LOGISTICS MANAGEMENT
BEST PRACTICES
All for Superior Customer Service
Logistics management plays a significant role in the success of any company’s operations and has a direct impact on its bottom line. More importantly, logistics processes play a big part in customer satisfaction, which is more important than low product costs. Logistics professionals should think of themselves as a customer-facing portion of the company and strive every day to add value for their customers.

The Council of Supply Chain Management defines logistics management as:

“... that part of supply chain management that plans, implements and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers’ requirements.”

Logistics management is often confused with supply chain management. Supply chain management has broader objectives and actually encompasses logistics management. Supply chain management (SCM) includes inter-enterprise, multi-functional processes that target everything from the supplier’s inbound freight to the end consumer. Logistics management (LM) is the more practical, hands-on part of the supply chain where goods are transported into a facility, properly stored, handled and transported out. LM focuses on short-term procedures and SCM is focused on the long-term.

In this whitepaper, you will learn about the development and focal points of logistics management, difficulties companies have within these focal points and the best practices to achieve optimized logistics, which leads to superior customer service.

Making quick, informed decisions can save a company up to 40% on logistics costs, so one of the best practices in LM is to implement a fine-tuned logistics strategy. Since the supply chain is constantly changing, so are logistics processes. Developing and implementing a formal logistics strategy will add flexibility to the decision making process and increase error-response time. A deliberate strategy will let a company predict service disruptions and know how and when to respond to them to ensure service levels stay at peak performance.

How does a company implement a logistics management strategy? First, assess all logistics functions. Take a look at every part of the organization’s logistics management and define how it should work and how it contributes to overall supply chain management goals. Look at each physical part of the logistics process and determine its optimum function;
i.e. are distribution centers in the right locations and are there enough of them?

Even after a strategy is applied, continue to evaluate its success and ask if there are other opportunities. The entire supply chain environment is continually evolving, so logistics roles must be flexible. To design a new strategy or analyze your existing logistics processes, ask and answer these 8 questions:

• Do you have a way to handle expedited shipping differently than slower moving shipments? Would it be beneficial to do so?
• Is there a plan that defines when an item should be inventoried and when an item should be sent directly to a customer?
• Would it be more effective to have a third party logistics (3PL) company manage some or all aspects of your logistics functions? What financial and service considerations must you take into account before making this decision?
• Can your distribution network be improved?
• Could a change of carrier or mode save money or improve service in outbound transportation?
• Do you carry too much inventory? Too little?
• What are your specific customer service goals? Is it easy item returns? Delivery speed? Safety?
• What future business operations will affect logistics functions and are you prepared to handle them?

For every business, there are different logistics needs and different ways to evaluate operational success. A static logistics strategy will cause serious harm to customer service and the bottom line. It’s detrimental to not benchmark success or direction for improvement. While the logistics environment changes frequently, and the amount of data available for analysis grows, you have to actively strategize in order to stay ahead of the fluctuations to avoid disorder. The only way to do this is to ask questions about your logistics processes, evaluate successes and inefficiencies, and alter your logistics management strategy to fit your company’s changing needs.

Inbound logistics is one of the most overlooked aspects in logistics management. On average, companies can potentially save between 20 – 58% on inbound freight spend. Most companies focus on outbound logistics as this is a low-hanging fruit. There are usually more pressing matters for a business to attend to, and many lack any control over inbound freight. However, to drive significant
savings and improve customer service, it is critical to gain control of inbound logistics.

**FREIGHT PAID TO FREIGHT COLLECT**

This is a simple change most companies can effortlessly implement. Freight Paid is a common payment method for inbound freight among shippers. Freight Paid means that the supplier pays for transportation costs. A switch to Freight Collect is advantageous; this is where the consignee pays for freight cost. It might sound counterintuitive, but it’s important to keep in mind that the company who immediately pays a carrier is not necessarily the party ultimately responsible for the cost of transportation.

