Changing Opinions, Upgrading Tactics And Improving Bottom Lines

By Niko Michas, President & CEO, BridgeNet Solutions, Inc.
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It's time to upgrade the ways we go about achieving supply chain savings. The old ways of cutting supply chain costs aren't making as much of an impact as they once did, and things like hiring constraints, greater volumes, and carriers who are looking to achieve bigger wins after being hit hard during the worst of the recession, are making it hard for supply chain and logistics professionals to find the time to generate the new resources that will bring them success. Combine these challenges with the challenges associated with managing an ongoing influx of shipping data, and you've got more than a few headaches -- you've got a potential crisis on your hands.

As you are no doubt painfully aware, logistics departments are viewed as a necessary evil. They generally don't bring in revenue or create new business, and the expenses they incur are an ongoing burden. The reality is that this outlook, from outsiders' perspectives, anyway, will probably never change. What you may be able to change are the opinions your own management has regarding your ability to make the best out of difficult situations during trying economic times. To implement a supply chain savings strategy that will do this, you will first want to complete the relatively basic tasks of:

Proving that you can or have successfully maintained operations with less or limited personnel by:

- Defining the different roles of each and every employee that works in or alongside your logistics department according to their tasks
- Automating certain employee tasks and eliminating unnecessary tasks completely
- Redistributing tasks to the best of your ability, preferably by using a program such as Microsoft SharePoint or similar task-oriented software

Creating and implementing cost-saving strategies by:

- Making use of things like part-time and flex-time options for hourly employees
- Using free online resources in lieu of recruiters when hiring new employees
- Negotiating extended severance pay and/or by providing other benefits to senior-level employees who may have been laid off from your company, but are nevertheless able and willing to help devise planning strategies that will generate supply chain savings

Reducing or eliminating indirect purchasing costs that virtually have no affect on your company's clients or products by:

- Regularly monitoring everything from your office supply needs to the costs associated with things like machine maintenance, and then reopening supplier and/or third party contracts and agreements in order to achieve savings wherever possible

Reducing packaging costs by:

- Issuing requests for pricing with your packaging vendors and working to consolidate your agreements in order to reduce your packaging materials costs

- Lowering labeling costs (for example, by requiring your carrier to provide you with a carrier-owned shipping system or label printer) and dunnage costs (for example, by purchasing a shredder that breaks down your used packaging materials and eliminates the need for an outside party to haul the materials away and break them down for you)

Implementing compliance monitoring by:

- Using an active routing guide that eliminates paper manuals and allows you to keep track of the everyday functions of your personnel, carriers, and partners by providing you with overall supply chain visibility and 24-hour compliance monitoring via the Web

Once the actions above have been performed or are in progress, you will want to show the decision-makers within your organization that any investments you wish to make in additional high-level shipping data analytics will result in even bigger payoffs than your active routing guide is able to generate. This is where things get a little stickier.

It's no secret that carriers were hit hard during the worst of the recession. Now that the economy is experiencing an upturn, you've probably experienced first-hand the results of their increased reluctance towards taking on new capacity and granting incentives. They simply aren't as concerned about keeping your business as they once were, and therefore aren't making the same concessions. In some instances, carriers are even refusing to enter into negotiations with companies that elect to bring in high-level data analytics providers or consultants specifically because they know that the best of these third parties can do serious damage to their chances of successfully increasing your rates.

To convince your management team that high-level data analytics (and the third party you wish to perform them on your behalf) will actually be able to help you to win the incentives, concessions, and rates your company deserves, ask your preferred third party partner to arm you with proof that further analysis of your company's data will enable you to do the following:

A. Gain total control of your company's inbound and outbound shipments
B. Develop of an accurate shipping profile for your company based on your current and historical shipping data
C. Benchmark your company's unique shipping characteristics against those of thousands of similar companies
D. Identify all the areas in which you might be able to achieve better incentives, better rates, improved service levels, and additional savings

Just as supply chain and logistics departments are seen as a necessary evil by companies' other departments, benchmarking and data analytics-based firms are often seen as a necessary evil by many supply chain managers and their superiors. Despite this, most supply chain professionals are able to see the value in partnering with a third party data analytics provider that can give them the visibility and market intelligence they need to usurp carriers' attempts to negotiate higher rates than are appropriate. Some experts have even gone so far as to claim that 2010 has been the year of the supply chain consultant, despite carriers' attempts to thwart their involvement, and gone on to predict that partnering with third party consultants will be a growing trend through at least 2013.

Niko Michas is President and Founder of BridgeNet Solutions, Inc., a Chicago-based firm specializing in helping companies to achieve supply chain cost reductions through data analytics software. For more information, visit http://www.bridgenetsolutions.com.