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

Q: How can a logistics operation contribute to a company's overall profit margin in a meaningful way?

Recent research studies confirm transportation and handling fees, insurance, duties, and taxes make up more than 40 percent of an imported item's cost. Additional costs often hidden within operating accounts can include quote administration, sourcing, and quality assurance activities.

While effective purchasing practices leveraging low-cost country sourcing drive direct-cost benefits, financial visibility into the extended supply chain can further maximize profits, keep a better handle on liabilities, and ensure compliance with an ever-changing regulatory environment.

DON MABRY
President and Chief Operating Officer
ClearTrack Information Network

Import trade activities typically span numerous stakeholders including procurement, global supply chain/logistics, import operations, trade compliance, and finance, as well as external trading partners. Adding to the complexity, each group can have independent operational systems and processes with limited collaboration–think e-mail, spreadsheet, and facsimile.

The lack of information transparency across the extended supply chain represents a key obstacle to a company's ability to measure, analyze, and benchmark global trade performance for improvement.

Implementing technology-enabled global trade management (GTM) increases annual profit by approximately 10 percent, notes a 2009 Stanford University study. While this level of benefit is certainly attractive, several areas require attention as an organization pursues GTM technology.

First, the organization must agree on the purpose of the global trade management system. Will it support quote-to-order, cost forecasting, supplier compliance, quality assurance, analysis, reporting, and benchmarking?

Second, the company needs to reach agreement on the specific trade variables to use and processes to facilitate. Request to quote and quote acceptance, landed cost management, product quality inspections, and approve-to-ship activities all come to mind, but there are certainly many more opportunities with untapped intrinsic value.

Third, the organization should implement a robust information system to capture and measure all trade variables according to its GTM model and objectives. The GTM system must support the efficient collection of necessary information by the company's internal groups, as well as all external trading and logistics partners. Particular emphasis should be placed on the GTM system's ability to be easily configured according to standard industry practices and unique company characteristics.

Fourth, the GTM system must present information in an easy-to-use, user-friendly way, allowing analysis and benchmarking by relevant business area including item number, order, and shipment, while providing measurement of actual versus forecasted performance and costs.

Technology-enabled global trade management offers significant rewards for organizations looking to improve supply chain efficiency and, ultimately, improve profitability in a meaningful way.

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RICH WILSON

President and COO
CombineNet Inc.

Q: From your perspective as a sourcing technology provider, what trends and challenges do you anticipate shippers will encounter in 2010?

WILSON: 2010 will be an interesting year for shippers and carriers alike. Some reports show that spot rates have been rising since last fall, and most analysts believe they will continue to rise as the year progresses and the economy begins to right itself. We anticipate that, for many shippers, the pendulum will swing back in the carriers' favor, as carrier bankruptcies and forced capacity reductions create real capacity shortages that drive higher rates across all modes.

Those shippers who took every dollar and cent of savings at the trough of price points last year will pay more dearly in late 2010 and beyond than shippers who worked with their carriers to get through the tough times. And they will pay dearly not just in rates, mind you, but in capacity commitments, service levels, and loyalty. This is a cycle that resets itself every few years, and shippers and carriers alike must understand that strong relationships can provide more long-term value than a few cents per mile.

Q: What is your advice to shippers who are trying to balance corporate financial goals with meeting customers' service and on-time delivery expectations as rates rise and capacity gets tight?

WILSON: Strong shipper-carrier relationships and strategic negotiations are not mutually exclusive. Transportation organizations have a fiscal responsibility to their corporations, just as they have a responsibility to maintain or improve service quality to customers and partners. Carriers understand this, and they will understand a shipper's desire to reduce costs where it makes sense, as long as there is a benefit in return.

This is where strategic sourcing–not a bidding event, reverse auction, or winner-takes-all approach to negotiations–can make a difference. Shippers must encourage their carriers to act strategically, and provide the tools they need to do so.