Switching to Freight Collect will give your company control over inbound logistics. Often, the true cost of transportation is hidden in the price of a product, between 4 and 7% of the total cost. With control over inbound freight, you know exact transportation costs and can streamline the truck’s route by having it drive straight to your distribution center, not making an extra stop at the supplier’s distribution center.

Freight Collect is a best practice in logistics management because this method will give you visibility into the inbound process. Visibility makes identifying inefficiencies and implementing change possible. With visibility, a company can analyze carrier performance, track overall costs, predict and avoid disruptions, and analyze vendor performance. Then, choose the best combination to save money and time; these benefits will be seen by your customer through improved service.

**VENDOR COMPLIANCE PROGRAMS**

A lot of companies don’t pay attention to inbound freight, and even fewer see the necessity of a vendor compliance program (VCP). These companies are missing out on potential profits, streamlined logistics functions and improved customer service, among many other benefits. A good VCP can be a competitive differentiator.

A proper VCP will define expectations and benchmarks for the vendor, have a way of tracking and reporting vendor performance, include frequent meetings to discuss any necessary changes, and ensure all consignee goals are consistently met.

3 reasons to have a vendor compliance program:

- **Current Logistics Environment:** Logistics processes are more and more complicated every year. This means that there are more opportunities for errors than ever before, and in today’s world, errors disrupt the supply chain. Every point of the logistics process is dependent on each
other, and the entire logistics process is just one point of the overall supply chain. Any inefficiencies or minor slip up in inbound freight management affects the internal process, the customer, and even the end-consumer.

- **Technology:** Technology became very important in transportation and logistics after the recession, when transportation departments downsized. Since then, the available technology has grown and improved significantly. Today’s software can measure and analyze just about anything, giving you a good chance of success at any logistics venture. If you’re not taking advantage of available technology to set up a controlled and monitored VCP, then you will fall behind those who do use transportation management software to their benefit.

- **Efficiency:** Logistics management is customer-facing, and as such, its efficiency reflects the whole company. Customers are demanding more which stresses the logistics process. Maintaining high efficiency is the only way to ensure customer demands are met without significantly increased costs. Inbound freight needs to run as smoothly as possible for the best customer experience.

As you can see, a proper VCP is necessary to have competitive logistics management processes. To ensure a VCP is successful, work with the vendor at every step. Rather than fighting over requirements, or simply charging a vendor for bad service, collaborate to solve problems and improve service. Today, programs take a strategic approach, focusing on flow and efficiency, using advanced cloud-based software to predict compliance issues before they occur. Simply put, don’t just tell a supplier when they do something wrong, establish a mutually beneficial relationship; help them achieve success and reward them for being reliable. Reliability is invaluable in this volatile industry and economy.

When a VCP is successful, and two companies have a great working relationship, companies will see reduced inventory and safety stock, improved warehouse operating costs, overall reduced inbound costs (with value-added), and enhanced customer service. Fully investing in a VCP may be taxing at first, but, when successful, it is worth the effort.

**REVERSE LOGISTICS**

A well-planned, customized reverse logistics strategy will reduce storage and distribution costs, improve brand reputation, create more sustainable business practices, and satisfy customer demands.

Reverse logistics is a type of inbound freight that most companies are losing money on. It’s seen as an expensive, complex challenge and many companies avoid managing it.
It requires an efficient, sustainable approach to resolve each individual item-level issue. It also requires full support from senior management, which is rarely provided. However, reverse logistics is vital to the customer experience and it is important that it’s managed properly.

A good reverse logistics program generates maximum value from each item returned. Returns impact the bottom line. An average retailer’s reverse logistics costs for consumer goods are equal to 8.1% of total sales. In some industries, such as book publishing, catalog retailing and greeting cards, over 20% of all products sold are eventually returned to the vendor.

Quality and distance traveled determine the backward path of the product and its final form and destination. The longer a product stays in the system, the less valuable it becomes. And, of course, already damaged goods and packages will get worse being transported again. A time-sensitive category of products, like those with technology components, lose market value with each passing week. It’s best practice to minimize the time items spend within the system to ensure maximum reclaimed value.

