

Flexibility, Efficiency, and Differentiation: Drivers of Success

20th Annual Trends and Issues in Logistics and
Transportation

Thank You to Our Respondents

We are pleased to present the findings of the **2011 Annual Trends in Logistics and Transportation**

Our hope is that this data will provide useful information regarding current industry practice and trends, and assist you in better managing your organization

Your continued support of this effort enriches the research results

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Research Team

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Agenda

- Establishing the Baseline
- Operating in the New Normal: The Drivers of Success
 - Flexibility
 - Efficiency
 - Differentiation
- Mandate for the Future

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Establishing the Baseline

Representing the Marketplace

Sample represents over **\$34.3 billion**

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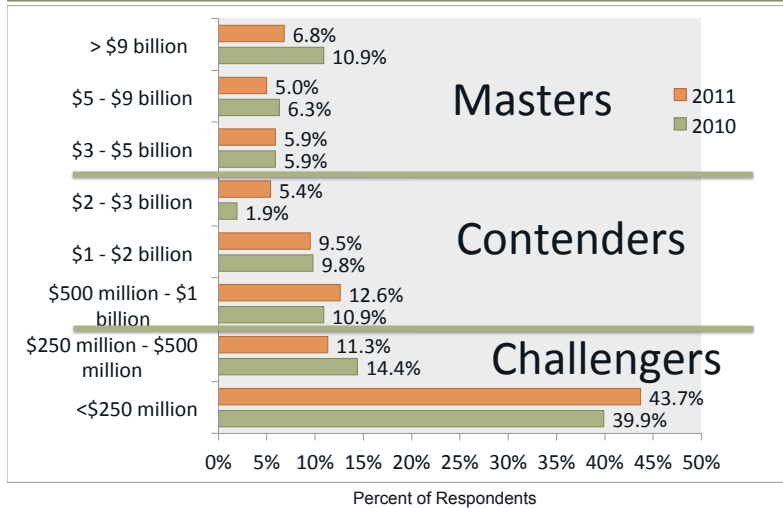
in transportation expenditures

This is approximately 4.5% of total transportation expenditures.

764 respondents from 16 industry sectors represented this study

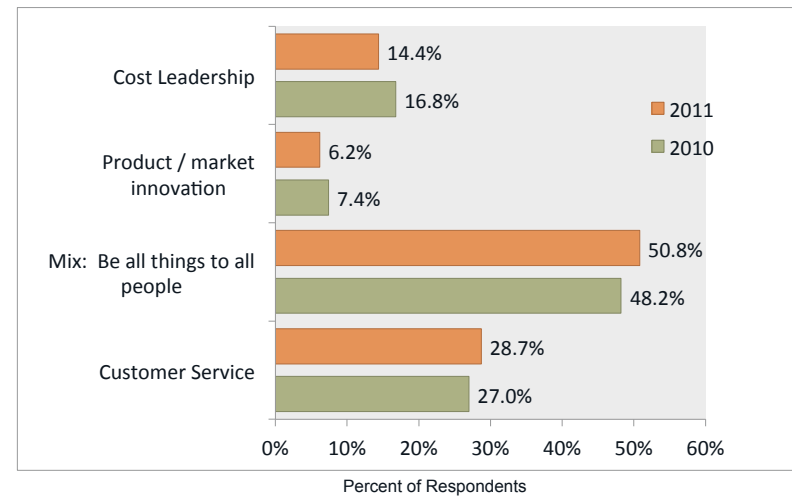
Annual Sales of Respondents

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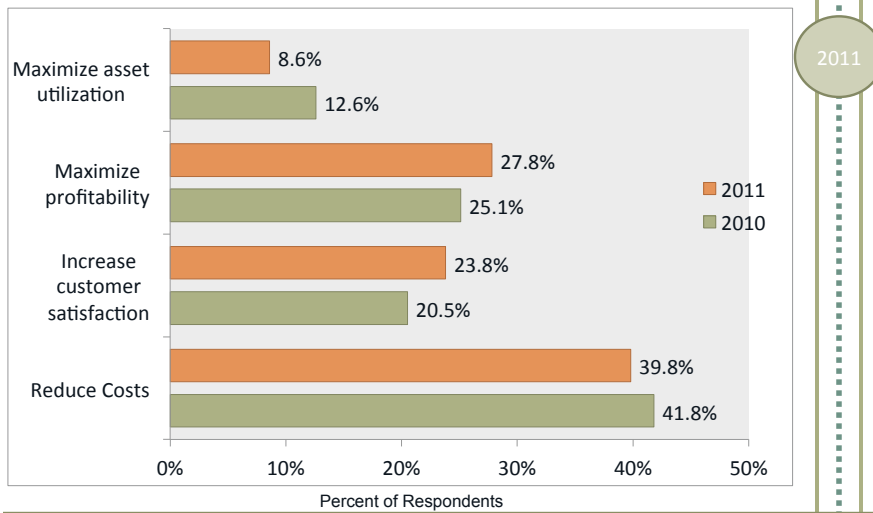


