



# 2010 Logistics Conference & Expo

## Key Areas to Focus Supply Chain Energies: 2010 and Beyond

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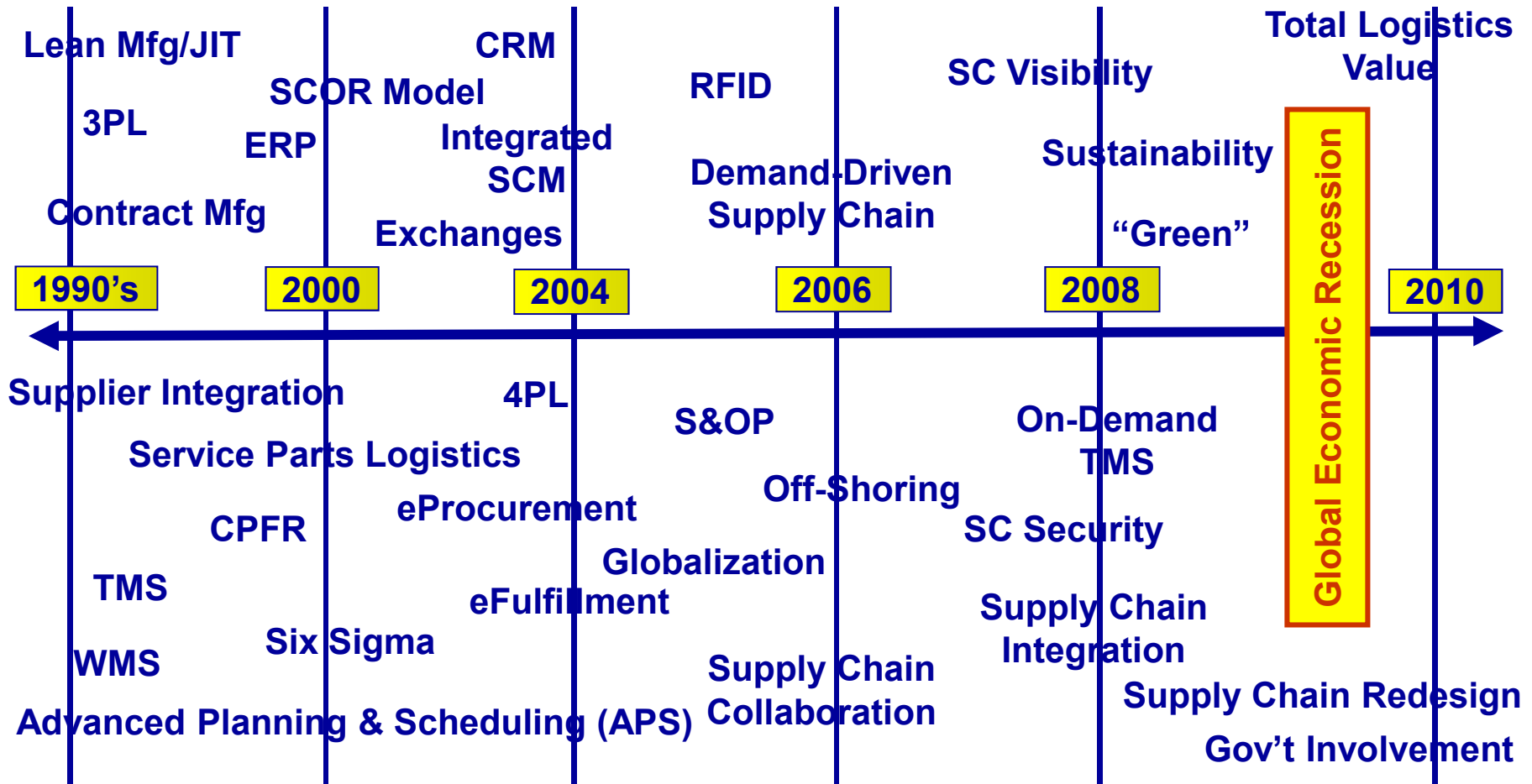
Supply Chain Management – Key Issues in 2010

