

The Art of Inbound

11 Ways to Save Money and Increase Efficiencies on Your Inbound Freight



INTRODUCTION

Traditionally inbound shipping costs and operations have been a challenge to control. Most companies have not developed a comprehensive strategy to manage their inbound freight. Shipments arrive from their suppliers without a plan to drive the lowest shipping and unloading costs, or to consolidate shipments to maximize efficiency at the distribution center. Additionally, many companies have failed to introduce compliance standards to improve the behavior of their suppliers and efficiently plan the arrivals of shipments to their warehouse facilities. This results in three endemic problems:

1. **A lack of consolidated inbound shipments fosters inefficiencies from an excessive number of inbound deliveries and carriers driving unnecessarily high unloading costs.**
2. **Little visibility to the arrival time and frequent changes to inbound deliveries wreaks havoc at the dock and warehouse.**
3. **No standard routing guide and set of compliance procedures opens the door for inefficiencies, driving up cost of goods and introducing additional problems throughout the supply chain.**

The solution is a comprehensive program to take control of your inbound operation through a collaborative system with your suppliers and carriers. This approach will be based on a dynamic rating and unloading allowance program and procedures that facilitate improved supplier behavior. This will result in far better visibility to a dynamic environment, the ability to increase inventory turns and an overall reduced cost of goods.

Perhaps you may have already started to take control of your inbound shipping operations. Many companies start by using their backhauls to pick up product from their suppliers, but there is a much greater opportunity to look at your entire operational footprint. The list below will be a useful tool to benchmark your company against best practices in the industry and help to put together a strategic approach to capitalizing on the opportunities to manage the *“art of the inbound.”*

11 Ways to Improve Your Inbound Shipping Operations

1. Work in partnership with your suppliers to determine the most cost-effective method to handle each shipment - customer pick-up (CPU) or vendor controlled (VDS).
Your goal should be to reduce the cost of shipping. There is no magic number of a percentage of shipments that should be vendor-controlled vs. customer-controlled. You need to answer one question - what is the most cost effective and efficient way to ship and unload this freight and build a plan with your suppliers that benefit both parties? The key is providing your suppliers with a choice so that they can select the most effective service and billing procedure. Convert your inbound shipments from VDS to CPU shipments only where it is feasible and establish preferred rates with your carriers of choice to handle those inbound shipments at the lowest possible cost and best service levels.

2. Implement a standard routing guide for supplier compliance.
The routing guide will establish a set of mandatory carriers that will be used for all VDS and CPU shipments. This will enable LTL pricing improvements, superior service levels and maximize opportunities for LTL consolidation.

3. Get buy-in from the sourcing department on your strategy for supplier compliance.
The sourcing and purchasing departments manage the relationships with the company's suppliers. They are involved in selecting suppliers and managing the price negotiation. It is important to get this group to understand that the behavior of their suppliers can negatively influence the efficiency of a distribution center. The sourcing group needs to give their buy in that this behavior should be part of their evaluation of suppliers. Then they must support compliance programs that improve that behavior, increasing efficiencies in logistics and lowering the actual cost of goods of the company.

4. Consolidate your LTL carriers to a smaller select group, simplifying yard management and maximizing consolidation opportunities.
Having dozens of LTL carriers arriving at your distribution center simultaneously is a recipe for chaos. Pick the carriers that provide attractive rates and superior service and try to limit that set to two to four carriers based on whether the shipments are CPU or VDS. This will give each carrier enough business to make your volume important to them, and thereby enable you to receive better rates, better service and increased efficiency. Most importantly, you will increase the efficiency of your warehouse and yard operations significantly by decreasing the number of trucks arriving at your distribution center.



5. Consolidate inbound shipments to full truckload wherever possible to reduce freight and unloading costs.

Reducing the number of individual LTL shipments will decrease the cost of freight, dramatically increasing the efficiency of your distribution center and significantly reducing unloading costs. Standardizing on a smaller set of carriers paves the way for this to happen. Think how much more efficient your operations will be with fewer trucks and fewer deliveries. Unloading 10-14 LTL shipments can be five times the cost of unloading a single truckload. The customer and the supplier can share all of these savings through the efficiency of consolidated shipments and drop trailer programs.

