

Drivers of Enduring Supply Chain Management Practice

18th & 19th Annual Trends and Issues
in Logistics and Transportation



Research Team

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Agenda

- Setting the baseline
- Enduring supply chain management practices
 - Optimization
 - Synchronization
 - Profitability
 - Adaptability
 - Velocity
- Major findings

Setting The Baseline



Representing The Marketplace

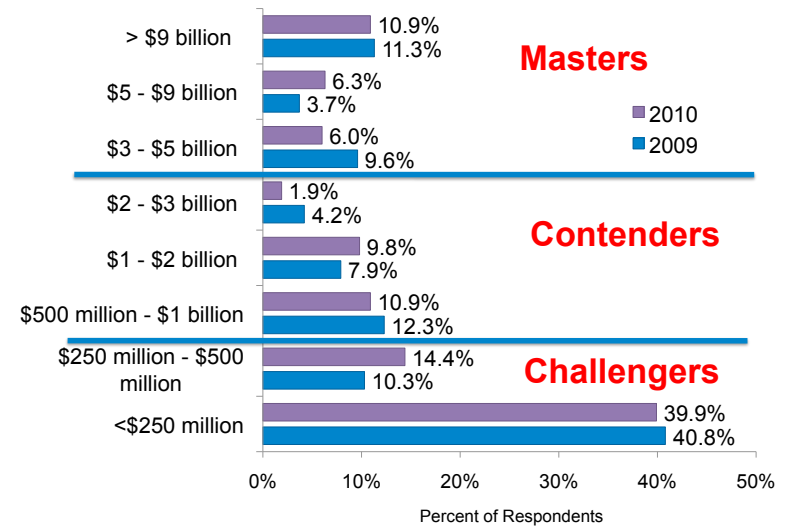
Sample represents over **\$36 billion**

in transportation expenditures

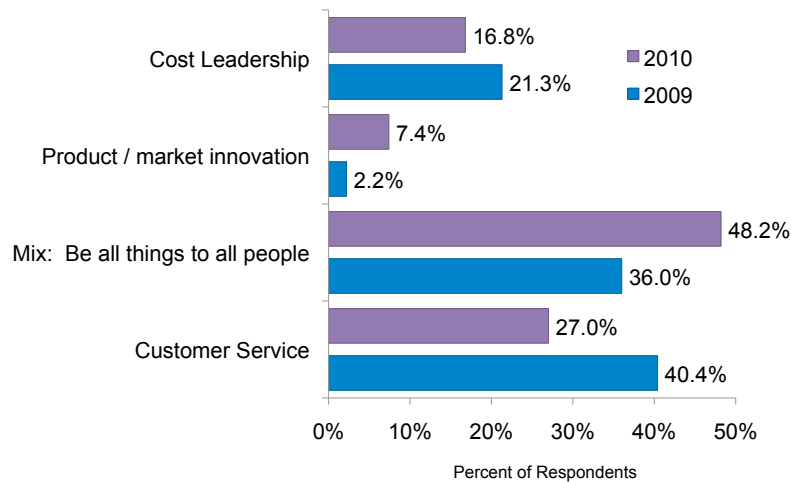
This is approximately 5.2% of the total U.S. surface transportation expenditure

