



## HOW-TO GUIDE

# Four ways to counter global supply chain risk

From managing highly complex transportation strategies, decentralized operations, and extremely dynamic environments, the core challenge in overseeing global shipping activities comes down to an overreliance on manual processes and a lack of standardized information. With improved supply chain visibility in the cloud, however, manufacturers can counter cost increases, while navigating global economic uncertainty. This paper discusses four ways manufacturers can achieve this goal.

### Critical challenges in running a global supply chain

With approximately 80% of global trade volume involving maritime transport, it's critical for your organization to create savings in global shipping activities to offset tariff fluctuations and volatile final mile spending.<sup>1</sup> Poorly managed transportation spend results from having too many highly manual processes, a fragmented network of many service providers, and a significant lack of standardized information. This complicates decision-making and hinders smarter spend strategies, especially when it comes to common logistics challenges like complex cross-border transportation strategies, decentralized operations, and extremely dynamic environments.

**As demand fluctuates or tariffs increase the cost of goods sold (COGS), manufacturers must be able to quickly exploit modal shifts and broader carrier networks to assure supply and reduce costs.**

## Highly complex transportation strategies

Global transportation planning involves thousands of lanes in many regions, over varied modes, all marked by different units of measurement, currencies, and terms. As a result, manufacturers must overcome discrepancies from non-normalized information with additional time and labor, generating major administrative burdens, and difficulty in conducting meaningful transportation analysis.

## Decentralized operations

Large manufacturers are often comprised of various and competing business units, sometimes grown through acquisition. They often lack centralized transportation management control resulting in wasted money due to different spending and execution strategies in each division.

## Extremely dynamic environment

The many players and factors involved with organizing and executing transportation make it difficult to predict outcomes with confidence. A high level of change and volatility means manufacturers experience unpredictable service and highly variable spend over time.

What follows are four ways that improved visibility into global supply chain operations and a transportation management system (TMS) can help counter cost increases driven by uncertainty, volatility, and geo-politics, while navigating fluctuations in the global economy.

# 1. Leverage advanced freight procurement and contract management

Optimizing transportation spend in a global supply chain requires manufacturers to partner with multiple carriers and logistics providers. Managing these transportation contracts throughout their lifecycle requires dealing with large amounts of data, frequent changes and updates, and propagating contract and rate changes to all internal transportation stakeholders.

Transportation needs change so frequently that when sourcing occurs across continents, a manufacturer cannot balance the lowest possible spend with maintaining high customer service without an automated system. To avoid spending creep, manufacturers must manage the lifecycle of freight rates and service—from the bid process to the fine-tuning of allocation and execution plans.

## ■ Controlling global transportation spend effectively is not possible with manual processes. Managers need decision support based on high-quality data from across their transportation networks.

When lines of supply shift to new regions, a broader set of carriers might need to be invited to procurement cycles. Similarly, if new tariffs come into play, expanding the number of carriers involved in a bid can increase competition and help achieve greater cost-savings to offset higher COGS.

Managing the cycle of transportation contracts and amendments on spreadsheets and email causes the entire process to suffer from inefficiency and poor auditability.

Expenses that can typically be eliminated by automation end up cutting into the operating margin and adding to the cost of goods sold. Companies that haven't moved their supply chain management networks to the cloud must deal with:

- Highly manual contract and rate management
- Complex decision-making to optimize routing that balances service with costs
- Lack of data standardization—due to reliance on spreadsheets and email
- Shipments at a higher cost than planned
- Overspending from poor routing compliance
- Poor analytic capability for contributing cost factors (lane utilization issues, carrier performance, routing compliance, excessive dwell times, container detention/demurrage fees, freight invoice errors)

## 2. Integrate procurement with transportation execution for continuous improvement

Companies that want to benefit from more cost-effective shipping operations across a global supply chain need more than a traditional transportation management system to capture and analyze data on rates, carriers, and other partners involved in multi-leg, multi-mode transportation. They need a system that manages transportation spend across their global network, from running the procurement cycle through to routing compliance and invoice auditing.