Reverse logistics is important for customer service. 69% of customers think of great customer service as quick resolution of problems. For example, consumers who order clothes online typically order several different sizes and colors of the same item. Then, they’ll send back the products that don’t fit or aren’t the right color. If this process is difficult, they won’t order from you again. Good reverse logistics practices, and by extension customer service, include a return shipping label and easy packaging for returns. This encourages future purchases.

Not to mention, reverse logistics can reduce environmental waste (and improve your company’s waste costs). More and more customers appreciate companies who take social and environmental responsibilities seriously, so implementing green practices can further improve the customer’s experience.

TMS technology is absolutely necessary for any logistics operation. This software will measure and report detailed shipping records for inbound and outbound freight, monitor vendor and carrier performance, optimize routing and mode choice, and most importantly, help give you end-to-end visibility of freight movement. Not to mention, a TMS can reduce overall transportation costs by 30%. If implemented and used properly, a TMS is invaluable to your logistics objectives.
When purchasing a TMS, or evaluating the success of your current system, the first thing to consider is what your specific needs are. Consider how it will be used, what benefits it should provide and how well it will grow with the company. There are many options to choose from, and choosing the wrong TMS software will lead to unnecessary costs and limited value gained from the data-generating system.

To get full value from a TMS system, there are 6 must-have features:

- **Carrier Contract Management**: Dealing with multiple carrier relationships at once, all with different contracts, is challenging. A TMS will alert you when a contract is up, display total shipping costs, help establish pricing, and track terms and agreements in real-time. You will always be sure you and your carriers are following the terms of your contract, as well as any special location-based regulations.

- **Parcel Shipping Support**: In recent years, demand forecasting has become more and more accurate. This triggered lower inventories, with many businesses using a ‘Just in Time’ approach where items are received only as needed. In general, there is demand for smaller, more frequent shipments. In turn, this has caused a universal need for parcel shipping.

- **Item Visibility**: Due to rising customer demands and the need for efficient logistics operations, shipment visibility is mandatory, even down to the item level. This is very important, as 67% of companies implement a TMS to improve customer service in the first place. A TMS provides frequent notifications, expectation alerts and some form of integration with carrier software. By tracking your items while they’re in transit, you’ll reduce cycle times, gain more control over logistics costs, and improve the customer experience.

- **Business Intelligence**: A TMS will track and analyze shipping trends. This helps you find the best lanes, vendors, carriers and modes. You will be able to develop performance metrics and key performance indicators (KPIs). The TMS analyses will help prevent future supply chain disruptions, reduce transportation costs and shorten delivery times. Again, significantly boosting customer service.

- **Back Office Duties**: A TMS with fully integrated accounting saves time doing paperwork, cuts administrative costs, improves cash flow and fills out the Bill of Lading (BOL) correctly every time. You’ll spend
more time assuring customer satisfaction and gain time to focus on your core business operations.

- **Scalability:** Not all versions of TMS are scalable. If your company plans to expand at any point in the future, you need to get scalable software. That way you won’t have to purchase, implement and learn how to operate a new one in the future. A highly scalable TMS will grow with your business and increase the likelihood of success when dealing with highly complex routing solutions.

Since every TMS is different, it is important to assess the particular needs of your company and the capabilities of the technology. Do you focus on inbound freight? Outbound freight? Shipment-tracking? Or do you want one that’s all inclusive? Selecting a TMS is a critical point in a logistics operation and a best practice that will provide continued benefits.

**RISK VS. REWARD: PROPER IMPLEMENTATION IS KEY**

Implementing a TMS is difficult. These systems are expensive, complicated and can be discarded or misused very easily. To get the software’s full value, it must be implemented properly. This is risky, but necessary, and the results are numerous.

You can’t just buy an expensive TMS and expect to start seeing results right away. It takes serious work to implement a TMS. You need full company support, and sometimes even a significant culture change within the organization to start effectively using the software.