Strategy For This Division or Business Unit

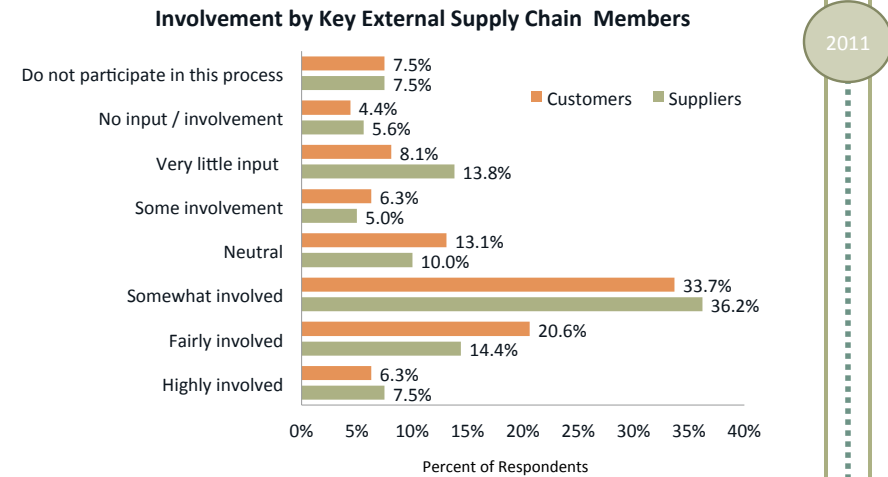
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Overall Objective For This Division or Business Unit



Sales and Operations Planning (S&OP)

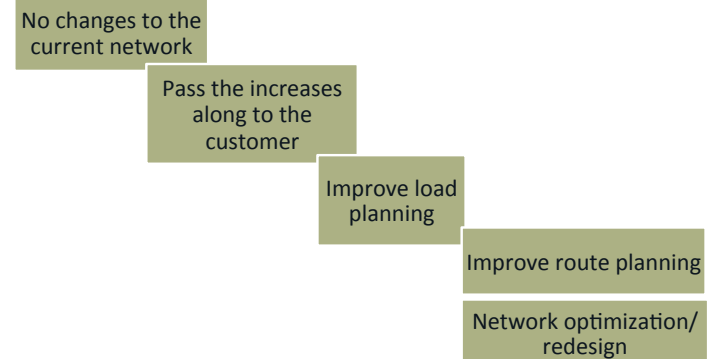


Supply Chain Risks



Planning for Fuel Price Increases

What are firms planning to do in the event that diesel fuel rises to \$5 per gallon?

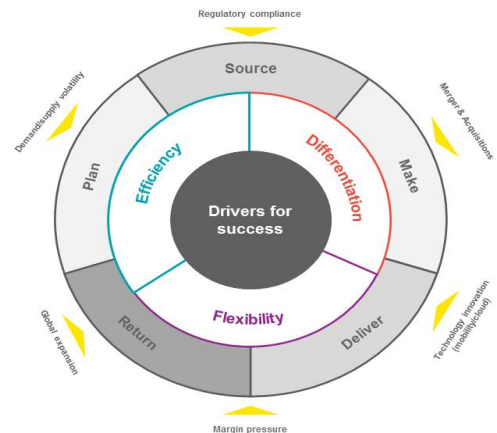


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Operating In The New Normal

The Changing Landscape

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Flexibility

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The ability to quickly meet an increasing variety of customer requirements at the "right" cost, time and place while creating maximum value for the company.

The capability to alter and adapt in a reversible manner according to needs.