On a network platform, bid events for global shipping lanes can be managed in the cloud, based on data that's standardized across carriers, non-vessel operating common carriers (NVOCCs), local currencies, units of measure; location identification, and asset and service types. Service providers are easily and accurately compared, and contract awards can be optimized based on "what if" analysis of different freight allocation scenarios. Later, managers can compare actual spend to original plans and adjust allocations or carrier mix accordingly.

Optimize and manage the integrated lifecycle of freight rates and service on a network-based transportation management platform by:

- Using a collaborative, data-driven request for proposal (RFP) and allocation engine
- Managing contract and rate data centrally for all freight agreements
- Closing the spend control loop with integrated freight audit and payment capability
- Monitoring organizational compliance with performance analytics

**■ To optimize global transportation spending, companies must break down internal logistics silos to manage activities with multiple service providers and partners as an interconnected business network.**

Improve spending decisions by:

- Automating the contract procurement process to better evaluate complex carrier-mix and service level options
- Managing contracts for thousands of shipping lanes and their inevitable changes over time in a centralized, auditable fashion
- Auditing freight invoices to avoid over-payment and identify poor shipping decisions

The value of managing transportation spend on a networked cloud platform is huge. Costly manual processes can be eliminated, and better decisions can be made. Benefits include:

- Saving at least 3% to 8% on annual freight spend while balancing optimal service with minimal cost
- Saving 12% to 15% on overall freight spend by reducing unplanned spot buys and expediting
- Streamlining the bid process and contract management to lower selling, general, and administration expenses (SG&A)
- Collecting carrier scorecard data to drive performance improvement

## 3. Actively manage freight forwarders and 3PLs

Manufacturers are challenged to control their inbound supply chains when working with global suppliers and organizing transport options across multiple regions and modes. Forwarders and other third-party logistics (3PLs) providers can help manage these international flows, including consolidation and direct-to-customer orders. Often, 3PLs will manage their assigned region or mode from their own, isolated "control towers"—systems meant to consolidate all shipping status information into one view. Unfortunately, each 3PL-based control tower leaves out data for the rest of a shipper's freight being managed by other 3PLs.

## The risks of not having a centralized transportation platform

Manufacturers using several 3PLs and their different technology systems can lose a large degree of control over their outsourced activities. Without a centralized network transportation platform to offer a holistic view of shipments, they are forced to gather desired transportation information from many separate systems, with different formats and standards for each region or mode. Analysis and continuous improvement, not to mention real-time carrier and 3PL performance monitoring, becomes a constant struggle.

With no objective system of supply chain and transportation record in use between the shipper and the 3PL, the cost of switching systems and the loss of visibility when changing 3PLs can deter the manufacturer from finding better outsourcing partners, if needed. Shippers may choose to tolerate lower margins, lost or late shipments, and manual reconciliation processes simply to avoid the painful implementation process that usually comes with any new 3PL relationship.

When manufacturers lack independent transportation visibility, they experience:

- Shipment exceptions as goods transition across different transport modes
- Manual administration and phone follow-up to ensure accurate execution
- Lack of visibility and control across all sourcing regions for assurance of supply
- Declining service levels when “locked in” with a poorly performing partner

When each 3PL uses its own system to provide shipment visibility, there is no central source for a holistic performance view that harmonizes shipping orders, shipment plans, bookings, load plans, and advanced shipping notices (ASNs) from every partner. Deeper supply chain analysis becomes very challenging—if not almost impossible.

- **With globalized supply chains, manufacturers are better off adopting networked supply chain platforms to replace the many rigid and ERP-centric connections that limit their ability to respond and adapt to geo-political and economic volatility.**

## 3PL systems

When manufacturers outsource transportation management, they must often work with multiple 3PL systems. Each might warrant a different process and use varied KPIs to monitor performance.