> Unloading 10-14 LTL shipments can be **five times the cost** of unloading a single truckload.

6. Implement a dynamic rate allowance program for freight costs and unloading expenses with your suppliers.

Typically, allowances are negotiated once or twice a year, and rarely account for fluctuating costs and carrier rates. Oftentimes, market rates rise above negotiated rates. Kuebix TMS enables the creation of dynamic rate allowances to ensure savings on truckload and less-than- truckload shipments. Kuebix does this by calculating the best possible, real-time vendor allowances based on actual carrier rates as demand dictates. A dynamic rate allowance program will allow you to structure allowances using your actual carrier rates and unloading costs. The formula for calculating allowances ensures that the customer will never lose money. A configurable upcharge will be applied to your carrier rates and unloading expenses. This approach ensures the lowest cost of freight for all parties.

7. Implement a set of automated Vendor Inbound Compliance Standards (VICS) to change supplier behavior.

A comprehensive set of compliance procedures will establish rules, processes and violations that must be followed by suppliers when making deliveries to your facilities. The goal is to improve supplier behavior so that their inefficiencies are not costing you time and money at the distribution center.

8. Establish penalties for violations to enforce supplier compliance and improve supplier behavior.

For your compliance procedures to have teeth and be effective, they need to have penalties associated with any violations of the routing guide and compliance procedures. The goal of this program is not to generate revenue, but to change the supplier's behavior and to use the penalty funds to offset the loss of efficiency from the supplier's poor practices that are costing you money. Ultimately, this will increase efficiencies at the distribution center.

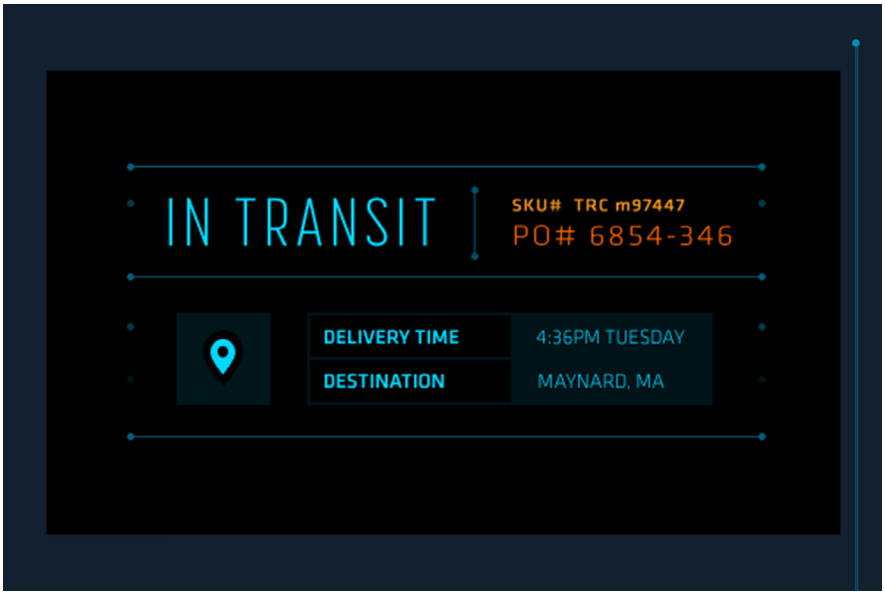
9. Implement Deduct From Invoice (DFI) capability with your ERP system.

Companies will need an automated approach to deduct the freight and unloading allowances at the PO level. The customer's TMS should then integrate this information back into the ERP system so that the payment to the supplier is handled accurately, reflecting the value of the dynamic allowance. Additionally, penalties from violations from the VICS programs are handled with the same automated mechanism so that they are smoothly deducted from the invoices prior to payment. Kuebix TMS handles this automatically.