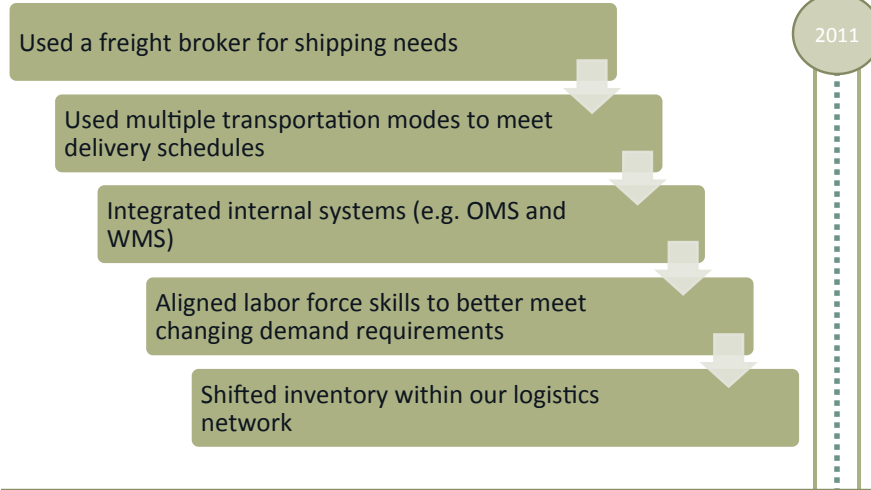
Focus on Operational Flexibility

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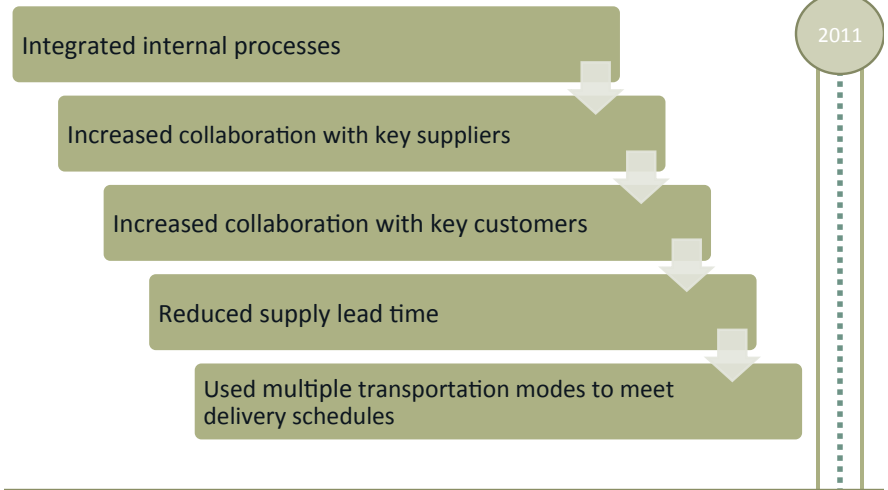
Number of Flexibility Initiatives Completed or Currently Being Implemented

Challengers	1 to 5
Contenders	10 or more
Masters	6 to 9

Top 5 Actions Completed to Improve Operating Flexibility



Top 5 Actions Being Implemented to Improve Operating Flexibility

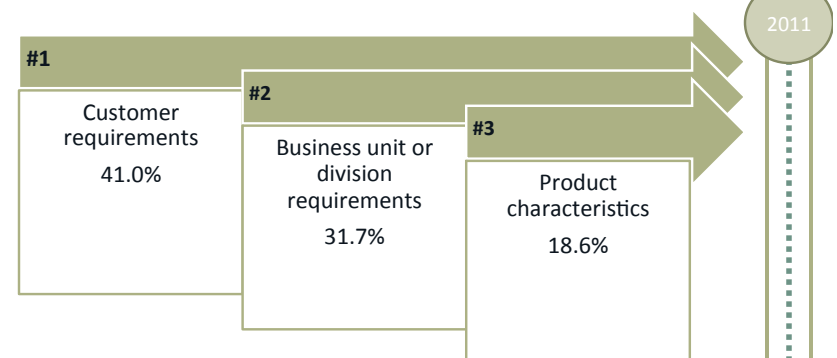


Supply Chains and Operating Flexibility

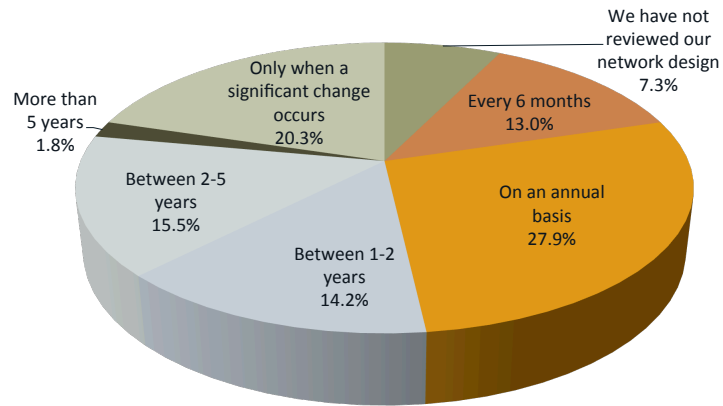
Overall strategy for the division or business unit	Average number of discrete supply chains
Cost leadership	3.21
Mix: Be all things to all people	3.35
Customer service	3.02
Product / market innovation	2.22

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Why do we need different supply chains?



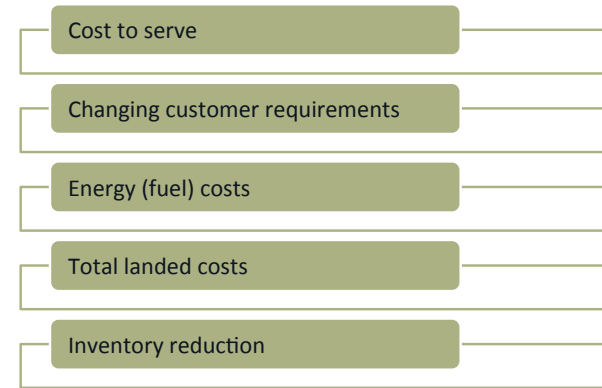
How Often is Your Network Design Reviewed?



