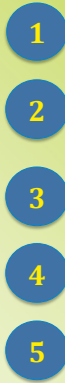


Stuck in Neutral Gear: The Current State of Logistics and Transportation

19th Annual Trends and Issues in Logistics and Transportation

2 0 1 0



Thank You to Our Respondents

We are pleased to present the findings of the **2010 Annual Trends in Logistics and Transportation**

Our hope is that this data will provide useful information regarding current industry practice and trends, and assist you in better managing your organization

Your continued support of this effort enriches the research results



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Research Team

Karl B. Manrodt, Ph.D.

- Professor
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- Associate Professor
- University of Tennessee

Peter Moore

- Vice President, Government Services
- Celerant Consulting



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Agenda

- Setting the baseline
- Transportation management
 - Carrier performance
 - Logistics performance
 - Methods/techniques for managing transportation and distribution
 - Operational capability
- Assessing the current state



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SETTING THE BASELINE

1

2

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Representing The Marketplace

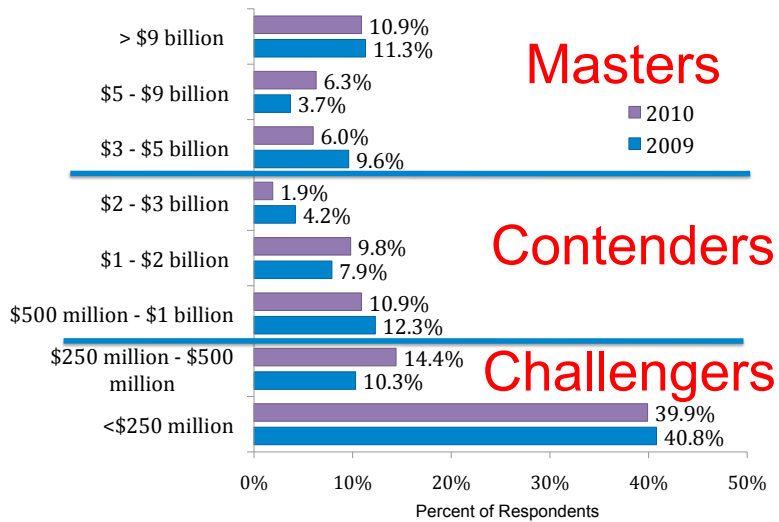
Sample represents over **\$36 billion**

in transportation expenditures

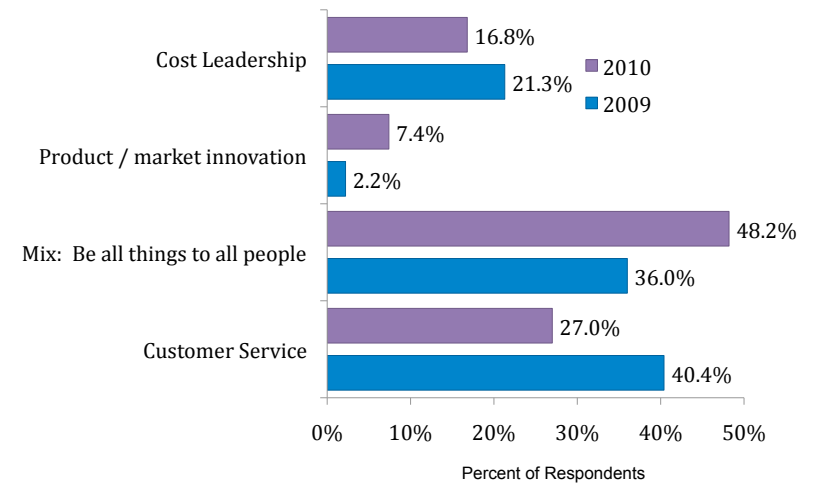
This is approximately
5.2% of the total
national surface
transportation
expenditure

