

# Strategies to Build Efficiencies into Your Supply Chain

Maximizing growth and profits with automation for transportation and logistics providers.

June 2013

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## Contents

- 1 Executive Summary
  - 2 Creating Growth by Enhancing Efficiency
  - 3 The Rise of the B2B Portal
  - 3 A New Approach for Supply Chain Integration
  - 4 Case Study
  - 6 How Does It Work?
  - 7 Key Strategies to Build Efficiencies into Your Supply Chain
  - 8 Maximize Growth & Profitability—Not Activities
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## Executive Summary

Transportation and third-party logistics providers (3PLs) operate in a challenging environment. Competition and commoditization work together to compress already-thin margins—and deny management the resources required to create the new products and services needed to ensure the organization’s survival.

Most providers have a significant number of staff assigned to manual data capture and exchange activities such as Track & Trace, gathering freight bill payment information, or securing proofs of delivery (PODs). Although essential, these tactical activities are resource intensive, error-prone and slow down the organization.

A new approach is now available. Modern technology enables 3PLs and transportation companies to eliminate manual back-office functions by integrating more closely across the supply chain ecosystem with shippers, carriers, logistics partners, freight bill payment processors, and other trading partners. This tight integration accelerates innovation and growth by enabling any organization to redeploy staff toward higher-value, strategic programs ranging from carrier development to customer service.

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“Trinity Logistics has recouped twice our investment in Kapow Software with our initial project. We have automated processing of Proof of Delivery documents, Bills of Lading, carrier invoices, and other shipping documents, enabling us to refocus several head count on exception handling and other high-value work instead of manual website updates”

—Doug Potvin, CFO, Trinity Logistics

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This white paper suggests key areas where 3PLs and carriers can replace manual effort with workflow automation, and generate significant benefits in the form of business agility and increased efficiencies.

“As we roll out Kapow Software across our back-office operations we expect it to add five percentage points or more to our growth rate. Kapow Software will significantly accelerate our goals for revenue growth, and enable us to reach our revenue targets in three years instead of four.”

— Leading Third-Party Logistics Provider

## Creating Growth by Enhancing Efficiency

As a logistics professional, you're well aware of the dilemma your organization faces: you need to effectively manage day-to-day operations, while trying to introduce new products and services to competitively differentiate yourself and avoid commoditization. It can take considerable effort to launch a new product or service and sustain it into profitability, and funding these essential projects can be difficult.

A typical approach to supporting growth is to increase operational efficiency and invest the added margin in strategic initiatives. While most organizations may have already found the easy improvements, there are several areas where transportation and logistics providers can still realize significant gains in efficiency. Some of these functions include:

- **Capturing New Loads:** Many providers depend on manually copying data from load boards and emails into internal legacy systems—and copying it back into B2B portals mandated by partners like Walmart's Retail-Link® to report shipment statuses. Delays can cause lost business.
- **Performing Rate Lookups:** Multimodal carriers and 3PLs are especially impacted by the need to perform rate lookups manually. Errors can reduce margins or lose business.
- **Track & Trace:** Customers demand real-time shipment visibility, but using multiple carriers often forces providers to manually check shipment status. Often a carrier's B2B portal must be accessed to gain up-to-date information.
- **Invoicing and Payment:** Chasing down PODs and manually updating the B2B portals of freight payment processors and shippers impacts the timely receipt of funds. Delays at this stage can be reflected in needlessly high DSO (Days Sales Outstanding), and can unfavorably affect financial health.
- **Manual Information Gathering:** Most carriers and 3PLs perform a wide variety of follow-up manually, whether by phone, fax, or email. These tasks cost money and cause needless delays throughout the shipment's life-cycle.

These functions—and many other similar back-office functions—have one thing in common: they are managed using costly and labor-intensive manual processes. Why is that?

## The Rise of the B2B Portal

A major cost factor in transportation and logistics is the widespread use of B2B portals—partner-facing websites where transactions must be entered, largely or exclusively by hand. By externalizing the cost of support, B2B portal owners improve their own margins at the expense of business partners. Widespread B2B portal adoption means that organizations such as yours must access dozens of B2B portals as part of your daily business—which means your staff is tied up in manual activities such as rekeying data, printing and filing reports and screen shots, and other work the portal owner has offloaded to you.

