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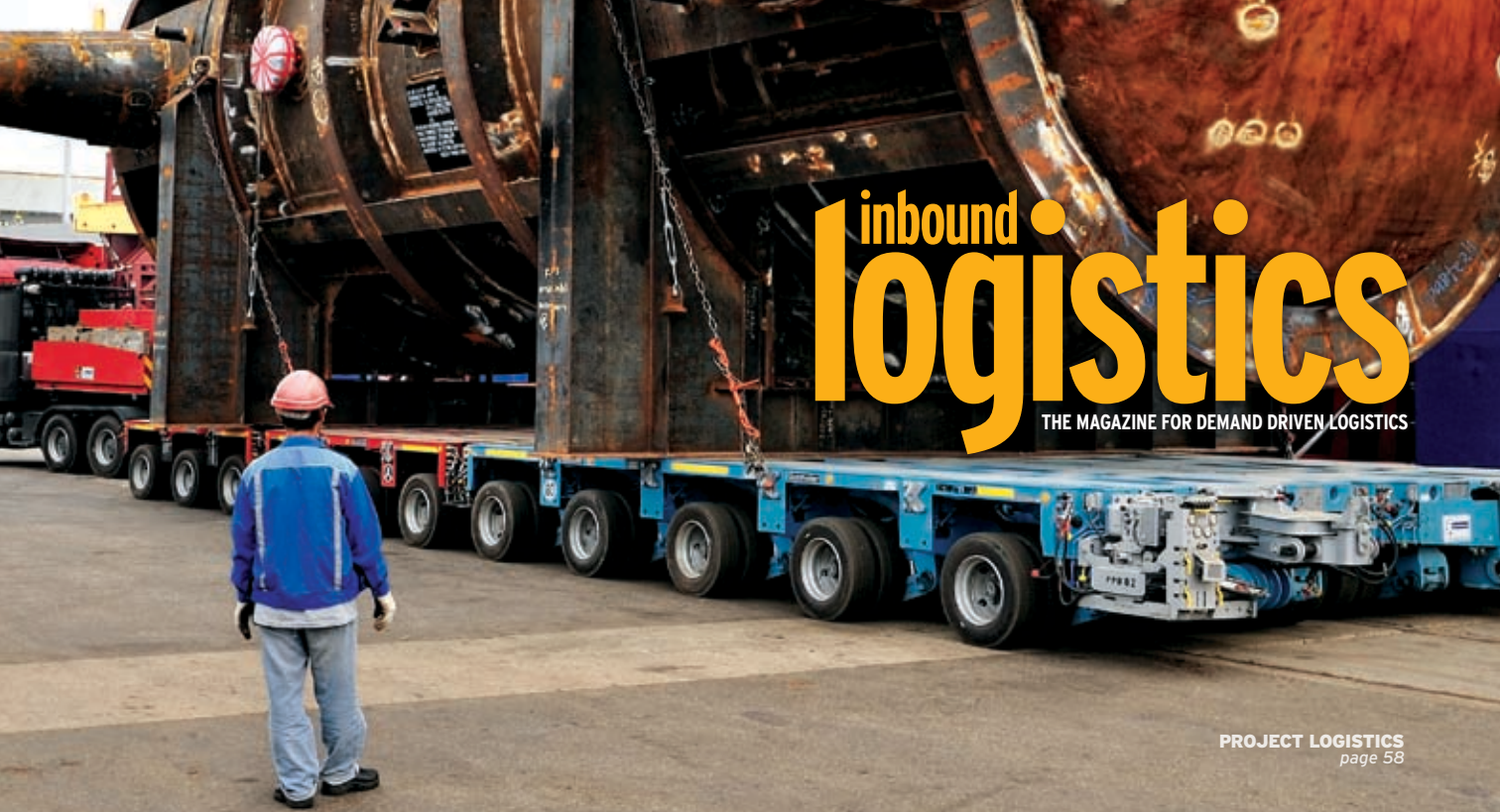
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CHECKING IN

Felecia Stratton

by Felecia Stratton | **Editor**



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STAFF

PUBLISHER Keith G. Biondo
publisher@inboundlogistics.com

EDITOR Felecia J. Stratton
editor@inboundlogistics.com

ASSOCIATE MANAGING EDITOR Catherine Harden
charden@inboundlogistics.com

SENIOR WRITER Joseph O'Reilly
joseph@inboundlogistics.com

ASSOCIATE EDITOR Perry A. Trunick
ptrunick@inboundlogistics.com

CONTRIBUTING EDITORS

Mike Breslin • Merrill Douglas
Amy Roach Partridge • Deborah Ruriani

CREATIVE DIRECTOR Michael Murphy
mmurphy@inboundlogistics.com

SENIOR DESIGNER Mary Brennan
mbrennan@inboundlogistics.com

PRINT/WEB PRODUCTION MANAGER Shawn Kelloway
production@inboundlogistics.com

PUBLICATION MANAGER Sonia Casiano
sonia@inboundlogistics.com

CIRCULATION DIRECTOR Carolyn Smolin

SALES OFFICES

PUBLISHER: Keith Biondo
(212) 629-1560 • FAX: (212) 629-1565
publisher@inboundlogistics.com

WEST/MIDWEST/SOUTHWEST: Harold L. Leddy
(847) 446-8764 • FAX: (847) 446-7985
haroldleddy@inboundlogistics.com

Marshall Leddy
(763) 416-1980 • FAX: (763) 201-4010
marshall@inboundlogistics.com

MIDWEST/ECONOMIC DEVELOPMENT: Jim Armstrong
(815) 334-9945 • FAX: (815) 334-1920
jim@inboundlogistics.com

SOUTHEAST: Gordon H. Harper
(404) 350-0057 • FAX: (404) 355-2036
south@inboundlogistics.com

MOBILE, AL: Peter Muller
(251) 343-9308 • FAX: (251) 343-9308
petermuller@inboundlogistics.com

NORTHEAST: Rachael Sprinz
(212) 629-1560 • FAX: (212) 629-1565
rachael@inboundlogistics.com

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Customer Service: Who Needs it?

Last weekend, I finally compiled my holiday shopping list and headed out to brave the crowds. I live within 10 miles of Kmart, Walmart, and Target, but I will never again set foot in one of those. I usually have patience when shopping, but several bad customer service experiences—long checkout lines, unhelpful help, and out-of-stock disappointments—cost that retailer a customer.

Those experiences got me thinking: is customer service a subset of logistics? Can a company have great supply chain management but lousy customer service? Or is it a given that companies excelling at supply chain management also offer exceptional customer service?

During a recent visit to a crowded Apple store, my salesperson and cashier were one and the same. After he persuaded me to make a purchase, he rushed over with a handheld device. After a simple swipe of my credit card, I was quickly out the door. No more buyer's remorse while waiting in a slow checkout line. Apple takes point-of-sale customer service literally.

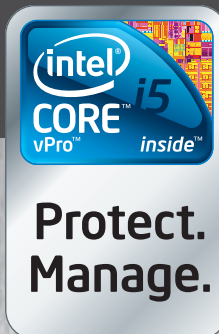
Best Buy has similar customer service-friendly mechanisms in place at its stores. Sales reps are easily recognizable and equally convincing, and the Geek Squad is front and center waiting to answer any tech support questions. If they can't fix your problem, they can sell you what you need to fix it, and there's a smiling salesperson and cashier ready and willing to help complete your purchase.

Beyond the consumer-facing, personal communication world of electronics and "best bought" Apples, customer service and logistics excellence intersect at many points throughout supply chains. What consumers demand in terms of product quality and availability, service and support, retailers expect as much and more from their distributors, service providers, and vendors.

Amy Roach Partridge's article, *Managing a Customer-Service Supply Chain* (pg. 34), illustrates how logistics and customer service complement each other. Examples include how Agility is helping automotive retailer Pep Boys consolidate purchase orders and ocean freight; and why McCain Foods relies on C.R. England's transportation services to deliver French fries to food service distributors and restaurant chains across the United States. In both cases, customer service is at the forefront—creating efficiencies and economies upstream in the supply chain, while capturing sales at the demand point.

For retailers and manufacturers, supply chain management and customer service overlap. You can have one without the other. But to survive and grow in today's competitive, demanding economy, you have to be proficient at both. ■

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10TIPS

STEP-BY-STEP SOLUTIONS

by Deborah Catalano Ruriani



Cutting Costs When Shipping Perishables

Timing is crucial when shipping perishable products because shelf life is at stake. Moving perishables domestically requires product to be inspected and released for delivery, and each state has its own agricultural regulations. Importing perishables involves a host of other issues, including clearance by three U.S. government agencies. To avoid costly delays when shipping perishables, follow these tips from Jacksonville, Fla.-based Crowley Maritime Corporation's Nelly Yunta, general manager of Customized Brokers, and Kip Douglas, director of U.S. truck brokerage services.

1 Know the seasonality trend in your focus regions. Adjust shipping volumes and patterns to take advantage of excess and restricted capacity, which will reduce transportation costs.

2 Purchase an annual bond. Securing an annual bond shows Customs—and customers—you are a serious importer and plan to continue importing to the United States. You'll also save money by avoiding expensive single-entry bonds.

3 Become a C-TPAT member. Joining the Customs-Trade Partnership Against Terrorism program expedites the release of your cargo and reduces the number of inspections, which helps aid prompt cargo availability.

4 Include all the commodities to be imported on a single USDA import permit. Not having to file multiple USDA import permits saves time and money.

5 Ask carriers for extra time to load and unload cargo. Avoid demurrage and detention charges by negotiating additional free time.

6 File Importer Security Filings (ISFs) on time. Late filing can rack up \$5,000 in penalties.

7 Make sure your carriers properly load cargo for airflow and secure it in the ocean container or domestic trailer. Lack of airflow can cause thousands of dollars worth of damage to perishable shipments. Proper loading also prevents cargo from being damaged by shifting in transit.

8 Ensure pallets comply with the USDA's wood packaging material regulations. Using untreated wood packaging materials violates the USDA rule. When loading ocean containers or domestic trailers, ensure the treatment stamp on pallets and cartons is visible when doors are open and inspections are done. If the stamp is not visible during the inspection, cargo will be marked for stripping and, if it is not in compliance, the shipment will be re-exported or rejected.

9 Instruct handlers to place sample boxes by the door when loading mixed commodities on a reefer. This step facilitates inspections and expedites releases, which means product spends less time in transit and more time on the store shelf.

10 Avoid loading produce at night. Insects and other pests can get inside containers and require treating and possibly re-exporting the shipment. If you must load at night, use mesh tarps during the loading process to reduce the risk of insects getting into the container. ■

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[INPERSPECTIVE]

BY PERRY A. TRUNICK

Associate Editor, Inbound Logistics
ptrunick@inboundlogistics.com

When No One Listens, It's Time to Shout

Quiet, rational urging doesn't work. I now feel the need to shout: our industry needs a unified voice.

When you see a toddler about to stick his hand into an open flame, you don't speak in a passive voice, "Hands should not be put into flames." You shout, "*no!*" and rush to stop the child from injuring himself.

That's the feeling I got during the November 2010 National Industrial Transportation League (NITL) annual meeting, where there were enough passive voices to fill a burn ward with toddlers. While spirited discussions and significant efforts to keep the industry from harm did take place, the conference's outward tone didn't match the urgency of current conditions.

Market forces, regulatory actions, environment, safety—the issues facing the transportation industry don't stop coming. NITL's small staff slogs up to Capitol Hill and various governmental offices, doing their best to raise awareness and promote positions that are beneficial to regulators, the industry, and the public at large. I have no doubt that the staff are working hard, but they must often feel they are shouting into the dark.

Couldn't they could do more if they had the weight of the transportation industry behind them? It doesn't add to their credibility when a major mode such as rail threatens to pull its NITL support.

An example of an issue that may have been historically sensitive but today has value for all the modes is

size and weight. Rail intermodal isn't a fledgling industry struggling to compete with trucks. It is a strong, desirable mode. If railroads don't get a pricing benefit for having more weight in those trailers they are hauling, perhaps they should revisit their pricing structure. That's another issue, though.

The point is, there are solutions that work for everyone—some more than others—but the "greater good" is served when we improve service and efficiency, and ensure a strong, economically viable transport industry to meet those needs.

SIGNIFICANT SPENDING

Logistics costs continue to hover around 10 percent of the gross domestic product, and North American companies spend 11 percent of their revenues on logistics, according to a recent Cap Gemini study. If that percentage sounds low, consider that it is the narrow end of the commerce funnel that controls the flow of trade and, therefore, wealth.

Or, consider that we call it a crisis when 90 percent of Americans have jobs and 10 percent are unemployed. It's not just the size of the number, but

the significance of what it represents that counts.

The fragmented approach to industry representation in the face of major issues including air cargo security, motor carrier hours of service, safety, and size and weight rules doesn't appear to be gaining enough traction for the industry as a whole. If the railroads can't sit in a room where increased trailer weights are being promoted, they're missing the point.

Listen to shippers' challenges to reduce costs and improve transportation efficiency. Consider that motor carriers face a driver shortage that could be exacerbated by stricter hours of service rules and increased scrutiny of safety records. They both need rail intermodal as a long-haul solution. And more weight means more freight in those containers and trailers moving by rail, so it's more efficient for everyone.

That may not be the argument that turned the railroads away from supporting NITL, but it demonstrates one reason the transportation industry needs a unified voice that is loud and clear about serving the U.S. economy.

The NITL used the tag line "The voice of the shipper" for most of its 103-year history. A strong, authoritative voice carries more weight than a lot of shouting, so let's help NITL become the voice for freight transportation. ■

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READER PROFILE

by Merrill Douglas

The Persuader

Joe Perillo's business motto is "Leadership through influence." As director of supply chain, logistics, and lean enterprise at PTR Baler and Compactor, Perillo spearheads business improvements to help the well-established manufacturer climb to even greater levels of success. But he can't force those changes.

"I work with my peers; they report to the president, just as I do," says Perillo. So instead of declaring, for example, that from now on the sales and operations teams will collaborate to

create demand forecasts, he must persuade his peers to try this approach.

Based in Philadelphia, PTR manufactures trash compactors—used in retail stores, warehouses, restaurants, and other facilities—and balers that are used in recycling centers and retail stores. Besides selling those products to end users around the world, PTR services its own and competitors' equipment.

Perillo is responsible for purchasing, inventory management, warehousing, and inbound and outbound transportation. He's also charged with making the company more process- and policy-driven. As part of that lean mission, he helps PTR capture and analyze data to fuel better business decisions.

For example, the company is creating a unique part-numbering system, so it can track not just which baler and compactor models it sells, but in what configurations. This information is essential for inventory planning and for



The Big Questions

What do you do when you're not at work?

I love spending time with my wife and our four daughters. We enjoy hosting dinner parties or afternoon barbecues for friends and family. I also like tackling small home improvement projects; they're great stress relievers.

Ideal dinner companion?

Jesus or President George W. Bush.

What's in your laptop bag?

Trade magazines, phone and laptop chargers, and industry whitepapers.

First Web site you look at in the morning?

I go through MSN.com and Google to find information on the recycling industry and commodity costs. I also go to Bloomberg.com to check customers' stock prices.

If you didn't work in logistics, what would be your dream job?

High school football coach.

BALE IT UP

NAME: Joe Perillo

TITLE: Director of supply chain, logistics, and lean enterprise

COMPANY: PTR Baler and Compactor, Philadelphia, since 2007

PREVIOUS EXPERIENCE: Aircraft technician, U.S. Marine Corps; FAA-certified aircraft maintenance supervisor, Continental Airlines; production plant manager, Cardone Industries; advanced lean manufacturing specialist, DVIRC

EDUCATION: University of Phoenix, BS in business management, 2007

delivering to customers on time.

One of Perillo's first chances to innovate at PTR emerged early in 2008, just after he joined the firm, when steel prices were soaring. To protect itself from future increases, PTR started buying steel in bulk, three months ahead of its need. It paid a trucking firm to pick up the steel from suppliers, store it, and deliver it as needed.

As a lean practitioner, Perillo wasn't wild about the extra materials handling. "It went against everything I would do to remove waste," he says.

So he devised a better solution. PTR would buy steel from fewer suppliers. It

would still order three months' supply at a time, to lock in prices. But in exchange for the increased volumes, suppliers would manage the inventory, invoicing on delivery every two weeks.

This strategy continues to benefit PTR. "We win, because we control the costs," Perillo says. "The suppliers win because they get a bigger portion of our business."