802 respondents from 14 sectors represented this study

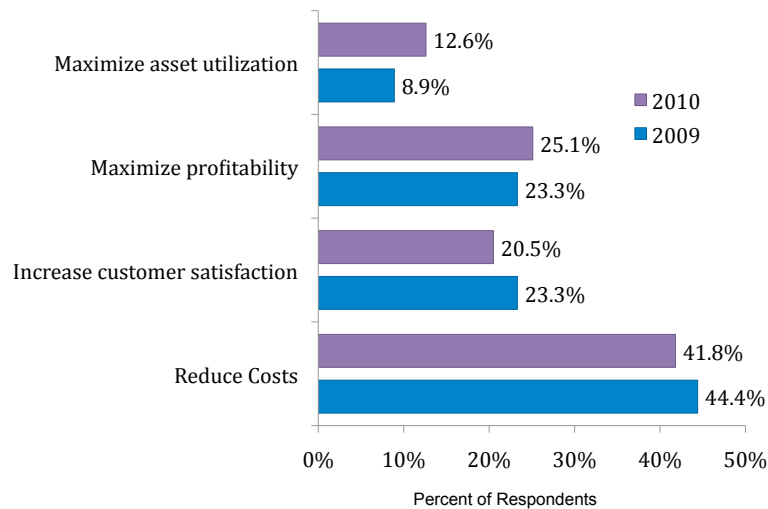
Annual Sales Of Respondents



Strategy For This Division or Business Unit



Overall Objective / Goal For Division or Business



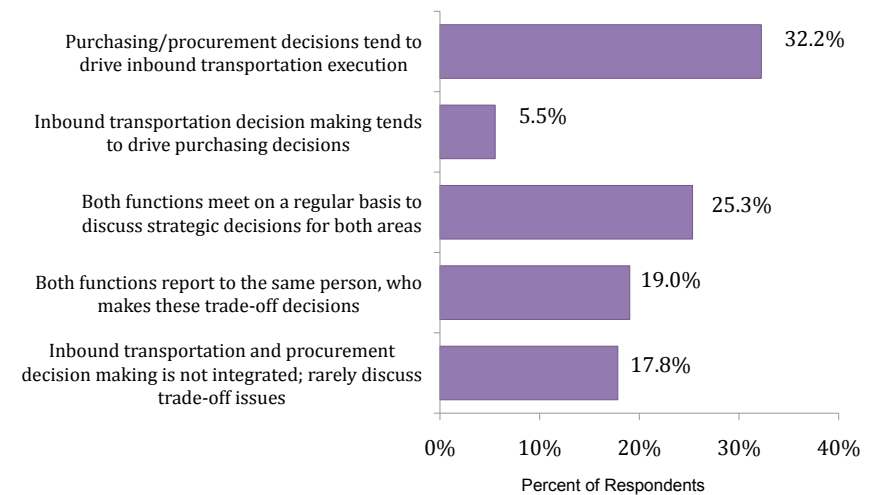
Who Leads? Setting Policy and Strategy

	At the plant/DC	Division or BU	Domestic - within country	Regional/ intra-continental	Global
Finished goods inventory	◆				
Packaging	◆				
Order fulfillment	◆				
Procurement of raw materials	◆				
Setting customer service levels		◆			
Forecasting		◆			
Managing freight forwarding relationships		◆			

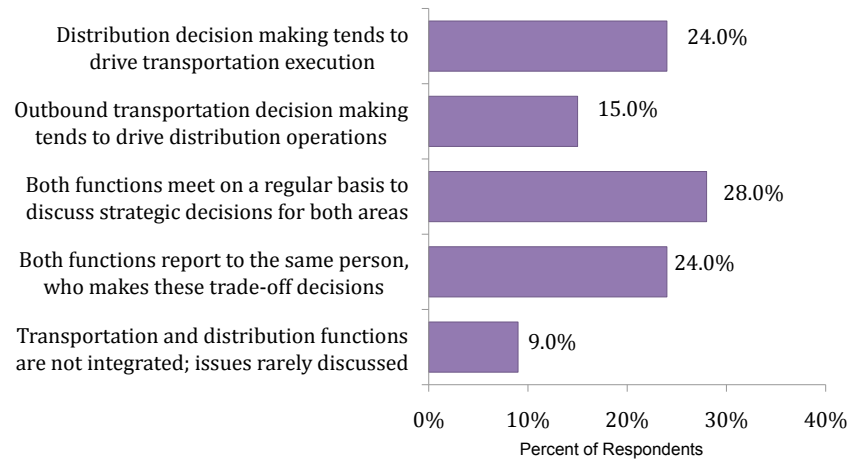
Who Leads? Setting Policy and Strategy

	At the plant/DC	Division or BU	Domestic - within country	Regional/ intra-continental	Global
Inbound transportation management	◆	◆			
Outbound transportation management	◆				
Determines core carriers		◆			
Key transportation processes	◆				
Creates and maintains procedures for ensuring global trade compliance		◆			◆

