AGISTIX

Controlling Costs with Logistics Management Automation

A Midsize California Distributor Gets Sweet Results with an On-demand LMA

As the traditional "license and install" method of acquiring transportation management systems (TMS) has started to wane over the last year, more and more shippers are turning to the "on-demand" logistics management automation (LMA) solutions. These solutions are helping to bridge the gap between optimized transportation plans and day-to-day global logistics activities that occur with any number of carriers across all modes of transportation.

For one midsize Northern California distributor, the on-demand Agistix LMA solution has provided a way to control shipping costs while bringing user-level controls and visibility tools directly to employees' desktops. The Web-based solution also has positioned the company for growth by providing a pathway to expand nationally while maintaining central control over rates.

Challenges
- Control shipping costs
- Scale to accommodate new business
- Gain same leverage as larger players

Goals
- Achieve same savings as larger companies
- Maintain ease of use, agility to manage bulk shipments
- Create scalable system to accommodate additional shipments
- Automate as many processes as possible
- Develop program for complete cost visibility

Results
- Reduced transportation costs
- Increased flexibility and automation
- Scalability

The Challenge

As this distributor has grown, its logistics team has continually collaborated with internal and external partners to add value to its supply chain. One area of prime concern has been to find a way to control shipping costs while enjoying the same benefits experienced by larger distributors.

From its West Coast headquarters, this distributor ships product domestically and internationally. The company primarily ships truckloads (TLs) and less-than-truckloads (LTLs) where a typical shipment can easily exceed 110 cases and weigh up to 5,000 pounds.

As with most companies, their transportation needs have evolved over the past few years. This evolution has been complicated by their aggressive sales programs that have targeted smaller accounts. Many of these new accounts require small package shipments of point-of-sale literature, samples and other items designed to drive increased revenue across the demand chain.

The company originally chose FedEx to handle its small package needs. The vendor's rates were competitive, and with a PowerShip station installed in the distributor's distribution center, it was easy to print labels and get product out the door. PowerShip connected to the company's Oracle OPM system, enabling the company to streamline data transfer from order management to transportation.

Though the FedEx solution had its merits, the company knew that managing a small package business requires not only nimbleness and flexibility but also the ability to meet strategic requirements by controlling – or even reducing – operating costs in this area. The bottom line was that shipping with FedEx was not cost effective since the distributor lacked leverage. Logistics was unable to guarantee an annual rate of expenditure, and FedEx was not inclined to create a more favorable rate structure.

Why Logistics Management Automation?

Aberdeen Group's 2006 Transportation Management Benchmark reports that more than 80 percent of enterprises surveyed regularly experience freight budget increases due to limited order visibility and lack of collaboration with carriers, suppliers and customers. While supply chain executives are creating sophisticated transportation optimization plans to circumvent this problem, today's very manual and carrier-specific means of scheduling and managing each shipment prevents companies from enforcing these best practice strategies. The global economy further magnifies the problem because optimized transportation often requires use of multiple strategic carrier partners in each region of the world.

Transportation management systems, which allow companies to develop optimized plans while also helping them juggle complex issues such as warehouse or fleet management, provide no automation or intelligence for managing multiple carriers across multiple modes (small package; air, ocean and truck freight) in various areas of the world. Today's logistics management automation solutions offer a practical solution spanning both tactical and strategic operations by delivering:

- A means to bridge the gap between optimized plans and real operations through a platform for creating and enforcing global logistics controls to support optimized transportation management plans.
- A global, carrier-neutral and mode-agnostic solution that incorporates a rules-based workflow engine for driving and tracking day-to-day shipment processing operations.
- Solid business intelligence based on a centralized repository of real-time information.

The Solution

Though the distributor had initially considered – and dismissed – another on-demand, managed-service solution, its discussions with FedEx prompted the logistics team to reconsider its decision when approached by Agistix.

Working with Agistix, the distributor's logistics department developed key objectives for a small package program, including achieving the same savings as larger companies with a "leveraged spend" and maintaining the same ease of use and agility to manage bulk shipments. The company also was looking to create a system that could easily scale to accommodate additional domestic and international small package shipments. Finally, the distributor wanted to continue to automate as many processes as possible, as well as to develop a program for complete cost visibility.

During this process, the distributor learned that an experienced, carrier-neutral managed services provider can offer an impressive range of options, greater flexibility than a direct corporate relationship, and incentives enjoyed by $4 billion dollar companies. The distributor and Agistix then entered into a beta test partnership that focused on augmenting the distributor's international transportation network and exploring small package program options.

Through the Agistix network of carriers, the distributor connected with providers seeking ways to fill excess capacity by aggregating LTL shipments. The distributor was able to achieve additional breadth and depth of international coverage at affordable rates.

With the beta results in hand, the distributor elected to adopt an Agistix small package program that allowed the company more control over this segment of their business and a means to secure a more cost-effective carrier relationship. This specific carrier was hungry for this category of business, and when Agistix provided it with an estimated yearly spend figure, the two companies negotiated a favorable rate structure.

The Benefits

The most dramatic result of the distributor's new carrier relationship has been a reduction in small package shipping costs in the range of 35 percent to 50 percent. In addition, the company has benefited from the flexibility and automation that Agistix has brought to the table. Agistix's easy-to-use, Web-based technology brings negotiated rate information, user-level controls and visibility tools directly to employees' desktops, while its consolidated billing enables accounting to process invoices rapidly and efficiently.

In addition, the distributor's expansion plans include the possibility of shipping from multiple locations across the United States. The Agistix solution provides the central platform that can enable the company to receive the best possible rates and eliminate the need to approach and negotiate with individual carriers. **SDC**