Many companies fail at implementation for one reason or another. However, there are some areas that can easily produce a return on investment (ROI) when your TMS is still gathering data and employees are still learning how to use it. Here are three things you will use your TMS for to start seeing savings right away.

- Increase Usage of Preferred Carriers
- Lower Cost Mode Selections
- Better Routing

These areas are where most TMS programs excel, and historically, they are the safest target areas during implementation. This is because they are the easiest cost-saving methods to achieve with a TMS, even when it is brand new. An initial focus on these areas can help assure implementation is successful.

Implementation can be a risky period. Implement a TMS with the features most relevant to your business needs, do the necessary work up front during implementation and
setup, and you should have no problem seeing ROI and added value to logistics management.

VISIBILITY INTO LOGISTICS PROCESSES
Visibility into logistics functions is hands-down the most important benefit of a TMS. Visibility allows organizations to identify opportunities and challenges, so they can adapt their logistics management and make better decisions. If you didn’t know what was wrong with your process, how would you change it? Organizations need to have visibility into their existing processes before they can develop a comprehensive transportation and logistics strategy. Having visibility is the basis of optimization. It’s what allows you to plan, monitor and implement any and all changes within your logistics operations.

The benefits from gaining end-to-end visibility into logistics functions are plentiful. Below is a list of just a few of them:

- Find less expensive transportation modes
- Reduce unexpected shipping charges
- Avoid logistics disruptions
- Reduce safety stock
- Optimize inventory levels
- Improve cash flow
- Enhance customer service
- Quicker, more accurate reporting
- Easy regulatory compliance
- Correct BOL every time
- Negotiate better contracts
- Analytics on business partner performance
- Smaller transportation department
- Better understanding of the cost to serve customers

Outbound logistics is an easy target for cost savings and improved speed of delivery. All companies have some sort of optimization process for outbound freight management. Although logistics management is complicated, the idea of outbound logistics is fairly simple: store as little product as possible and move it as quickly and accurately as possible while maintaining safety. Despite its simplicity, there are some common pain points.

LEAN LOGISTICS
As mentioned, companies want to hold as little inventory as possible. For the most part, the longer an item stays
in transit or in storage, the more value is lost. Using data gained from a TMS is the only way to start implementing lean logistics practices.

In order to have small amounts of inventory on hand, you need very accurate demand forecasts. This is where the all the information you collect from a TMS comes in handy. By tracking yearly cycles of shipment quantities, number of returned products and other statistics, you’ll get an idea of future demand. The more information you collect, the more accurate the demand forecasts will be. These predictions are what allow you to receive shipments just in time and have just enough products on hand to meet demand. In this way, reducing safety stock and overall inventory levels saves money without harming customer service.

In order to apply lean logistics, you need to be efficient with inventory management. When inventory spends little time in the warehouse, and there’s almost none to spare, it must be quickly transported where it needs to be, when it needs to be there. Combining the TMS with a good Warehouse Management System (WMS) will give you a central database of incoming and outgoing shipments, and full visibility into materials handling and inventory management.

Over 50% of those who adopt lean logistics practices report immediate improvement, and it’s easy to see why. With this level of information, you’ll know exactly where all items are, where they need to be, how many employees are needed, where they’re needed, when and where shipments are coming in, and when and where shipments are leaving. This is invaluable information and will improve warehouse handling processes and customer service, all while reducing costs.

**LAST MILE LOGISTICS**

Last mile logistics is where a company actually makes contact with a customer. Many shipments are stalled in last mile logistics because of its complexity. Most companies don’t worry about the shorter routes of the trip and only focus on long routes, which are easier to manage than the final leg of the trip.

Last mile logistics accounts for 28% of a company’s transportation costs. It’s a difficult process to handle and most companies do a poor job managing it. Here are the best practices of successful companies leveraging last mile logistics management:

**Have a Plan in Place:**

- Create a customer-focused plan. Satisfying the customer is the number one goal in last mile logistics, but every customer has different expectations for the incoming shipment. Businesses can only receive shipments at
certain times and at specific locations; some businesses may prefer to have consistent deliveries at the same time; some customers need an exact delivery time so they’re not stuck waiting for a package.