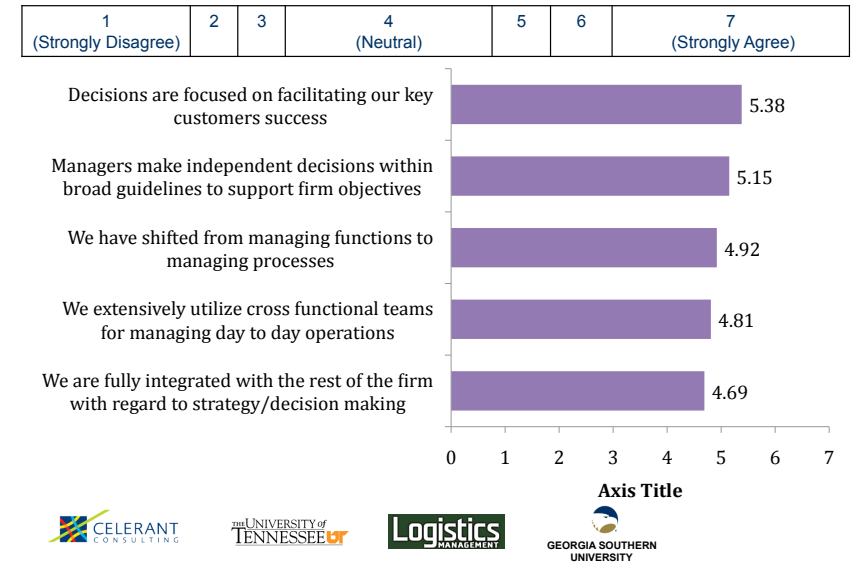
Procurement is in the "Driver's" Seat



Coordinating Distribution and Outbound Transportation



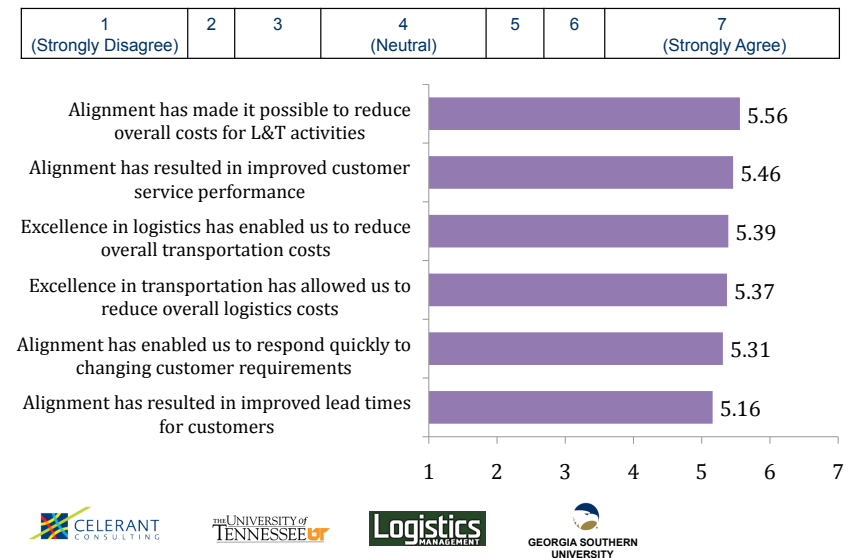
Supply Chain Decision Making Sends Mixed Signals



Process Integration Lagging

	Manual systems	Mostly manual systems	Some IT systems in place	IT systems integrate with some manual intervention	IT systems integrate information seamlessly
Demand management - distribution				◆	
Order management - transportation				◆	
Order management - warehousing				◆	
Order management - transportation - warehousing			◆	◆	
Warehousing - transportation				◆	

