

SHIPPER

Trading places

International trade can be a complex and expensive affair, often involving a multitude of government/regulatory agencies and the processing of an endless number of documents. **John Fossey** reports on what Management Dynamics is doing to simplify matters.

Globalisation and containerisation have powered world trade over the last 50 years. Today, it is hard to see a successful business model that does not include some sort of buying and selling across national borders. And there are many more small- and medium-sized enterprises importing and exporting their goods and services.

But international trade can be cumbersome and very expensive, especially for those that do not know the processes involved. In fact, procedures have become more difficult and under even greater scrutiny since September 11, 2001. Robust and secure supply chains are now critical.

International trade is certainly complicated, as it usually involves dealing with multiple regulatory and/or government agencies, and entails multiple form-filling, which means having the correct documents in place at the right time if delays and further expense are to be avoided.

Consequently, any systems that can be used to automate, simplify and provide participants with the most up-to-date information on regulatory and compliance issues are most welcome. This is particularly the case for smaller companies that do not have the resources and finances to set up dedicated divisions, as their multinational counterparts have done.

The actual contracting of freight services and what is covered in a freight rate – eg the breakdown of different charges – can also be significant. Transport costs can determine whether a company can be competitive internationally or whether it should stay domestically focused.

There are several companies, including leading freight forwarding groups, logistics providers and express parcel companies, that have products covering these areas. In addition, there are the specialist companies, one of the largest of which is East Rutherford (NJ)-based Management Dynamics Inc (MD).

The group has expanded rapidly in recent years, partly through acquisitions – notably BridgePoint and NextLinx in the last 12 months – and it has developed a full suite of software packages that embrace both global trade compliance and supply chain management issues (see 'MD's tool box').

Jim Preuninger, president of MD, told *CI*: 'Managing global trade is now a strategic initiative for organisations across a variety of industries. We've seen a dramatic shift in the way com-

panies approach transport operations – particularly when it comes to understanding the cost and effort involved in shifting the supply base, managing worldwide trading partner relationships and closing the gap between physical and financial aspects of the supply chain. Access to quality information is key to success in this environment.'

Many of MD's products, including Rate Explorer, which is the group's principal rate and contract management tool, are continually upgraded. In September 2005, version 10 was launched, featuring a more powerful 'contract manager' module, which allows users to compare elements such as routeings, full shipment costs, sailing/transit times, ocean carriers at the same time as taking into consideration factors such as surcharges, congestion in port and land-side infrastructure.

There are over 13,000 users of MD's various software solutions, with two of the more recent customers being UK-based Overseas Shippers Association (OSA) and Holland (MN)-headquartered Haworth, a leader in office furniture modules and architectural interiors.

While OSA has subscribed to the company's web-based Rate Explorer package, Haworth, which is engaged in a programme to expand sales throughout the North America Free Trade Agreement (NAFTA) region, uses MD's Trade Agreements software.

OSA, whose members are international moving and relocation companies, has rolled out the Rate Explorer package to its full membership of around 120.

Commercial director Oliver Ward believes the software is a powerful tool that will enable



Jim Preuninger, MD

members to improve their efficiencies: 'We live in a competitive environment, and our members have choices. We think Rate Explorer is a quality product, and it should enable us to help our members negotiate more effectively with the ocean carriers. Currently, OSA ships about 40,000TEU a year.

'Our members' business is complex, and

our tenders with the ocean carriers are fairly unique, as it can involve traffic moving from anywhere to anywhere. Their volumes can involve quite small consignments and entail shipments on practically every tradelane, with more than 400 destinations served from the UK alone. Ocean pricing is not their main business, and so whatever we can do to make this more straightforward for them is important.

'Rate Explorer helps by automating our liner service contracts and making 7,000 or so freight rates, together with the most up-to-date tariffs and contractual information on bunker



Oliver Ward, OSA

adjustment factors (BAFs), currency adjustment factors (CAFs), terminal handling charges (THCs), other surcharges easily available to them. It also flags up planned general rate increase/rate restoration programmes and

delivers the information via our intranet.

'Previously, this was a manual process, and involved sifting through wads of paper. It was inefficient, in that the most up-to-date information was not always kept. MD has been helping with the data input and ensuring that checks and balances are in place to ensure the accuracy of the information. We are extremely pleased with the way things have gone thus far.'

Consequently, companies participating in OSA now have the tools immediately available to calculate their total shipping costs for a particular consignment, according to Ward. In addition, Rate Explorer allows users to compare multiple rate and route options, such intelligence providing the opportunity for members to offer their customers optimised booking procedures and wider service choices.

The OSA executive also pointed to the software's help in financial auditing, especially in checking ocean carriers' invoices: 'Research a year or so ago showed us that 20% of all invoices dispatched by ocean carriers were incorrect, and this reduced efficiency and raised the cost.'

Ward is confident that the software will help generate additional traffic in the long run: 'By having better and more reliable information available, we should give our members the capacity to pump out more quotes, and be able to react more quickly to tenders.

'Speed transcends the issue of price if quotations can, say, be produced in half an hour

compared with two hours, as there is a greater chance of winning the business. In addition, helping to sort out the seafreight component quickly allows members to look at other elements of the supply chain.

'But you have to accept that shippers will never put all of their eggs in the same basket, and will maintain several options when it comes to moving their goods.

'Potentially, the software will also help us attract new members, as companies will see that we have invested in new systems to make our services more efficient and cost-competitive.'

The executive indicated that 50 out of the OSA's 120 members were regularly using the software at the current time. He expected 100% coverage within the next 12 months: 'The earlier the better, but we are a club that is ruled by our members, and they will dictate the pace.'

