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

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

More importantly, these logistics thought leaders can give you guidance when considering improvements to your business processes.

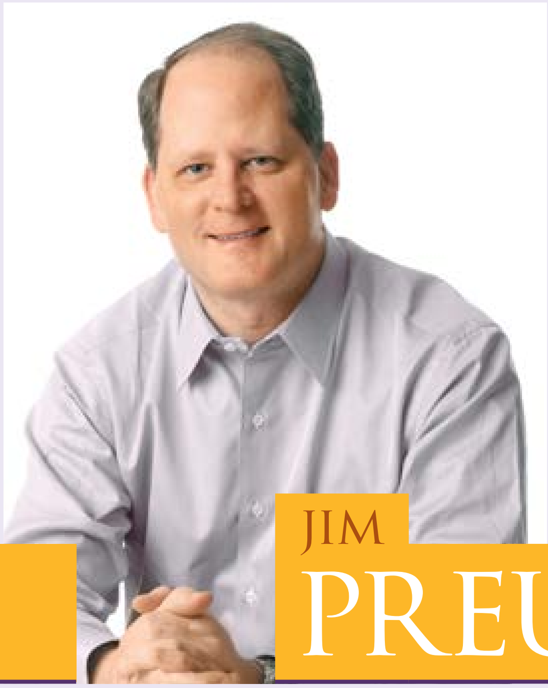
THOUGHT LEADERS

What Midmarket Companies Need to Know About Trade Compliance

Q: What is the status of midmarket companies in the global trade arena?

A: Global trade has become increasingly attractive to the midmarket—defined as companies with revenues between $5 million and $1 billion—because of lower sourcing and production costs in some developing countries, as well as rising consumption in some overseas markets.

Between 2012 and 2013, the number of companies that export to more than 20 countries increased by 90 percent. The largest increase was in the number of companies shipping to 21 to 50 countries.



JIM PREUNINGER
CEO
Amber Road

Q: How is the midmarket addressing compliance today?

A: Of the 361 midmarket exporters surveyed, 53 percent have a documented export compliance process—a significant rise from the 41 percent in 2012. Unfortunately, these numbers indicate there are many companies with partial or no compliance practices. On the positive side, the numbers reflect an increasing awareness of the need to address these issues.

Q: What are some core elements of an effective compliance program?

A: Getting management's commitment will increase the likelihood that these issues will be taken seriously and addressed in the near term. Other key components include establishing a continuous risk assessment process; creating a formal written export management and compliance program; and maintaining ongoing compliance training and awareness.

Q: What are some benefits of using automation to create a strategic export compliance program?

A: Automation is a key requirement for companies engaged in global trade. Most companies have long surpassed the point where manual practices can scale, are affordable, or come close to meeting the need to exercise reasonable care.

Q: What obstacles are midmarket companies facing with global trade?

A: Doing business abroad is more complex than trading within a country's borders because of longer supply chains, added trading partners, and more compliance rules and regulations. These issues necessitate a fresh approach to global opportunities.

Additionally, the rising volume of exports and number of destinations exponentially increases trade compliance complexity. Unfortunately, nearly half of respondents to a recent Amber Road survey say senior management is either not aware of or not involved in trade compliance.

Further, through automation, companies can expect to grow revenues; decrease costs; and realize higher margins and improved customer retention.

In short, creating an integrated, cross-functional team with access to automation to quickly and easily make sourcing and routing decisions will help midmarket companies fully take advantage of the benefits of growing their business overseas.

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Getting a Handle on Regulations and Compliance

Q: How do regulatory changes impact capacity, service, and pricing?

A: Numerous regulations and market dynamics have impacted the transportation industry. In North America, for example, the Moving Ahead for Progress in the 21st Century Act, which passed in 2012, resulted in the cancellation of nearly 9,000 bonds and freight forwarder licenses, removing 35 percent of the brokers and freight forwarders from the market.