High-Impact Areas

Compelling Issues for Supply Chain Executives



# The Last Decade (Or So) Has Been a Busy One for Supply Chain Management





# Managing Today's Organizations: New Challenges Across Multiple Dimensions



Economic

- Global recession
- Stock market volatility
- Fuel cost volatility
- Credit crunch
- Globalization

Supply Chain

Environmental

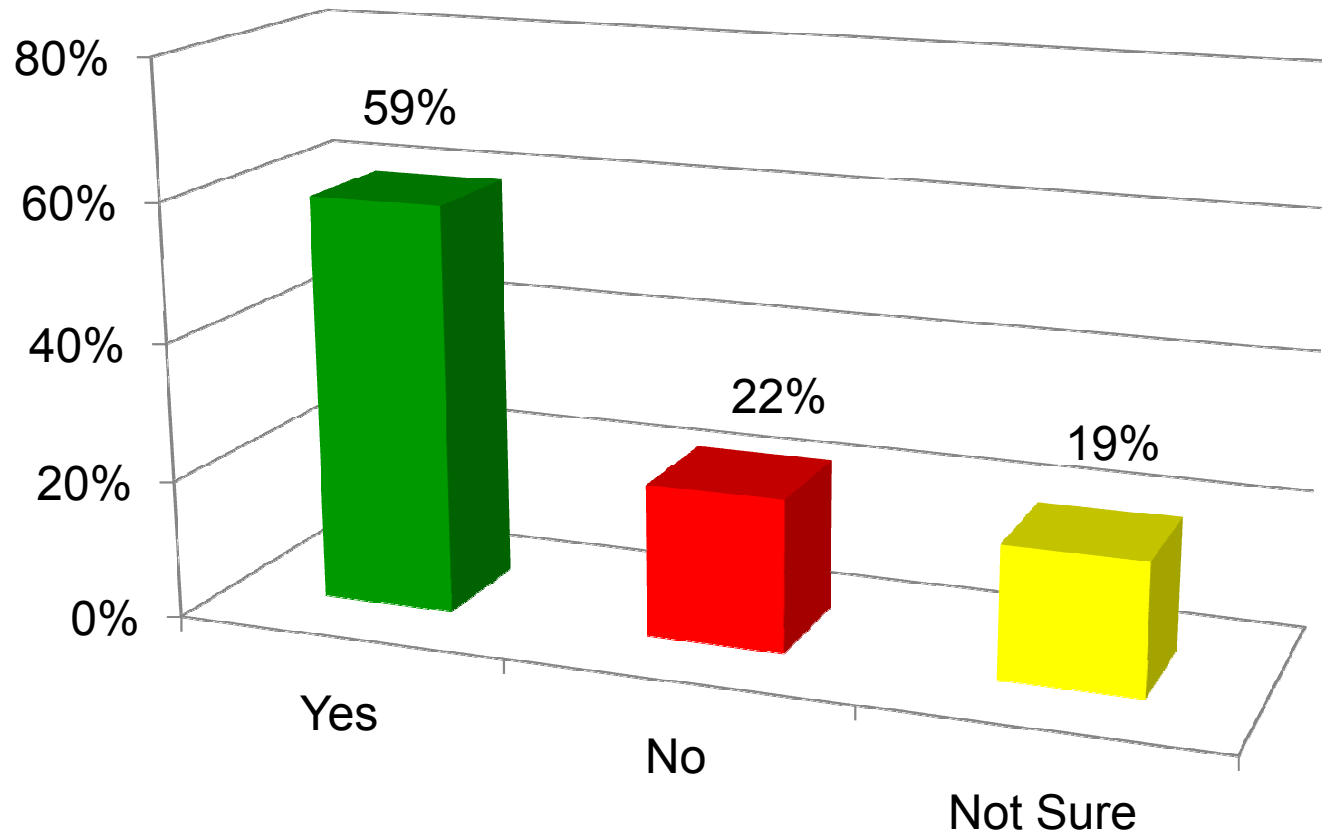
- Sustainability
- "Green" supply chain
- Social awareness
- Accountability

Social/  
Political

- Government regulations
- Emerging markets
- Political unrest
- Terrorism
- Infrastructure



# Current Economic Crisis is Viewed as “Inflection Point” to Re-Think Supply Chain/3PL Relationships





# High-Impact Areas for Consideration

- ❑ **Logistics Outsourcing**
- ❑ Supply Chain Orchestration
- ❑ Transportation Management
- ❑ Information Technology
- ❑ Supply Chain Innovation





