



Achieving Measurable Results in Logistics

A RedPrairie™ White Paper

Executive Summary

In today's environment, achieving logistics excellence has become a boardroom level concern. The gap between logistics cost leaders and laggards is growing. Logistics performance leaders are building a significant advantage over the competition that leads to substantially better bottom line performance and increased shareholder value.

How are logistics leaders achieving these results? By unlocking the hidden logistics value within their enterprises and across their broader supply chains.

Three important trends are elevating the role of logistics within corporations, creating an environment where logistics leaders who are able to unlock this hidden value can excel.

Trend No. 1: Corporate recognition of the high cost of logistics.

For most companies, the total costs of logistics range from **7% to 15%** of sales, and this percentage continues to rise as a result of growing logistics complexity, changing order profiles, and customer service pressures. This increased cost has garnered corporate attention, with the corresponding opportunities to drive out logistics costs and contribute significant dollars to the bottom line.

Trend No. 2: Supply chain velocity is increasing, placing a growing premium on execution excellence.

When Michael Dell of Dell Computers is asked what supply chain management is all about, he gives a simple answer: "Speed." Constantly shrinking order cycle times, the need for faster response to changes and exceptions, and real-time flow of supply chain information are creating a greater focus on supply chain execution as a primary source of corporate success.

Trend No. 3: The growing role of logistics as a source of customer satisfaction and company differentiation.

As global competition heats up, there is increased focus on customer-facing initiatives. As the ultimate touch-point with customers, logistics has become the primary source of differentiation and customer satisfaction, directly impacting revenue growth and market share.

To take advantage of these trends and unlock the hidden value within their operations, logistics leaders must employ a methodology that focuses on achieving measurable results. There are five key principles underlying this results-focused approach.

Principle No. 1: Clearly link supply chain strategies to corporate objectives.

Too many companies have not linked their supply chain strategies to overall corporate objectives through quantifiable metrics, thereby limiting their ability to contribute to corporate goal attainment or garner recognition for the important role of logistics in company success.

Principle No. 2: Quantify logistics value

Many companies have not quantified the end-to-end value of logistics across their organizations due to lack of expertise in value analysis, time considerations and the barriers of organizational silos. However without this step, achieving measurable results to support corporate objectives is nearly impossible. The good news is that the sources of hidden logistics value are abundant.

Principle No. 3: Clearly define and measure expected results.

Logistics scorecarding and performance measurement are emerging as real keys to continuous improvement and supply chain leadership. Once logistics value is quantified, specific operational results must be defined and appropriate measurement processes / technology must be put in place to ensure goal attainment.

Principle No. 4: Maintain results-focused technology deployment.

Despite best efforts to quantify value and define expected results, companies often fail to achieve measurable results because those charged with technology deployment, including vendors, consultants and company personnel, are not aware of or incented to maintain this results focus. Management must ensure that this results focus is maintained even when project schedules and operational pressures intervene.

Principle No. 5: Continuously Audit Results.

Management must continuously audit results throughout technology deployment and ongoing use, taking corrective action whenever the process strays outside of acceptable bounds. Scorecarding and analysis technology are essential to timely, effective execution of this continuous process.

By applying these five principles and the requisite technology, companies can unlock the hidden value of logistics within their enterprises and across their extended supply chains to achieve measurable results and become industry leaders.

RedPrairie™— A Better Way of Delivering Logistics Results

RedPrairie employs the five key principles of the results-focused methodology (the RedPrairie Approach) and the industry's most comprehensive suite of end-to-end logistics solutions to ensure customers achieve measurable results in logistics. RedPrairie customers achieve lowest cost logistics, thrive in the high velocity supply chain, and differentiate themselves from their competition, leading to increased revenue, market share and customer satisfaction.

Achieving Measureable Results in Logistics

These are exciting times for logistics professionals. A variety of market and environmental factors are elevating the role of logistics to one of boardroom level focus in most organizations.

What's changing? There are three important trends that are elevating the role of logistics in companies around the globe.

Trend No. 1: Corporate recognition of the high cost of logistics, and corresponding opportunities to drive out logistics costs and contribute significant dollars to the bottom line.

For most manufacturing, distribution and retailing companies, logistics represents a significant portion of total overhead costs. A 1998 Council of Logistics Management study found that logistics-related expenses range from 7-15 percent of company revenue, and up to 45 percent of total Sales, General and Administrative expense.

