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

Freight Audit and Payment: An Untapped Source of Working Capital

Q: You said recently, "The art of working capital management has declined." Why isn't it a focus?

A: The no- to low-interest-rate environment following the 2008 market crash made it easy. Debt wasn't as big of a concern, so many companies let their attention to working capital management slip. Now that the Federal Reserve has started to raise rates and the economy is improving, companies are feeling increased pressure to unlock working capital and keep their cost-to-serve down—two essential elements of building a competitive global supply chain.

Q: Why is working capital management so important?

A: Margins are tight for shippers and carriers. In a time when two-day and even same-day shipping is common, consumers expect products to arrive quickly. As any logistics professional knows, speed-to-market impacts overall costs. And it's not just freight costs that put pressure on companies; they also need to have increased inventory. To compete in this fast-paced economy, companies must look for every efficiency possible within their supply chain. They can then use that preserved cash to reinvest in their business.

Q: What steps have shippers traditionally taken?

A: Some shippers put pressure on their carriers to extend payment terms. While this helps shippers meet their working capital goals, it puts them at odds with carriers. In addition to their own working capital goals, carriers are under enormous pressures with increased regulations, driver shortages, and ever-increasing demand. Shippers are realizing that meeting customers' demands requires solid relationships with their carriers. So it's clear that the shippers who treat their carriers well will have an advantage.

Q: How can both shippers and carriers improve working capital?

A: With freight spend 3%-12% for most product-based companies, leveraging this spend to improve working capital through trade finance is a win-win. A freight payment solution with trade finance allows shippers to hold on to their cash beyond the typical 30-day payment terms. Meanwhile, carriers get paid upon invoice approval. Both sides of the partnership can maintain their highest levels of efficiency without carrying a burden for each other. Trade finance enables companies to easily accelerate cash flow by increasing working capital from 30 up to 90 days without impacting balance sheets.

Q: What examples have you seen of shippers excelling with working capital?

A: A global food and beverage company leveraged supply chain finance strategies for several years to extend terms to suppliers but excluded transportation providers due to their strict 30-day terms and concerns about capacity. By leveraging trade finance through U.S. Bank Freight Payment, this industry leader increased working capital to 75 days and gave more favorable terms to carriers, including payments within four days of invoice approval.

If a company with $100 million in annual freight costs had access to that money for 90 days instead of 30, it would see a working capital benefit of more than $1 million, assuming a weighted average cost of capital (WACC) of 10%. Regardless of interest rates, increasing your working capital can greatly impact your bottom line.

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Leveraging a TMS for Domestic and Global Transportation

Q: What are the biggest challenges facing shippers in today's economic environment?

A: In today's market, managing transportation domestically and globally in one system with a single workflow is a key factor for a more efficient and cohesive supply chain. Many businesses still use manual methods or multiple systems to manage freight, with no way to measure service or performance. Other companies are bound to installed/hosted legacy transportation management systems (TMS), which limit the flexibility and control tower visibility necessary for end-to-end supply chain management. With limited metrics and no best practices, companies struggle to improve services and reduce transportation costs.

CHRIS TIMMER
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Additionally, having access to information to plan and execute an international shipment, shippers need to access many different sources for information including trade compliance, sailing schedules, requesting bookings, import and export filing, and tracking.

Q: How can today's shippers effectively manage domestic and global freight?

A: To support global initiatives, shippers should consider leveraging a Software-as-a-Service (SaaS) TMS with domestic and global functionality. True global logistics technology enables companies to successfully manage all modes of transportation—domestic and global—under one platform with a single workflow while providing complete visibility and direct collaboration between shippers and carriers.

By leveraging a global TMS, shippers are empowered with a comprehensive solution for managing domestic and port-to-port freight that directly impacts the bottom line. Automated communications, processes, and workflow between supply chain partners allow companies to improve efficiencies while gaining visibility into freight payment and discrepancies before they impact the company's finances.

Global transportation technology bridges the gap for multi-divisional enterprises, enabling domestic and global logistics management in one system with a single workflow that delivers significant value for shippers and carriers.

