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 IT thought leaders can give you guidance when considering applying technology innovations to your business processes.

I.T. THOUGHT LEADERS

2 **TOM HEINE**
CEO, Aljex Software

3 **J. KENNETH HAZEN**
President & CEO, CTSI-Global

4 **JIM O'LEARY**
Vice President, Product Management, EXTOL International

5 **GEORGE KONTORAVDIS, PhD**
President, FORTIGO Inc.

6 **SHAWN McCARRICK**
COO/CIO, Freightquote.com

7 **TOM ZINNER**
Director, Supply Chain Software and Strategies, IES, Ltd.

8 **CHRIS TIMMER**
COO, LeanLogistics

9 **JESUS DAVID RODRIGUEZ**
President, Magaya Corporation Logistics Software

10 **JIM PREUNINGER**
CEO, Management Dynamics

11 **TIM WILLS**
Vice President, Marketing and Support, PEAK Technologies

12 **TOM MADZY**
CIO, SEKO Worldwide, LLC

13 **DAVID SCHRADER**
Senior Vice President, Operations, TransCore Freight Solutions

Data in a Flash: Utilizing EDI

Q: Where did EDI come from?

HEINE: Electronic Data Interchange (EDI) has been used in various forms since the 1960s. Today, all Fortune 1000 companies use EDI, as do millions of other businesses. In the transportation field, big retailers led the way in implementing EDI. In the mid-1980s, EDI standards emerged, and each type of transaction was given a standard format and identifying number. These standards allow all computers to talk to all other computers in a predictable way. Shipment information can be electronically sent to carriers, carriers can send back pickup and delivery information, and carriers can bill shippers electronically.

Q: If all EDI formats are the same, why do my EDIs have to be customized for each trading partner?

HEINE: Each trading partner can utilize different variations of the same EDI formats. It's kind of like cars: all cars have four wheels, an engine, windows, windshield wipers, and other basic parts. After that, cars can be much different from one another. When integrating, having one basic format is a big head start.

TOM
HEINE
CEO
Aljex Software

Q: If there are standards, why does EDI cost so much to set up?

HEINE: Each EDI partner needs to have protocols agreed upon, mailboxes created and set up, then test transmissions sent, received, and approved. Computer geeks usually want to get paid to do these things.

Q: What about EDI transmission fees?

HEINE: Today, most companies use direct FTP to transmit EDI, which is free. If you use a value added network (VAN) like Kleinschmidt, they charge you fees based on the size of your transmissions.

Q: What exactly does a VAN do?

HEINE: A VAN acts as a post office for EDI shipments. You send transmissions to them, and your partners pick up their transmissions there. Your partners send things to you, and you pick them up there. If you are a large company, such as Walmart, it's easier to have one place to send or pick up transmissions.

Q: How can I benefit from EDI?

HEINE: EDI helps you in different ways. First by saving labor: Manual transactions take your employees' time for order entry, phone calls, and faxes. Compared to paying employee salaries to do repetitive tasks, EDI is cheap. EDI can reduce the amount of labor per shipment by 98 percent.

Also, EDI ties you to your customers and vendors, cementing your place in the supply chain. If you are a 3PL, you can lock yourself into position. If you are a shipper, you don't need to pay employees to contact your vendors for routine orders. EDI also reduces data-entry errors, which is valuable because in freight, little mistakes can sometimes become very costly.

Aljex Software | 732-357-8700
tom@aljex.com | www.aljex.com

Third-Party Services Can Simplify Global Trade Complexity

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

HAZEN: Companies may not understand the complexity behind constantly changing regulations. The diversity of individual governments and cultures presents difficulties in embracing global trade management. Companies spend significant resources dealing with basic needs to ensure a successful, seamless process with each trading partner. With each new country, they must establish transaction visibility, control, goods security, currency conversions, and cultural/regulatory compliance. Ensuring these needs is a moving target because government regulations constantly change, and local politics and economic shifts alter transaction security, visibility, and profitability. This transforms international trade initiatives from a capital investment to a recurring expense, further impeding Global/Unified transaction management.

However, the expertise needed to properly and cost-effectively manage a complicated supply chain is too specialized to develop in-house. CTSI-Global's wide range of services and applications gives clients visibility and control to automate manual processes, manage transport spend, reduce regulatory compliance risks, and streamline shipment processes all within one global database, while accommodating key international requirements including units of measure, multi-currency conversion, and duty/tax payment.