As noted in a presentation at the 1998 Council of Logistics Management conference, "The cost of logistics is usually much larger than either upper management or operations people expect. When results are presented, the first reaction is skepticism, the second reaction is wonder and review, the third reaction is concern and interest."

Impact of Logistics on the Bottom Line

Metric	Typical Ranges
Logistics Cost as % of Sales	7-16%
Logistics Cost as % of Total Corporate Value Added	10-35%
Logistics Cost as % of SG&A Costs	20-45%

Source: CLM 1998

Recent research also indicates that a variety of environmental factors are causing logistics costs to rise substantially in recent years, after a decade of stability. In its annual benchmark study of logistics costs across hundreds of U.S. companies, consulting firm Establish / Herbert W. Davis reported that logistics costs rose in 2001 for the third straight year as a percent of sales, now averaging nearly 8.5 percent of company sales. These figures actually underestimate total logistics costs, since they focus on outbound / fulfillment logistics and do not include many costs related to inbound and manufacturing logistics.

Logistics Costs Continue To Rise

- **Distribution Complexity**
- **Changing Order Profiles**
- **Customer Service Requirements**

Cost as Percent of Sales



Source: Establish/Herbert W. Davis

Trend No. 2: Increasing supply chain velocity, which places a growing premium on execution excellence

As Michael Dell has commented, supply chain excellence is all about speed. Constantly shrinking order cycle times. Faster response to changes and exceptions. Real-time flow of supply chain information.

The result? A greater focus on supply chain execution and logistics excellence, where companies operate their supply chains in real time.

Market statistics bear out this trend. AMR Research recently calculated the corporate investment in supply chain execution / logistics technology far exceeded investments in supply chain planning applications, and execution / logistics investments were growing at nearly twice the rate of planning.¹

Trend No. 3: The growing role of logistics as a source of customer satisfaction and company differentiation.

Competition, both national and global, is fierce, putting pressure on corporate revenues and margins. In this challenging environment, logistics has increasingly become one of the primary sources of differentiation and value-add in the face of increasingly commoditized core products.

¹ AMR Research: "The Supply Chain Management Applications Report 2001-2006"; June 2002

As AMR Research has recently noted in its report *Logistics Survey Results: Customer-Focused Initiatives Receive Top Priority*, "Increased customer focus is seen as the most important issue in improving supply chain performance, which points to more demanding and complex customer requirements and the need to meet them for sales sake."

Competing in this environment requires use of the latest integrated logistics tools, the ability to personalize logistics services, implementation of industry-specific best practices, and understanding the hidden sources of value locked in most logistics organizations today.

Unlocking Hidden Logistics Value

The reality is that most mid-sized or larger companies have millions of dollars in hidden value in their logistics operations, which, if unlocked, will drive improved profitability, increased shareholder value and growth in revenue and market share. Smaller organizations may have similar or even greater opportunities in percentage terms.

Are there opportunities for unlocking this type of hidden value in your company's logistics organization? Consider the following possible scenarios in your organization:

- Logistics and fulfillment costs continue to rise on a per unit or percent of sales basis.
- Your company is stuck on older generation logistics or WMS software that limits flexibility and productivity, but you are unsure how to cost justify the implementation of new systems.
- You feel certain logistics productivity and throughput can be enhanced, but don't know exactly where the key opportunities for improvement are, what levels of improved operating performance are possible, and how you compare with your industry peers in terms of best practice.
- You would like to better understand the impact logistics services and quality have on customer retention and market share growth, but lack a mechanism for performing this analysis.
- You know that solutions exist that can significantly reduce your transportation budget, but are uncertain as to the range of improvement that is likely, the cost and complexity involved in implementing a solution, or the internal process changes that will be required.
- You would like to move labor productivity beyond its current plateau, but do not see a clear path for doing so and how best to institute the required organizational change.
- You feel confident better visibility of inventory and demand across your network can reduce inventory levels while improving customer service.
- Rapid growth is outstripping the ability of your logistics operation to maintain cost, quality and throughput, and you need help to determine what solutions are most appropriate, how to phase improvement plans, and how to make these improvements smoothly in the face of rapid operational change.
- Your logistics operations are well managed but operate in a somewhat "siloes" fashion, and you believe there could be operational and cost saving improvements from greater process integration across distribution, transportation, labor management and other logistics domains.

All of these scenarios and many more are examples of hidden sources of logistics value. Uncovering the sources of this value and developing a plan for maximizing logistics performance at the facility, enterprise and supply chain levels will not only improve logistics operations, it will help fuel overall corporate excellence as never before.

