

AN EDUCATIONAL SERIES DEVELOPED BY HK SYSTEMS

A Case For:

Minimizing Transportation Costs To Gain Competitive Advantage

Now, more than ever, businesses must take control of their transportation expenditures to gain competitive advantage. Transportation costs continue to rise, and left unchecked, will continue to eat away at the bottom line. At the same time, customers are demanding more, placing transportation at the crossroads of customer satisfaction. Managing the dynamics associated with high-volume, multi-modal shipping is now significant enough to be the difference between a winning and losing strategy.

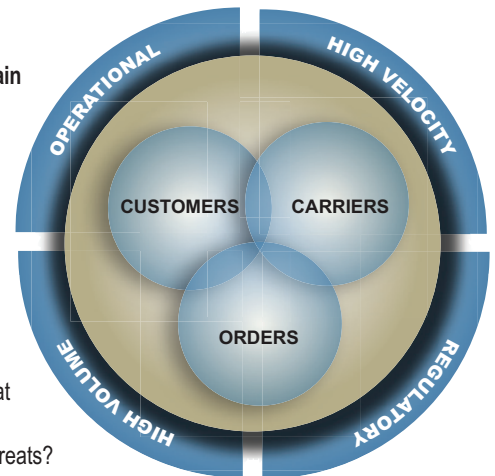
THE RULES OF THE GAME HAVE CHANGED

Changing market forces have created new transportation opportunities and threats. Those who proactively embrace these changes have the opportunity to achieve substantial cost savings, and at the same time, improve customer service. Those who don't can expect increased costs and fewer customers. What are these changing market forces and how are they creating opportunities and threats?

Customers. The days of reacting to customer demands in the same manner no longer exist. To create differentiation customers are demanding tailored distribution arrangements from their suppliers. Many are also taking greater control over their inbound freight costs. Shippers who leverage powerful routing guides, adhere to compliance rules and easily collaborate with customers have a distinct competitive advantage.

Carriers. Competition for your business is fierce. Carriers are providing more shipping options (and accessories) than ever, making the optimal shipping choice elusive. Freight selection based upon a simple set of rules is no longer sufficient and leaves money on the table. High-volume shippers who can optimally select mode and carrier automatically on a shipment by shipment basis will take that money off the table, and put it in their pockets.

Orders. Lean distribution philosophies are changing order profiles. As order frequencies increase and order sizes decrease, there is greater potential to shift transportation into more expensive parcel and "over-served" modes. Shippers who can plan traditional parcel orders and consolidate in real-time will reduce freight spend without sacrificing customer service.



Is your company successfully leveraging these transportation options to improve customer service?

A CASE IN POINT

Today, many shippers are unaware of realized cost savings advantage of a TMS solution. Individuals tend to focus on negotiating best rates, adopting core carrier strategies and periodically adjusting weight breaks to determine the modal dividing line. Realistically, it is NOT about rates, adding or reducing the number of carriers or determining weight breaks. It is about leveraging all available options to move goods efficiently to meet customer expectations.

The following is an example of a high volume, multi-channel distributor. The results are due to eliminating the artificial barrier between parcel and LTL; allowing both modes to compete for the same business to optimize shipper costs.

Shipment Mix	Pre-Set Routing Rules	Per Shipment Optimization	% Change
Small Package	76%	55%	(21%)
Less-Than-Truckload	12%	34%	22%
Other	12%	11%	(1%)

Reference: *Best Practices in Transportation Management*, Aberdeen Group,
Author – Beth Enslow. Contact HK Systems or Aberdeen group for the full report.

This example speaks to the dramatic impact that takes place when exchanging pre-set rules for shipment optimization. An immediate reduction was realized in the use of higher cost parcel carriers (even with Hundred Weight Rating) and an increase in the use of LTL carriers. This was achieved without any degradation of customer service levels. No changes were made to available carriers, services or rates. The change was the system's ability to determine, on a per shipment basis, the optimal way to ship.

YOUR NEXT STEPS . . .

- Determine how mode is decided at your company. You have substantial opportunity if mode decisions are made:
 - by your WMS or OMS
 - based on weight breaks
 - sometime after pick tickets are released
 - based on anything other than actual, accurate, up to date carrier rates, routing, and service offerings irrespective of mode
- Assess your Transportation Management Software solution (Unless purchased within the last 18 months, you are unable to achieve results shown above.)
- Estimate the size of your overspend using a conservative estimate of 7% - 12% of your total transportation spend.
- Engage a knowledgeable organization with the tools designed to model this business problem.

REALIZE MAXIMUM EXPERIENCE AND MINIMAL RISK WITH SOLUTIONS DELIVERED BY HK SYSTEMS

HK Systems is North America's largest and most experienced automated material handling equipment and software total solutions provider. Our products, engineered and manufactured in the USA, synchronize material flow in a multitude of environments, delivering high efficiencies, speed and reliability.

Our flexible solutions improve operational performance with superior integration services, quality material handling equipment, software applications and premier support services.

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A SINGLE SOURCE SOLUTION FOR

DRIVING TRANSPORTATION COST REDUCTION



IristaTransport, by HK Systems is the industry's first and only TMS solution designed to drive cost reduction and automation in today's dynamic distribution marketplace.

Drawing upon a history of developing both TL / LTL solutions and High Volume Manifesting Solutions, we have pioneered technology, processes and techniques that address today's business requirements.

Awarded "Best Practices" accolades and proven



to be cost effective in diversified vertical markets, HK's TMS solution will reduce costs and improve customer service in your ever changing business environment.



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