- This last mile logistics plan should take into consideration the constraints and obstacles in the delivery process. For example, will weather disrupt transportation during certain times of the year? Is the destination difficult to get to on time? Will the trip be subject to unexpected delays? The answers to these questions need to be taken into account so you will be ready for any interruption and deliver on the customer’s anticipated date and time.

**Track, Analyze and Act on Information:**

- Technology should support your individual last mile logistics needs. With TMS technology, you can collect and analyze historic performance to find better solutions. You can find the best possible combinations of carriers, modes, routes, drivers and freight that best suit the company. In this way, you will improve operational performance and customer service.

- Track the progress of a truck while it is in transit, not just for data but to ensure the delivery is on time. Maneuvering a 28-foot trailer on residential streets can be more difficult than it seems on paper. A driver may have questions about the freight and problems could occur. It is always best to have quick, accurate assistance for a vehicle in transit.

- Once you have historical data and are able to assist freight in progress, you can begin measuring client performance. You can see if they consistently miss their delivery time, aren’t there to sign for their package or if there are delays at the dock. This information can be very valuable, as most customers don’t realize their own inefficiencies are a major source of delays in delivery. Work with clients to improve performance on both ends.

**Get Help from a 3PL:**

- Most 3PLs have their own proprietary TMS with detailed reporting capabilities. This ensures constant tracking of a delivery’s progress, provides accurate tracking of customer and carrier performance, and help with any possible problem is only a phone-call away. A 3PL can also contact a customer if the delivery will be late, explain why, and give an updated, approximate time of delivery in order to improve customer service.

- Most importantly, a 3PL can work with a carrier who has had poor past performance. 3PLs have intimate industry
knowledge and, depending on the 3PL, offer carrier-coaching for almost any safety or performance problems. The point of this is to allow you to secure more reliable capacity in the future, because the availability of trucks is dwindling and you don’t want your customer service to falter because of capacity issues.

Last mile logistics is difficult to navigate. Whether you outsource this to a 3PL or try to tough it out yourself, you will need a plan, the right technology, useful data and a customer-centric mindset.

Everything in logistics management is done in the name of customer service. It’s a fast moving world with high demands and you need to keep up and provide respectable service or fall behind the competition. Approximately 70% of consumers are willing spend more money for good customer service, so it may be the most important part of your business. Providing superior customer service can be a difficult task. You’ll need to add value to logistics processes, develop beneficial collaborations, and strive to offer service not just to customers, but your customer’s customers.

**CUSTOMER SERVICE AND THE 3PL**

| 70% | of consumers are willing to spend more money for good customer service |
| 62% OF B2B & 42% OF B2C | customers make future purchases with a company after they have a good buying experience |

**ADDING VALUE VS. CUTTING COSTS**

It is predicted that by 2020, customer experience will be more important than price, product or brand choice as a differentiator in purchasing decisions. The customer experience is top-of-mind; 80% of companies plan to increase customer service spending in 2015. There’s a good reason for this, as customers have access to more product options and shopping choices than ever before. This makes competition between businesses more intense, and those who provide the customer with the best experience will have the upper hand.

A business will assure a profitable future by creating rapport with customers. A recent survey shows that 62% of B2B customers, and 42% of B2C customers make future purchases with a company after they have a good buying experience. On the other hand, 66% of B2B customers, and 52% of B2C customers, stopped buying from a company after just one bad experience. 95% of people share their bad customer service experiences on social media, adding even more importance to the level of service you provide to your customers. In addition to that, 39% of customers stay away from a company for at least two years after a bad experience. ‘Lesson: a bad customer experience turns customers away and they tell their network about it, leading to lost sales and poor brand reputation.