As Gene Tyndall notes in his book *Supercharging Supply Chains*, “More and more the smart money will flow to the stocks of companies that are exceptionally well operated. This is why operational excellence...will become more and more respected as serious drivers of shareholder value.”

Keys to Unlocking Value and Achieving Measurable Results in Logistics

Virtually every company has significant untapped value within its logistics operations. However, far too many companies have failed to achieve measurable results from supply chain technology investments.

The good news is that unlocking this value and ensuring the results companies expect from their supply chain investments is easily achievable. How? By taking a better approach to logistics improvement and technology deployment.

There is a Better Way

By Understanding Logistics Value Drivers and Incorporating a Results-Focused Approach to Technology Deployment, Companies Can Consistently Unlock Logistics Value



There are five key principles underlying the results-focused approach.

Principle No. 1: Clearly Link Supply Chain Strategies to Corporate Objectives

Too many companies do not clearly link the corporation's overall goals and objectives to the specific supply chain strategies needed to support them. John Langley, a logistics professor at Georgia Tech and one of the country's most well known supply chain researchers, recently commented that this was the number one issue facing the logistics profession.²

The logic is very simple: tie logistics strategies and initiatives to specific corporate objectives, then define the operational metrics that need to be improved to achieve both supply chain goals and support these high-level objectives.

As simple as this logic may seem, it is surprising how few companies today really do a good job of it. Bud LeLonde, professor emeritus at The Ohio State University and one of the industry's most well-respected authorities, recently commented on how surprised he was at the number of logistics professionals that do not even know their company's high level strategies and goals.³

At the start of every year the logistics organization should produce a document, widely distributed, that formalizes this linkage between corporate and logistics strategies. An example structure might look like the following:

Corporate Strategy	Logistics Strategies	Operation Metric(s)
Business Strategy 1	Supporting Logistics Strategy 1	Quantifiable Metric(s)
	Supporting Logistics Strategy 2	Quantifiable Metric(s)
Business Strategy 2	Supporting Logistics Strategy 3	Quantifiable Metric(s)
	Supporting Logistics Strategy 4	Quantifiable Metric(s)
Business Strategy 3	Supporting Logistics Strategy 5	Quantifiable Metric(s)
	Supporting Logistics Strategy 6	Quantifiable Metric(s)
More as required...		

This plan would obviously be amended as needed throughout the year if corporate priorities change, and to track and report progress against the improvement targets.

² John Langley, presentation at "Food and Beverage Logistics" Conference, Chicago, March 26, 2002

³ Bernard LeLond, RedPrairie Web Seminar "High Performance Logistics: Trends, Issues, Opportunities," June 27, 2002

Recently, a RedPrairie™ customer in the consumer goods industry formally linked its logistics performance to corporate objectives. It turned out that three of the corporation's top five strategies had significant logistics implications. One example was:

Corporate Strategy: Become the preferred vendor to retail in the category

Logistics Strategy: Reduce order cycle times

Metric: Cut order cycle time in half, from 48 to 24 hours, for 75% of shipments.

Logistics organizations that are able to link their strategies and performance to corporate objectives will clearly achieve more internal influence and obtain better funding and senior management support for their initiatives, while helping the corporation achieve its goals.

Principle No. 2: Quantify Logistics Value

Companies must do a better job quantifying the value of proposed logistics process changes and technology investments. Many companies do a poor or mediocre job of quantifying this value, and a worse job of results measurement to determine if the expected value was actually attained.

There are two primary obstacles to effectively quantifying logistics value from technology investments:

- **Lack of experience / expertise in value analysis:** A company's internal staff may have limited exposure to industry-wide best practices. It may also lack experience translating potential operational process change into a comprehensive value analysis and cost justification. Logistics professionals are often uncomfortable discussing the value of logistics or using financial concepts important to the CFO. Even those companies that do possess this expertise frequently lack the time resources necessary to conduct this analysis and move it forward.
- **High cost and time of external consulting studies:** Many traditional consulting companies offer services that can help a company better understand the opportunities for logistics improvement and value creation. However, these projects tend to be long and expensive. While this may be an appropriate route to take in many circumstances, companies are often looking for a faster, less expensive analysis that quickly zeroes in on the key opportunities for process improvement and value creation, in combination with the cost justification for systems required to support these changes.