# 2010 15<sup>th</sup> Annual 3PL Study Major Research Thrusts

## Customer Study

*E-Mail Survey  
Global Respondents  
Major Industry Verticals*



Singapore



Utrecht, Netherlands



Paris, France

## Special Topics

*Focus Interviews  
Key Industry Experts*



NYC - Harborside



Chicago



Shanghai, China

## Facilitated Discussions

*Capgemini Accelerated  
Solutions Environment (ASE)*

[www.3plstudy.com](http://www.3plstudy.com)



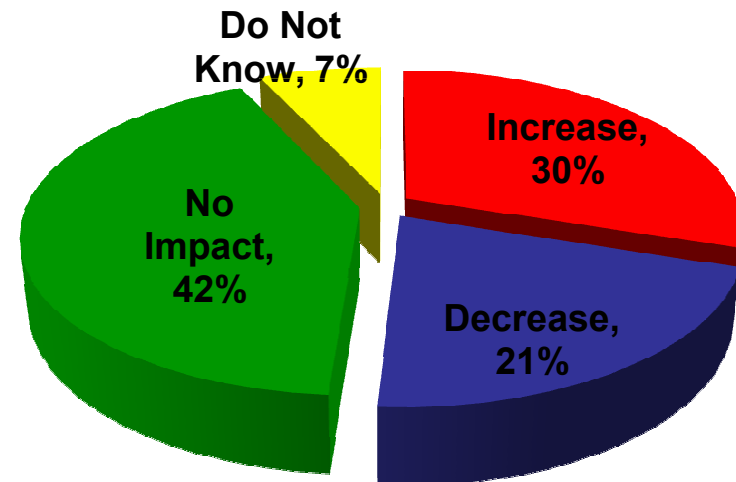
Berlin, Germany



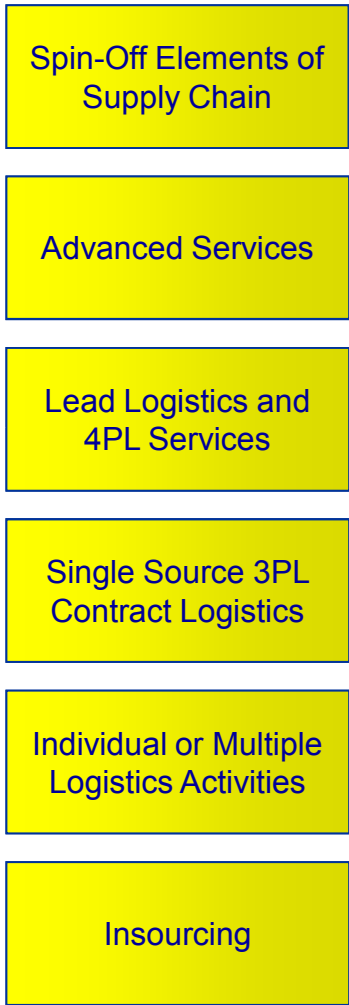


- Freight Forwarders
- Rail & Air Cargo Transport
- Warehousing & Contract Logistics Companies
- Container Shipping Lines
- Trucking Companies
- Courier Express & Parcel Companies

## The Need for 3PL Services in Times of Economic Volatility



# Evolution of 3PL//LLP/4PL Services



4PL

Manage Multiple 3PLs (LLP)  
Take on More Risk than 3PLs  
Provide Advanced IT Services  
Provide Strategic Consultancy  
“Control Tower” Services

3PL

Transportation Management

- Domestic vs. International
- Asset vs. Non-Asset Based

Value-Added Warehousing and Distribution  
Management of Other Logistics Services  
Software



# Outsourced Logistics Services (All Regions – 2009)

<i>Outsourced Logistics Services</i>	<i>% Users</i>
Domestic Transportation	86%
International Transportation	84
Customs Brokerage	71
Warehousing	68
Forwarding	65
Cross-Docking	39
Product Labeling, Packaging, Assembly, Kitting	38
Reverse Logistics (defective, repair, return)	38
Freight Bill Auditing and Payment	33

