

# SMART BUSINESS

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## Special Report

### Wheels of change

Now is the time to look for wasted money and inefficiencies in your shipping department.

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**Tom Sanderson**  
chairman, president and CEO  
Transplace Inc.

The transportation industry has taken a hit in the past couple of years — first pummeled by fuel costs, now endangered because of lack of product demand. Even though the economic forecast may be grim, this is a prime time to evaluate your current network to find wasted money and inefficiencies that may be hurting your customer service.

Delivery delays and poor packing and routing methods can all cost your company money.

The good news is that there are software solutions out there that can help you fix your problems with a minimal investment and lower your logistics and transportation costs by 8 to 15 percent.

“You need to close the loop in shipping,” says Tom Sanderson, chairman, president and CEO of Transplace Inc., a third-party logistics and technology company. “Pick up products for your business on the way back from making a delivery so you maximize fuel use and man-hours. Software can tell you how to make the most of your routes.”

Software programs are available to assist companies from the time an order is placed through the successful delivery of the order. Many executives view their transportation department as a cost center, but through successful management, it can be another way to earn money.

The addition of software to your logistics department will optimize daily and long-term transportation plans and scheduling, carrier selection, route planning, inventory management, and small parcel shipping, which can reduce costs.

While a software investment may cost at least \$10,000, improving your shipping processes will allow you to serve more customers and increase profits in the long run.

“Transportation logistics isn’t nuts and bolts grunt work,” says Vernon E. Francis, associate professor and director of the supply chain management, engineering management and project management programs at the University of Dallas. “It is very significant and relevant in a business’s costs and reduction of costs that can be acquired. Technology is a must to be among the most sought-after suppliers.”

A common transportation management issue has businesses keeping more inventory on hand than necessary. This typically happens when stock is manually cataloged instead of tracked with software. This means more of your money is sitting in warehouses instead of in your pocket.

“This economy has been like getting bariatric surgery,” says James Moore, vice president of sales for Ryder System Inc. “If you lose 100 pounds all at once, your clothing isn’t going to fit anymore, and that’s what’s happened with many companies’ networks. They are now way larger than what they need to be and their one-time assets are now financially draining them. If efficiency is a problem with your transportation process, software will help eliminate errors and make the most of all efforts.”

Human error is a big part of what can go wrong in logistics. Depending on the volume of orders you are receiving, this can add up. The use of software can eliminate these errors and make your inventory and tracking easier to manage. Software can also determine the best carrier for a particular type of shipment and contractual agreements.

“Those who use software to maximize their transportation logistics potential say they experience anywhere from 1 to 20 percent increase in revenue from having more efficient processes,” Francis says. “Most people report a 1 to 5 percent improvement, which is pretty good.”

Before making a software purchase, you need to assess what areas of your process are in greatest need of assistance. While some companies package their software options, others individualize the programs for specific areas of interest, such as shipping and loading.

To figure out where you need help, you will need to perform an audit that tracks products from production to delivery.

Start by making a checklist. Are your shipments on time? Are your trucks traveling with full loads? What are your current fuel expenditures? Are you utilizing the best routes? What rates are you paying carriers? Are you paying your employees overtime? Are your orders accurate? If you don’t know how to obtain this information or you’re finding inconsistencies, software can probably help you reduce errors and delays.

“Having software as one of your tools is part of lean manufacturing techniques,” Francis says. “You can’t let the chips fall where they may, you must have a strategic plan and that includes software to improve efficiency. Transportation logistics boils down to handling, storing and moving stuff, but there is a definite method that makes everything work out the way it should. The industry has become savvier since the introduction of software, improving the cost of processing goods. Software is available and should be utilized.”

After you’ve determined the area you need the most help with, choose a software company you feel comfortable working with. Find a company that will be accessible when you need them. If you decide handling everything in-house is too expensive, find a third-party logistics firm that handles the details while you focus on your core competencies.

“Two-thirds of the Fortune 500 companies use third-party logistics for some aspect of transportation, warehousing or inventory management,” Sanderson says. “Many businesses want to use their technology dollars elsewhere in the company so they end up having excess staffing and poor decision-making. Software or transportation management systems, which are used by third-party logistics firms, is on-demand technology that is provided as part of your service via the Internet. This Web software allows you to optimize carrier choices.”

Today’s economic climate may be tough, but by looking for savings in every area of your business — including transportation — you can find money that can be better used elsewhere in your organization.

“In this environment, it’s hard to change anything in a business that will cost money,” Sanderson says. “But it’s all about customer satisfaction. Invest in software to help with the process if you haven’t already or consider a third-party

logistics firm that will supply you with the right software. You must make sure your loads are moving by the right method because they all have vastly different costs. Air, truck and rail all take different amounts of time and have different prices.

“Understanding customer expectations is essential in this process or else they’ll find someone who does understand them. If they want their products now, you have to find a carrier that can get it there now. It doesn’t make much sense to ignore a capability such as software that will help your business and make customers happy.”