A need exists for a process and methodology that provides the expertise and experience of traditional consulting, but delivering this detailed insight into the opportunities for unlocking logistics value within much tighter cost and time constraints. This process must be capable of articulating the process change and corresponding value to the logistics organization, and provide the analysis in a manner consistent with the way CFOs and other corporate executives make investment decisions.

Consider one example. Many companies realize approximately one dollar in profit for every ten dollars in sales. In terms of bottom line impact, therefore, realizing \$1 million in value through logistics cost savings is equivalent to increasing sales by \$10 million.

Logistics is a highly leveraged function for value creation. Even small improvements in logistics processes can drive major increases in revenue and profits.

Sources of Logistics Value

Logistics value can be found in both traditional sources, such as operating cost reduction, reductions in working capital requirements, and improved return on assets, as well as in new emerging sources such as increased opportunities for top line growth, more flexibility and increased supply chain velocity. These sources can be created across several operational areas, including data center operations, transportation management, productivity management, global supply chain visibility and logistics integration. The follow sections describe how these sources of logistics value can be achieved.

Traditional Sources of Logistics Value

Operating Cost Reduction: This has been the most common area of logistics value analysis and resulting changes to logistics processes and systems. Operating cost reduction has been the primary driver of transportation and warehouse management system implementations and other logistics technology deployments.

The most common sources of value relative to cost reduction are as follows:

- Transportation expenditures: The quantifiable value opportunity varies significantly depending on the profile of a company's transportation requirements, but many companies have the potential to reduce total freight bills between 10-25 percent, often having an impact of millions of dollars on the bottom line.
- Distribution / fulfillment labor costs – Most companies have a significant untapped opportunity for decreasing direct logistics labor costs in multiple areas of fulfillment – even those that have already implemented warehouse management (WMS) technology. Newer technologies and best practice are enabling greater efficiency gains than were possible in the past.
- Administrative costs: This applies not only to administrative costs directly within distribution centers, but also costs associated with customer service, expediting, and other more centralized tasks that are impacted by logistics systems.
- Inventory carrying costs: Expenses associated with excess or uncontrolled inventories (insurance, shrinkage, damage, etc.) can be significantly reduced and have a direct impact on DC costs and corporate profitability.
- Total network expense: Improved fulfillment operations and increased throughput can often reduce the number of distribution centers and associated fixed and variable operating costs. Improved space utilization and lower inventory levels can also reduce need for outside storage.

Working Capital Reduction: Reducing a company's working capital requirements can have a significant impact on financial performance and shareholder value. Dell Computer has gained fame (and stock market returns) by virtue of having negative working capital requirements, as its rapid inventory turns and ability to get paid by customers faster than it pays suppliers upends traditional notions of working capital management.

Working capital reduction should be of prime interest to corporations, as it has a direct link to shareholder value. Logistics can affect working capital in multiple ways:

- Increased inventory turns
- Reducing safety stocks and network inventory levels

- Reducing receivables through improved order accuracy and information completeness (e.g., “the perfect order”), which will reduce customer discrepancies and accelerate invoice payments
- Improved cycle times, which increase inventory turns and accelerate the cash-to-cash cycle. Notes Richard Thompson of Cap Gemini Ernst & Young’s supply chain practice: “If you can cut the cash cycle down, there are millions of dollars there.”

Improved Return on Assets: Return on Assets (ROA), or profit divided by fixed asset value, is one of the primary corporate metrics targeted for improvement as a result of supply chain management initiatives.

Companies often have tens or even hundreds of millions of dollars tied up in their logistics systems, including distribution centers, material handling equipment, and transportation fleets. The capital required to acquire these assets comes from shareholders, who expect a favorable return from the company’s investments.

Logistics can directly improve the company’s ROA. Increased distribution efficiency and throughput can reduce requirements for capital for physical facilities and equipment, lowering the asset base, while increasing the profit from distribution center operations. Thus, both the numerator and denominator of the ROA ratio are positively impacted.

In many cases, improved logistics systems can reduce or eliminate the need for capital intensive material handling equipment while achieving similar efficiency benefits. Private fleets can be reduced via improved scheduling and management.

Many industries, such as consumer goods and food and beverage, are undergoing significant consolidation via mergers and acquisitions. This has often resulted in sub-optimal distribution networks that reduce ROA. Logistics can capture value by rationalizing these networks and maximizing throughput across business units with fewer physical distribution centers.