The solution seems simple. By integrating with the B2B portal—just as your organization integrates its key IT systems—efficiency will soar and cost will plummet. But most integration technology has not kept pace with the growth of B2B portals. Some portals support integration through EDI, and some offer APIs—software interfaces that can be used to integrate your internal IT systems with the portal. But even when EDI or APIs are available development cost can be high and flexibility low, and if the portal offers no interfaces you’re seemingly out of options—manual effort is your only choice.

## A New Approach for Supply Chain Integration

A new approach is available, one that relies on technology that can integrate any internal IT system you have, legacy TMS, email and intranet with any of the B2B portals. It can also connect with other websites and databases you may need to access and interact with, allowing you to automate key business processes by integrating with your customers and vendors. As shown in Figure 1, with an automated approach, manual efforts become a thing of the past. Business processes and the data exchange with partners is more standardized and efficient allowing timely exception monitoring and reporting, so human intervention is reduced for handling and resolving operational events. With this automation and ongoing monitoring of core business processes, you can start building intelligence into the process, by identifying trends and patterns in supply and demand, weather conditions, and how they impact delivery time—allowing your organization to be more smart and predictive in how you manage your supply chain.

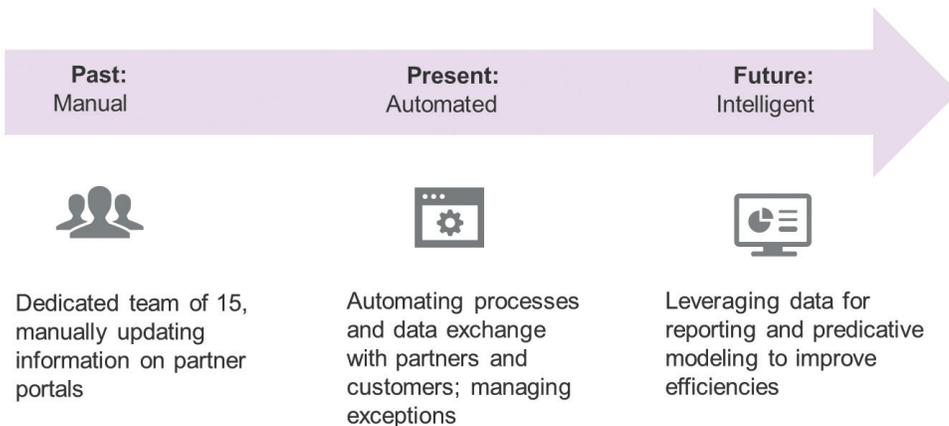


Figure 1: Managing the Interactions across the Supply Chain Ecosystem.

“Our Customer Service Representatives were maintaining a paper-based system to provide the 2-hour SLAs our premium customers needed.

It was nearly a full-time job to support just one of our key accounts.”

— PITT OHIO



## Case Study

### Lower Cost Drives Top-Line Growth

In this brief case study, we will examine PITT OHIO, a premier regional transportation provider that has evolved from its LTL heritage. Its challenges are very similar to those of other carriers and 3PLs around the world.

PITT OHIO differentiates itself from its competitors with award-winning service performance and a reputation for technical innovation. As part of its growth plan, PITT OHIO launched a premium-priced service for its best customers. The service provides multiple benefits—including a 2-hour Customer Service Level Agreement (SLA) running from the initial customer pickup request with shipment details through to delivery and final processing.

### Challenge

After the launch, PITT OHIO found that the manual effort needed to support just one of its key manufacturing accounts required nearly 100% of a CSR's (Customer Service Representative) time. With this level of manual effort, PITT OHIO could not afford to continue offering the service with the promised SLA.

Figure 2 illustrates just the first part of the paper-based manual process PITT OHIO developed to manage its initial rollout. Emails containing pickup requests and shipment details were printed and filed by customer and accessed once per hour for scheduling, dispatch, and pickup confirmation (the hourly cycle was found to be necessary to stay safely within the 2-hour SLA). All transactions were entered manually, and required logging on to a different B2B portal for each customer. Similar paper-based manual processes were used throughout each shipment's lifetime, as a paper trail was assembled from reports and screen shots of the various systems the CSRs accessed and posted by hand into each customer's B2B portal.