Alignment of Logistics and Transportation



TRANSPORTATION MANAGEMENT

1

2

3

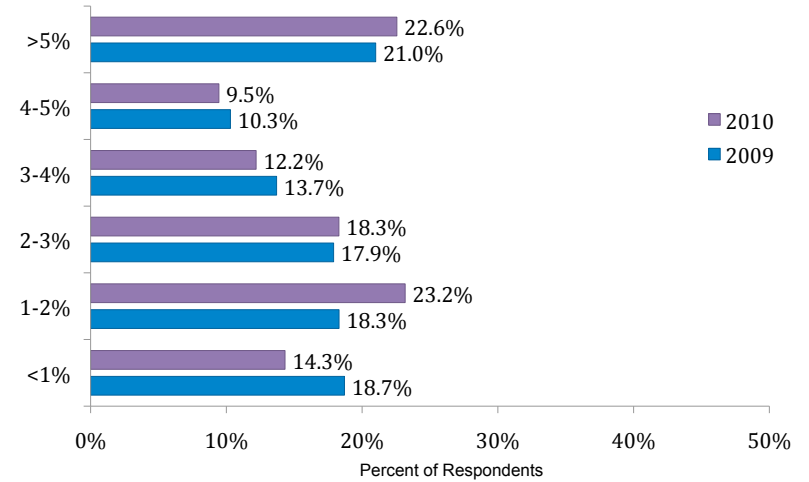
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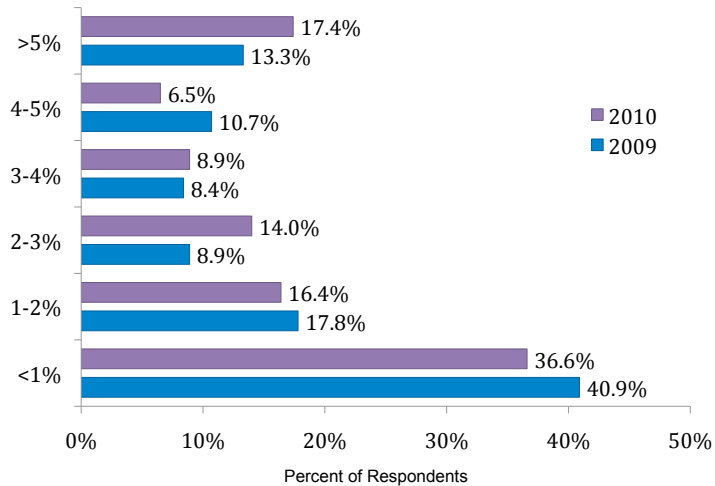
Domestic Transportation Spending Increasing