Emerging Sources of Value

Revenue and Market Share Growth: While there has always been tacit recognition that logistics impacts customer satisfaction and, therefore, top line growth, it has been difficult to quantify and often is dismissed as a “soft benefit” by upper management.

The good news for logistics professionals is that the role of logistics in driving growth and market share is increasingly understood and accepted, and that techniques for quantifying this impact are being developed.

Consider a leading consumer goods company, which in the past had focused its logistics measurement on cost and such metrics as “number of times a pallet is touched.” The company is currently undergoing a significant initiative to drive the efficiency, responsiveness and satisfaction of its distribution network, with the goal of driving revenue growth through greater penetration of local markets. To accomplish these goals, new metrics, such as “perfect order percentage” and total cycle times, are becoming the key performance indicators, as management drives process re-engineering to support revenue goals – not cost reduction.

The increasingly short lifecycle of many products also contributes to the ability of logistics to drive revenue growth. Shorter lifecycles increase the imperative for successful product launch.

The “time to volume” of many products is being aggressively accelerated. Logistics capabilities are critical for supporting new product introductions that can meet market demand, which are increasingly in huge volumes very early in the release cycle.

Flexibility: The need for flexibility and agility in logistics organizations has never been greater. As Dr. James A. Tompkins, president of the consulting firm Tompkins Associates, notes in his recent book *No Boundaries*: “Tolerating change is not enough and managing change is not possible. The power of change must be harnessed.”

Organizations that can quickly respond to changing logistics requirements, whether they are driven by external events (e.g., a merger or acquisition), internal process improvements, or new customer requirements, provide real value. The speed at which the logistics organization and its supporting business applications can implement new strategies and process improvements delivers benefits sooner, having a measurable impact on the bottom line. Organizations that can proactively work with customers to meet new requirements and synchronize logistics operations will drive down total supply chain costs, increase revenue, and gain market share.

Velocity: Supply chain and logistics excellence is increasingly defined by process velocity. This is related to flexibility (speed of process change) but also execution cycle times.

As Dr. Stephen Timme, president of FinListics, has written, “Increased speed creates a competitive advantage, provides the ability to offer products/services at lower profit margins, [and] increases returns to shareholders.”

CEOs understand the value of improved velocity. A recent survey described in *The Journal of Business Logistics* found that “delivery speed,” or “the ability to reduce the time between order taking and customer delivery to as close to zero as possible,” was one of the key values CEOs envisioned from their logistics organizations. In the consumer goods industry, for example, many companies are launching initiatives to reach one-day fulfillment cycle times for key customers as an important element of overall corporate strategy.

Functional Keys to Creating Logistics Value

The underlying sources of logistics value must be mapped against the functional or system vehicles that can deliver this value. These key functional areas are as follows:

Distribution Center Operations: Many companies, even those that have already implemented warehouse management systems, have significant hidden value within their distribution center operations. Common sources include opportunities to adopt industry best practices, improve labor productivity through enhanced task management, gain additional efficiencies through newer technologies such as pick face slotting and yard management, and many others.

Emerging areas such as reverse logistics are also creating new sources of value creation from distribution operations. Strategies such as postponement and the growth in value-added services in the distribution supports revenue and market share growth by enabling specialized logistics service bundles for specific customers or markets.

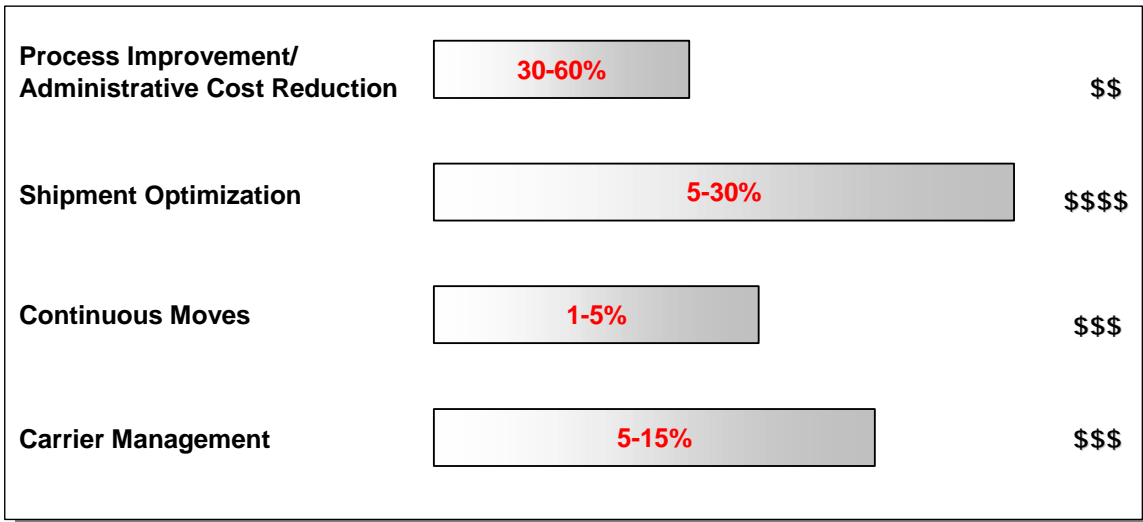
Transportation Management: Many companies have logistics value hidden among some or all of these transportation-related sources:

- Lack of enterprise-wide view of transportation requirements
- Lack of optimization in mode and carrier selection
- Inefficient, labor-intensive execution processes

Improved transportation management often provides some of the lowest hanging fruit for logistics value creation. Transportation, serving as the glue that links many supply chain activities, is receiving increased corporate attention and importance.

Transportation management primarily drives expense reduction, but increasingly impacts top line growth as well, for example, through enabling synchronized logistics operations between trading partners and providing delivery information to customers.

Improved Transportation Management Can Provide Significant Cost Savings



Productivity Management: Most companies have significant opportunities to increase the productivity of labor and other resources (such as material handling equipment) above and beyond the improvements that can be achieved through warehouse management system technology. Companies generally operate at 60-75 percent of their true logistics labor productivity potential.

Advanced productivity management provides "preferred methods" and discrete standards for performing logistics operations combined with robust, real-time labor reporting systems with labor planning and monitoring capabilities to substantially reduce labor costs and increase throughput.

Supply Chain Visibility and Real-time Control: In today's high velocity logistics environment, end-to-end visibility to inventory, orders and shipments across the supply chain is emerging as an essential capability to reduce network-wide inventory levels, maximize customer satisfaction, and respond dynamically to events that occur during the execution process.

However, the traditional focus of warehouse management systems has been limited to inventory within the four walls of a single distribution center. Higher level, aggregate inventory information has often been left to ERP or other inventory management systems. But, the level of supply chain visibility achieved through ERP has often proved inadequate to meet a company's supply chain needs, due to the way ERP has been deployed, the level of information detail, and the inability of ERP to easily integrate with other systems. Therefore, logistics systems must provide their own supply chain visibility in order to enable real-time control over logistics processes and execution.

Achieving real-time global visibility is a powerful value creator that can reduce inventory (working capital), decrease execution costs (operating expense), and increasing the level of responsiveness to customer order fulfillment needs (revenue growth). It also supports network flexibility and supply chain velocity.

Integrated Logistics: Even many well-managed logistics organizations operate in functional siloes, with such areas as distribution, transportation and inventory management having little direct process or system linkages. Significant value can be created through horizontal process integration across logistics execution operations, starting with the enterprise and ultimately integrating logistics flows across the supply chain.

For example, transportation planning and execution must be more tightly integrated with distribution to maximize efficiency and minimize cost. Load plans should be synchronized with pick wave planning to ensure optimal sequencing and minimal product handling. Transportation and warehouse systems should engage in electronic dialogs to negotiate costs, resources and constraints to develop optimal plans that span both functions.

Value is created when intelligent workflow dynamically triggers process integration between logistics domains based on actual execution events. For example, late arrival of an inbound truck may result in a new transportation plan, which then alerts DC operations to adjust to the new outbound schedule, and may trigger proactive web-based alerts to carriers and customers that there has been a change in the fulfillment plan.

Integrated metric systems also create value through the ability to provide near-real time visibility to key logistics performance indicators across the enterprise. This access to metrics and performance results serves to focus logistics professionals in multiple functional areas and domains on a consistent set of goals and objectives. It also enables more timely response to problems.

The following table summarizes the impact that different functional domains and processes have on the sources of logistics value.

Functional Keys to Sources of Logistics Value

Functional Keys	Traditional Value Sources			Emerging Value Sources		
	Operating Expense Reduction	Working Capital Reduction	Improved Return on Assets	Top Line Growth	Flexibility	Velocity
DC Operations	●	◐	◐	●	●	●
Transportation Management	●	◐	◐	◐	◐	◐
Productivity Management	●	○	◐	○	○	○
Global Visibility	◐	●	◐	●	●	●
Integrated Logistics	●	●	◐	●	●	●

- Highest value impact
- ◐ Medium value impact
- Lower value impact

Principle No. 3: Clearly Define and Measure Expected Results

Logistics scorecarding and performance measurement is emerging as one of the real keys to high performance supply chains. This is true on an on-going basis, but is essential when companies embark on new logistics technology initiatives.

