

## Outsourcing Collaborative Logistics Empowers Retail Supply Chain Managers

By Gary N. Bowen, Business Writer

The key to supply chain management success is efficiently moving products from manufacturers to retailers. Unless there's exemplary communication, product flow can slow dramatically in a complicated world of third party transporters and distribution centers.

In 2002, ES3, a grocery supply distributor based in Keene, New Hampshire, needed to optimize inbound and outbound transportation and monitor logistic activities between multiple manufacturers, numerous carriers and a large number of destination retail warehouses from its new state-of-the-art York, Pennsylvania distribution center. The facility now serves hundreds of manufacturers and retail warehouses with a similar number of carriers, many of them third-party, moving the goods.

"Our vision is to be the high service and low cost supply chain conduit between manufacturers, distributors and retailers in the grocery industry," says Geoff Davis, Executive Vice President of Operations for ES3. "In order to maintain this position, this facility must deliver on our reputation of 24-hour order response times and lower economic order quantities, by managing supply chains for multiple companies on a single platform."

This makes shipping easier and reduces the time that products sit in ES3's, as well as retailers', warehouses.

In order to make this plan work, ES3's York facility needed to employ leading-edge supply chain communication technology for collaborative logistics and distribution center automation. In short, it needed to offer a stable platform that all parties could access in order to coordinate shipping and tracking.

"Data synchronization is an enormous issue in collaborative supply chain management," says John Bermudez, an analyst for Boston, Massachusetts-based AMR Research. "Having many-to-many [suppliers to retail destinations] hubs that allow clients to harmoniously communicate has been a goal for a long time."

Outsourcing supply chain data management is emerging as the answer.

"We needed a partner who could support our growing volume and execute across our clientele," added Davis. He cites the typical advantages in outsourcing such a vital task: speed-to-market plus the savings over not having to develop such a universal platform on its own.

York found the solution in a Web-based, collaborative logistics platform network for inbound and outbound transportation activities developed and hosted by Elogex, an application service provider (ASP) based in Charlotte, North Carolina. Elogex has similar supply chain platform relationships with The Kroger Company, Safeway, Publix, Hannaford Bros and Dupont.

Under the Elogex-managed system, ES3 now schedules loads to potential carriers in the network via the platform. If one can't accept it, the system automatically defaults to the next carrier. These carriers can also obtain shipments through their Web portals, and learn the specific warehouse bay for delivery without ever having to pick up a telephone. Loads can be one unique product, or a combination of multiple products, depending on the needs of the destination retailer.

Elogex provides ES3 with end-to-end transportation management capabilities from shipment planning through freight payment, including real-time visibility and online appointment scheduling.

This system brings suppliers, transporters and retailer distribution centers in closer contact, enabling smoother coordination of product fulfillment.

"ES3 can now optimize every move from the moment a truck rolls into their yard by interfacing their management software and wireless real-time location applications with our logistics framework," says Travis Parsons, CEO of Elogex.

"Transportation and logistics are a perfect fit with an Internet platform," adds Parsons. "Carriers can be either third-party freight firms or other Elogex or ES3 shippers."

Elogex's Web accessible solution leads to better operational and communication synchronization. "Traditional management software is often limited to one provider," Parsons adds. "Our service compliments ES3's business model because it's capable of connecting multiple shippers, receivers and carriers." The Elogex offering provides more timely information, which streamlines the process.

For example, the system can assign a remote shipper to deliver a load of apples from growers in Washington State cross-country to York. While it's in transit, grocery chains that need apples notify the system so that by the time the apples arrive, the shipment is already "virtually" parceled out to their respective loading bays and the shippers are waiting to take them (along with the rest of the delivery) to the retailers.

