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Logistics Technology

A few years ago, I worked with a client on a logistics outsourcing initiative. I met with the company's senior management to discuss their issues and concerns. The management team perceived their problems as:

- Poor or non-existent logistics processes and procedures
- Lack of in-house logistics expertise
- Lack of visibility to transportation costs
- Inefficient and costly shipping practices
- Inability to accurately quote transportation costs to customers
- Insufficient training of personnel in good logistics practices
- Customer Service/Shipping personnel make poor shipping decisions

They believed the solution to their problems was to outsource their logistics management functions and install a transportation management system (TMS) to optimize their shipment routing. I didn't particularly believe this was the best solution, but they were convinced. So as any good consultant would, I made my case, but the ultimate decision was theirs.

We interviewed several 3PLs (third-party logistics providers) that seemed capable of handling the outsourced functions and could also provide a robust TMS solution.

To make a long story short, a supplier was chosen. The 3PL had a good reputation in the industry and their TMS solution was impressive. My involvement in this initiative was now through.

Now fast forward to about a year later. I had a conversation with some of the folks I knew at this company to see how their new provider was working out. The feedback I received was interesting to say the least.

System integration between my former client and the 3PL took about six months. Not unusual. The connectivity issues that needed addressing between the company's business system (Enterprise Resource Planning or ERP system) and the TMS were typically extensive, but were done. What was discovered, six months beyond implementation, was that the expected benefits from the TMS just weren't there. The sophisticated load building and route optimization capabilities of the system weren't producing the expected value. Why? Because the company's business just wasn't that complicated. It didn't need a suite of technology as sophisticated as this TMS to cure its problems. Its problems were much more fundamental. The bottom line – within a year from the go-live date the company ultimately pulled the plug on

the TMS and cut their losses. It wasn't worth the effort to feed it the data (and bear the cost) for a minimal return.

So what are the lessons learned here? Don't look at technology as a silver bullet. It won't solve all of your problems and it must be appropriately applied. Some issues still need to be solved with human intervention. This company's problems required some hands-on management to correct. Those issues have since been addressed. Be wary of the impressive marketing package and promises of huge savings. Sometimes, despite your best efforts at due diligence, you still can make a mistake. Finally, make sure the technology is appropriate to your issues and your company. These systems are not 'one size fits all'. Buy what is appropriate for your business.

On the surface, this story may sound like I'm some sort of technology basher. That's hardly the case. In most cases, these systems are a huge benefit. It is just important to exercise common sense when considering a major technology buy. Don't acquire technology for technology's sake. Do it because the value is there and it makes good, hard business sense.

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