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The Logistics Footprint: Creating a Road Map to Excellence

Within the broad logistics footprint, five core capabilities stand out. Mastering each of these competencies can lead to both tactical and strategic advantage – while creating true differentiation in the marketplace.

For years, leading companies have known that proficiency in logistics and transportation can give them a tactical competitive advantage. They view logistics as a prime source of strategic advantage. These leaders are now focusing intensely on the “how” of logistics: how to create logistics capabilities that truly differentiate them from the competition, how to identify the logistics capabilities that should be emphasized, and how to enable effective supply chain management.

To help companies answer these pivotal questions and bring about the changes necessary to achieve logistics excellence, Accenture has developed a logistics footprint (Figure 1). This framework addresses the core logistics capabilities that companies need to understand and develop. It includes 19 strategic and tactical capabilities within the planning and collaboration, transaction, and execution processes. The footprint also incorporates a technical infrastructure component that determines how information will be shared both vertically and horizontally. An infomediary component, which addresses the information and knowledge required to support the capabilities both externally and internally, is included.

It’s important to emphasize that all of the capabilities shown in the logistics footprint may not apply equally to all companies. Depending on the industry and the organization, some may be more important than others. The footprint, however, gives companies a structured approach to assessing and then improving the logistics and

transportation capabilities most important to them. By using this framework, companies can identify their strengths, discover their weaknesses, and develop improved processes. In short, the logistics footprint provides a road map that can lead a company to sustainable logistics success.

Five Core Capabilities

For many organizations, five key capabilities within the logistics footprint are particularly important in terms of building competitive advantage and market differentiation. These are: performance management, shipment planning, documentation and compliance, shipment visibility, and event management.

Why are these capabilities so important? In today’s economy, logistics and transportation management must be global, ubiquitous, and value enhancing. These five capabilities speak directly to those imperatives. This is not to say that other capability areas should be ignored; it only suggests that a concerted effort to develop and strengthen these five key areas can drive some powerful competitive benefits – lower logistics costs, higher customer service, and a stronger return on investment. Further, competency in these five key capability areas can serve as the foundation upon which improvements in the subsequent areas are built.

The Key Focus Areas

In developing the five core capabilities (and any capability within the logistics footprint), we recommend that companies develop a comprehensive strategy that incorporates four focus areas: approach, process, organization, and technology.

The approach element allows companies to formulate effective near- and long-term strategies for complex business issues. The process centers on the design and implementation of tactical solutions to support overall business needs. By concentrating on organization, companies ensure that the required changes are supported by performance measures, organizational design, and “journey management” – moving people steadily toward logistics excellence in a cohesive and unified manner. Finally, the technology focus allows companies to design, select, and configure the tools that support the desired capabilities.

Depending on the company and its stage of development within each capability, some focus areas may be relatively more important than others. Furthermore, as the development plan is formulated and executed, it must periodically be reviewed to ensure that the capability is being developed properly. The message: Companies operate in a dynamic environment; what’s right for today may not be right for tomorrow.

Core Capability: Performance Management

Performance management capabilities allow companies to capture and use logistics information to measure the performance of internal logistics functions, as well as external providers (carriers and 3PLs). Properly

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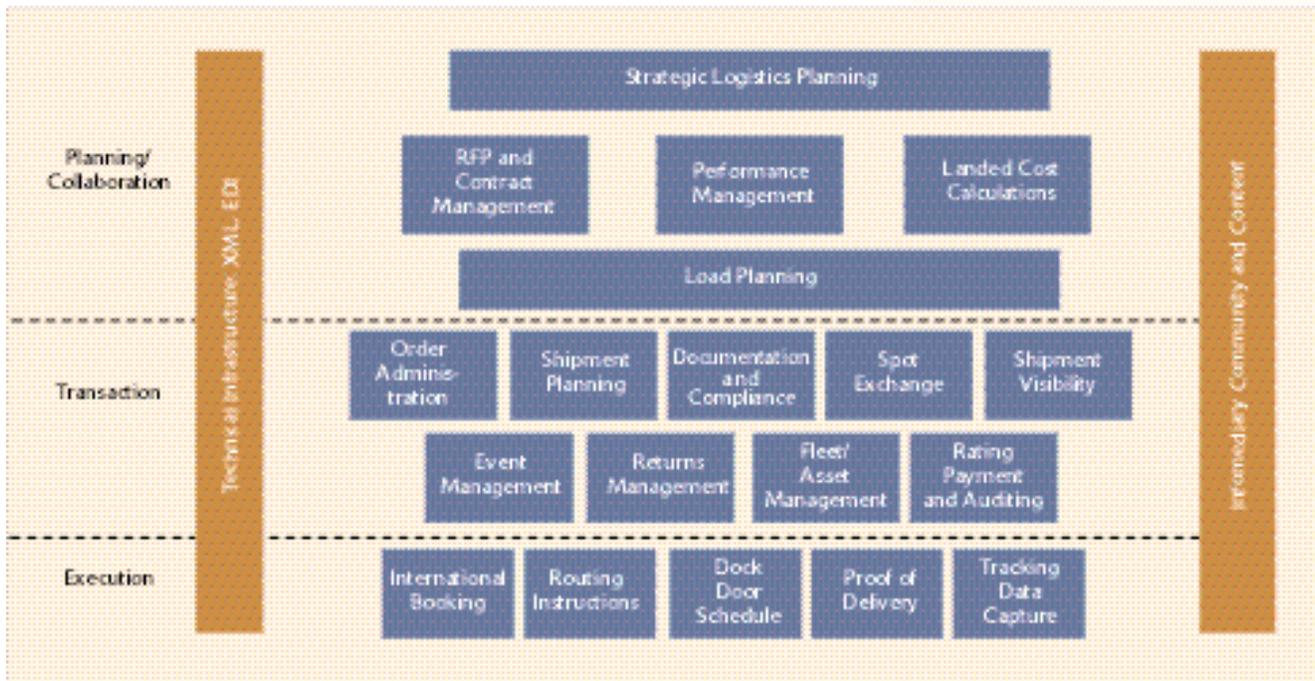


