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THE MAGAZINE

ISSUE 15 • FEBRUARY 2011

Career Refreshers



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KNOWLEDGE

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NEW JOB
REQUIREMENTS

1. Consider All Options
2. Insert Tokens
3. Make Selection Below
4. Enjoy the Career Benefits!



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ENERGIZE YOUR CAREER

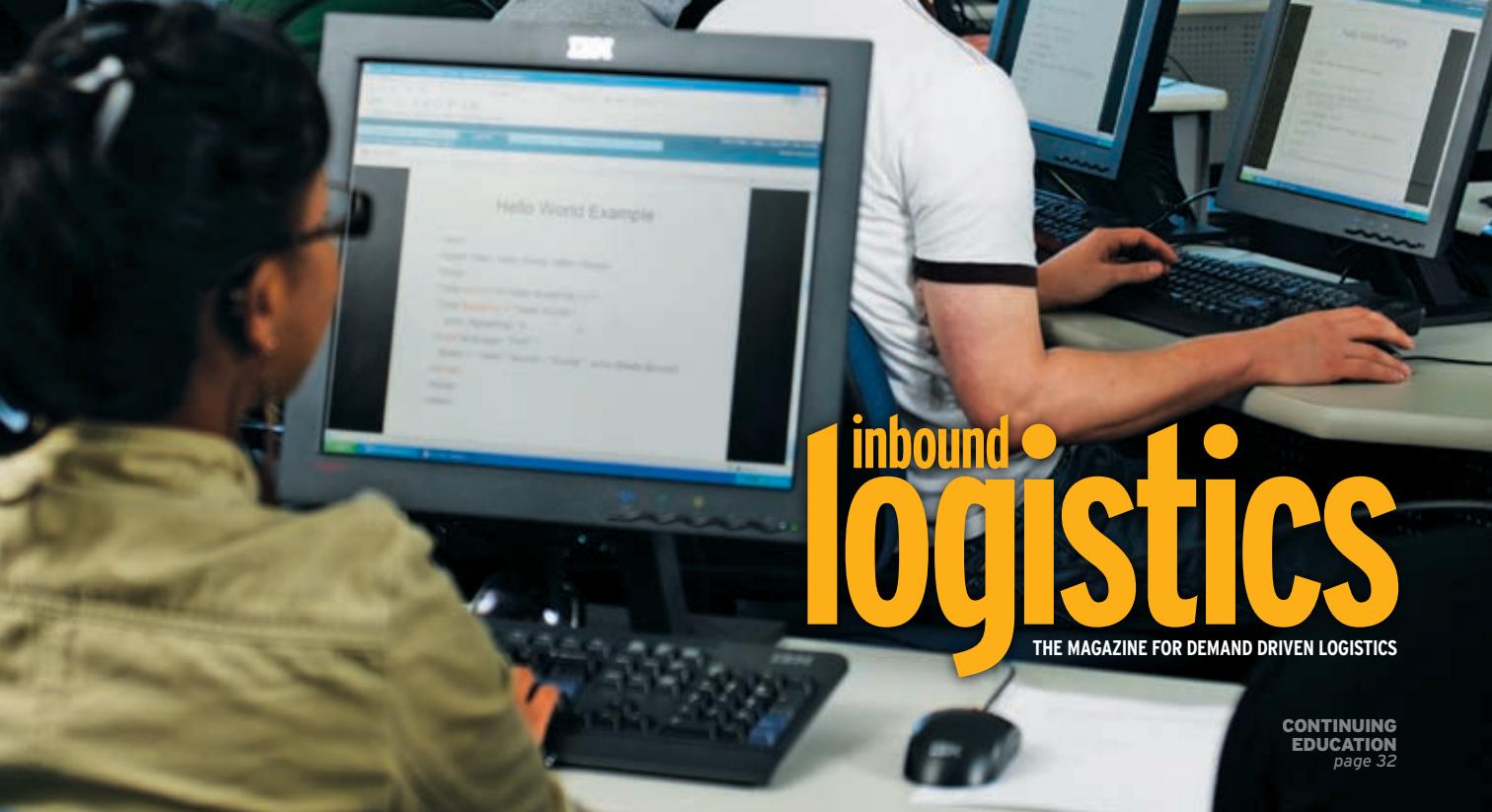


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THE MAGAZINE FOR DEMAND DRIVEN LOGISTICS

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Economic recession, cost-conscious ocean carriers, a federal mandate, and ambivalent ports have

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Pursuing additional education—through an abundance of choices that includes classroom work, certification, or online courses—helps logistics professionals enhance their job performance and get ahead.

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Forward-thinking shippers and logistics providers are embracing a collaborative outsourcing method—with powerful results.

