

# Taking a Holistic View

True Transportation Optimization Requires a Broader Perspective That Maximizes Service Across All Orders — While Also Minimizing Costs

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**R**etailers, manufacturers and other shippers find themselves in a difficult position these days. They operate global transportation networks composed of their own assets, as well as various tiers of third-party carriers, to serve customers around the world. They manage high levels of order volatility as consumer confidence continues to rise and fall. Increased competition forces them to keep costs as low as possible while still maximizing service levels.

Too often, shippers attempt to address these competing challenges through simplification. Orders are pre-assumed to be served by a specific mode based on characteristics, fleets operate around a predefined geography, and modes such as rail or intermodal are relegated to specific circumstances. Once many of these strategies are established, they are never revisited — let alone re-examined — from a broader perspective.

Unfortunately, most shippers lack the broad, holistic perspective to consider the long-term cost-effectiveness of their overall transportation network. By having fixed strategies, shippers might be delivering goods on time and simplifying decision processes — but they are missing larger opportunities to drive additional savings and still meet their service goals. For instance, individual orders can often be delayed and consolidated to create full truckloads or containers. Expensive parcel shipments can frequently be converted to more cost-effective, slower transportation modes. But what is the trade-off? And how can shippers quickly make the right choices that balance low costs with high service?



The answer lies in implementing new business processes and advanced technology tools to create visibility across all orders. With visibility into all trade-offs, transportation planners can consistently make choices that maximize service performance while minimizing costs across the network.

Shippers may mistakenly believe that they don't have the time or internal resources to enable a broad, strategic view of their transportation operations. But the truth is, with the right tools, processes and business rules in place, a holistic transportation perspective can be implemented on an automated basis — decreasing the amount of resources needed for day-to-day management of the transportation network.

### What's Limiting the Vision?

Many shippers today operate in silos, focusing on operational and tactical analysis separately. Strategies for specific transportation modes have been pre-established based on certain order characteristics such as weight, size or delivery date. By continuing to operate in silos, shippers overlook the potential savings that could be achieved using different — or even multiple — transportation modes. Without the ability to step back and examine the entire transportation network, it is difficult for shippers to quickly and accurately determine which combination of transportation mode, shipment schedule and route will yield the greatest savings and customer satisfaction.

For example, shippers may have predefined business rules that automate shipping decisions based on weight — such as any shipment less than 150 pounds is directed to a parcel carrier. Yet, if those shippers had an ability to view orders over a longer planning horizon as well as across other modes, they could further reduce costs. Weights could be accumulated and orders aggregated into a less expensive mode such as less than truckload — while still ensuring that the orders arrive on time.

Beyond cultural issues, many shippers lack the advanced technology to support a holistic view. Their in-house transportation management system (TMS) may not have the capability to look across all shipping modes or build multi-modal shipments. Their TMS may lack the power to understand complex parcel shipping rates and make the most cost-effective choices. The good news is that advanced transportation solutions are relatively easy to acquire and implement in a highly customized way that meets each shipper's unique transportation challenges.

### A Process of Continuous, High-Level Analysis

With advanced technology tools in place, it becomes much easier for shippers to evaluate the company's overall transportation needs and assemble the real-world data necessary to make intelligent decisions. A holistic TMS supports new, iterative business processes focused on gathering facts about all existing orders, then making the best judgment based on that strategic investigation.

Armed with real-time data and insights, shippers can ask and answer a range of critical questions. Can certain orders be delayed to match up with other deliveries in close proximity? Can the private fleet be used instead of paying third-party markups? Can warehouses and distribution centers accommodate early or late shipments? Can transportation modes be mixed?

Advanced TMS tools ensure that shippers are supporting a longer-term perspective, in addition to daily logistics decisions. For instance, shippers may automatically assign orders to commercial fleets if the deliveries are outside of a predefined geography. Yet, as the economy fluctuates, commercial fleet rates for delivery routes will change. Shippers that can view rates across their entire fleet will have more flexibility to capitalize on these market changes. Using the advanced TMS tools, shippers can expand their geography to take advantage of lower commercial rates, and then quickly shift orders to their private or dedicated fleets when carrier rates climb too high.

Transportation planning cannot be a one-time activity based on a universal shipping mode, but instead must be a continuous process of analysis. Business rules need to be flexible enough to change as shipping rates, order volumes, fuel prices and other transportation factors evolve. By studying the big picture for any given day, shippers can make intelligent transportation decisions that are in both their and their customers' best interests.

### The Bottom-Line Benefits

While many companies will need to make cultural, process and technology changes in order to achieve a holistic view of their transportation functions, the benefits are well worth the investment. Consider these real-world examples of JDA customers who have realized significant cost and service improvements:

- By taking a holistic view of its transportation needs, **PepsiCo** recognized an opportunity to add value and generate revenue by establishing an internal logistics and transportation division for the various PepsiCo business units. With a new, broader perspective, Pepsi Logistics Company, Inc. (PCLI) offers the best possible transportation solution under PepsiCo's negotiated rates. PCLI manages more than 40,000 annual shipments, powered by a single technology solution and shared planning practices.
- **Kimberly-Clark** took a broad view of its transportation function and implemented a TMS with powerful optimization capabilities. This allowed the company's

planning staff to create real-time constraints around service — as well as save an incremental \$12 to \$14 million per year in freight charges. The company later configured its platform with specific rules that dictate which loads can be automatically processed, eliminating much of the manual work of reviewing and approving daily transportation loads. This intelligent TMS automatically assigns about 80 percent of shipments, enabling the company's planning staff to eliminate an aggregate of 35 hours of manual planning every day.

- By using advanced tools for visibility across all orders, **MasterBrand Cabinets** produces daily transportation plans based on real-time network costs and constraints, then builds production loads in its factory that result in the fullest truckloads possible. This approach enables the company to balance the made-to-order nature of its custom cabinetry with real-world business constraints. Electronic communications with multi-modal carriers track shipments until all customer deliveries are completed. MasterBrand continually assesses carrier performance, so that future tenders can be automatically assigned to the most cost-effective, highest-service transportation vendors.

### An Ambitious, Yet Achievable Vision

By leveraging advanced transportation solutions and a new cultural focus, forward-looking shippers are using a holistic perspective to make the right transportation choices and achieve a significant competitive advantage. By looking across all orders and available shipping modes, then making strategic matches, leading businesses are transforming their transportation functions into powerful engines to drive future success. If your business has not yet achieved this kind of broad, transformative perspective, there's only one question: What are you waiting for? ■



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