First, show your carriers how they can benefit by introducing them to new lanes and shipment volumes within your network. Encourage them to think creatively about how additional volume on existing lanes, or showing you how to make your freight more carrier-friendly, can increase efficiency and reduce their operating costs, passing some of those savings along to you.

Next, monitor your execution diligently to ensure compliance to contracted rates, capacity commitments, accessorials, and other factors that can influence your transportation costs. If you can identify when, where, and–most importantly–why you are deviating from plan, you can take corrective action to fix carrier selection or invoicing problems quickly, or reset the plan based on new volume forecasts.

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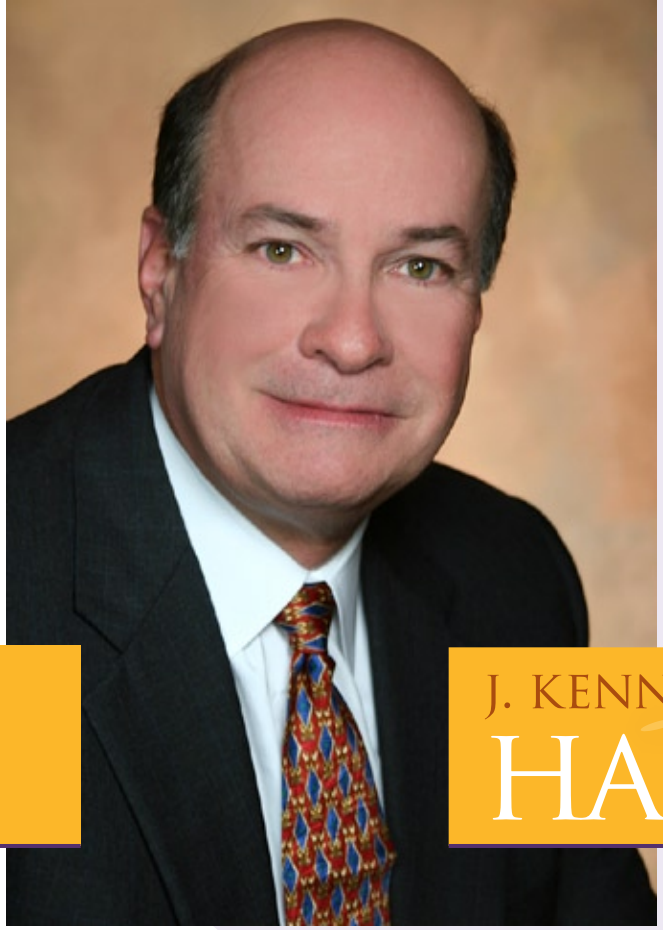

J. KENNETH HAZEN

President & CEO, CTSI

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

HAZEN: First, recognize that complying with increasing and changing regulations is a requirement. Second, allow longer lead times in holding inventory and making shipments; use expedited service when necessary. Third, placing inventory nearer the customer's location may be needed in some instances.

Also, while using historic data to predict future demand is standard practice, it should only be one consideration of the entire view. A historical forecast may not accurately represent the ever-changing, volatile economy, with its decreased spending, increased competition, and changing regulations. Being able to dive into current supply chain data is a good way to measure current activity and use real-time information for better planning. Having accurate information and the ability to drill down into your supply chain data is key.

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

HAZEN: Value chain partners can cooperate by working closely and sharing information with their carriers, making timely shipments, and adequately packing and marking shipments.

The key word is partner. You must form partnerships with suppliers and customers. I would bet that most companies are nervous to share some information because they are afraid it will also be shared with competitors. Sharing key information with all parties can lead to decreased waste, increased orders, and new business. Some ways to do this are: sharing key performance indicators regarding business strategy, rewarding compliant suppliers, and focusing on customer service.

Q: Besides automation, what innovative sustainability initiatives also increase efficiencies?