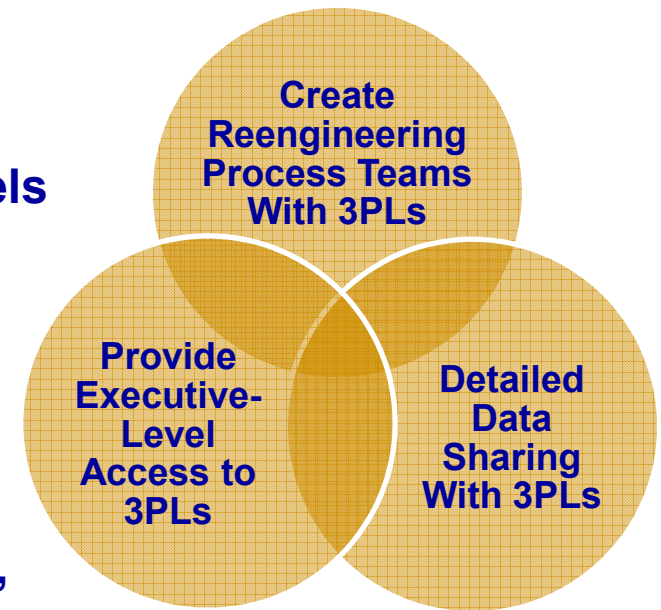
<i>Outsourced Logistics Services</i>	<i>% Users</i>
Transportation Planning and Management	32
Information Technology (IT) Services	30
Fleet Management	22
Supply Chain Consultancy Services Provided by 3PLs	21
Customer Service	13
Order Entry, Processing and Fulfillment	13
LLP/4PL Services	12



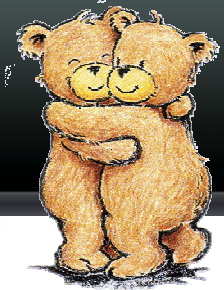


# Most Shippers and 3PLs Agree on Success of Relationships; Citing Factors That Impact Outsourcing Success or Failure

- ❑ **Strategic Vision**
- ❑ **Cultural and Strategic Fit**
- ❑ **Effective Relationship Management at All Levels**
- ❑ **Effective Process and Project Management Skills**
- ❑ **Shared Commitments to IT Capabilities**
- ❑ **Flexibility of 3PL to Accommodate Customers' Needs**
- ❑ **Openness, Transparency, and Good Communication**



*Changes Shippers Need to Make*



- ❑ Logistics Outsourcing
- ❑ **Supply Chain Orchestration**
- ❑ Transportation Management
- ❑ Information Technology
- ❑ Supply Chain Innovation