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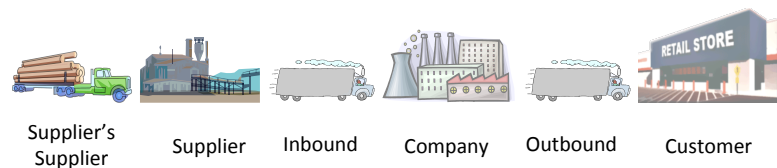
Factors Driving Supply Chain Network Redesign



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Domestic Visibility on a Plateau



NOTE: 1 = very visible; 7 = not very visible

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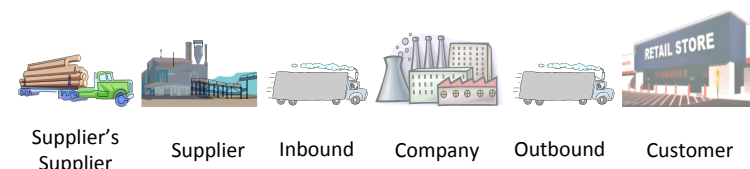
2010



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International Transportation Visibility Improving



NOTE: 1 = very visible; 7 = not very visible

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2010



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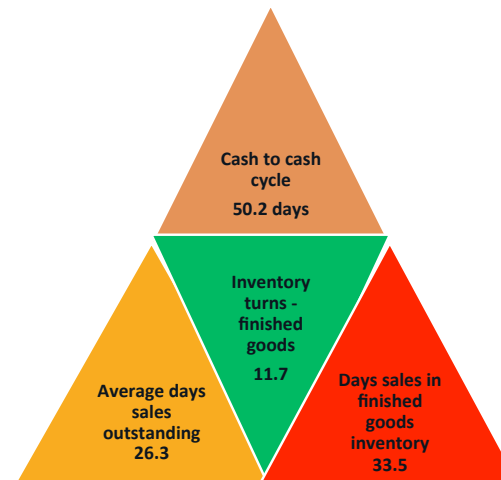
Efficiency

A measure of how well we utilized the available resources to accomplish the goals of the firm.

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Checking On Financial Performance

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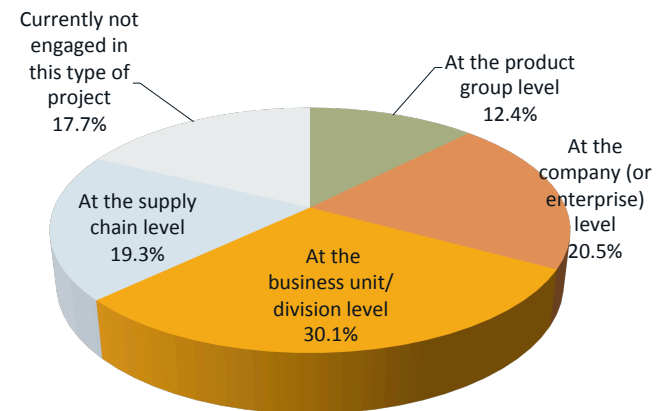
Challengers Outperform Other Size Firms

	Contenders (<\$500 million in annual sales)	Challengers (\$50 million and \$3 billion in annual sales)	Masters (>\$3 billion in annual sales)
Cash-to-cash cycle (days)	48.1	53.4	45.0
Inventory turns	11.4	18.8	11.0
Days sales in inventory	34.9	32.5	40.0
Days sales outstanding	26.8	32.6	35.0

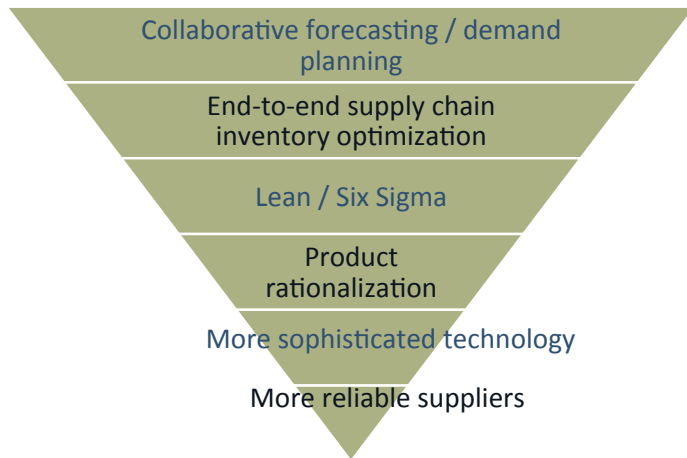
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Reducing Inventory is a Major Priority

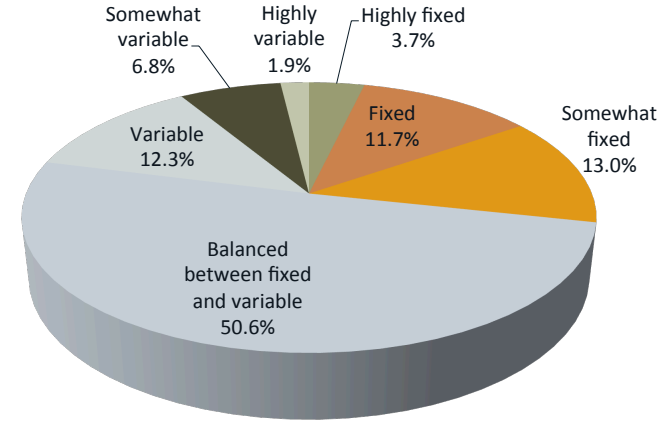
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Methods Being Used to Reduce Inventory



