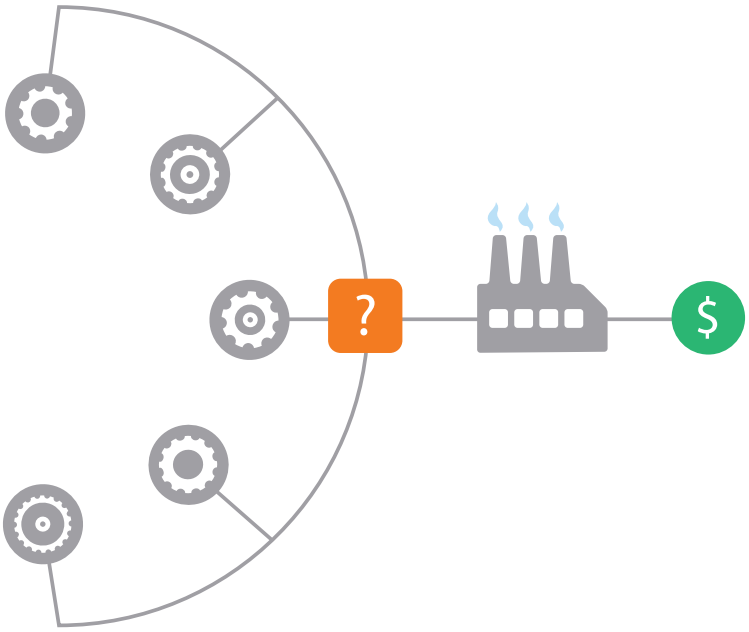
Identifying Opportunities With Your Inbound Transportation

WHITE PAPER

September 2009



C.H. ROBINSON WORLDWIDE, INC.

In Brief

With the right processes and visibility, companies of any size can improve the inbound segment of the supply chain. There are multiple components in an inbound program. In this paper, we'll focus on how visibility and business processes can drive improved savings and service.

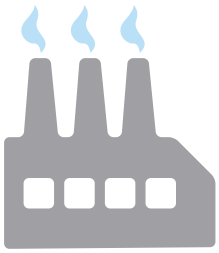


Table of Contents

Common inbound logistics gaps	3
Where you'll find inbound savings	4
How to start an inbound program	5
Visibility and a proactive approach to managing an inbound program	5
Intellectual capital	7
Discover more opportunities in inbound logistics	7

Many companies, regardless of size, have already eliminated inefficiencies and found savings in outbound logistics. Only a few have made the same effort to control inbound freight from vendors, co-packers, and suppliers.

Yet, a well-run inbound transportation program can reduce costs, improve service, minimize delays, reduce confusion, and raise performance. It can drive efficiencies across the entire supply chain. And many of the same process improvements that are applied to outbound transportation to save time and money actually work on inbound, too.

Common inbound logistics gaps

Transportation costs are affected by carrier acceptance rates, market volatility, order patterns, and quantities. To hedge for unknown costs, suppliers often factor in a margin of error in your delivered price for inbound product. That makes it impossible to know how well suppliers are managing your transportation, or for you to obtain a true cost per unit.

Lack of optimization is another type of process gap. Sometimes, suppliers ship product to get it off their own dock, not for your benefit. And unless suppliers optimize orders and consolidate loads, they may not maximize the weight on the trucks they send to you.