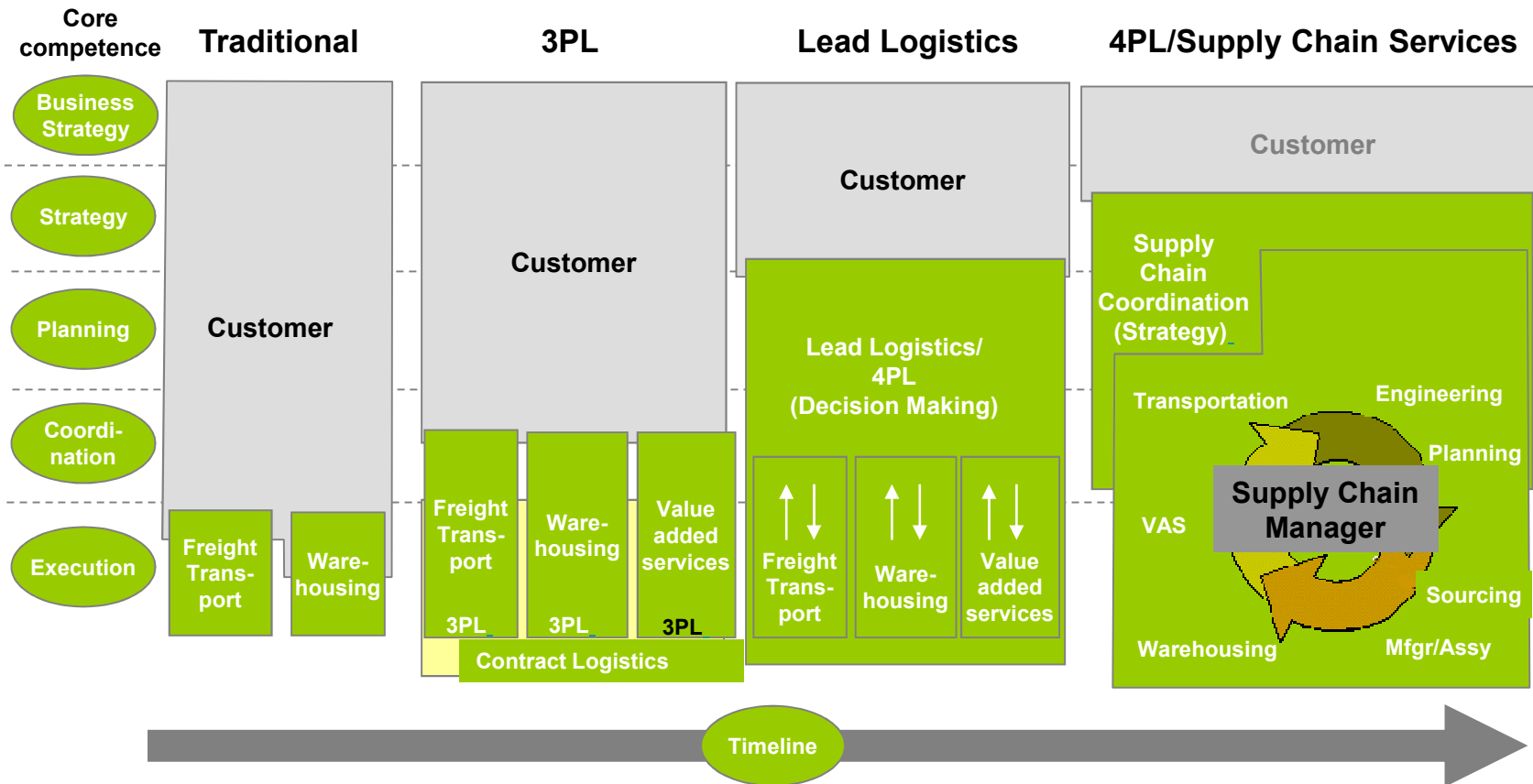
## VENDOR OR PARTNER

❑ COST FOCUS  
 ❑ TRANSACTIONAL  
     ↳ STAFF ALIGNMENT  
 ❑ NOT A DIFFERENTIATOR  
     ANY MORE →  
     COST OF  
     DOING  
     BUSINESS

❑ VALUE FOCUS  
 ❑ LONG-TERM  
     ↳ PROBLEM SOLVER  
     ↳ INTEGRATED  
 ❑ THIS IS DIFFICULT BUT  
     DOES OFFER DIFF. →  
     DIFFICULT TO  
     EXECUTE BUT  
     VALUABLE  
 ❑ SCM IS A STRATEGIC  
     ADVANTAGE