Q: What innovative sustainability initiatives also increase efficiencies?

HAZEN: Most companies launch sustainability initiatives to satisfy regulatory compliance with minimal focus on driving profits. However, by consolidating loads, switching modes, and efficiently routing orders to reduce mileage, shippers can cut their carbon footprint, save fuel and energy, and reduce freight spend.

CTSI-Global increases clients' efficiencies by offering SaaS solutions for order management, freight audit and payment, and shipment tendering. Efficient routes also increase productivity.

Q: How can Business Intelligence technology address current transportation regulation issues?

HAZEN: Companies cannot manage regulation and control transport spend without timely, accurate, and complete visibility of shipping costs and activities. Investing in business intelligence tools will reduce these costs, ensuring a competitive position in the global marketplace.

CTSI-Global's BI applications easily allow users to evaluate cost and capacity conflicts by providing alternative distribution scenarios, addressing regulation issues such as changing trucking hours of service, and identifying where to add warehouses to ensure timely deliveries. These forecasting tools reveal factors that may impact supply chain decision-making and planning.

CTSI-Global | 901-766-1500
solutions@ctsi-global.com | www.ctsi-global.com
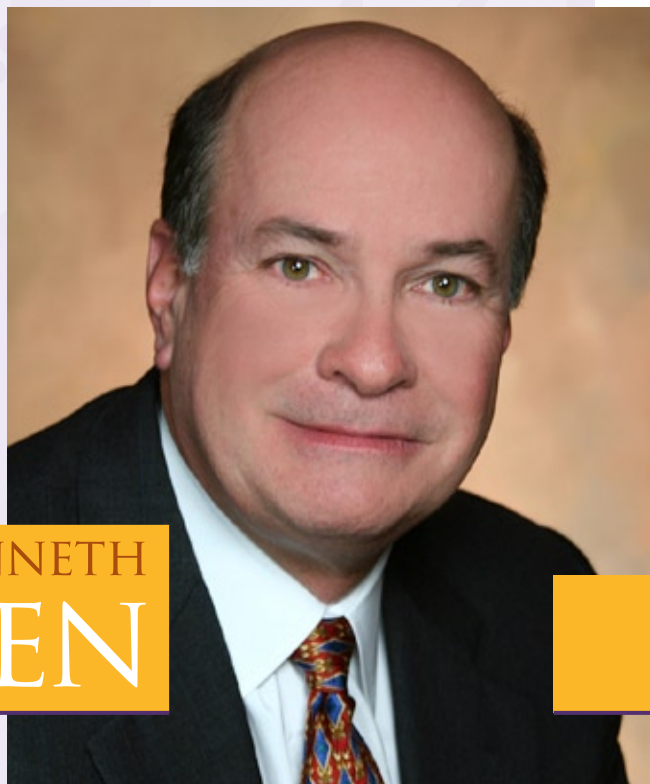
J. KENNETH HAZEN

President & CEO
CTSI-Global

Choosing the Right Tools for the Job

Q: What does the profusion of cloud-based value chain applications and services tell us about the future of supply chain automation?

O'LEARY: We believe EXTOL and other technology vendors will continue to offer both cloud-based and on-premise delivery of supply chain automation products and services, for the foreseeable future. Cloud-based offerings bring new delivery options to technology consumers, but for many businesses, retaining supply chain automation on-premise can make more sense.

does occur on-premise, supplemental services, such as international logistics, small partner onboarding, and even traditional VAN services (such as mailboxing and gateways) are frequently good fits for cloud-based delivery.

What isn't always clear in this discussion is that cloud-based infrastructure and services delivery are decoupled models. For example, companies can now self-implement and manage supply chain automation using cloud-based infrastructure. And for companies that don't want to take an irrevocable step in one direction or the other, one popular "hedge" strategy is to retain automation infrastructure on-premise, but outsource implementation services to a remote provider.

Q: For companies that make the decision to self-implement, what are some best practices for managing the cost of supply chain automation?

O'LEARY: The biggest sources of unnecessary cost in supply chain automation are infrastructure redundancy and applying inadequate tools and skills. Redundant infrastructure is mostly the result of one-off, project-level technology choices and inadequate or poorly enforced standards. It not only has a multiplying effect on capital budget requirements, but also increases operations, maintenance, and training overhead.

