A BALANCING ACT: HOW TO BEST MANAGE OMNI-CHANNEL GROWTH AND MITIGATE ASSOCIATED RISKS

As companies grow, either organically or through mergers and acquisitions, leaders making pivotal business decisions must remain cognizant of the state of their industry in North America and the world. The pace of change in the business environment is reaching record speed, and added challenges are exacerbated by growing volatility in global economies. Relying on inaccurate, incomplete, or untimely data hinders the executive's ability to make the most intelligent decisions that affect the bottom line.

As a basis for mitigating the risk of less-than-optimal insight, forward-thinking leaders develop a platform that provides immediate feedback with access to real-time data from across all elements of the supply chain and supporting business processes. The result is the acquisition of critical insight into what is actually happening inside and outside company walls. Real-time, current-state awareness can uncover barriers to success and vulnerabilities to risk.

With advanced analytics in place and leading-edge technology driving improved process efficiency, market leaders create actionable, interactive business intelligence with customized views of data to develop and quantify continuous improvement strategies.

STRUCTURE FOR IDENTIFYING ITEM-LEVEL PROFITABILITY (COST-TO-SERVE)

Cost-to-serve is the analysis and quantification of all activities and costs incurred to fulfill customer demand for a product through the end-to-end supply chain. More specifically, omni-channel margin management defines the underlying profitability of each item across various order dimensions: by channel, by service type, by customer segment, by fulfillment location, and by carrier.

Integration and analysis of this massive amount of data into a cost-to-serve metrics program requires companies to have extensive financial resources and human capital on hand. Most important in the equation, though, is understanding what an optimal cost-to-serve measurement looks like. Creating a model for each of these activities in the supply chain network depends on accumulating and properly allocating all fixed and variable costs associated with each item. But having the expertise on hand that can help you benchmark costs against leaders in your industry is priceless. Once an accurate model is in place and gaps in cost and service have been identified, company executives can make decisions about which markets, customers, and stock keeping units (SKUs) are contributing to profitability and which are not to effectively close those gaps between themselves and best-in-class organizations. In some cases, better aligning your shipping practices to the carrier networks available can mitigate some of the upward movement in these figures. By coupling accurate cost-to-serve measurements with a cost-based pricing philosophy, companies are better equipped to maintain — and potentially grow — bottom-line profitability.

STRUCTURE TO ENSURE YOU ARE GETTING WHAT YOU PAY FOR IN ALL DELIVERY CHANNELS

It is no secret that errors can occur throughout the transportation invoice payment process, and exposure to loss of profitability amplifies with each untimely or inaccurate invoice, duplicate invoice, or miscalculated payment. Invoices often have incorrect information in the address, quantity, contract number rates, or customer number fields. This can be especially problematic in the parcel shipping realm, where errors lead to overcharges linked to incorrect coding for size, weight and destination, or billing applied to the wrong account.

Large-volume parcel shippers generally have a significant transportation budget. This spend, however, often goes unmonitored just because of the sheer amount of work required to track invoices and payments. Failing to place a system of checks and balances on your parcel operations can lead to a multitude of potential risks that could include duplicate payments of the same invoice, charges for services not rendered (e.g., shipments not arriving on a guaranteed date), or fraudulent use of account numbers by others for their own benefit. It takes a team of parcel logistics experts — and total visibility across your transportation operations — to mitigate these risks.

Best practices for auditing your parcel operations require visibility into your supply chain, diligent data collection, and smart analysis. More specifically, these best practices involve collecting myriad data points from parcel invoices to uncover duplicate charges, guaranteed service refund opportunities, packages manifested but not shipped, lost and damaged packages, declared value errors, and more. Further, the power of auditing technology delivers added accuracy and efficiency in critical areas such as:

- Automated general ledger coding
- Consolidated electronic billing

- Research and collection of refunds

Rigorous parcel audit compliance services should assess invoices to the penny against client contracts to match program costs with services rendered. Auditing every invoice takes a tremendous amount of administrative effort; not auditing invoices leaves money on the table. Using a provider that maintains a rigorous platform of independently monitored process controls means complex invoices are inspected and unraveled to ensure shippers are paying the proper amount to their service providers.