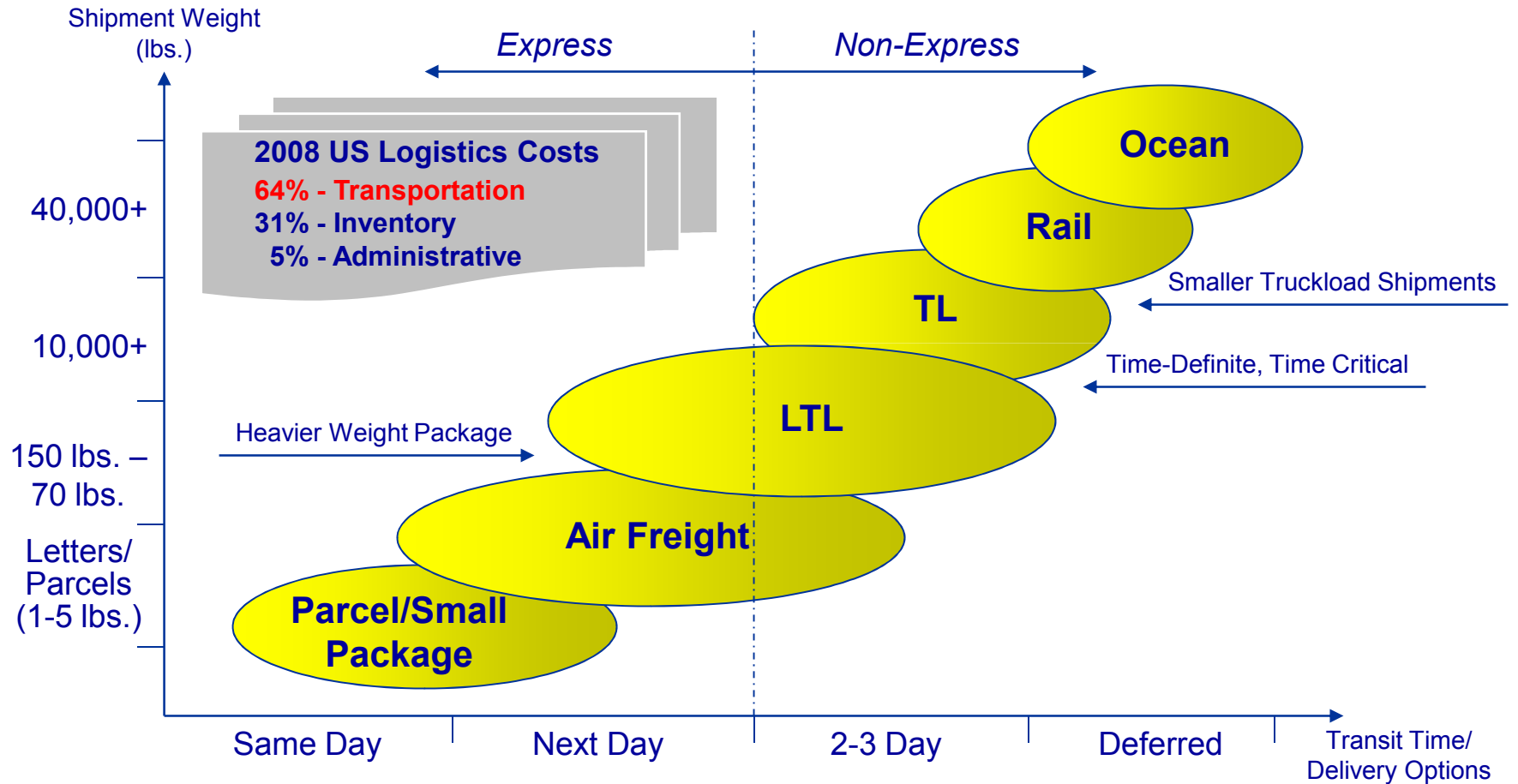
# Supply Chain Orchestration is a Necessity, With or Without a Logistics Service Provider



- ❑ Logistics Outsourcing
- ❑ Supply Chain Orchestration
- ❑ Transportation Management**
- ❑ Information Technology
- ❑ Supply Chain Innovation