Using tools and skills that are poorly matched to the problem at hand results in missed deadlines and project failures. But choosing

JIM
O'LEARY

Vice President,
Product Management
EXTOL International

One obvious case is when a company's business model focuses on delivering supply chain automation services (e.g., a 3PL). But in many other cases—such as companies that deal in perishables and other fast-moving goods, participate in numerous value chains, or experience high levels of partner-driven changes—managing supply chain automation on-premise can reduce risk exposure, allow faster response to changes, and contain costs more effectively.

Of course, even when supply chain automation

"the right tool for the right job" can actually contribute to infrastructure redundancy, if not properly planned. Look for solutions that provide not just the capability you need for your project, but also offer the option to add capabilities to support future projects and requirements.

One last point—be sure to consider the cost of ongoing maintenance activities before choosing any solution. Over the lifespan of some supply chain applications, maintenance costs can exceed original project costs. So look closely at capabilities aimed at reducing maintenance time and effort.

EXTOL International | 570-628-5500
www.extol.com

The New Breed of Cloud-Based TMS

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

KONTORAVDIS: We live in exciting and challenging times. The Internet is bringing new ways of collaborating, communicating, and transacting across borders. At the same time, globalization brings economies and supply chains closer than ever before. Recently, supply chain issues in Japan affected worldwide automotive sales, leaving manufacturers scrambling for information on whether their orders were processed, shipped, or delivered.

In the past few decades, corporations have invested significantly in enterprise resource planning (ERP) and supply chain IT systems that improve inventory management, order processing, financial reporting, and other internal functions. These IT systems are not taking advantage of the Internet's collaborative power, however.

A new breed of cloud-based transportation management systems (TMS) are empowering companies to connect in real-time with their worldwide supply chain partners by giving them role-based access to the same system. Such systems are configurable to ensure compliance with import/export regulations, and provide shipping automation and real-time visibility across the global supply chain. They also enable multiple supply chain partners to collaborate in real time to resolve issues as they arise. These cloud-based solutions are pre-configured for their users, integrate quickly with existing ERP systems, and are easy on the budget because customers pay a low monthly fee.

Manufacturers can now explore the true power of the Internet in their supply chain, and be better prepared for an ever-changing world.

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

KONTORAVDIS: Supply chain leaders use the power of the Internet to collaborate and win. With a cloud-based TMS, supply chain managers connect in real-time with their worldwide partners, arrange shipments, achieve full order visibility, track shipment progress in numerous transportation lanes, identify delays, and take action.

Shippers can use next-generation TMS's power to view a map display of all vehicle movements in real time, including order information for each vehicle and its routing progress.

Advanced reporting capabilities provide data on parcel and freight shipment spending during any period and track carrier service level agreement performance. Role-based access for the various users in the supply chain and advanced security technology ensures data integrity. Users save time by performing functions through the system that today are handled manually via phone, fax, and email. This new way of operating through a TMS standardizes company processes, reinforces practices and rules across the organization and across the entire supply chain, and provides great savings. Today's cloud-based technology can help supply chain managers streamline their processes and save significant time, costs, and resources.

GEORGE
KONTORAVDIS, PhD
President
FORTIGO Inc.

TMS Helps Shippers Rise Above the Status Quo

Q: What supply chain technology challenges or issues do today's business leaders face?

McCARRICK: One of the biggest challenges facing business leaders today is how to effectively and efficiently control cost. Freightquote.com works with shippers to find the optimal pricing solution to assist them in better controlling their transportation budget.

For example, many of our clients benefit from our ability to expose them to competitive spot market pricing, while others prefer to base their yearly transportation costs on a specific, set tariff. We also work with customers who have unique, seasonal needs to move a significant amount of freight, over a short amount of time, in the most cost-saving manner possible.

And we're always developing new products and technologies to give our clients even more opportunities to control their transportation budget, because we believe their challenge is ultimately our solution.

Q: What prevents businesses from benefiting fully from logistics technology tools?

McCARRICK: In a word: Inertia—the desire for businesses to remain working as they have been, even if that means they're not getting the full advantage of online technology. Working in a status quo environment may be a comfortable way to operate for a customer, but it's usually not the smartest.