HAZEN: The days of relying on uninterrupted delivery of your inventory are in the past. Too many factors can cause shipment delays: the weather, congestion, work stoppages or slowdowns. Also, there is always the possibility of loss or damage to the shipment, no matter how well planned your transportation strategy.

Automation can definitely increase efficiency. Reducing human intervention can bring stability and consistency to certain aspects of business. For example, automating order consolidation, carrier selection, and shipment tendering can save valuable time and money. Automation also promotes clearer data, which provides more accurate reporting.

Some innovative sustainability initiatives that also increase efficiencies include "Living Green" and "Living Healthy."

Sustainability is defined as meeting current needs without sacrificing the ability of future generations to meet their own needs by balancing environmental, economic, and social (equity) concerns. The "Living Green" and "Living Healthy" initiatives seek to satisfy current needs, but with an additional objective of improving the quality of life for all. By embracing these initiatives, companies can reduce both energy and healthcare costs.

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Q: What will be the biggest change to Transportation Management Systems (TMS) technology in the next three to five years?

HIGHAM: The leading TMS technologies will be offered at no charge to customers in the next few years. True innovators offer free TMS technology as a means to an end; to move more freight for their shipper customers. People will always try free first, and if a free TMS meets their needs, the traditional software companies will become obsolete. In fact, we are already seeing that happen. The model of software companies charging clients for their TMS software is quickly being replaced by companies such as InMotion Global, which successfully gives away its software.

Q: In the recent soft market, shippers have been shunning brokers and moving to asset-based carriers, thinking they are getting better pricing. Is their assumption correct?

HIGHAM: No, it is not. While many inexperienced national and international shippers think they will get better prices by going to the asset players, this is mathematically impossible. The wiser and more experienced shippers know that most asset players broker more than 50 percent of their freight moves; some broker 80 percent or more. The brokerage market reflects the entire market at any given point in time and is a much better indicator of steady and reliable pricing and service than even the largest pure asset players.

Why? Because as soon as an asset is used or geographically displaced, an asset player must become a broker in order to provide the best price and service. So, an intelligent shipping program includes a mix of both asset players and intermediaries.

Ultimately, you want the best price, service, and people; and leading intermediaries typically provide all three.

Q: When will the market turn and rates rise for all transport modes?

HIGHAM: Traditionally, markets find equilibrium pretty fast, and capacity supply and demand work out their differences. Today, however, the markets are not acting normally and certain institutional factors bring about unintended and adverse consequences.

Look at ocean freight, for example. Most large ocean carriers are government-owned, to varying degrees. They have been bleeding money for years and there is no end in sight. The governments continue to supply the necessary funds and shippers have no incentive to change carriers. The weak need to fail. Only then will the market adjust.

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TIM
HIGHAM

President & CEO
Interstate Transport, Inc.

Q: What do you see as the key changes on the horizon in managing regulatory compliance globally?

BARNES: As different countries implement both security and trade-led initiatives around the world, it is critical to improve global regulatory knowledge and visibility. Global trade is growing and so are the associated regulations. The only way for regulatory agencies to keep up with the volume is through automation. Not only is this creating a need for companies to obtain data in an accelerated manner, but they must also ensure that the information is accurate.

As regulatory agencies obtain data versus paper, their ability to verify information accuracy improves. Now companies have the combined responsibility of enabling the exchange of data as well as ensuring its accuracy. Accuracy wasn't as important when data was on a piece of paper that might not ever be reviewed in detail.

In light of this, organizations are promoting compliance managers to a role of regional or global responsibility. In order to perform in this capacity, compliance managers must have visibility of what is happening in every country where they operate, as well as the knowledge of regulatory requirements specific to each country with which they trade.

Q: Integration Point offers its solutions via a Software as a Service (SaaS) model. What is the advantage of this delivery model versus installing software behind the firewall?