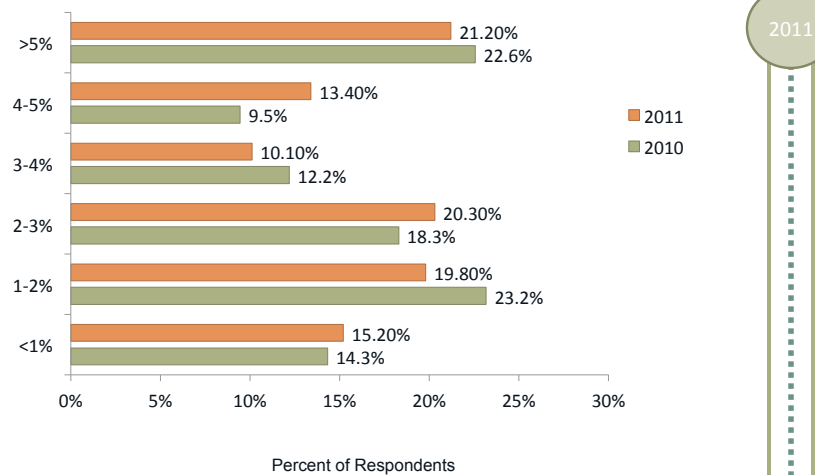
Changing the Cost to Serve



Current Cost Structure of the Firm

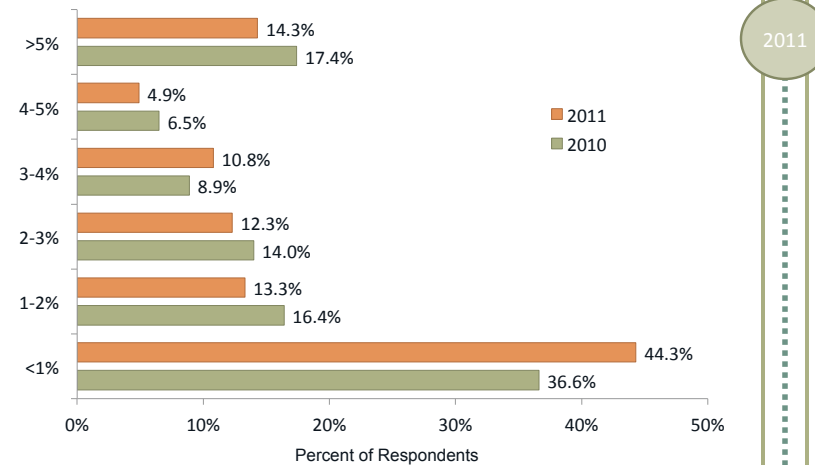
Domestic Transportation Spending

Percent of Sales



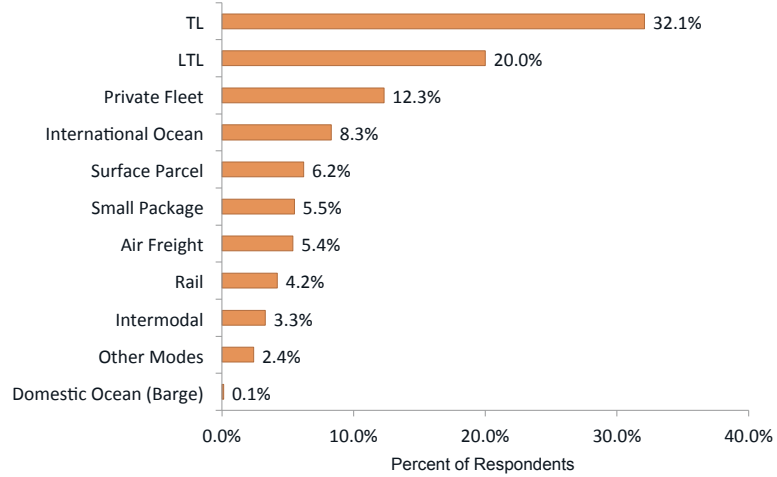
International Transportation Spending

Percent of Sales



Percent of Budget Spent on Transportation

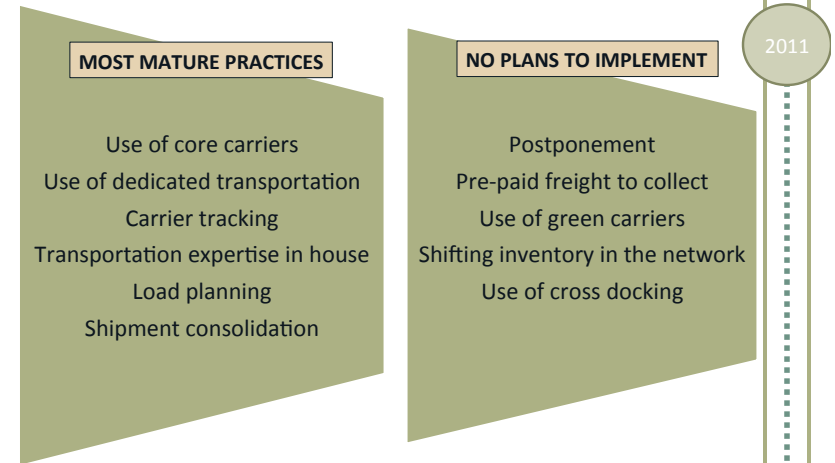
By Mode



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Logistics and Transportation Management