Q: How can companies looking to expand internationally leverage a TMS?

A: Find a TMS with both domestic and global functionality. It provides scalability for those companies that are currently handling domestic freight while looking to expand into international territories, or even those companies that are currently managing international freight outside of their domestic processes but need one flexible platform for domestic and global transportation. Furthermore, with a SaaS TMS solution on one platform that offers a single workflow, companies have visibility to true total landed costs and lead-times to make better sourcing decisions while monitoring and managing supplier performance all over the globe.

A true SaaS solution for transportation management enables companies to reduce overall transportation spend, gain visibility into domestic and global transportation processes, improve collaboration between all global partners of the supply chain, and scale and quickly adapt technology based on domestic and global needs.

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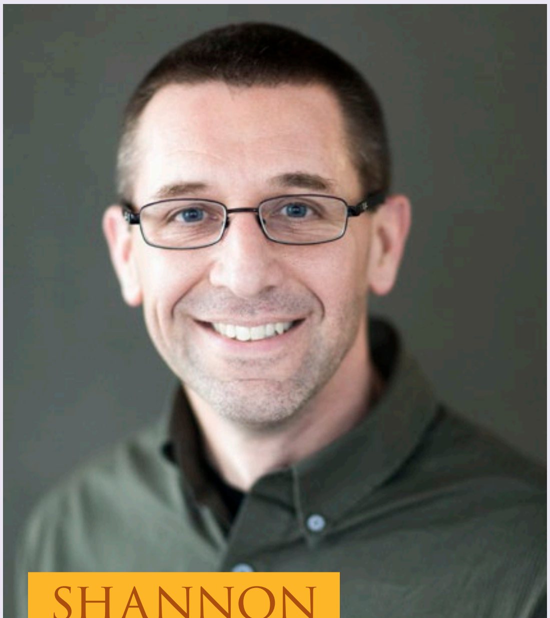
Customized and Integrated to Create One Strategic Logistics Platform

Q: Why is it important for businesses to create a customized and integrated strategic platform for logistics operations? Why are businesses struggling to achieve this?

A: Changing freight from a tactical necessity to a strategic asset is possible if you have a customized platform for logistics. A customized and strategic platform provides a company with a competitive edge over their competition.

We see many companies across all verticals, not just e-commerce and retail, focusing on creating a competitive edge with their logistics and supply chain operations. However, the challenge they are all facing is the amount of IT resources required to do this. The struggle lies within trying to integrate systems together that were never meant to be part of an integrated strategic platform or ecosystem.



Q: How does a business achieve this strategic platform? What steps do they have to take in order to reduce costs and improve efficiency?

A: The way to achieve this strategic platform is through integrating the order and item level information from the ERP/WMS with the shipment and invoice data from the TMS and carrier. Once this has been done, the next step is to use the visibility to understand what the main cost driver is in your logistics network. Is it an exception to a routing rule or the routing rule itself? Is it a particular order type or item? Or is it a customer or vendor?

Q: Describe how data collection and rate modeling drive the power of an integrated logistics platform. What benefits do these processes provide businesses?

A: Data collection provides the context that is often missing and allows you to answer the seven key questions (who, what, when, where, why, how, and how much). Rate modeling allows you to answer the how question the best—how to implement the new idea the most efficiently. The biggest benefit companies will receive is to know about the unintended consequences of their actions (the new idea) before they implement a change.

Q: What opportunities exist when businesses finally unlock the power of an integrated platform?

A: The opportunities are immense and limitless. Imagine what a company could unlock if they were able to spend the same amount of time and resources on creating logistics strategies rather than spending them on tactical data gathering and cleansing processes today. There is a smarter way.

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SaaS Breathes Life Into Yard Management Systems

Q: How has SaaS rejuvenated Yard Management?

A: Cloud-based systems have been an enabler in many industries and yard management is no exception. The type of operations that are looking to better manage their yards today don't want to be bothered with installing complicated infrastructure and initiating the type of complex projects that go along with these environments. The traditional approach to YMS does not provide an acceptable return on investment and has been a barrier to entry for many operations. Furthermore, operators want their solutions to be collaborative and easily integrated with other systems. Providing clients or carriers visibility on what is happening in the yard should be easy.