802 respondents from 14 sectors represented this study

Annual Sales Of Respondents

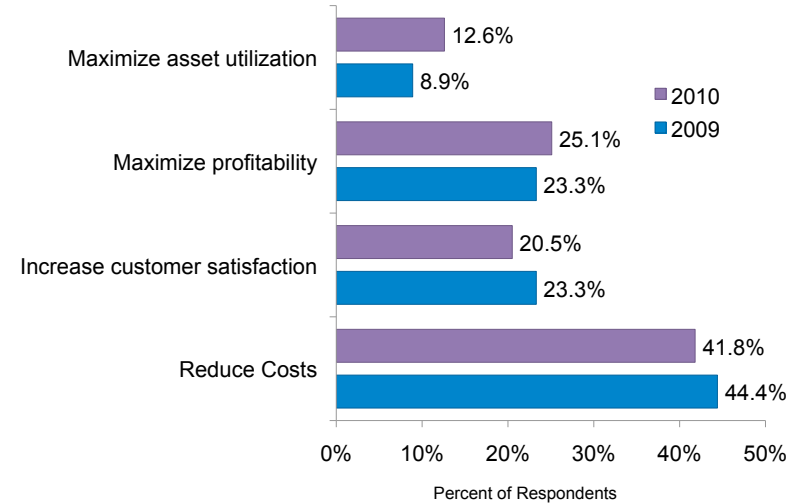


Efficiency and Effectiveness Drive Strategy



Continued Focus on Cost Reduction

Overall Objective / Goal For This Division or Business



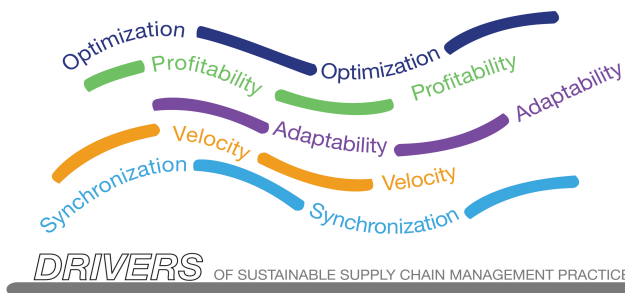
Unpredictable Demand is the Supply Chain's Biggest Problem

	Masters	Contenders	Challengers
Unpredictable demand	1	1	1
Fuel price volatility	2	3	
Excessive inventory in the supply chain	3		
Increased customer demands with respect to price and/or service		2	2
Commodity price volatility			3

Enduring Logistics / Supply Chain Management Practices



Going With The Flow Enduring Practices



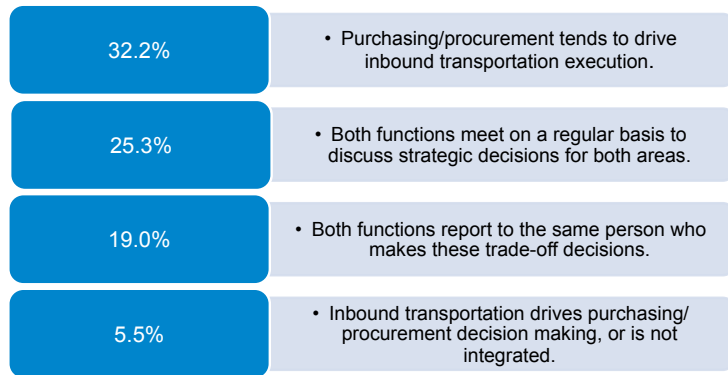
Driving to Enduring Excellence

Practice # 1:

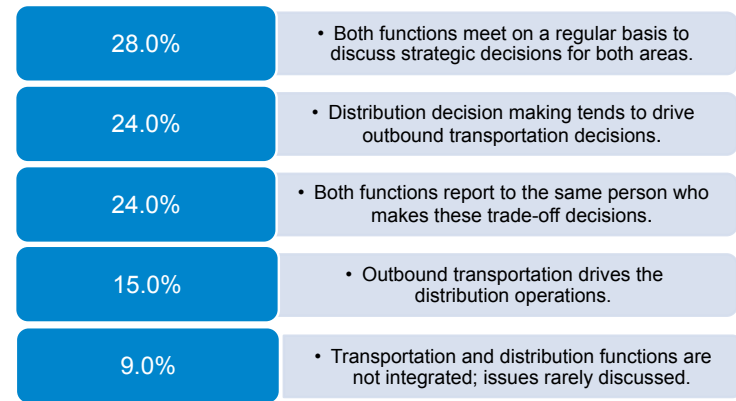
Optimization

The alignment of global supply chain resources – tangible and intangible, owned or outsourced – to facilitate the success of supply chain members.

