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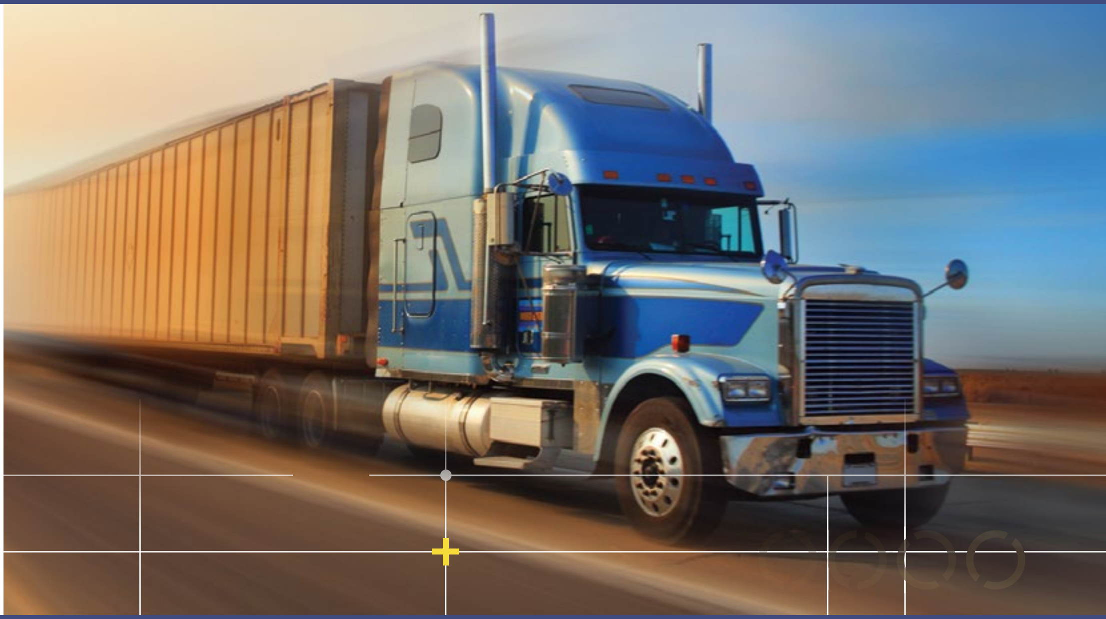
Innovation through People, Process and Technology



WHITE PAPER

The Value of Logistic Managed Services

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Contents

Introduction..3

I. Many Chemical Companies Can't Address Transportation Challenges 4

II. Several Ways to Approach the Problem………..5
Buy the Solution and Implement Internally
Outsource to Managed Services Provider
Build Solution Internally

III. Contracting Managed Services……….. 6
Contracting
Optimization
Execution of Shipments
Freight Payments
Reporting & Analysis

IV. Benefits of Managed Services……..11
Variable Cost Model
Supply Chain Market Intelligence
Latest in Transportation Management Technology
Improved Service Levels and Visibility
Reduce Overall Supply Chain Costs

V. Enhanced Service Levels……….. 14
Proactive Track/Trace of Shipments
Stronger Carrier Management
Improved Financial Reporting/Carrier Payment
Root Cause Analysis/Correction

VI. Choosing the Right Resource……….. 16
Depth of Experience
Percentage of Chemical Clients Served
Use of TMS Technology that is Both Easy to Deploy and Upgrade
Speed of Implementation
Number of Successful Installations
Financial Visibility
Proven Flexibility

VII. Keys to Outsourcing Success……….. 18
Upper Management Buy-In and Commitment to Program
Successfully Managing Internal Rate of Change
Cross Functional Commitment
Make Supply Chain Activities a Priority
On-going Commitment — Solution is Never Final, Always Evolving

Tables and Charts

1. Table of Managed Services……….. 6
2. Typical Savings Chart………... 13

CLX Logistics White Paper: The Value of Logistic Managed Services

Introduction

This white paper takes a look at the transportation challenges faced by chemical companies and the value of managed services offered by third-party logistic providers to maintain a competitive edge in the market.