Tangible results have definitely been achieved at Haworth. In fact, it was on the back of the company adopting a module within MD's trade-compliance software that the company was selected by the logistics consultant the Aberdeen Group as a leader in transforming its international logistics operations in 2005.

Marilyn Dykstra, project manager of global logistics, trade and compliance at Haworth, explained: 'We needed automation, as our business was expanding, and our manual systems were becoming very stretched.

'We carried out a detailed (six-month) evaluation in which six software vendors were asked to tender for the project, and we conducted demonstrations with four of them, either in our office or over the Internet. We had a standard scorecard to mark their performance, and MD's Trade Agreements solution stood out above the rest.

'MD was the only company that could provide a complete solution for the whole NAFTA qualification process. Since we implemented the software in March 2005, we have never looked back.'

The system introduced at Haworth includes a web portal that enables the company to fully automate the NAFTA solicitation process with its suppliers to verify and analyse the data. It covers Haworth's involvement in the NAFTA trade, which accounts for over 18% of its sales, which totalled approximately USD1.4 billion in 2005. This was up 12% on 2004's result.

Dykstra explained: 'We send information about our shipments to border brokers on a daily basis, and this ensures that the most accurate information is always used for entry procedures. The bulk of our export transactions are across North American borders, and with Haworth locations in Canada as well, we can be an importer and exporter in the same country at the same time.'

In the first year, the new software resulted in USD1.2 million in free trade gains, due to better compliance, reduced duties and lower taxes. It led to cost savings of approximately USD225,000, principally due to the elimination of fax, paper, postal and courier delivery services.

She stressed that MD's Trade Agreements software had led to massive enhancements in intra-company productivity levels: 'Operationally, it has meant Haworth's international co-ordinators have been able to process a much larger number of transactions per day. The fact that information is delivered on a more timely and more complete basis from the group's suppliers has resulted in 96% of Haworth's North American exports qualifying for preferential duties under the NAFTA agreement.

'Our expectations on both cost savings and efficiency have been surpassed. We are excited about exploring further the capabilities that the MD platform will give to expanding our global trade strategy.'

Haworth is considering subscribing to MD's import module, but feels these volumes are not large enough yet (just 400 shipments annually)

MD'S TOOL BOX

The main solutions offered by Management Dynamics (MD) comprise:

- **Rate Explorer.** Used by shippers, consignees, logistics providers and non-vessel operating common carriers (nvoccs) to manage their international transport contracts. Within Rate Explorer MD has developed several bespoke modules, including:
 - Nvocc Buy-side and Price Management
 - Enterprise Logistics Contract Management
 - Carrier Service Contract Management
- **BridgePoint.** Offers global supply chain and event management solutions to its users. It facilitates collaboration and communication between all suppliers, transport service providers and customers in the cargo move. It spans air, ocean, road and rail modes. Among the separate modules are:
 - Supplier Order Management
 - Inbound Inventory Management
 - Outbound Delivery Management
 - Supply Chain Performance Management
- **International Trade Compliance.** Most recently acquired from NextLinX, Products in this area ensure users have all of the tools necessary to partake in global trade. In particular, this includes Global Knowledge, a repository of up-to-date information on regulatory and security issues, as well as the ability to model alternative sourcing scenarios based on total landed costs. Separate modules cover:
 - Exports
 - Imports
 - Trade Agreements

to support the investment.

While Dykstra does not feel there is a direct correlation to increases in sales due to the new software, she opined: 'It does allow us to be more efficient, and process more transactions with existing staff. We also always have the most up-to-date information available, as the subscription entitles us to daily trade and regulatory updates in the markets we serve, and this gives us the intelligence to help improve our business.'

Over the past two years, Haworth has seen good increases in its domestic and international traffic and management is confident that this will continue. Dykstra alluded to strong rises in its business with China and with Europe/UK, and she sees opportunities opening up in the Mid-East and the Caribbean basin.

Elsewhere, the US-based ocean- and air-freight forwarding company DGX is hoping for improved results and additional business from its decision to use MD's logistics contract and price management software.

DGX president Bradley Dechter revealed: 'Our spreadsheets and paper-based contracts simply could no longer accommodate our customers' needs for fast, accurate responses. Our quoting system was inefficient, and prone to errors. With our goal of 100% customer satisfaction, we needed an automated tool that could meet the sophisticated needs of our growing business.'

He explained that a detailed search and review for suitable automated solutions had been undertaken, and that MD's package had scored highly because of its ease of use, low-cost entry, visibility and auditing capabilities.

With the software in place, DGX has been able to slash its response times with its customers. Freight quotes can now be put together in 10 minutes and the customer contacted within the hour, compared with 24 hours under the previous system. This means that sales and marketing teams, plus other executives, have more time to canvass for additional business.

Also hoping for business process improvements and streamlined freight management is Children's Place Retail Stores Inc, which has just signed a deal with MD to use its Private Supply Chain Network solution (see 'Children's Place matures supply chain', p25).

The company's director of logistics, Frank Loewen, told *CI*: 'The software will simplify the collection, validation, interpretation and aggregation of time-sensitive data from suppliers, carriers, freight forwarders and other partners from around the world. We should also be able to eliminate excess inventory, reduce supply variability and cut our import cycle times.'

Without a doubt, automation of freight contracting and trade compliance procedures is becoming more significant as a means of satisfying the more onerous regulatory/security procedures that are being put in place. Equally, though, such solutions are being used by companies as a means of saving costs, boosting productivity and generating additional business. 