McCLAIN & ASSOCIATES
(636)896-0085
2458 Old Dorsett Road, STE 250
Maryland Heights, MO 63043
www.mcclainltd.com

A Complete

Inbound Management Tool Kit

Presented by:

McCLAIN & ASSOCIATES

Contents

McCLAIN (636)896-0085

2458 Old Dorsett Road, STE 250
Maryland Heights, MO 63043
www.mcclainltd.com

Overview

What does this Mean?

Today's supply chain managers are dealing with many daunting tasks and increasing expectations due to technology advances. These increasing expectations are coming from managers and executives, as well as customers. Companies who haven't invested in advanced technology are experiencing a serious disconnect. For example, many employees do not have up to adequate training. Furthermore, many of these companies have not invested in the technology or upgraded machinery to meet customer demand. Companies also lack the technology and big data to meet demand regarding lowering delivery costs, in fact;

56% of companies report challenges with customers demanding lower delivery costs

57% of companies report challenges in adequately producing enough to withstand demand

58% of companies report challenges with hiring and retaining a skilled workforce

Companies are expected to utilize the most up to date technology, extrude reliability, and improve service standards, all while reducing costs. This proves to be a daunting and intimidating venture for many companies who have yet to upgrade from legacy ERP and SCM systems. Those who have embraced and grown with the technology are now blatantly seeing the logic and chain reaction that is sparked by managing inbound freight.

Benefits of *Non-Legacy* ERP Systems

COST

IT Vendors increase support charges as technology ages and internal knowledge becomes scarce driving down the costs of implementing and maintaining modern ERP Systems.

TIME SAVINGS

Customers are used to instant gratification. Rolling out or making minor modificaitons to legacy ERP or SCM systems can take anywhere from 6-36 months and come with an equally enormous price tag.

NON- PROPRIETARY

Legacy systems have uniquie coding and programming language making integrations nearly impossible and very time consuming whereas modern ERP systems use more consistent language. .

REDUCED INFRASTRUCTURE

As these applications are legacy, so is the hardware necessary to maintain a very large infrastructure. Modern ERP systems are cloud based, durrastically reducing cost of purchasing and storang infrastructure.

MOBILIZATION CAPABILITES

Legacy applications were built prior to the smart phone craze, and none of these apps are transferrable to mobile devices.

COMPUTATION CAPABILITIES

Legacy systems weren't built with the computing power to collect, process, or maintain big data.

McCLAIN & ASSOCIATES
(636)896-0085
2458 Old Dorsett Road, STE 250
Maryland Heights, MO 63043
www.mcclainltd.com

The Chain Reaction

Role of 3PL in PO Management

Most companies understand the significance of order management, however, they don't always understand the numerous ways in which 3PLs and their technology can improve their inbound processes. Modern TMS systems integrate with ERP systems so when a customer cuts a PO, a duplicate document is sent into the TMS. At this time, all order information is now visible and ready for analysis with the shipment data.

Depending on requests and needs of client, the 3PL can help monitor the PO. Throughout the life cycle of the order, the 3PL is proactively monitoring the shipment, making sure it is ready to ship on time, is shipped using the most economical carrier, and once picked up, delivers on time. Arming the 3PL with this data and control alleviates the client from the guessing game and pressure to constantly follow up. If an order is not going to make delivery, or is short shipped, the 3PL will work with both shipper and vendor to appease the issue with vendors, saving an abundance of labor hours.

As the shipper reports progress to the 3PL, these updates will be manifested with all other relevant shipment and PO information into a centralized system. Clients can log into their portal to view instant updates and analytics on their shipment.

Visibility → Control

Modern ERP systems enabled by cloud computing can easily integrate with the systems of vendors and customers. As a result, all PO data (see below) is uploaded in conjunction with shipment data. When PO data and shipment data are stored in a centralized location invaluable metrics are instantly available and reported on. Some of the metrics available when this information is in alliance are:

PO Data		Shipment Data		Metrics
Total cost Cost Per Unit Date Requested Date Shipped Date Due/MABD Number of Units Requested Number of Units Shipped Number of Units Accepted PO Number Item Code/SKU Received Quantity Accepted Quantity Rejected Quantity	+	Actual Pickup Date Actual Delivery Date Damages Claims Assessorials Reweighs Re-Classifications Shipment Cost Fuel Surcharge	=	Freight Cost Per Unit Total Freight Cost Freight Cost Per Pound Total Cost Per Pound Cost Per Customer/Vendor Percent Accepted & Rejected Inbound as % of Purchases Outbound as % of Net Sales Accuracy of Transit Times Vendor Compliance Carrier Compliance Claims as % of Freight Cost

As the saying goes, *knowledge is power*. Big data gives companies *power and control*. What the above metrics, as well as metrics customized for individual businesses and industries affords executives and logistics managers is the knowledge, control, and ability to streamline processes which save both time and money.