Percent of Sales

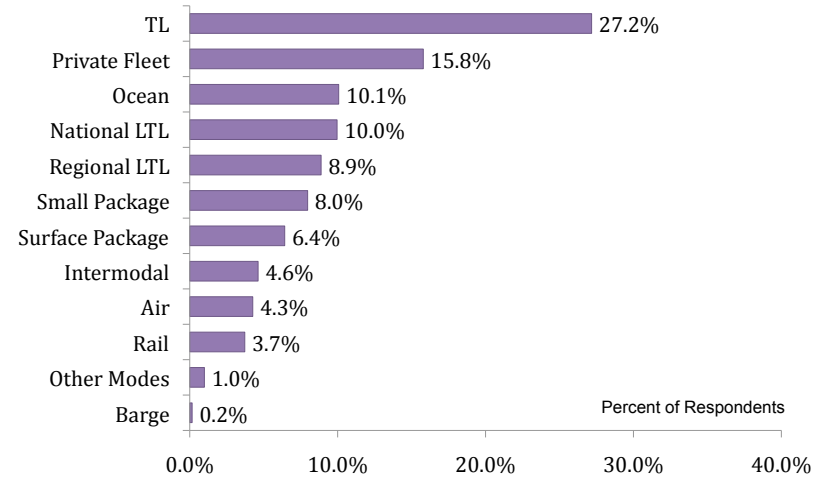


International Transportation Spending

Percent of Sales



Truckload Dominates as a Percent of the Transportation Budget

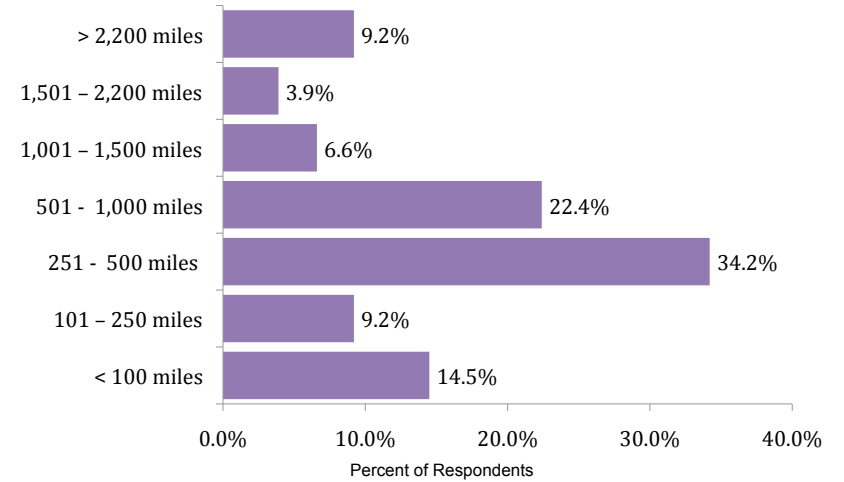


Small Changes in Transportation Modal Share

	Increasing	Decreasing	Remaining the same
Private fleet			◆
Truckload	◆		
National LTL			◆
Regional LTL			◆
Intermodal	◆		◆
Rail			◆
Ocean			◆
Small package			◆
Surface parcel			◆
Air freight			◆
Barge			◆

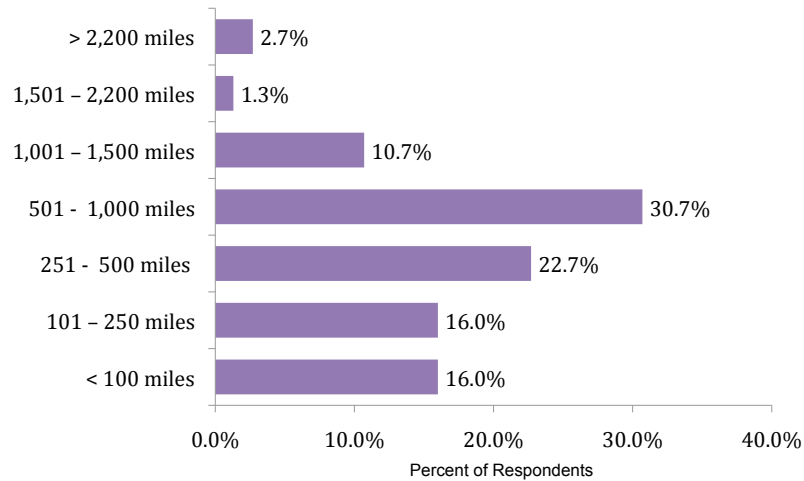
Average Length of Haul

Supplier to Your Facility



Average Length of Haul

From Your Facility to Your Average Domestic Customer



CARRIER PERFORMANCE

- 1
- 2
- 3
- 4
- 5

Transportation Scorecard

Mode of Transportation	2010	2009
TL	78.1	90.3
National LTL	78.4	81.7
Regional LTL	78.7	83.1
Rail	58.9	79.0
Intermodal	76.5	NA



On-time Delivery Ratio

On-time Shipments/ Total Shipments

Mode of Transportation	2010	2009
TL	91.9%	97.2%
National LTL	93.2%	92.8%
Regional LTL	94.6%	94.4%
Rail	85.4%	86.0%
Intermodal	91.9%	NA

Mean Response



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Freight Loss and Damage

As a % of Total Freight Shipped

Mode of Transportation	2010	2009
TL	1.9%	1.1%
National LTL	3.7%	3.2%
Regional LTL	3.2%	3.2%
Rail	7.8%	1.1%
Intermodal	3.0%	NA