Today, Perillo is leading an effort to develop a real-time, automated inventory of finished products and parts. These include systems that the company builds to order and systems that it builds to stock, based on forecasts. He's

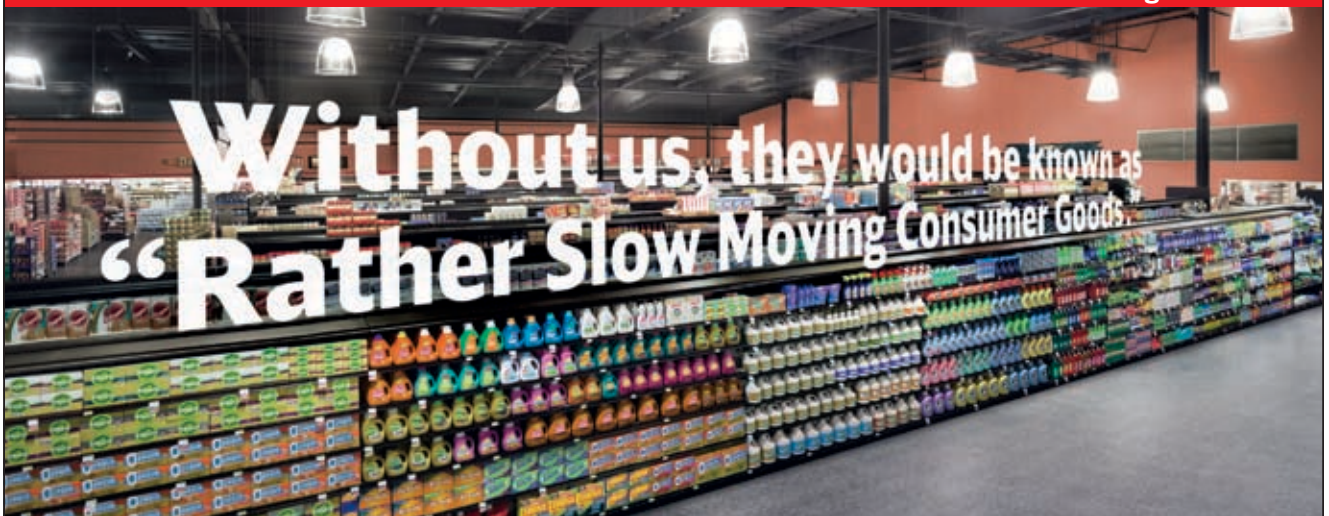
also making plans to build up inventory during the fall and winter, when retailers are too busy with holiday sales to install new trash compactors or balers.

"When orders start to pick up for the products that we know will move, we'll have them in place," Perillo says. "It will give us the ability to ramp up to the new production level, and let our inventory offset the initial demand."

In a profitable and conservative business, introducing change can be a challenge. But at PTR, Perillo's knack for leadership through influence is helping move the company to the next level of success. ■



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NOTED

THE SUPPLY CHAIN IN BRIEF

UP THE CHAIN

Brookshire Grocery Company promoted **Scott Reily** to senior vice president of logistics and **Don Gilbreath** to vice president of transportation logistics. Reily, a 30-year veteran at the company, is responsible for all aspects of warehousing and transportation operations. Gilbreath, director of transportation logistics since 2007, manages all transportation functions, as well as the company's distribution center in Monroe, Texas.

Family Dollar Stores named **George Zeeff** vice president, supply chain improvement. Zeeff began his career at Family Dollar in 2008 as divisional vice president of supply chain improvement. Prior to that he served as a senior solutions development consultant at Dematic Corporation.

Dickten Masch Plastics promoted **Carl Lider** to general manager of its Wisconsin operations. A recent veteran of the Iraq War, Lider has worked at the company for 12 years, most recently as plant manager of the Nashotah facility. With expertise in Six Sigma and lean best practices, he is responsible for logistics and production.

Biotech company **China-Biotics** appointed **Hui Chang** as chief operating officer. Chang holds a Ph.D. in vaccine development and an MBA with concentration in logistics and finance in the vaccine industry. Prior to this appointment, he was a private consultant and senior manager at Nabi Biopharmaceuticals, which makes bacterial and viral vaccines.

Steve Wolfe has joined **Stanley Furniture** in the new position of vice president of global supply chain and logistics. Wolfe has an extensive background in supply chain management and synchronization, domestic and international transportation, inventory management, and forecast and demand planning. In his new role, he manages Stanley Furniture's supply chain and provides strategic and managerial leadership as the company transitions from a partially domestic manufacturing model to a sourced one.



soundbyte

“We have to regain prosperity the old-fashioned way – not by household borrowing and spending but by earning it through innovation, increased production, and aggressive marketing in other countries.”

– Scott Davis, chairman and CEO, UPS

GREEN SEEDS

PUMA North America commissioned **Damco** to map the carbon footprint of its Sportlifestyle brand's supply chain operations into North America. The study will track carbon emissions generated through product delivery cycles for one year. The data will be monitored from the point of cargo ownership at foreign ports to the United States through distribution centers to customer warehouses and store locations across all modes.



McKesson Corporation and **IBM** are partnering on an initiative aimed at reducing carbon dioxide emissions and trimming drug distribution costs. Working with researchers and business consultants, the pharmaceutical distributor is using IBM's Supply Chain Sustainability Management Solution to aggregate supply chain, sales, and geographic data to create “what-if” scenarios that enable distribution network modeling, supply planning, inventory positioning, vehicle routing, and sustainability management.

SEALED DEALS

► **D+S Distribution**, a Wooster, Ohio-based 3PL, is leveraging its ties with the regional chapter of the Swedish American Chamber of Commerce to land new business—picking, packing, and shipping energy-efficient lighting fixtures made by **Nordic Light** to U.S. retail outlets. The Swedish manufacturer joins five other D+S Distribution clients served out of a 100,000-square-foot facility the 3PL company leases from ProLogis.



Avcor, a developer, manufacturer, and marketer of premium compression dressings, thermal compression bandages, and I.V. aids, has implemented **Deposco's ShipForce Warehouse Management System**. The 3PL's solution eliminates five separate manual quality assurance checkpoints, thus saving labor costs. In addition, the Deposco business case identified potential savings in inventory carrying costs, which is critical to maximizing Avcor's invested capital.

Fisher Ranch Corporation, a grower, packer, and shipper of melons, lettuce, and broccoli, has extended its contract with **CHEP**. Fisher now uses the supplier's pallets to transport produce between its facilities in California and Arizona to supermarkets, club stores, and foodservice distributors throughout North America. As a result, the produce company has improved shipping platform quality, consistency, and productivity, and reduced product damage.

Schuff Steel has implemented **Greatwide Logistics'** managed transportation service at five locations in the southwestern United States. The 3PL manages all of the steel fabricator's transportation functions, including procurement, planning, dispatch, execution, and distribution, from its 24-hour, 365-day Transportation Operations Center in Dallas.



recognition

ABF Freight System has become the only six-time winner of the **American Trucking Associations' President's Trophy**. The award is presented annually to carriers in three categories based on cumulative miles driven. ABF earned recognition in the More Than 100 Million Miles category. The carrier also placed third in the less-than-truckload category for local carriers of general commodities, 50 million to 100 million miles.

▼ **Covenant Transport** has received a **Fleet Safety Award from the Tennessee Trucking Association** as one of the top three carriers for highway safety in the Truckload Over Seven Million Miles category. The honor recognizes Covenant's high level of performance in keeping its fleet, cargo, and the motoring public safe on Tennessee highways.



Covenant award winners Michael Smith, director of safety (left), and Doug Cook, VP of safety.

Shippers Warehouse's Grand Prairie, Texas, facility was recently awarded an **"A" rating as a result of its British Retail Consortium (BRC) certification audit**. The facility is now listed on the BRC Registry as only one of four sites in the United States to hold this distinction. The BRC Global Standards are a suite of four technical benchmarks that specify requirements for safely producing, packaging, storing, and distributing food and consumer products.

Systems Services of America's Phoenix, Ariz., and Los Alamitos, Calif., facilities won Quiznos' top two **Distribution Center of the Year** awards. Each year, 15 distribution centers, representing various vendors servicing more than 3,200 of the restaurant chain's locations, are judged by a rating system that covers performance areas such as on-time deliveries, product reliability, accurate invoices, and customer service.

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What are the Settlements about?

Plaintiffs claim that Air France, KLM, Martinair, AMR Corporation, American Airlines, SAS, Japan Airlines, and numerous other air cargo carriers conspired to fix the prices of air cargo shipping services in violation of U.S. antitrust laws and Canadian competition law. A settlement with Air France, KLM, and Martinair provides \$87 million to direct purchasers to, from, or within the U.S. A settlement with AMR and American Airlines provides \$5 million to direct purchasers to, from, or within the U.S. A settlement with SAS provides \$13.93 million to direct purchasers to, from, or within the U.S. Two separate settlements with Japan Airlines provide \$12 million to direct purchasers to, from, and within the U.S. and \$738,000 CDN to direct and indirect purchasers to, from, or within Canada. The settling carriers deny liability but have settled to avoid the cost and risk of a trial.

Who is a Class Member?

You are a class member in the U.S. settlements if you purchased air cargo shipping services, directly from one or more defendants in the U.S. case, for shipments to, from, or within the U.S. You are a class member in the Canadian settlement if you purchased air cargo shipping services, from any air cargo carrier or freight forwarder, for shipments to, from, or within Canada (excluding shipments to or from the U.S.). All you need to know is in the full Notice, including information on who is or is not a class member.

Will I get a payment?

If you are a class member in the U.S. settlements and do not opt out, you will be eligible to file a claim and receive a claim form and a payment at a future date. Canadian Class Counsel will petition to have the Canadian fund held in trust for future benefit of the Canadian classes.

What are my rights?

If you do not want to take part in the U.S. settlements, you have the right to opt out. To opt out of the U.S. settlements, you must do so by January 18, 2011. The deadline to opt out of the Canadian proceeding expired on November 12, 2008. Class members have the right to object to the U.S. and/or Canadian settlements. If you object, you must do so by February 11, 2011 for the U.S. settlements and by January 3, 2011 for the Canadian settlement. You may speak to your own attorney at your own expense for help.

A Final Approval Hearing to consider approval of the U.S. settlements and request for litigation expenses will be held at the United States District Court for the Eastern District of New York on March 3, 2011. Final Approval Hearings to consider approval of the Canadian settlement and request for fees and disbursements will be held at the Ontario Superior Court of Justice on January 13, 2011; the Québec Superior Court on March 3, 2011; and the Supreme Court of British Columbia on February 15, 2011.

For more information on how to opt out of the U.S. settlements or object or the locations and times of the Hearings, visit www.AirCargoSettlement2.com or call toll-free 1-888-291-9655. Outside the U.S. and Canada, call 1-614-553-1296 (toll charges apply).

This is a Summary, where can I get more information?

You can get complete Settlement information, including a copy of the full Notice, by registering at www.AirCargoSettlement2.com, calling the number below, or writing to Air Cargo Settlement 2, c/o The Garden City Group, Inc., P.O. Box 9380, Dublin, OH 43017-4280, USA.

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TRENDS

SHAPING THE FUTURE OF LOGISTICS



A Cellular Distraction Exposes DOT's Blind Spot

by Joseph O'Reilly

When U.S. Transportation Secretary Ray LaHood recently took one hand off the Department of Transportation (DOT) steering wheel long enough to field another call about the dangers of cell phone use while driving, freight industry outsiders were eavesdropping. Truth be told, they'd prefer riding shotgun, even at their own risk.

Over the past two years, government efforts to make public roads safer and more efficient have largely translated into prettier cityscapes—at the expense of U.S. roads, bridges, and taxpayers. Secretary LaHood's latest crusade against mobile communication leaves truckers and shippers wondering what additional legislation, restrictions, and costs are heading their way.

To date, eight states prohibit drivers from

using handheld cell phones while motor-ing and 30 have bans on text messaging. No states currently restrict both handheld and hands-free cell phone use for drivers, though a few have such provisions for school bus and probationary drivers. Could owner-operators be next?

LaHood has publicly stated that he is committed to spending the time and resources necessary to fix this widespread

scourge—specifically exploring technologies such as Zoomsafer and tXtBlocker that detect when a user is in a moving vehicle and scramble cell phone signals.

“The technology is there, and I think you’re going to see it become adaptable in automobiles to disable cell phones. We need to do a lot more if we’re going to save lives,” LaHood shared in an interview with MSNBC.

LaHood has called distracted driving an “epidemic” and the National Highway Traffic Safety Administration (NHTSA) reports that 5,000 people a year, or about .001 percent of the U.S. population, die as a result of it.

In 2009, however, the NHTSA found highway fatalities dropped to their lowest levels since the 1950s. LaHood applauded that announcement, but vowed he “would not rest” until the roads were even safer.



“Am I on a rampage?” LaHood asked in February 2010. “Yes, I am—and why shouldn’t I be?”

For starters, a number of factors distract drivers. Talking and texting on cell phones is a big one; but applying makeup, using a Global Positioning

The DOT has begun researching software solutions that scramble cell phone signals in moving vehicles.

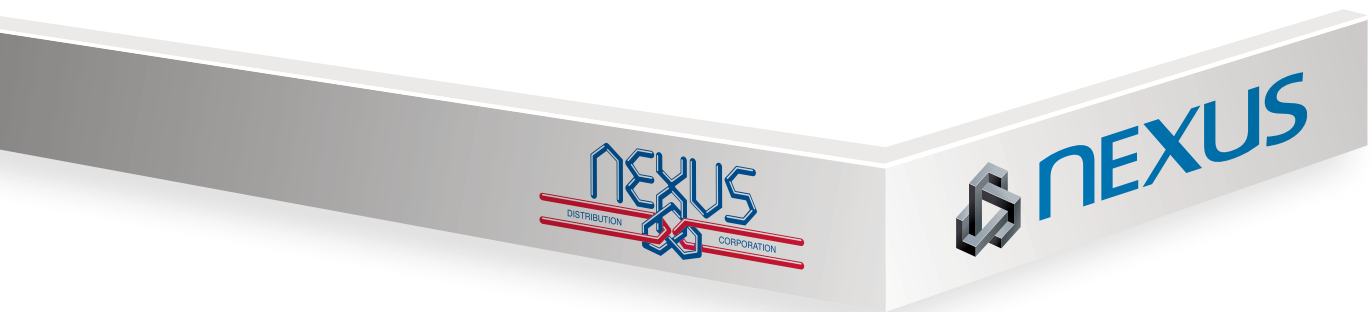
Satellite (GPS) system, eating and drinking, changing CDs, adjusting the radio, and reading are also common offenders, according to the NHTSA and Virginia Tech Transportation Institute.

Any government effort to rewire the way humans think and emote, see and hear, relate with passengers, negotiate traffic, and gulp coffee while alternating between easy listening and hard rock, is impossible—not that it won’t try.

Operating handheld cell phones while driving is a major safety concern—and shouldn’t be slighted. To LaHood’s credit, the DOT recently launched an online advertising campaign, “Faces of Distracted Driving,” to scare drivers safe by exposing the consequences of bad motoring habits.

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Marketing deterrents have their place. But the real issue isn't about relying on cell phone software solutions to force human behavior, as LaHood suggests; it's really about changing and perhaps enabling better driver behavior through education and enforcement—and using technology in a proactive and supportive way to facilitate that end.

One challenge law enforcement across North America faces is applying local rules to a national problem, and among different types of motorists. Compliance is key, but not without obstacles.

Consider this:

■ A new Oklahoma state law makes it a traffic violation for teens to operate handheld electronic devices while driving. But

it's OK for adults to do so. Since the new law took effect in November 2010, the Oklahoma Highway Patrol is tasked with mandating compliance. Because it's a state statute, however, cities and municipalities have little leverage enforcing local traffic offenses and penalties.

■ In Cumberland, Md., the prohibition of handheld cell phone use by state

Air Cargo Security Takes a Screen Test

In light of the recent Yemeni terrorist attempts to bring down U.S.-bound airplanes, shippers, carriers, freight forwarders, and consignees need to be aware of proposed federal air cargo screening requirements, according to a memorandum from ComSec International, a Dallas-headquartered cargo screening services and consultation company.

The Air Cargo Security Act recently proposed by Representative Edward J. Markey (D-MA) extends the 100-percent screening requirement currently mandated for cargo being shipped on passenger flights to include all air cargo—whether shipped on cargo freighters or on scheduled passenger service.

"Historically, the air cargo industry has been dominated by the creation and management of complex scheduling activities and the safe, efficient, and effective operation of aircraft in long-haul transit," says Jason Watson, a cargo security consultant and co-founder of ComSec.

"Experience suggests that stopping terrorist activity in the air cargo component of the supply chain calls for an innovative solution from the private sector that ties directly into the highly collaborative end-to-end cargo transportation system," he adds.

Under the Markey bill, the Department of Homeland Security is being directed to address three key areas of dedicated air cargo shipping:

1. Creating a set of regulations for screening 100 percent of cargo transported on all-cargo aircraft within three years, and achieving 50 percent of all cargo being screened within 18 months of the legislation's passage.

2. Establishing a system for the regular inspection of shipping facilities, and associated security procedures for the handling of air cargo transported on all-cargo planes to ensure that appropriate security controls, systems, and protocols are being used.

3. Developing arrangements with government authorities of foreign countries to ensure that inspections are conducted regularly at shipping facilities for cargo being transported by air to the United States.

But not all industry players agree that a 100-percent cargo scanning initiative will be effective. Some perceive that regulation will only harm international trade.

"Killing the airfreight industry with draconian security

procedures gives terrorists a result they long to see," says Andrew Traill, managing partner of England-based Shippers' Voice, a leading advocate for global importers and exporters.

"The most effective way to detect and deter anyone intending to use air freight to carry out an attack is through intelligence," he notes. "Regulations in the United States and Europe now require information about the freight—its origin and destination, the people handling it, and its route—to be sent in advance of its arrival.

"This means, in practice, that most air cargo carriers will not take off before being sure that the freight they carry has been cleared by security authorities," Traill adds.

Enabling people in the supply chain to perform security checks and maintain security is not a weakness of security but a strength, he concludes.



Will 100-percent screening of air cargo keep the United States safe or unnecessarily slow global trade?



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Making business flow

drivers is expected to bring compliance among law enforcement personnel as well. "We want our troopers to comply with the law whether on-duty or off-duty, unless they are involved in an emergency situation," says Capt. James Pyles, Maryland State Police, western troop commander. "We want our troopers to be examples of safe driving."

■ In October 2009, Ontario, Canada, enacted legislation to ban handheld cell phones, texting, and truckers' Citizen Band Radios (CBs). Authorities insist CBs present a particular challenge because the receiver and communication units are separate from each other and connected by a cord. The government plans to phase out CBs and similar radios over the next three years, assuming that two-way, hands-free technologies are

dashboard technologies to receive and send information that helps them efficiently manage pickups and deliveries. Communication devices aren't simply a diversion; they are part of the job.

