Amber Road
POWERING GLOBAL TRADE

eBook

Three Common Global Supply Chain Issues that Affect Your Bottom Line

When was the last time you heard of a large or even a medium-sized company that is strictly domestic? It happens, but not very often. Today, the vast majority of enterprise-class companies are global. Why? The benefits of sourcing from low cost countries and selling into new foreign markets are too strong to dismiss.

And while companies have found a way to go global, many are still making due with sub-standard global processes and technologies borrowed and tweaked from domestic operations. Global transportation and supply chain visibility are two such areas.

It's not enough to track goods domestically; supply chain managers must monitor shipments around the globe and account for the added complexity of moving goods across international borders.

A recent study by AberdeenGroup showed that only about 30% of companies have automated data and event monitoring and/or have optimized process capabilities in place. From source to destination, the inbound process steps or milestones needed to synchronize product and information flows are still being monitored manually (phone, fax and email) in up to 49% of all companies.[1]

Here are some questions to ask yourself to highlight ways you may be losing money without the right processes in place for goods that need to cross international borders.

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1 *"Globalization: Linking Supply Chain Transformation to the Profit and Loss Statement," AberdeenGroup, Sep 2011.*

Over-Reliance On Expedited Shipping

While some shippers must always use expedited shipping because their products are time-sensitive or perishable, many organizations use expedited transportation to compensate when something has failed elsewhere in the supply chain.

Overuse of expedited freight can quickly turn profit into loss, especially when relying on expedited shipments is the result of poor supply chain planning. By adjusting supply chains to allow for extra transport hours while still meeting customers' demands, shippers can reduce potentially unsustainable transportation costs without sacrificing service.

Through better planning and supply chain visibility, most global shippers can reduce expedited freight by 15–20% annually. This translates to significant costs savings for global companies with even moderate shipping volumes. Ask yourself some of these questions:

- Does my outbound item need to get to the customer the next day, or will two days suffice? Is afternoon delivery OK? It's still technically "next day" but may be less costly.
- Do I need to pay for expedited inbound shipping from my suppliers? Where can I find more lead time to build into the planning process?
- Is my inventory system giving me enough information about ordering time frames so I can avoid the cost of rush orders?
- Do I have enough visibility into my inbound shipments against orders to make trade-offs that will still meet customer demand without having to expedite shipments?
- Am I using expedited shipping as a "crutch" to compensate for unreliable suppliers?

Incurring Demurrage And Detention Fines

The terms "demurrage and detention" relate to the transportation delays caused by late pickup of cargo (demurrage) and late return of equipment, such as empty containers (detention). Fees charged for demurrage and detention compensate a transportation asset provider for time its equipment is unavailable or idle through no fault of its own. Carriers typically offer a grace period for demurrage and detention, and the fees are incurred once that period is over. Depending on location, fees can range in the hundreds of dollars per container per day, and quickly add up.

Demurrage and detention charges usually occur when planning schedules are out of balance, when communication and notification are poor, and when there are delays in clearing Customs. A company that routinely incurs demurrage and detention fees is likely not carefully monitoring cargo arrival and doesn't have a sound understanding of in-transit cycle times.

Real-time visibility and management of these assets can both accelerate and compress the supply chain, providing companies with a reduction in trailer assets, inventory and in the associated carrying costs. According to the AberdeenGroup study, companies that pre-clear their entries with Customs can save 1–3 days where cargo might otherwise sit at the terminal. Real time visibility and coordination can help reduce demurrage and detention fees by 25–50%.

Understanding your business processes is the first step:

- How am I notified when freight arrives at the terminal?
- Am I clearing Customs as efficiently as possible so the free period in the terminal isn't exceeded?
- How can I further minimize transit times so I can return containers within the free period?
- Can I improve my yard and dock operations to ensure maximum throughput and prevent trailer aging?

Poor Communication With Trading Partners

A particularly unproductive use of your customer service representatives' time is answering questions as to when deliveries will arrive. Their time would be better spent addressing issues with orders, payments and more complex problems — in other words, providing real customer service that helps build relationships and cultivate repeat business.

Similarly, purchasing specialists would work more efficiently if they had two-way communication with vendors and shippers. The ability to enter information into the system once and share it across multiple parties in the shipping cycle will dramatically reduce errors and speed order fulfillment. According to the AberdeenGroup report, a US-based consumer packaged goods company's use of an SCV solution has:

- Reduced number of days of inventory in hand by 24%
- Reduced lead times by 28%
- Improved on-time customer delivery from 33–74%

Many organizations still rely on closed systems that require re-keying of form-based data or multiple phone calls and emails to place orders, yet today's technology can help facilitate and streamline this communication. Ask yourself whether customer and supplier portals would free your staff to address more strategic initiatives.

- How do I currently communicate delivery status to customers?
- How do I place orders with my suppliers and receive delivery status from them?
- Are there ways I can improve communication and information sharing along the entire supply chain?
- What is the percentage of time my customer service representatives spend providing order status information?

Making The Changes

Recognizing areas where you may be losing money due to lack of supply chain visibility is only the first step in improving operations. Implementing processes that improve the efficiency of those areas is the next step in reducing costs.

As with any process optimization initiative, measurement of current performance is an important input to future improvement. Take some time to analyze some relevant information:

- What is the ratio of expedited shipping to standard shipping?
- On what percentage of cargo do you pay demurrage or detention fees?
- Out of the number of inquiries received in a day, how many relate to order status?

With answers to these questions and others posed earlier, you'll be able to determine whether improved visibility into your supply chain will produce tangible results.

About Amber Road

Amber Road provides a single, on-demand platform that automates and streamlines global trade. By helping organizations to comply with country-specific trade regulations, as well as plan, execute and track global shipments, Amber Road enables goods to flow unimpeded across international borders in the most efficient, compliant and profitable way.

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