We believe, in order to be a true business partner, we must help move our clients out of their comfort zone and into a multi-functional, cost-saving, online logistics system. It's simply not responsible for us to let their past limit what they can do now. Once there, they realize the value of having all their information in one place. Plus, they see cost savings almost immediately.

Not only do our clients benefit, but their entire business is more successful as well. Working with a transportation management system should not be intimidating. That's why Freightquote.com is the ideal business partner—we offer easy-to-use products that also pack the punch of advanced technology. It's the perfect tool to evolve the way people do business.

SHAWN
McCARRICK

COO/CIO
Freightquote.com

Freightquote.com | 800-323-5441
www.freightquote.com | contactus@freightquote.com

Achieving Air and Ocean Freight Flexibility

Q: There has been a trend of airfreight traffic shifting to freight forwarding by sea. How can air freight compete?

ZINNER: The shift toward ocean freight is purely cost-driven. The real question is how to make air freight a less expensive and, therefore, a more competitive option. Both air and ocean shipments often have the added expense of processing at a distribution center (DC). If an air shipment can bypass the DC, however, this cost is eliminated.

Allocating the goods at origin allows the shipment to be routed directly to its final destination. In the case of air shipments, goods

TOM ZINNER

Director, Supply Chain Software and Strategies IES, Ltd.

can be flown directly to the dock closest to its final delivery point. Applying DC bypass technology results in a 50-percent faster turnaround and an up to 25-percent cost reduction per shipment. This flexibility effectively allows air freight to compete at a higher level when compared to ocean freight.

Q: How can shipments remain flexible with slower ocean transport?

ZINNER: Ocean shipments can remain flexible with an en-route allocation process. The shipment can be allocated and re-allocated in response to consumer demand while it is on the water.

The solution lies in serializing the cartons at the point of origin and shipping from the vendor. The cartons are stripped out of the container and scanned, and a final delivery label is applied in a one-to-one relationship—one carton is scanned, and one label is produced and placed on the carton. It can then be cross-docked and put into a truck for final delivery.

In a sense, the ocean shipment becomes a floating warehouse, assigning inventory while still on the water.

Q: What are some new ways forwarders are using technology to affect the bottom line?

ZINNER: Smart companies are looking to use technology to their advantage and to push it to its greatest potential. To be operationally flexible as a freight forwarder, it is essential to know what is in the shipment pipeline, and to have quick access to customer and shipment information.

Forwarders need one 'go-to' resource for visibility, regulatory compliance, supply chain management, and accounting. There is a strong payback when a business can instantly access, analyze, and react to operational changes.

It is just as vital to remain adaptable within day-to-day operations as it is to be adaptable to customer expectations. Forwarders require all of these options without losing focus when switching to an accounting program. This type of operational flexibility, added to compliance tools such as Automated Broker Interface and Importer Security Filing, is what forwarders are looking for in a technology offering.

Enhanced Visibility: The Future of TMS

Q: How does a SaaS transportation management system (TMS) encourage collaboration, and why is collaboration important in today's challenging economic environment?

TIMMER: In a SaaS multi-tenant TMS environment, all community members of the transportation network operate from the same instance of the TMS software, regardless of their point or date of entry into the network community. That means that all members–shippers, carriers, suppliers, and customers–view the same permission-based data to identify collaborative solutions and improvements to the community.

In an unbiased network, as is the case with LeanLogistics, the relations are on par; the software provider does not own any relationship or control any pricing. This free market is a natural driver of economy, and collaboration enables users to increase efficiencies across

CHRIS
TIMMER

Chief Operating Officer
LeanLogistics

their supply chain. Information sharing and complete visibility allow shippers to easily collaborate on loads and lanes to reduce empty miles and carbon footprint. Private fleets, typically running below 50-percent capacity, are an excellent example of how visibility and access to loads within the network can increase asset utilization 200 or 300 percent–sometimes more.

Q: What's next in TMS technology?

TIMMER: We're seeing the use of 'meta intelligence;' leveraging TMS visibility and data in decisions that extend well beyond traditional functionality, with the capability to support and even redefine your marketing, sales and distribution, and customer service based on the business intelligence derived from your transportation network. For example, you'll know the environmental and financial cost for every load in every lane, and anticipate and adjust for capacity constraints. You'll achieve maximum utilization of your facilities by managing

inbound and scheduling appointments. This information and interpretation are only possible with an extensive SaaS network that draws on a vast repository of data to provide answers for critical supply chain issues.