Figure 1 | The Logistics Footprint

designed and implemented, performance management solutions produce accountability and enable continuous improvement among internal providers and 3PLs. The fullest expression of performance management is realized when that capability extends across trading partner relationships.

By utilizing the four key focus areas (approach, process, organization, and technology) companies can improve their performance management capabilities in a structured way. Through the approach, they define why specific metrics and measures are created, construct appropriate uses and applications for those metrics, and determine how to use the foci to change behaviors within and outside of the organization. A process focus helps a company to design the steps or actions required to capture and analyze data on the metrics and develop necessary reports. By addressing the organizational issues, the performance metrics can be aligned with desired behaviors and incentives. The technology focus ensures that systems are in place to effectively support the collection, analysis, and reporting of the performance management data.

For most companies, the performance management focus will be the most critical.

In all too many cases, metrics are implemented without proper definition or a clear understanding of how they will be used. By carefully defining the approach up-front, companies can avoid this problem.

The following example shows how the four focus areas might apply to advanced shipping notice (ASN) compliance, which is a typical performance management component in many companies:

- **Approach:** Compliance defined as receipt of an ASN as well as accuracy of the ASN at a line item or SKU level.
- **Process:** Data about the date and time of ASN submission is captured and compared to actual shipment and load information. Additional SKU-level detail is also captured.
- **Organization:** External partners such as carriers and 3PLs are given incentives (and penalties) to ensure compliance.
- **Technology:** The various ways that ASNs can be submitted and received drives the technology selection.

Core Capability: Shipment Planning

Shipment planning, the second critical capability, seeks to lower costs and improve service through activities like load consolidation,

mode selection, carrier selection, and routing. An effective shipment-planning capability, supported by the right enabling technology, can help shippers improve their management of the entire shipping process. Through shipment planning, for example, companies can create shipments from actual orders, optimize the transportation order flow, and assign specific routes and delivery information. This level of control and precision not only benefits the shipper, but also the customer and carrier partners.

For this capability, technology typically is the most important focus. Technology that is functionally robust and architecturally sound allows companies to reliably complete complex shipment-planning activities. The approach to shipment planning is similarly critical. Once a company understands why (and, perhaps, even if) it should organize, plan, and optimize, it can more readily identify the competitive leverage points. The opportunities could center on faster transit times, consistent delivery schedules, or less product damage. The process focus should drive the collaboration among all partners needed to execute shipment planning. As for organization, educating the technology-users needs to be emphasized. Often, the new

technology and refined processes will require actions and produce results that are new and different. Organizations must remember that it often takes time to build trust – internally and externally – when implementing a technology-driven solution. Users will need to learn how the technology works and how it can be applied to make better logistics decisions. This requires training and close and continuous management attention.

The following example shows how technology can drive improvement in the shipment-planning process. A large specialty electronics retailer recently decided to implement the Manugistics transportation management solution to assist in planning

that the information is in the right place at the right time. The specific requirements will vary by mode and by the regulations of the countries of import or export. Key components within documentation and compliance include country quotas, product classification, and letters of credit.

The approach is to determine both the required activities and whether the internal or external resources are needed to manage this capability. Depending on the extent and complexity of international trade a company conducts (volume, spend, and geography), these activities may be best handled by a freight forwarder or other third-party provider. But before a company can deter-

ments at the SKU level using multiple query points. That means users can access real-time data about shipments based on any number of variables including SKU number, customer identification and shipment origin.