The trucking industry already goes to great lengths vetting new drivers as part of the Comprehensive Safety Analysis 2010 initiative. This includes educating and training drivers on safety best practices and technologies.

Technology plays a major role as a safety enabler, less so as a mandate. User retention is likely to benefit as much from education as enforcement. And a cottage industry has grown up around hands-free communication applications, with new innovations continuing to emerge beyond broadband Bluetooth.

For example, Newark, N.J.-based

there is accord across public and private sectors, and law enforcement has the capacity to broadly "enforce" compliance. Any effort to change behavior on U.S. highways should do just that.

Otherwise, government is switching lanes too fast and ignoring yet another important blind spot. ■

SCM a Big Buy For U.S. Retailers

Supply chain management (SCM) is a key driver for retailers trying to survive the economic downturn, according to a report by Auburn University and the Retail Industry Leaders Association. Their 2010 *State of the Retail Supply Chain* study brings together leading North American retailers to examine the year's current trends, leading practices, and foremost issues affecting retail supply chain strategies and planning.

The report reveals that efforts to reduce bottom-line costs, while the recession held top-line growth in check, has led to the growing importance of SCM throughout the retail organization while gaining C-suite recognition. CEOs are beginning to understand that SCM is critical to retailer success as it expands up- and downstream within the organization to merchandising and store operations functions.

Looking ahead, the study cites several key issues that should be on the radar of SCM executives, including sustainability, fluctuating fuel costs, new government regulations, streamlining multi-channel supply chain operations, and utilizing the latest technological advancements.



"I don't want people talking on phones, having them up to their ear or texting while they're driving. **We also need a lot better research on other distractions, including hands-free calls and in-car systems.**"

—Ray LaHood, U.S. Transportation Secretary

developed within that time, according to the Ontario Trucking Association.

Across the United States and Canada, mobile communication restrictions are growing. That's a good thing. The problem is, rules vary by state, province, and country—and among different users—so compliance is patchy at best. And there has been little discourse as to what such restrictions might mean for the trucking industry down the road.

Real-time communication is a necessity for truckers, many of whom have years of experience using CBs and, more recently, cell phones and

iSpeech.org developed a mobile phone application, DriveSafe.ly, that reads text messages and emails audibly in real time and automatically responds without users having to touch their phones.

But would this innovative technology be relevant if the DOT has its way?

Secretary LaHood's "rampage" on the dangers of distracted driving is important—as are transportation infrastructure investment and carbon emissions reductions, among other concerns. But there needs to be balance and perspective.

From a public safety perspective, the DOT's advocacy has merit—as long as



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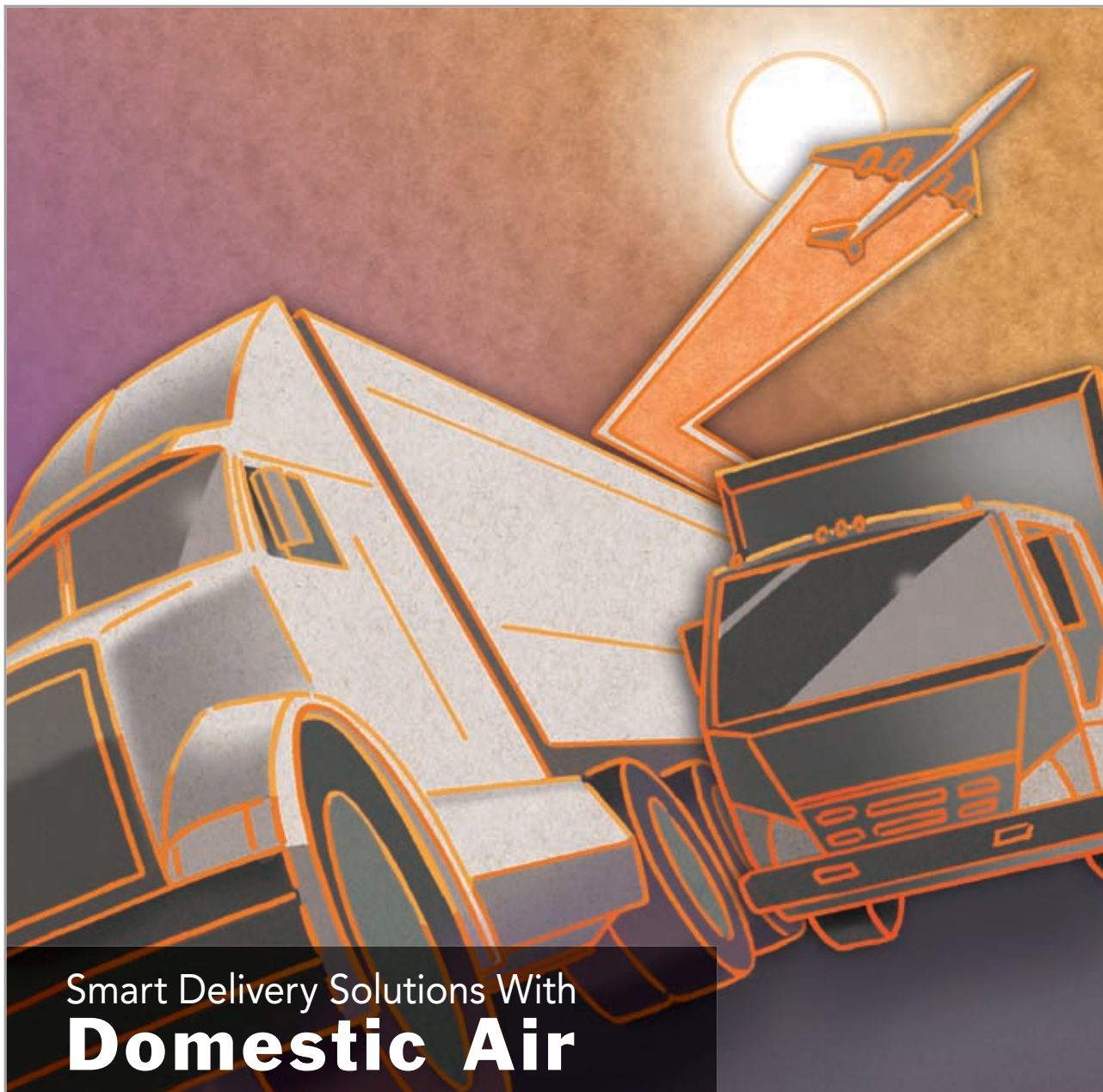
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GLOBAL

THE WORLD AT A GLANCE

by Joseph O'Reilly



China Full of Beans

China's consuming population continues to expand without pause, as demand for American Joe is now competing with a long-standing cultural mainstay—green tea.

Starbucks has inked a deal with the Chinese provincial government of Yunnan to set up its first coffee bean farm. The Seattle chain is partnering with local growers—hiring and training them to improve yields and profits—to serve a booming number of coffee drinkers while developing a supply chain strategy to secure quality beans amid increasing global competition.

China's coffee consumption is growing at a considerable clip. Domestic sales are expected to reach \$3.6 billion by 2011, up from \$2.4 billion in 2006, according to Euromonitor International. Starbucks currently operates 400 stores in mainland China and plans to open 1,000 more as the country closes in on becoming the U.S. company's second-largest global market.

Concerns also are mounting about the quality and sustainability of coffee bean production in Latin America, the cash crop's historical stronghold. China and other potential "growing" markets in Asia are quickly stirring interest and could eventually shift the global coffee supply chain in a big way.

Starbucks' new plans follow its much-publicized operational realignment in the United States. After years of trying to diversify its brand portfolio beyond coffee, and facing stiff competition from Dunkin' Donuts and McDonald's, it appears the company is getting back to its roots while expanding its core business into emerging markets.

Dubai Flies High

Global logistics businesses are looking to expand existing operations in Dubai and elsewhere around the United Arab Emirates as development of the region's first aerotropolis continues to progress. At build out, the airfreight hub will consist of six components: Dubai Logistics City, Dubai Exhibition City, Dubai Aviation City, DWC-Al Maktoum International Airport, Commercial City, and Residential City.

The logistics sector favorably perceives growth potential in the UAE, according to new research presented at a recent Dubai World Central symposium. In a survey of 200 delegates, including Kuehne + Nagel, Panalpina, and FedEx, 81 percent report they are likely or very likely to expand logistics operations and invest in Dubai in the next 12 months. More telling, 83 percent of respondents say they are satisfied or very satisfied with the logistics environment in Dubai.

The Dubai government has set an aggressive deadline to make the UAE a regional hub for logistics by 2015. Already, more than 80

(continues on page 26)

leading international companies have committed to establishing a base in the aerotropolis, with growing interest from a number of multinational companies as well.

CN Accelerates Auto Imports

Canadian National (CN), Canada's largest freight railroad, has prioritized supply chain improvement to reduce dwell times by 25 percent for European import vehicles handled at its Autoport Terminal in Halifax, Nova Scotia.

The Autoport facility—one of the largest import vehicle processing facilities in North America—receives vehicles from ocean-going vessels and transfers them to railcars for distribution through its inland network.

Beginning in spring 2010, the railroad conducted a comprehensive review of supply chain processes to scale port dwell times and adopt a transit time approach from ship discharge to dealer delivery via its 10 major automotive facilities in Canada. The effort has enabled CN and its automotive customers to bring vehicles to market more quickly and economically.

UK, France Counter Terrorism

Following the recent failed terrorist plot to ferry bombs on U.S.-bound airplanes, British and French officials have banned the shipment of all unaccompanied air cargo originating from Yemen.

The notice further restricts the

movement of people and cargo from Yemen. Direct airfreight and passenger links between Yemen and the United Kingdom and the United States were severed in January 2010 after the Dec. 25, 2009 attack on a Detroit-bound jet.

France's civil aviation authority reports that the suspension is a temporary measure pending consultation with other European transport ministries—raising the possibility that other countries will follow suit.

Elsewhere, in the Middle East, authorities have begun manually inspecting all packages being sent abroad or brought in country aboard cargo planes, especially those coming from Yemen. Yemeni officials say they, too, are tightening security measures at airports, where modern scanning equipment has been recently installed.

[1]

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*Based on a comparison of Automotive News classification of full-size commercial vans.



Marks & Spencer Tailors Supply Chain

British retailer Marks & Spencer will accelerate a 2020 plan to make its supply chain more efficient by targeting \$280 million in savings—instead of an initial estimate of \$240 million—by 2015.

Marks & Spencer's first wave of enhancements includes consolidating a network of 110 regional warehouses into a more centralized distribution footprint. A one-million-square-foot "super" warehouse opened in Bradford in May 2010 as 30 smaller facilities closed during the past year.

The retailer also plans to reduce its dependency on full-service vendors (FSVs), enabling more corporate control of its inbound supply chain. FSVs transport, store, and deliver goods for Marks & Spencer, while the retailer transports, stores, and delivers goods for direct vendors.

Currently, FSVs account for 43 percent of the retailer's clothing and home goods supply base, while direct vendors make up the remaining 57 percent. Moving forward, Marks & Spencer plans to gain more control over transportation from suppliers, with a goal of sourcing 65 percent of its inventory from direct vendors by 2015.

A supply chain makeover at Marks & Spencer will give the British retailer more control over its inbound supply chain, and net \$280 million in savings by 2015.



Mercedes-Benz



3PLLINE

by Dick Metzler

Riding Out the Recovery

An ancient Chinese proverb states, “To be uncertain is to be uncomfortable.” After the recent economic turmoil, we can all appreciate the accuracy of that statement.

Although the Great Recession itself appears to be over, the feeling of uncertainty clearly isn’t. If anyone knew how the recovery will play out for the transportation and logistics sector, they could also predict the stock market—and are more likely to be relaxing on a tropical beach than worrying about the economy’s trials and tribulations.

Here’s a bet that any Las Vegas odds maker would cover: Business will be choppy for both shippers and carriers for a while. Trucks are scarce, and the driver shortage is even more challenging. Some of us remember the summer of 2006, when capacity was tight due to adverse driver demographics. The baby boomer driver phenomenon is the same as it was in 2006—except those same drivers are four years older, and a lot poorer.

At the same time, increased load volumes have tightened capacity. The full change in the post-recession cycle from excess capacity to tight capacity won’t be complete until enough loads go uncovered on a broader scale. More

shippers are making “open checkbook” load offers.

Meanwhile, some analysts are causing concern with talk of a potential “dead cat bounce” as it relates to the recent increase in non-service sector GDP and trucking. Some trucking experts opine that extended unemployment checks and initial generosity with government stimulus money may have caused the surge in truckload volume, which, as a result, is nothing more than a sugar high. At the same time, diesel and CSA 2010 are wild cards. The reality is, no one has a clue what’s on the horizon.

SIZE MATTERS

Here’s what we do know: big shippers tied up rates and capacity during the end of the recent economic downturn. They had the ability to get commitments last year and early this year in anticipation of a rebound.

But what about the small to medium-sized shipper who can’t stroke a multimillion dollar check for transportation management technology and the talent needed to pay off the investment? Remember how unforgiving the CFOs of those companies were to their logistics staff when fuel prices rose to

unprecedented levels? This time the CEOs and CMOs will blame logistics for an inability to compete with larger companies or meet client expectations.

There are no perfect options for small to medium-sized shippers. But one strategy that works during tough times is for shippers to partner with transportation companies that have the carrier relationships, people, processes, and technology to manage their transportation needs.

For example, one shipper was struggling with transportation inefficiencies and high costs. Managers faced the choice of investing heavily in software and personnel, or outsourcing transport management to an experienced provider. The company chose to outsource, and the provider delivered cost savings, visibility, and carrier capacity. That decision also allowed the company’s employees to focus on their core competencies and meet their business goals. That’s good news in any economy.

Navigating today’s post-recessionary environment will continue to challenge all of us. The best course of action is to look carefully at all options and invest in the future wherever possible. We’ll ride out this storm together, however we get there. ■

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VIEWPOINT

by Dan Steere

Driven to Succeed: Building a Safer Fleet

When it comes to managing fleets, we all want to make safety a top priority. But creating a safety culture isn't easy. And the unfortunate fact is that much of what we do to promote safety simply isn't effective.

States that passed anti-texting bans actually saw an increase in accidents, according to a study by the Insurance Institute for Highway Safety. Legislation and regulation—negative reinforcement—alone cannot change driving behavior or create a culture of safety. Data shows that the carrot is just as important as the stick—maybe more so.

Valuable and productive feedback must come in two forms. Drivers must know what they are doing wrong, such as speeding, weaving between lanes, or not allowing enough following distance. But they must also be told what they are doing right—for example, preparing in advance for a turn, reading the road, and maintaining appropriate speed.

We all know how high the stakes can be when it comes to driving safety. Traffic accidents are the leading cause of work-related deaths, and they cost more than \$230 billion a year in the United

States alone. For fleets, the associated insurance, maintenance, and new vehicle costs represent large expenditures and cost-savings opportunities.

Companies can improve driver safety by using the following five principles to create a culture of safety:

1. Take a balanced approach. Are your safety efforts focused solely on punishing or removing poorly performing drivers? In motivating behavioral improvement, keep in mind that positive reinforcement for a job well done is as important as punitive measures. Avoid approaches that focus primarily on “claims and blames.”

2. Motivate through competition. Most professional drivers are innately competitive—they want to be the best at what they do. Fleet managers who foster an environment of healthy, safety-focused competition can create a culture that values safety. Some innovative ideas that fleet companies have started to employ include providing monthly rankings of driver safety performance and letting fleets compete against each other for safety performance.

3. Use recognition and rewards. Sincere and public recognition of good

performers, and monetary rewards—even modest amounts—make a big difference. And because fleets that improve their safety also improve their bottom line by reducing repair, maintenance, and insurance costs, passing along some of the savings can be a great motivator.

4. Understand the route. No matter how good the driver, some intersections and turns are simply unsafe. Collecting internal reports and reviewing external data on the locations of accidents can quickly illuminate high-risk routes to avoid whenever possible.

5. Provide the guidance your drivers need to be successful. Drivers need guidance tailored to their unique driving styles. They will make little lasting improvement without targeted instruction. Make sure you have a support system in place that provides the personalized guidance drivers need to meet the objectives you've set for them.

The stakes are high. The time is now. We must abandon the traditional, punitive models of driving safety and recognize that constant feedback and reinforcement are the only truly effective ways to make sustainable changes in the way we drive. ■

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IT MATTERS

by Danny Halim

Navigating Global Supply Chain Risks

Risk management is an essential ingredient in global logistics planning. Unexpected events such as natural disasters, political unrest, regulatory constraints, and product recalls can disrupt the supply chain and, in turn, negatively impact sales, profit, and a company's reputation in the market. Many companies, however, are still in reactive mode when it comes to adapting their global logistics network.

How can you prepare your business for the evolving challenges in global transportation and logistics? Here are a few steps you can take:

■ **Strategically evaluate your company's global logistics network.** Continuous network evaluation enables companies to quickly assess and rapidly adapt to cost and demand changes, especially when introducing new products, selecting new suppliers, or expanding into new markets. Ensure that all stakeholders across the extended supply chain are communicating. Failing to collaborate can result in extended lead times, late deliveries, and higher supply chain risk.

■ **Manage the risk factors.** Companies must anticipate and manage all possibilities for disruption, using supply chain tools to conduct scenario analysis and

develop viable options to mitigate risks. Uninformed decisions based on inadequate data can hinder timely delivery of goods and cause stock-outs or product expiration.

Companies considering expansion into China and India, for example, quickly realize the inability to access detailed highway data until they are fully established in the country. While they may not be knowledgeable about network execution until actually conducting business there, factoring in contingency plans, building a proprietary transportation network, linking network design to inventory strategies, and increasing safety-stock levels can help maintain service levels and effectively access global markets.