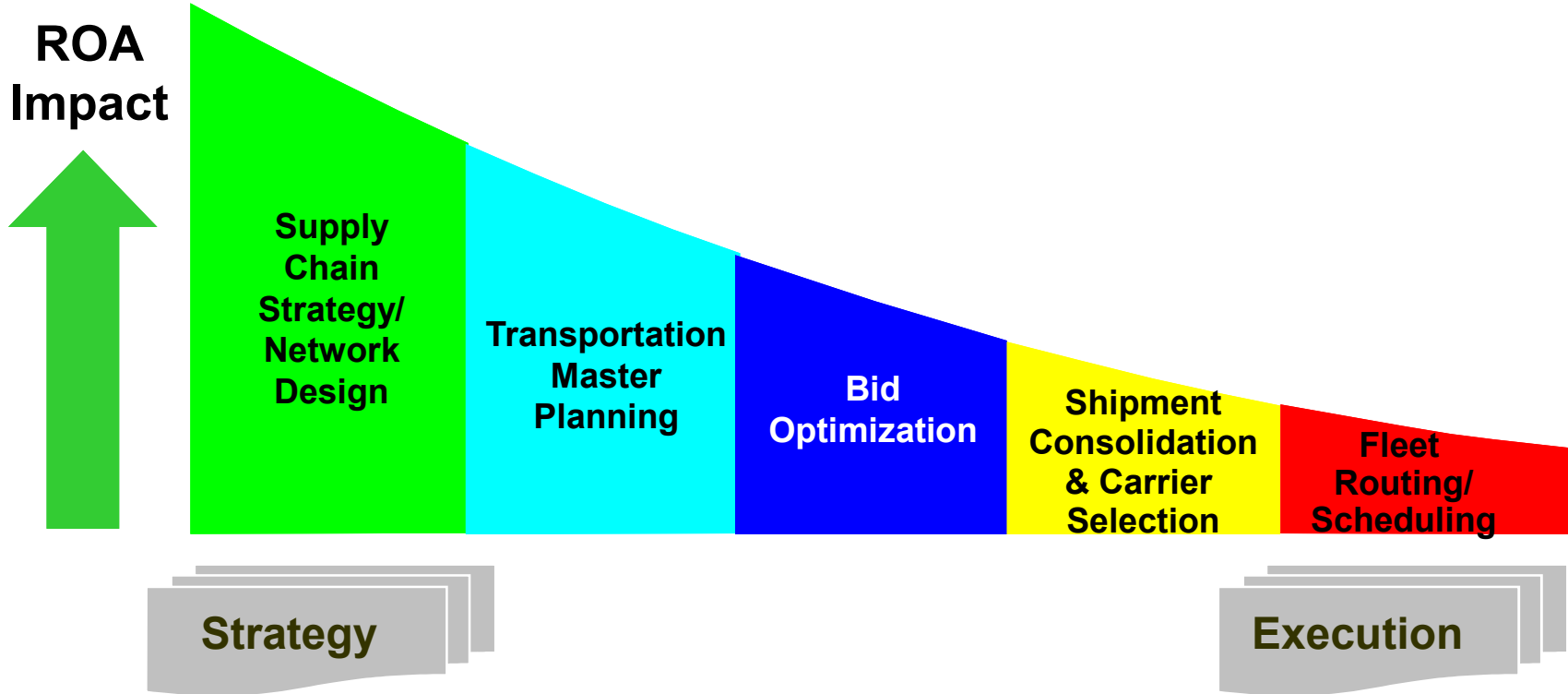
# Freight Modes: "Blurring" Lines of Distinction



Source: Bax Global/Schenker Logistics.



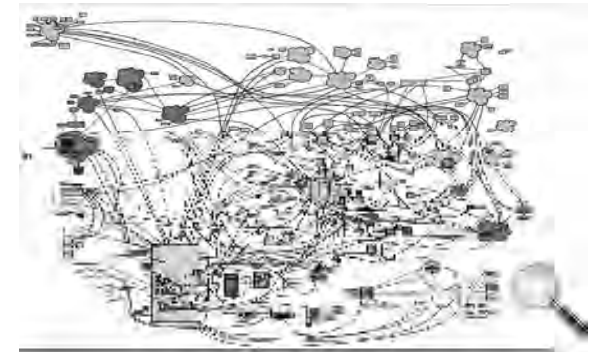
# Transportation Management: Expanding Needs for Capable Functionality



“Only 39% of companies are using any kind of TMS technology ... most rely on manual processes and spreadsheets” (Aberdeen Group, 2008)



- ❑ Logistics Outsourcing
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- ❑ **Information Technology**
- ❑ Supply Chain Innovation