Dynamic changes in the transportation industry continue to create challenges for chemical companies shipping product both domestically and abroad. Shrinking carrier capacity, fewer rail cars, new government regulations and tightened competition from other shippers to contract available resources mandate that companies re-evaluate existing logistic processes and operations to address industry challenges.

Since the global recession of 2009, the transportation industry has drastically changed. Shrinking transportation resources caused by the departure of many trucking companies and drivers has left shippers competing for capacity from fewer carriers. Remaining carriers, looking to ensure business, are overbooking by as much as 120%, leaving some shippers without transportation at the last minute. In recent years, shippers have had to engage as many as 15 -20 additional carriers just to satisfy daily freight requirements.

In the foreseeable future, the situation will not get better as many drivers and trucking companies who left the market during the recession simply are not returning. And with the average age of truckers at 50, not enough young drivers are available to replenish these soon-to-be vacant spots.

New truckers who do join the industry are now more closely regulated by the Federal Motor Carrier Safety Association that raised the bar on individual driver performance. Drivers transporting certain chemicals also require certain hazmat certifications, restricting chemical shippers to hire only top-tier drivers that may be difficult - or expensive - to contract.

New Hours of Service changes to driver on-duty hours also restrict the amount of time that qualified truckers can spend on the road. With Electronic Onboard Recorders replacing manual paperwork to record truck movements, truckers must closely adhere to these driving restrictions or face monetary and other penalties.

In the midst of carrier shortages and new government regulations, chemical shippers must also deal with rising fuel and transportation costs, and the increased pressure by customers for better services.

I. Many Chemical Companies Can't Address Transportation Challenges

Lack of market intelligence also leaves gaps in carrier pricing and performance data as many chemical shippers work on assumptions or old market information.

Outdated logistic processes also cannot address many of today's transportation demands.

As chemical companies compete with each other for available capacity and struggle to keep their own customers happy, corporate logistic departments must have the right tools and intelligence to remain competitive. However, most chemical companies don't have the existing logistic processes to address supply chain challenges. Many are outdated or based on corporate ERP (Enterprise Resource Planning) systems that were never designed to do Transportation Management System (TMS) tasks. As a result, these legacy systems are inflexible, difficult to operate or have capacity constraints that do not provide true interfaces and visibility into logistics operations

Remaining current on the latest technological developments, regulatory changes and carrier activities is also a full-time job. With limited resources and staff already performing multiple tasks, most chemical companies are just trying to keep up. Many don't even have the standardized processes to address variables like carrier accessorial charges to know what they are truly paying, let alone control costs. Without current data, companies cannot test the market to compare their own carrier performance and rates against other carriers and national trends.

Non-optimized logistics also hinders flexibility and adaptability as old methods cannot address new issues and concerns. Fixed in stale routines, the warehouse prepares shipments the same way all the time, using the long-term, familiar carrier. But, what happens should carriers become too expensive or unreliable? Without the ability to re-evaluate processes to determine if new routines can be implored or new carriers selected for certain routes, chemical shippers may just pay more or delay shipments when exceptions arise.

The way of doing business with customers and trade partners has drastically changed from just five years ago, especially with the use of technology to automate almost every process and provide real-time visibility into operations. To stay competitive, shippers must enact new approaches and business models that may already be used by competitors.

Carriers and trade partners create stronger bonds with companies with whom it is easiest to do business. Shippers that don't delay drivers, pay on time and communicate their terms and expectations best are often the ones that carriers choose, especially when fees are the same. In today's transportation market where carriers can pick their customers, keeping pace with technology and business models may be the prime factors of getting the needed capacity to transport increased loads …and at the best price.

II. Several Ways to Approach the Problem

According to Armstrong & Associates, approximately 77% of domestic Fortune 500 companies use third-party logistic providers (3PLs) to support their logistics and supply chain functions.

Shippers ready to optimize logistic operations have three options:

Buy the Solution and Implement Internally

Companies choosing to make an internal investment with their own transportation system and staff often opt to save time by buying a packaged solution from the market that meets their parameters. Many good software support products are available from IBM, Oracle and others that interface with internal ERP systems and address different logistics operations. Big companies with multi-national locations prefer these types of in-house systems so that they can maintain control over their own destiny and tout their own in-house capabilities.