■ **Link transportation to inventory management.** Visibility into logistics and transportation schedules provides a better understanding of the global movement of goods and helps companies maintain optimal inventory levels throughout their supply chains. Hedging against uncertainties has become a significant part of logistics costs in many developing or infrastructure-challenged countries.

For example, when sourcing from

China or India, a company may carry an average of 40 to 60 days of inventory in the United States, whereas sourcing from Mexico or South American countries will require a company to carry only 30 days of inventory. Carrying extra inventory helps avoid incurring added transportation and logistics costs when unexpected delays and trade barriers arise.

■ **Optimize the product flow path.** Ensuring that products flow efficiently to the point of consumption is another important factor of a successful global supply chain strategy. Companies must carefully determine optimal distribution methods and transportation modes based on product velocity, demand patterns, and handling and transportation costs.

One size doesn't fit all, however. A company's decision to optimize the flow path for each product may be different, or shift over time due to seasonality or economic factors. It is also crucial for companies to re-evaluate their supply chains and design new go-to-market strategies accordingly, if challenged with expanded product offerings or disparate supply chain processes following strategic acquisitions. ■

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MANAGING A CUSTOMER-SERVICE SUPPLY CHAIN

When it comes to customer service, shippers want their carriers and 3PLs to provide the complete package.

By Amy Roach Partridge

In today's complex supply chain environment, customer service between shippers and their logistics providers means more than just a friendly voice on the line when something goes wrong. It is more than the ability to track a shipment or expedite a delivery. Today, shippers expect their logistics providers to take a "cradle-to-grave" approach to customer service, providing insight, strategic guidance, and a wide range of capabilities from the very beginning to the very end of the supply chain. From transportation of inbound raw materials to vendor management to outbound deliveries and everything in between, shippers depend on their providers to execute flawlessly, while acting as an extension of their company.

Automotive parts and service chain Pep Boys, for example, sets high customer service standards for Agility, its global third-party logistics (3PL) provider. "We expect Agility to be on top of each part of our supply chain, every day," says Joshua J. Dolan, director of global logistics and U.S. customs compliance for Pep Boys. "We depend on them for cradle-to-grave management."

To meet these types of expectations, logistics providers must take the time to truly understand their shippers' supply chains, to know the complexities of the industries they function in, to design their functionalities around desired outcomes, and to determine how to ease their customers' customers' pain points. It is a big job, and one that is likely to get bigger.

"With so much change in the supply chain environment, shippers increasingly need logistics providers to better support their businesses going forward," says Dr. C. John Langley, author of the

2010 3PL Report, conducted in conjunction with Cap Gemini, which examines the global market for 3PL services. "Operational effectiveness has always been imperative, but it is underscored now because shippers are trying to run leaner and meaner without compromising service to their own customers."

STEPPING UP THE GAME

3PLs and carriers are responding to increased shipper demands by stepping up their games, pushing customer service to the forefront. Many providers have adopted service-centric cultures to ensure they meet shippers' service requirements—and to gain a competitive advantage in the crowded outsourced logistics and transportation field.

"From our drivers all the way up to our CEO, service is the culture at C.R. England," says Mike Tucker, general manager, Chicago Regional, for refrigerated trucking company C.R. England. "When new drivers join our regional fleet, the



importance of customer service is the second thing we talk about—after safety—because if we don't satisfy customers, we don't stay in business."

At C.H. Robinson, an Eden Prairie, Minn.-based 3PL, employees are "asked each day to develop a thorough understanding of customer expectations so we can deliver unique solutions," says Jim Butts, senior vice president, C.H. Robinson. "It's only when we truly understand our customers' needs that we can develop a plan, based on our technology and experience, to help them achieve a competitive advantage."

SERVICE GETS STRATEGIC

Shippers are also turning to logistics providers for a wider range of services, and expect results on all fronts. Vendor management, inbound and outbound transportation, contingency planning, network design and optimization, and the technology systems to manage it all—these types of strategic services are being outsourced more regularly.

"Shippers are becoming more aware of ways in which providers can help them strategically," says Langley.

One major factor in fostering satisfactory customer service is building the right shipper/provider relationship. Shippers that take a strategic and collaborative approach to logistics outsourcing—rather than viewing it as a commodity play—often form more effective partnerships, leading to improved customer service throughout the supply chain, Langley notes.

"Working closely with providers facilitates service improvements because it helps them gain detailed knowledge of shipper requirements," he explains. "It also makes it easier for providers to determine what issues are most important to their customers."

Keeping providers abreast of major business changes, for example, can help

minimize service disruptions.

"Customers working collaboratively with us let us know when they are considering an acquisition or opening a new distribution center," explains George Abernathy, executive vice president and COO of Transplace, a logistics and technology provider based in Dallas, Texas. "Having that information in advance allows us to determine what the changes will mean to their network and what we need to alter to continue serving them effectively."

To truly emphasize its focus on collaborative customer service, Transplace maintains a Customer Advisory Board made up of a rotating group of about 15 customers. The goal is to facilitate discussion and brainstorm about service and technology improvements that can help Transplace better serve the shipper it works with.

"At our last meeting, for instance, we shared next year's technology devel-

Eliminating inefficiencies, reducing costs, and improving service to your customer's customer are what cradle-to-grave customer service is all about.

opment calendar and asked the board for feedback and suggestions," says Abernathy.

Customer Advisory Board President Craig Boroughf, director of transportation for USG Corporation, sees the board as a way to "keep abreast of where Transplace is investing technology and innovation resources so we can determine if those plans match our service needs and business requirements."

Another key aspect of serving shippers strategically and collaboratively is making sure to always operate with customers' customers in mind. Because supply chains are interconnected at

every level, bad service at one link will ricochet throughout the chain, ultimately impacting the end user.

"It is imperative that we understand what our customers' customers are looking for in order to align our services, processes, and people to those goals," Abernathy explains. "Determining our customers' customers' needs is our first priority, whether we are prospecting for potential customers, designing solutions for new customers, or reviewing goals with existing customers."

C.H. Robinson's Butts likens the idea of serving the customer's customer to a "neighborhood watch," logistics-style. "A big part of our role is to prevent bad things from happening," he says. "Establishing and monitoring the correct performance metrics, reporting and analyzing to identify root causes, then taking corrective action allows providers to have a positive impact throughout a customer's supply chain."

In turn, the customer is able to make better decisions in other areas."

Butts cites the reporting that C.H. Robinson provides on inbound vendor management as an example. "Shippers can use that information to help eliminate inefficiencies in the transportation process, which can help reduce their costs and, potentially, the costs to their customers," he says.

Eliminating inefficiencies, reducing costs, and improving service to your customer's customer are what cradle-to-grave customer service is all about. Here are three examples of this new service mode in action.

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SUCCESS STORY: PEP BOYS & AGILITY

Putting The Pep Back Into Ocean Freight

“Pep Boys’ vision is to be the automotive solutions provider of choice for the value-oriented customer,” says Pep Boys’ Dolan. To achieve this vision, the company must be able to deliver on its promise of providing high service levels and a value-proposition cost that works in both good and bad economic times.

“We can’t keep that promise to our customers if we don’t have product on the shelves, or parts stocked in the back room for car repairs,” Dolan notes.

Keeping that storied service promise of “right product, right place, right time” has become easier since the company—which operates more than 600 stores and 6,100 service bays in 35 states and Puerto Rico—consolidated its ocean freight management in 2007. Previously, Pep Boys worked with three different non-vessel-operating common carriers (NVOCCs), each of which was performing brokerage, forwarding, origin title management, and ocean shipping services for the company.

“Because the services were not consolidated, it was very difficult to wrangle all the data to a point where we could retrieve any actionable intelligence,” Dolan says.

At the time, the ocean freight market was volatile, and Pep Boys experienced daily capacity issues. “Spike and capacity challenges occurred throughout the year if we didn’t forecast right,” Dolan recalls.

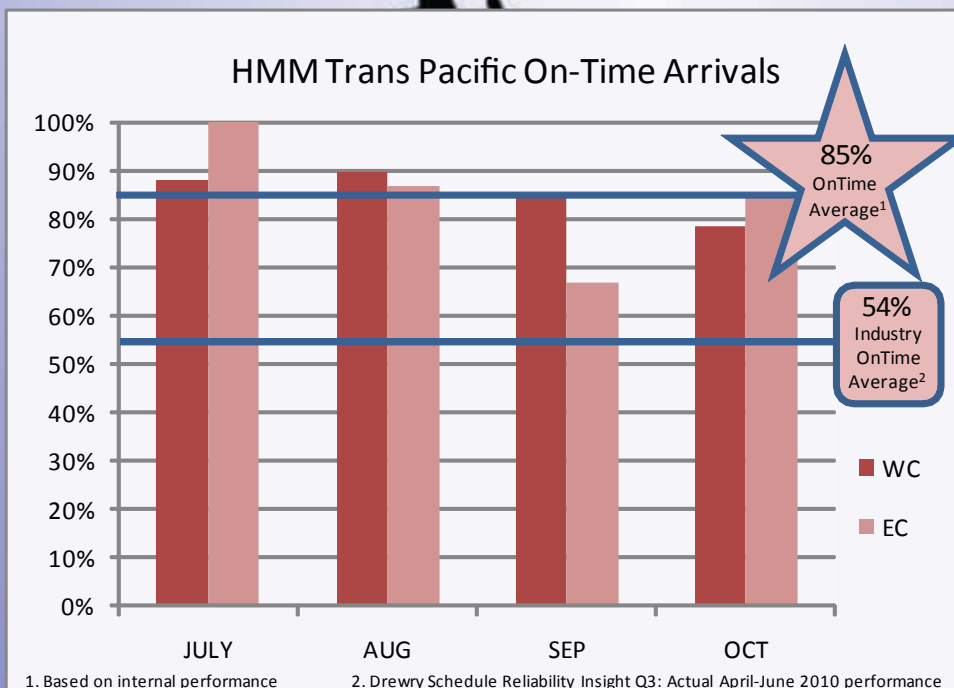
Today, Pep Boys depends on Agility for all its ocean freight needs, including origin cargo management; customs brokerage; freight forwarding and document flow; and procuring ocean carrier capacity. Agility takes Pep Boys’ cargo from a vendor at origin, for example, and books it with the appropriate carrier while ensuring that the cargo is loaded and shipped to the ultimate port of discharge.

In a few lanes, Agility manages the trucking as well, making sure shipments are transported from the ports to a Pep Boys distribution center. “For some of their vendors, we even physically load the cargo at our warehouse, manage the process, then

Agility’s handling of Pep Boys’ ocean freight shipments enables the auto service chain to deliver on its promise of providing high service levels and superior value.



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ship it into a third-party warehouse in the United States for distribution to a Pep Boys DC,” explains Mike Walker, migration project manager for Agility. Until recently, Walker was the on-site Agility representative at Pep Boys, working at the company’s headquarters three days a week. Another Agility representative has taken over that role.

“We receive and monitor Pep Boys’ purchase orders, make sure the orders ship within the designated window, verify the goods are what Pep Boys requested, and check the quantity and quality,” says Len Dunleavy, director, strategic accounts for Agility. “Also, we maximize the cube in the containers to reduce their ocean freight costs.”

Having Walker on-site at the Pep Boys headquarters was an added customer service bonus, Dolan says. His presence reaffirmed Agility’s commitment to Pep Boys and improved the

level of communication and engagement between the two companies.

“Mike spent a lot of time tracking our POs,” Dolan says. “He checked to see if the orders left when they were supposed to leave, and whether the vendor booked the PO in time to make the shipping window and our delivery deadline. If there were problems, he went back to the vendor to determine why the shipments had not been released yet.”

The result, Dolan says, is a far more effective approach to managing ocean transportation, a dividend that paid off in spring 2010 as ocean capacity tightened and many companies faced capacity shortages and shipment delays. To combat the capacity crunch, Agility’s Ocean Product team diversified its carrier profile and leveraged its relationships with carriers to ensure that Pep Boys’ cargo was not held up in costly delays.

“Pep Boys experienced very little disruption during the capacity shortage. If one carrier couldn’t take a booking, we made sure we had three or four other carriers that could provide the space,” Walker explains. “We also were proactive in managing the situation, making sure to keep Pep Boys informed, and providing suggestions about how other retailers were combating the situation.”

Those customer service measures proved extremely successful for Pep Boys. “Only one or two of our containers were delayed—a stark contrast to what other companies experienced,” Dolan says. Agility’s handling of the ocean freight capacity shortage allowed Pep Boys to continue meeting the all-important “right product, right place, right time” customer service objective.

“The level of customer service that Agility affords us helps us better serve our customers,” Dolan says.

SUCCESS STORY: **McCAIN FOODS & C.R. ENGLAND**

French-Fried Transportation

Fast-food customers get used to hearing, “Would you like fries with that?” Making sure the fries are on hand to be served to eager diners at McDonald’s, Burger King, and Wendy’s is the responsibility of McCain Foods and its carrier, Salt Lake City-based C.R. England.

Based in Canada, McCain Foods is the world’s largest manufacturer of French fries, serving the major fast-food chains as well as food service corporations such as Sysco and U.S. Foodservice. Because its products are perishable and therefore time-sensitive, reliable transportation has always been a must for McCain to meet its customer service requirements.

“It is important for us to be able to communicate to our customers when we will ship our product and when it will arrive,” explains Vito Parise, senior director, distribution for McCain Foods USA. “Many of our customers operate in a just-in-time environment, so on-time performance is key.”



McCain has long depended on C.R. England to help it meet these time-sensitive transportation demands. Throughout their nearly 10-year partnership, C.R. England has consistently provided McCain with nationwide longhaul service, racking up on-time delivery rates as high as 97 or 98 percent. The carrier is now also helping McCain with inbound transportation, delivering raw materials such as potatoes, onions, and spices to McCain’s production facilities.

“C.R. England is proactive with us,” Parise explains. “It understands our service requirements. If delays occur, its operations team will notify us, or if needed, notify our direct customer if a shipment will be late or if they expect any issues upon arriving at destination.”

McCain also relies on C.R. England to deliver high service levels when unexpected circumstances or last-minute orders crop up. While the food manufacturer generally asks customers for

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a 48-hour lead time on orders, the need for expedited freight does arise.

"We might tender a shipment to C.R. England that is already in-transit when a customer requests a regular Friday delivery to arrive on Wednesday," Parise explains. "C.R. England has been able to put team drivers in play and expedite loads in these situations, even after an order leaves origin."

Performing services such as securing extra trailers, or helping to pre-load trailers so shipping is smooth and drivers get to the delivery point on time, has proved key in continuing to meet service demands. "We are focused on successfully working through these logistical processes with McCain to provide the best service so it can pass that on to its customers," says Mary Palmer, director of sales, Midwest region, for C.R. England.

The carrier is also expanding its Chicago Regional capabilities to better serve customers such as McCain that conduct a lot of short-haul business in a 250-mile radius around the greater

Chicago area. "Our customers requested this regional service," explains Mike Tucker, Chicago Regional general manager. "They need it to keep up with changing distribution patterns to better serve their own customers."

Both McCain and C.R. England attribute their partnership's success in meeting customer service requirements to the importance both companies place on communication. They meet each quarter to review business strategies and perform what McCain terms its 360 carrier-shipper performance review.

"We look at our load acceptance rates, on-time pickups and deliveries, and in-transit and billing information flow, among other factors," says Palmer.

"We share information about our volumes, what we've gained and lost, and we want that same type of feedback from C.R. England," adds Parise. "Our partnership is about removing the inefficiencies from the system together, which requires frequent communication and a close relationship.

"C.R. England understands our business and, in turn, we have a good grasp of their network, how it benefits McCain, and, ultimately, how it benefits our customers," he adds.

SUCCESS STORY: USG CORP. & TRANSPAC

Technology as Customer Service Enabler

When you serve the country's largest home improvement retailers, you need to be adept at the on-time delivery aspect of customer service. The home improvement retail channel maintains tight one-hour delivery windows, and suppliers know they miss those windows at their own risk.

This is the transportation norm for USG Corporation, a manufacturer of building materials best known for producing Sheetrock brand wallboard panels. Serving a variety of home improvement retailers, the bulk of USG's transportation activity is outbound shipments of finished goods direct to store via full truckload flatbed.

"The second-largest channel for our product is specialty dealers, which are similar to lumber yards," explains Craig Boroughf, director of transportation for USG. "We ship to them in full truckloads and they bundle our products with other construction products and deliver to the end customer."

The specialty dealers also have tight service requirements that USG must meet: delivery timeframes of three to four hours, as well as a desire to receive orders early in the day.

"A concentration of early morning requirements makes it difficult to get the efficiencies we could if we had windows spread throughout the day,"



McCain Foods USA relies on C.R. England to maintain the right conditions for its temperature-sensitive potato products in transit.

Boroughf explains. In addition, USG has inbound transportation needs—receiving raw materials such as paper used to manufacture its products.

Keeping this transportation trifecta functioning smoothly in order to meet customer demands is a transportation management system (TMS) from Transplace. USG and Transplace worked together closely to design and implement a solution that has allowed USG to improve service to both its retail and specialty dealer accounts.

“Our primary focus when developing the TMS with Transplace was efficiently tendering and tracking our shipments,” Boroughf explains. “We needed an efficient process to notify carriers that their loads were ready, then track those loads

to the customer and refine the delivery performance.”

“USG chose Transplace because we have a key focus on customer service—not only for USG, but also for USG’s customers,” says Transplace’s Abernathy. “We strategically approached USG’s needs and customized a solution that brought their service levels to new heights with the benefit of automation and visibility.”