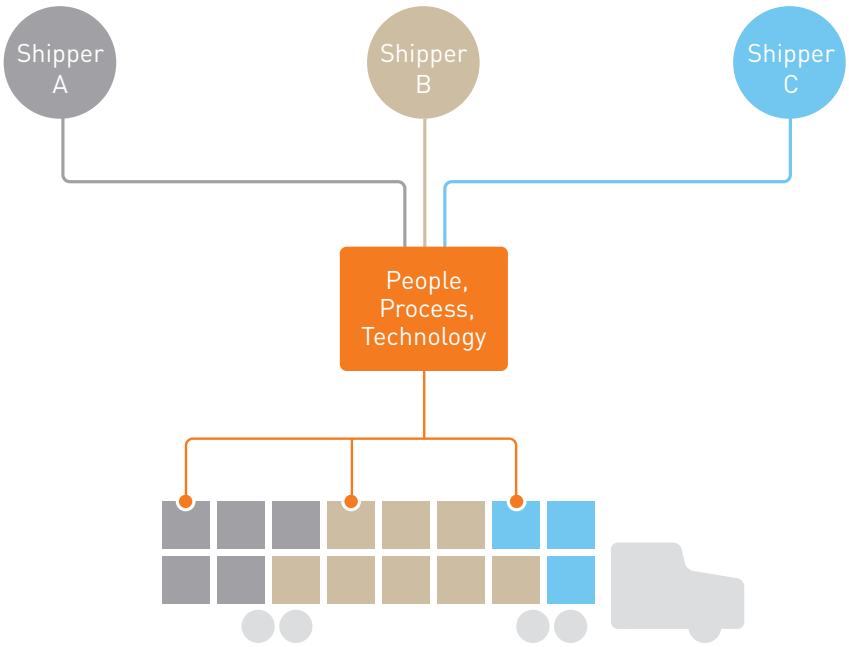
Finally, delivered pricing is sometimes structured so that any reduction the supplier negotiates in freight rates adds to their margin. That gives the supplier an incentive to select lowest-cost carriers, without regard to service.

Where you'll find inbound savings

Inbound programs can enhance processes and achieve savings through:

- **Procurement.** Carrier bidding helps identify the optimal carrier and rate. When you add inbound lanes to outbound, you increase freight volumes, making your business more attractive to carriers at potentially lower rates.
- **Order optimization.** Individual orders can be optimized and grouped together across facilities to create multi-pick, single drop shipments. LTL loads from multiple suppliers can be consolidated into a single truckload to reduce costs and dock congestion (see illustration below).
- **Visibility.** When you have a clear view of inbound inventory, it's easier to control asset utilization and production processes.
- **Improved on-time delivery.** Carriers can be measured on load tender acceptance, on-time performance, compliance to status updates, invoice accuracy, and claims ratios.
- **Metrics and control processes.** Improve performance by measuring supplier compliance, product availability, on-time performance, order quantity, and demurrage.
- **Accurate cost allocations and pricing.** When you know the true freight costs by SKU, case, and each, costing allocations and pricing to your customer can be more accurate.

ILLUSTRATION OF LTL CONSOLIDATION



How to start an inbound program

Either you or your suppliers are managing your inbound process today.

- If your suppliers select the carriers, negotiate the rates, and pay the transportation charges, you are paying a combined fee for both the transportation and the product. The first step is to own the inbound transportation event. Consider terms of sale and current freight allowances before creating an inbound program. This may mean renegotiating contracts with vendors and breaking out transportation and purchasing costs within your systems. But it is worth the effort.
- If you currently own the transportation event, you have already delineated between the cost of transportation and the cost of goods. Now you're ready to further enhance your inbound management by improving business processes. For greater supply chain performance and cost control, you'll need to put proactive processes and visibility in place to ensure you have the right product at the right location at the right time.

Visibility and a proactive approach to managing an inbound program

The next step—often the most overlooked—is to proactively manage your suppliers. This involves utilizing business processes and visibility to identify issues in advance. Managing and auditing against your business processes can be done through available technology or through a service provider.

What's involved in a good inbound logistics program?

With a good inbound program, you'll have a better understanding of the true cost of goods and transportation rates. A solid inbound program allows you to:

- Review vendor and supplier business processes
- Map your own internal buyer/purchasing processes
- Monitor vendor shipments to verify that orders are shipping on time
- Consolidate shipments and optimize loads and modes
- Gain visibility to pending, complete, and shipped inbound orders through a single data repository
- Report on compliance levels of vendors and supply chain performance
- Change terms of sale and study freight allowances you are currently being offered
- Receive advance notice of late shipments to change production schedules
- Review your business process changes and how they can yield real freight savings and increased transportation performance

Without visibility to inbound freight and processes, it is difficult to identify and influence the process gaps that cause variability in your supply chain.