State of Maturity



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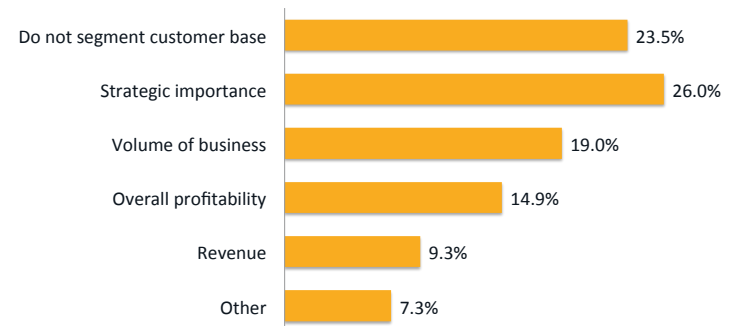
DIFFERENTIATION

The ability to separate into distinct groups for the purpose of distinguishing between them.

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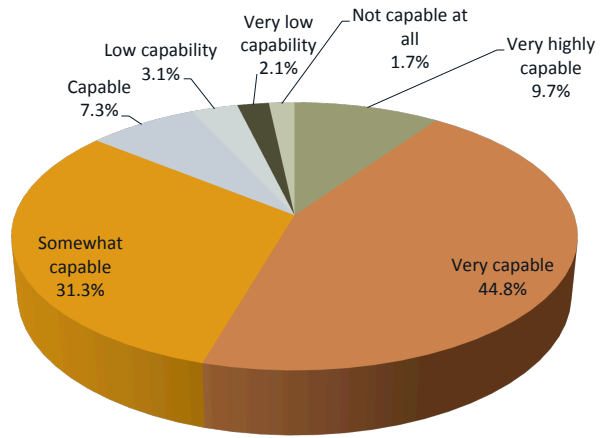
"One Size" Service Does Not Fit All

Method of Customer Segmentation



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Are You Capable of Differentiating Your Service?

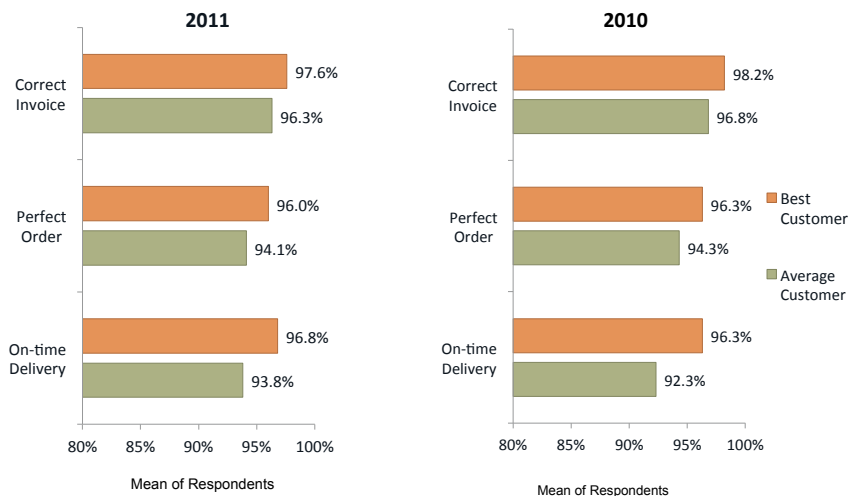


Transportation Performance Scorecard

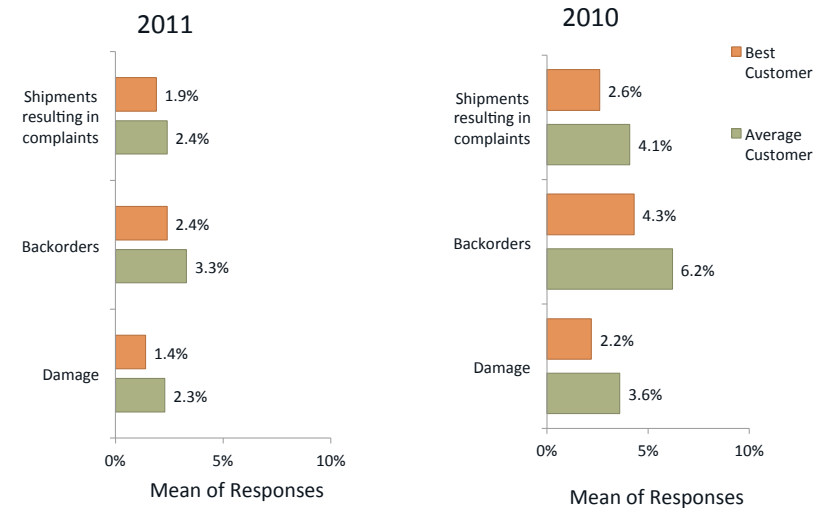
Mode of Transportation	2011	2010
TL	79.8%	78.1%
LTL	72.4%	78.6%
Rail	68.2%	58.9%
Intermodal	77.1%	76.5%
Parcel	85.4%	NA
Air freight	85.3%	NA
Ocean	75.4%	NA

