2012 Logistics Costs Survey

Research Results

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DATAMARK 2012 Logistics Costs Survey

Introduction

To gather a snapshot of current trends in cost management strategies in the transportation and logistics sector, the publishers of DATAMARK's Outsourcing Insights newsletter conducted a survey in July 2012 of subscribers and others who have management roles in the industry.

The 2012 "Fast Five" Logistics Costs Survey consisted of five multi-part questions focusing on cost management strategies, organizational priorities, use of outsourcing, and forecasts of cost trends.

Survey participants revealed valuable insights into the day-to-day challenges and concerns facing managers and executives in the transportation and logistics sector. Results show that managers expect operating costs to rise over the next year, and they are responding with a variety of management strategies designed to increase revenue and profit margins. All percentage calculations were rounded to the nearest percent.

Survey Results

1. Cost Pressures Mount

A majority of managers indicated that they expected operating costs to increase over the next 12 months. The primary pressure comes from the expenses associated with transporting goods: fuel, vehicles, maintenance, driver pay, etcetera. 88 percent of respondents said they expected these costs to rise. The rising-cost trend filters through other business areas, including packaging, warehousing and carrying inventory.

Q: Using an outlook of the next 12 months, rate the following cost components based on the scale:
Will Decrease to Will Increase.

Cost Trends: Transportation

<table>
<thead>
<tr>
<th>Will Decrease</th>
<th>Neither Decrease Nor Increase</th>
<th>Will Increase</th>
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<td></td>
<td></td>
<td>88%</td>
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2. Ranking Business Priorities

Profitable growth is the No. 1 priority of the survey participants, who were asked to rank business objectives by order of importance. Introducing innovations in service and increasing revenue topped customer responsiveness to customers and order-to-delivery time in many cases.

Q: As it applies to your company, rank the following objectives in order of importance, from 1 to 7.

Business Objectives in Order of Importance

- Profitable Growth
- Service Innovations
- Increased Revenue
- Improved Quality
- Reduced Operating Costs
- Improved Responsiveness
- Improved Order to Delivery Time
3. Cost Management Strategies
In response to rising costs, managers have identified automation and information technologies as potential areas of improvement that could lead to increased profit margins. Opportunities for margin improvement also exist through business process re-engineering and labor management strategies. In regard to fuel costs specifically, top strategies include optimizing fuel procurement and optimizing the integration of truck and rail transport.

Interestingly, although alternative fuels such as natural gas are making headlines in 2012, they seem to remain more hype than help, as managers describe them as being only "somewhat effective" or "slightly effective" in cost-management strategies.

Q: As it applies to your company, rate the following potential areas for improvement based on this scale: Extremely Important to Not Important at All.
Q: With respect to your company, rate the effectiveness of the following fuel management strategies based on the scale: Extremely Effective to Not Effective

### Improvements in Process Re-engineering

- **Extremely Important**
- **Very Important**
- **Somewhat Important**
- **Slightly Important**
- **Not Important at All**

### Improvements in Labor Management Strategies

- **Extremely Important**
- **Very Important**
- **Somewhat Important**
- **Slightly Important**
- **Not Important at All**

### Improving Driver Skills

- **Extremely Effective**
- **Very Effective**
- **Somewhat Effective**
- **Slightly Effective**
- **Not Effective at All**
4. Outsourcing as a Cost Management Tool

Respondents indicated only one business area where they are leveraging extensive outsourcing: returns and reverse logistics. And even though the outsourcing of business processing and call centers can reduce operating costs by 20 to 40 percent in many cases, managers are not taking advantage of that strategy. More than 80 percent said they are not outsourcing these two non-core business functions.
Outsourcing Trends: Business Processes

Outsourcing Trends: Reverse Logistics

Outsourcing Trends: Information Technology
Conclusions

The DATAMARK 2012 Logistics Costs Survey revealed that despite a slow-growing economy, price pressures remain a major concern for managers in the transportation and logistics sector. To protect shrinking margins, managers are finding some success employing a number of strategies, from looking for improvements in automation and IT to cutting fuel costs by improving driver skills and optimizing fuel procurement.

Some cost management methods, such as using alternative fuels, are still not delivering results to rank them as highly effective solutions. Also, the transportation and logistics sector has not used the full leverage of outsourcing as a cost-management tool. A majority of respondents indicated that opportunities for outsourcing non-core functions such as business processes and customer call centers are still left on the table, even though outsourcing can deliver potential cost savings of 30 to 40 percent. Understanding the industry's experiences with—and attitudes toward—outsourcing is an area ripe for further study.

Best Practices

As this survey revealed, many transportation and logistics managers report that they do not outsource many of their non-core functions, such as business processes (transportation document processing and accounts payable/receivable, for example) and customer call/contact centers.

Best business practices typically will prescribe that any non-core function should be turned over to specialists who can remove wasteful steps in the process and bring innovation and current technologies into play. This allows companies to stay focused on what they do best—in this case, delivering freight to customers—without the distractions related to staffing and managing non-core processes. Outsourcing also offers companies flexibility and scalability: the ability to respond to unexpected events that affect business processes, and the ability to quickly respond to increased demand for services.

Large, market-leading enterprises recognize these and other benefits of selecting an experienced outsourcing partner, and incorporate this into an overall strategy to maintain a competitive advantage in the transportation and logistics sector.
About DATAMARK

DATAMARK is a leading provider of digital mailroom management, data entry, document processing and business process re-engineering solutions for Fortune 500 companies, government agencies and other large organizations.

Founded in 1989, our company is the strategic business process outsourcing partner for Top 10 companies across several industry sectors, including transportation and logistics, healthcare, insurance, banking and financial services. With onshore and offshore centers, DATAMARK delivers process optimization, technology and Enterprise Content Management solutions to help organizations achieve efficiency and profitability in all back-office business functions.

For more information on how DATAMARK’s business processing solutions can reduce operating costs while improving efficiency, flexibility, and customer satisfaction, call 800-477-1944 or email info@DATAMARK.net.

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