Using EDI, the Transplace TMS solution has allowed USG to automate 100 percent of its shipment tenders to its carriers, then track them from pickup to delivery—a capability that has helped USG improve performance on its customers’ vendor scorecards.

“Prior to this solution, we didn’t have transparency to our shipment data or

shipment performance,” Boroughf says. “For vendor scorecard purposes, it is important that we have access to objective information about our performance and can confirm that data.

“We are able to much more objectively measure, monitor, and report on our delivery success—which includes our highest on-time delivery results to date, and is critical to being our customers’ preferred supplier,” he adds.

Becoming a preferred partner is no easy task, for shippers or for service providers. But logistics providers who work to understand shippers’ needs and smooth over trouble spots show that, when handled with care, every partnership can be a customer service success story. ■

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PLUS-SIZED CUSTOMER SERVICE

Women's apparel retailer Charming Shoppes praises the red-carpet treatment it gets from logistics partner Hyundai Merchant Marine – not only for special shipments, but every single day.

THE CUSTOMER

Charming Shoppes, Inc.

Bensalem, Pennsylvania

www.charmingshoppes.com

Charming Shoppes, Inc., the parent company of Lane Bryant, Fashion Bug and Catherines Plus Sizes, is a leading multi-brand specialty apparel retailer primarily focused on plus-size women's apparel.

THE PARTNER

Hyundai Merchant Marine (HMM)

www.hmm21.com

Hyundai Merchant Marine is an integrated logistics company, operating more than 40 sea routes to over 100 ports of call. HMM also offers state-of-the-art B2B products for enhanced supply chain visibility.

Charming Shoppes, Inc. (CSI) is the umbrella company for three well-known ladies apparel companies – Lane Bryant, Fashion Bug, and Catherines Plus Sizes. The company is recognized for its celebration of the lives and fashion images of women wearing plus sizes.

Speed to market is important in fashion, so garment importers have to be demanding customers. But in today's fast-paced, electronic environment, customer service is often not a top priority for many companies. That is not the case in the partnership between CSI and its logistics partner, Hyundai Merchant Marine (HMM).

"HMM's customer service team is responsive and attentive to the movement of our cargo, and they address our concerns immediately," says Laurie Everill, director of international trade logistics and compliance for CSI.

HMM is an integrated logistics company, operating approximately 160 state-of-the-art vessels. HMM offers a worldwide global service network, diverse logistics facilities, leading IT shipping-related systems, and a professional, highly trained staff. HMM uses its extensive resources to collaborate strategically with global consumers and vendors of ocean transportation and logistics services.

One example of HMM's "above and beyond" customer service involves a CSI container that was over the legal weight limit. The container was moved off the terminal and had to be transloaded

in order to move to Charming Shoppes' distribution center. Laura and Angela, both members of Hyundai's customer service team, worked with an in-house trucker to arrange for transload and get the unit delivered to Charming Shoppes' DC to meet a tight deadline.

"We are grateful to Hyundai's customer service team for handling this issue, but we also appreciate what they do for us each and every workday," notes Arlene Arnold, manager of international transportation supply chain management for CSI. "We sincerely appreciate the efforts they extend to us, as well as their continued support."



A FRESH SHEET OF CUSTOMER SERVICE

When Boise Paper wanted to consolidate five Northeast region facilities into just one, it turned to Nexus Distribution for customer service excellence built on a sound implementation process.

THE CUSTOMER

Boise Paper

Boise, Idaho

www.boiseinc.com

With 2009 sales of \$1,420 million, Boise Paper is the third-largest North American manufacturer of uncoated freesheet paper products, with annual production capacity of approximately 1.3 million short tons. The company manufactures and sells a range of papers, including communication-based, commodity and premium papers, a range of packaging demand-driven papers, and market pulp from U.S. four mills.

THE PARTNER

Nexus Distribution

Arlington Heights, IL

www.nexusdistribution.com

Nexus Distribution is a third-party logistics provider specializing in full-service, client-specific solutions. Its collaborative effort of people, technology, and location allows companies to gain differentiation in their target markets and win new customers.

Customer service excellence truly begins with a sound implementation process. Boise Paper came to Nexus with an increasingly common yet complex business objective: to consolidate several third-party distribution centers. As order size and frequency become more dynamic, multiple distribution center models can prove to be cumbersome and costly to manage. In Boise's case, the goal was to consolidate five Northeast region facilities into just one.

While DC consolidation projects should result in improved service and savings in the long-term, they often pose a multi-faceted challenge for companies during the implementation phase:

1. Production Planning and Inventory Control.

Inventory carrying cost reductions are realized after the consolidation project is complete. However, during the consolidation transition, it is a delicate balance to avoid duplicate inventory, double handling, unnecessary transit cost, stock outs, canceled orders and split shipments.

2. Systems and Processes.

Systems integration, process integrity, and transit schedules must be implemented aggressively at the consolidation location to ensure uninterrupted service.

3. Public Relations. Consolidation may relocate the product source farther away from some end

customers and can impact closely held and valued supplier relationships.

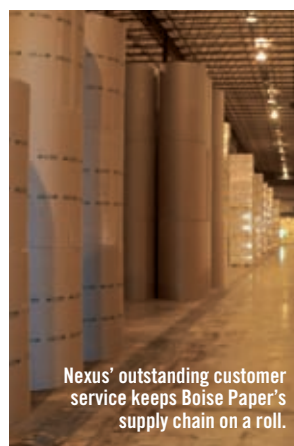
Nexus employs a formal, proven implementation framework that addresses the challenges of a 3PL distribution center transition. This includes:

- Cross-functional Implementation Team
- Detailed project plan and dedicated project management
- Regular, joint status meetings
- Systems set-up and testing
- Program-specific process documentation and training
- Audits conducted at critical stages
- Joint visits to end customers to communicate commitment and ensure a smooth transition

The Nexus implementation process provides a solid foundation at the DC level, ensuring that orders are shipped complete, on time, and damage-free. Nexus' proven approach to managing this process allows its customers to focus on production planning and customer relationships during the critical transition stage.

"Any consolidation project can seem daunting," explains Meachel Johnson, Boise Outside

Warehouse Manager. "But with the Nexus and Boise teams working collaboratively the whole process has been much smoother than we anticipated it would be."



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FOOD LOGISTICS

FROM FARM



Demand for locally grown food is bringing supply chain sourcing back to its roots.

By Joseph O'Reilly

In 1985, Willie Nelson, Neil Young, and John Cougar Mellencamp brought the plight of America's family farmers mainstream with the first Farm Aid concert in Champagne, Ill. Their "music with a message" gave the U.S. agriculture industry a much-needed publicity infusion as demand for homegrown products and farming's economic relevance continued to erode.

The 1980s was a flashpoint for U.S. farmers, but especially smaller growers.

TO FORK



The boom years of the previous decade, characterized by strong commodity prices, exports, and credit lending, turned fallow when offshore markets collapsed and debts accumulated. Then bioengineering emerged as a viable means for artificially improving crop yields. A widespread land grab ensued, and industrial farms quickly swallowed small operators in spades.

During the past three decades, the demise of the family farm became an indictment of U.S. agribusiness and

consumerism. The message that Farm Aid rocked in the 1980s unleashed a mass media revolution in the 2000s.

Hollywood picked up the plow with director Richard Linklater's film adaptation of Eric Schlosser's book *Fast Food Nation*. Documentarian Morgan Spurlock's *Super Size Me* inflamed a broiling debate about the fast food industry, while Michael Pollan offered an organic solution in *The Omnivore's Dilemma*. Schlosser and Pollan then teamed up to narrate Robert Kenner's exposé of U.S.

factory farming in *Food Inc.*

Television programming has been equally complicit, introducing audiences to a potluck assortment of celebrity chefs, culinary travel guides, and reality show cook-offs that entertain as well as educate.

Each genre in its own way—driven by populism, pragmatism, and publicity—pulled the mask off U.S. agribusiness while giving a face to the American farmer. Collectively, they've contributed to a cultural foodie phenomenon



that is sweeping middle-of-the-road America and creating demand for fresh, locally grown food.

This recent agricultural awakening is changing the way many food companies source products. Apart from marketing appeal, food quality and safety concerns, transportation costs, and local economic development efforts are compelling restaurants, groceries, and wholesalers to engage smaller producers and localize their supply chains. In turn, they are nurturing a “fresh food fast” procurement model that is growing from the ground up.

The farm-to-fork model is by no means new. Throughout history, agriculture and animal husbandry have been critical elements in the local supply chain, providing sustenance as well as stimulus for related economic activity. Even as a tangential force, the farm community gave industrialists such as Henry Ford the vision for innovative ideas, including vertical integration. No less important, agrarian sensibilities and demands paved the way for the modern-day trucking industry.

But global trade radically changed the U.S. farming dynamic during the 20th century. Competition in emerging markets, where farming remains the predominant economic force, devastated the agrarian ethos that inspired the likes of Thomas Jefferson, John Deere, George Washington Carver, General Mills, Kellogg, and the Quaker Mill Company, among many others.

Now that tide is turning, aided in part by wildfire media representations, as well as an unlikely name—Walmart.

THE WALMART SEED

The big-box wholesaler’s impact on U.S. agriculture is tenuous at best. In fact, critics have argued that Walmart has greatly contributed to the decline of smaller enterprises, farmers included. But few can discredit the company’s marketing and supply chain clout. When Walmart latches onto a new

concept, consumers and competitors take note, then buy and borrow.

In 2008, Walmart made a public pledge to source more local fruits and vegetables to keep produce prices down and provide affordable and quality selections for its customers. At the time, the company reported that partnerships with local farmers had grown by 50 percent over the previous two years. Walmart upped the ante in

across a range of environmental issues and ensure a more sustainable food supply for the demands of a growing global population,” he concluded.

Walmart is hyper-sensitive to mainstream demand, whether it’s “greening” business practices or selling greener produce. More importantly, it has the means to efficiently and economically bring innovative ideas and products to a widely captive audience.



By incorporating organic and locally grown produce into its product offerings, Walmart hopes to please health-conscious consumers—and save on transportation costs.

October 2010 by announcing that it would increase its commitment to buying locally, with a goal of sourcing \$1 billion in food from one million small and medium-sized farmers during the next five years.

“By taking a leadership role in sustainable agriculture, Walmart will reduce costs and make our business stronger, while providing our customers affordable, fresher, and higher-quality food,” said Walmart President and CEO Mike Duke on behalf of the new campaign.

“We’ll grow local economies by helping farmers expand their businesses and get more income for their products. At the same time, we’ll make a difference

“There is consumer interest, if not yet critical mass, in locally grown food,” says Mark Psilos, farm-to-chef forager and market manager for Green City Market, a Chicago farmer’s cooperative.

In much the same way the sustainability movement has stirred the “consuming conscience” during the past few years, people have become fascinated with the foodie phenomenon independent of how they stand on environmental politics. It just makes sense.

To point, Walmart recognized, then seized, an opportunity to green its supply chain, reduce transportation and logistics costs, and market that value



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to customers. Now it's doing the same by supporting local growers. "In certain locations, Walmart was already sourcing key items from local producers," explains Psilos. "In effect, it began marketing something it was already doing."

Transportation efficiency and economy complement local sourcing models where just-in-time seasonal deliveries and shorter transportation routes eliminate product shrinkage

the last decade, bringing seasonal supply to evergreen demand.

Abby Mandel, a Chicago-area chef, food writer, and entrepreneur established Green City Market in 1998. It began with nine local farmers in an alley next to the downtown Chicago Theater, but soon grew and moved to a larger location on the south side of Lincoln Park. It currently operates year-round, moving markets inside during the winter months. The non-profit oper-

sourced within a 300-mile radius of Chicago. Farmers from Illinois, Wisconsin, Indiana, Michigan, and Iowa undergo a rigorous application process—they can only sell what they grow and they have to meet certain expectations in terms of growing practices. Green City Market formed a committee that approves farms and inspects locations to make sure growers are compliant.

While Chicago residents have bene-



In Chicago, Green City Market allows metropolitan restaurants to source produce from the region's farmers. Local consumers support the food cooperative, too; in 2010, the market attracted five times as many shoppers as three years ago.

and costs. Walmart's logistics pedigree allowed it to easily execute a ripening idea. Still, there are obstacles.

For one, comparatively few consumers buy food from Walmart. Secondly, the majority of small U.S. farms don't have the scale or sophistication to meet the wholesaler's purchasing needs. The biggest upside to Walmart's local sourcing roadmap is the buzz that's building as a consequence. The company is feeding fresh food to customers at cost and local growers are reaping the real value.

FOOD MARKET-ABILITY

Chicago's Green City Market is among a number of food cooperatives that have sprouted nationwide during

ation hosts more than 200 farmers and, in 2010, welcomed close to 200,000 visitors, up from 40,000 in 2007. While demand for quality local foods is increasing, pressures on the supply side have helped spur growth as well.

"During the past two or three years, small farms struggling to meet demand began forming informal cooperatives," says Psilos. "They pooled resources, goods, truck space, and delivery drivers to help each other."

Green City Market evolved as a channel to help local farmers bring their product to market and establish relationships with customers. The cooperative holds members to strict standards, requiring all products be

fitted from Green City Market's presence, its restaurants are in the midst of a culinary renaissance. The market has become a citywide institution, which was part of Mandel's original vision when she transplanted Europe's sustainable marketplace to Chicago in 1998.

"Abby chased down the area's top chefs—Rick Bayless among them—just as the Food Network was gaining popularity," says Psilos. "Then restaurants began sourcing from the market in droves."

Restaurant chains ranging from Chipotle to white tablecloth eateries buy ingredients at the market, many twice a week. Ten small, independent groceries also purchase directly from farmers.

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end. If companies want to save money, they can buy from a large distributor, such as Sysco," says Psilos. "But large distributors often can't provide the quality that consumers demand."

For this reason, the direct-from-farm sales model is a fast-growing trend among area restaurants. And local growers favor setting up their own distribution channels, through Green City Market or otherwise.

"The adoption rate of fast food and large food-service wholesalers localizing their supply is still quite low in Chicago. In fact, over the past few months, we have seen numerous wholesale distributors attempt and fail to enter the marketplace," Psilos adds.

That might change, in time. Psilos acknowledges that as the local sourcing movement progresses, there will be room for more brokers, distributors, and third-party logistics providers that can help growing farms execute the transportation and logistics piece.

FARMED TO SCALE

One of the challenges small producers and large buyers with local ambitions face is scalability. That is one of the benefits Green City Market affords vendors and customers alike: access to a broader market and a wide variety of different types of foods.

But even the Walmarts of the world and grocery chains have to lock in a

certain volume to make it worth their while—especially as procurement relates to transportation and logistics.

With increasing demand for fresher foods, some companies are locating processing plants and distribution facilities closer to raw materials, even if that means being farther away from the consumer.

"Local sourcing may mean lighter loads when multiple growers aren't combining their harvests. And these smaller volumes place upward pressure on transportation costs," explains Jim Emmerling, executive vice president for Aspen Logistics, a California-based 3PL that has heavy play in the food space.

Geographic constraints also impact load efficiencies and transit times. "Farms located closer to major urban areas are typically smaller and more spread out than those in traditional agricultural regions," he adds. "This translates into multiple stops to pick up lighter loads."

Another major obstacle is seasonality. Restaurants have much greater flexibility adapting their menus to varying harvests and food availability than grocery stores and fast-food chains.

"High-end restaurants change their menus multiple times a year," says Psilos. "Seasonal cooking comes into style with local food movement. But this presents a challenge for farmers working with a Chipotle-type customer that has a set menu and static food demand year-round."

One way that grocery chains circumvent seasonality constraints is by relying on dedicated third-party logistics operations to help individual stores incorporate local buying strategies within the corporate supply chain. In effect, this creates year-round sourcing flexibility.

"We have a locally harvested program where we use established warehouse and buying systems that specify growing and food grade packaging

Local Sourcing Rings True

Burgerville's signature Walla Walla Sweet Onion Rings are hand-battered and breaded every day when onions are in harvest, then cooked in trans fat-free canola oil. Here's Burgerville's recipe for sourcing the ingredients to create a true local favorite.

WALLA WALLA SWEET ONIONS. Only growers within the Walla Walla Valley (a two-county area spanning southeast Washington and northeast Oregon) can market Walla Walla sweet onions. The growing season is typically from late June to early September, with peak harvest in July. Walla Walla Sweet Onion Rings are sold in Burgerville restaurants only from mid-July until early September, depending on the year's harvest.

BUTTERMILK. Purchased from Sunshine Dairy, located in Portland since 1938. The company uses rBST hormone-free fresh milk from family farms in the Willamette Valley of Oregon and the Yakima and Chehalis valleys of Washington.

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requirements,” says Mike Siemienas, spokesperson for SUPERVALU, a grocery chain based in Eden Prairie, Minn., that operates stores branded under 11 names, including CUB, Albertsons, and Lucky.

In 2005, SUPERVALU acquired third-party logistics provider Total Logistic Control and incorporated W. Newell & Co. as a new division dedicated exclusively to fresh produce. One advantage of having this operational arm is that field buyers help retailers find new growers as well as the means to bring them to market. This may include sourcing locally grown produce in season or finding fresh ingredients elsewhere out of harvest.

FRESH, LOCAL, AND SUSTAINABLE

Bringing local producers to the shelf when possible is important to SUPERVALU, explains Siemienas.

“In the fall, at our Minnesota CUB stores, we sell locally grown tomatoes and apples,” he says. “Obviously, during the winter we can’t provide them. But W. Newell gives us fresh supply whenever it’s in harvest.”