NA = Not available

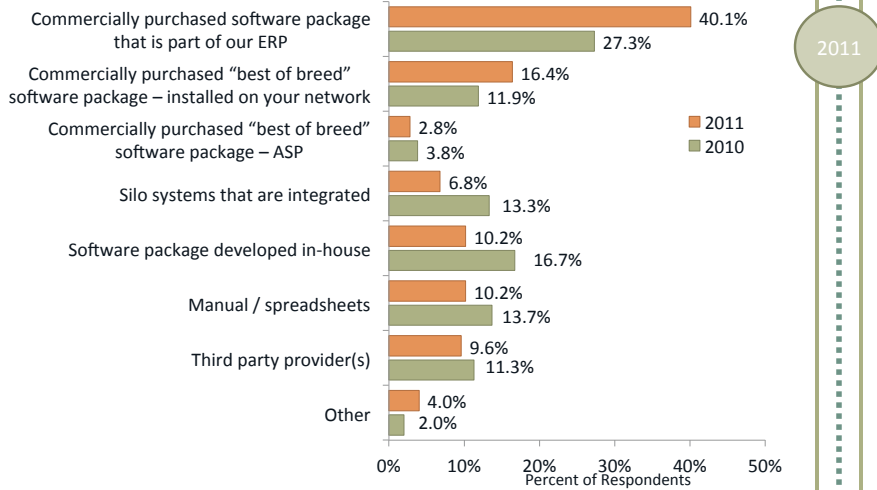
Differentiating Between Best and Average Customer



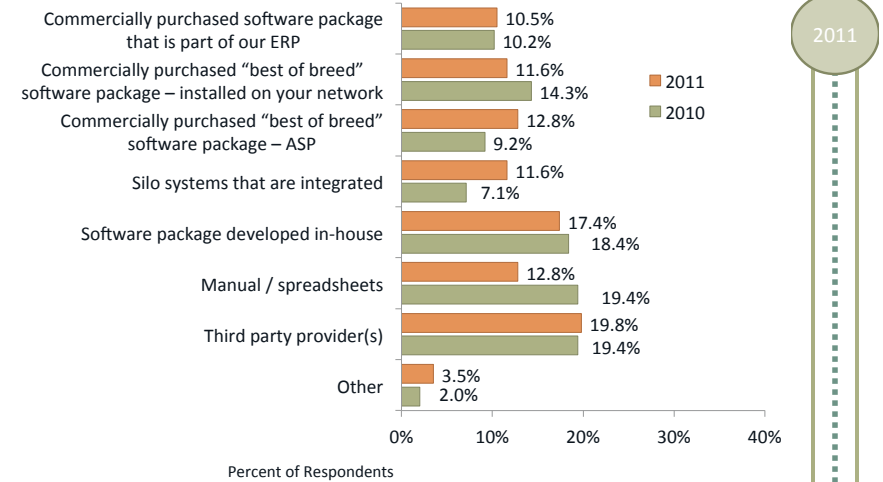
"Best" Customers Get Better Service



Tools and Techniques to Manage Domestic Distribution



Tools and Techniques to Manage Domestic Transportation



The Mandate for the Future

How Will You Compete?

Flexibility is essential

- Remains the greatest challenge of the three drivers
 - Too few initiatives/actions have been completed for operational flexibility
 - Improvement in supply chain visibility is at a standstill

Efficiency is vital

- Performance in this area is highly related to strategic direction
 - Cost leadership firms have high capability in this area. Product / market innovation firms are low scorers for this driver
 - Transportation management is at a very mature stage. What form will new innovation take?

Differentiation is imperative

- High scores for most firms in this area. The data suggest that this may be an "elevated" self assessment
 - The gap between "best" and "average" customer appears to be closing
 - Move to more sophisticated tools and techniques for managing both distribution and transportation

