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Best of Both Worlds

BY JOHN MARTIN

Despite the current climate in which it is fashionable to question e-anything, it is clear that Internet-based solutions can provide a valuable service to the transportation industry. The uncertain economy, corporate downsizing, increasing freight costs and a significant shift from air freight to surface transport are leading to a more rational approach to logistics management. Business needs now are driving the Internet, rather than the other way around.

To some degree, however, the Internet genie cannot be put back in the lamp. As a result, there is renewed interest in Internet-based supply-chain execution systems that until recently were at their genesis. Executives are realizing that new technologies will continue to evolve as a means of enhancing their business propositions in order to compete more effectively.

This changing e-business landscape is creating a new collaborative transportation infrastructure that fuses traditional business practices with e-commerce. Successful corporate business strategies increasingly are incorporating Internet business-to-business practices in order to optimize the supply-chain processes to enjoy cost savings and enhanced business controls.

According to annual studies by Herbert W. Davis & Co., transportation costs comprise about 48 percent of logistics expenditures and are rising faster than all other supply-chain costs factors. A recent study by AMR Research suggests that this new e-business opportunity could represent as much as $465 billion in savings to global enterprises, and urges companies to capitalize on the new e-business landscape. There are several reasons why the combination of traditional business practices with Internet-based technologies can provide supply-chain benefits today.

Speed. The Internet offers vast improvements in data mining and communication, including rapid and accurate shipment and order tracking that greatly enhance inventory visibility to trading partners. Companies no longer need to be limited to phone calls and faxes but can rely instead on personalized digital dashboards and smart-agents, which automatically execute on predefined conditions and report back to update status and highlight exceptions.

Supply-chain control. E-commerce enables firms to better control their vendors and inventory levels, which permits them to be more productive while avoiding duplication of efforts across business functions and geographic borders. In addition, by integrating with an e-commerce provider, companies are not required to alter the manner in which they conduct business. Technologies such as EDI, XML and customized browser screens enable them to enhance and optimize their existing relationships, not replace them.

Rapid ROI. The cost for an enterprise to enter into a collaborative relationship with an e-marketplace is minimal because the online marketplace already has "industrial strength" technology in place. Also, many successful e-marketplaces have established alliances with major software providers such as i2 Technologies, Manugistics and SAP, and have mapped certified connectors to these ERP systems to streamline integration. Low capital expenditures and rapid deployment allow transition from initial concept to "go-live" in weeks rather than months.

Improved customer relations. Internet-based technology can do a great deal to maximize customer service and existing relationships. The web is a common platform for vendors and customers to gain controlled access to trading data without the need to have a different interface for each new major partner.

Internal efficiencies. The trend for many years has been toward outsourcing logistics activities. Currently, organizations with significant volume of goods to ship are working with e-commerce providers to bring many logistics functions back in-house. This gives them a greater comfort level regarding the control they have over their own processes, while enabling their e-marketplace partners to integrate and execute their transportation transactions on their behalf. Also, intellectual capital about differentiators remains intact and in-house.

Risk. One element of collaborative e-commerce that touches all the others is risk management. For years it was taboo for companies to even consider sharing company information, especially electronically. Today, in this age of information, companies actually can improve business services while reducing growing transportation costs by working cooperatively with all trading partners under a strict set of governing rules and data security. With a private exchange, a company literally can add collaboration partners in one day, allowing trading partners to agree to a common set of safety requirements, insurance levels, business practices, qualifications and remedies.

As experience has demonstrated, no one e-business model fits all enterprises. Therefore, it is critical in today's environment that enterprises and their e-marketplace partners work together to evaluate a company's unique supply-chain needs. Often, companies find that what works best for them may be hybrid of a public exchange and a private exchange or a private trading community with specified vendors. Collaborating through an established e-marketplace can provide real and immediate supply-chain solutions without expensive software acquisition or disruption to current methods.

Logistics still is very much a customer-oriented, hands-on business based on trusted relationships. That will not change. Human intelligence will never be replaced but it can be augmented with technology as the enabler. In this new, collaborative e-business landscape, we can race to reach the best of both worlds.

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