What to do with all of this information? Add value to your logistics processes instead of simply just cutting costs. The
idea that cutting costs is more important than adding value is no longer a sustainable business practice. Cutting costs often leads to poor performance. The way to add value is to get serious about implementing logistics management best practices and create a company-wide mindset of providing superior service.

One of the easiest ways to add value to business operations is to partner with a 3PL. 3PLs gain end-to-end visibility of a shipper’s performance through the analysis of historical data and detailed reports. They are able to identify inefficiencies and improve functions throughout logistics operations that result in a more streamlined and efficient transportation process.

More data means more metrics are available to recognize techniques to meet and exceed customer expectations. The ultimate goal of logistics is to satisfy the customer by selecting the best transportation options. Shippers gain numerous benefits from 3PLs who are able to generate and analyze big data to find opportunities that drive success and improve the customer experience.

CUSTOMER-DRIVEN COLLABORATION

Simply enlisting the help of a 3PL and its technology isn’t enough. The term ‘Cradle to Grave’ management is an accurate description of how you should view collaboration. A 3PL should integrate with every part of your business from start to finish to ensure all processes are optimized for the best results possible.

Most shippers don’t want to fully integrate with a 3PL provider. However, those who take a strategic approach to collaboration and outsourcing, as opposed to viewing it as simply a cost reduction, see improved customer service and form more effective procedures. Working closely with a 3PL allows the logistics provider to see challenges and opportunities from every possible angle.

What type of things do you need to share with a 3PL in this ‘Cradle to Grave’ model of collaboration? Everything in the logistics process and absolutely anything that could affect logistics functions. For example, let your 3PL know when you will begin offering new services, launch a new product or open a new distribution center. The 3PL will ensure transportation during the implementation or launch is successful, doesn’t strain logistics processes and continues to provide value to the customer.

SERVING YOUR CUSTOMER’S CUSTOMER

This is where logistics management begins to merge with supply chain management. As you’ve seen, everyone has
customer service on their mind since it’s the most important factor in the shipper-consumer relationship. If you can provide value to your customer (quick, accurate delivery and low costs) they can pass that value on to their customer.

In a B2B setting, your customer wants value because their customer wants value. This is why it’s important to provide good customer service. The entire supply chain is connected. One company’s logistics processes affect the whole inter-enterprise chain of exchanging goods. That’s why mistakes are so costly; they affect everyone, especially the end consumer.

A 3PL is a great resource to help provide value to your customer’s customer. 3PLs have in depth industry knowledge and technology capable of seeing inefficiencies in the supply chain. This makes logistics providers good at preventing disruptions before they occur or quickly fixing them when they do happen. 3PLs have the transportation experience to work with carriers and other shippers in the supply chain to find solutions to challenges and avoid problems in the future.

How do you know when you’re providing good service? There are four signs that your logistics processes are passing value on to your customer:

- **Organizational Flexibility**: You have the ability to quickly and accurately respond to changes in the market driven by customer demands. You can also develop new logistics processes and services that are required to meet and exceed these new customer demands.

- **Cycle Times**: The time it takes you to fill customer orders and related activities is as fast as possible without sacrificing quality. This includes inbound, outbound and reverse logistics management.

- **Key Performance Indicators (KPIs)**: Your KPIs are developed from past TMS data. They are relevant, timely and accurate forms of measurement for shipping performance and customer satisfaction.

- **Brand Presence**: You have an established position in the market. You are known as a good service provider by your customers and the market as a whole.

Customer service is majorly influenced by transportation and logistics management. If you’re not providing enough value to your customer so that they can pass it on to their customer, you aren’t doing a good enough job. A 3PL will help you get on track.
Finding the best logistics management practices will help you gain a competitive advantage through better customer experiences. After all, the end goal is to provide as much value to the customer as possible while creating optimized business operations. A brand’s success hinges upon successful logistics operations.

Freight movement has a noteworthy impact on the bottom line. Optimize your transportation management processes to realize where you can improve business operations. Partner with a 3PL to ensure continuous optimization of logistics management and maximum value is provided to your customers.

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