Beyond serving its own food retail needs, SUPERVALU has become the largest publicly held distributor to grocery retailers in the United States—a product-supply lifeline for more than 5,000 retail end points across the country. And its network of 35 distribution centers helps ensure that fresh produce is centrally collected and quickly delivered to grocers within tight delivery parameters.

While volume and seasonality are barriers for many companies, others use them as competitive differentiators. For example, Burgerville, a Vancouver, Wash., chain that operates 39 restaurants and two mobile kitchens in Washington and Oregon, has been sourcing local ingredients since it began operations nearly 50 years ago. Today, 70 percent of its menu comes from “neighborhood” vendors.

“We’re deeply rooted with our



Grocery chain SUPERVALU operates a dedicated produce distribution division to help individual stores incorporate local-buying strategies.

suppliers. It’s how we’ve grown,” says Cathy Insler, director of supply chain, Burgerville.

The fast-food chain maintains a network of year-round and seasonal vendors that it works with to provision various ingredients. For example, Franz Bakery delivers fresh bread five days a week. Fulton Provisions Co., a meat processor now part of Sysco, supplies products from Country Natural Beef—a beef cooperative that consists of 120 family ranches across the West, including Oregon and Washington. Both companies are located in Portland.

Beyond bread and beef, there’s artisanal cheese from Tillamook Creamery; Stiebrs Farms’ cage-free eggs; French fries and potatoes from Lamb Weston; Portland Roasting Coffee; and Oregon Rain water—not to be confused with nature’s own.

And that’s just the top of Burgerville’s year-round shopping list. Naturally, certain items aren’t grown in the region. For example, Burgerville’s lettuce and tomatoes come from California.

“We’re always looking to source locally, but scalability is sometimes an issue given volumes,” says Insler. “There

isn’t a lot of antibody-free chicken available in the Pacific Northwest right now. So we also work with Sysco’s headline service to source products.”

Burgerville is unique among chain restaurants in that it flexes menus and limited-time offers to coincide with local harvests. “Walla Walla sweet onions are seasonal; so are our onion rings,” Insler explains. “Liepold Farms sits at the base of Mount Hood and provides us with local berry supplies for milkshakes. Our menu follows the growing seasons. We leverage the supply chain to chase quality.”

Working with smaller local suppliers brings its own unique challenges and rewards. Insler recalls negotiating a supply contract with Country Natural Beef, discussing in depth the volume Burgerville would need each week to meet its demand. To make it feasible, the restaurant worked offline with the cooperative for a few years to determine how many cattle and ranches were necessary to support the business.

“When managing the local supply chain, you have to be acutely aware of a farm supplier’s expertise, its understanding of how to bring product to



market,” says Insler. “Sourcing lettuce out of California is a beautiful distribution model. Locally it’s different—a challenge. We rely on supply and distribution partners to support us. And we allow them to grow as well.”

For businesses that embrace the “buy local” mantra, one of the least tangible but most rewarding benefits is the intimate knowledge they gain of their product—literally from farm to fork. Knowing where a product comes from builds appreciation and adds value.

“My advice to any company looking to source locally is to buy a pair of boots, get out in the field, and learn about the product from the ground up,” Insler offers.

ROCKING U.S. AGRICULTURE IN A FREE WORLD

U.S. agriculture remains a dynamic, if docile, force in today’s economy, comprising big and small growers, industrialists, naturalists, and capitalists. The United States is a net exporter of food, delivering half the world’s grain supply. But in some niche areas, and especially among smaller farmers, attrition and change have been unavoidable.

At the turn of the 20th century, 41 percent of the U.S. workforce was employed in agriculture, according to the U.S. Department of Agriculture. By 2000 that number had dropped to 1.9 percent. Of the two million U.S. farms in existence today, 80 percent are categorized as family-owned-and-operated.

Globalization and economic protectionism continue to shade the spirit of free trade and the laws of supply and demand. The trend toward local food sourcing presents an organic way to stimulate domestic consumption—preserving an economic lifeline for local growers that can’t otherwise compete in the global export market.

Agronomics aside, media influences borne from fact and fear have triggered a consumer crusade for locally grown food products. Consumers want

to know what they’re eating, where it comes from, how it’s processed, and why it costs so much. When salmonella, E. coli, botulism, melamine contamination, mad cow disease, and other outbreaks arise, people are reassured because they know their Burgerville burger and onion rings with ranch dressing come from Fulton Provisions Co., Litehouse Foods, Keystone Fruit, Sunshine Dairy, and Shepherd’s Grain—all local suppliers (*see sidebar, page 54*). That’s real comfort food.

The “buy local” concept also supports community economic development. Burgerville created a brand by assimilating well-known local names into its food supply chain. The bulk of money it spends on food procurement stays in the communities it sources from.

Walmart’s impact is no less important. In spite of its reputation as anathema to small business, the company is now helping to support the very institution it has been criticized for destroying. Pundits will debate whether this is commendable, self-serving, or a pinch of both.

But one thing is certain: “Walmart’s

publicity doesn’t hurt, and it shows that buying locally is being taken seriously,” says Psilos. “But all parties in the supply chain need to recognize that sourcing locally can be profitable. We want to ensure that this model is sustainable on all fronts. Agriculture needs to become a stronger economic force. It has a solid foothold and it’s growing.”

U.S. agriculture continues to adapt and change. By its very nature, farming is resilient, following seasonal cycles of surplus and shortfall. The hope is that U.S. family growers will always have another harvest to look forward to—and that optimism continues to build.

On Oct. 2, 2010, Farm Aid commemorated its 25th anniversary in Milwaukee, Wisc. The usual suspects, a little grayer but no less enthused, celebrated the fortitude of U.S. family farmers. A quarter of a century on, Farm Aid has raised \$40 million for the cause. More importantly, it continues to raise awareness in support of America’s oldest industry, which is now finding encouragement from a variety of likely and unexpected sources. ■



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THE SHIPPER'S GUIDE TO PROJECT LOGISTICS

Handling oversized cargo requires a special touch. Here's how to find a project logistics provider with the know-how to get the job done right.

By Cindy H. Dubin



A large, rusted, circular petrochemical component, possibly a reactor or separator, is being moved by a yellow crane. The component has several smaller cylindrical attachments and is marked with yellow paint. The scene is outdoors, likely at a port or industrial yard.

Kuehne + Nagel transported 11 pieces of petrochemical equipment, each weighing between 220 and 570 tons, from Malaysia to Texas.

The global recession took its toll on the logistics sector, causing many service providers to seek out new market opportunities. One segment gaining market share is project logistics. This specialization, which requires expertise in handling and moving oversized or hazardous cargo from origin to final destination, represents an important and growing facet of the logistics sector.

"Logistics used to be all about warehousing, transporting, and handling product at the least cost," says Adrian Hawkins, vice president, projects, for global third-party logistics (3PL) provider

Kuehne + Nagel Inc. "Project logistics, however, goes against that old mindset of putting savings first. Project logistics can require years of planning for billion-dollar projects, and shippers can't take logistics or monetary shortcuts."

FINDING A PARTNER

Shippers do, however, need to take special care when selecting a 3PL to handle project logistics. Any provider can claim it is able to tackle special projects, but specialists follow a unique business model with core competencies in global freight forwarding.

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Conducting detailed route studies helps project logistics providers prepare for the twists and turns that may occur while moving oversized cargo.



"Shippers typically do not have an adequate in-house logistics division to coordinate and plan all aspects of project logistics. They rely on 3PLs to handle the essential requirements of the job, craft a plan and a reasonable budget, then execute the plan effectively," says Susan St. Germain, executive director of projects for Houston-based TransProject, the heavy project logistics division of TransGroup Worldwide Logistics, a 3PL headquartered in Seattle.

THE SEARCH BEGINS

When seeking a project logistics service provider, narrow your search to companies with financial stability, proper insurance, and experience handling various cargo projects. The most efficient way to find a competent partner is to ask for referrals, search the Internet for successful projects, and contact organizations such as Project Professionals Group, whose members are made up of qualified and vetted freight forwarders. Then interview your top three candidates to discuss company philosophy and project details, and solicit customer references.

"Flooding the market with numerous

inquiries and not vetting forwarders in advance often results in higher rates," says St. Germain. That's because providers will think you are only looking for the cheapest solution, not quality, and will not take the inquiry seriously.

When interviewing providers, be aware that the majority of true project forwarders tend to be smaller, specialist companies operating in local markets.

"Most project logistics providers work in niche areas—and some even work in niches within niches," says Gary Dale Cearley, executive director of Global Project Logistics Network (GPLN), a group of independent companies specializing in international oversized, out-of-gauge, and heavy-lift cargo projects.

"Most of the large, recognizable freight forwarding companies do not fit this mold," he notes. "Although some operate project departments in certain global markets, and attract business based solely on their names, they aren't necessarily the best available. For a true project company, look to local specialists."

It also pays to consider the provider's internal staff. "Some companies might not have a dedicated project

cargo department, but they might have recruited specialists with 20 years of project experience," Cearley adds.

ELIMINATING SURPRISES

All parties involved in a project logistics move need to feel comfortable with their role. Getting the logistics provider involved in the project as early as possible—30 to 45 days before the estimated ship date—is critical to success.

"Before we start a job, we ensure we understand all the processes that will be required to move the cargo," says Ross Bacarella, president of Shelton, Conn.-based BTX Air Express. "In addition, the freight forwarder and the shipper need to work together to make sure the cargo is compatible with all the transportation vendors' equipment. For instance, we worked with one supplier to add loops to a piece of machinery so a crane could pick it up."

Bringing a 3PL into the project planning phase early allows it to provide input into transportation plans. For instance, conducting detailed route studies at the destination point will determine if the location has adequate infrastructure to move the cargo.



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Sometimes, obstructions such as toll booths or trees along the route can cause delays.

"For these reasons, we like to get involved with the shipper as early as possible—even before an oversized piece of cargo is manufactured," says Dennis Devlin, director of global projects and energy at BDP Project Logistics, a subsidiary of BDP International, headquartered in Philadelphia. "We can tell the manufacturer if the product will be able to get where it needs to go, or if it has to be lighter and smaller."

Devlin recalls a special project that BDP handled for Quinn Chemicals, which was building an MMA (the base for producing Plexiglas) plant near the East Germany border. Bringing in 11 giant reactors and towers from around the world posed some transport



Project logistics providers sometimes move shipments via commercial carrier instead of charter to cut transport costs.

challenges. BDP had to determine the exact weight and dimension of each piece of equipment early on because permits were required and the cargo would have to pass under some high-voltage power lines. To avoid areas with the most obstacles, BDP built a temporary bypass road out of aluminum

panels across farmers' fields.

"There is no substitute for figuring out these details ahead of

time," says Devlin.

For some carriers, such as Atlantic Container Line (ACL) in Westfield, N.J., getting involved just a few months before a project is fair lead time. ACL works with Fortune 100 companies directly or with their freight forwarders. The ocean carrier receives and loads special project cargo on board its vessels, relying on roll on/roll off (RoRo) equipment to handle and transport special project cargo while minimizing cost and handling. RoRo shipments often move as one piece, using specialized trailers from origin to port to destination.

ACL ships massive turbines, heavy machinery, aircraft fuselages, and giant cranes on every voyage. In addition, the carrier recently transported a colossal high-voltage transformer from Antwerp, Belgium, to New York aboard its RoRo/containership *Atlantic Compass*. The transformer weighed 255 tons and stood 30 feet tall, 11 feet wide, and 15 feet high. It was secured by ACL's cargo bridge system, in which loadbearing beams are bolted to steel pedestals for stowage into the vessel's RoRo decks via a 460-ton-capacity stern ramp.

"We can't have surprises when cargo boards our vessels," says Robert Willman, general manager, RoRo/special projects at ACL. "If all the cargo dimensions and weights are not properly calculated, we will not have the necessary equipment on board to handle it. That presents a real problem."

Getting the 3PL involved early prevents problems from creeping up later

Houston, We Have No Problem

Planning nine months ahead to receive more than 26,000 freight tons of critical petrochemical equipment—including 11 items weighing between 220 and 570 tons—is already a logistics challenge. Being tasked with loading all the equipment within one week, and shipping on two separate vessels to arrive within a 10-day window of each other, is another challenge altogether.

Kuehne + Nagel's Houston project office tackled this challenge for a major petrochemical client constructing a new polypropylene facility in Texas.

Planning involved site visits and dozens of meetings and conference calls to keep all parties informed of the manufacturing progress and final shipping window.

All the components were critical to the plant's success and timely start-up. Detailed risk analysis ensured each step of the door-to-door movement had a recovery backup plan and each component had its own lifting, stowage, and securing plan for land and sea transport.

Because the origin was Kuantan, Malaysia, the backup plan even included positioning a floating

crane in case any of the ships' gear failed before or during loading. A similar plan was incorporated into the discharge operation in Houston. The project manual included historical weather and ocean current data for the time of year in order to plan safe harbors should foul weather threaten the security of the voyage and the valuable deck cargo being transported.

Thanks to careful planning and constant communication, all cargo was loaded within five days and arrived safely in Houston, on time and on budget.



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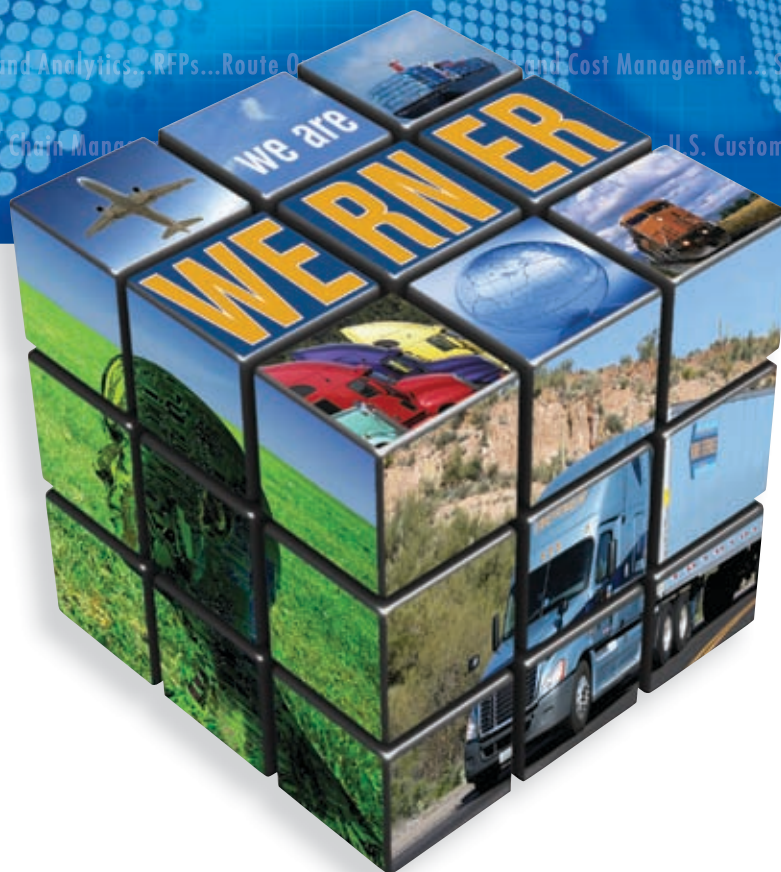
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in the project. For instance, the provider can look at project drawings and suggest ways to reduce transport expenses, analyze timelines to be sure it can meet milestones, and ensure that pricing is adequate to cover execution costs.

TREAT CARGO WITH TLC

Covering your bases is essential to avoiding project logistics pitfalls. The goal is to get the cargo to its destination as quickly and safely as possible. Timing almost always trumps cost.

Shippers looking to save money, however, should discuss the best transportation mode with their 3PL. For instance, is a chartered flight required, or could cargo move via commercial airline?

"We try to optimize the best route at

the least cost to the shipper," says Dave Kemmer, director of global development for BTX. "We recently moved a 50,000-pound crane from New Hampshire to Korea on a commercial carrier, which saved one shipper thousands of dollars. The equipment left New Hampshire on Monday and arrived at the Seoul factory on Friday."

Also, as a result of the recession, many service providers are trying to secure project cargo contracts, but not all of them are qualified. "A company specializing in containers, for instance, wouldn't have adequate knowledge about how to handle oversized equipment," says Devlin. "Experienced project logistics providers understand the details of moving this type of cargo."

St. Germain agrees that using

providers lacking in project cargo experience can negate the bargain price they offer. The 3PL might offer a good rate for trucking to a jobsite from the port, but will it know to check whether engineering studies are needed for permits? If not, that can be a \$35,000 surprise.

A specialist can also help minimize or eliminate risks involved in project logistics. For example, a detailed method statement outlining the best way to lift and handle the cargo is particularly important when transporting hazardous materials.

Bottom line: it pays to invest in the services of an experienced project logistics provider. "Many shippers don't fully understand special project logistics," says Bacarella. "This is cargo that requires extra love and tenderness." ■



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Logistics Gets to Work

Good news! Jobs are opening up for logistics professionals as businesses recover from the economic downturn. **By Perry A. Trunick**

When President Barack Obama announces a drop in unemployment numbers, even he admits the news sounds flat to someone on the wrong side of that trendline. But for logistics and supply chain professionals seeking work or career advancement, the ominous soundtrack of the past few years is beginning to play a lighter tune as the job market improves.

Recruiters such as Donald Jacobson, president, Optimum Supply Chain Recruiters, Rutherford, N.J., report that business is picking up and has been fairly steady for the last six months.

Scott Enustun, logistics recruiter for Philadelphia-based Management Recruiters International, agrees. "Business is back since the first quarter of 2010, and is growing stronger with an excellent outlook," he says.

Companies are so thinly staffed that the economic uptick means they need people—and quick. Unemployment among professionals with four-year degrees has dropped from a high of 5.2 percent in May 2009 to 4.4 percent in September 2010.