There will also be a growing number of task-specific applications available. Case in point: LeanLogistics LeanDex™ Transportation Index provides real-time rate validation and scenario-based sourcing strategies. Users can identify lanes where rates are out of tolerance and negotiate services using better data, leading to new levels of transportation optimization. The index is a self-serve, Web-based application that provides shippers and carriers with timely snapshots and ongoing rate trends for any North American lane. Access to more business-intelligence tools and the use of data intelligence, such as LeanDex™, is the future for TMS technology.

Ensuring Successful System Integration

Q: What factors make software system integration necessary?

RODRIGUEZ: Variety among parties is a fact in the supply chain. Because of that variety, there is no software system that covers the immensity of combinations and scenarios that can occur in today's supply chain. In the same way, there is no software right for every supply chain requirement specific to each business.

This leads to one conclusion: Supply chain software needs to integrate with other systems. As volumes increase and deadlines get shorter, the necessity of communication between systems in the supply chain is more evident.

Q: How is technology today helping to solve this?

RODRIGUEZ: A few decades ago, electronic data interchange (EDI) was created as the standard. In the early days of using EDI, trade documents were transferred over expensive private networks that only larger companies could afford. The Internet made EDI more affordable, but there was still a high toll on converting business transactions to EDI documents.

Today, XML technologies have bridged that barrier. A small company can set up system-to-system communications (including both the old EDI standard and new XML-based technologies) via XML with a small investment and the right software.

Q: What are the benefits?

RODRIGUEZ: The return on investment for this type of implementation can be seen within the first two months in data-entry labor savings alone. But the real improvement is in service quality. The number of errors, calls, and returns will be reduced significantly, and customers will be happier, which is the ultimate goal of any business.

This is excellent news in these tough times, when everyone is looking to cut expenses and keep service levels high. If you are a supply chain or logistics manager for a small or medium-sized company, and you have not currently established system-to-system communication with all your business partners, start discussing it with them. It's easier to get this done now than it used to be. As you gain experience, write your own implementation guidelines and make them a requirement for each new business partnership you establish.

When selecting a new software application to address any aspect of your supply chain, also keep in mind that one of the most important features of supply chain software is the ability to communicate with others. To keep up with today's demands, a good system should have out-of-the-box communication with other companies using the same system, and easy setup of communication with companies using other systems.

Magaya Corporation | 786-845-9150
info@magaya.com | www.magaya.com
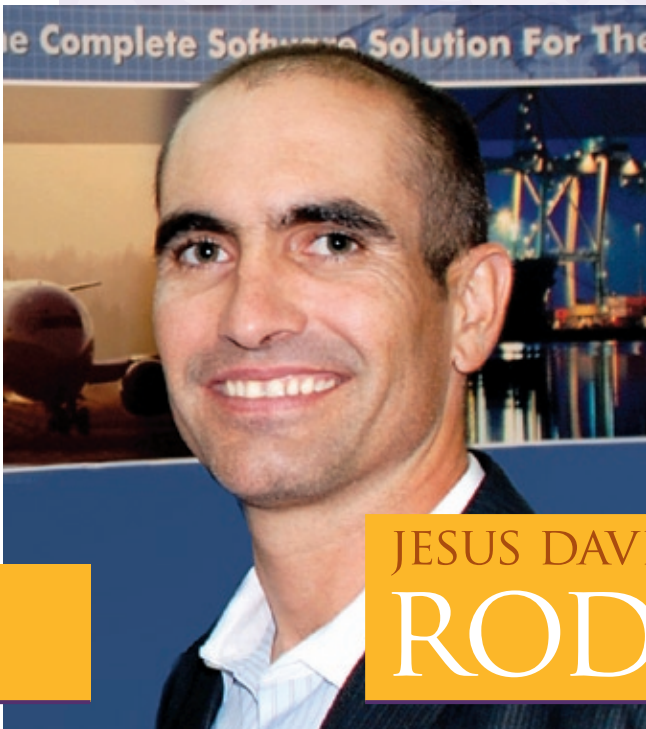
JESUS DAVID
RODRIGUEZ
President
Magaya Corporation
Logistics Software

Global Trade Management Software: International Trading Made Easier

Q: **What role does technology play in optimizing global supply chains?**

PREUNINGER: Many companies have seen the value in using global trade management (GTM) software to lower costs, ensure regulatory compliance, improve customer service, and automate facets of their supply chain operations. Two capabilities that leading companies are using today to weather the downturn are supply chain visibility and international trade compliance.