As a result, brokers have higher operating expenses due to increased bond costs, and freight forwarders who have operated without bonds now have higher operating costs. Carriers without a brokerage license have increased operating expenses or have decided to no longer commit to more freight than they can haul on their own assets, reducing effective capacity. In addition, smaller carriers who have traditionally relied heavily on brokers to utilize their capacity could be left with under-utilized backhaul capacity. This leads to carrier inefficiency and increased costs that eventually have to be passed on to the shipping community.

Even with the impact of these regulations, and the tightening of capacity due to other factors, shippers need to be more cautious than ever to ensure they employ a broker or third-party logistics (3PL) provider with the financial depth, resources, and integrity to protect their interests.

Q: What are the challenges and opportunities in global trade driven by Foreign Corrupt Practices Act (FCPA) compliance requirements and processes?

A: In the United States and around the globe, the Department of Justice and the Securities and Exchange Commission have signaled their intent to increase enforcement of the FCPA. The challenge lies in the complexities and associated expense of navigating the qualification, audit, and compliance requirements in countries all over the world.

Because of valid concerns and high-profile exceptions experienced by some shippers—as well as the multinational 3PLs representing them—there has been tremendous interest in securing the services of 3PLs whose commitment to FCPA and other corporate governance is absolute.

Q: What solutions can shippers implement to neutralize these regulations' impact on capacity?

A: Build virtual fleets by mining capacity from smaller carriers that are quality providers. Carriers that may not show up on many shippers' radar due to size, location, or lack of direct sales effort represent viable capacity when vetted and managed by a capable 3PL. Ten smaller carriers, each providing a few trucks per week, managed through a single 3PL channel, can provide a level of capacity that larger carriers might not be able to supply.

Another solution to capacity constraints is exploring mode conversion options where viable. Every load converted to an alternative mode leaves an over-the-road truck available to cover loads in markets where alternative modes are not viable.

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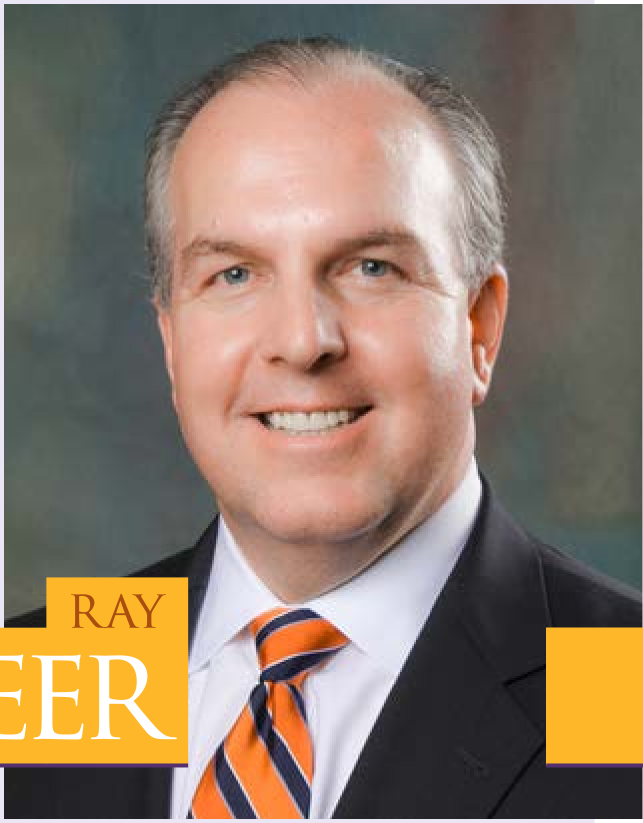

RAY GREER
President
BNSF Logistics

SaaS TMS Facilitates Carrier Management

Q: How can shippers navigate today's tight capacity market?

A: For companies to have the assurance of consistent, competitively priced, service-oriented capacity through the ups and downs of the transportation marketplace, being a shipper of choice is imperative. Here are a few tips to get started:

ERIC MEISTER
Chief Operating Officer
LeanLogistics

1. Go beyond rates. Best practice suggests taking a multi-tiered approach to secure carriers, using various types depending on network needs. Focus on carriers with the best mix of service and rates for the region. Create a matrix of tiers, defining expectations concerning on-time performance, tender acceptance, and rate competitiveness.

