

Supply Chain Visibility and Response – Enabling lower total landed cost

A Challenge for 3PL's

According to the Aberdeen¹ Group study the typical company derives 30% of all revenue from globally sourced product, with companies in some industries reaching as high as 80%. Companies have responded to this acceleration of global trade by dividing business processes into two categories,

- Core Processes that must remain within the organization.
- Outsourced processes that are better handled by supply chain partners

This is a fundamental change in the way value is delivered to customers². Business functions that were once run as departments are becoming integrated into processes that span the entire organizational chart. With no company being capable of excelling at all of the tasks required of a global business, modern supply chains have by necessity evolved into complex networks of manufacturers, logistics providers, government regulators, and financial institutions.

In an ideal world, this new business model is the proverbial “win-win” with the logistics provider best positioned to take advantage of this new global marketplace. However, not all 3PL's are seeing the kind of growth that one would expect from the creation of global markets³. Mid Market 3PL's are seeing their margins squeezed and are having to increasingly compete on price, while the lion's share of added value services are being offered by large global logistics providers. The challenge then is to offer these same value added services without incurring large costs.

¹ The CFO's Agenda for Global Trade Benchmark Report, Aberdeen Group (September 2005)

² Supply Chain Management: Processes, Partnerships, Performance, Douglas Lambert, SCMI, 2nd edition

³ In search of Growth, American Shipper, June 2008.

Landed Costs

Most organizations today understand that any global strategy whether procurement or manufacturing requires a greater understanding of what the true landed costs are. Many of these same organizations have even implemented a program that will help them calculate the costs and use them in developing a comprehensive outsourcing strategy. However, this is proving to be exceedingly difficult⁴. Most organizations do not have the resources or the expertise to properly develop a program. These issues are further compounded by the need to gather information from various trading partners and aggregate this knowledge into a useful metric that can be benchmarked against expectations. In fact, there are four distinct reasons why most organizations cannot properly determine what the total landed cost for a product is, they are:

- Data is not readily available and is often found outside the organization.
- Time constraints make it difficult to develop a proper analysis tool.
- Continuous monitoring of data is needs to be automated.
- Organizational structures inhibit the cross-functional effort required to create a true understanding of landed costs.

The 3PL that can leverage its unique position in its customers' supply chain to help them understand what the total landed costs are for a given trade lane and then use that information to minimize the costs. However, to do so:

- Supply Chain Processes need to be mapped.
- Critical supply chain partners need to be identified and expected performance must be benchmarked.
- Data Elements and transfers need to be standardized and monitored so that transactional data can be aggregated.
- Bring together data from various elements in order to automate the continuous calculation of the landed cost.

⁴ Supply Chain Digest, June 9, 2008.



The goal of such a model is to make costs throughout the supply chain transparent so that the 3PL's customers can make informed decisions about their outsourcing strategy. This is a value added service that if executed correctly can be to the benefit of both 3PL and its clients. However, most 3PL's while supremely positioned to offer the service are not in a position to expend resources and capital to fully exploit the opportunity.

TradeMerit- Supply Chain Visibility and Response Management

TradeMerit is a Supply Chain Visibility and Response service provider. TradeMerit's unique methodology and On-Demand technology can be leveraged by 3PL's to create a tailored solution that will enable 3PL's to create the new services for its customers. TradeMerit's service can create:

- ***Links to all trade activity*** from the purchase contract through to the order, ASN, Customs, Consolidation and all other points until the receipt of goods.
- ***Standard technology platforms*** that integrate with every member's backend system and provide seamless interface to all documents and information. This ensures that data exchange is not just accurate but also complete, and efficient even when trading partners don't utilize electronic data exchange.
- ***End-to-End supply chain visibility*** that will allow your clients to track the flow of goods and provide a clear status of where goods are anywhere in their global supply chain.
- ***Response Management*** with task creation and escalating alerts that will lead to an early enough response so that supply chain problems can be averted or managed.
- ***Web based*** interface in addition to a ***full EDI and XML integration*** that is easily accessible for all of your clients and provides the tools necessary to measure the effectiveness of their supply chain.

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