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In Tough Economic Times, Logistics Intensive Organizations Look to Solutions that Pay

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When retooling your logistics technology can bring immediate relief

During an economic downturn, cutting IT spending is a knee-jerk reaction for many organizations. But some companies, especially those involved with transportation and logistics, recognize that retooling themselves and deploying the right technology can deliver immediate benefits. In fact, AMR Research predicts that there is a high likelihood the economic challenges of the coming years will offer much greater opportunity for supply chain technology adoption[1].

As organizations strive to improve their processes and optimize their operations, technology implementation strategies that are based on rapid, results-driven methodologies are crucial to bringing immediate relief. The key is to initially focus on quick-to-implement initiatives that deliver a rapid payback and provide opportunities for ongoing savings.

Achieving a near-immediate payback may mean implementing a solution that can address multiple shipment channels and business processes. Finding a solution that provides a platform for growth and long-term sustainability is also critical.

The challenges facing companies today are obvious – fluctuating fuel costs, the pressure to deploy green solutions, weak economic conditions, higher costs and lower volumes, and shifting customer demand. So what are logistics intensive organizations doing to address these issues and maximize their operational efficiencies while reducing costs?

Drive Bottom-Line Results in Tough Economic Times

Both progressive and conservative companies are addressing these issues head on by looking towards technology-enabled services and solutions that deliver a fast time to value. Here are some of the most critical approaches these organizations are putting in place to drive immediate results:

Choose the Right Solution to Meet Specific Business Needs

Many sophisticated logistics technology applications and solutions exist today to help companies drive efficiencies in their value chain and boost service levels. To attain the best results possible, however, logistics-intensive organizations are implementing solutions that best fit their specific, yet evolving, business needs.

Hosted, transactional, software-as-a-service (SaaS) logistics solutions, for example, are ideal for companies looking to avoid the up-front capital cost and the related financial and operating risks associated with licensed software applications, which carry a number of hidden costs (e.g. customization, implementation and hardware costs) that make them too expensive for most delivery operations.

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SaaS logistics solutions on the other hand, carry no hidden costs. Fees are usage-based and fluctuate with volumes and application usage, and are designed to scale to meet specific business needs. Organizations benefit from feature-rich applications to manage their logistics processes without the up-front cost of software licenses and stand-alone hardware, implementation, and the ongoing maintenance and other ownership costs. Because SaaS logistics solutions are quick to implement and can be accessed over the Web, they deliver advanced and specialized capabilities in a matter of weeks – not months – for immediate impact. When volumes and usage go down, so does the usage fee; when business returns and volumes grow, then usage fees are self-funded by higher revenues.

Start Small for Fast Rewards

Another key consideration for organizations looking for quick pay back from their logistics technology is the length and cost of the implementation phase. Traditional Enterprise Resource Planning (ERP) applications typically necessitate the roll-out of an extensive, company-wide initiative, spanning months; whereas SaaS logistics solutions that feature 'nano'-sized applications enable organizations to start on a focused initiative.

As modular offerings, these applications are deployed quickly to deliver a rapid return on investment, and enable organizations to use a phased implementation approach to adopt new logistics applications as their business needs dictate. However, nano-sized applications can also be combined to provide the immediate benefit of an end-to-end solution without the burden of a wide-scale software deployment.

For example, one organization started out by implementing a route planning solution within weeks, which immediately improved its truck utilization and cut operating costs. The ongoing savings and value achieved through this first implementation enabled the company to quickly move on to and fund its next project – a wireless solution that delivered instant operational improvement and drove out more savings to the bottom line.

Using a phased implementation approach, logistics-intensive companies are taking on smaller projects that enable them to continuously innovate within their value chains without embarking on cumbersome, long, risky enterprise-wide initiatives that require extensive upfront costs with no return in sight for months, if not years.

Share Information and Streamline Business Processes

Organizations looking to reduce costs within their supply chain cannot afford to take an insular view when evaluating logistics solutions. Success in global supply chains can only be achieved when there is collaboration amongst logistics service providers and their customers. As such, traditional Electronic Data Interchange (EDI) networks and Value Added Networks (VANs) in the

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transportation industry have evolved into logistics communities that go beyond the simple interchange of logistics information.

Now, many organizations are using a logistics-focused global network that can readily connects them with their business network – including carriers, government agencies and other logistics intermediaries – to share information, improve operational efficiency, reduce complexity, improve customer service, and comply with industry and government regulations. And unlike proprietary transportation management systems, a global multimodal logistics network provides organizations with one network, many connections and multiple processes at no additional expense. Once on the network, authorized users can extract and integrate data for many functions throughout the shipment process.