The massive amounts of data collected from parcel shipping activities can be a catalyst to model what-if scenarios to enhance client programs for current strategies and future goals. These scenarios can address mode optimization, split shipment assessment, routing analysis, distribution center alignment and site selection analysis, mergers and acquisitions analysis, fulfillment models, and regional carrier analysis. The result is a parcel platform closely aligned with business goals grounded on fact-based analytics, robust audits, and industry expertise.

Based on the large volume of invoices shippers generate, partnering with a logistics business strategist to complete financial settlement can lead to significant savings, both in cost and time. Auditing invoices with rigorous compliance controls in place provides additional in-depth analysis and peace of mind. Through a combination of error resolution, process automation and data analysis, audit experts can help shippers gain control and better manage financial-related risk associated with potential fraud, security, and compliance.

STRUCTURE THAT EXAMINES UPSTREAM RISK IN INTERNATIONAL LOGISTICS

In addition to the auditing of invoices after shipments have been delivered, it is equally important to focus efforts on getting the right products, at the right place, at the right time within the most economic cost structure. As companies reach globally to expand their markets or sourcing channels, they must deal with import and export compliance issues, making it imperative to initiate sound compliance practices. But the safeguards developed domestically don't necessarily translate outside of US borders. Complex rules in the international shipping landscape create significant risk exposure.

Companies must keep detailed records of shipment documentation for at least five years to meet US Customs and Border Protection (CBP) regulations. Incorrect or incomplete record keeping can lead to substantial financial penalties. And, the "I did not know about that change" answer no longer works when the Automated Commercial Environment sits alongside the Reasonable Care standard.

The Trade Facilitation and Trade Enforcement Act of 2015 gives and affirms CBP power in enforcing trade laws for the US. There have been numerous examples in the past few months where CBP agents have found importers and exporters in violation of trade practices, many of which reportedly had been unknowingly followed for years.

To minimize international import/export risks, leading companies perform an internal assessment of their international trade practices. These assessments identify lapses in process and documentation, and provide steps to alleviate the risk.

DOES YOUR PLATFORM LOOK AT GROWTH STRATEGIES?

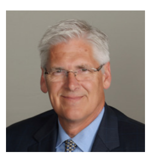
During periods of slow economic growth, it is critical to establish plans for the future and execute against them, deploying resources and expertise as needed. This is especially true with the emergence of new revenue growth avenues, such as the booming e-commerce segment of the economy. Many businesses, however, underestimate the level of risk involved in expansion, and as a result, they unknowingly limit their growth. What if you enter the wrong market? What if you don't have the right parcel and e-commerce platform? What if you need more warehouse space to hold your expanding inventory?

Market size and revenue opportunities are important factors to consider when evaluating new markets, but "what if" expansion scenarios need to include extensive calculations to determine the financial requirements of entry, logistics, customer service, manufacturing, warehousing, distribution, and all other supply chain functions. More than just the capital investment incurred when setting up new facilities and services, an unsuccessful venture into a new geographic market adds risk that can strain existing operations, compromise product quality, damage customer satisfaction, erode supplier relationships, and tarnish your brand reputation.

Today, most progressive organizations include e-commerce channel growth as part of their strategic objectives. However, growth in e-commerce and the overall omni-channel creates challenges in many companies' abilities to meet increasing demands for smaller orders shipped to a much broader audience in a shorter amount of time.

Many companies are able to reduce risk in omni-channel and new market growth areas by working with partners that can expand reach with multi-modal (parcel, LTL, truckload) logistics services, position products in new markets with public warehousing alternatives, and provide technologies to automate and streamline business processes. Thorough supply chain data analysis can further mitigate risk and validate specific business decisions regarding site selection, sourcing and distribution alignment, inventory requirements and locations, and least landed costs.

While understanding and utilizing a traditional risk management program can be sufficient for many companies, a more mature, better business value approach recognizes that risk management is a critical component of any corporate sustainability strategy. This tightly aligned approach takes into account all areas of the business, from the highest strategic levels deep into each contributing business process. It is no longer enough for organizations to maintain a complete understanding of their streamlined processes, LEAN improvement programs, and enterprise-wide communications. To grow and succeed, it is imperative that enterprise leaders effectively identify and demystify all layers of cost and risk in order to successfully expand into new markets, maintain a high level of customer service, and sustain a competitive advantage.



Rick Brumett *is Vice President, Client Solutions, Transportation Insight, one of the largest and most experienced enterprise third-party logistics (3PL) providers in North America. Visit www.TransportationInsight.com for more information.*