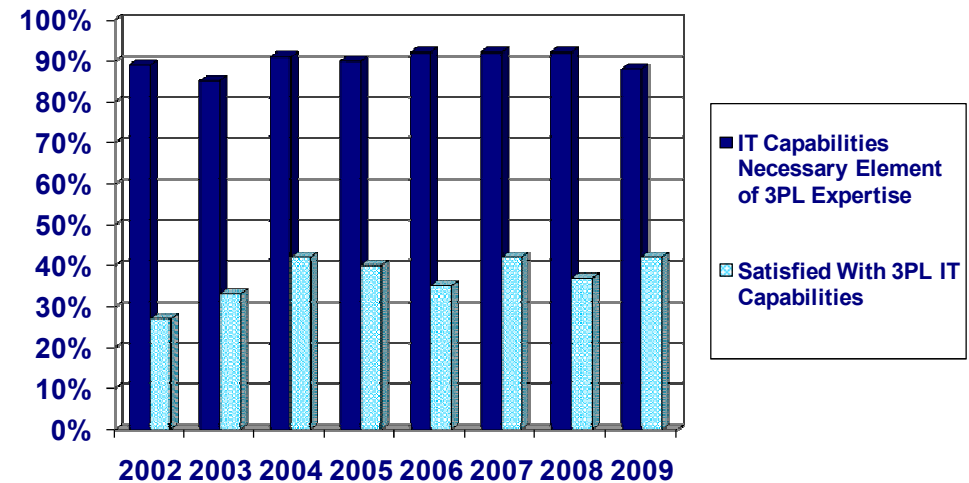
# There is a Measurable Gap Between Customer Expectations and Perceptions of 3PL IT Capabilities



## IT Functional Applications

- Transportation Mgt (Execution)
- Warehouse-DC Management
- Global Trade Management
- Transportation Sourcing
- Transportation Mgt (Planning)
- EDI
- Web Portals
- Bar Coding

## Information Technology "GAP"



Approximately 60-70% of shippers and 3PLs indicate need for improvement between business and IT. (2009 3PL Study)

- ❑ Logistics Outsourcing
- ❑ Supply Chain Orchestration
- ❑ Transportation Management
- ❑ Information Technology
- ❑ **Supply Chain Innovation**





# What's Making Supply Chain Life More Challenging?

## ❑ Rapidly-Changing →

- Global Economic Conditions
- Supply Chain Needs and Requirements

## ❑ Need to Continually Re-Evaluate Global Sourcing and Marketing Strategies

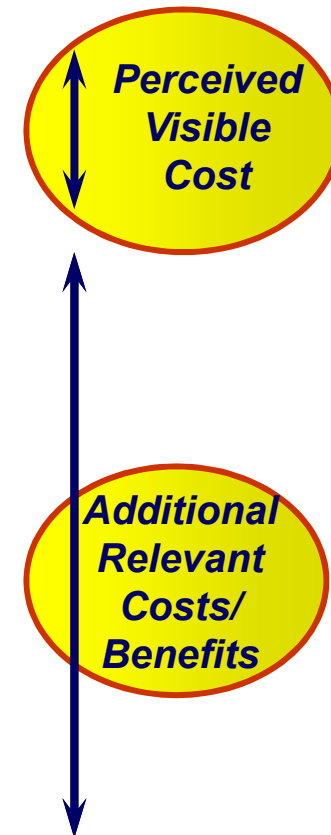
## ❑ Conclusions:

- No Such Thing as a “Globally-Optimum” Supply Chain Solution
- Renewed Priorities on Flexibility, Adaptability, and Changeability
- Critical Need for Supply Chain Innovation

# nasstrac Transportation Network Strategies

- ❑ Periodically evaluate optimal strategies that includes the best transportation providers, modes and cost for each lane.
- ❑ Optimize transportation network decisions such as:
  - **Mode / Service selection**
  - **Freight consolidation strategies**
  - **Hubs / Pooled consolidation / cross-docking**
  - **Continuous moves and backhauls**
- ❑ Perform scenario analysis to assess the potential impact of variability on the transportation network, e.g., “What-if...”
  - **... demand increases...?”**
  - **... delivery windows shrink...?”**
  - **... carriers increase rates?**





Adapted from Kanbay, Inc., 2006



# Compelling Issues for Supply Chain Executives

- ❑ **Develop “Strategic Vision” for Supply Chain Management**
  - ✓ Internal and external to business organization
  - ✓ Valued area within overall business
- ❑ **Focus on Needs of the Customer, But Also on Realities of Managing Supply Chains**
  - ✓ Supply chain culture that anticipates and welcomes change
- ❑ **Capability to Deal with Supply Chain Complexity**
  - ✓ Complexity is increasing and will not turn around
  - ✓ Reduce complexity when possible
  - ✓ Develop innovative strategies to deal with complexity
- ❑ **Invest in and Implement Capable Supply Chain Technologies**
- ❑ **Be a Supply Chain Executive Who “Gets It”**





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