size or type of organization—public, private, or nonprofit. Audit firms advocate improved financial management, standards, and real-time access to audit trails and compliance reporting. Yet many companies continue to use legacy business management systems that do not provide an adequate response to auditors' requests.

As the need for centralized financial data and financial visibility increases, spreadsheets and disparate systems will no longer be a viable solution. Add in the further complexity of global trade management, and many companies become overwhelmed with the thought of compliance, as well as the risk.

With the opportunities of globalization also come some unique challenges with respect to tighter control and reduced operational costs, enterprisewide visibility, intercompany management, and financial tracking and consolidation. Multinational, multilingual, multi-company, and multicurrency operations only serve to complicate financial risk management for fraud,



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visibility into supply chain data, so companies can build accurate forecasts and production schedules based on historic and real-time information.

ERP solutions should also support interoperability so you can easily connect to cloud-based solutions that aid product lifecycle management. This allows you to quickly bring new and innovative products to market, and provides efficiency tools such as transportation management systems that are configurable to ensure compliance with import/export regulations.

Review your current business management system to determine how agile it allows you to be. If it limits you in being able to quickly implement a new process or best

financial audits, tax laws variations, localization issues, and reporting.

The right ERP solution can help bring together, analyze, and report on multiple business units, subsidiaries, companies, and countries within an organization. Localization support, as well as support for multiple languages, currencies, and consolidated reporting, should be a core part of the solution. If you are a manufacturer that struggles to exploit the opportunities provided by global trade, it may be the right time to review your ERP system and invest in a new core foundation to build and grow your company on.

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Automated Routing: The Path to Optimization

Q: What guidance can you offer firms exploring routing and scheduling technologies for the first time?

A: Automation is a great benefit of logistics technology – though not the only one. Technologies that automate time-consuming, repetitive jobs free us up to do what humans excel at: spotting and dealing with change and exceptions.

It can take numerous individuals and manhours to manually plan, calculate, and adjust route plans for mileage, capacity, driver hours, and total stops. With routing and scheduling software, efficient route plans take mere minutes, incorporating work hours, equipment restrictions, truck capacities, service windows, and more in their calculations. Plans can be re-run quickly to accommodate last-minute orders and schedule changes, and the optimized results improve on manual methods by maximizing loads, and minimizing miles and total transportation costs.

Significant differences exist between technology providers, but don't let the decision process stall because you have too many choices. All the leading routing and scheduling systems will save you time and money.

Based on our experiences with Appian software, automated route plans average 10 to 25 percent fewer trucks,

When the only economic constant is change, an effective tool helps visualize and quantify the impacts of new developments, and compare the outcomes of different responses. Then businesses can manage change instead of just reacting to it.



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drivers, and hours than manually developed plans, saving eight to 15 percent in total costs.

It's critical to embrace routing and optimization technology as a continual improvement process – not a destination. Your greatest performance improvements may come through new insights from technology, as the knowledge these tools provide prompt you to try a new routing and scheduling approach.

The best logistics technology doesn't simply speed business processes. It provides tools to transform your operations.

Q: What is an example of a transforming logistics technology?

A: Network modeling tools help analyze and improve processes, prepare operations for the future, and target new business.

Transportation network modelers allow you to:

- Balance demand with shipper requirements and carrier capacities.
- Evaluate mode shifts and cost savings.
- Compare business options.
- Model new market or consolidation scenarios.
- Examine outsourcing opportunities.
- Compare trade-offs among contingency plans.

Modeling isn't necessary for operations, but it's an invaluable tool for strategic decision-making and risk mitigation. The more flexible and user-friendly the tool, the better it will serve your business over time.

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Collaborative Trade Communities Keep Companies Competitive

Q: What is the primary advantage of Collaborative Trade Communities?

A: The way they function is much simpler than how most companies do business today. We spend a significant amount of effort and time tracking what our

environment, we rely on workers to know what they are supposed to do. In large, diverse supply chains, training needs can be considerable.

Getting supply chains up and running correctly is challenging, and it is an even bigger challenge to introduce changes once they are running. We also rely on systems today to document what humans have done, rather than to instruct them on what they are called to do.

Collaborative Trade Communities rely on workflow systems that describe roles and use sequence templates to describe what each worker in the supply chain is expected to do for any given order or shipment.

This projects control over a global supply chain and enables supply chain managers to immediately see when there are variations to the current work process. The result is significant flexibility that allows supply chains to react more quickly to strategy changes that are needed to keep the corporation competitive as it reacts to market shifts.



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supply chain partners are doing. This includes sending instructions and entering them into corresponding systems, communicating and updating change orders, and monitoring outcomes.

In cloud-based trade communities, each party has a specific role, and they work together in the same environment—hence the name Collaborative Trade Community. Information is entered once, and everyone who needs to see it has immediate visibility. This very quickly reduces workload and brings into focus exactly what is going on.

Q: Are there other benefits to Collaborative Trade Communities?

A: The efficiency gains are clear wins, but the real financial benefits come from the flexibility Collaborative Trade Communities bring to the supply chain. In today's

Q: Why is this approach growing in popularity now?

A: The advent of the Internet allows users to access cloud-based systems anywhere in the world. Until now, we had systems, but they could only feasibly be shared inside a corporation, and only on a national basis.

Global integration with trading partners and vendors was simply too expensive or not available at all. The Internet—and with it, cloud-based computing—opens up a new and rich environment for us all to do business in a different way.

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Technology Enables You to Be Positively Different

Q: How can logistics technologies be utilized as a competitive differentiator?

A: Most companies prefer to attract customers by providing unique brand-driven customer experiences and services rather than competing on price. Strategic and practical use of the right technologies enables sharp pricing competitiveness, creates better customer experiences, reduces expenses, and raises productivity.

The evolution of online retailing is a good example. A few years ago, shipping and handling was a known profit center for online retailers. Consumers bought product and paid to have it delivered. Free shipping was uncommon; a handful of online retailers offered it only during the holiday season. But times have changed. About 75 percent of the largest online retailers offered free shipping during the past holiday season. And many retailers, such as L.L. Bean and Target, are now offering free shipping throughout the year, with no restrictions.

Supply chain technologies enable such differentiations. In the example of online retailing, the logistics technologies have to dovetail into the entire supply chain structure, as online retailers must now understand and manage transportation costs and carrier quality to be able to offer their customers transportation-based incentives.

Q: How does transportation management impact differentiation?

A: Today's modern transportation management impacts cash flow and customer experiences. Smart companies know their exact costs, margins, and transportation trends, so marketing efforts such as free shipping will lead to increased revenues and profits.

A 2008 Aberdeen Group survey of more than 200 logistics practitioners indicated increasing price and service-level pressure on transportation management. Seventy-two percent of the respondents cited increasing freight rates and/or carrier accessorial charges; about half of the respondents cited increased internal and customer demand for accurate delivery status and cost information.

This survey was conducted as we headed into a prolonged, difficult world economy that brought lower

revenues, combined with rising costs and increased consumer expectations. For companies offering programs such as free shipping, timely cost and service-level data were—and are—critical.

Today, companies that do not have minute cost detail may mistakenly offer price-sensitive programs—in keeping with the competition—that increase revenue but actually lose money on every transaction.

Q: What do you look for in differentiating technologies?

A: Flexibility. We consistently hear from prospects who are looking for their “next” transportation management system because they have to shape their business around dated and inflexible technology and processes. The day-in-the-life functionalities such as least-cost rating and visibility are assumed. Strategic transportation management is increasingly tied to the customer experience.

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