BARNES: If you attempt to install capabilities requiring constant regulatory updates as well as connectivity management with entities across the world, you will keep your IT department busy. In the old days you could wait until your goods arrived at the port, print a few pieces of paper, and the shipment would be released. If your system was down, you could type something up as a backup. With the current requirement of data interfaces provided in advance of imports and exports, you cannot afford for that connectivity to be down or your shipments will be delayed. Most companies want this managed by a provider in the business of ensuring this connectivity.

If you attempt to maintain connectivity and data exchange formats for every broker, freight forwarder, carrier, and regulatory agency that your company transacts with behind your firewall, it won't take long before your IT department tells you they are in the business of building or distributing things, not keeping up with the requirements of different governments and service providers.

Doesn't it make more sense to let your SaaS provider who specializes in trade compliance keep up with the changes? Then you can just access the information online knowing that it is being updated by someone who does that for their livelihood.

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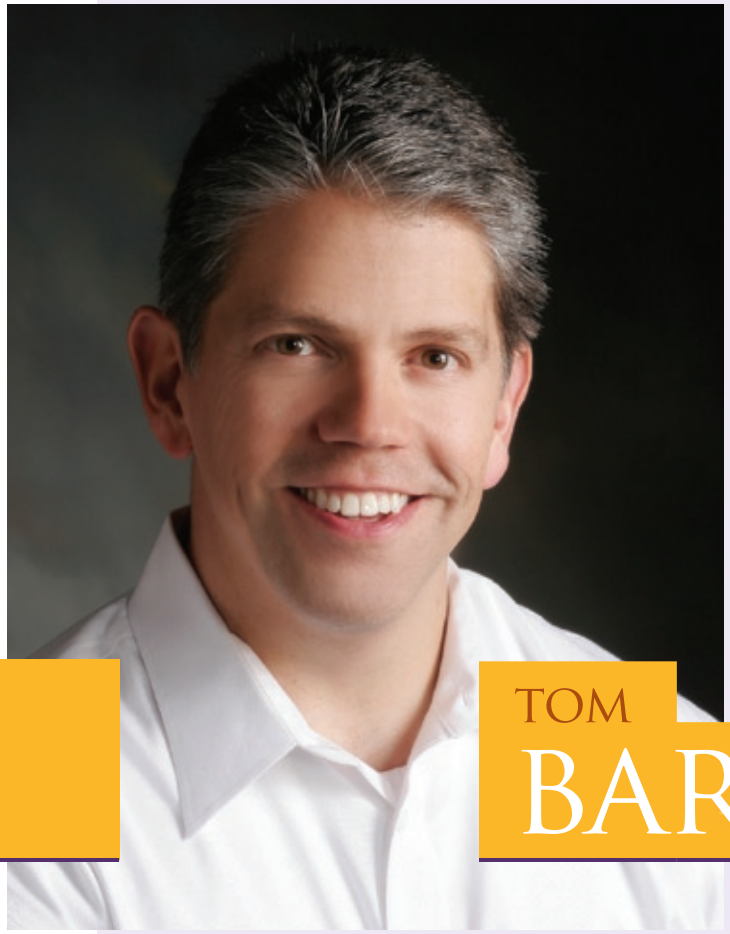

TOM
BARNES

CEO
Integration Point Inc.

STEVE BROWN

President
Intergis LLC

Q: How would a business interested in optimizing its fleet operations decide where to start in evaluating technology?

BROWN: Most companies decide by asking those they know–relying on word-of-mouth from friends, colleagues, sometimes even competitors. Of the few companies offering solutions in this space, some will claim they are the best, so assessing credibility and reliability of these companies is critical. Do your due diligence in finding the most reliable company, then dig down to figure out what features you need in the technology it offers.

We recommend companies start slowly with a scalable solution that will lead to fuel and mileage savings–achieving initial ROI–then look to implement the vendor's more advanced capabilities to take it to the next level. Are your drivers getting work orders efficiently and consistently? Are your customers being served properly? No matter the size of your business, you're now poised to really leverage the technology. And, to at least some degree, it needs to be embedded into your existing applications and systems, so make certain that easy and flexible integration is available to meet both your current and future needs.

