It’s no stretch to call supply chain logistics the cardiovascular system of the modern global economy. Even as life becomes more virtual, it’s getting more physical. Companies of all sizes are shipping out more goods than ever before, and they’re on the receiving end of just as many shipments of the raw materials and other items they need to make their own products. It’s a constant back-and-forth flow, just like a heart pumping blood to all parts of the body, and companies expect it to function as efficiently as a marathoner’s.

A well-functioning supply chain depends on many different components working in harmony: transportation, shipping, distribution, packaging, logistics support, insurance, risk management and more. In the aggregate, that’s a lot of complexity for any business owner to master. “In general, owners of small and medium-sized businesses tend to be well-versed on the transportation and logistics side,” says John LaMancuso, senior vice president of global sales and marketing at Chicago-based Livingston International, North America’s leading customs brokerage and trade compliance firm focused on simplifying the movement of goods through international borders for over 40,000 clients. “However, we see less awareness and sophistication around the concept of moving goods through borders efficiently, securely, and compliantly.”

The right T&L foundation provides an indisputable competitive advantage in today’s economy, contends Tim Barrett, COO of Franklin, Massachusetts-based Barrett Distribution Centers. With logistics services representing a significant percentage of most businesses’ total operating costs, it can spell the difference between operating at a profit or a loss. “Third-party fulfillment companies with the applicable industry expertise will have a direct positive impact on T&L costs by leveraging expertise, processes, and buying power to increase efficiency and create competitive advantages through better service levels, better customer experience, and lower costs,” he says.

Laurie Hein Denham, president of the (continues on the following page)
The people we work with at Barrett really care about the success of Vibram. The Barrett team is focused on continuous improvement of our logistics, and enhancing our brand image in the eyes of our consumers and retail customers. Their partnership and support have been critical to our rapid growth.

Mike Gionfriddo
President/CEO – Vibram USA/FiveFingers
American Society of Transportation and Logistics, a professional organization for transportation and logistics professionals (which recently announced its intention to merge with APICS, a professional association for supply chain and operations management), believes that too many SMBs are missing out on the benefits smart T&L practices can provide. “All too often, their relationships with third-party logistics (3PL) firms, carriers, or forwarders are only transactional exchanges based on the ‘shipment of the day,’ rather than strategic partnerships based on information sharing and mutual goals,” she says. “SMBs are thus deprived of the forward-looking planning that could produce greater domestic growth, improved customer service, and the opportunity to expand exports.”

That’s not surprising, since T&L is not a core competency for most SMBs, points out Paul Myerson, professor of supply chain management at Lehigh University’s College of Business and Economics. However, it’s important that SMBs have a coherent T&L strategy that works well with their overall supply chain management strategy and also complements their strategic plans in areas such as marketing, growth, and operations. Since the level of sophistication among SMBs in this area is fairly low, T&L is “a prime candidate for outsourcing,” he says. “Luckily, today there are many options available, from for-hire transportation and public warehousing to 3PLs.”

Rick Schreiber, partner, manufacturing & distribution at BDO USA, goes further when discussing the importance of a T&L strategic plan, asserting that it “tops the list, since its efficiency, or lack thereof, affects each product and each sale. Without a sound system in place to quickly and easily move goods through the supply chain and to the customer, companies cannot grow and operate at peak efficiency, even with other strategic plans in place.”

In his role as COO of a 3PL with more than 2 million square feet of state-of-the-art warehousing capacity strategically located across the U.S., Barrett works with SMB owners spanning the full range of T&L sophistication. Some are very plugged-in and understand its nuances, while others need a lot more help. “What has made Barrett successful is really listening to where the individual SMB owner’s ‘pain’ is, and then creating a customized solution for that specific need,” he says. “We don’t ask a customer to fit into our box. We have the flexibility to meet them where they are and build them a T&L program from the ground up.”

The most important factor in a T&L strategic plan is partnerships, Denham asserts. Developing long-term relationships with storage companies, shipping companies, and even competitors can be strategic. “Based on the product, if cost is not the primary criterion, proven partnerships can give SMBs a consistent, safe, cost-effective logistics system with high-reliability performance.” She adds that a strategic plan needs to remain just that—strategic. “Commitment to the plan’s long-term goals and objectives becomes a key element of the plan itself. The goals and objectives need to be worthwhile, realistic, and achievable. Planning and execution must be based on a true partnership approach.”

It’s All About Strategy in effect, T&L strategy is an extension of a business’s other strategies, says Todd Ewing, director of product marketing at Fleetmatics, a provider of telematics solutions for fleet management. If a company focuses its branding and positioning around customer satisfaction via on-time delivery, for example, T&L is how it delivers on that promise; if its strategy is around competitive pricing, T&L plays an important role in maintaining effective margins. “If a business is growth-focused, a T&L strategy is the thread that allows scale without operational disruption and higher cost,” Ewing says. Barrett agrees, adding that, “sales and growth will become unsustainable and customer satisfaction will suffer if the SMB owner does not have an established fulfillment and logistics strategy and execution roadmap. It only takes one or two service failures to lose a customer for life. The right 3PL partner will enhance a company’s brand with accurate and timely order fulfillment that delights their customers.”

T&L is an especially important consideration for the growing number of SMBs seeking to tap international markets, LaMancuso says, noting that almost 96 percent of consumers live outside the U.S., and two-thirds of the world’s purchasing power is in foreign countries. Becoming more comfortable with exporting can help SMBs increase sales and profits, reduce dependence on the domestic market, and stabilize seasonal fluctuations. While the number of SMBs going global is on the rise, they face a number of T&L-related challenges in such endeavors.

“International trade is highly regulated, and there’s a wide margin for a small business owner to make mistakes,” LaMancuso warns. “At the end of the day, they can either choose to take the risk and invest in international markets, or they can keep it business as usual and deal with the growing local competition.”

To minimize risks, he suggests formulating a T&L strategic plan that emphasizes control, cost management, and business growth. Any plan for successful importing and exporting should include checklists and documentation; documented standard procedures; guides on how to properly classify goods; directions for managing foreign trade agreements; and a view into ideal delivery times from a transportation perspective, he advises.

When all is said and done, good relationships are the bedrock on which a solid T&L strategy should be built, Denham emphasizes. “To manage the rapid changes in regulation in the U.S. and internationally, to take advantage of new technology and to improve safety and security, SMBs must develop partnerships with competitors, suppliers, and customers—or doing business will become increasingly difficult and expensive.”
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