McCLAIN & ASSOCIATES
(636)896-0085
2458 Old Dorsett Road, STE 250
Maryland Heights, MO 63043
www.mcclainltd.com

The Chain Reaction

Control → Vendor & Carrier Compliance

Data collected on carrier compliance concerning on time deliveries, damages, and lost product gives companies leverage when negotiating better freight rates. Similarly, vendor compliance data pertaining to late deliveries, defective product, and short ships are tracked and costs incurred from non-compliant shipments are billed back to the vendor. Strengthening vendor compliance encourages vendors to increase their customer service, which is directly passed on to the customer. Additionally, implementing lean or JIT philosophies is a priority for most shippers. These philosophies are often not performing at their fullest capacity as many companies must keep excess inventory to reduce risk.

Compliance → Risk Mitigation

Companies who manage inbound shipments rest assured that their freight will arrive on time, reducing the necessary amount of excess inventory. Compiling PO and freight information into a centralized location allows current and historical data to be analyzed. Past hazards are analyzed, and from this analysis, exceptions are identified and procedures are implemented to mitigate potential risks from recurrence. Implementing this data using an exception management model directs attention to the areas in need of immediate action.
Avoiding risk altogether is unrealistic, so when problems do arise, executives want real time data pertaining to the financial impact. With an advanced TMS systems, cost and risk analysis is available and easily reported upon instantly. Not only does risk mitigation relieve pressure on employees and pocket books, but the benefits are inevitably passed on to the customer.

Decreased Risk → Increased Customer Service

As previously stated, 57% of companies have challenges adhering to customer demands. Customers are demanding not only lower costs, but shorter lead and delivery times. Companies who do not have the appropriate procedures and technology in place find it very difficult to meet these demands. For example, if an employee is checking on the delivery status of a part to complete a customer order, they must call the vendor and rely on that vendors ability to provide the information in a accurate and timely fashion. Your employee could be transferred between various employees, then, after finding the correct employee, they are put on hold again while the vendor calls the carrier. You continue to pay your employee while they wait on hold. Once the vendor has the information from the carrier, they are able to relay it back to your employee. Not only is this a lot of hoops to jump through, but it's a huge waste of time. Companies who control their inbound freight and utilize a TMS have options for virtually anyone in the company to track shipments instantly.

Furthermore, when the appropriate data is centralized and analyzed, customer satisfaction improves as risks are avoided and shipments have a higher on time delivery percentage. The costs saved through analyzing data and avoiding risks can go straight to the bottom line, or be passed onto customers, also increasing customer satisfaction with the hopes of leading to increased demand.

McCLAIN & ASSOCIATES
(636)896-0085
2458 Old Dorsett Road, STE 250
Maryland Heights, MO 63043
www.mcclainltd.com

Wrapping it Up

Selecting Proper TMS

The selection of a proper TMS and managed services provider is the most important decision when converting to managed inbound. Select a provider who has the ability to integrate with your current ERP system, this ensures orders can be completely tracked throughout their lifecycle. Because 38% of companies cite that upfront costs of investment in a new software process is a the main barrier to implementation, look for service providers who are equipped with a Saas or cloud based TMS to cut down on implementation cost and time.

Inbound Management, No Brainer

Regardless of the logic behind a company's quest for for conversion to inbound freight management, the ramifications and results are immeasurable. On the surface, companies want visibility. As a matter of fact, 96% of businesses report that a lack of visibility introduces risk into the supply chain. The main risk manufacturing companies face is a shortage of inventory due to their inability to control their incoming product. As a result, 61% of businesses admit they must maintain excess inventory.

Controlling inbound freight alleviates risk and equips companies with valuable “big data”. Companies who gather data are able to quickly interpret it, making them 2.6 times faster and more effective when reacting to issues within their supply chain as opposed to their less-savvy counterparts. When it comes to mitigation of risk, managing the exceptions is the key to preventing issues. Reduced risks and decreased issues because of big data is why companies who implement it are 5.25 times more likely to experience shortened lead times. Companies who have access to big data are 3.7 times more likely to see this efficiency increase of 10% or greater. Moreover, companies who utilize data to track vendor and carrier compliance, are 2.7 times more likely to have better customer and supplier relationships. Most importantly though, companies utilizing big data are 2.5 times more likely to see improvement in customer service and demand fulfillment of 10% or greater.