Outsource to Managed Services Provider

Many small- to mid-size companies who do not have the internal resources, expertise, technology or money to optimize logistic operations find it cheaper to integrate their requirements on a provider's existing platform than if they developed a solution on their own. As a result, many chemical shippers are contracting the resources of an experienced 3PL who can provide a mix of managed services or an end-to-end management solution that can significantly reduce labor and carrier costs, increase supply chain visibility, and improve response time.

Offering state-of-the-art information technology, web- and cloud-based strategies and comprehensive transportation management services, 3PLs can manage all or specific logistics business processes. Working as an extended resource to the logistics department, experienced 3PLs can customize and implement a variety of cost-effective solutions supporting global logistics operations.

Build Solution Internally

Larger companies with established ERP systems may want to build their own solutions to work with their current technology. The problem in doing this is that they have to make investments in hardware, software and personnel and maintain updates over time. Interfaces also must be established with carriers and trade partners that are often automatic when using outsourced 3PL platforms. While this option had merit in the 1990s when players were just emerging in the TMS market and systems did not excel in all areas, today's packaged solutions basically do it all, offering automation, visibility, reporting and more, along with regular updates.

III. Contracting Managed Services

Chemical companies who outsource or contract the resources of an experienced 3PL can choose from a mix of managed services (see chart) on an a la carte basis or as part of an end-to-end management solution that can significantly reduce labor and carrier costs, automate processes, increase supply chain visibility, improve response time and more. Working in unison with corporate ERP systems and a TMS.

Managed services can include:

Contracting	Optimization	Execution of Shipments	Freight Payments	Reporting & Analysis
Benchmarking to ensure optimum rates	Network Design	Electronic Tender load to carriers	Invoice matching	Carrier performance monitoring
Contract bids	Determine best mode and price/load	Use established secondary carriers for back up	Accrual vs. Invoice	Monthly carrier meetings to provide feedback and improve performance
Select appropriate carriers based on price, service and safety	Load consolidation	Use established resources for short notice activity	Identify errors	Shipment trend analysis
Manage contracts	Multi-stop optimization	Electronic Load Acceptance	Reconcile differences	Multi-level reports (drill downs)
Standardize assessorial charges and fuel surcharges	Continuous improvement programs	Freight accrual	Invoice payment or consolidated bill	Defect reporting and analysis
Route Guide development and update		Exception management		Cost of non-conformance metrics
		Shipment status		Network analysis
				Reporting and analytics by location, mode, carrier, product, consignee, etc

Compiling and analyzing a benchmark study can be done by a 3PL faster and more cost effectively than most in-house logistic departments who don't have the available time, resources or experience for this endeavor.

Through an assessment of a shipper's current network design. 3PLs typically can find areas of improvement relating to customer service, control, information flow and costs relating to logistic operations.

Contracting

When implementing a third-party logistics solution, shippers typically implement services in stages versus one big bang. A logical entry point is a benchmark study that reviews shipment history, carrier assignments and freight invoices to reveal what was actually paid for transportation activities. Possessing up-to-date market intelligence, an established carrier network and an experienced team of transportation professionals focused on this work, a 3PL that is familiar with your industry can perform a thorough benchmark study.

By relating shipment data to market rates for specific modes, lanes and geographic regions, a benchmark study can determine if rates are best-in-class, market competitive or above the market. Studies also serve as a basis to negotiate significant improvements to carrier agreements where they are most needed, while at the same time providing a view of good rates needed to maintain a current level. In addition, a benchmark can help chemical companies control and standardize accessorial charges and fuel surcharges across the carrier base.

Compiling and analyzing this type of study requires a significant investment of time and resources, as well as access to current and accurate market freight rates and related information to which most shippers simply don't have ready access. Using benchmark results, 3PLs can take chemical companies to the next step in negotiating rates with carriers for service in specific lanes and regions and identifying new sources to replace those that have priced themselves too high.

In addition to managing contracts and negotiating rates, 3PLs can standardize terms on fuel surcharges and other assessorial charges. Through standardization, shippers can dictate their accepted terms through all contracts rather than pay different rates for different carriers that can be difficult to reconcile during freight payment.