Many companies, however, delay rehiring. Then, as business recovers, they discover an active—and sometimes urgent—need to find the best talent. "This surge particularly benefits key supply chain management roles," says Pamela Ruebusch, president and CEO of TSI Executive Search, Mississauga, Ontario.

Hiring for supply chain jobs has experienced a steady increase since last November, says

Jason Breault, managing director, Top Grading Solutions, Port St. Lucie, Fla. "The talent pool is, therefore, getting narrow," he says.

Companies may even begin tempting new hires away from jobs they held through the recession. "People who were afraid to leave a stable position last year are now willing to take a chance on a new job," says Marty McMahon, principal consultant, McDermott & Bull Executive Search, Irvine, Calif. "We'll see higher turnover in the next 18 months, which will create new opportunities."

Employers who want to hold on to their top performers and employees with high potential should strive to keep them happy and challenged, adds McMahon.

In stable economic times, turnover hovers at 15 to 20 percent, but the percentage of people who want to make a change is skyrocketing. "When you don't reward people during hard times and they burn out, they tend to leave when the economy improves," says Jacobson.

Some job seekers can benefit from the need of employers to fill specific roles. Companies that were caught off-guard by the recession, for

example, are now building up new demand-planning organizations.

“The recession has done wonders for supply chain planning—and especially forecasting,” Breault notes.

Cash is king, and many companies now realize the benefit of using forecasts as a snapshot of the future. “Job applicants with solid forecasting experience

are a hot commodity now, especially because companies with skilled forecasters and demand planners tended to hold on to them through the recession,” Breault says.

But forecasters aren’t the only applicants being courted. “Director positions and consultants are also in high demand,” says Brett Stevens of Atlanta-

based SearchLogic Recruiting.

Stevens is handling a number of industrial engineering searches for logistics engineers. “It’s not an easy search,” he says, “but many recent graduates with an industrial engineering degree have received two or three offers.”

Recent graduates with logistics and supply chain management degrees also

Moving In, Not Through, Logistics

Logistics and supply chain professionals consider their positions part of a career track, not simply assignments, according to the 39th annual *Survey of Career Patterns in Logistics*. Logistics is not a field for those just passing through, survey respondents say.

Conducted by the Department of Marketing and Logistics, Max M. Fisher College of Business at The Ohio State University, the survey reached members of the Council of Supply Chain

Management Professionals (CSCMP).

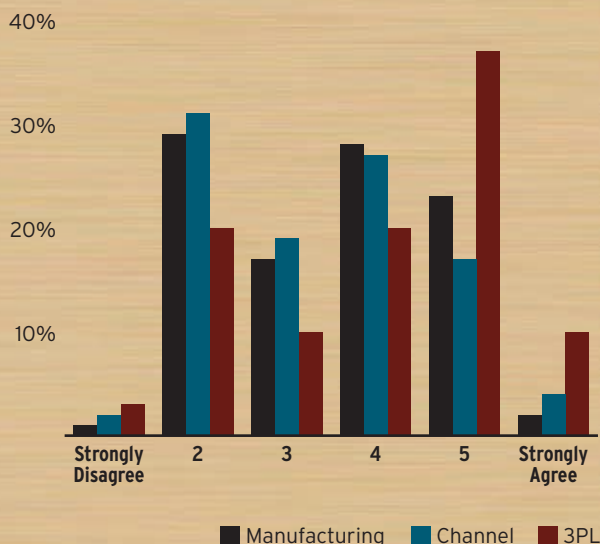
As with past surveys, the majority of respondents (91 percent) are male and most are at the midpoint in their careers (35 to 54 years old or older than 54). The median number of years in logistics is 18 for manufacturers and channel members and slightly higher (23 years) for third-party logistics providers (3PLs). Most respondents have been with their firms for 11 to 12 years, leading to the survey’s conclusion that

logistics is a career, not an assignment.

The survey reveals some interesting facts about the logistics and supply chain job market. “We do not see firms staffing their entry-level supply chain management positions with transfers from elsewhere in the firm, but with personnel hired specifically for these positions,” states the report. That changes a little for mid-level positions, however, which are filled more from internal promotions than external hires.

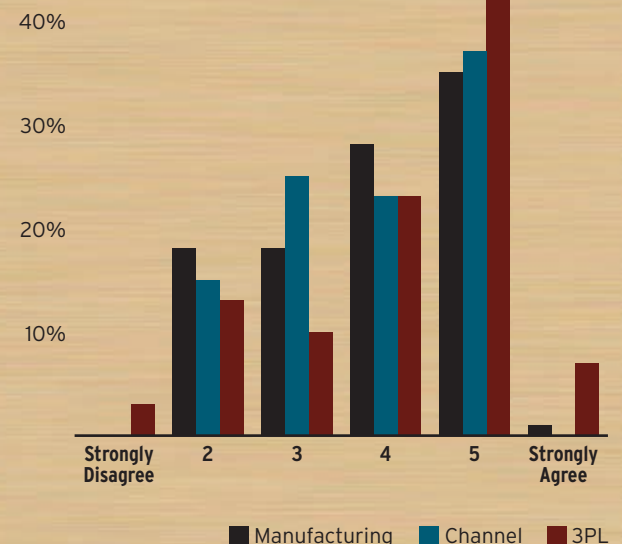
Number of Mid-Level Supply Chain Positions is Declining

When asked about declining numbers of mid-level supply chain management positions, the 3PL group expresses slight agreement, while the manufacturing and channel groups are more neutral. The channel group’s level of agreement is significantly below that of the manufacturing and 3PL groups.



We Mostly Hire From Outside the Firm for Entry-Level Supply Chain Positions

When asked about hiring from outside the firm for entry-level supply chain management positions, all three groups indicate slight agreement, with no significant differences among them. Firms are not staffing entry-level positions with transfers from elsewhere in the firm, but with personnel hired specifically for these positions.



are in demand. It's often easier to fill positions at lower levels, says Enustun, because there is a larger pool of candidates. Newly created positions and jobs at the executive or strategic level can be more difficult to fill.

Some companies are meeting their employment needs by combining jobs. This approach, however, can

prolong the process and add to the complexity of filling the position. For instance, if a company had an opening for two positions, one covering domestic transportation and one covering international, it might look for a single hire to handle both areas. The knowledge and skill sets are somewhat different for the two positions, and,

typically, someone who has specialized in international logistics has likely not developed the same level of skill in domestic logistics.

One strategy job seekers should consider is switching from manufacturing to a service provider role. Career opportunities with service providers are on the rise, and there are significantly more service provider companies today than in 2008 and 2009, says Neal Click, principal and managing director, High Road Partners Inc./Snelling Transportation Group, Bentonville, Ark.

Many positions are available in business development, but operations is also drawing interest. Safety leadership positions, for example, are on the rise as the transportation industry looks ahead to the CSA 2010 safety initiative. Freight brokerage positions are the easiest to land on the service provider side, Click says, especially for a professional who can bring along a following of carriers and shippers.

BEND, DON'T BREAK

Although the job market is improving, today's job hunters may find it pays to be flexible in their demands. A full-time position may be harder to find than a contract opening, for example.

The level of commitment businesses are willing to make varies. Companies that are confident about the economy or their business outlook are taking on full-time employees. More cautious employers are bringing in talent on short-term contracts ranging from three to 12 months. These companies are buying time while they decide whether the business will stick. Overall, however, recruiters say temporary assignments are declining in a shift toward more full-time hires.

Job applicants may also be willing to bargain when it comes to relocating. "Some candidates are being held back because they have to sell their house before they can move to take on a new job," notes Veronica Henderson, president of \$100k+ Supply Chain Jobs LLC, Denver, Colo. Some firms are specifying local candidates, noting they will not pay relocation expenses.

But some companies are applying

This year's survey questions focus on the impact of the economic recession. Surprisingly, salaries continued to rise despite the recession. The survey didn't reach a large or broad enough group to offer much data on regional or other breakdowns, but the authors observe that salaries and bonuses are higher and that channel members (distributors/retailers) fare slightly better than manufacturers or 3PLs on salary and benefits.

The number of senior positions at 3PLs has experienced some decline, but there's less indication of that among manufacturers or channel members. There's no strong indication of outside hiring for these positions.

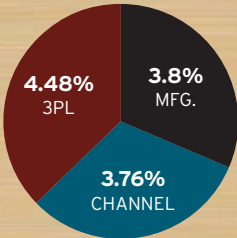
Among the key challenges for individuals at the senior level are knowledge of supply chain management tools (indicated most strongly by 3PLs) or knowledge of the supply chain function (manufacturers and channel members). All agree that a key challenge in staffing senior positions is finding general senior management skills.

What is the best way to prepare for a role in senior management? Respondents favor a series of positions with increasing responsibility in supply chain management over alternatives that emphasize experience in the company or industry.

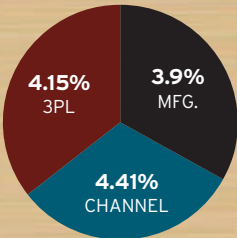
"Respondents say this career path offers the best combination of perspective from having experience in different organizations and the functional knowledge that comes from experience in one industry," says the report.

Key Challenges in Staffing Senior-Level Supply Chain Positions are Primarily Related to:

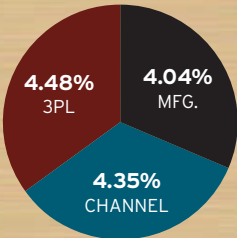
Knowledge of Supply Chain Management Tools



Knowledge of the Supply Chain Management Function



General Senior Management Skills
(e.g. Communication, Leadership)



Source: Survey of Career Patterns in Logistics

creative solutions to the relocation challenge. One approach is setting up new hires in temporary housing for a longer period of time than would normally be associated with a relocation. Another solution is managing a combination of temporary housing and a long-distance commute.

Relocation seems to create less of a problem on the service provider side, where employers will fund relocation

for the right candidates. And many candidates will move for a desirable location and a position that is properly compensated, Click says.

Unfortunately, some candidates find that they have to compromise to gain the winning edge over others competing for the same job, sometimes taking lower positions for lower pay than their experience warrants.

Those who are between jobs can

use the time to retool skills and finish degrees, says Kurt Baumann, president of Inde Supply Chain Consultants, West Allis, Wisc. Certifications such as Six Sigma and Lean can also give applicants a leg up, notes Henderson.

The economy may still be facing a long, slow recovery, but the market for logistics and supply chain positions is improving, and should continue to expand. ■

Women Make Their Mark

The 14th annual *Survey of Career Patterns of Women in Logistics*, prepared for the Council of Supply Chain Management Professionals by researchers at The Ohio State University, shows strong commitment to the field and raises questions about managing younger professionals.

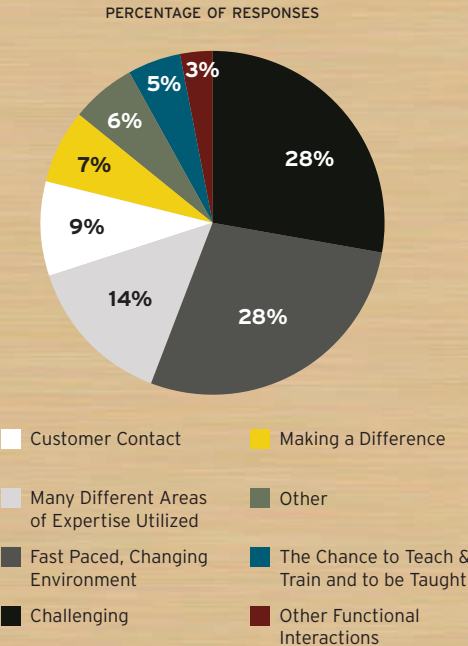
More than half (56 percent) of the women surveyed fall in the 31-to-50 age group. Nearly an equal number hold graduate degrees as hold undergraduate degrees (45 percent and 44 percent, respectively). An MBA is the most common degree, and more than one-third of respondents (36 percent) report a concentration in logistics.

Nearly one-third of the women surveyed are managers (31

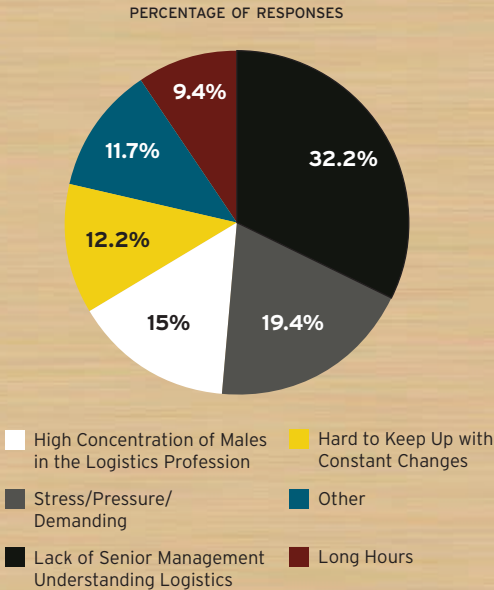
percent) and 38 percent are in upper management (director and above). More than one-quarter of respondents have direct responsibility for logistics functions, and 28 percent say they have advisory responsibility for logistics functions. Nearly half (46 percent) have both direct and advisory responsibilities in logistics.

Seventy percent of respondents say they are satisfied with their current positions, but that figure has dropped from 77 percent in 2009. Still, they say opportunities for building a sound career in logistics are better now than ever before. Factors they attribute to success in the field include “understanding the big picture, strong interpersonal skills, good communication, leadership skills, and analytical ability.”

What Women Like Best About Being a Logistics Professional



What Women Like Least About Being a Logistics Professional



SOURCE: Survey of Career Patterns of Women in Logistics



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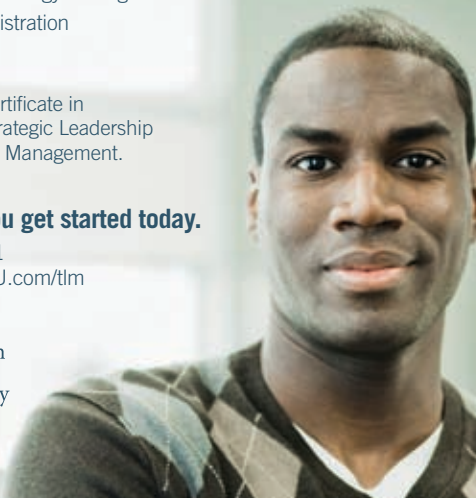
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Warehouse Slotting, Profiling: The Right Place at the Right Time

The saying “A place for everything, and everything in its place” almost sums up the idea behind warehouse slotting and profiling. A more accurate version might be, “An ideal place for everything, and everything in the most efficient place.” Leather goods distributor Tandy Brands discovered the benefits of slotting and profiling when it undertook a warehouse optimization project.

Tandy Brands, a designer and marketer of branded accessories, distributes belts, small leather goods, neckwear, eyewear, and gifts. Based in Dallas, Texas, Tandy serves U.S. and global markets, distributing to large and small retailers, including Walmart, specialty stores, and upper-end department stores. Tandy’s brand portfolio includes Wrangler, Totes, Dr. Martens Airway, and Dockers, as well as proprietary and private brands for major retail customers.

TRADING TWO FOR ONE

Prior to launching its warehouse optimization project, Tandy used two primary warehouses: a

125,000-square-foot facility in Dallas that distributed women’s belts and accessories, and a 136,000-square-foot facility in Yoakum, Texas, that distributed men’s and women’s Walmart belts, and men’s belts and accessories for additional customers.

Tandy learned it could save \$3.4 million per year in labor, freight, and facility costs by using a single facility in Dallas, according to a study performed by Kansas City, Mo.-based supply chain consulting firm TranSystems Corporation. The company decided to expand its Dallas facility by 60,000 square feet and eliminate the Yoakum facility. TranSystems managed the final design

An optimization project at Tandy Brands’ belts facility makes warehouse slotting and profiling a cinch.



and implementation of the Tandy warehouse expansion project.

The first obstacle Tandy faced was that the existing Dallas warehouse picking area wasn't designed for the 51-inch belt boxes utilized in the Yoakum facility.

The expansion space needed to be configured to efficiently handle the longer box. This challenge required identifying the right configuration of storage fixtures for a specific set of products (warehouse profiling) and determining

the optimal location for each product (warehouse slotting).

Tandy knew it needed an advanced software solution to properly slot the expanded warehouse area; determine the net benefit associated with

Mastering Product Placement

As Tandy Brands discovered during its warehouse optimization project, keeping product on the proper type of fixture and in the right spot can boost operating efficiency. Here's a look at the specifics of warehouse profiling and slotting.

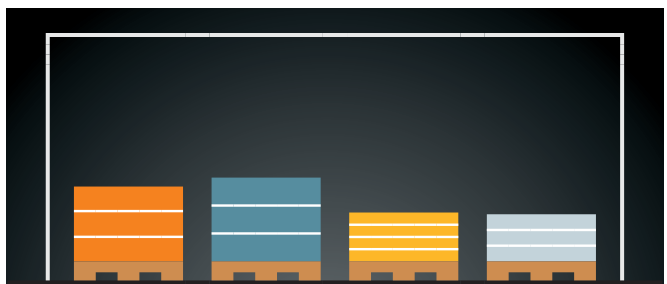
Warehouse Profiling Defined. Proper profiling maximizes space utilization by determining what type of slot is best suited to a particular product. Using a spreadsheet or specialized profiling software, an item's slotting unit dimensions are evaluated relative to each slot type's dimensions to determine which slot type(s) can accommodate products with the least amount of space left over in the slot type. In a profiling exercise, only types of slots are evaluated, not specific slot locations.

