Differentiating in Transportation:
Strategy, Approach, & Tactics

Strategy development is a process that can, and should, be repeated in a cadence to account for changes to the business and overall market conditions. Whether implementing a net-new strategy or refreshing a legacy transportation strategy, organizations need to reset their understanding of the current state, identify and design future state solution paths and develop a viable business case to make or not make a strategic change.

While this process generally yields a common set of business case and roadmap items, it does require genuine stakeholder engagement, alignment and focus that can be enhanced by the challenge and accountability provided by a trusted partner. That challenge and accountability manifests itself in terms of diversity in operating model understanding, mindset diversity and analytical justification to drive an efficient and effective transportation strategy throughout the organization, regardless of size or maturity.

Operating Model Understanding

The process of strategy development should be standardized and systematic, while the solution paths that are explored and evaluated can be wildly variable. This requires perspectives and experience of a wide variety of operating models. For instance, a shipper with a legacy outsourced transportation model during a growth or startup phase might gain a lot of value from insourcing once they have reached market saturation. However, without the in-house knowledge and perspective of a logistics service provider (LSP) they could struggle to identify the specific value propositions to change strategies.

If you are an LSP going through the strategy development process, consider exploring various new service offerings, from leveraging current assets in new geographical markets to totally new capabilities requiring organizational changes, new equipment procurement, or digital transformation.

Whether you are a shipper, LSP, or operate both business models, having an approach that provides diversity and depth in operating experience is critical. This not only allows you to confidently move through the process to arrive at the best strategy and operationalize those new capabilities required but also drives your enterprise forward.

Aligning Transportation with the Strategy

Depending on the business model, transportation strategy can be perceived anywhere on the spectrum from mission critical to negligible. In all scenarios, however, there are outcomes of transportation strategy that influence profitability, service levels, customer experience, supplier relationships, and market competitiveness. The correlation of transportation strategy to these outcomes can be difficult to communicate up and down the organization. Therefore, considerations such as mergers & acquisitions, organizational design, customer pipeline & customer profiles, finance initiatives, and integration strategy/roadmap are often missing when companies zoom in on transportation.

These considerations allow for translating a strategic transportation variable into critical non-transportation implications. This enables leadership to align the overall business strategy more easily to the transportation strategy when historically they have been disconnected.

Examples of Commonly Overlooked Transportation Considerations

+ Mergers & Acquisitions
+ Organizational Design
+ Customer Pipeline & Customer Profiles
+ Finance Initiatives
+ Integration Strategy/Roadmap

Analytically Backed Strategies

While it's true that strategy development starts with qualitative assessment and identification of opportunity areas, no strategy is worth deploying without a hard dollar business case to justify it. Hard dollar business case enables leadership to hold their project teams accountable to delivering outcomes and enables project teams to hold leadership accountable to consistent and aligned company vision. Decisions are more easily justified when they are made to protect a hard dollar business case. We have all seen the broad stroke ranges and commentary published by industry giants (Gartner, Forrester, etc.) to stimulate investment in software products.

Rarely are those ranges applicable to specific shippers or LSP's opportunity areas in a way that clearly defines what is important to execute on or how. When we identify an area for opportunity, we apply analytical approaches that quantify opportunity sizes so that they are compared against their relative risks, implementation costs, and competing opportunities. This enables our clients to make more confident strategic decisions and hold their teams accountable to delivering capabilities that realize those hard dollar opportunities.

The Methodology

STEP 1: Current State Understanding

The first phase of strategy development is documenting the current state. Often times, there are third parties involved in strategic development, so this is important for them to get familiar with the current state but documentation at this phase is crucial in other ways as well. Even if you are intimately familiar with a legacy business, you will learn something from writing it down and collecting validation from stakeholders. There are three items we are focused on documenting during current state understanding. They are the logical financial flows (transportation spend and/or revenue), functional process flows of key capabilities, and the integration and information flows that connect these processes. By capturing these key elements, we are able to triangulate functional process pain with technical integration gaps that have significant financial implications. In short, we can now spend our time during the next phases on the opportunities that are worth studying.

STEP 2: Future State Design

Now that we know what opportunities exist, we need to understand what solutions exist to address them. We capture those solutions in future state process flow and integration and information flows so that we can understand and memorialize all the implications of the various design options being considered. This investment in documentation pays dividends when executing because you can quickly and efficiently answer the "why are we doing this?" or "why don't we do it this other way?" objections during implementation, training, and go-live that undermine momentum and alignment. With all the various design options well understood, the next step is to compile the complementary options into competing solution paths. Solution paths are the groupings of design options that represent strategies of various levels of risk, investment (both from a time and money standpoint), and scalability. Once these solution paths are defined, we can solicit direction from leadership and move on to building out the business case.