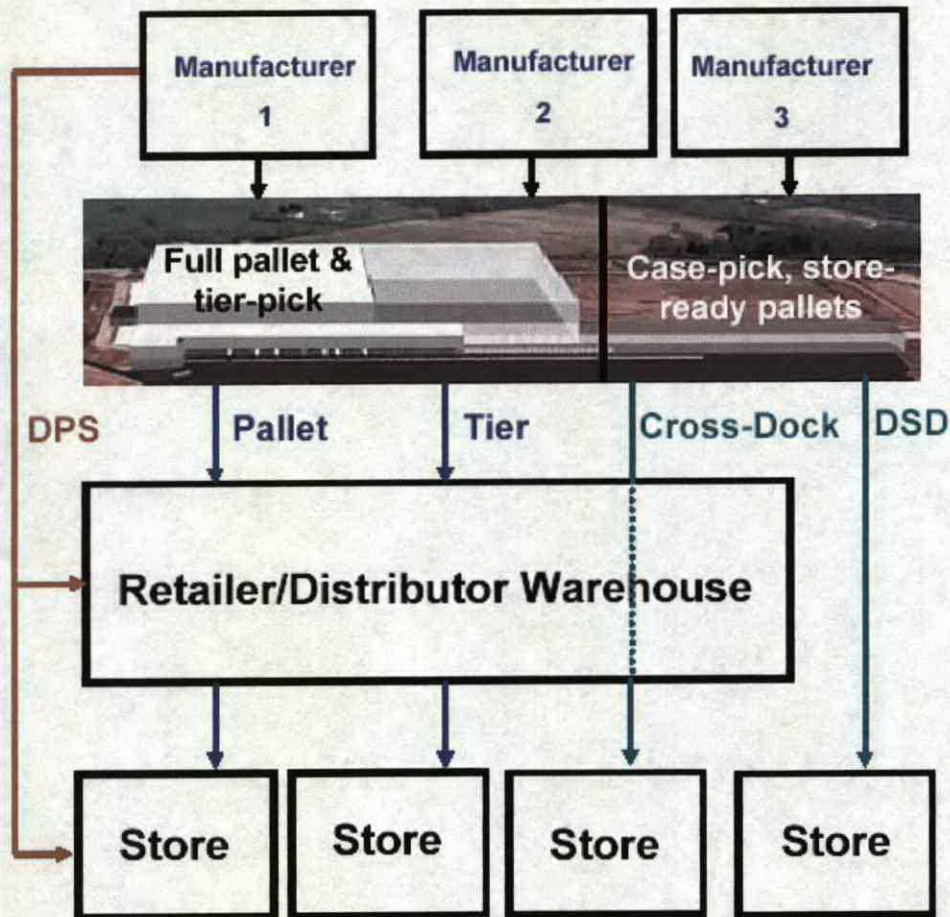
#### **Just-in-Time...Or It's Too Late**

In light of thinning profit margins, products lose value the longer they're on the road or sitting in a warehouse. And in the grocery business, aside from the freshness issues, the arrival of products from the manufacturer's door to store shelves is amplifying the "just in time" (JIT) advantages of delivery logistics.

JIT has been in existence for about 20 years, reports says AMR's Bermudez. But until now, the software didn't exist to actually optimize supply chain management. "That's not the case today. We're seeing more formulae for optimizing supply chain management and fulfillment than even a year or two ago."

## Collaborative Logistics Supply Chain Model

Source, ES3



Parsons explains that when third party carriers are involved, sharing more information and helping them understand their responsibilities relative to the JIT model "makes it easier for them to provide good service."

### "Through the Looking Glass" for Supply Chains?

The system also monitors carrier performance. This enables ES3 to establish optimal times for each shipment. It also electronically feeds freight bills to the wholesaler's accounts payable department, automates payments and verifies that these payments comply with individual freight carriers' contract terms.

"Just in time means you must communicate changes in the flow of goods in real time, adds AMR's Bermudez. "What will ultimately drive collaborative logistics in the JIT model will be the emergence of de facto universal standards. Hardware and network infrastructures will inspire conversion to this set of standards. Time will tell how much this new method influences that standard."

Supply chain outsourcing vendors are part of the development of this standard since they offer greater system flexibility, rather than proprietary formulae that often force warehouses and distributors to commit to a system that might not be open, or have limited long-range capacity.

***Lessons from the Outsourcing Journal:***

- When managing "many-to-many" in the supply chain, an outsourcer that offers a flexible standard can develop a framework that is inclusive rather than proprietary.
- Supply chain outsourcers are on the front lines of marrying the "many-to-many" principle with "just-in-time" delivery methods to move consumer goods more efficiently.
- In the world of "many to many" supply chain management, communication and collaboration on delivery of products "just-in-time" are emerging as efficient and economical methods of keeping products on the shelf.