2. Know your business. Start by understanding lane volumes, and the carriers that currently serve those lanes. Determine which carriers meet service levels, and how adjustments can be made when they fail to comply. By using the tiered approach, you gain flexibility in how you manage the trade-offs between cost and service, setting specific expectations for carriers.

3. Bring the carrier into the conversation. Articulate the relationship between price, service, and the business you will award. The same carrier may have varying roles in your network based on its service capabilities and your business requirements. Carriers need to understand how their performance affects the business you award them. Regularly scheduled metric-based discussions with carriers drive continuous improvement and facilitate a focus on future business needs.

Q: What should shippers evaluate in next-generation transportation technologies?

A: There is the opportunity to improve service and performance with Web-based transportation management systems (TMS). Buzzwords—such as cloud-based, cloud computing, and Software-as-a-Service (SaaS)—can easily be used interchangeably during the sales process, but what are the real differences among these technologies?

Cloud-based: Many cloud-based solutions offer storage and infrastructure as a service accessible through the Internet. In many cases, the cloud can be viewed as the technology infrastructure that occurs outside of your company's network.

Cloud computing: Cloud computing uses the processing power of connected servers across the cloud. These resources are leveraged across many users to provide scalability and cost efficiencies.

SaaS: The term Software-as-a-Service refers to the ability to offer Web-based applications as a service. The service provider assumes the responsibility for developing and maintaining both the hardware and software infrastructures required to deliver the technology, freeing customers to focus on other areas of their business. This reduces total cost of ownership, because hardware and software maintenance is not a concern.

So what is the best solution? A true SaaS TMS solution allows shippers, carriers, suppliers, and consignees to access best-in-class technology to conduct business on a single platform. Having a large network of partners on one platform executing transactions with a similar business process creates efficiencies that standalone applications cannot provide.

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Does Your Website Help You Stand Out from Your Competition?

Q: Why is an effective company website important?

A: Your company's website is your image to the outside world, so it should be as attractive, relevant, and well-organized as possible. When a potential client or vendor checks you out, more than likely, they will judge you based on your website, so put your best foot forward.

If your site is outdated, consider investing in professional Web design services. There are many low-cost options—from pre-made templates to design students charging low rates—but don't just consider the cost. Look at the payback. Your website should be a moneymaker for you, rather than an expense. In the long run, hiring a top-notch Web design firm is cost effective, because extra business brings in extra profit.

Investing in a well-designed, interactive website can save you money in the long term by cutting down on your company's customer service needs. If your customers can easily use your website to view price quotes, create orders, track shipments, and print proof of delivery documents, for example, they will rely less on your customer service representatives, cutting your labor costs.

Q: What are some other ways companies can make or save money on their websites?

A: For third-party logistics (3PL) providers, creating easier carrier transactions is important. For example, carriers can now on-board themselves. Organizations such as Registry Monitoring Insurance Services, Truckstop.com, and TransCore offer automated on-boarding portals that work as part of the 3PL's website.

Well-designed 3PL websites allow carriers to view available shipments, and accept them online, offering load coverage even in the middle of the night—which ultimately yields better service for shippers and their customers. Some 3PL sites also permit carriers to enter their own check calls, and self-invoice using apps such as EPay manager, which streamlines the payment process.

Finally, if carriers have the option of choosing quick-pay from a 3PL's website, the 3PL may be able to receive a markup. Some 3PLs charge quick-pay discounts of six percent or more. Making this profitable transaction as easy as possible for carriers lets the 3PL pass the savings along to shippers.

Q: What else can companies do to enhance their websites?

A: Use your imagination! Consider all the functions customers or vendors call you about, then determine whether those tasks or questions can be automated on your website.