Q: How can companies use fleet optimization software to better manage their supply chains in this difficult economic environment?

BROWN: In today's economic climate, every penny counts and satisfied customers are critical. Fleet optimization software gives you the power to run your operations with increased efficiency by helping you maximize driver, vehicle, and fleet productivity while delivering superior customer service. By automating your planning, scheduling, and routing functions, you can significantly reduce driving miles and save on fuel costs while adding more stops per day.

With this capability, you can prepare more precise estimates by putting numbers to hidden costs for travel, and extend the lifecycle of your fleet by automatically logging engine hours and delivering reminders for routine maintenance. This boosts driver, fleet, and management productivity and adds up to dramatic savings–both short- and long-term–improving your bottom line while keeping customers satisfied and loyal.

Q: Is it possible to "green" your fleet operations without incurring additional expense?

BROWN: Yes. In fact, the same initiatives needed to reduce fuel usage or miles traveled also enhance an operation's environmental impact. Some may call it 'reducing operating costs,' but you can also call it 'going green'–they have the same benefits.

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CHRIS TIMMER

Senior Vice President of Business Development and Marketing, LeanLogistics

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

TIMMER: In today's challenging economic environment, transportation professionals need to take advantage of every opportunity for collaboration with trading partners to increase efficiencies across their supply chain.

As one of the largest networks in the U.S. transportation industry, LeanLogistics On-Demand TMS® attracts more carriers, shippers, and suppliers, growing the opportunity for solution-based collaboration; more capacity available in your lanes on your ship date; greater consolidation of orders and loads; and more continuous moves. Systematic collaboration helps balance your transportation and achieve increased flow of product to the manufacturing floor or retail shelf–as demand dictates.

Customers such as Ace Hardware and Meijer win when less inventory density in the supply chain reduces costs and improves profitability without taxing suppliers, and fewer empty miles makes relationships sustainable.

Q: What innovative sustainability initiatives also increase efficiencies?

TIMMER: A compelling value proposition for shippers and carriers is LeanLogistics' GreenLanes™ program. Shippers reduce their empty miles and overall transportation costs, while enjoying premium service. Carriers increase asset utilization, enabling them to earn higher levels of profitability. This helps close the truckload capacity gap because more shipments are possible from the same number of trucks, and carriers are more motivated to consider additional capacity investments due to their improved financial performance.

Carriers, shippers, and the community at large benefit from the reduced carbon footprint, and by minimizing wasted miles, GreenLanes™ helps customers including CHEP and Diageo ensure carriers can sustain their business model while non-utilized assets are eliminated.

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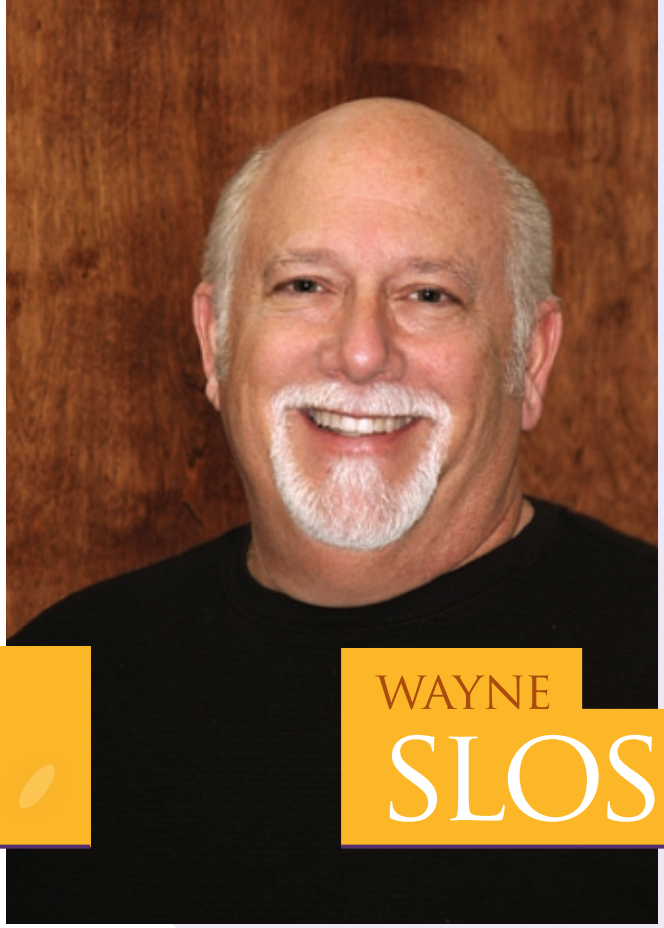