### Solution

The automated process shown in Figure 3 offers a striking contrast. It is fully automated, from the initial pickup request through to the posting of shipment statuses from PITT OHIO's fleet tracking system into each customer's B2B portal. Today, only rare exceptions need to be handled by CSRs—taking about 5–10% of their time. Automation has resulted in a 90–95% productivity improvement.

### Results

The process improvement benefits are significant and fall into three areas. First, the direct cost reductions have been sizeable. After automating just three premium customers, PITT OHIO saved \$190K in clerical costs per year. This savings goes directly to the bottom line. Second, by returning the service to profitability, automation enabled PITT OHIO to drive top line growth by signing additional premium customers to the service. It takes only a half-day to onboard each new client and the payback period is under a week. Finally, the quality of customer service has improved. Pickups are confirmed within moments after the email request is received—not an hour or more later—and shipment status updates are posted within seconds. Even exception handling has benefited and customers have responded very positively to the near real-time support they receive. These satisfied customers are making it easier to expand to new clients, and PITT OHIO's truckload carrier is now looking to adopt the same process automation.

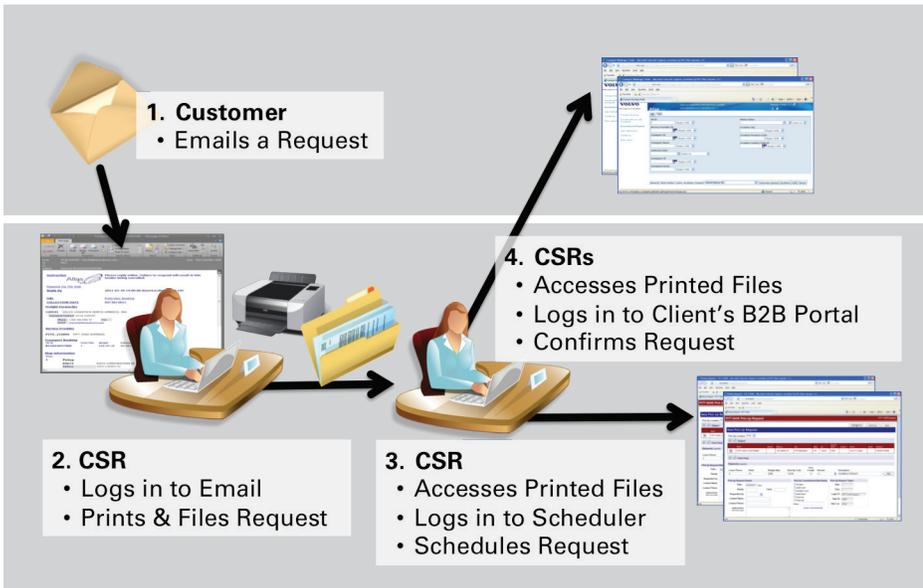


Figure 2. Manual shipment process.