Mean Response



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Correct Invoice

Of Correct Invoices/ Total Invoices

Mode of Transportation	2010	2009
TL	95.2%	97.3%
National LTL	94.8%	93.1%
Regional LTL	93.2%	93.7%
Rail	91.1%	96.0%
Intermodal	95.5%	NA

Mean Response



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Equipment Availability

% of Requests that Can Be Satisfied with Available Equipment At Time of Request

Mode of Transportation	2010	2009
TL	95.7%	96.5%
National LTL	98.0%	97.7%
Regional LTL	97.9%	97.1%
Rail	90.7%	96.8%
Intermodal	95.8%	NA

Mean Response



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Turndown Ratio

Total Shipments Declined/Total Shipments Offered

Mode of Transportation	2010	2009
TL	4.9%	1.1%
National LTL	5.9%	1.0%
Regional LTL	5.8%	0.5%
Rail	9.5%	1.0%
Intermodal	6.2%	NA

Mean Response



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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	◆					



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LOGISTICS PERFORMANCE

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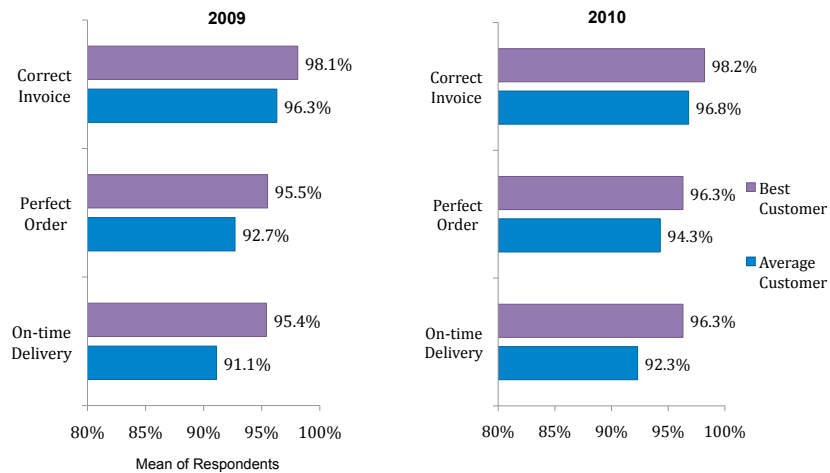
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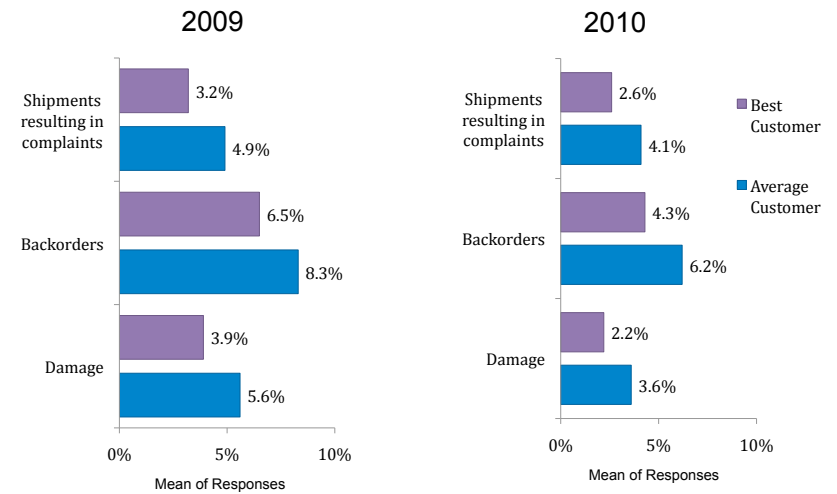


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Closing the Gap Between Best and Average Customer?