WAYNE SLOSSBERG

Vice President
QuestaWeb, Inc.

Q: Can small and medium enterprises (SMEs) attain world-class global sourcing control and visibility, given the high cost of global trade management (GTM) solutions?

SLOSSBERG: SMEs cannot afford to trade worldwide without GTM technology; luckily, GTM software is more reasonably priced than ever before. SMEs can maximize affordability by working with a provider that offers modules or a phased implementation, thereby satisfying immediate technology needs now, and deferring future requirements without fear of obsolescence.

With cost no longer the obstacle, the ability to obtain executive buy-in still prevents many SMEs from leveraging the savings and productivity GTM delivers. Project managers need to 'push the right button' and identify the element–tax savings, faster product turn rates, leaner inventories, lower overhead–that resonates with their C-level executive. ROI is easily demonstrated, and vendors possess tools to calculate business-specific savings that will convert even the diehard C-level executive to a GTM champion.

Q: Are companies missing a great opportunity by not using Foreign Trade Zones (FTZs), given the market advantage they can provide?

SLOSSBERG: The simple answer is 'maybe.' The best way to identify whether the ROI justifies the investment is to engage an FTZ consultant. This professional can walk you through the process and make a sound recommendation.

Should the analysis yield an affirmative, then choose technology to support the envisioned FTZ operations, whether distributing from or manufacturing within the zone. When evaluating solutions, consider:

- Is the system Web-based? Can it be hosted or owned?
- Does it possess a centralized compliance database?
- Is it configurable out of the box?
- Will integration to existing ERP or warehouse management systems be difficult?
- Does it possess complete functionality (compliance, inventory management, distribution, and manufacturing)?
- Does the system have export and import options and self-entry capability?
- Does the user interface allow both automated and manual input?

The fit of the right technology to current and envisioned FTZ processes maximizes market advantage and payback on investment.

Q: Is it better to rely on a global 3PL, forwarder, or customs broker, or go it on your own when facing global sourcing challenges?

SLOSSBERG: The importer/exporter holds responsibility when things go wrong, not 3PLs, forwarders, or customs brokers. Most often, misinformation between parties precipitates the fines, product loss, storage fees, and audits that make some believe 'going it alone' may not be the best solution. The right GTM technology, however, gives importers/exporters confidence to perform these functions in-house and the ability to transmit precise information to U.S. Customs and their intermediaries.

GTM provides the flexibility to trade compliantly in the manner that best accommodates your business model. And, GTM has never been more affordable, easier to integrate, or simpler to use.

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SCOTT VANSELOUS

Senior Vice President
TMW Systems Inc.

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

VANSELOUS: It amazes me that so many shippers and carriers still rely heavily on manual processes in daily transport operations; only 38 percent of companies currently use transportation management software, says AMR Research. Ongoing cooperation with value chain partners is possible with integrated transportation management software for optimal resource utilization, business efficiencies, and cost control. With effective systems in place, communications efficiencies from EDI, XML, Web portals–even IVR systems–can eliminate thousands of hours of manual data entry and attendant errors.

