

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

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The Best of Both Worlds: The Benefits of TMS With Integrated Fleet Management Tools

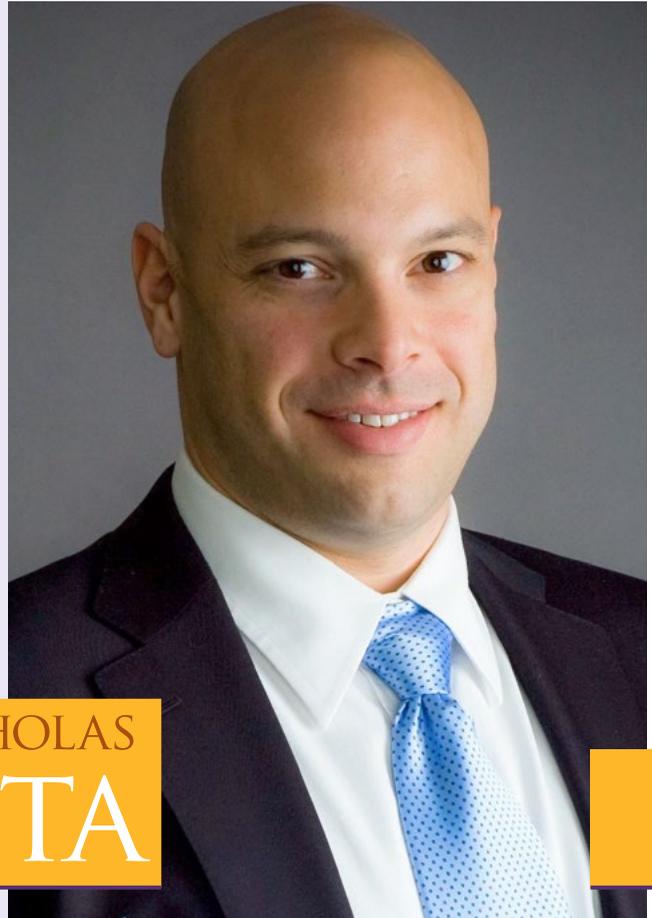
Q: With transportation management systems (TMS) solutions achieving maturity as a technology, what will be the next innovation in transportation automation?

A: The continually tightening trucking capacity in North America is prompting shippers to dramatically increase their use of private and dedicated fleets.

Adding to this dynamic, the Federal Motor Carrier Safety Administration's mandate to include electronic logs (e-logs) in every tractor in the United States makes these technical upgrades necessary for even the smallest private fleets. Managing fleets alongside common carriers within a TMS becomes the next logical step.

Q: Do shippers managing private fleets need to invest in both fleet management technology and TMS solutions?

A: Understandably, many shippers are reluctant to source, integrate, train workers on, and maintain two disparate systems—a TMS for common carrier



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movements and a fleet management tool. As a result, there is significant unmet demand for TMS solutions that integrate fleet management tools.

Having fleet management capabilities within a TMS means transportation planners can make real-time decisions about whether to use common carrier or fleet resources for any given load. The information is all neatly catalogued in a single repository, which is particularly useful for keeping tight controls over financial reporting.

Q: Are there strategic benefits to using a TMS with integrated fleet management capabilities?

A: Absolutely! Not only does maintaining a private fleet ease capacity concerns, but it also provides additional options for making the most cost-effective shipping choices. Having private fleet tools enmeshed with

the TMS provides transportation managers all the information they require on one screen, which facilitates weighing service versus cost in real time when choosing between common or private/dedicated carriers.

Moreover, including robust private fleet management features within TMS has positive ramifications in terms of ROI on automation and optimization technologies. Having a single tool to manage both common carriers and private or dedicated fleets eliminates the redundant expenses that come with implementing a separate solution for each. Plus, users avoid doubling the costs associated with training, support, and maintenance for two solutions.

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Inbound Logistics: A Grassroots Revolution

Q: Many companies neglect their inbound supply chain operations in favor of their outbound supply chain. Why is that?

A: Senior executives are more attuned to customer needs, and, in turn, the outbound, customer-facing supply chain. Its gravity naturally pulls their attention, and, as a result, policies and tactics abound for outbound material flow. This results in hidden margin-draining activities for half of the enterprise's supply chain.

Failure to adequately incorporate policies and controls for the inbound supply chain can not only adversely affect profit margins, but may also impact supplier relations, depending on the level of non-compliance.

Q: How can logistics managers raise inbound operations visibility and awareness of its cost impact?

A: It takes a grassroots philosophy—a bottom-up view of the supply chain. Operations and transportation supervisors, managers, and directors are closer to the inbound supply chain's non-value-add activities, and see firsthand the effect non-compliance has on the business. Staff members must be groomed to not only recognize these opportunities, but also receive the CFO's support to properly articulate the fiscal impact to the business.

Mature businesses make provisions to identify and resolve this problem through various methodologies such as Lean, Kaizen, or Six Sigma efforts. Regardless of the mechanism, companies must establish a process for properly identifying issues and articulating cost exposure so senior leadership can determine a course of action.

