

# L.I.T. TOOLKIT

by Merrill Douglas



**A beverage distributor's thirst for visibility is quenched by a tool that sets delivery performance standards and makes sure they're met.**

## Vendor/Carrier Accountability: We'll Drink to That!

**I**f you don't understand what you're doing, how do you know if you're doing it well?

The answer eluded the Glazer's Family of Companies, a leading distributor of wines, spirits, and malt beverages. The Dallas-based company couldn't hold vendors or carriers accountable for on-time performance because no one had defined "on-time."

"Once we placed a purchase order with a vendor, it disappeared into a black hole," says Gregg Mitchell, Glazer's vice president of supply chain. The company had little idea when its shipments would arrive; and didn't even know how long those shipments reasonably should take.

True, Glazer's could use carriers' online portals to monitor freight, but that was far from ideal. "Every carrier offers a different web-based service," Mitchell notes. Jumping from one to the next, it's hard to build a comprehensive picture of inbound freight.

Traffic managers often didn't find out if goods were moving too slowly until it was too late. "We used to wait until the fire started," Mitchell says. "We were experts at putting fires out."

To make sure it didn't run low on popular beverages, Glazer's carried plenty of safety stock. Or, in a pinch, it paid a premium for expedited delivery.

### LET'S GET VISIBLE

To better monitor its freight, evaluate vendor performance, and gain control over inventory, executives at Glazer's decided to invest in a supply

chain visibility tool. In April, the company began implementing the *Supply Chain Visibility and Event Management* solution from Management Dynamics Inc. (MDI), East Rutherford, N.J.

The Glazer's Family of Companies serves retailers, package stores, and restaurants in 12 Midwestern states stretching from Texas to Ohio, with about half its volume in Texas. To comply with federal and state alcoholic beverage laws, it runs a separate company in each state. Combined, those companies operate 42 distribution facilities.

Products from overseas suppliers move by ocean to the United States, then by rail and drayage to the distribution centers. Most orders from domestic carriers travel by rail to rail yards across the Midwest, where motor carriers pick up the freight. Glazer's controls the transportation for about 45 percent of its inbound volume; suppliers control the rest. In most cases, Glazer's private fleet carries orders from DCs to customers.

Glazer's started its search for a visibility solution with 20 candidate vendors, then narrowed the field to three. MDI rose to the top for two reasons: the tool's user-friendliness and the talent and dedication the company's staff displayed, Mitchell says.

*Supply Chain Visibility* became part of MDI's solution portfolio in late 2004, when the company acquired software developer BridgePoint of Research Triangle, N.C. MDI bought BridgePoint as part of a plan to expand its product line into a complete global trade management suite.

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## NETWORK, QUALITY, VISIBILITY, ANALYTICS

MDI's *Supply Chain Visibility* solution includes four components: a private network linking thousands of shippers, carriers, forwarders, and suppliers; a data quality management component; a visibility tool for monitoring freight day to day; and a set of analytical tools that use historical data to help shippers identify trends and problems, and evaluate performance.

"Visibility is a tactical tool. Managers or analysts use it to try and solve problems," says Jim Preuninger, MDI's CEO. "Analytics are for the supply chain or logistics executive who says, 'I want to see how much more efficient I can make this entire operation.'"

Trading partners and carriers feed data into the private network using whatever format works best for the individual company, be it EDI, XML, uploaded spreadsheets, or a variety of others. Through its data quality management component, MDI performs the necessary conversions, corrects data errors, and makes sure all partners are speaking in the same terms.

Some of the terms MDI needs to standardize, such as location and time zone, are simple but very important. For example, every time the status of a shipment changes – say, when it's dropped off at a seaport, and then when it's loaded onto a vessel – a time-stamped message enters the network. Hundreds of such messages from all over the world might hit the system each day.

"Users in the United States or in Europe who are looking at this information need to have it standardized in a way that's relevant to them," Preuninger says – all calibrated to the same time zone and using either the 12-hour or 24-hour clock.

MDI hosts the web-based visibility solution for its customers, who pay an annual subscription fee based on expected transaction volume. The customer's suppliers and carriers don't pay to participate in the network.

For Glazer's, the MDI implementation started with talks between Mitchell

and his vendors' supply chain teams. Approaching vendors about joining the MDI network, "I anticipated resistance, but got none," Mitchell says. "Everyone was positive about what we were attempting to do, because it had never been done before."

Beverage distribution lags behind many other industries in implementing visibility tools, Mitchell says. "The vendors and carriers were just as interested in tracking their own performance and getting feedback from us," he notes.

Once a vendor or carrier signed on to the program, MDI's staff worked with that partner's IT department to connect its information systems with the MDI network. Since April, Glazer's has started exchanging data through the network with five major vendors and seven major carriers, representing about 80 percent of its shipment volume.

From the outset, the system has provided real-time status information, which helps Glazer's anticipate problems when shipments fall behind. Each time a shipment's status changes, for example, the system automatically calculates a new estimated arrival date and transmits that data to Glazer's primary information system.

"The system provides visibility to the new expected date of arrival across all our distribution centers," Mitchell says. "It has reduced the amount of necessary communication and the labor required to manually key new ETAs for our loads."

The system also gives Glazer's early warning about problems that could keep freight from getting to the right place at the right time. "We know what responsive changes to make," Mitchell says, perhaps moving product to another transportation mode or diverting it to a different destination.

"We have the ability now to be proactive in our analysis if products are shipping late," says Deb Flahart, Glazer's corporate traffic manager. And with so much traffic monitored automatically, Glazer's staff can pay more attention to smaller suppliers that don't yet participate in the network.

## NEW STANDARDS

Glazer's also uses the MDI system to develop standards to promote long-term improvements. Now that it can measure actual transit times for different lanes, it can establish norms and require vendors and carriers to meet those expectations.

"We're trying to take that information and apply some logic to each segment to determine the right amount of time," Mitchell says. The company is starting to score suppliers and carriers on performance, and discuss the results with them.

Already, this process has helped Glazer's obtain better service.

"Just by letting vendors know we are tracking performance, we have seen lead times cut by as much as 30 percent," Mitchell says.

With shorter, predictable lead times, Glazer's can more accurately set inventory levels. "In some cases, we weren't carrying enough inventory. In many cases, we were carrying too much," Mitchell says.

The system also gives the distribution centers a better view of inbound freight, which helps managers improve their operations.

## TIP OF THE ICEBERG

Glazer's is only starting to get a handle on the full range of ways in which *Supply Chain Visibility* will benefit the company, Mitchell says. Most of the work until now has focused on helping Glazer's determine current performance and what it needed to improve. "Before using this tool, it was difficult to know if we were good or if we were bad," he says.

"We needed to get accurate lead times so we would know how to order products. We were ordering a lot of just-in-case inventory, not realizing that we'd never held our vendors or carriers accountable," Mitchell adds.

Now, armed with accurate data, Glazer's can work toward better collaboration with its vendors and carriers. "We're at the starting gate," he says. ■