These tools provide an immediate and visible return on investment, enabling companies to reduce costs, improve operations, shrink manual data entry errors, facilitate cross-border movements, and improve customer service. In addition, reducing cycle times, eliminating bottlenecks, improving distribution networks, lowering out-of-stocks, and determining the best way to ship freight can also lower emissions, an ecological goal for many companies.

Q: **Import/export compliance can be daunting. What steps can shippers take to make the process easier?**

PREUNINGER : Combining a comprehensive global trade content database that covers multiple types of regulations and agencies with a system that automatically updates an organization's data provides accurate, real-time trade content that helps prevent penalties and delays, and reduces non-compliance risks.

There are six key components necessary to build an import/export compliance program: attaining management support; performing a company profile and risk assessment; ensuring cross-organization accountability; automating compliance process control; training the individuals and teams involved in the import and export processes; and scheduling and performing continuous audits and reassessments.

Q: **What is the best advice you can offer companies that have been afraid to take the next step toward globalization?**

PREUNINGER: Companies no longer have to take on all facets of international trading at once. And with the advent of cloud computing, otherwise known as Software as a Service (SaaS), companies can collaborate with trading partners around the globe with minimal start-up costs and headaches using a pay-as-you-go model.

GTM software via the cloud offers a number of benefits for companies of all sizes: integration of global suppliers and logistics providers with a shared network; connection to value-added services such as trade content from hundreds of countries; support for new workflows and collaborative processes; and configurable software solutions for rapid implementation. As a result, companies can expect to reduce operating costs by 20 percent or more, and eliminate the need for capital investment to support expansion or to handle demand surges.

Management Dynamics | 201-935-8588
Solutions@ManagementDynamics.com | www.ManagementDynamics.com

JIM PREUNINGER

Chief Executive Officer
Management Dynamics

Voice Technology Frees The Warehouse Workforce

Q: The supply chain and logistics sector has been positively impacted by a wide variety of input and output technologies. What are the most exciting changes inside the warehouse today?

WILLS: Over the past few years, a lot of companies have integrated and benefited from voice technology, which frees the warehouse workforce to use their hands, eyes, ears, and voice to take productivity to new heights.

While still in fewer than one in 10 warehouses, voice-enabled logistics technology is not just for large enterprises. Warehouse and IT managers at companies of all sizes are embracing this technology, and the workers love it. Integrating voice-enabled logistics with host enterprise resource planning (ERP) solutions and warehouse management systems (WMS) has improved our customers' productivity by 20 percent or more, and helped achieve near 100-percent accuracy–all while creating safer, greener warehouse operations.

TIM
WILLS

Vice President, Marketing and Support
PEAK Technologies

Q: What is the most common misconception about voice-enabled logistics?

WILLS: The most common misconception is that it's cost-prohibitive, both as a capital expenditure and operating expense. When voice technology first hit the market, it required a fairly considerable initial investment, and there remains a perception that voice is only for the large enterprise. Recent advances in technology, however, have made voice an affordable and cost-effective solution for organizations of all sizes. In fact, companies with as few as five to 10 warehouse pickers can recoup their initial investment in voice technology within the first year.

In regard to ongoing costs, warehouse and IT managers with legacy voice solutions are often frustrated by high maintenance, licensing, and training/retraining expenses–as well as by being strong-armed into limited hardware options. Fortunately, the newest technologies overcome these issues. For instance, phoneme-based voice engines are speaker-independent, as opposed to speaker-dependent, eliminating the need to 'train'

the system to each user – a significant cost/time saver for organizations with high turnover rates.

The system's open architecture allows customers to use whatever voice-capable hardware works best, whether it's Motorola, LXE, or another hardware option. For example, the customer might initially deploy voice in conjunction with existing mobile computers, then adopt a voice/barcode or voice-only approach as needs change.

Q: Where do you see voice technology going in the future?

WILLS: The benefits today are already pretty amazing: quick ROI, greater accuracy, and a safer, greener warehouse. Hardware improvements will continue to make headsets more comfortable, while offering better noise-cancelling capabilities. But the big changes will occur in software.