After logistics value has been quantified relative to the proposed technology investment, it is critical that this potential then be translated into the specific operational metrics that must be achieved to drive expected results. This step is often ignored after the initial value assessment, business case presentation, and corporate approval / funding for the project, making it impossible to evaluate the success or failure of the initiative.

A simple model of what this result definition - tied to value quantification - should look like is as follows:

Functional Area	Current Performance/Metric	Expected Performance/Metric	Timeframe	Value from Improvement
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This information would be determined prior to launching the project, and would include all necessary improvement areas and metrics to support the goals and cost justification of the project.

It is important to note that often the goals or improvements may need to be sequenced, as specific process changes or software capabilities are phased in. In general, as many high profile technology failures can attest, it is better to sequence major functional or process elements, rather than deploying technology in a "big bang."

To allow immediate analysis and reaction, operational metrics should be captured in one of today's robust, on-line logistics scorecarding systems. This creates an end-to-end process in which operational metrics can be visually measured against the expected results defined for the project, providing easy access for executives and key functional team members.

Principle No. 4: Maintain Results-Focused Technology Deployment

Despite their best efforts to quantify value and define operational metrics, companies often fail to achieve measurable results because those charged with technology deployment, including vendors, consultants and company personnel, are not aware of or incented to maintain this results focus. This happens for several reasons:

- Lack of continuity from the vendor's sales and consulting teams to its implementation personnel
- Project pressure, which often results in a switch from operational results to project schedule and cost as the primary objectives
- Turnover of the project to functional managers less informed or focused on high level results expectations

These are understandable factors, but ones that companies can not allow to detract focus from the defined results expected from the project's undertaking.

Implementation teams - both internal to the company and from the vendor and consultants - must begin their work with a clear grounding on the expected results defined as the basis for the project. These results expectations must be kept front and center during the course of the implementation, and should be the filter through which all important decisions are made.

For example, potential modifications to the base software must be viewed within the context of expected results. Does the proposed modification clearly impact one of the important project metrics? Or is it paving over a cow path, with little impact on expected results from the project?

By maintaining a laser focus by all parties on expected operational results throughout the implementation cycle, companies will greatly improve their chances of delivering the value initially promised.

Principle No. 5: Continuously Audit Results

It is essential that companies measure the results being achieved from the logistics improvement project at regular intervals and perform root cause analysis if expected results are not being achieved.

While the need for this type of approach to a major technology implementation seems obvious, few companies actually do a rigorous job of measuring the actual results of projects and taking the appropriate corrective action if results are not meeting expectations.

Failure to meet operational objectives for a project can usually be traced to one or more of the following factors:

- Failure to actually follow the process as designed during earlier phases of the project
- A poorly designed process
- Software that has not been configured appropriately to meet the process and project goals

The project methodology should include pre-scheduled audits of actual results and review of the process and software configuration. This greatly increases the likelihood that any problems will be caught early in the "go-live" cycle and that appropriate response can be taken to get the results back on track.

By applying these five principles and the requisite technology, companies can unlock the hidden value of logistics within their enterprises and across their extended supply chains to achieve measurable results and become industry leaders.

