

The Five Undeniable Truths about the State of the Supply Chain

19th Annual Trends and
Issues in Logistics
and Transportation



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

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Representing The Marketplace

Sample represents over **\$36 billion**

in transportation expenditures

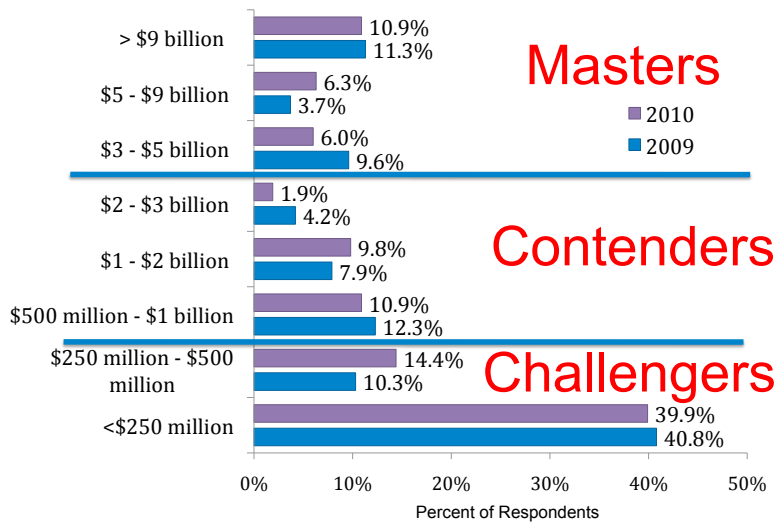
This is approximately
5.2% of the total
national surface
transportation
expenditure

802 respondents from 14 sectors represented this study



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Annual Sales Of Respondents



TRUTH # 1

A majority of firms do not have an option of being either cost or service focused – they are being compelled to be both

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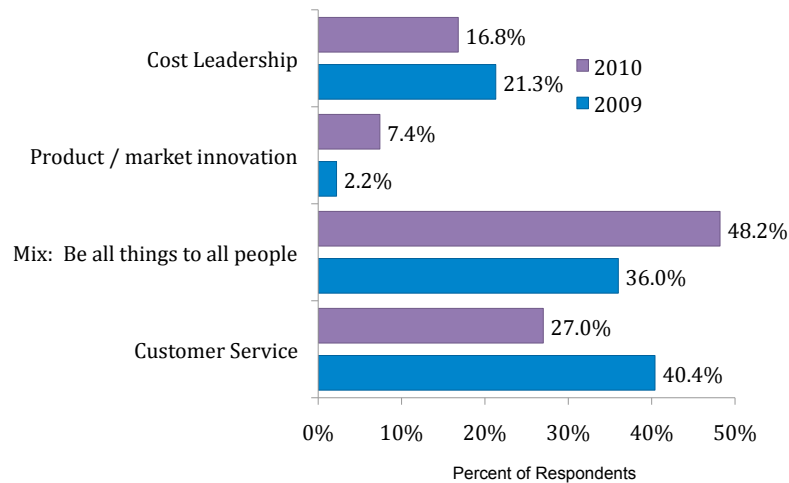
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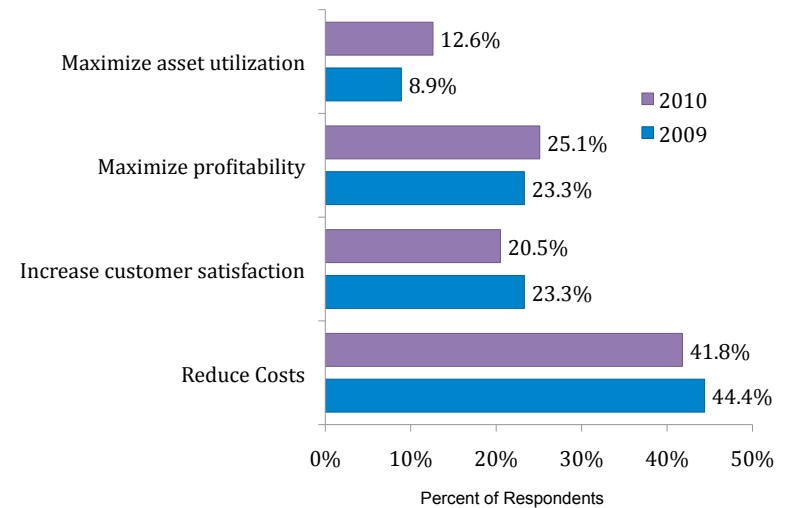
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Strategy For This Division or Business Unit



Overall Objective / Goal For Division or Business



Managerial Control of Activities

	Finance	Sales/Marketing	Manufacturing	Logistics/SCM	Procurement	Distribution	Transportation
Freight forwarding							•
Materials management					•		
Raw materials inventory					•		
Production planning			•				
Finished goods						•	
Customer service levels		•					
Packaging			•				
Return goods handling							•
Network design				•			