This can result in:

- Lack of consistent processes and supply chain performance information
- Incorrect bookings from suppliers to a 3PL—or altogether missed bookings
- Lack of a trusted audit trail for past or current activities and performance
- No objective service measures for comparison across different 3PLs

## 3PL lock-in

Manufacturers invest a great deal in choosing the right logistics service providers as their partner in various regions or for various product lines. They must integrate their 3PL systems to existing enterprise resource planning (ERP) systems and train employees in their use. If the 3PL relationship does not produce expected results and demands reconsideration, the high cost of switching to a new 3PL may result in “lock-in” that discourages discovery of a better partner.

## **The lack of a platform for global supply chain control and visibility**

Without a networked platform to monitor and manage multi-national, multi-enterprise supply chain activity, companies lack essential visibility, control, and collaborative agility to respond to disruptions, smoothly shift to different sourcing geographies, and maintain a tight lid on shipping costs.

## **4. Monitor planning and execution across multiple modes, legs, and parties with a global TMS**

Manufacturers cannot effectively manage global inbound and outbound supply if they use isolated systems or one-off connections with each carrier, 3PL, or forwarder they contract with. Today, global network platforms can empower companies to outsource a wide range of transportation activities, while maintaining a holistic view of product flows, partner performance, and shipment handoffs between service providers.

A cloud-based, multi-tenant supply chain network platform allows each 3PL partner, as well as international suppliers, agents, carriers, customs brokers, and the manufacturer to collaborate with a single version of the truth. Manufacturers can manage suppliers all over the world, orchestrate multi-modal shipments more cost-effectively, and quickly make better supply chain decisions on a network platform that standardizes and harmonizes data from many different sources. Specific network applications designed to support holistic supply chain operations benefit from harmonized data to offer greater efficiency, faster response, better exception visibility and more opportunities to reduce cost in the face of global disruptions and uncertainty.

Connect global supply networks with a neutral order and logistics management platform to monitor inbound product flows and:

- Manage the process from booking to ASN creation with supplier-facing tools
- Provide end-to-end visibility from supplier shipment through customer delivery
- Make better transport consolidation and routing decisions with a logistics workbench
- Work with many partner 3PLs, regardless of their back-end systems

With a global transportation management platform, manufacturers can:

- Ensure that complex, multi-leg, trans-ocean shipments use the best transport options to balance needed service levels and lowest cost
- Build compliance across business units and service partners to use contracted carriers, negotiated rates, and optimal routing scenarios for comprehensive spend control
- Optimize global transportation flows starting at product origin to reduce costs and waste from systemic inefficiencies and offset rising final mile spending

A single platform for global transportation operations across the enterprise demands the power of the network. With this platform, multiple business units and regional operations can leverage centralized rating, contract management, and execution to improve compliance and efficiency, while connected carriers and multiple 3PLs will also share one version of the truth with the shipper and experience simplified connectivity.

At the same time, multi-party and multi-step processes can be more easily automated, while wasteful spending decisions can be better identified and targeted. Manufacturers can also enjoy optimal transport plans and dynamic visibility across their global supply chains and regional transportation networks.

Other benefits include:

- Harmonizing order management processes across all suppliers and 3PLs from origin; eliminating multiple, independent workflows because standardized processes can be more easily automated and monitored for exceptions
- Ensuring optimal product flow at lowest possible freight spend with a shipment planning platform that works across all modes and geographies to support better decisions
- Leveraging right-size or change-up 3PL use to increase your competitive options if desired transportation results aren't being achieved
- Reducing excessive, costly expediting through advanced shipment visibility and pipeline insight for more reliable inventory transit expectations

## Key benefits of networked TMS

To sum up, a networked transportation management system can allow global enterprises to:

- Sense worldwide capacity and freight spending trends more accurately
- Operate supply chains more efficiently with multi-leg, multi-modal visibility
- Respond to global market shifts faster
- Make better freight spend decisions enterprise-wide

† World Bank, "International transport costs: Why and how measure them?" World Bank Blogs, Jan 2021.

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