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Whether by air, rail or highway, transportation gets a boost from KM

By [Phil Britt](#) - Posted Jul 10, 2007



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Transportation companies are relying on knowledge management to track fleets, maximize revenues and reduce operating costs, as well as to gain other benefits.

Fueling profits

Jets.com, a private jet charter service, has turned its business model around and seen its revenue grow 300 percent in April 2007, compared to the same month a year earlier, says CEO Nate McKelvey.

When it first began operations in the late 1990s, Jets.com would try to match passengers with charter jet operators. While that was fine as far as it went, the jets themselves would often fly from origination to destination without a return trip. This meant that the jet operator would fly an empty vehicle on the return trip. Although charter fares are based on roundtrips even if the flight is one way, returning an empty jet or letting the jet sit idle for one or more days for a return trip was inefficient, McKelvey explains.

So, Jets.com launched a new logistics business earlier this year, enabling passengers, jet operators and brokers to locate each other for maximum efficiency. That way, a pilot/owner who flies a charter from Chicago to Dallas, for example, can look for passengers seeking charters from Dallas to another destination. Jets.com built the system internally, but has since outsourced it, according to McKelvey.

"This relieves the aircraft operator of the logistics function," McKelvey says. "The aircraft operator can maximize the use of his asset [the jet]. It's very expensive to move an empty aircraft. Now an aircraft operator can use this information to fly from point to point [with passengers]."

Additionally, the operator can use the information to take his or her aircraft to areas of the country with high demand during certain seasons, rather than letting the aircraft sit idle in a location with little traffic, McKelvey says. Brokers can use the system to match operators and passengers.


Reducing expenses

Multinational companies with offices and plants in different parts of the world face the challenge of shipping products via a variety of methods (air, rail, sea, train, truck) and via a variety of carriers (DHL, Federal Express, UPS and so on). By using a central ordering system and establishing account



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relationships with carriers offering discounts based on total tonnage, companies can keep transportation costs in check, says Frank Cirimele, VP of Agistix (agistix.com), which provides Web-based logistics management, an application that enables a company to centralize logistics management across various carriers and various modes of transportation.

Typically, local managers make decisions regarding shipping from their plants—decisions that may or may not abide by corporate policy, Cirimele says. If the local manager ships with a different carrier that he personally prefers, the company may incur higher direct costs on some shipments and lose out on some tonnage discounts on others switched from the preferred carrier, according to Cirimele. Some companies have saved 10 percent to 20 percent on their shipping costs by centralizing the logistics function so that corporate policies can be enforced, he adds.

By entering all of the shipping information on the Web, the application can ensure that managers and employees follow company shipping guidelines.

“Before, companies would send out routing guides with preferred carriers, but there was very little chance those routing guides would be followed,” Cirimele says. “Over the last couple of years, globalization and increased fuel costs mean that shipping costs have grown exponentially. Rules-based systems ensure that everyone follows company guidelines.”

Lowering the frequency of repairs

When a railroad engine or car becomes disabled on the tracks, it’s more trouble than just having a vehicle out of service. It also means that the track is out of service, so other trains in the system are delayed as well, thus losing revenue not only from the derailed train, but also from the ones behind it. Additionally, it’s much more costly and time-consuming to repair a train in a remote location than in the station.

Train problems are often tied to equipment failures, such as brake or engine trouble, according to Larry Toms (larrytoms.com), a Pensacola, Fla.-based consultant, who worked with Exsys to develop a system to monitor impurities in lubricants. As the impurities rise, the chance of system failure increases. So Toms and Exsys developed a system to measure the impurities in lubricating fluids at specified intervals and feed that information into an expert system that notifies the rail operator if the train is near a failure. Canadian Pacific, Canadian National, CSX and, most recently, Burlington Northern Santa Fe, are using the system to help recognize when trains are near failure.

Typically, Toms says, the rail companies have saved \$8 to \$10 in maintenance costs for every dollar spent on the expert systems.

Increasing customer satisfaction

With the quickly rising oil prices of the last few years, national airline companies have been hard pressed to stay out of bankruptcy, let alone earn a profit. However, Continental Airlines’ (continental.com) stock price tripled between mid-May 2005 and mid-May 2007.

One of the factors in Continental’s performance was its use of knowledge management in customer care applications. Continental had used different databases for reservations, on-location flight and gate information, frequent flier programs and other records. After moving 45 different customer databases to an enterprise data warehouse, employees at Continental Airlines are now able to identify frequent flyers on board their aircraft,



request assistance for delayed passengers with connecting flights and detect fraudulent lost baggage claims.

As a result, customers who are delayed overnight may get differential treatment, with the higher-value customer automatically getting an upgrade to a four-star hotel over the three-star norm, says Monica Smith, travel industry consulting partner with [Teradata](#).

Similarly, the enterprise data warehouse is the lynchpin to Continental's Elite for a Day program, which rewards business travelers paying high fares with special perks, adds Anne Marie Reynolds, Continental Airlines enterprise data warehouse technical director.

"The enterprise data warehouse is the only place where we have all of the [customer] information in one place [so] that we can figure out who meets the requirements; and we're able to do it on a real-time basis," Reynolds says.

Reynolds says the airline hopes to further improve customer satisfaction by enabling reservation agents to handle customer care complaints as well as reservations, rather than transferring the customer with a complaint to the customer care department. That application is under development.

Comprehensive chat

[Gemini Traffic Sales](#), a firm with 300 refrigerated trucks that deliver food nationwide and a distributed dispatch system, includes fuel surcharges as part of its billing. With average diesel prices going up along with the cost of all energy, it was important to make sure that all surcharges were included on bills, says Tim Krauskopf, former CFO at the company and now an independent technology consultant.

The challenge was that the billing often lagged the actual work, with the price of fuel changing in the interim. "And we had no convenient place in the company to put this information so that we could analyze it to look for a trend," Krauskopf adds.

While building a database for this information was an option, it was a more expensive solution than the company wanted to pursue, Krauskopf says. Also, adding and extracting information from a database takes some training. A simpler, more cost-effective solution for Gemini was MindAlign, an enterprisewide online chat system from Parlano ([parlano.com](#)).

"This gave us more value than a database because it provided better accessibility," Krauskopf says. "We use it as a knowledge management tool." The company uses the tool for recording billing information, to help with dispatches (matching goods and trucks) and for other needs.

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