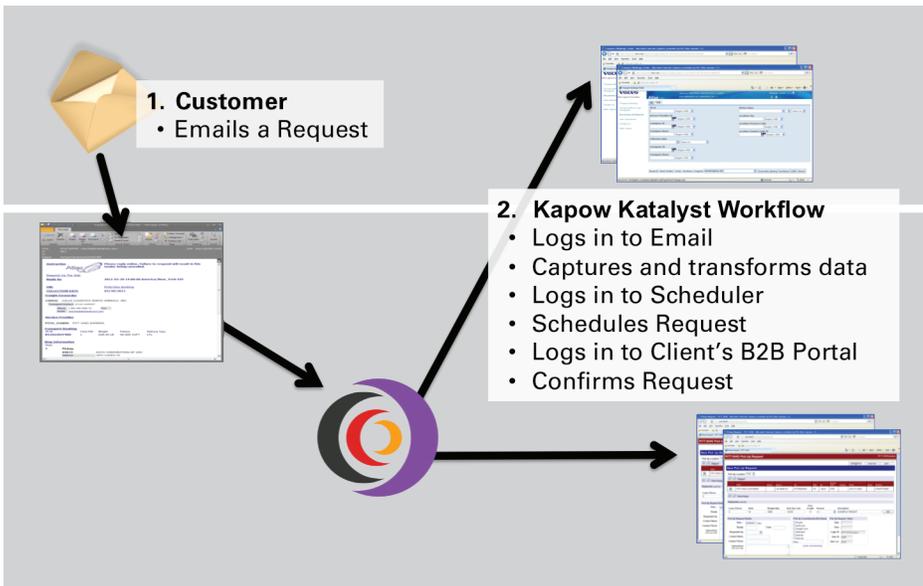


Figure 3. Automated shipment process.

“We’re seeing a 90–95% reduction in manual effort from our Customer Service Representatives.”

— PITT OHIO



## How Does It Work?

The concept is simple: the integration technology PITT OHIO uses, called Kapow Enterprise Platform, can quickly create Synthetic APIs™ that mimic real user interaction with websites, emails and B2B portals needed to schedule a pickup and monitor it through to delivery and payment, in an automated manner. Once a Synthetic API has been created, it supports automating the process of extracting, creating, updating and deleting records in a web application and runs independently, repeating the same actions for each new email that arrives.

Figure 4 shows one of these actions. The email signaling a pickup request contains a variety of data about the shipment, including the item's weight (shown here as 282.3 kg). Kapow's platform captures the weight from the email, converts it to 622.4 pounds for PITT OHIO's TMS (Transportation Management System), and inserts it into the web page for the TMS—exactly as if a person had copied it from the email and pasted it into the TMS. The same thing is done for all of the shipment's data—and for all of the different applications needed to receive the tender and manage the shipment.

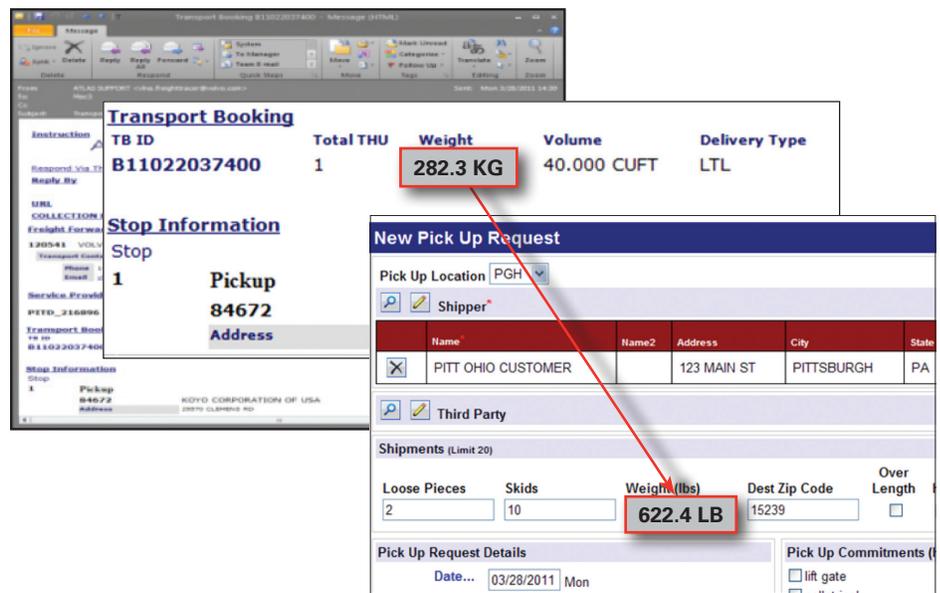


Figure 4. Automation copies and converts data from email to internal IT systems.

Kapow's platform can use your existing user credentials to login to secured websites, and it can navigate through any menus to capture data and enter transactions. It makes no difference where the application may be located: any reachable application can become part of a workflow. It can also read or write databases; for example, it reads PITT OHIO's fleet tracking database directly, reformats the data it finds, and logs in to the appropriate customer B2B portal to update shipment statuses.