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		◆			

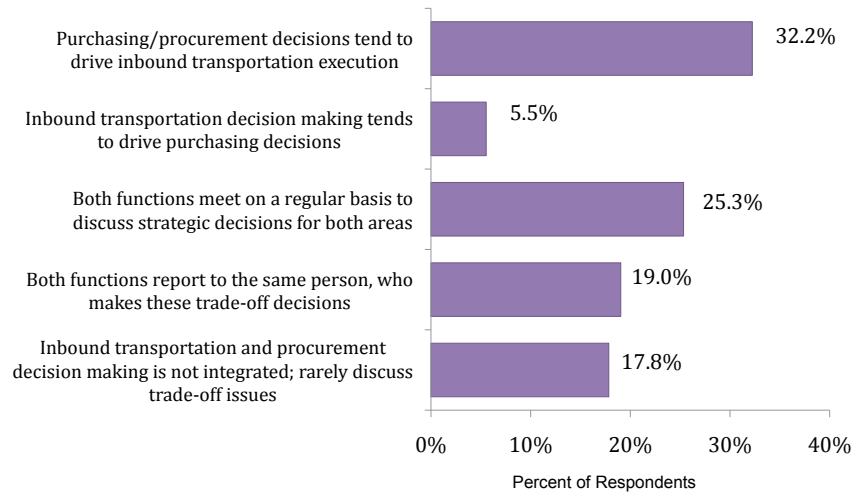
Who Leads? Setting Policy and Strategy

	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		◆			◆

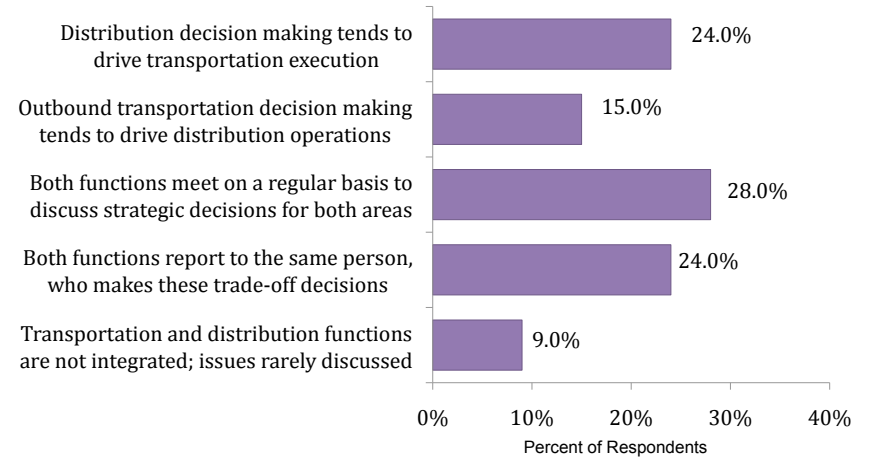
Tactical/Execution Issues Consume the Most Time

	0-5%	6-10%	11-20%	21-30%	>=31%
Strategic planning within the firm	→				
Strategic planning with customers	→				
Strategic planning with suppliers	→				
Strategic planning with service providers	→				
Tactical/execution issues	→				
Tactical/issues with service providers	→				

Procurement is in the “Driver’s” Seat

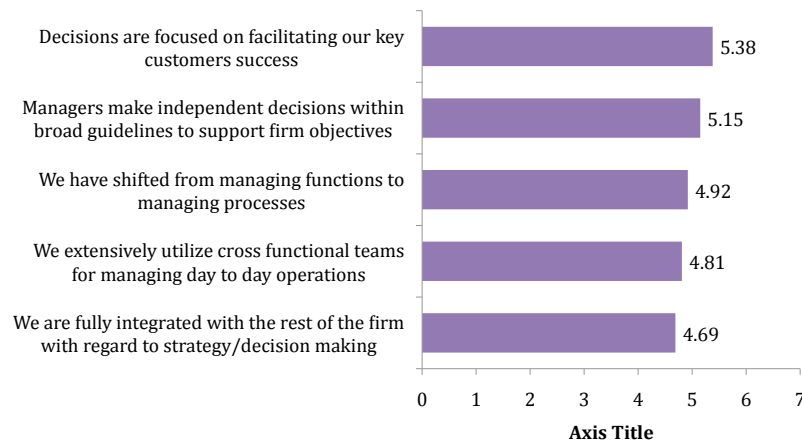


Coordinating Distribution and Outbound Transportation



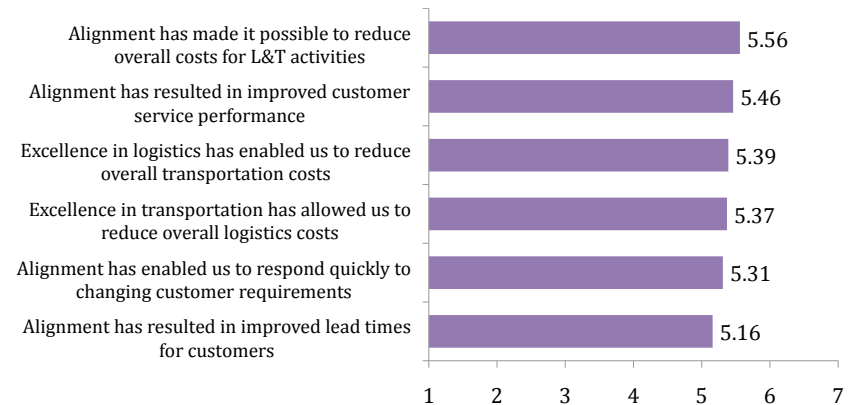
Supply Chain Decision Making Sends Mixed Signals