Q: Once businesses identify opportunities, how can they achieve efficiency and reduce costs?

A: Each organization will have its own approach and remedy to drive optimization, but for the inbound supply chain, the following guiding principles serve as best practices:

- Establish a supplier compliance strategy. Create and communicate policies and tactical instructions for suppliers and vendors on how to do business with your company. This removes ambiguity, and creates an environment for suppliers to work efficiently with you.

- Align purchasing agreements and vendor contracts with your policies and instructions. This communicates the importance of compliance, and will facilitate responding to non-compliance.

- Ensure departments within the enterprise are not working at cross purposes. Take a global view of material movement to align internal departments' goals and key performance indicators to meet the organization's overall objectives.

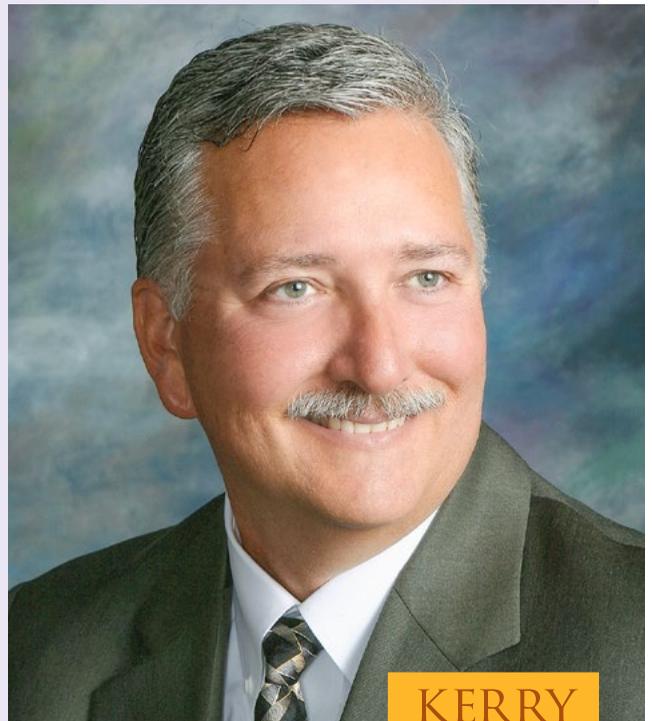
- Deploy tools to measure, monitor, and report on activities.

- Determine the course of action for addressing non-compliance, articulate it in the organization's policies, and communicate it to the supplier community.

- Establish supplier scorecards to measure improvement and monitor for additional aspects of the customer/vendor relationship you can improve.

In the end, the company with the lowest-cost supply chain will dominate its market. Can you afford to ignore half of your supply chain?

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Understanding the Auto Aftermarket Supply Chain

Q: What are some trends in the automotive aftermarket supply chain?

A: One ongoing development is suppliers are increasing their ship-direct activity. They are shipping parts directly to the dealer, or they may ship to a primary distribution center or field DC, bypassing the national distribution center.



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Establishing high-velocity distribution centers represents a third auto aftermarket trend. High-velocity DCs ship original equipment manufacturer (OEM) parts every day to most or all of the automaker's dealerships. Some smaller auto brands ship less frequently, typically delivering service parts two or three times weekly to the dealer.

Using high-velocity centers—either their own facilities, or ones operated by third parties—allows companies that once delivered two or three times weekly to serve customers five times per week. This approach could raise the level of inventory on hand, but if companies strategically focus on turns and inventory placement, they may not have to increase the amount of inventory in the system—they can just place it closer to customers.

Q: What challenges does the auto aftermarket pose?

A: It's easy to focus on assembly plant needs, but dealer needs are just as critical. Making more frequent deliveries to keep up with service demands raises the challenges of determining where to place the inventory, and managing the associated transportation costs, including identifying opportunities to reduce them.

Sharing the network can help. In many cities, most of the car dealerships are located in the same area. There's often opportunity for suppliers to share distribution networks and improve service to dealers—as well as keep their transportation costs in check. OEMs generate

This approach benefits the shipper during a surge in demand, because the inventory is available throughout the network, so the supplier can quickly distribute it where it is needed.

Another supply chain trend in the automotive aftermarket is same-day delivery. Traditionally, dealers place their orders late in the afternoon on the day before delivery. But today, suppliers place high-velocity parts in various select locations, allowing them to ship to dealers in multiple daily deliveries. Dealerships can then provide much faster service to their customers—repairs that once took two or three days, for example, can now be completed within 24 hours. This strategy is prevalent in premium auto brands, but is spreading to more mainline brands as well.

about half of their profit from aftermarket service parts, so serving these dealers is vital. Being able to deliver faster than the competition makes all the difference.

Q: What should auto OEMs look for in an aftermarket service provider?

A: In addition to transportation capabilities, inventory and order management are crucial. The right service provider can help suppliers identify service goals and determine what it will take to achieve them, as well as decide how much inventory to hold, where to locate it, and what fill rates should be.

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