Computers and the Internet are relatively recent inventions, so now is the time to get as far ahead of the curve as you can. Think about what your customers and competitors will be doing in 2024, and try to get that going now.

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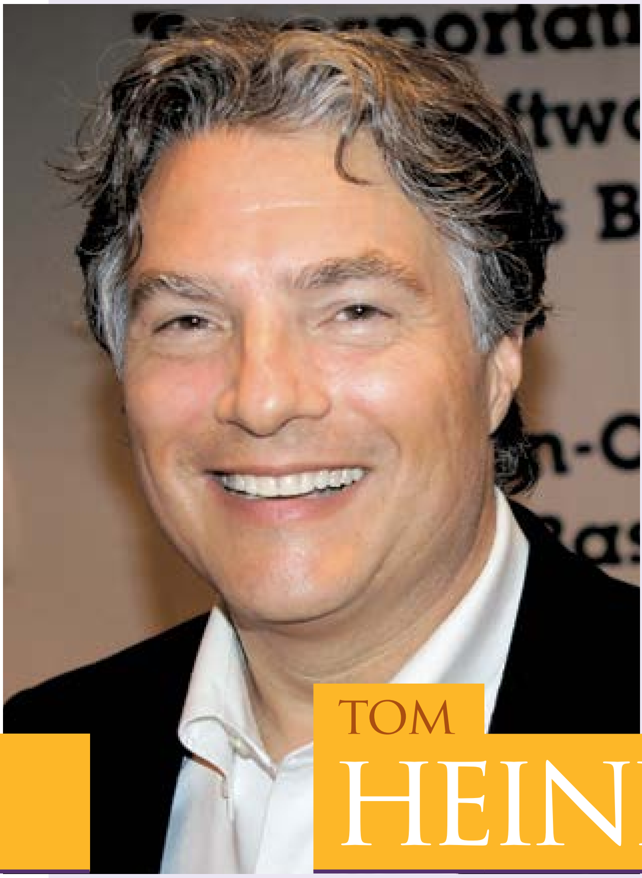

TOM
HEINE
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Empowering Companies Through Integrated Data Flows

Q: What are some key data management challenges in logistics today?

A: One key challenge is the different types of information flows. For example, some companies use electronic data interchange; others prefer XML or flat file. The choice often depends on the industry vertical, the company's capabilities, and how their suppliers operate.

For example, in the fashion business, some small suppliers use outdated technology. They may still communicate via fax, which is unacceptable to many trading partners in this day of advanced data management.

Sometimes companies need to help suppliers improve their capabilities in this area. The supplier might even leverage the company's or the third-party logistics (3PL) provider's technology. Either way, data needs to flow electronically, rather than manually, to improve accuracy and efficiency for everyone.

BILL
FRASER
Director of Information Technology
Geodis Wilson USA

Q: What are the advantages of choosing a 3PL provider with an integrated WMS?

A: Many companies searching for a 3PL want integrated logistics solutions that provide visibility to their supply chain, and seamless data flows so they can focus on their core business. Maintaining an integrated warehouse management system (WMS) offers a number of benefits for both 3PLs and their shipper clients.

In the logistics sector, 3PLs can use their integrated WMS to provide shippers value, improve visibility into their supply chain, and marry up with their existing solutions—whether it is an enterprise resource planning solution or warehouse control system. They must find ways to allow data—in any form—to flow seamlessly so the client can focus on its core competencies.

An integrated WMS allows for real-time efficiency. As cargo is received and scanned, the operating system is automatically populated. This reduces duplication of efforts, and provides critical real-time visibility to the shipper. With a separate WMS, the data has to be re-keyed, which often introduces errors. An integrated system improves data flow, efficiency, and accuracy; and therefore also allows all supply chain partners to keep their costs down.

Overall, working with a 3PL that runs an integrated WMS solution allows shippers to manage their supply chain confidently. A lot of companies can't do that if they don't have access to these solutions.

Of course, businesses have to have good processes in place, as well. An integrated WMS may not be the panacea when selecting a 3PL provider, but it goes a long way to improving data flows, accuracy, and efficiency.