Using information gathered on carriers through benchmarking, 3PLs also can create a rating route guide based on preferential order of carriers to contract for different types of shipments, such as intermodal, OTR, ocean, etc. Using this guide, chemical shippers can establish a structure that enables dispatchers to easily identify the right carrier for specific products.

Optimization

Optimal network design/redesign minimizes inventory, warehousing, and transportation costs while satisfying customer response-time requirements, according to Edward Frazelle, founding director of Georgia Institute of Technology's The Logistics Institute and president and CEO of Logistics Resources International of Atlanta.

After becoming familiar with customer operations, 3PLs should be able to identify areas in the supply chain where costs can be contained. Ideas can range from optimizing weight per shipment through load consolidation, spot bidding on more cost effective carrier lanes, combining freight with other shippers to gain both price and capacity, changing channels and distributors, initiating multi-drop shipments by using one carrier rather than multiple carriers, and optimizing delivery schedules by using more cost effective shipment methods (ship two days vs. overnight) that reduce costs while still meeting client schedules.

By conducting periodic reviews of supply chain processes with appropriate personnel, 3PLs can discuss new transportation solutions, specific cost reduction ideas, service levels, and any issues that a shipper may have with current operations. By reviewing data pertinent to different supply chain elements such as on-time deliveries, costs, customer service issues, etc., the 3PL can discuss which objectives have been met, identify problem areas and set new goals for the next operating period.

Execution of Shipments

Coordinating with a TMS, a managed services partner can streamline many of the processes associated with assigning and tendering shipments to carriers as well as offer more control over transportation spending and greater visibility into in-transit inventory status from pickup to delivery.

With the ability to electronically broadcast logistics requirements to the market. A 3PL can quickly match capacity to shippers' needs, giving chemical companies a competitive edge to gain load coverage over other shippers competing for the same available capacity.

Without a TMS, many companies typically communicate to carriers through faxes and phone calls, searching for carrier capacity which can be quickly booked.

Many times, various shipping locations of one chemical company operate autonomously, manually tendering loads to carriers without planning or combining bids with other sites. In addition to automating these manual tasks, a managed services provider can centralize electronic tendering of loads so a common set of corporate rates can be negotiated with carriers to further reduce cost.

And with visibility into the freight process, exceptions can be managed in real-time so that issues can be minimized, with shipments remaining on track for on-time delivery without the customer even knowing there was a shipping issue … or at the very least informed about the problem and that a solution is underway. Using historical shipment data, carrier performance can be evaluated according to on-time performance, exceptions, etc. Shippers no longer need to rely on carrier's own performance reports, which may be based on different parameters.

With freight accrual information on each shipment available in real time instead of waiting several weeks after the shipment when carriers send invoices for payment, financial executives can calculate profitability down to the SKU level for each client.

Freight Payment

Freight audit and payment is the logistic process with the most hassles as it is prone to many exceptions. If carrier invoices do not match contracted terms,

Unlike banks, 3PLs hold industry certifications to understand that when auditing a freight bill, they must not only verify rates but also if the material is being handled according to manufacturer's specifications and if the carrier has been certified to transport the material.

overcharges must be identified and resolved so chemical companies do not overpay. If managed manually, invoice matching can be a time-consuming and error-ridden, with carriers waiting longer periods for payment.

TMS technology automates financial processes (invoicing, tracking, rating and auditing) and provides visibility into the financial flow, reducing accounts payable times, ensuring greater accuracy and maintaining established accounts receivable time frames. Unlike banks where general ledger code information is limited, TMS capabilities give 3PLs the ability to work in an automated, always current environment that provides customers and carriers with relevant information on a real-time basis. Advanced carrier contract management functionality provides for highly accurate, real-time freight accruals for accurate reconciliation, eliminating the occurrence of wide variances between estimated and actual cost of freight.

3PLs also have access to advanced, multi-relational databases that include information such as fuel surcharge tables, freight rates and accessorial costs that help resolve many exceptions without going to the customer. ChemLogix' customers experience less than five percent exceptions, with most handled by experienced logistics team members without getting the customer involved with problem resolution. For those times when exceptions cannot be readily resolved, a collaborative exception resolution capability via network interface affords real-time electronic communications to customers instead of faxes and emails.