1 (Strongly Disagree)	2	3	4 (Neutral)	5	6	7 (Strongly Agree)
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Alignment of Logistics and Transportation

1 (Strongly Disagree)	2	3	4 (Neutral)	5	6	7 (Strongly Agree)
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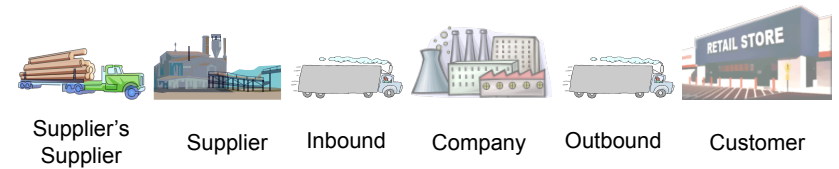


TRUTH # 2

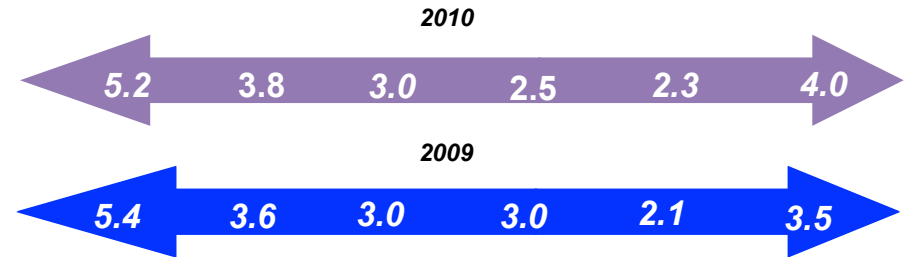
End-to-end supply chains with seamless flows of product/material, information, and finances are more idea than reality

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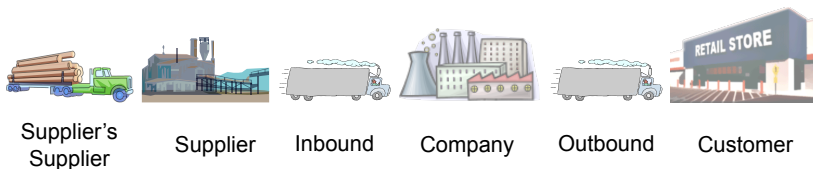
Domestic Visibility on a Plateau



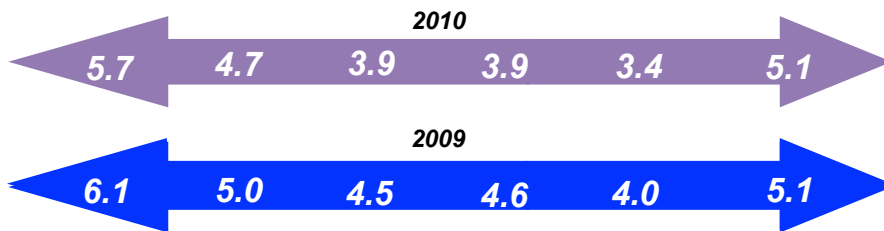
NOTE: 1 = very visible; 7 = not very visible



International Transportation Visibility is Declining



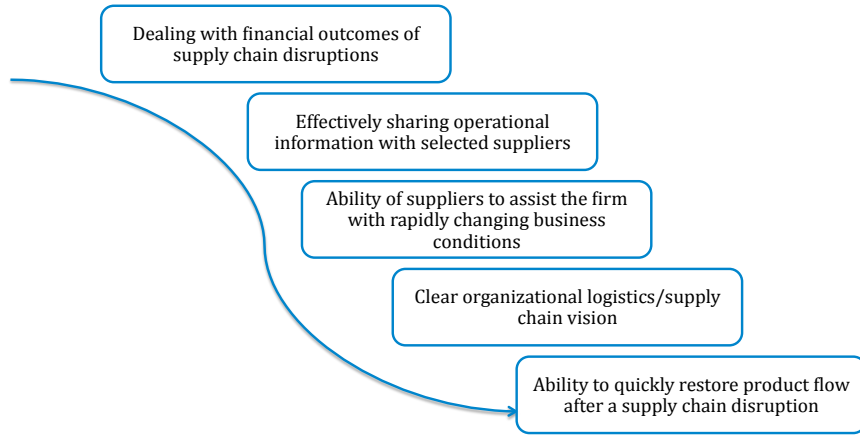
NOTE: 1 = very visible; 7 = not very visible



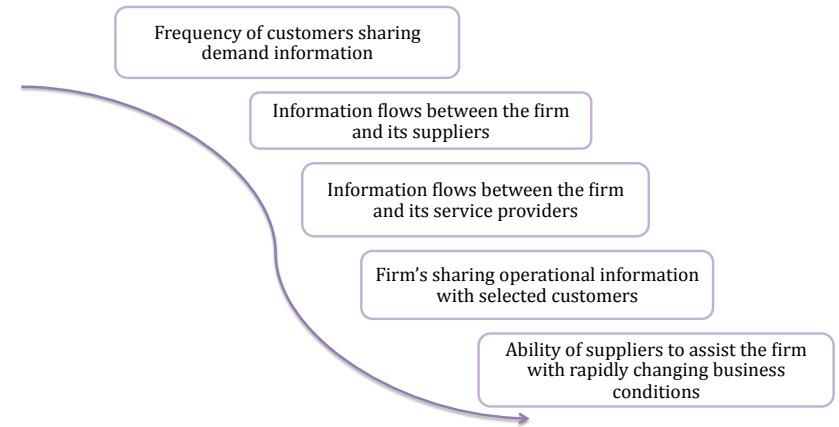
How Quickly is Information Available?

