TRANSPORTATION

10.13 | EB 7826

Q&A: PROFITABILITY ANALYTICS FOR THE TRANSPORTATION INDUSTRY

GAINING TRANSPARENCY AND INSIGHT FOR BETTER, FASTER DECISION MAKING

TERADATA.

In the past, averages and intuition were good enough. Getting packages or containers delivered quickly and cost effectively was enough to keep customers happy and profit margins stable. Not anymore.

In this Q&A, Shaun Connolly, international program director for transportation and logistics at Teradata, talks about how today's transportation, distribution, and logistics companies need to have far greater transparency into profitability to be successful in this increasingly price-competitive industry.

Q What are some of the typical challenges for transportation companies when it comes to understanding what's profitable and what's not?

A The continued reliance on averages and cost models. If a transportation company measures profitability on average, they are missing out on the details that will drive lower cost and increased profitability. For example, let's say a company is using an average profitability model and, based on this, believes that a particular customer is providing an 18 percent margin. Certainly, there will be areas where customer profitability is actually 25 percent or 30 percent, while at the same time, there are other areas, such as shipments or products where the customer is driving a negative 20 or 30 percent. Obviously, the goal is to do more of the profitable and less of the not-profitable business. Transportation companies can't get that level of insight by relying on averages, and they can't make the right business decisions to fix areas where they're losing money.

Q How is profitability analytics different from the financial reports on profit and revenue that are currently relied on?

A I recently had a transportation executive say to me, "All the reporting I see is in dollars, but we move boxes." That statement sums up the problem executives have today. Financial reports give you a snapshot of profitability and revenue from the accounting perspective, but ERP systems don't integrate operational, commercial, and financial data with a robust allocation engine to deliver critical insights so that you can understand your costs at the *box level*.

Shaun M. Connolly

International Program Director
Supply Chain, Transport, and Logistics

Teradata

Shaun Connolly is the global champion for driving industry initiatives and solutions across the supply chain, from transportation providers and postal and package delivery organizations to logistics providers and distributors. This includes developing the worldwide strategy, portfolio planning, and prioritization for this diverse set of supply chain players. Prior to joining Teradata in 2005, he spent more than 15 years gaining global experience and expertise in supply chain, operations, project, technology, and implementation management.

The result is that you don't get the whole picture, and you certainly don't get the level of detail—such as profitability by customer, by service, by geography—that you need to make better, faster business decisions.

Q What types of insight can we get from profitability analytics that we don't have today? What value will it bring to transportation businesses?

A They'll be able to understand the profitability of each customer, shipment, facility, lane, geography, and more—whatever their lowest level of detail needs to be. This means they can understand who their most profitable customers are, and, as I mentioned before, why those customers are profitable. They can gain insight into which services those customers are using and the profitability of each service. They can learn exactly why certain products, shipments, or lanes are more expensive. The value is enormous when you think about having the insight into where and when you can raise prices, or knowing when customers are about to leave and taking action to prevent that. You can make the kind of informed decisions that let the competition have the unprofitable customers, packages, shipments, or lanes.

Q What is the biggest challenge transportation companies have in implementing profitability analytics?

A To gain agreement throughout the organization that the analytics capability they're creating is an integrated, single view of the business. It is not a financial view only. Often, the finance organization will lead the analytics project, and the tendency is to build data models that work for financial data. If those data models don't include all the transactional and operational data needed to drill down to see why a customer or lane or container is profitable or not, then the finance people won't be able to solve problems that impact profitability. A good data model will probably need to extract data from the enterprise resource planning system, the freight bill payment system, the transportation management system, the customer relationship management system, and more; so it's not a finance project, it's an enterprise-level project.

Q What Teradata solutions provide the level of analytical capabilities that transportation companies need to gain detailed insight into profitability?

A First of all, we have a comprehensive solution that includes industry expertise and services and transportation-specific tools and technology. Our services team has deep experience in outsourced logistics, freight forwarding, rail, postal and package delivery, distribution, ocean/steamship, and trucking markets. We know the transportation industry and are best positioned to help you plan, design, and deploy a successful profitability analytics solution.

We also have transportation-specific tools that can help jump-start your efforts and shorten your implementation time. These are proven tools we've developed from our experience in the transportation industry and include our Teradata® Transportation and Logistics Logical Data Model, Teradata Data Integration Roadmap, and Teradata Value Analyzer.

And, of course, our technology includes software and hardware products that give you the critical functionality, data, and analysis that let you achieve the goals of your analytics implementation.

10000 Innovation Drive Dayton, OH 45342 teradata.com

EB-7826 > 1013