Universal translators and greater language understanding will continue to expand the computer's ability to actually converse and eventually collaborate (instruct, query, and understand) with the worker. From picking to put-away, shipping and receiving, inventory management and beyond, voice technology will continue to expand throughout all aspects of the supply chain, including applications that extend outside the four walls of the warehouse.

PEAK Technologies | 800-926-9212
www.peaktech.com | info@peaktech.com

The Secrets to a Successful Global Trade Management Program

Q: What are the elements of a successful global trade management program?

MADZY: Global trade management is a dilemma for most organizations because it is an enterprise-wide discipline that needs to be developed. In today's decentralized and outsourced business climate, it is difficult to bring together all the resources and expertise required to develop and implement a global trade management program.

A comprehensive global trade management program must include sourcing, purchasing, transportation, sales, compliance, and accounting expertise. An exhaustive analysis of an organization's import and export procedures must be analyzed and documented. The documented procedures will require each department to develop practices around the goals to implement a comprehensive global trade management program.

Q: What goals should companies strive for when implementing global trade management programs?

MADZY: The goals of a global trade management program should include: regulatory compliance for each commodity, cost efficiencies in product movement, high standards for on-time delivery, and meeting every customer expectation. In

chain partners analyze information and notify their customers of the potential effects they may have on their development and delivery.

Q: What's the difference between data and information?

MADZY: Data becomes information when it is used to create value. Some examples of sharing information include a forwarder posting

TOM MADZY
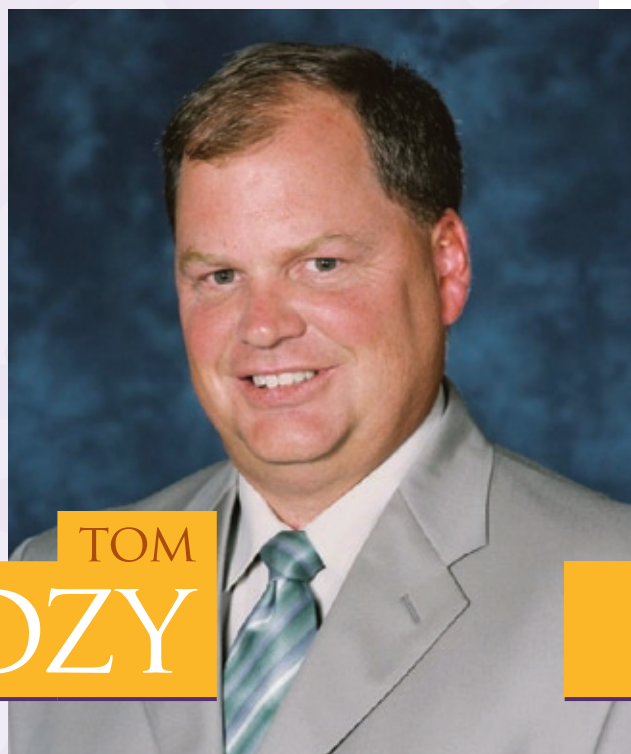
Chief Information Officer
SEKO Worldwide, LLC

addition, each step in the process must be traceable and verified to provide impeccable customer service, all from a company that adapts to the changing industry.

Q: What's the best way to manage the constant change involved in global logistics?

MADZY: Partnering with a proactive supply chain partner is essential to staying on top of change. A proactive partner will alert you to regulatory compliance, geo-economic, or geo-political changes that will disrupt the supply chain and cost variables that could have a significant impact on your budget. In today's world, there is no shortage of information that could affect your business. Likewise, it is imperative that supply

transport delays to a company's broker, exporting transportation calendars to Outlook for unified visibility, and turning data into phone calls or text messages during possible supply chain disruptions. Throughout the supply chain, customers should ensure their providers share information rather than just data, creating built-in efficiencies.

Any supply chain involves redundancy of effort. A highly efficient supply chain that has built-in value for each of its partners shares the burden of collecting and sharing information.

SEKO Worldwide, LLC | 800-228-2711
Tiffany.holm@sekologistics.com | www.sekologistics.com

Benchmarking Data Supports Pricing Decisions

Q: How can shippers and logistics service providers (LSPs) ensure that their business methods and metrics conform to best practices for the industry?