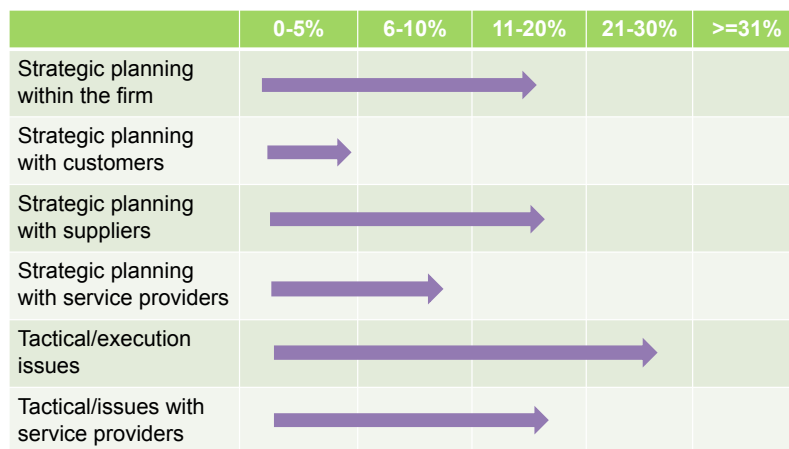
Purchasing/Procurement Drives Decision Making



Different Approaches Drive Distribution and Outbound Transportation Decision Making



Tactical/Execution Issues Consume the Most Time



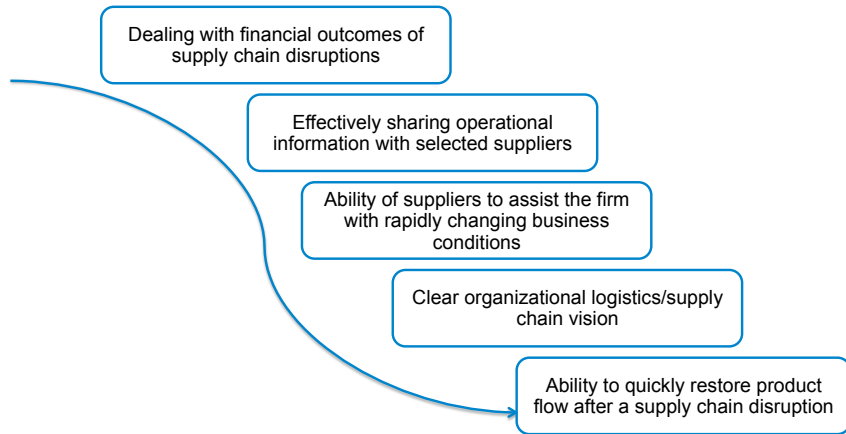
Driving to Enduring Excellence

Practice # 2:

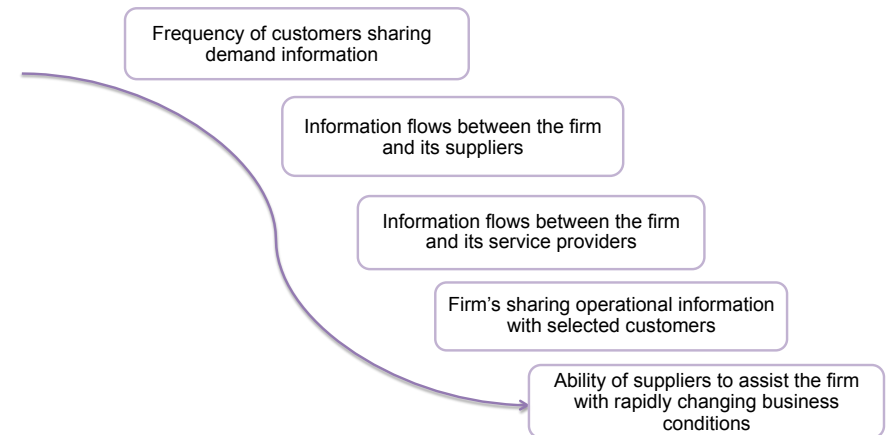
Synchronization

The ability to coordinate, organize and manage end-to-end supply chain flows – products, services, information and financials – in such a way that the supply chain functions as a single entity.

