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

Inbound Logistics assembled a team of leaders in supply chain services and solutions to ask for their perspectives on the important logistics challenges and opportunities impacting your business.

These logistics thought leaders can give you guidance when considering upgrades and innovations to your business processes.

THOUGHT LEADERS

APIs Enrich Software Users' Experience

Q: What is an Application Programming Interface (API)?

HEINE: It's a software-to-software interface that enables Web-based applications to be part of your transportation management system. You can access outside information without leaving your working application. For all practical purposes, it's built-in. For example, Google Maps APIs are often built into Web sites.

Q: How are APIs used in the logistics sector?

HEINE: There are so many uses. TransCore Connexion is a tool available for brokers and carriers to instantly communicate with Transcore's DAT Network. Have an available truck? Without leaving your working application, you can instantly see the latest rates for the lane you want. Need a load? You can view the loads available right now. TransCore also offers an API for insurance and carrier compliance; so do Risk Management Information Systems and Posteverywhere. TransCredit offers an API for shipper credit information. uFollowit has a GPS application that tracks cell phones and delivers the information via API. Icontainer.com has an API for international freight rates, so you can get port-to-port or door-to-door pricing in an instant. Epay Manager has APIs for adding visibility to your accounts payable. LoadOpt offers APIs for optimum LTL shipment consolidation. Comdata has APIs for issuing Comchecks, express cash, or virtual credit cards. PC Miler now offers an API for truck mileages. Beyond these, common carriers often have APIs for rates, delivery information, and even signed documents.

Q: So APIs display information from other Web sites?

HEINE: Yes, but it goes deeper than that. Take e-signatures, for example. Rate agreements, quotes, and contracts can all be e-signed. Sertifi is a market leader in this. You can email a document to a customer or trading partner through a Sertifi API. Sertifi adds a unique signature element to the document, then forwards it to your recipient quickly and transparently. For the recipient, it's simple; they can type or tap in their signature. The e-signed document is then e-mailed back as an attached PDF to you or whoever sent it. A proof of delivery or bill of lading can be e-signed from an iPhone, iPad, or any smartphone and be back in your office within seconds.

Q: E-signatures are new to logistics. Are they legal?

HEINE: Yes, courts have upheld agreements with e-signed documents. Companies such as Pitney Bowes, Microsoft, Salesforce.com, and Comcast use documents with e-signatures. It's likely that within the next five years, more than 50 percent of logistics documents will be electronically signed.

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Getting a Handle on Specialized Transportation Costs

Q: Why is controlling fuel and permitting costs important for companies moving heavy equipment?

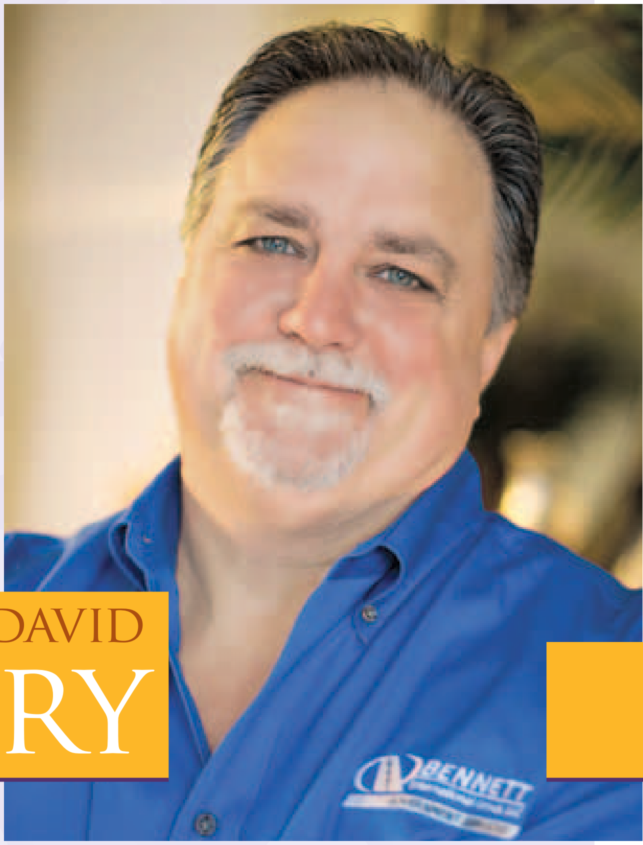
LOWRY: Managing these increasing costs is a major task, but it's essential to gain greater efficiency and profitability. With state governments across the country facing significant declines in tax revenue, many are enforcing new weight restrictions and fuel tax requirements on the freight industry to help recoup lost revenue.