GREG BRAUN

Senior VP Sales and Marketing
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Q: What are the market forces driving the need for Yard Management?

A: The biggest issue affecting the demand for yard management is the lack of capacity in the transportation network—also known as the driver shortage problem. Common carriers are becoming increasingly intolerant of operations delaying their drivers. Operators are being told if they don't support a "drop and hook" program, carriers will simply not carry their freight. Therefore, operators are under the gun to better manage their yards, not only as a means of reducing cost and improving efficiency, but as a prerequisite to accessing transportation resources.

Q: How does a YMS address these challenges?

A: When identifying bottlenecks in the yard, most often the biggest issue is at the gatehouse. Most operations don't have the visibility to be proactive when it comes to receiving trailers at the facility. Gate guards not only have to perform a security function but they're also constantly on the phone with the warehouse determining where to send trailers. Therefore, to avoid delaying drivers, a YMS needs to provide visibility to which trailers are on-site and which trailers are due to arrive.

This visibility can be gained by receiving a feed from a TMS or a scheduling system. The latter system is essential not only in providing visibility, but also to ensure the schedule adheres to the constraints of the operation and allows the warehouse to proactively assign drivers to parking areas before they arrive.

Q: What other opportunities are out there?

A: There are massive opportunities in the area of streamlining the driver arrival process. We need to look at the advances the airline industry has made with passenger check-in and ask ourselves why can't we apply this technology to driver arrival at the distribution center? A truck driver destined to a warehouse should be able to pre gate arrive (check-in) at the DC with their smartphone. Once the driver arrives, the gate guard can simply verify the details and send the driver to his pre-assigned spot. Similarly, a self-serve kiosk (touch screen) can direct pre-arrived drivers to their designated parking spots. The added benefit of streamlining the arrival process is it provides precise driver ETA information to the operation.

For these reasons, a cloud-based YMS is not only more financially accessible but opens doors to new solutions.

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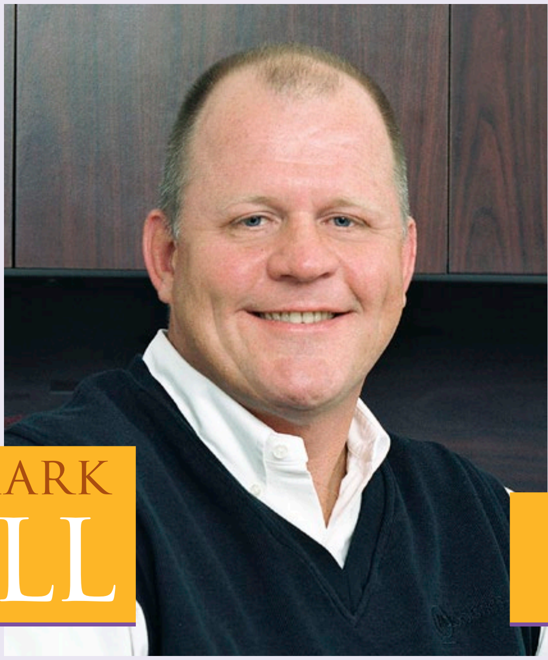
Should I Work With a Third-Party Logistics Provider Offering Foreign Trade Zone Services?

As products continue to be sourced globally, companies that import goods are always looking for ways to make their supply chains more efficient. Working with a 3PL partner who also offers foreign trade zones (FTZs) can provide big benefits in the right scenarios.



MARK SELL
President
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Q: What is an FTZ?

A: An FTZ is a designated area, supervised by U.S. Customs and Border Protection, where goods, despite having already arrived in the United States, are still considered as being located on foreign soil. FTZs enable companies to defer duty and taxes on those goods until they are either sold into U.S. commerce or moved out of the FTZ.

Q: When does it make sense to move product through an FTZ?

A: Here are a handful of scenarios where using a 3PL provider who operates an FTZ makes good business sense.