"Best" Customers Get Better Service



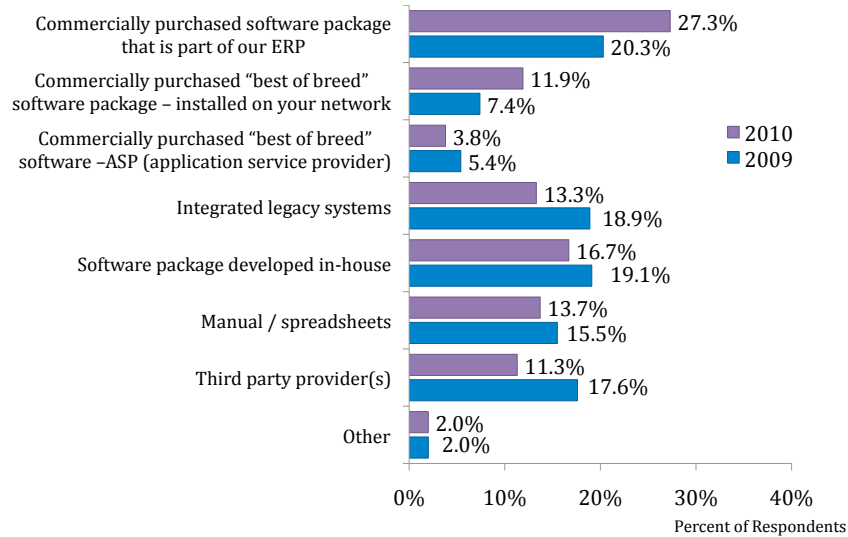
Improving Inventory Flow

	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

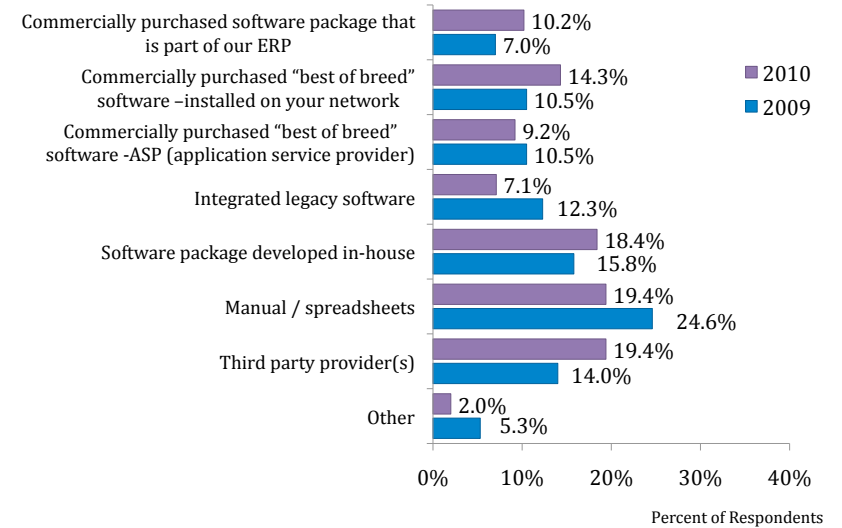
METHODS / TECHNIQUES FOR MANAGING TRANSPORTATION AND DISTRIBUTION

- 1
- 2
- 3
- 4
- 5

Domestic Distribution is Managed by Commercially Purchased Software



Manual/Spreadsheets Decline as a Method to Manage Domestic Transportation



IMPROVING OPERATIONS

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Top 5 Actions Completed to Improve Operating Efficiency or Effectiveness