In a report published by The Aberdeen Group, they concluded that top performing companies who controlled an average of 60% of their inbound supply chain reported an 8.71% reduction in transportation costs. Conversely, those who did not control their inbound transportation, saw a 10% increase in transportation costs. Of the same data, companies who controlled inbound freight saw 97.2% ontime deliveries, as opposed to 81% for those who did not control the majority.

Inbound freight management should be a top priority within all supply chains. The freight coming into facilities sets the basis for the entire customer service process. Uncovering efficiencies and cost savings within this process trigger a chain reaction forging improvements within all segments of the supply chain. Managing inbound freight gives companies visibility, data, and control necessary to make informed decisions instantly.

McCLAIN & ASSOCIATES
(636)896-0085
2458 Old Dorsett Road, STE 250
Maryland Heights, MO 63043
www.mcclainltd.com

Overview

Inbound Overview

Taking control of procedures to reduce costs is a concept all businesses are familiar with. Many companies, however, fail to see the value in taking control of their inbound freight as a viable option for cost reduction. Companies who don't control their inbound freight are losing money, control and indirectly, customers.

When it comes to inbound management, most companies adhere to the age-old proverb, "if it ain't broke, don't fix it". Other than being age-old, there are a slew of negative and expensive implications that surround this notion. A more recent quote by Catherine Devrye, a world renowned executive, author, and motivational speaker states, "Remember that the six most expensive words in business are: 'We've always done it that way'."

COMPANIES WHO ALLOW THEIR SUPPLIERS TO CONTROL THEIR INBOUND FREIGHT:

1) Have no efficient way to track or control inbound freight

2) Have insufficient data to support implementation of cost saving procedures

3) Have little control over how or when their freight arrives

4) Are unable to provide quantifiable reporting on vendor and carrier conpliance

5) Experience increased lead time

6) Perpetuate inefficnet labor practices

7) Provide subpar customer service

According to a survey published by the Aberdeen Group, 40% of a businesses freight budget is spent on inbound shipping. Some may look at this statistic and see it as false because oftentimes shipping is "included" in the cost of their product. This is a completely false perception. Shippers claim they are providing their customers with "free" shipping, all the while, they are merely embedding this cost into the invoice. Others, who disclose freight cost may charge a fee for routing your freight and thus, are making and additional profit. Meanwhile, receivers still have no control or visibility of this freight.

Influencers to the Inbound Suppy Chain

Market Conditions

In order to properly understand why inbound management is such a hot topic, you must first understand the conditions in the market. Transportation is one of, if not the leading cost in most companies supply chains. It is report that between 3.6% and 5.2% of total cost can be accounted for by freight spend. Currently only 45% of companies are utilizing TMS technology, and many of them aren't utilizing it to it's fullest extent.

Power of Imports

More shipments are being imported from overseas partners, and once linear supply chains are now becoming more complex. Along with advancing relationships with these overseas partners, also comes advanced technology necessary to support the new network of partnerships. To be successful in a changing market, companies now must be armed with the technology, partners, and knowhow to navigate dynamic times.

Big Data

The term "big data" is everywhere, and for good reason. Big data is defined as: *data sets that are so large they cannot be captured, stored, managed, or analyzed using on-hand data management tools or traditional data processing software*. Integrations between ERP systems that are capable of collecting and processing this big data, give way for optimization tools, demand forecasting, superior planning, collaboration, and risk analytics tools, instantly. Big data is so big, that 64% of supply chain executives are considering big data a disruptive and important technology that is now helping to forge the framework of the future of their businesses.

Cloud Technology

To support all of the big data, and make it accessible in an instant from virtually anywhere, companies are taking advantage of PaaS or cloud platforms. Paas, or Platform as a Service companies sell these cloud platforms. A cloud platform is a hosted service that facilitates the deployment of software applications without the cost and complexities of acquiring and managing the underlying software. These platforms are used to streamline processes within not only a company's supply chain, but within the company as a whole. The purpose of this is to knock down silos and store data in a centralized, accessible location so that employees have visibility of their respective data and are able to make holistic decisions considering all factors. It is expected that within six to ten years, use of cloud computing will increase 86%. Top achieving manufacturers are already orchestrating 80% or more of their supplier network activity based on big data analytics by implementing modern technology to bypass legacy ERP and Supply Chain Management systems.

McCLAIN & ASSOCIATES
(636)896-0085
2458 Old Dorsett Road, STE 250
Maryland Heights, MO 63043
www.mcclainltd.com