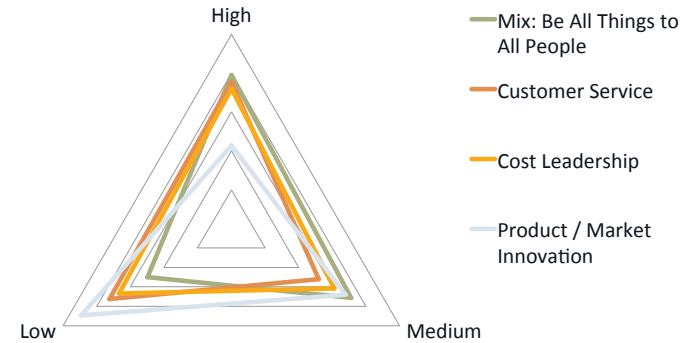
The F-E-D Composite Score

Strategy	High	Medium	Low	Total
Mix: Be All Things to All People	39.5	35.6	24.9	100.0
Customer Service	37.8	26.0	36.2	100.0
Cost Leadership	36.0	30.6	33.4	100.0
Product / Market Innovation	21.3	34.0	44.7	100.0

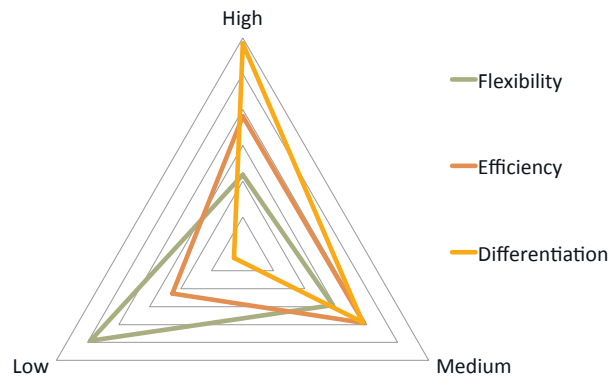
2011



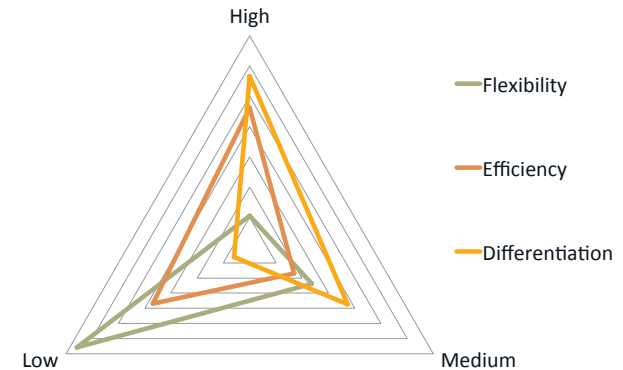
F-E-D Composite Score



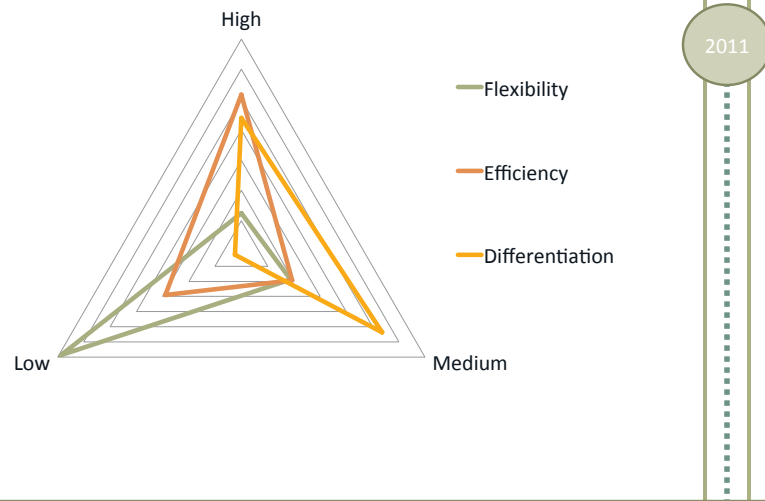
F-E-D Individual Score – Mix Strategy



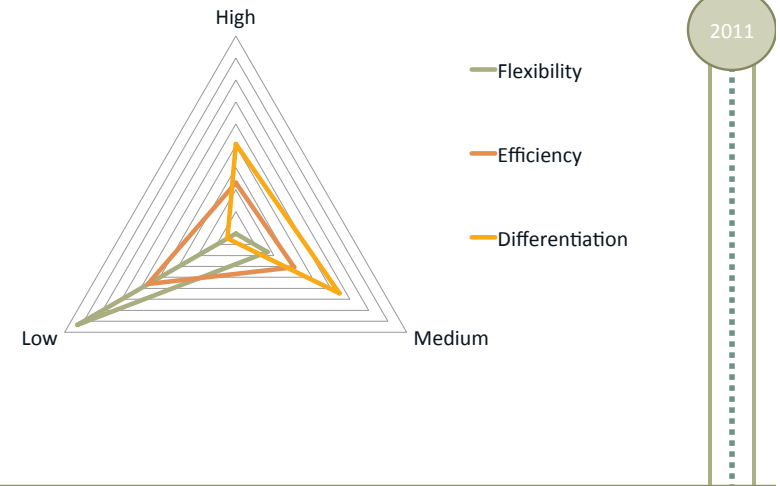
F-E-D Individual Score - Customer Service Strategy



F-E-D Individual Score - Cost Strategy



F-E-D Individual Score – Product/Market Innovation Strategy



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For full study results:
<http://www.transportation-trends.com>