Improved carrier tracking

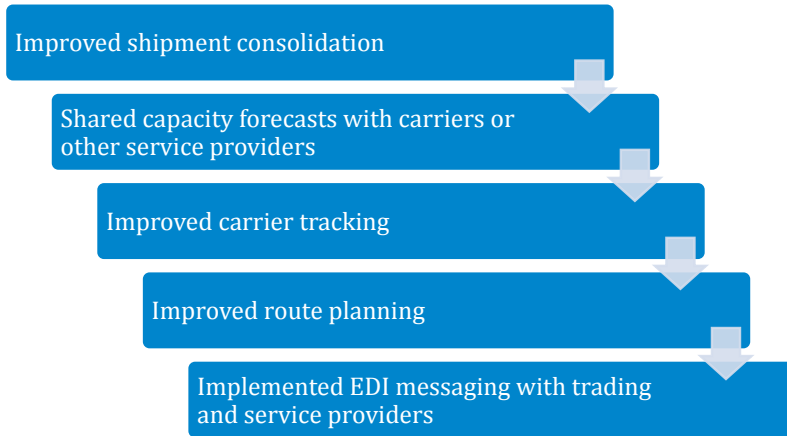
Improved shipment consolidation

Improved route planning

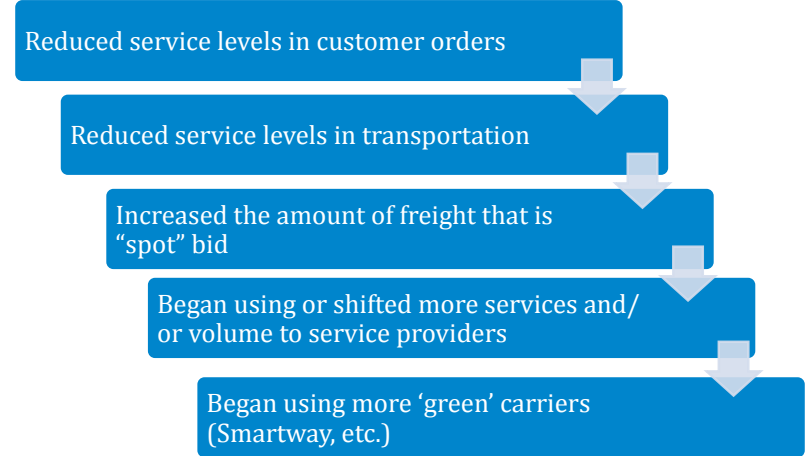
Implemented EDI messaging with trading and service partners

Shifted more transportation activities in house

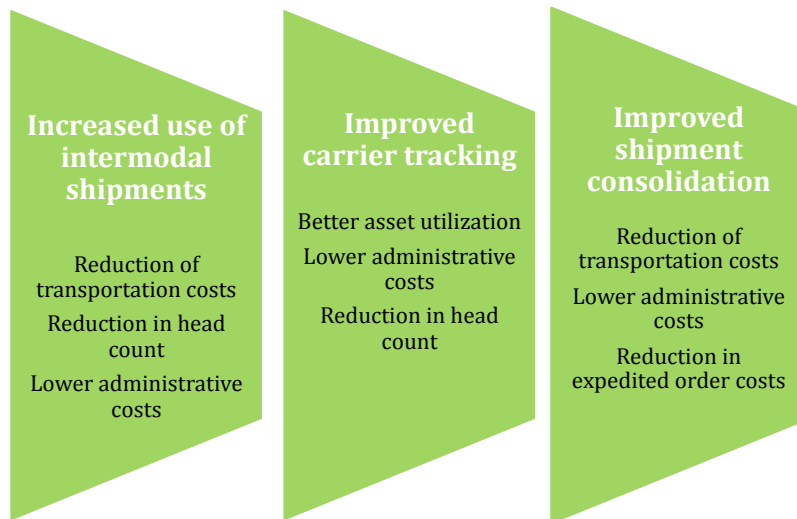
Top 5 Actions Being Implemented to Improve Operating Efficiency or Effectiveness



Actions Not Planned to Improve Operating Efficiency or Effectiveness



Quantifiable Results from Actions



ASSESSING THE CURRENT STATE



Major Findings

- A majority of firms do not have an option of being either cost or service focused – they are compelled to be both
- With longer supply chains, shipment tracking, consolidation and route planning are increasing in importance
- Most firms are focusing on improving operations which is the “tip” of the transportation cost pyramid
- The data suggest that transportation service performance is becoming an issue
- Managing transportation requires more sophisticated tools and techniques; manual techniques and spreadsheets are declining in use



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What's Next? The Future of the Annual Logistics Study

- Changing the Game:
 - Vested Outsourcing™ ... New Performance Perspective
 - Vested Logistics™ ... New Bills of Lading
- Impact of New Technology
 - RFID and GPS
 - Tracking and Total Data Collection (TDC)
 - Software As a Service (SaaS) ... and a Collaboration Platform
- Alternative Energy in Logistics
 - Synthetic Fuels
 - Solar Powered Distribution Centers
 - Battery Technology Changes

2011 will be the 20th Year for the Study. Much More to Come!



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For full study results:

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



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