	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	◆					

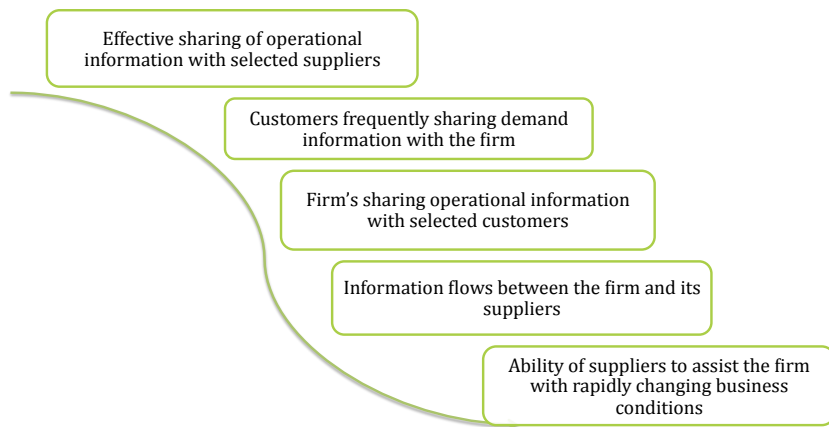
Supply Chain Disruptions are the Major Challenge for the Challengers (Small Size Firms)



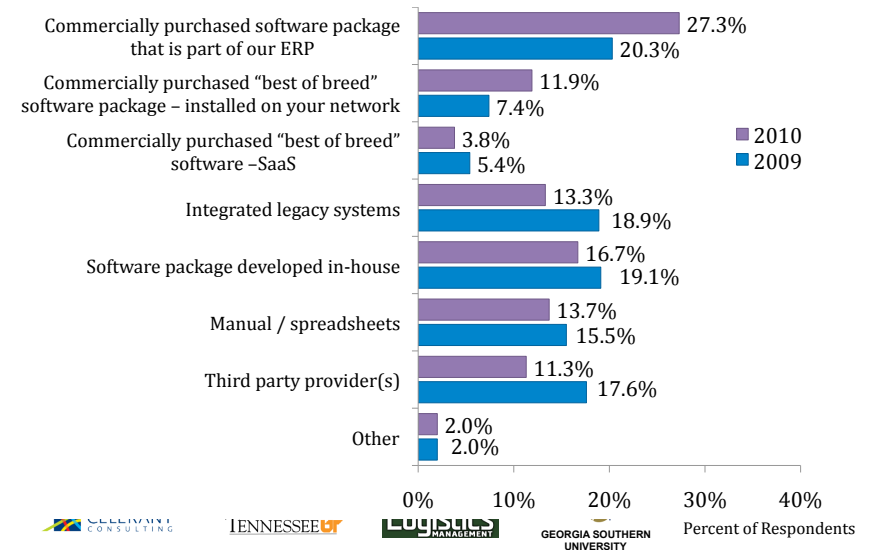
Information Sharing is an Issue for the Contenders (Medium Size Firms)



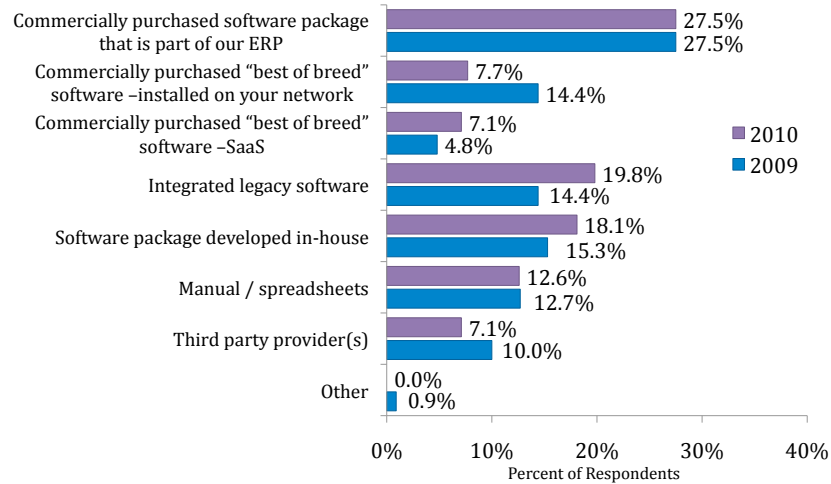
Masters Need to Improve Information Flows