STEP 3: Business Case

In the business case phase, we are focused on providing leadership with all the appropriate data to support their decision-making criteria. That is why it is so important to secure feedback and buy-in when transitioning from the design phase. Often, we can narrow in on two or three solution paths to produce roadmaps*, total cost of ownership and net present value analysis, and organizational implications around. Once we align on the ideal solution path, the business case documentation sets the stage for how we execute, what we need to budget for, and how we hold ourselves accountable to focusing on the priorities we set out to accomplish.
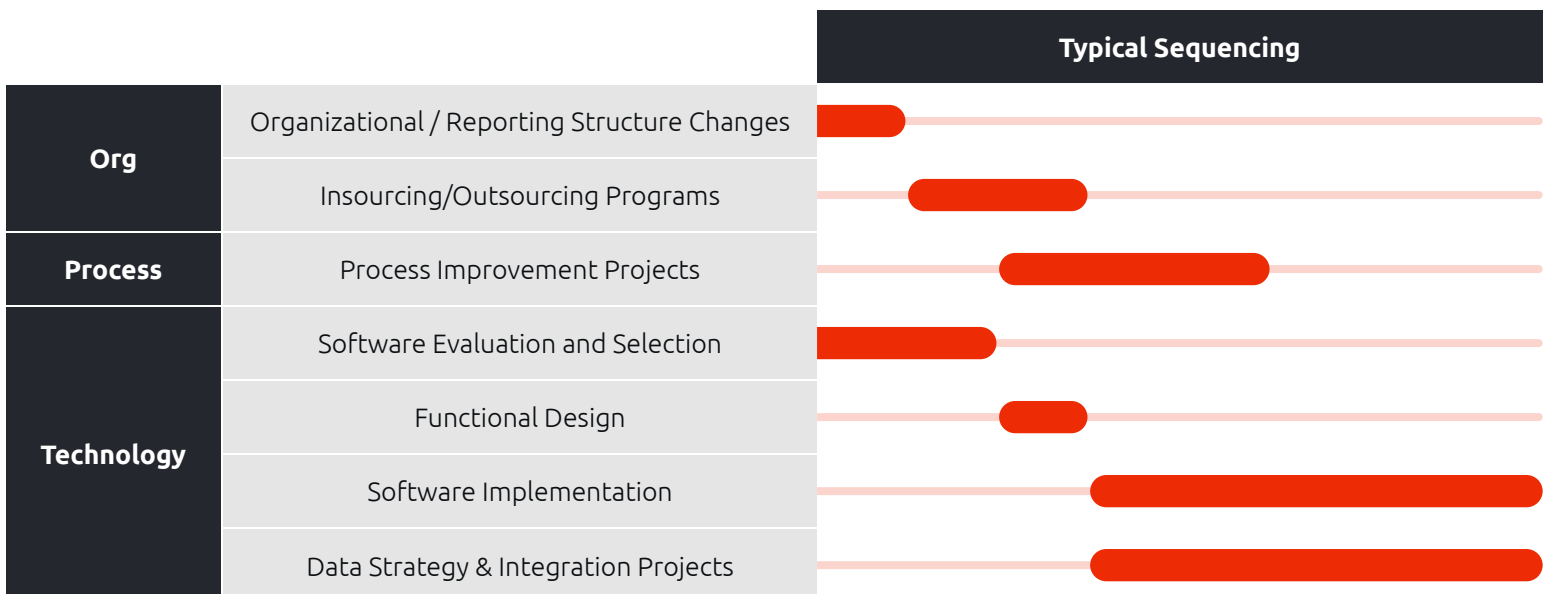
Conclusion: Common Business Cases

+ **Moving inventory differently** – Optimization, routing, zone skipping, order consolidation, mode conversion… you get the point – these techniques all reduce costs, and in many cases, improve service levels.

+ **Process Re-Engineering** – Less touches, fewer errors, and shorter cycle time, result in scalability.

+ **Application Rationalization** – A proliferation in systems leads to functionality redundancy or just wasted technology spend.

+ **Integration** – Electronic (automated) interactions with trading partners and less internal paper-pushing equals less human capital cost in the system.

+ **Strategic Sourcing** – Often times the lowest hanging fruit, if market conditions allow for it, reducing spend with better buying techniques and processes is a great way to reduce costs with minimal operational change management.

+ **Term Conversion** – The true cost of transportation can be a mystery on pre-paid terms from providers or collect terms on outbound transactions. By having an open and honest examination with partners, unnecessary transportation spend can be removed from the supply chain entirely.

+ **Self-invoicing** – Shifting the responsibility from internal to the organization to the logistics service providers' themselves frees up time and in many cases can reduce transportation accessorial spend

+ **Inbound Management** – Web-enabled vendor/supplier collaboration enables consolidation and visibility, leading to lower total-landed-cost.

Once agreed upon, business case items are prioritized and sequenced to build out a high-level roadmap.

		Typical Sequencing
Org	Organizational / Reporting Structure Changes	
	Insourcing/Outsourcing Programs	
Process	Process Improvement Projects	
Technology	Software Evaluation and Selection	
	Functional Design	
	Software Implementation	
	Data Strategy & Integration Projects	

Keys to Success

+ **Stakeholder Engagement** – Transportation is such an interconnected capability within an organization and with its customers and suppliers, strategic projects result in widespread changes. Involving stakeholders early starts the change management process far upstream, improving success of implementations down the road.

+ **Strategic Alignment** – No transportation and logistics strategy can be created without perspective to the broader organizational strategy.

+ **Pre-reads** – Also known as the meeting before the meeting. Don't show up to the presentation and expect the hole pokers and naysayers to keep quiet!

+ **Proper Data Sources** – Data relevant for understanding the business and analyzing savings (or projecting revenue) will come from many sources, including order management systems, warehouse and appointment scheduling systems, transportation planning and execution systems (TM/VR/FMSs etc.), ERPs (Enterprise Resource Planning), and freight / parcel audit provider applications, to name a few.

+ **Focus on the Money** – All too often, organizations listen to analysts and influencers, who promote interesting tech or solutions, however we focus on the business case value generated through doing things differently.

About Forerunners

Forerunners Consulting delivers specialized and focused consulting to solve for today's most challenging supply chain and transportation operations. Our differentiated and targeted approach is what sets us apart. We deliver strategy, analysis, and implementation with an energy that inspires and builds momentum for our clients and trust in our ability to execute. We are made up of a team of strategic, experienced consultants that are skilled in delivering value and quick return on investment. The way we approach problems is a mindset, and we challenge our clients to think critically based on what we are able to help them achieve. To learn more about Forerunners,, visit **www.forerunnersconsulting.com.**