Companies that use banks to handle their freight audit and payment are finding that they are still heavily involved in the process. And in most cases, companies are not achieving expected savings. As banks use similar tactics when processing bills for different industries, they do not have industry data to handle exceptions on their own. As a result, exception rates may run as high as 20 percent.

Overall, when using 3PL services related to freight audit and payment, chemical shippers can save substantial processing time and money while improving relationships with carriers.

Reporting & Analysis

While many chemical companies rely on ERP systems to generate data on logistic operations, information often isn't detailed enough to provide a financial perspective on costs by product and client. As a result, many companies cannot determine cost drivers associated with rising and falling freight spend.

Using business intelligence maintained by transportation management systems on supply chain activities, 3PLs can generate valuable reports and analytics that provide actionable data on business activities, processes and performances regarding carriers, customers, modes of transportation and other parameters important to a chemical shipper.

With this information, shippers or 3PLs can meet with carriers to discuss overall performance to resolve issues to improve operations. On the flip side, a managed

With a granular view on logistics operations, chemical companies also have a larger opportunity to effect change and better manage client relationships.

services partner can also identify reasons why freight may not be attractive to carriers – too many plant delays impacting loading times, too many cancelled or re-booked loads, too many consignees with unloading delays, poor treatment at plants, slow freight payment – and help solve these issues in order to make carriers happier or expand existing capacity.

Should costs increase for a specific account, data reports generated from the TMS can determine if rising expenses are associated with a change in the freight mix, client requirements or, perhaps, fuel surcharge. And should a client request a change in service level or mode, the 3PL can generate a report outlining the economic value of change. Using this information, chemical companies can work with clients to effect the appropriate change.

Reports can support the optimization of internal processes. Calculations capturing the economic value of change for performing load consolidations of LTL to truckload or drum, tote to multi-compartment or multi-compartment to full truckload bulk can be routinely executed using TMS analytical reporting. These analytical reports can also be used by plant demand planners to evaluate the trade-offs of reducing inventories through changes in the economic order quantity and the added freight costs associated with shipping less inventory more frequently.

IV. Benefits of Managed Services

Managed Services will deliver benefits that cannot be realized by building or buying your own solution.

- **Variable Cost Model**
- **Supply Chain Market Intelligence**
- **The Latest in Transportation Management Technology**
- **Improved Service Levels and Visibility**
- **Reduced Overall Supply Chain Costs**

Variable Cost Model

As managed services are available on an a la carte basis, companies can invest in them on a gradual basis. Web- and SaaS-based transportation management systems supporting these services are also scalable so chemical companies can gradually invest in new capabilities or expand coverage to different divisions or operations as business grows. Unlike companies that must continually upgrade their own IT systems, new software releases are virtually painless, since they are the responsibility of the third-party provider.

Flexibility of engagement also provides chemical shippers with the ability to tailor a 3PL partnership to meet specific needs. Freight management contracts can be developed on a fixed or variable fee basis, with fees based on the freight spend and volume shipped. The resultant operating costs would be tied to business levels, with costs going up and down commensurate with business levels.

Supply Chain Market Intelligence

3PLs retain unique market intelligence about the freight market and transportation rates - such as line haul rates currently paid by similar shippers and potential carriers who can serve a particular market or area – that can be used to gain better rates and needed capacity for shippers. Studies indicate that lane and carrier market intelligence can have a far greater impact on freight negotiations than the size of a pooled freight budget.

Using this market intelligence in combination with data derived from a benchmark study on a shipper's carrier assignments, shipment history and freight costs, a 3PL can determine the competitiveness of a company's actual freight rates and negotiate significant improvements to carrier agreements. 3PLs can also identify available as well as more cost competitive carriers in different markets and pinpoint shipper's freight fits, not just on an aggregate basis, but on a lane specific basis.

Backed with freight market intelligence and the ability to quickly electronically negotiate with carriers, chemical shippers can gain an edge on load coverage over other shippers competing for the same available capacity.