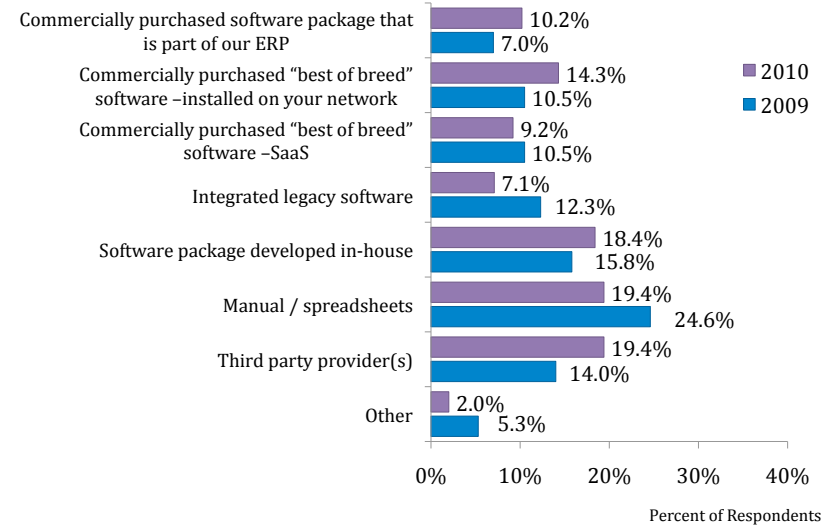
Domestic Distribution is Managed by Commercially Purchased Software



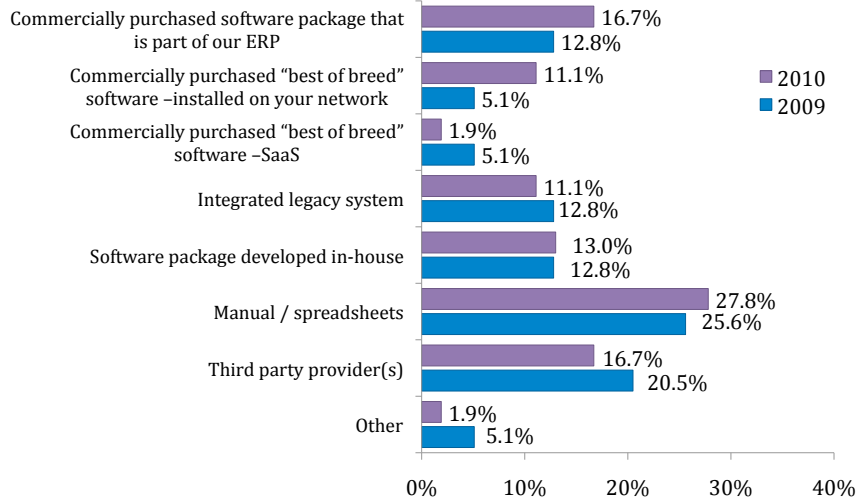
International Uses More Integrated Legacy Software than Domestic Distribution



Manual/Spreadsheets Decline as a Method to Manage Domestic Transportation



Manual/Spreadsheet are Primary Tools for Managing International Transportation



TRUTH # 3

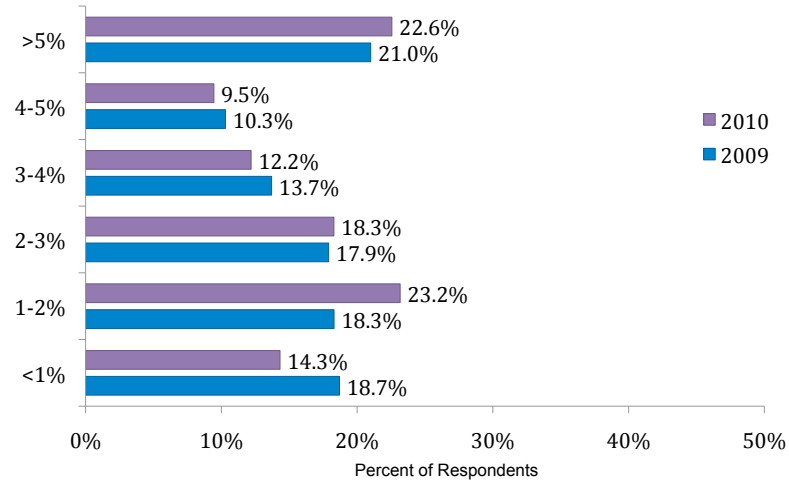
Most firms are focusing on improving operations which is the "tip" of the transportation cost pyramid.

Strategic and tactical approaches are often left out of the picture.



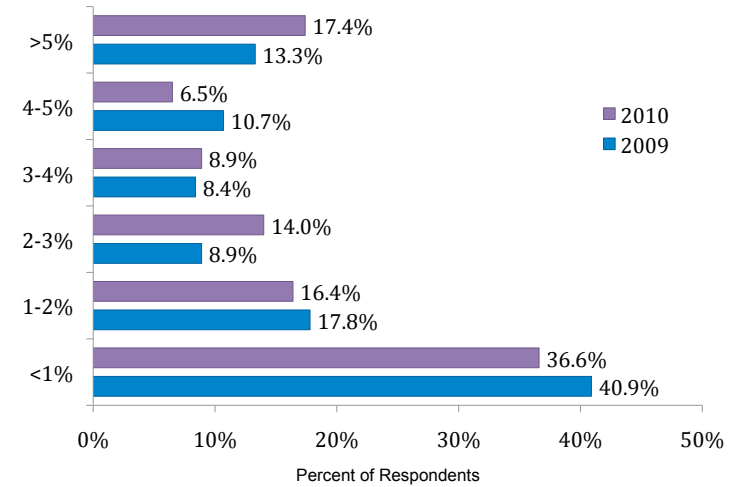
Domestic Transportation Spending Increasing