A TMS that helps improve load consolidation, routing, best-carrier selection, and rate and contract management not only saves shippers money, but reduces carbon footprints, lowers freight audit requirements, improves service performance, and increases shipment visibility. These cooperative benefits are not available to companies that still rely on phone, fax, and spreadsheets to manage transportation operations.

Q: Trucking capacity has contracted dramatically because of the economic downturn. How can shippers defend against upward rate pressure when an improved economy finally triggers increased freight volumes?

VANSELOUS: The frequency of bid requests rises to capture more savings when rates are falling. But during an upturn, shippers will try to lock in lower rates by reducing the number of carriers they use. Ironically, shippers often can't realize the full benefits of tactical procurement activities because they don't have a centralized, automated transportation management operation. Organizations that do not manage carrier selection with a TMS can't pick the lowest-cost carrier every time. Shippers leave money on the table in both pricing environments when they rely on manual methods for logistics planning and execution.

Working cooperatively with value chain partners can yield unexpected savings opportunities. Shippers that align themselves with good carriers–integrating TMS software and cooperatively looking for opportunities to reduce freight costs–create an environment for systematic cost reductions and service level improvements, regardless of the direction rates take.

Q: What innovative sustainability initiatives also increase efficiencies?

VANSELOUS: Shippers will find that sustainability and 'green' initiatives are often perfectly aligned with business needs to reduce transportation spend. Using optimization technology and TMS to consolidate multiple LTL shipments to full truckload movements, select lowest-cost routing modes, and plan private fleet movements for lowest miles and reduced empty miles, results in lower carbon footprints and reduced freight costs. Surprisingly, so does better dock scheduling and faster turns loading and unloading trailers, because of reduced truck idling times. Pursuing more efficient truck transport practices should be a core component of any company's sustainability initiatives because they offer such great ROI.

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

CAUDILL: Efficiencies can be gained by increasing the fidelity, transparency, and velocity of data that value chain partners share about inventories, shipments, capacities, and sales. Everyone wins when you get all partners on the same page and today there is no reason this information cannot be posted, aggregated, and shared instantly across all key players.

Q: How can retailers best match demand to supply and enhance enterprise scalability?

CAUDILL: Inventory accuracy has long been a challenge in retail; the average retail inventory accuracy rate has been only 60-70 percent. Such inaccuracy leads to increased and unnecessary supply chain inventory, or worse, too little inventory resulting in out-of-stocks, lost sales, and a poor customer experience. The current competitive retail environment has retailers looking to gain every advantage possible to win and retain customers. The ability to have product in stock is critical, especially if it is promoted or trend-driven. A new generation of solutions based on RFID technologies can efficiently increase this accuracy to 95 percent or more, while providing greater visibility and control.

As a result, retailers experience reductions in supply chain network inventory, out-of-stocks, and shrink while increasing sales and associate productivity.

Q: What innovative sustainability initiatives also increase efficiencies?

CAUDILL: Demonstrating leadership in important social awareness areas such as sustainability is a powerful motivator for employees because it increases productivity, builds loyalty, and inspires them to find innovative ways to bring products and services to market.

Many companies and employees are more energy conscious today than ever before. Reducing greenhouse gas emissions often goes hand-in-hand with reducing energy consumption, and businesses are likely to realize substantial cost savings through sustainability initiatives including heating and lighting upgrades that result in lower utility bills, switching to more efficient fuel/energy sources, and creating staff awareness programs that reduce consumption of electricity and other resources, such as paper products.

These programs often result in energy expense savings, enabling organizations to reinvest those dollars as operating capital and contribute directly to the bottom line.

JIM CAUDILL

Senior Vice President
Xterprise

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

CAUDILL: Although critical to a company's strategy, global supply chain processes remain hugely inefficient. Many companies find the complexity associated with developing a global trade management strategy beyond their capabilities as they lack the internal expertise, face fierce internal competition for scarce resources, or are too invested in legacy technologies to execute. Those that succeed at developing a strategy often find themselves looking outside their firm to transform their operations.

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