In addition to maintaining market intelligence related to freight activities, 3PLs remain current on pending and proposed changes in transportation regulatory requirements (such as the CSA 2010, Hours of Service) and can determine how they may affect a shipper's current transportation strategies. Third party consultants also bring information about emerging trends, best practices, new technology and other industry knowledge to their clients to maintain a competitive edge in the ever-changing transportation industry.

Latest in Transportation Management Technology

Companies that implement their own technology solutions for optimizing and managing transportation operations often require software and hardware investments of a million dollars or more, with substantial and ongoing annual maintenance and support costs. In addition to the upfront investment, these companies must maintain staff to operate it, which means additional headcounts in addition to dealing with the challenge of remaining current on a topic that is not the primary expertise of the company.

As part of their managed services, 3PLs offer access to best-in-class global transportation management technology that does not require large investments in hardware, software or even additional personnel.

As a result, an in-house transportation management technology is not a viable option for small- to mid-size chemical shippers who could not afford the upfront investment or ongoing maintenance. And systems can be connected to customers' existing ERP systems in as little as 3 months.

3PL clients also do not have to worry about system maintenance or upgrades as they are automatic and the responsibility of the outsource. In-house personnel can be dedicated to logistics operations and not the problems associated with client server software and hardware maintenance. As newer TMS solutions become more user-friendly and intuitive, transportation planners are able to more quickly grasp the benefits of this technology and use it to make their jobs more effective.

Improved Service Levels and Visibility

Global trade management systems provide online, near real-time visibility into supply chain operations including freight status, invoices, routing guides, carrier performance and more. With visibility to in-transit data, chemical shippers can determine at any point during the supply chain process if shipments will be delivered on time and when to notify plants and customers of impending deliveries and shipments. Should shipments be late, automatic email alerts can be sent to customer service reps so that they can proactively make arrangements with their own customers.

Shippers also gain visibility into changing trends in carrier price and capacity across regions. It's easy to see the impact of direct rate increases from a carrier, but not so easy to recognize the impact of a greater incidence of spot rates or having to reach deeper into a routing guide to find a carrier who will move your load at their contracted rate. Continued high fuel costs mean steeper fuel surcharges from carriers. As a result, shippers may be surprised to learn that freight costs are much higher than anticipated and represent a larger percentage of product delivered price. To remain competitive and understand actual transportation costs, shippers need to closely monitor the activity in their networks to get an accurate picture of how they are buying in the market.

Individual carrier performance also can be monitored to determine on-time delivery performance and non-conformances, making carriers more accountable for their performance. Close management of carrier performance results in a higher percentage of on-time deliveries, a primary attribute of best-in-class chemical shippers.

Near real-time freight management information also results in near real-time freight accruals. Monthly financials can now include same month logistics costs. In addition, logistics departments can reduce cash-to-cash cycles by immediately invoicing for shipments rather than wait for freight costs to be pulled from the previous month's reconciliation or calling carriers directly for shipment cost information.

Cost savings from optimization, automation and control, and reporting is about 10% of logistic costs.

Reduce Overall Supply Chain Costs

Web-based transportation management solutions offered by 3PLs support savings improvements throughout the supply chain including carrier and tender management, inventory and asset reductions, demand planning, freight procurement in addition to providing full visibility into freight activity and spend and online access to data and custom reports.

Below are typical savings reported by shippers when using 3PL services:

Logistic Cost Reduction (%)		13%
Inventory Cost Reduction (%)		9%
Logistics Fixed Asset Reduction (%)		25%
Order Fill Rate	Changed From	70%
	Changed To	79%
Order Accuracy	Changed From	80%
	Changed To	87%

Source: 2012 16th Annual Third-Party Logistics Study

V. Enhanced Service Levels

Capabilities gained through a 3PL partnership provide for enhanced service levels associated with:

Proactive Track/Trace of Shipments
No longer does a shipper have to depend on the status from the carrier or wait on delivery arrival to know that products made their way successfully to a customer. By gaining visibility into the in-transit data, a shipper knows the real-time status of product shipments every step of the way and can deter delays for greater customer service.