Percent of Sales

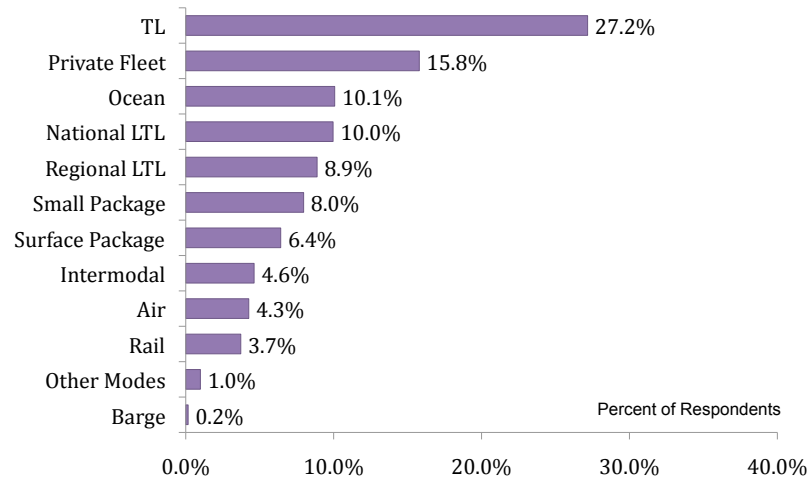


International Transportation Spending

Percent of Sales



Truckload Dominates as a Percent of the Transportation Budget

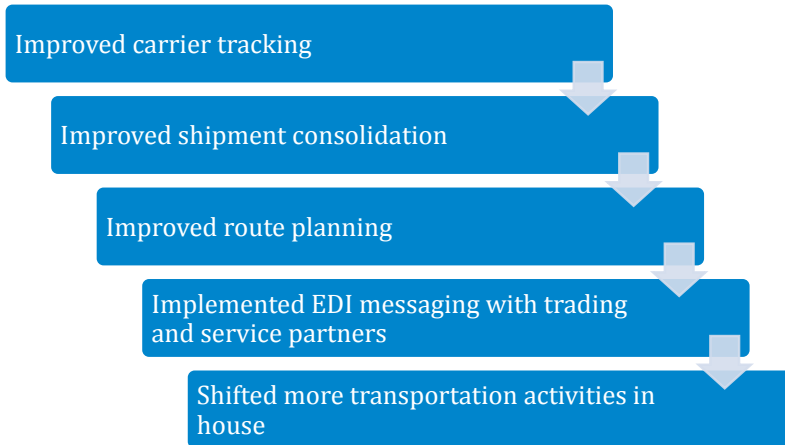


Transportation Scorecard

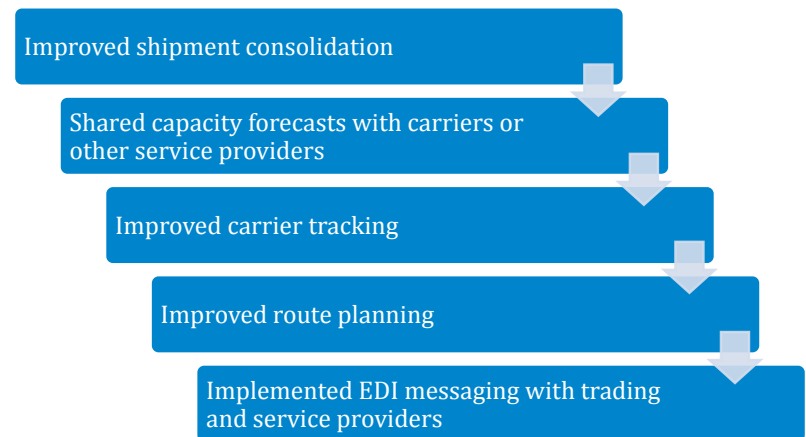
Mode of Transportation	2010	2009
TL	78.1	90.3
National LTL	78.4	81.7
Regional LTL	78.7	83.1
Rail	58.9	79.0
Intermodal	76.5	NA



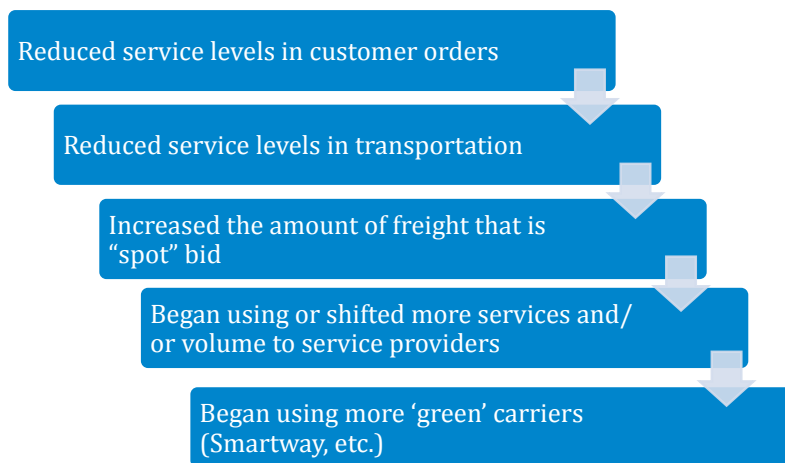
Top 5 Actions Completed to Improve Operating Efficiency or Effectiveness