IT staff can create the necessary workflows collaboratively in only a few hours, by sitting with line-of-business users. With this approach there is no need to retain outside consultants—so costs are contained and the organization's process improvement agility is enhanced.

## Key Strategies to Build Efficiencies into Your Supply Chain

The case study above is just one example of the many ways Kapow Enterprise Platform improves efficiencies for transportation and logistics providers.

Below are key strategic initiatives our customers undertake to sustain them in today's economy and prepare them for long-term growth.

**1. Improve DSO (Days Sales Outstanding).** PITT OHIO reduced its DSO by a full day with Kapow Software. They use Kapow Enterprise Platform to monitor dozens of freight bill payment portals and optimize collections processing. Previous manual monitoring was more lenient with collection terms than necessary, but automating this process enabled PITT OHIO to strictly enforce its payment terms.

*There are multiple uses in the order-to-cash cycle, and invoice monitoring is just one of them. Integrate your internal systems with the B2B portals you access and you will be able to accelerate invoicing to any shipper. Capture PODs and other scanned shipping documents automatically. You will be able to detect and highlight disputes and freight charge discrepancies for faster follow-up. Automation accelerates payments and reduces DSO.*

**2. Capture More Work Faster.** Some Kapow Software customers bid on loads as part of their business models. Manual access to emails and load boards is slow and inefficient—and loses business. Kapow Software helps 3PLs automate and win more business.

*Examine this process for ways to eliminate manual work, which will enable you to begin processing it within seconds—as PITT OHIO does with their pickup requests. Besides having the short-term benefits of lowering cost and increasing the number of wins, automation will enable you to seek new business from a broader range of sources, with no incremental staff expense.*

**3. Provide Superior Service.** Just as PITT OHIO does, 3PLs and carriers need to provide shipment statuses to their customers. Carriers typically push status updates from their own internal systems directly onto shipper websites, while 3PLs often capture data from carrier sites and push updates to their own internal applications and the B2B portals or EDI interfaces they must support.

*Automate these processes to increase shipment visibility, improve exception handling, and reduce ongoing manual costs. Once automation is in place, you will have further opportunities to incorporate other shipment exception data into status reports—such as declined shipment tenders, missed pickups, transit delays, or notification that an unloading has been delayed and detention is pending. These will all increase the value of your service, at minimal cost.*

These are just a few of the ways our customers have used Kapow Software to automate key business processes. Others use Kapow Enterprise Platform to: improve the quality of their CRM data; create EDI records from sites that don't support EDI; integrate with web-based Transportation Management Systems (TMS), SaaS applications and rapidly deploy mobile applications. By automating virtually any manual back-office the Kapow Enterprise Platform improves efficiencies and accelerates business growth.

## Maximize Growth & Profitability—Not Activities

Over the next five years uncertainty will continue to abound. Uncertainty in the labor force, uncertainty of regulation, and uncertainty in the global market will all place additional stress on transportation and logistics providers. Forward-looking firms will seek to develop competitive advantage wherever it can be found.

By eliminating manual effort through integration and automation with Kapow Software direct efficiencies and cost savings are achieved in ways no other solution can, allowing staff to be redirected to strategic work such as:

- Business Development
- Marketing and Promotion
- Carrier Development & Procurement
- Customer Bid Responses
- Customer On-Boarding & Contracting
- Solutions Design
- Process Re-engineering
- Continuous Improvement

Kapow Software can also support the creation of revenue-generating products and services, providing top-line growth to the organization.

Whether your focus is margin improvement or revenue growth, Kapow Software will help you achieve your goals—and help ensure your competitiveness—no matter how conditions may change.



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### About Kapow Software

Kapow Software, a Kofax company, harnesses the power of legacy data and big data, making it actionable and accessible across organizations. Hundreds of large global enterprises including Audi, Intel, Fiserv, Deutsche Telekom, and more than a dozen federal agencies rely on our agile Big Data integration platform to make smarter decisions, automate processes, and drive better outcomes faster. They leverage our platform to give business consumers a flexible 360-degree view of information across any internal and external source, providing organizations with a data-driven advantage. For more information, please visit: [www.kapowsoftware.com](http://www.kapowsoftware.com).

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