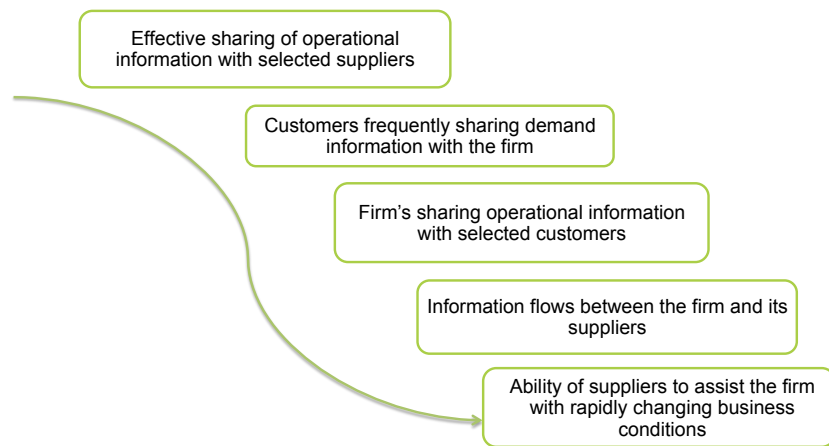
Supply Chain Disruptions are the Major Challenge for the Challengers (Small Size Firms)



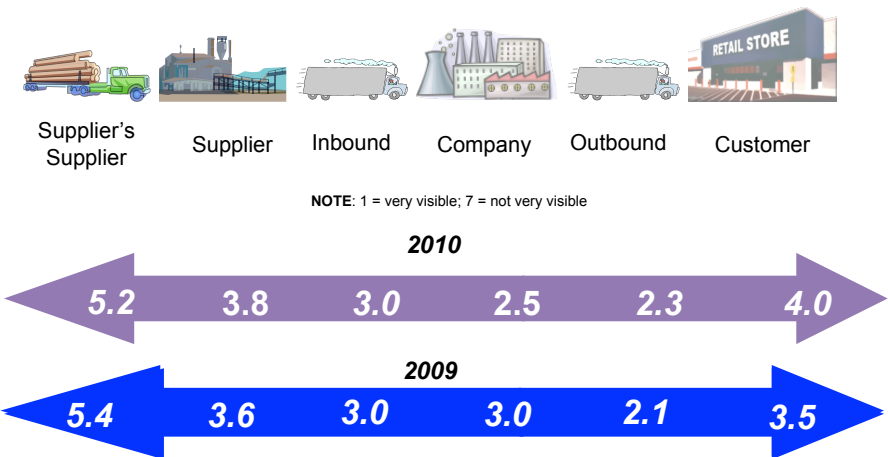
Information Sharing is an Issue for the Contenders (Medium Size Firms)



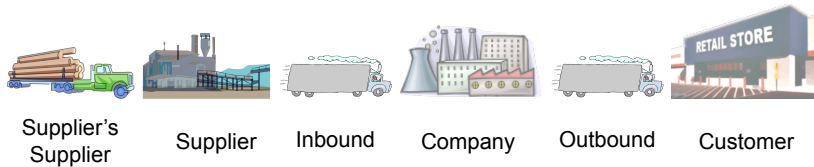
Masters Need to Improve Information Flows



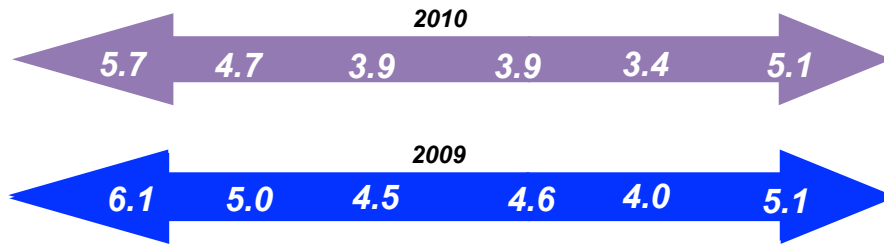
Domestic Supply Chain Visibility on a Plateau