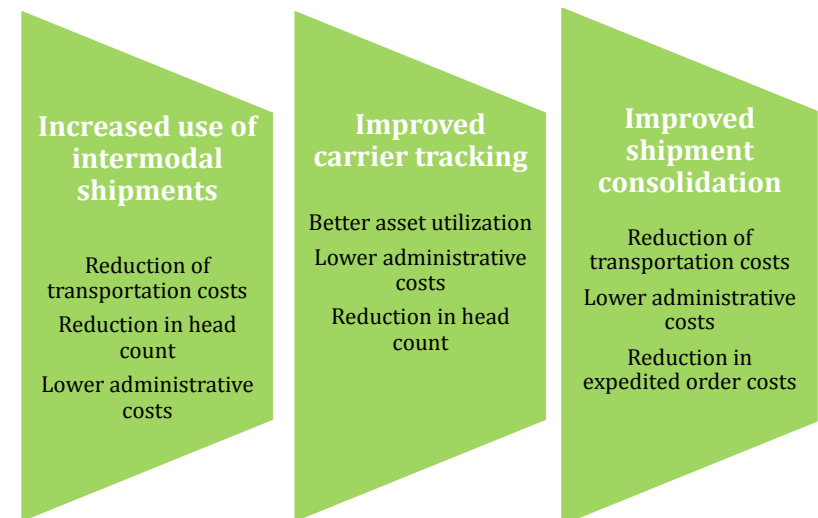
Top 5 Actions Being Implemented to Improve Operating Efficiency or Effectiveness



Actions Not Planned to Improve Operating Efficiency or Effectiveness



Quantifiable Results from Actions



TRUTH # 4

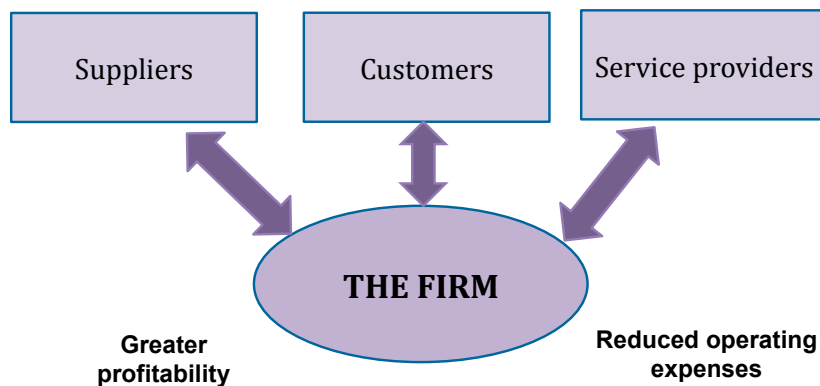
Effective inventory is our “Mount Kilimanjaro.” Scaling its height has a low success rate.

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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

Information Integration is Critical



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 - order fulfillment					
Demand management - manufacturing					
Demand management - distribution					
Order management - ERP					
Order management - transportation					

Process Integration Lagging

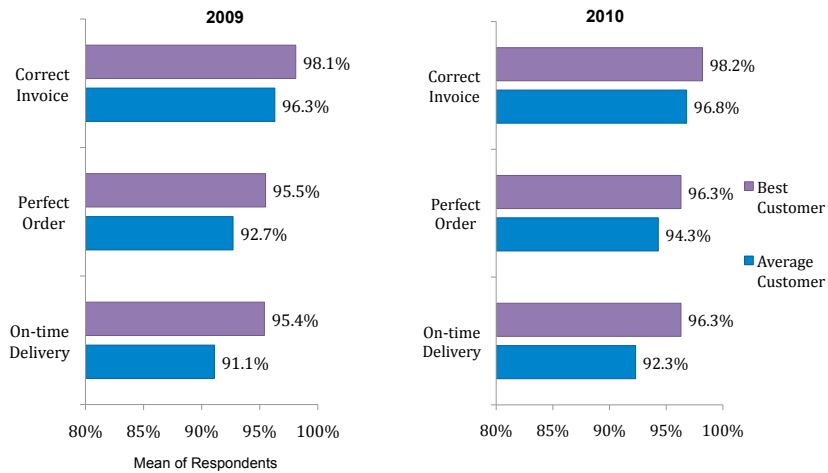
	Manual systems	Mostly manual systems	Some IT systems in place	IT systems integrate with some manual intervention	IT systems integrate information seamlessly
Order management - warehousing					
Order management - transportation - warehousing					
Manufacturing - supplier relationship management					
Warehousing - transportation					

TRUTH # 5

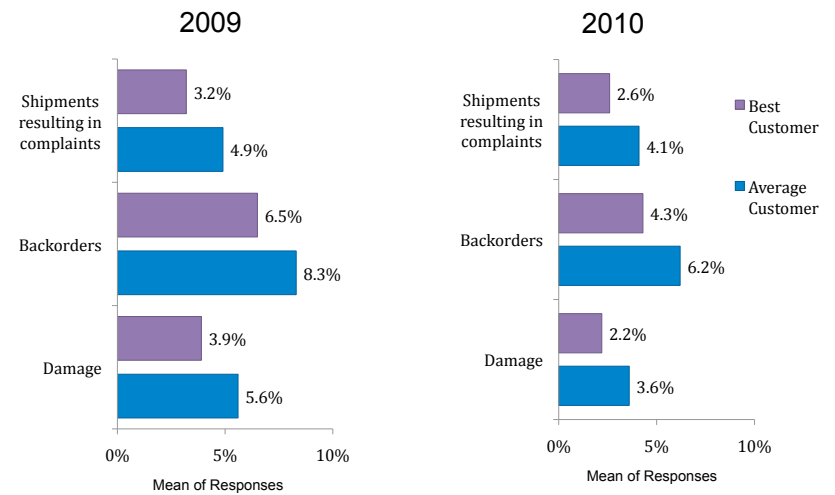
Firms have embraced the concept of differentiated service.

