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NEWS

AUGUST 2008

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VOLUME 86 NO. 12



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Retooling Supply Chains
and Increasing
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Bulk and Breakbulk

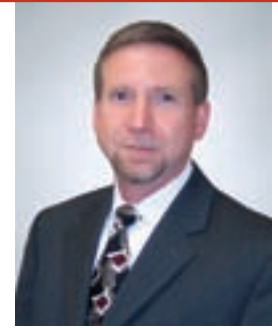
Trends and Strategies
for Success

Public vs. Private

Reasons for Privatizing
Infrastructure

The Floating Warehouse

Tom Zinner, director of software development for IES Ltd., discusses a cost-effective option for companies that must respond quickly to market demands



DC BYPASS has always been a great solution for airfreight, but can it be applied to ocean freight? The answer is Yes.

With today's technology, companies can experience both cost savings and more efficient market response time. We asked Tom Zinner, director of software development for IES, a transportation software company, to explain how that's possible.

DC Bypass technology has been around for a while. How has it changed?

Zinner: DC Bypass software has typically involved pre-labeling for final delivery at the point of origin — essentially bypassing the DC (distribution center). This technology is still available. However, at the factory, it is not always possible to know the final destination with any certainty. This is especially true with market-sensitive products. Luckily, there is another option.

The solution lies in serializing the cartons at the point of origin and shipping from the vendor. The cartons are stripped out of the container and scanned, and a final delivery label is applied in a one-to-one relationship — one carton is scanned and one label is produced and placed on the carton. It can then be cross-docked and put into an LTL carrier or a FedEx, UPS or DHL truck.

So with this system, the cargo can be allocated while in transit?

Zinner: There is a lot of flexibility for market changes, since cargo can be allocated at the last

minute. By applying a serialized label at point of origin, and waiting to print the delivery label until the container is unloaded, there is less of a probability for error. The onus is on the vendor/manufacturer to place the label correctly to avoid chargebacks.

What kind of time reduction can be expected?

Zinner: In the studies we've been through — in terms of cost analysis and time savings — anyone who touches the carton along the supply chain is experiencing a 40 to 60 percent reduction in time.

For the 3PLs utilizing our software, they typically see 650 to 875 pieces processed an hour. And that's just a two-man crew stripping a container without automated equipment — just simple, accordion-style roller belts.

Also, the error rate is less than 0.001 percentage because of the one-to-one labeling perspective.

Does this create more visibility?

Zinner: Definitely. With this system there is full visibility from the creation of the purchase order through the shipper or vendor booking the goods to be released.

In this way you can even authorize a third party to approve the release of the purchase order. For example, a shipper may have an order ready ahead of time, and the purchaser can accept it — or stick to their original ship window.

What are some of the cost benefits?

Zinner: The owners of the goods typically ask for some type of cost reduction with respect to the handling of the goods. And we've seen anywhere from 25 to 50 percent cost reduction per carton.

With the costs to deliver goods continually increasing, everything that can be done to cut costs — from labor to trucking — helps.

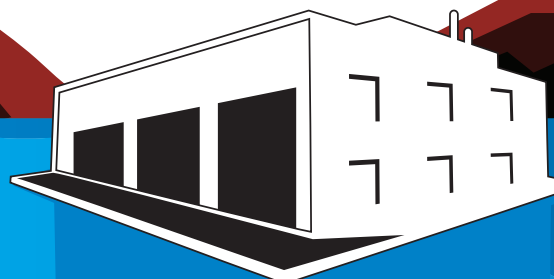
Are there any other benefits?

Zinner: With a floating warehouse scenario, the vessel itself actually acts as a warehouse, and buyers can react to the market faster.

It's also very advantageous in the case of natural disasters, such as Hurricane Katrina. It allows for last-minute allocations, or it allows you to say, "I don't need to send goods to that area. I'm going to direct them somewhere else where they're more urgently needed because it has become a hot-selling item."

Who is currently using this technology?

Zinner: Primarily freight forwarders. They are being asked for more and more purchase-order management. Typically, the need stems from customers requesting more purchase-order visibility. It's an incremental process. Customers don't want to change their supply chain all at once, since any interruption or delay will ultimately disrupt product getting to stores. ■



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