Technology gives all parties visibility to orders and expected arrival dates. When you have visibility to inbound orders from all your suppliers and apply optimization rationale, individual orders can be grouped across facilities and multiple shipments going to the same origin/destination pair over several days can be identified. Using transportation management software (TMS), you can consolidate and ship using the most cost-effective mode and proactively monitor the shipments in transit. As carrier and supplier compliance data is collected and analyzed, you'll gain new insights for driving efficiency.

Without visibility to inbound freight and processes, it is difficult to identify and influence the process gaps that cause variability in your supply chain. Often, you may have to arrange for material delivery into a production facility just in time for manufacturing. Because most companies plan their production 48 hours in advance, that doesn't leave much wiggle room for late deliveries of critical materials. With shipment visibility, you can confirm that a shipment does, in fact, need to be expedited, and in that event, you can choose the most efficient service for the requirements. The reasons for expediting the load can be captured and analyzed to minimize the risk in the future.

Or, perhaps you discover you're missing an item a few days before production is scheduled to begin. The product was ordered, but did it ship? When? Will it arrive on time? Where is it? Is it headed to the right facility? Is your service consistent enough to be sure?

Without visibility, it will take many hours and phone calls to get the answers. If the product arrives on time, the production process can proceed as planned. But if the item you're waiting for doesn't arrive, you may not know it until it's too late to switch to another production line until the missing SKU arrives. The result can be overstaffing, understaffing, and confusion at the dock where the product was to be received. This scenario has both cost and service implications.

How can you avoid overstaffing, understaffing, and dock confusion?

Connect with vendors, suppliers, and your transportation provider through one data repository so you can identify process gaps and duplicate process strengths. Your solution should provide visibility to:

- Mode shifting
- Order dates
- Vendor commitments for pickup and delivery
- Load tenders when freight is booked
- Actual pickups and deliveries
- Status calls from the drivers in transit
- Deviations from your plans well before the production process is to occur

Intellectual capital

A 3PL can guide you to a well-managed inbound program. They have systems that deliver proactive information and provide a greater certainty of uninterrupted production, at little or no cost to you. In addition to the systems, they have supply chain professionals with practical experience with inbound logistics programs. Programs can be customized by using best practices to meet your business needs. Frequently, this includes calling your vendors in advance to find out whether freight is ready for pickup. If the freight is ready, the provider will schedule a vehicle to pick up the freight and give you a delivery date.

If the freight isn't ready as expected, your provider can note that in the system, triggering a notification to you well before your critical receipt window. That kind of proactive behavior enables you to work with the vendor to expedite delivery, or to switch to a different product/SKU until the missing part arrives. With proactive shipping information and greater certainty of production being executed as planned, you can save money and time.

With proactive shipping information and greater certainty of production being executed as planned, you can save money and time.

Discover more opportunities in inbound logistics

This paper presents a few of the early decisions required to begin an inbound logistics program. You can strengthen your program by moving beyond the basics and employing additional inbound practices:

- Compliance
- Audit processes
- Reporting strategies and metrics
- Economic order quantities
- Inventory strategies

A qualified service provider can help you choose and execute the practices that will best enhance your inbound program.



About Us

Founded in 1905, C.H. Robinson Worldwide, Inc. is one of the largest third party logistics companies in the world. They develop supply chain plans, provide door-to-door transportation solutions, and execute those solutions to meet the needs of their customers. As a global provider of multimodal transportation and logistics, outsource solutions, fresh produce sourcing, and information services, they operate through a network of over 233 offices in North America, Europe, Asia, South America, Australia, and the Middle East. Their services extend to more than 32,000 customers globally, ranging from Fortune 500 companies to small businesses in a variety of industries.

For more information, please visit www.chrobinson.com.

©2009 C.H. Robinson Worldwide, Inc. All Rights Reserved.