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Closing the Gap Between Best and Average Customer?

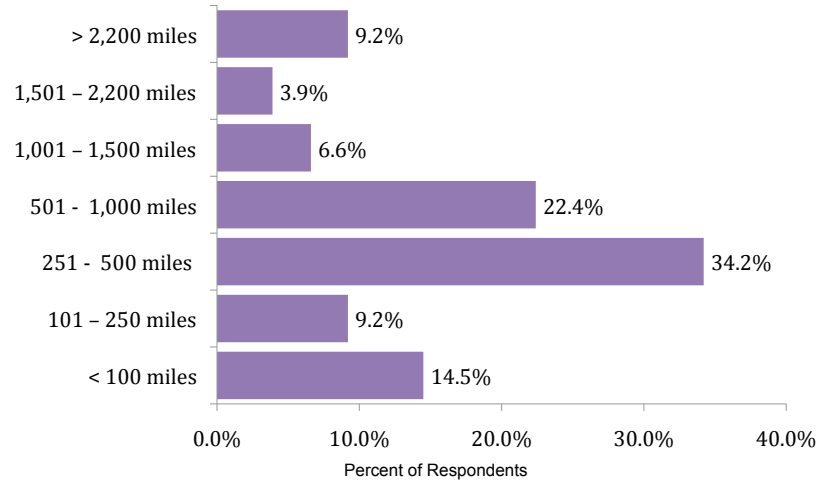


"Best" Customers Get Better Service



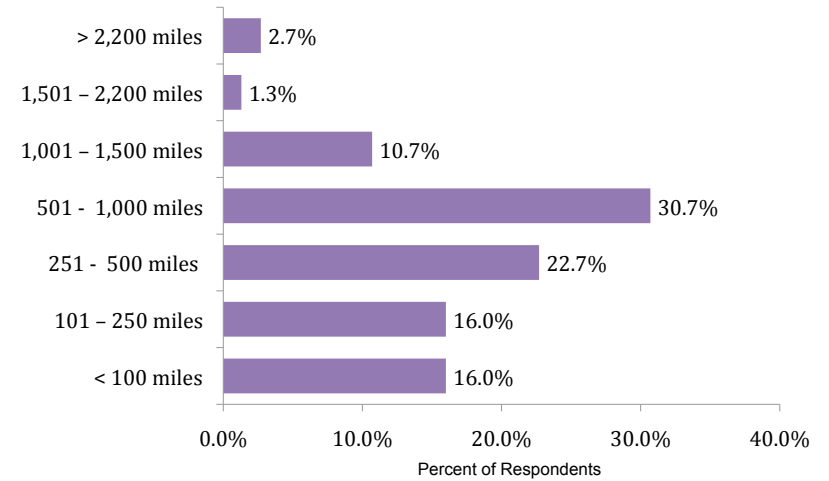
Average Length of Haul

Supplier to Your Facility

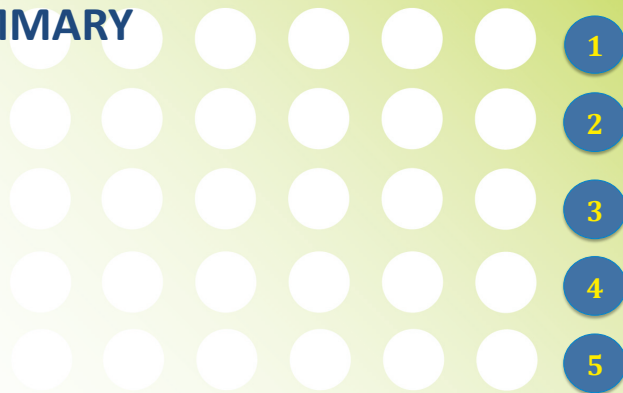


Average Length of Haul

From Your Facility to Your Average Domestic Customer



SUMMARY



TRUTH # 1:

Both efficiency and effectiveness dictate the firm's strategy.

The level of integration that is needed for processes, technology and people to successfully deploy this strategy is immense. Yet the ability to execute this strategy promises a significant return.

TRUTH # 2:

We are not making sufficient progress in building seamless, end-to-end supply chains.

It's time for visibility to become more than just an "extended" capability. The priority must shift to making it a core capability.



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TRUTH # 3:

For maximum, sustainable results a clearly defined logistics and supply chain strategic vision is needed.

Strategy must lead the way in order to maximize the firm's outputs from its efforts. Operational driven efforts are just the tail wagging the dog.



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TRUTH # 4:

Truly effective inventory management across the supply chain will not happen until we conquer demand and supply integration.

Improvements in inventory management were primarily driven by the state of the economy. Will we begin to build inventory levels as the economy recovers?



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TRUTH # 5:

We have not reached the summit relative to differentiated service. There is plenty of opportunity for additional efficiency and effectiveness in this area.

Defining who is a "best" or "average" customer is challenging for most firms. There is no room in this economy to get it wrong!



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