International Visibility Shows Marginal Improvement



NOTE: 1 = very visible; 7 = not very visible



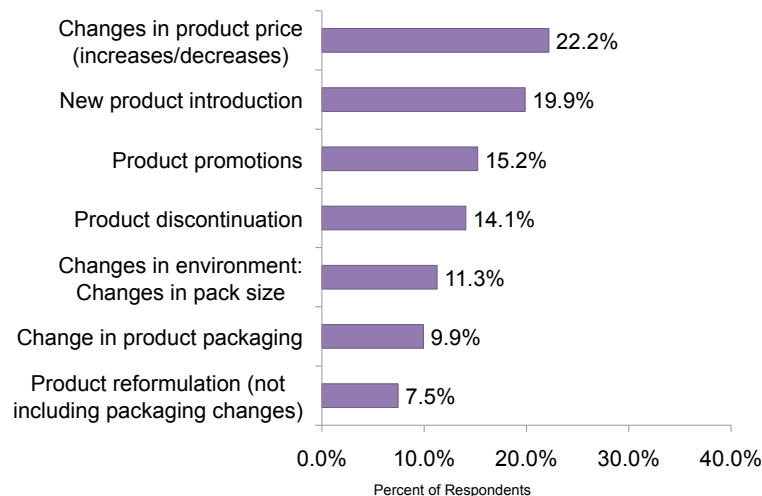
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Practice # 3:

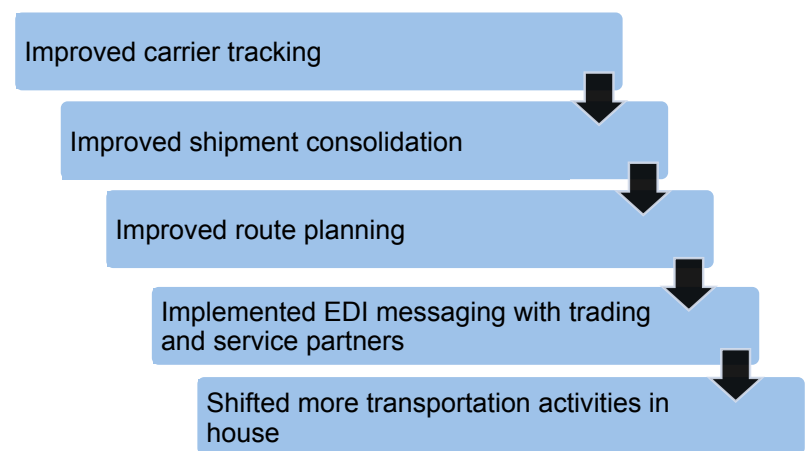
Profitability

The result of creating value through supply chain activities. Asset performance, working capital, returns on investment for infrastructure, technology and people are some of the critical parts that create value in a global environment.

What Impacts Logistics Efficiency on Individual Orders?



Actions Completed to Improve Operating Efficiency or Effectiveness



Actions Not Planned to Improve Operating Efficiency or Effectiveness

Reduced service levels in customer orders

Reduced service levels in transportation

Increased the amount of freight that is "spot" bid

Began using or shifted more services and/or volume to service providers

Began using more 'green' carriers (Smartway, etc.)