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Partners and Process Management: Freight Business From the Inside Out

CHAD CROTTY

Vice President of Sales
DDC FPO (a division of The DDC Group)

Q: What is the key to managing freight spend in today's supply chain?

A: Efficiency at every level of the supply chain is of the utmost importance in controlling costs. Carriers and shippers alike need to formulate their strategies based on key performance indicators (KPIs). Making routine a simple action such as generating useful reports from raw data will allow management to pinpoint problems, determine the cause, and collaborate to implement new, better practices that will control spending.

Q: How can carriers and service providers work together to increase their partnership's value?

A: Often, service providers gear their offerings to the needs of carriers and other transportation and logistics companies. The only way this is possible is if the customer regards its vendor as a partner. Carriers and shippers must keep the lines of communication open, so that when an issue or opportunity arises, they feel comfortable bringing it to their service provider's attention. Executives must remember that they know the inner workings of their company better than anyone else. A solid partnership rooted in constant communication, continuous improvement, and trust in the provider's capabilities can add value in areas that were simply not considered before.

Q: How can carriers leverage technology to increase business management?

A: Traditionally, carriers relied on in-house expertise to properly manage every aspect of their business. The biggest problem with this internal control is inefficiency, seen in time and costs. Technology and the use of intelligent software can significantly shorten the workflow process, and speed up the order-to-cash cycle. Recent advances in character recognition technology and software designed to extract, classify, and validate data are changing the way companies execute back-office functions. This allows business managers to focus on their core business functions, which improves efficiency.

Q: What analytics and metrics are most useful for carriers in evaluating business management?

A: For the carriers falling behind, measuring data entry accuracy is critical. By reducing errors and improving accuracy daily, carriers could save 40 percent or more. Carriers should analyze any function that affects their overall costs, directly or indirectly. By simply looking at it from a cost perspective, you can determine where improvements need to be made.

Q: How can carriers ensure they are working with fiscally responsible vendors?

A: This is simple: Talk to your peers in the industry. If vendors have reputable business relationships with your peers, they will know.

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Getting a Handle on Loss and Damage Claims

Q: Why are loss and damage claims a challenge for shippers?

A: Global shippers face many challenges when it comes to managing loss and damage claims. The top three are a lack of knowledge about claims preparation and filing requirements (including documentation and time frames); a lack of resources to follow through on outstanding claims; and a lack of visibility into problem providers or locations.

Lack of knowledge about basic claims filing requirements is especially common. Unlike transportation providers, who are typically experienced in one specific mode, a global shipper has to be knowledgeable in multiple transportation modes. Different filing requirements exist for providers in various transportation modes, as well as contractual agreements that often differ from published requirements.

For example, the standard filing requirement for international air shipments is seven days from delivery; for international ocean shipments it is 12 months from delivery.

As far as documentation goes, some shippers may not know that supporting documentation must include a bill of lading or a delivery receipt that identifies the shipment, as well as an invoice that validates the filed amount.

Q: What can shippers do to more easily and efficiently handle claims?

A: It is difficult for shippers to perform the follow-up tasks necessary to track claims through completion without the right tools and resources. Access to the proper tools is a must. Shippers need a claims management program that allows complete visibility throughout the entire process from recording delivery exceptions (the pre-claims process), submitting the claim to the transportation provider, and recovery of the claim.

It is important to have a claims program that provides the business intelligence necessary to help leaders make informed decisions. Detailed reporting makes it easy to identify potential trends with problematic carriers, lanes, or product packaging—and that's the first step in cutting down on future claims.

Q: What should shippers look for in a claims processing provider?

A: While working with professional service providers typically improves recovery time and collection amount, it can also be beneficial in terms of educating staff on the claims process. Many trade organizations and service providers offer seminars on claims handling or claims prevention. All shippers should take advantage of these opportunities.

While state-of-the-art claims management tools can vastly improve a company's processes, education is critical and will empower the people using those tools to be even more effective.

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