Warehouse Profiling Benefits. Profiling items to the right slot type optimizes space utilization and reduces replenishment costs. Moving an item from one slot type to another and/or changing its facings and stackings to align with outbound item movement can help speed picking.

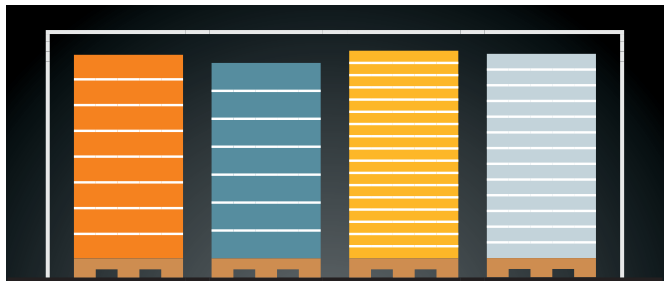
Warehouse Slotting Defined. Slotting considers the locations, opening dimensions, weight limitations (by level), product grouping, item slotting unit dimensions and weight, item picking unit dimensions and weight, among other factors, to profile and sequence items down the pick path.

Slotting Benefits. The benefits of proper slotting include reduced picker travel, reduced bend and reach, more stable loads, fewer accidents, and less product breakage.

Poorly Profiled Items

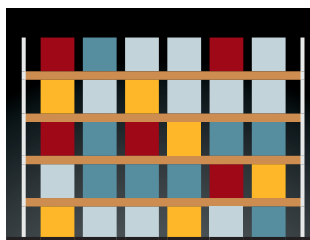


Well-Profiled Items

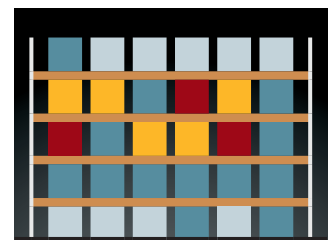


Poorly profiled items have too much space dedicated to them. Well-profiled items make efficient use of shelf and rack space.

Improperly Slotted Items



Properly Slotted Items



Carton Weight: ■ 1-10 lbs. ■ 10-25 lbs. ■ 25-40 lbs. ■ 40+ lbs.

When products are properly slotted, heavier items are placed in the areas where they are easiest to pick, reducing the risk of injury and product damage.

slotting by end-customer product groups—required by Walmart—versus strict velocity slotting; and reduce replenishment activity.

After researching its options, Tandy chose *OptiSlot DC*, a slotting technology software from Optricity Corporation, an optimization solutions provider based in Research Triangle Park, N.C. Using *OptiSlot DC*, Tandy was able to determine the number and type of racks required for the new warehouse area. It was also able to generate a blueprint for how to slot product in the new warehouse area after the expansion.

ACHIEVING A BALANCE

This slotting blueprint proved to be an important key to remedying Tandy's efficiency issues. Tandy used *OptiSlot DC* to evaluate two different approaches to slotting: retail grouping, which yielded sequencing to support Walmart, and pure velocity slotting, in which sorting occurs after items are picked. This approach required balancing picking efficiency with replenishment frequency, while also adhering to customer retail groupings.

Balancing picking efficiency and replenishment frequency is an important factor in achieving least-cost labor associated with both activities, while also maintaining adequate inventory in pick slots to attain high customer service levels.

ADDING UP THE BENEFITS

Tandy completed its profiling and slotting project, including data collection and correction, in approximately two weeks. Making better use of shelf space reduced Tandy's expected slot consumption, which freed slots for use by other product groups and end customers.

The optimization project also allowed Tandy to group all Walmart product together. In the consolidated Dallas DC, Walmart unit movement accounts for approximately 65 percent of the total daily unit movement, and is now slotted in 20 percent of the total pick area. To meet Walmart's requirement that all product arrive in certain groupings, Tandy provided identification numbers for each product, allowing *OptiSlot DC* to establish rules to precisely classify product groupings.

The company's goal was to replenish no more than twice a week, and it achieved this rate for 92 percent of the items. Finally, the optimization project showed that Tandy could eliminate its four-shelf racks, which were mixed in with five-shelf racks, and use only five-shelf racks, providing more product storage in the same floor footprint. This change to standard and uniform racks allowed for more flexibility during future expansions.

Not only did this optimization project improve operations for Tandy to source product for Walmart, but it also created efficiency within the four walls of the Dallas DC, allowing for more flexibility as product moves through the warehouse, now and in the future. ■

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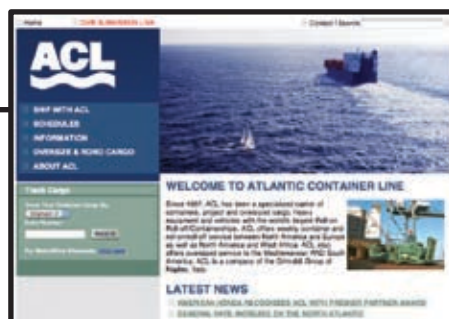
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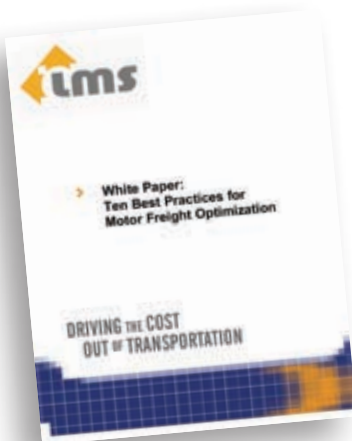
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WhitePaperDigest

Industry experts amass supply chain management best practices and skill sets, and invest in new research and evaluation tools. Now you can benefit. *Inbound Logistics* has selected this collection of whitepapers that will give you a jump on important supply chain issues. For more information on any of these whitepapers, visit the Web sites listed below.



LMS

TITLE: *Ten Best Practices for Motor Freight Optimization*

LENGTH: 32 pages

DOWNLOAD: www.lmslogistics.com/freight-management.asp

SUMMARY: These proven freight optimization tactics will help you reduce transportation costs and increase asset utilization without compromising service to your customers. This comprehensive, how-to whitepaper details the best practices for optimizing your motor freight operations. Learn how to best control costs and service—regardless of market conditions.

Kewill

TITLE: *Building Your Export Business: Global Trade Compliance, Content, and Connectivity*

LENGTH: 15 pages

DOWNLOAD: www.kewill.com/lc/index.php/2/gtm-whitepaper-il.html

SUMMARY: This whitepaper, authored by Beth Peterson of BPE Inc., discusses the challenges facing exporters as they attempt to comply with export regulations in the United States and globally. The report provides examples of how leading exporters are overcoming these challenges by effectively using compliance automation to reduce the multitude of risks surrounding international trade. Learn how to quantify, control, and leverage global trade activities for the benefit of the entire company, and how to develop a competitive advantage by turning export controls responsibility and associated burden into an opportunity.

Share your whitepaper with *IL* readers!

WhitePaper Digest is designed to bring readers up-to-date information on all aspects of supply chain management. We're building a database of SCM whitepapers, and you can help. E-mail us with whitepaper recommendations: editorial@inboundlogistics.com



3PL Central

TITLE: *3PL Warehouse Guide: 7 Essentials For Supporting eCommerce Fulfillment*

LENGTH: 8 pages

DOWNLOAD: www.3plcentral.com/ecommerce_fulfillment_email

SUMMARY: Get ready for the holidays! As a 3PL warehouse, you cannot afford to ignore the significant growth opportunities of doing eCommerce fulfillment. Whether you already handle fulfillment or are looking to expand your warehousing services, the *3PL Warehouse Guide* covers the seven essential functions needed to support eCommerce fulfillment. Download this free whitepaper for insight on must-have capabilities all 3PL warehouses need to support eCommerce fulfillment.

Ryder

TITLE: *ERP Implementations: Streamlining Through Supply Chain Outsourcing*

LENGTH: 10 pages

DOWNLOAD: www.ryder.com/lms_erp.shtml

SUMMARY: Outsourcing non-core activities, such as logistics and warehouse management, reduces the complexity, risks, costs, and time to go-live of ERP systems. It's common for companies implementing all-encompassing ERP systems to have at least some problems, delays, and cost overruns. For The Hershey Company, Levi Strauss and Company, and Whirlpool, those problems had a dramatic effect on the companies' bottom lines. Outsourcing is a proven method to achieve world-class logistics and warehousing operations in a fraction of the time - and risk - of implementing an ERP system.

Yale

TITLE: *Corporate Responsibility: Operating in the Green*

LENGTH: 9 pages

DOWNLOAD: www.northamerica.yale.com/white-papers/Yale-Benefits-of-Green.pdf

SUMMARY: Environmentally responsible practices can make your operation greener in more ways than one. Find out how saving the environment can also help you save money in this Yale whitepaper.

Ameren Economic Development

TITLE: *Competitive Marketing Analysis-Wholesale Trade*

LENGTH: 29 pages

DOWNLOAD: www.surveymonkey.com/s/7N8F7RN

SUMMARY: Among the Midwest's largest utilities, Ameren's Illinois and Missouri service area has an unusually strong set of assets for distribution centers and related business facilities. Ameren's whitepaper, *Competitive Marketing Analysis-Wholesale Trade*, discusses how selected business costs range from 18 percent to 27 percent below the national average for distribution centers. Learn how Ameren's advantages of least-cost option, market access, and connectivity can work for you.



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888-511-4811

FedEx Trade Networks

New offices in Budapest, Hungary; Prague, Czech Republic; Madrid, Spain; Milan, Italy; and Antwerp, Belgium, offer global freight forwarding services and end-to-end multimodal solutions, direct access to local personnel with industry experience and expertise, and expanded regional access to services such as FedEx International Direct Distribution and Global Order Logistics.

www.fedex.com

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www.seafreightagencies.com

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CMA CGM

The New Victory Bridge service links North Europe to the U.S. south Atlantic, Mexico, and the U.S. Gulf. The service deploys five 3,000-TEU vessels and

provides shorter transit times between North Europe and Mexico, linking Altamira and Antwerp in 16 days, compared to 21 days with the previous service. The rotation of the New Victory Bridge service is as follows: Le Havre-Antwerp-Rotterdam-Bremerhaven-Charleston-Miami-Vera Cruz-Altamira-Houston-Miami-Le Havre.

www.cma-cgm.com

757-961-2100

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Available in two sizes, the color-coded Indicator Bin signals end users to stock, pick, flip, and replenish inventory. Users stock the bin using the divider to designate volume for the inventory reserve; pick from the blue side of the bin until reaching the divider; flip the bin to the orange reserve



▲ Trucking Equipment: Kalmar

The Kalmar hydraulic hybrid Ottawa 4x2 terminal tractor simultaneously draws power from two sources—the primary diesel engine and the secondary hydraulic motor. The coordination of these power sources maximizes fuel economy and satisfies performance constraints.

www.kalmarind.com

609-860-0150

to indicate inventory levels are low; then replenish the bin and repeat the process. The bins work with 14-inch wire shelving, 12-inch steel shelving, and pick rack systems.

www.akro-mils.com 800-253-2467

INTERMODAL

Horizon Lines

The Five Star Express trans-Pacific liner service provides express intermodal container shipping from Ningbo and Shanghai to Los Angeles. Shipments continue to Chicago, Memphis, Atlanta, and Charlotte via on-dock rail connections, which saves shippers West Coast drayage fees.

www.horizonlines.com 877-678-7447

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www.owlusa.com 516-616-2400

Panalpina

An express air service now connects Hong Kong via Huntsville, Ala., to São Paulo, Brazil. Panalpina also launched airfreight service to the Dubai World Central-Al Maktoum International Airport as part of a new rotation connecting Luxembourg, Dubai, South Africa, Hong Kong, North America, and Latin America.

www.panalpina.com 973-683-9000



▲ **Air: AirBridgeCargo Airlines (ABC)**
ABC launched a twice-weekly all-cargo service to Paris Charles de Gaulle Airport. The new Boeing 747 route links with both Domodedovo and Sheremetyevo Airports in Moscow. The Paris-Moscow flight provides transportation of fashion and apparel products and pharmaceutical goods to Russia, and enables shippers in France to access the China market and ABC's other destinations in Asia via its hub at Moscow Sheremetyevo.

www.airbridgecargo.com 416-622-9450

Lufthansa Cargo

Lufthansa Cargo boosted its services to and from Japan to 12 flights a week, doubling its frequencies. The carrier serves Frankfurt daily from Tokyo with an MD 11-freighter service, and connects Frankfurt to Osaka five times a week.

www.lufthansa-cargo.com 800-LH-CARGO

WEB

El Systems

The Web-based Rail Manager service allows shippers to track railcar status and location within large industrial sites and gain visibility into railyard operations. Rail Manager links railyard hardware—such

as automated railcar readers, handheld railcar scanners, load bay recorders, and rail scales—and interfaces to a variety of site manufacturing and financial systems. Its color-coded yard maps facilitate inventory control, product tracking, and car placement decisions.

www.eisystemscorp.com 281-286-8000

Railinc

RailSight Car Location Message provides real-time rail freight track-and-trace via the RailSight Online Web tool. The application allows equipment owners, shippers, 3PLs, and transportation management software providers to manage critical rail equipment and shipment data for up to 25 railcars per trace. Security features ensure only those individuals included on the bill of lading are able to request and receive location data.

www.railinc.com 877-RAILINC

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A new Transportation Management Center (TMC) in Mumbai, India, offers Managed TMS and control tower services to domestic shippers in India, South and Southeast Asia, Pakistan, and the Middle East. The center provides supply chain visibility, creates more efficient regional and worldwide distribution networks, and facilitates Managed TMS integration and use at regional levels.

www.chrobinson.com 800-323-7587

Zenith Global Logistics

A regional freight hub in San Antonio, Texas, serves the home-delivery needs of Zenith Global Delivery customers. The facility also provides a split-container program that cross-docks and distributes container shipments. Zenith Global Logistics maintains freight hubs in Tupelo, Miss., and Atlanta, and a warehousing and distribution center in Claremont, N.C.

www.zenithcompanies.com 800-937-3876

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January 17-19, 2011, Jump Start Conference: Defining Success in Transportation, Atlanta, Ga. Attendees at this event, sponsored by SMC³, hear from the CEOs of major shippers, carriers, and logistics service providers on trends and business concerns in 2011; learn the risks and rewards of integrating sustainability concepts with traditional supply chain practices; and catch up on global economic indicators and domestic legislative initiatives.

800-845-8090
www.smc3.com

January 20, 2011, Sustainability in the Supply Chain, Oakland, Calif. At this event, sponsored by the Council of Supply Chain Management Professionals' San Francisco Roundtable, learn how leading companies are successfully reducing the environmental impact of their operations. Take away concrete ideas on how your company can take steps toward a more sustainable operation. Speakers include Greg Ginsburg, vice president,

product supply, at Clorox and Ted Witt, director of finished goods sourcing at Clif Bar and Company.

630-574-0985
http://cscmpsfrt.wildapricot.org

January 25-26, 2011, Interlog Winter, Tampa, Fla. Presented by Worldwide Business Research, this two-day conference focuses on strategies for OEMs and manufacturers to stay ahead of the curve in a recovering economy. Speakers include executives from Rolls Royce, American Airlines, Eaton Aerospace, Cisco Systems, Briggs & Stratton Corporation, Diebold, and Husky Injection Molding.

646-200-7527
www.interlogwinter.com

February 1-2, 2011, Shifting International Trade Routes, Tampa, Fla. Co-sponsored by the American Association of Port Authorities and the U.S. Maritime Administration, this event addresses how players in the transportation industry view changes in global trade and

the fallout of the economic recession. Speakers will also provide an update on the planned expansion of the Panama Canal, and discuss infrastructure needs from the perspective of cargo owners, ocean carriers, ports, terminal operators, warehouse and distribution centers, and highway and rail interests.

800-233-1234
www.aapa-ports.org

February 20-23, 2011, Logistics Conference 2011, Orlando, Fla. The Retail Industry Leaders Association presents this event focused on supply chain trends affecting retail operations. Sessions provide executives an overview of supply chain issues in the retail industry and updates on product safety, food distribution, and sustainability.

703-600-2039
www.rila.org

March 21-23, 2011, JAXPORT 2011 Logistics and Intermodal Conference, Ponte Vedra Beach, Fla. This conference, sponsored by the Jacksonville Port Authority, offers sessions on funding challenges for transportation infrastructure; the potential to grow U.S. exports through revived U.S. manufacturing; and novel ideas to improve ocean carrier customer service. Panels comprise senior executives from major ocean carriers, railroads, shippers, and logistics providers.

904-357-3047
www.jaxportconference.com

April 10-13, 2011, COSTHA Annual Forum and Expo, Scottsdale, Ariz. This event, presented by the Council on Safe Transportation of Hazardous Articles, explores legislative topics, transportation issues facing the life sciences industry, and tips for shippers working with vessel operators and air carriers.

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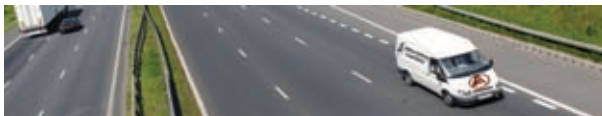
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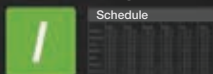
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At the time, UP Chairman W.A. Harriman recognized the growing appeal of winter sports. Because the railroad was the only viable means of transportation into the Rocky Mountains, locomotion to, then up, the slopes went hand-in-hand like a pair of sticks⁷.

Harriman enlisted the support of Austrian sportsman Count Felix Schaffgotsch to help build the first destination ski resort in Idaho's Sawtooth Range, while UP went to work on a mechanism for transporting skiers up the mountain. Engineers adapted a cable system used in loading bananas onto boats for transporting skiers, replacing hooks with chairs for people to sit on. The rest, as they say, is history.

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