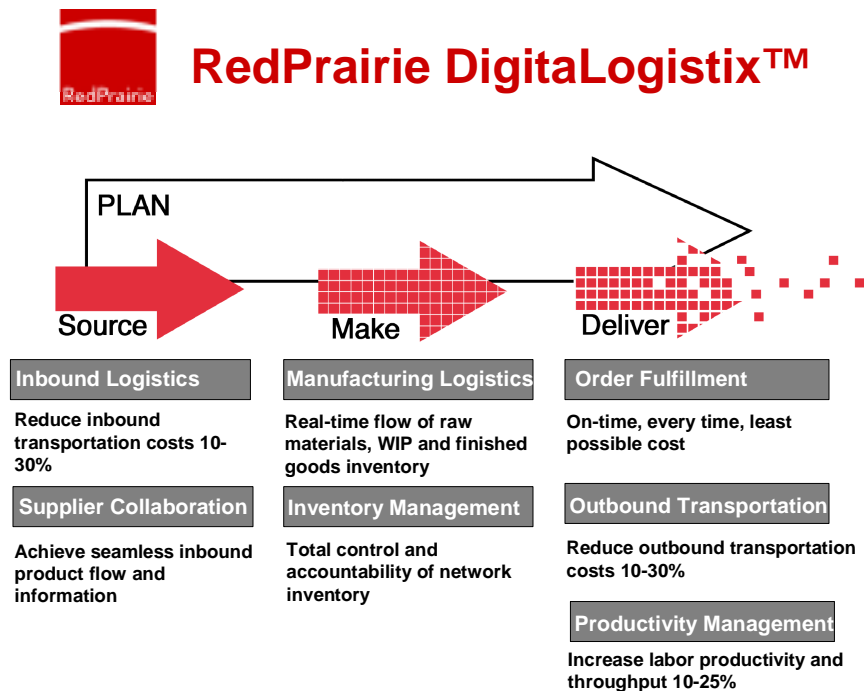
RedPrairie - A Better Way of Delivering Logistics Results

RedPrairie employs the five key principles of the results-focused methodology (the RedPrairie Approach) and the industry's most comprehensive suite of end-to-end logistics solutions to ensure customers achieve measurable results in logistics. RedPrairie customers achieve lowest cost logistics, thrive in the high velocity supply chain, and differentiate themselves from their competition, leading to increased revenue, market share and customer satisfaction.

How do we do this?

The Logistics Industry's Most Comprehensive Product Line

RedPrairie delivers the industry's most comprehensive suite of integrated logistics solutions, enabling our customers to drive out costs across the entire supply chain. RedPrairie radically increases logistics performance end-to-end, across the key logistics flows that run through the supply chain processes of *Source, Make and Deliver*, with a powerful set of capabilities that can be deployed stand alone to solve specific problems, or together to solve complex challenges and achieve the benefits of integrated logistics operations.



The RedPrairie Approach

Too many solutions providers focus on selling software, with little real attention to customer results achievement once the purchase decision has been made. RedPrairie is a different kind of company because we have totally aligned our company's culture, processes and products to ensure you achieve the results you expect from our solutions.

The RedPrairie Approach provides laser focus on ensuring our customers realize expected value from our solutions. Throughout the process, we work with our customers to quantify value, define results to be achieved (we call them *RPM's* - Red Prairie Metrics), design, configure and implement solutions that will achieve those results, and measure our success. It is a fundamentally different approach than that of almost every other software provider.

The RedPrairie Logistics Operations Analysis

Key to the RedPrairie Approach is our Logistics Operations Analysis (LOA), a tightly focused assessment of specific aspects of a company's current logistics process, performance, technology and objectives. This assessment is then mapped against current industry best practices, opportunities for process improvement, value drivers, system implementation costs, and economic justification. The result is an objective benchmark of current logistics performance against obtainable levels of excellence, and a clear roadmap of how a company can migrate from current processes and operating results to the desired future state. The LOA provides companies with the information they need to make informed, financially sound decisions on logistics process improvement and automation.

Summary

For most companies, logistics costs are high, rising and greater than management currently understands. This provides a rich opportunity to drive out supply chain costs and contribute to the bottom line.

However, too many companies have failed to achieve the results they expect from technology investments. By clearly linking supply chain strategies and operational metrics to overall corporate strategies, and maintaining a laser focus on clearly defined results throughout the selection, design and implementation of software solutions, results-focused companies achieve the value they expect from new technology.

RedPrairie can help deliver this value with a breadth of solutions and a results-focused approach fundamentally different than any other software vendor in the market. We help you solve your logistics problems today, and ensure you receive the results you expect from our solutions.

About RedPrairie Corporation

RedPrairie delivers superior logistics results by driving out more logistics costs than anyone in the industry, and enabling customers to consistently achieve their supply chain objectives. This is accomplished through an integrated suite of DigitaLogistix™ solutions that provide the industry's leading transportation, productivity, and distribution management capabilities, enhanced with action-oriented components for real-time control and performance measurement. These solutions are deployed through an end-to-end value delivery system (the RedPrairie Approach) that ensures results achievement. RedPrairie delivers measurable results for customers in many markets, including high tech and electronics, consumer goods, food and beverage, third party logistics, retail and wholesale, service parts, and make-to-order manufacturing. For additional information, call 1.888.624-8448, or access www.RedPrairie.com.

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