



GT Nexus Provides Specialty Retailers Global Supply Chain Visibility

By Steve Banker, ARC Advisory Group

ARC Advisory Group recently briefed by GT Nexus about two of their customers engaged in global sourcing about how they were using their Supply Chain Visibility solution. What we were told was so interesting we contacted their retail clients to verify whether the story was as good as we had been told. It was better. These two retailers, who wish to remain unnamed, provide two of the best examples I have come across of applying a continuous improvement focus on a technology so that they can continue to garner new and unanticipated supply chain benefits.

For one specialty retailer, the cost justification for this was that they were already paying their global Logistics Service Provider (LSP) a transaction fee per container to get visibility to their global shipments. Their goal was to transition from the transaction based pricing model provided by their LSP to a license model contract with Disaster Recovery Planning and other appropriate protections. This also required a change from paying for visibility out of Cost of Goods Sold to the operating expenses budget.

The business cases for both retailers were also based on using the increased visibility to reduce airfreight volumes; reduce Truckload costs based on tighter controls; avoid demurrage/detention expenses; and create a platform for a vendor chargeback program. GT Nexus provides a network-based Software-as-a-Service visibility solution, which they call a “global trade and logistics portal”.

Beyond this, both expected to achieve improved management of domestic and international purchase orders. Understanding their total landed costs was a manual, labor intensive process. Because of legacy Purchase Order (PO)/shipping visibility, various expenses never reached the SKU on the stock ledger. For both companies, achieving a better understanding of their landed costs would be a clear benefit, but it was a benefit area where it would be difficult to assign hard dollar savings. Finally, they believed that this GT Nexus solution could be a platform for making a variety of supply chain improvements they could not even visualize at that point in time.

Both retailers focused their justification for selecting GT Nexus on the network of carriers they had in place that were already integrated with the portal, as well as their belief, based on extensive due diligence, that GT Nexus did a superior job in insuring the quality of the data going into and out of the visibility engine. One of their objectives was to improve data quality to 99+ percent. After all, without timely and highly accurate visibility and milestone exceptions, the value of the solution is greatly reduced.

While GT Nexus was able to clean up a lot of the data streams before they even got the visibility portal, their retail customers realized they also needed to participate in data quality efforts if they were to reach their objective. They did this by using rigorous metrics to measure the

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performance of their trade and logistics partners, sharing their partner’s performance with them through the use of an online dashboard, and assigning a person to work with their partners on an ongoing basis on data quality issues.

Both retailers have achieved the ROI they were seeking based upon their original business case, and they have achieved benefits in dozens of ways that were unimagined at the time the original business case was finalized. Some of the most important of those benefits include:

1. By having better visibility into inbound shipments at their Distribution Centers (DCs), they were able to

increase the amount of cross docking they did. There is a direct integration between the Warehouse Management System (WMS), and they both use a solution from Manhattan Associates, and the visibility portal. This allows them to link the purchase order to carton level SKU data. Their portal allows them to update the priority of a product. By using a dropdown menu they can cross dock an inbound SKU, choose to expedite its shipment using other methods, or even practice DC bypass. Cross dock instructions would flow into the WMS solution so that at receiving the cross dock process can be automatically executed.

Previously, the home specialty retailer would attempt to cross dock by emailing spreadsheets to the warehouse where they would then manually attempt to forecast what was coming into their DCs. Not surprisingly, this did not work very well. Now they cross dock a higher percentage of their products and they do it using fewer people.

2. The other retailer is now able to practice dynamic allocation of inbound inventory. In the past, they would cut a PO for product that would not ship for several months. Then based on a forecast, the inventory was allocated to different DCs. However, forecasts can be wrong. You can end up with too much inventory for certain SKUs in one region's DC and too little in a different region's DC. Now, it is possible to engage in DC bypass by utilizing a more dynamic form of inventory allocation. At the port, the appropriate goods can be separated and directly shipped to DCs in other regions of the country; this is timelier and less costly.
3. The new visibility has also allowed one retailer the ability to more effectively manage back order prioritization for

the direct to consumer channel. The company has benefited from this new methodology and consequently did not want to explain the new processes in any detail.

4. The new inbound visibility also permits better warehouse capacity planning. It is much easier to create dimensional forecasts, to take the inbound inventory and look at how many pallets will be needed to handle the volume, and then how many trailers will be needed to move those pallets. This dimensional SKU by pallet data resides in the WMS. If the forecast shows that the inbound inventory is of a larger volume than the warehouse can store in a particular time horizon, they can now handle that situation before the inventory hits the warehouse. Planners can look at POs that are not urgent and then slow the delivery of those POs at every phase of the process where that can be done without incurring fees and penalties.
5. The solution will also allow both retailers to react to new trade compliance regulations, like 10+2, much more easily and quickly. This January, US Customs & Border Protection announced their intention to impose a new rule for importers, such that 10+2 will require importers to transmit an Importer Security Filing twenty-four hours prior to loading a U.S. bound vessel. The filing must contain 10 data elements including 3 new data elements not currently required for US bound imports. The existing 7 data elements will need to be reported a lot sooner in the importer's supply chain than is required today. This is not a small change and many importers will struggle to comply when this rule is finalized. It will require most importers a considerable re-engineering of corporate processes and systems. However, the process will be far easier

for both of these specialty retailers, because they have forward visibility to so much core shipment and inventory data and because it is available in one location.

These add on benefits did not come for free for either importer. They had to work cross-functionally to get them. They needed to work with supply chain personnel to understand what they wanted to see. They continually asked questions like "if we gave you visibility to 'X', would that help you? How would you use it?" In many cases, the added benefits could not be realized without the creation of new views and the integration of the portal with other systems. Without the portal, they could not have dreamed up these new capabilities. But it is also true, that without both companies' internal culture of continuous improvement they could not have capitalized on the new possibilities.