As companies look to enhance their shipment visibility capabilities, the approach includes understanding what they need to know, and when and how the information will be collected and used. The technology focus is critical because it determines the way in which information is captured and manipulated to provide the required visibility. In many cases having this capability has become a must-have for logistics solutions providers. Available solutions have matured and expanded significantly in recent years. Providers such as Celarix, GT Nexus, i2 Technologies, and Manugistics (to name only a few) all offer some level of shipment visibility capability in their products. Thus, selecting the right one to meet a company's specific requirements can often seem daunting. Technology must leverage the information inputs so that substantial value can be generated for all partners in the logistics process. A focus on process ties shipment visibility to better inventory management, improved customer service, and more aggressive and innovative transportation management techniques. Organizations that improve visibility capabilities – data availability for developing and managing performance metrics – are better positioned to respond to market opportunities and react quickly to any problems that may arise.

Here's an example of how the technology in this space can be successfully applied. Recently, one of the world's leading electronic companies (we'll call it Electrocom) faced a number of supply chain challenges tied to its global reach and large network of partners, suppliers, and logistics providers. Among the key challenges were the lack of shipment-order linkages and little, if any, in-transit shipment information. Fill rates were below industry standards and expectations, available-to-promise dates were being missed, and transportation costs were high. Electrocom needed timely access to quality information to facilitate rapid

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for seasonally driven promotional products. The execution of these promotional deliveries required a robust transportation optimizer, which is a central component of the Manugistics solution. By using technology, this retailer was able to plan and coordinate the delivery of these important shipments to a more finite degree – an activity that had previously proved challenging. Internally, the company was able to better fulfill the increased demand during promotions. Externally, the company's carriers were able to preplan for the increased capacity needs and ensure timely deliveries.

Core Capability: Documentation and Compliance

Companies often overlook the third critical capability of logistics excellence – documentation and compliance for international shipments. Yet such an oversight could damage company credibility and brand equity – not to mention that it could open up the potential for large monetary penalties and fines. This capability involves understanding and creating the appropriate documentation surrounding a shipment as well as complying with the regulations of all countries involved. Documentation and compliance mean having the right product information, and ensuring

mine which activities are best performed internally or externally, it first needs to understand the complexity of the regulations and the processes involved.

Technology will play a significant role in documentation and compliance capability development, particularly if the activities will be performed in-house. Solution providers can automate information flow while leveraging content knowledge for shippers. One provider that has developed such a solution is GT Nexus (formerly Tradient). The process focus ensures that critical information is documented and transferred accurately and in a timely manner. The organization focus becomes more important if the company decides to manage this capability in-house. But managing this complex area will require extensive training of existing personnel – and possibly the hiring of new personnel – to ensure that the necessary skills are in place.

Core Capability: Shipment Visibility

Shipment visibility is often simply referred to as “track and trace,” but in reality, it's much more than that. This capability enables the real-time – proactive and reactive – visibility of ship-

more on the Web

Read more about logistics infrastructure in Nathan Pieri's article in this book and on the Web at pieri.ASCET.com

decision-making. It wanted visibility into any unplanned events taking place in the supply chain. The company utilized the Celarix Visibility™ and Celarix Connexion™ solutions to achieve end-to-end visibility across its supply chain. Electrocom was able to effectively monitor shipments, which allowed it to reduce cycle times, reduce inventory, lower transportation costs, and provide the end-customer with superior service.

Core Capability: Event Management

Event management is the fifth critical capability of the logistics footprint and has recently, along with shipment visibility,

Central to the approach focus is determining how the event-management information will be used to act both tactically and strategically. It is imperative to clearly understand who needs what information, when they need it, and in what format the information should be communicated. Early adopters of event management solutions often made the mistake of configuring too many event notification milestones and too many users. This led to confusion – and often chaos – in attempting to deal with each and every notification. In addressing the organizational considerations, companies should assess the accountable party for the event and any

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experienced tremendous growth and development. Event management entails alerting and reporting actual transportation events against planned events. Deployed correctly, event management solutions can reduce inventories and overall transportation costs. These solutions also can greatly enhance customer service and satisfaction. Customers know exactly what they will be receiving and when. They are also alerted to any potential problems well in advance.

needed follow-up actions. Process focuses on how notifications will occur and what will be taken to correct them. Depending on other capabilities within the organization, the events can be used to help replan troubled orders, trigger new production schedules, or change carrier instructions.

Recently, technology options for event management have greatly expanded. Not only has the landscape of solution providers grown, but so have the ways in which events

are communicated. Communication tools now include wireless, Web portal, satellite, radar, and PC-based solutions.

A Road Worth Traveling

The road to creating excellence in logistics and transportation can be complicated and confusing. But companies that can successfully navigate the route position themselves for significant success. The industry leaders have convincingly proven this time and again.

The logistics footprint described in this article can help companies get on the right path to logistics excellence. For many companies, the journey begins by focusing on the five core capabilities needed to succeed in today's dynamic, global economy – performance management, shipment planning, documentation and compliance, shipment visibility, and event management. Competency in these key areas can have an immediate, powerful impact on logistics operations and costs. In addition, these capabilities foster high service levels that can help an organization stand out from the pack. The advantages of logistics excellence are so compelling that organizations can't afford to not embark on the journey. ■

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