Transportation and fuel costs accounted for 62 percent of supply chain spending in 2010, according to the latest Council of Supply Chain Management Professionals study. With diesel costs hovering at an average of $3.90 this year, states are increasingly relying on higher fuel tax rates to supplement lost revenue.

Couple increased fuel prices with various state permitting costs and requirements, and it becomes clear that higher transportation costs will be a fact of life for several years to come.

Q: What steps can shippers take to control these costs?

LOWRY: Fortunately, there are several solutions for managing rising fuel and permitting costs for greater supply chain efficiency. These include:



DAVID LOWRY

President
Bennett Motor Express

■ **Use an asset-based specialized carrier to get a better handle on fuel costs.** Carriers who are willing to invest in diverse fleet equipment and technology solutions can offer a range of tools to reduce transportation costs. The tools include GPS-enabled trailers for tracking and tracing, fuel management dashboards, and other resources for complete transport optimization and visibility.

■ **Ensure your specialized carrier uses a continuous improvement process as part of the permitting procedure.** State permitting costs and requirements are based on the individual needs of that government, which means processes and costs are constantly changing. Many companies can gain significant savings by choosing a specialized transport partner with an experienced permitting division, and measurable processes in place to ensure the correct equipment is used for multi-state moves.

■ **Look for a specialized transporter with an expansive network of locations and the ability to deliver additional value-add solutions.** Transporters with a nationwide footprint of managed terminals can assist companies with shipment consolidation or regional just-in-time delivery, as well as yard management, warehousing, and other value-added solutions.

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Coordinated Transportation Improves Margins for Wholesalers

Q: What are wholesale distributors hoping to achieve with transportation initiatives?

MULQUEEN: Transportation initiatives are approved and funded based on their track record of delivering quick ROI through freight spend reduction. However, leading wholesalers understand that siloed transportation planning, while beneficial, has limitations. It does not take into account the impact of transportation on the warehouse, and more importantly, is ignorant of inventory costs. In some instances, the right decision may be to spend more on transportation.

Q: Isn't that counterintuitive?

MULQUEEN: Not if you look at it holistically. Inventory represents a large expense for distributors. While transportation initiatives can generate freight savings, these savings are lost if transportation decisions negatively impact inventory. Therefore, distributors can't look at each supply chain process in isolation. An execution platform that minimizes total costs while adhering to the corporate supply chain strategy is the optimal solution.

Q: How does that work?

MULQUEEN: An example would be cross-docking and flow-through distribution. Once thought of as an option only for retailers, wholesale distributors with multi-tiered networks (i.e. central DCs shipping to warehouses) can enable great inventory savings by flowing inventory through the central DCs and minimizing the amount of time inventory sits.

A good transportation system provides companies with the visibility to know what's coming on the inbound side, and, in coordination with an available-to-promise engine, allocate that shipment for immediate distribution on the outbound side. Not taking the inbound freight into inventory allows wholesalers to positively impact both DC labor and inventory carrying costs.

Q: That makes sense for complex distribution networks. But what about companies that have flat networks?

MULQUEEN: Increasing the amount of freight a wholesaler manages in the inbound network continues to be top of mind. Wholesalers need to be cautious, however, and not take a one-size-fits-all approach. Some mega-retailers' scale, scope, and market dominance enable them to profitably manage virtually all their inbound freight, but most wholesalers will need to be more selective. Cherry-picking the most profitable suppliers for conversion is done by understanding the differences between freight allowances provided by the supplier and the estimated cost of managing the freight internally. Additionally, wholesalers need to apply a risk premium to their calculations, because transportation costs continue to be extremely volatile. A supplier that would be marginally profitable to convert today may be unprofitable tomorrow.

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