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Practice # 4:

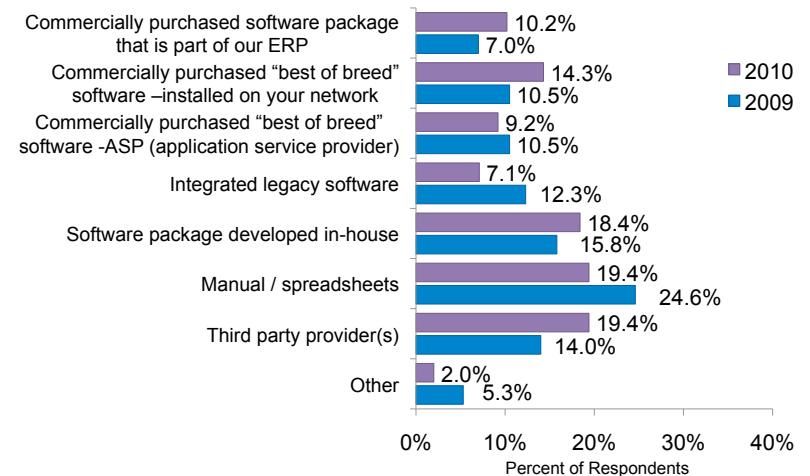
Adaptability

The degree to which respective supply chain members can change practices, processes and/or structures of networks in response to unexpected events and their effects or impacts.

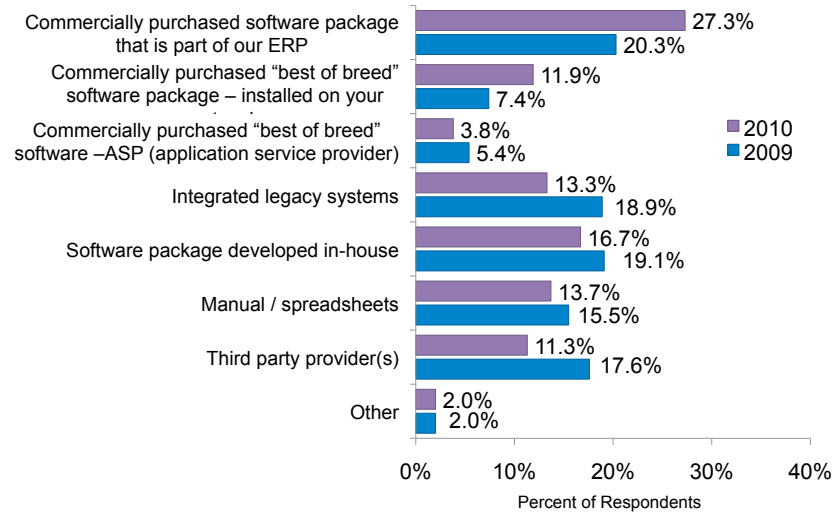
How Quickly is Information Available?

	Immediately	Within an hour	Within a day	Within a week	Longer than one week	Not available
Shipment created	◆					
Carrier compliance			◆			
Spend by mode	◆					
Spend by specific carrier	◆					
Shipment in transit			◆			
Transportation service performance			◆			
Carrier rates	◆					

Manual/Spreadsheets Decline as a Method to Manage Domestic Transportation



Domestic Distribution is Managed by Commercially Purchased Software



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Practice # 5:

Velocity

The speed at which end-to-end flows occur in the supply chain. It encompasses speed-to-market for new product introduction and execution when conditions are rapidly changing.

Inventory Management Improving

	Average Number of Turns		Average Days Sales in Inventory		Average Days Sales Outstanding	
	2010	2009	2010	2009	2010	2009
The Masters	15.1	11.5	30.8	41.4	31.6	32.8
The Challengers	17.4	16.1	25.1	30.0	41.2	32.2
The Contenders	11.2	11.7	39.9	35.1	37.6	41.5

In Summary.....



Major Findings

- To a large extent, the economy has leveled the playing ground between the Masters, Contenders and Challengers.
- A majority of firms do not have an option of being either cost or service focused – they are compelled to be both.
- We are not making sufficient progress in building seamless, end-to-end supply chains. Visibility has to become more than just an “extended” capability.
- Most firms are focusing on improving operations which is the “tip” of the cost pyramid.
- Managing transportation and distribution is becoming more complex. This is being addressed by the increased use of more sophisticated tools and techniques on the domestic side.

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For full study results:

<http://www.transportation-trends.com>