- **When moving temperature-controlled product.** The risk of temperature-sensitive product sitting at a non-temperature controlled port is eliminated, as product does not need to wait for customs clearance.
- **New product launch.** When products are pending FDA approval or have an upcoming product launch date, moving them to an FTZ allows companies to locate their product closer to the customer, thereby increasing speed to market.
- **High import volume on high-duty product.** Companies that import multiple containers per week of high-duty goods realize cost savings in Merchandise Processing Fees (MPFs) alone when using their 3PL's FTZ. In an FTZ environment, MPFs are required weekly, rather than per container, so processing fees are significantly lowered.
- **Non-consumed goods.** Goods that are not consumed may sit in an FTZ and be sent back to their country of origin without a company ever paying duty on them because they never entered U.S. commerce.
- **Zone-to-zone transfers.** For companies that transfer goods between FTZs in the United States, Canada and Mexico, goods can move duty-free from zone to zone until the goods are consumed or-re-exported.

Q: What are the benefits?

A: Working with a 3PL that operates an FTZ offers customers the opportunity to realize both cost and time savings. From an economic perspective, companies using an FTZ not only realize a reduction in MPFs, and duty and tax deferment, they are also able to take advantage of an already established FTZ. Doing so reduces the costs associated with becoming an FTZ and the additional personnel required to oversee FTZ management and filings.

From a time-saving perspective, companies using a 3PL FTZ are able to capitalize on speed to market and mitigate risk for temperature-controlled product. In the case of new product launches, this can mean the difference between moving from second to first to market.

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Facilitating a Software Switch

Q: We bought our TMS over 10 years ago and have upgrades coming up. We're considering something cloud-based. What is it like to switch software? The last time it took one year.

A: There are a lot of factors that play into this, but generally it's a lot easier than it used to be. Even so, depending on a number of factors, it can be days, weeks, months, or in the worst cases, years.

Q: What are the main factors involved?

A: A deciding factor is whether to go with a cloud-based or enterprise system. An enterprise system can take months to just get the equipment in place, and then you would be back where you started with expensive updates and server considerations. A cloud system is by far much faster to implement. No servers and equipment to order, configure, and install, plus a lot less training is required.

Q: Can cloud-based systems serve big companies?

A: Yes, some cloud-based systems can do it very well indeed. Depending on how big your company is, they can have a system ready in a day or two. That's the easy part. Size matters–switching a company with hundreds of users can be challenging. Each department and group needs to be trained to make sure the new application will handle their needs. Each business scenario must be looked at carefully to make sure there are no surprises on the first days. Your business continuity is critical.

Q: What are the other factors?

A: Consider the uniqueness factor. If you are doing something unusual, perhaps a process required by an important client, you may need customization. Some systems enable customization, others do not. That should make it easier to decide on a provider. If you need it and they can't do it, they're just not suitable. But remember, even if you don't need customization now, it may become necessary as you grow and take on new customers with unique needs. Ask your potential TMS suppliers about their abilities to customize. How much will it cost? How long will it take? Ask for references to see if their forecasts are accurate compared to previous customization.

Q: What about EDI?

A: That will depend on how many integrations and EDIs you have. EDI is problematic. Integration times vary depending on who your partners are and how busy their IT team is. Some EDIs will be much faster than others. EDIs can take a week, or they can take 6 months.

Q: Months? Why so long?

A: You are always only as fast as your partners. If you get immediate responses, it goes quickly. But, some partners take a week or weeks to reply, so it can drag out. If your big clients are really slow to respond, how much can you really pressure them? The key is planning ahead. Finding out the proper contacts and getting specifications ahead of time can make a world of difference.

Q: What about training my team?

A: Training is really important. Maybe your new system provides some efficiency on day one. But to maximize your investment and save the most time, your people must know how to use what your system has to offer. That means training. Does your potential provider offer training? Do they come to your offices? Do they offer online sessions? You need to ask. Where online resources are concerned, you need to look for yourself.