A global multimodal logistics network also offers value-added applications that are designed to maximize its multiple connections and data resources, and manage specific business processes. These value-added applications can help organizations standardize business processes and streamline logistics operations to drive visibility into actual results. For example, using Descartes GF-X Exchange – one of the largest many-to-many electronic information and reservation systems in the airfreight industry – airfreight carriers can distribute real-time product, routing, capacity and rate information to their forwarders worldwide. Airfreight forwarders can access carrier information, make electronic bookings and track shipments via a web browser, 24 hours a day, 7 days a week.

Standardize and Automate Processes

In today's highly competitive and complex marketplace, logistics-intensive organizations are boosting their operational efficiency by eliminating the need to re-engineer internal processes. Standardized and automated processes have been proven to dramatically reduce the need to re-key information, eliminate paper consumption, and minimize time spent faxing and making multiple phone calls.

On-demand logistics solutions can automate functions, such as air cargo booking or routing, which helps to free up human resources to focus on other activities that deliver more value to the organization's business in the long term.

As an example, a manufacturer of high-end outdoor power equipment and home and garden accessories was using manual processes. By implementing a transportation management solution offered by Descartes, the company was able to automate paper-based processes, as well as integrate freight costs and other metrics into its ERP systems for improved reporting.

As a result, the organization was able to allocate one full time staff to another department for $40,000 per year in savings; eliminated the paperwork for 200 invoices a day through automated processing; improved financial reporting; and more.

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Select a Proven Partner for End-to-end Shipment Management

Organizations with complex global supply chains face unique challenges and therefore require an end-to-end shipment management partner – not just a technology provider – focused on complex transportation-centric operations and/or differentiate themselves through logistics.

By working with an established industry leader with an on-demand logistics network, companies are positioned to benefit from the most innovative applications and up-to-date best practices in the industry. In the long run, this helps to drive down supply chain costs and ensure future compliance requirements are met as new security and customs initiatives expand to countries around the world. Whether it is the latest "10+2" rule from U.S. Customs Border Protection or the anticipated European Union regulations, an end-to-end shipment management partner will anticipate new government regulations and work with its customers to guarantee early compliance readiness.

An end-to-end shipment management partner should also be able to handle requirements across all modes (air, ocean, truck, contract carrier and private fleet), whether assets are owned or third party. They should also allow organizations to efficiently and effectively manage the end-to-end shipment process from source to consumer with ongoing real-time visibility.

Metrics-Focused on Results

When implementing a logistics solution, it is imperative to clearly define the metrics against which performance can be measured. A phased implementation strategy, for example, can carve out value-based metrics and enable organizations to validate each phase based on these predefined metrics.

Logistics-intensive organizations also rely on their logistics services provider to take the time to make recommendations and work with them to re-engineer business rules as new business objectives are established.

Make the World a Better Place through Logistics

Choosing the right solution not only delivers a rapid return on investment, it can also open up the opportunity for organizations to make the world a better place through logistics. By adopting on-demand logistics technology, for example, companies are reducing their fuel costs and fleet size by up to 20%, and in doing so, are contributing to a greener tomorrow by decreasing their carbon emissions today. Also, on-demand customs filing and compliance services are helping to secure international borders while enabling smooth and fast border crossing.

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In Conclusion

The current economic downturn is a good time for companies to reconsider their technology investments, SaaS logistics solutions offer logistics-intensive organizations an opportunity to improve operational efficiency, reduce complexity, improve customer service and comply with industry and government regulations, while providing ongoing savings and value.

Whether it is providing access to real-time information from global logistics trading partners or creating immediate value by improving operational efficiency and streamlining business processes, SaaS logistics solutions are helping logistics-intensive organizations weather the current economic storm and delivering short-term benefits that that ease their immediate pressures.

[1] Source: AMR Research Press Release: *"AMR Research Study Finds Supply Chain Technology Market Will Grow 7% Annually to $9.2B in 2012"*, November, 2008

About Descartes

Descartes (TSX: DSG) (NASDAQ: DSGX), a leading provider of software-as-a-service (SaaS) logistics solutions, is delivering results across the globe today for organizations that operate logistics-intensive businesses. Descartes' logistics management solutions combine a multi-modal network, the Descartes Global Logistics Network, with component-based 'nano' sized applications to provide messaging services between logistics trading partners, shipment management services to help manage third party carriers and private fleet management services for organizations of all sizes. These solutions and services help Descartes' customers reduce administrative costs, billing cycles, fleet size, contract carrier costs, and mileage driven and improve pickup and delivery reliability. Our hosted, transactional and packaged solutions deliver repeatable, measurable results and fast time-to-value. Descartes customers include an estimated 1,600 ground carriers and more than 90 airlines, 30 ocean carriers, 900 freight forwarders and third-party providers of logistics services, and hundreds of manufacturers, retailers, distributors, private fleet owners and regulatory agencies. The company has more than 300 employees and is based in Waterloo, Ontario, with operations in Atlanta, Pittsburgh, Ottawa, Montreal, Miami, Washington DC, Derby, London, Stockholm, Shanghai, Singapore and Melbourne. For more information, visit www.descartes.com.