Stronger Carrier Management
Historical data retained on the TMS provides information to evaluate individual carrier performance and non-conformance. In the past, shippers depended on carrier updates whose methodologies differed among each other. Using this data, a shipper or 3PL can meet with carriers on a monthly basis to review standardized performance data and identify areas of improvement.

Improved Financial Reporting / Carrier Payment
By streamlining the freight payment process, 3PLs can significantly improve payment efficiency, visibility and cost savings. Providing exception management resources that improve timeliness of invoice payments and audit functionality that reduces incidence of overpayment, 3PLs offer shippers better control of the freight payment process to more effectively process invoices, identify and resolve issues, and ensure that carriers are paid appropriate amounts and in a timely manner.

An effective freight bill exception resolution process ensures issues are quickly addressed and not end up as multiple “balance due” invoices. Once improved processes and controls are implemented, CLX Logistics’ customers experience less than five percent exceptions, with many exceptions resolved by an experienced 3PL associate so the customers does not need to get involved with problem resolution for every issue.

For those times when exceptions cannot be readily resolved, a collaborative exception resolution capability via network interface affords real-time electronic communications to customers instead of faxes and emails. Through better management of accounts payable, chemical companies can improve cash cycles and pay carriers and other trade partners on time.

Root-Cause Analysis/Correction

Every supply chain has problems now and then. Using detailed data obtained from customer’s freight activity in combination with a broad knowledge and experience of supply chain management, a 3PL can go deep into logistic processes to understand the root cause of defects or inefficiencies. By identifying current and potential problems areas, the 3PL can develop corrective action plans to fix any inefficiencies at the source of the problem so that they don’t happen again. Any issues associated with the supply chain should be discussed between the shipper and 3PL on a periodic basis before major problems develop.

VI. Choosing The Right Resource

There is no replacement for experience.

While there is a long list of 3PLs, only a handful specializes in the chemical industry. Key criteria by which a chemical shipper should evaluate an outsource partner includes:

Depth of Experience within the Chemical Industry
Virtually no 3PL is an expert in every single industry. While different outsource companies may offer similar tools and resources, the difference is the one that knows your market and how to apply their expertise to your business. Only third-party consultants experienced within your industry have the knowledge, networks and databases necessary to address your specific issues. While there many good 3PLs, not all hire, train and retain operations staff with significant chemical industry experience. Third party logistics providers should know as much about their business as your company knows about its business. The decision to trust your company's logistics to an outside organization is only as strong as the organization's ability to execute.

Percentage of Chemical Clients Served
Should a 3PL note experience in your industry, determine what percentage of clients are served in this market. A 3PL that doesn't have a majority of its customer based in chemicals may not be well-suited to provide the level of specific industry knowledge and experience that a chemical shipper needs.

Use of TMS Technology that is Both Easy to Deploy and Upgrade
Best in breed, web-based or SaaS TMS technology should be a prime consideration. Does the 3PL utilize an established, industry-recognized technology or are they offering a "homegrown" or IT-based solution? Homegrown and IT support based solutions require as much as 30% of a 3PL's resources be dedicated to system upgrades and maintenance. Resources that could be spent on providing clients with improved logistics support and customer service are deferred to maintaining internal software platforms. Additionally, web-based TMS technology minimizes the risk of shippers investing in a technology that becomes obsolete or, worse yet, technology bought by a competing company and shelved in order to sell their own "software upgrade product".

Speed of Implementation
With no IT footprint or software requirements, web-based TMS implementation takes as little as 3 to 6 months and cloud-based TMS even shorter timelines. Critical capabilities can come on board first, while others can be launched at a later date or deployed at new locations. Maintaining timelines is critical to rapid deployment.

Number of Successful Installations
How successful is the 3PL in implementing TMS systems? It is important to know a 3PL's experience in addressing different issues and working with clients through rough spots. The more issues that a 3PL has successfully solved for others, the easier it will be to solve your specific challenges.

Financial Viability
Financial stability is important to ensure your investment results in a long-term partnership. Chemical companies need to look for an established 3PL with a strong management team committed to long-term growth versus one operating on venture capital, experiencing frequent management changes and having an eye out for short-term value creation.