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Avoid Pricing Pitfalls When Selecting a Logistics IT Solution

Q: One of the common gripes voiced by organizations implementing logistics IT solutions is that the solution ends up costing more than expected. Why does this seem to happen so frequently?

A: The roots of this complaint can be traced back to improperly managed expectations during the sales process. Pricing between providers competing for the contract can vary widely and features/functionality included in one provider's quote aren't necessarily included in the competing quote. Take, for example, what is included in a TMS provider's implementation fee. What Provider A includes may be far more comprehensive than Provider B delivers by way of service. Yet buyers generally assume the quoted prices include the commensurate levels of effort and value from both providers.

Q: What are some of the differences between offerings that can result in such discrepancies in cost?

A: There are many that seem intuitive but frequently cause surprise. The provider offering the lower implementation fee and monthly subscription fee likely keeps the quote lower by assuming client resources will be responsible for completing tasks like initial data loading (entering existing carrier rates and other data into the TMS for example), carrier onboarding, IT support, and even user training. Whereas, the provider offering a somewhat higher price quote may perform all these functions as part of their service at the quoted price.

The lower cost solution provider typically charges extra to help customers complete these tasks when inevitable challenges and issues arise and the customer is unable to execute autonomously. At the end of the year, it's not uncommon for the solution with the more attractive sticker price to end up costing more than the competing solution which includes these services as part of its price quote.

Q: How can customers arrive at an equitable comparison when weighing solutions and costs side-by-side?

A: Get suppliers on record early regarding service levels. Just like you'd require detailed SLAs for technical aspects, ask prospective providers for a line-item breakdown of what's included in their quote and what isn't. Three things you must receive from each provider are:

- Detailed listings of features and functionality
- List of services included during and after implementation (e.g., data loading, training/support, etc.)
- A detailed Statement of Work (SOW) including definitions of standard roles expected to be provided by the provider and the client (e.g. RACI matrix)

If the prospective provider cannot deliver these items, their pricing should be viewed as a risk because there is no expectation of what is included in the price and what will incur additional charges once it is too late to select a different solution.

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Leveraged Platforms: The More Efficient Road Ahead

Q: What is a leveraged platform?

A: A logistics services provider leverages its platform to employ the same best practices to manage its own supply chain needs as it does for its own client base of direct shippers. By augmenting their global scale with a vast network of local stations, these service providers are better able to develop a thorough, real-time understanding of their clients' latest shipping needs and patterns.

Q: What are the benefits of participating in a leveraged platform?

A: Core carriers participating in leveraged platforms typically receive consistent, attractive internal freight volumes and specific lanes of business. Locally-based stations also give less-than-truckload (LTL) carriers highly accurate classification, reducing rebilling that may occur with 3PLs and their central call centers.

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In addition, co-loading large LTL shipments within dedicated networks can alleviate shipment and capacity issues — a current major challenge that will linger well into 2016.

Q: How does technology play into all of this?

A: Today's web-based tools help carriers and shippers dive deep into distribution operations information, precisely tracking shipments, delivery metrics and other trends in real-time that greatly impact project outcomes. Sharing this data helps carriers spot-rate larger shipments to fit backhaul needs, while also helping shippers save through mode optimization and usage of co-load products or truckload (TL) partial when larger LTL shipments may be more expensive.

Q: Can leveraged platforms help carriers streamline their processes?

A: Yes. Through a combination of integrated distribution services and extensive global carrier networks, leveraged platforms help streamline shipping processes, optimizing virtually every aspect of domestic and international distribution, including scheduling, tracking and pricing.

Q: How can the goals of carriers and 3PLs be aligned?

A: Our 24/7/365 on-demand world means that client needs and lane volumes are continually evolving, requiring constant communication between all parties to keep things running smoothly. Drivers — and the capacity they deliver — can often be retained by finding return loads or by simply asking booking preferences after completing initial TL shipments. In one case, a core vendor expressed needed capacity for inbound freight into California. With a small and simple pricing adjustment, the carrier participating in a leveraged platform delivered twice the critical volume for the core vendor. This kind of solutions-oriented thinking will drive tomorrow's success stories.

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