SCHRADER: The best transportation companies identify and measure their key performance indicators and strive for continuous improvement. Most companies have done a good job using their transportation management system or enterprise resource planning software to measure performance versus prior years and against their current budget. However, most companies aren't taking the next step: measuring their performance against the market, and their peers and/or competitors. Measuring against industry benchmark data allows you to identify areas for improving transportation spend.

Q: How can a shipper or LSP use industry benchmarks to improve internal decision-making?

SCHRADER: Transportation companies and shippers are painfully aware of cost increases and capacity constraints at the macro level. The impact on the business can be very specific to a market or a region, however, and can change overnight. Suddenly, all your pricing assumptions are wrong.

Luckily, benchmarking data and tools are available now to support pricing decisions. For example, TransCore's Truckload Rate Index includes both contract and spot market rates. Contract rates are the rates shippers pay to the carrier, while spot rates are the broker "buy" rates. When the market is in equilibrium, spot market "buy" rates are typically 15 percent lower than contract rates for comparable lanes and equipment. Right now, the gap is narrower–about four percent in many markets. In February 2011, 20 percent of the top 7,000 lanes showed spot market rates for vans that exceeded contract rates, a further indication of capacity constraints in those markets.

Having both rates readily available offers the shipper and LSP the opportunity to determine the least-cost method of moving truckload freight, represent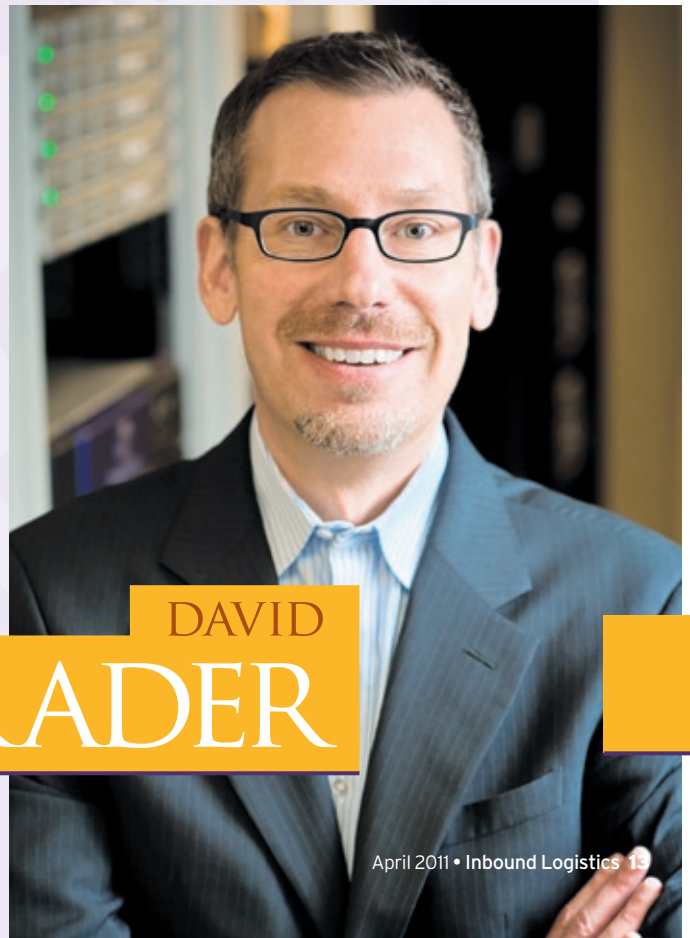ing an arbitrage opportunity to reduce transportation spend. Pricing analysts or dispatchers can research the prevailing rates and negotiate with confidence to secure trucks.

Q: What trends do you see emerging in trucking freight in 2011?

SCHRADER: Transcore's DAT Network showed a 131-percent increase in load availability in 2010, compared to 2009, followed by record-breaking freight volume in our spot market in January and February 2011. Intermediaries moved 10 percent more loads in 2010 than they did in 2009, according to our recent Broker Benchmark Survey. But the American Trucking Associations' Truck Tonnage Index reported only a five-percent increase, year on year. So truckload freight volume on the spot market appears to be growing faster than the overall industry.

All indications are that the economy will continue to recover, and freight volume will increase. Couple this with tightening capacity, and we expect rates to continue to rise in the second quarter and throughout 2011.

TransCore Freight Solutions | 866-678-7065
www.transcorefreightsolutions.com

DAVID SCHRADER

Senior Vice President,
Operations
TransCore Freight Solutions