Proven Flexibility
Chemical shippers need a flexible 3PL partner that can accommodate client's current and future business needs and challenges. As the world economy and company business plans change, so do logistics solutions. Taking a proactive approach, a 3PL must continue to identify and jointly solve potential client risk, assess opportunities for cost reduction and customer service improvement, and suggest process changes that promote and focus on projects producing the greatest "economic value of change". Only the very best consultants are ready or willing to adjust and adapt their solution to best fit customers' needs, with an eye toward doing it even better tomorrow.

VII. Keys to Outsourcing Success

Upper Management Buy-in and Commitment to Program
Getting the funds and approval from executives to implement and/or expand transportation services and systems sometimes takes the assistance of 3PLs who can provide detailed explanations of the long-term benefits of specific supply chain strategies. Executive approval is necessary for supply chain programs to move forward. Experienced in providing transportation solutions to customers in the same industry but with varying scenarios, 3PLs can readily provide informed answers to the questions posed by executives and give examples of the successes and pitfalls associated with certain actions. 3PLs, essentially, become a part of the logistics team when presenting ideas and updates to the board room.

Successfully Managing Internal Rate of Change
Shippers must realize that with the promise of optimized supply chain operations, 3PLs bring with them new processes, techniques and efficiencies that must be deployed in varying departments. As a result, supply chain solutions affect the way in-house personnel have operated in the past. Companies must communicate and manage change activity so there is complete “buy in” at every level. Employees of every level should understand the reasons for change, their role and the corporate implementation schedule. Lack of visibility of new supply chain strategies throughout the company can result in key players not knowing what to do to effect change. At the same time, lack of flexibility to change by employees can cause implementation delays and impend the overall success of the new supply chain strategy. Changing the ways activities have been done in the past may be one of the hardest challenges faced by shippers. Inability to make changes may results in loss of savings as the hard changes make the most effect in driving out cost.

Cross Functional Commitment
Personnel in varying departments at different management levels must accept the supply chain solutions presented by a 3PL for the company to succeed. While corporate executives might be all for change, it is actually the department heads that must implement new processes and direct their staff in new activities. Communication is key for “buy in” as everyone from the warehouse and dispatching to accounting and customer service is critical component in change. Plants and business units may be upset with loss of control over specific activities that they managed for many years. Open discussions on the reasons and methodologies for deploying a 3PL to optimize current logistic operations may be warranted with different groups to ensure a smooth transition.

Make Supply Chain Activities a Priority
Most companies are extremely busy and juggle a number of competing projects. As a result, staffs often “multi-task” to the point that they have too many projects on their plate. Lack of resources and over activity even may drive some shippers to outsource their logistic functions.

While busy, chemical shippers must make the 3PL and associated supply chain activities a priority to obtain the qualitative and cost improvements promised by contracted managed services. Companies must fully commit to make appropriate in-house changes according to the implementation schedule.

On-going Commitment - Solution is Never Final, Always Evolving
Going beyond the terms of a contract to manage specific freight activities on a monthly or cost-per-transaction basis, 3PLs should proactively present cost management ideas as part of their services. Rather than wait for problems to arise, a 3PL should lead a periodic review of supply chain processes with appropriate personnel to discuss new transportation solutions, specific cost reduction ideas, service levels, and any issues that the client may have with current operations.

On the client side, shippers must make a commitment to truly partner with a 3PL to inform them of their business strategy and competitive landscape. Without in-depth information, a 3PL cannot create a well-defined process that meets corporate needs and requirements. A non-disclosure agreement should be explored so a 3PL and client feel comfortable exchanging information. And as the supply chain evolves, companies must disclose new business strategies, threats and competitive information to 3PLs to constantly re-evaluate current supply chain strategies and make necessary adjustments.

Working together, the 3PL and chemical shipper should continue to assess performance and set new goals that enhance supply chain performance.

About CLX Logistics

CLX Logistics is an international provider of comprehensive logistics management and technology services that together with its supply chain consulting resources enable its clients to improve performance and drive economic value. CLX Logistics is committed to solving our customers' logistics challenges through proven expertise, best-of-breed technology and a high-touch, service-oriented approach to deliver value that is both measurable and sustainable. For more information, email information@clxlogistics.com, or call 215-461-3800.

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