10. Implement a supplier portal system that provides immediate visibility and controls for inbound scheduling.

It is important to stay in close communication with your suppliers and provide a platform for collaboration. With this capability, the customer will be able to tie order status regarding promise dates, delivery schedules, short shipments, etc. directly to their PO. Automated supplier portals will allow suppliers to:

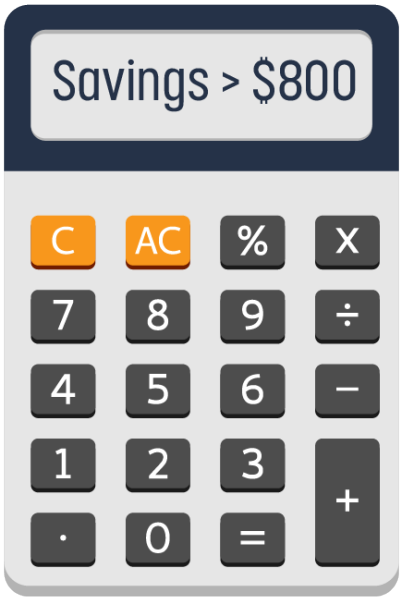
- Have visibility to all of their orders
- Plan whether the shipments will be VDS or CPU
- Schedule their inbound shipments directly to locations where there is planned open capacity at the dock
- Have visibility to order changes as they occur
- Keep track of any violations that have been committed



11. Capture the analytics for the program to measure savings and find additional areas for improvement.

If you cannot measure something, it is hard to improve it. An effective transportation management systems will capture every piece of data regarding the cost of freight, unloading costs, supplier and carrier performance, etc. The system should return analytics in the form of reports, dashboards and scorecards that allow you to determine where the program is effectively reducing your cost of goods, which suppliers and violations are reducing productivity, and which suppliers have improved their behavior. These analytics will enable the logistics team to take action to improve the program or deal more effectively with the suppliers and carriers whose behavior has not improved.

Tangible Business Benefits



Effective management of inbound can reap tremendous saving for the logistics team. Focusing on a smaller set of carriers' rates which should lower costs, which can be easily measured. However, the biggest gains will come from efficiencies at the distribution center, consolidation of shipments, and reduction of unloading costs. The typical unloading cost for a truckload shipment is around $200. On average, a consolidated truckload can have 14 LTL shipments, which normally would cost approximately $72 each to unload. The unloading savings on one consolidated TL shipment is over $800. ($7 x 14 =$1008 $1008-$200 = $808)

Weis Markets, Inc. has experienced significant savings through compliance programs, LTL consolidation, and reduced unloading costs. They are a Mid-Atlantic food retailer based in Sunbury, Pennsylvania, and currently operate 204 stores across seven states.

> "In the past, we had a couple of hundred LTL deliveries coming in per week and now we're down to just 20 or 30 because we can use our TMS to combine the LTL deliveries from the consolidation points."
>
> - Gary Kinneer, Director of Managed Transportation at Weis Market

Here is a link to a full case study on Weis Markets.

Kuebix Managed Service Inbound Program - SupplierMAX

Kuebix has developed a managed service offering that facilitates superior control of your inbound operations. The program, called **SupplierMAX**, is a fully managed service program whereby Kuebix transportation specialists work side-by-side with your team to help manage your inbound operations, leveraging the power of the Kuebix TMS. The Kuebix system addresses all of the following aspects of a comprehensive program:

- Conversion of vendor controlled shipments to CPU where feasible
- Plans to reduce carriers and consolidate LTL shipments
- Implementation of routing guiding and VICS compliance program
- Administration and integration dynamic rate and unloading allowance programs
- Facilitation of strong partner carrier collaboration tools and procedures
- Creation of scorecards and analytics to measure the results of the program

As your team develops its expertise, the Kuebix team will perform technology and process knowledge transfer to enable your team to manage the program completely in-house. The savings from these programs are now well-documented and are significant for any company ready to take the next step to control costs and increase efficiencies of their inbound operations and convert the “art of the inbound” into a science!





Freight Intelligence Begins Here

Founded by a freight industry veteran, Kuebix offers a transportation management system (TMS) that delivers freight intelligence that empowers companies to capitalize on supply chain opportunities through visibility, collaboration and predictive analytics.

Kuebix TMS is built on the leading cloud technology including the Salesforce Force.com platform. The TMS allows clients to implement the solution very quickly with the core TMS, then seamlessly add Premier Applications and Integrations as needed. Kuebix also offers unique Managed Service Programs to businesses looking to partially or fully outsource transportation management.



For more information about Kuebix TMS, contact us here.

www.kuebix.com | 978-298-2100

KUEBIX®
Freight Intelligence℠