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CHECKING IN

Felecia Stratton

by Felecia Stratton | Editor



School's in Forever

It's not every day that a group of UCLA MBA students comes calling, asking questions about the automotive aftermarket supply chain, engaging *IL* research, enriching theirs. But it happens. And when it does, it brings a fresh perspective, reinforcing and empowering our magazine's objective.

Education has been a core mission for *Inbound Logistics* since its inception in 1981. Our monthly editorial curriculum is highlighted by topical themes that feature industry case studies, current events, guest columnists, market research, and other articles that push and pull thought leadership.

What we've grown in print is augmented and archived online, building a library of rich shipper-driven content and best practices that students and professionals use to expand their knowledge base and sharpen their skillset.

But it's much more than that. *Inbound Logistics* is a moving classroom that goes where you go. You can carry it with you in your briefcase or access it on your mobile device. More importantly, our editorial will tag along and help you realize new opportunities as you grow your career.

For example, in Perry Trunick's featured article, *Continuing Education: Making the Right Selection* (pg. 32) you'll read about how Cleveland State University (CSU) and others are specifically centering logistics and supply chain curricula on the needs of the local business community. They're making education accessible and applicable.

CSU has engineered its Executive MBA program with this goal in mind. It's a weekend-based, two-year program for working professionals. The Accelerated MBA is a shorter program, also weekend-based, for recent graduates who want to pursue graduate studies on a faster track. In addition, the university offers a broad mix of post graduate programs, including operations and supply chain management degrees that reflect more conventional operations, logistics, and supply chain management concentrations.

"The university reflects the economy of the region," says Elad Granot, director, executive MBA and accelerated MBA programs, Nance College of Business, CSU. "The industries that tend to thrive here range from healthcare to education to manufacturing, alternative energy, and sustainable business."

CSU's supply chain management curriculum also uniquely reflects *Inbound Logistics*. Associate Editor Perry Trunick wears another cap as adjunct professor for the Operations and Supply Chain Management department, teaching a global classroom of PhD physicists, forensic accountants, IT specialists, engineers, and logisticians the finer points of supply chain management.

Trunick instructs a cross-section of logistics and supply chain students at varying stages of their careers and educations. For some, course OSM 524 Transportation Management may merely be a prerequisite. For others, it could be a revelation.

Similarly, when students and logistics professionals come calling, looking for insight and perspective, we're always willing to help out. That's our calling as a complete logistics resource. ■

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logistics

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DIALOG

LETTERS TO THE EDITOR



A Timely Resource

Robert Russo's article *3PL Partnerships: Finding Your Better Half* (October 2010) was the perfect lead-in for a 3PL/shipper panel my company presented at the Traffic Club of Chicago's Executive Briefing in November. The article's simple, concise, and solid content were excellent, especially when addressing relationship issues between shippers and third-party providers. It was so timely that I shared it with our panelists before the event.

— **Dennis M. Grim**, Business to Business Communications, Saint Charles, Ill.

Military Talk

Since being the focus of your *Reader Profile* (April 2010), I have been accepted at the School of Advanced Military Studies. You have a great publication that serves as my window into the civilian logistics sector. Often I can modify the commercial processes described in your magazine for the military's equally complex and unique circumstances.

Thank you for the time and energy that you put into making this resource available. I forwarded to several of my peers the link to your special digital

issue covering military articles. That topic would make a great annual issue. Maybe there are methods and processes we in the military use that could help a fellow 'loggie' become more efficient and effective.

— **Major Jason Ballard**,
Fort Leavenworth, Kansas

Editor's Response: Readers who missed our Military Logistics newsletter in October 2010 can view it in our newsletter archive: www.inboundlogistics.com/newsletter

Wheels of Fortune

I believe the Federal Motor Carrier Safety Administration (FMCSA) is going about it wrong by putting the extra cost and responsibility for providing and maintaining chassis on the trucker (*A Break in the Chain*, November 2010).

When you bring a chassis into the port, the inbound or outbound checker should inspect the chassis and complete the driver vehicle inspection report—not the trucker. This way, the port has the report and can fix chassis that need repair.

We have been complaining since June 2010 and still get the same junk chassis.

— **Ralph Di Fabio**, via e-mail

Editor's Response: There has been a great deal of confusion and concern regarding the FMCSA's Roadability Rule and how decentralizing control over chassis inspection and liability is changing the way businesses operate around seaports and inland ports. *IL* surveyed readers to better understand the extent of this problem and how shippers and drayage companies are coping. Turn to page 26 to read the results.

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10 TIPS

STEP-BY-STEP SOLUTIONS



Shipping Cross-Border and Within Mexico

Volatile shipping rates and capacity, uncertain forecasts, limited alternatives, and overall speed-to-market needs are driving many companies to near-source operations to Mexico. There are, however, some key considerations for doing business effectively south of the border. Troy Ryley and Jose Minarro, managing directors for Transplace Mexico, offer these tips for shipping cross-border and intra-Mexico.

1 Build in flexibility. Natural disasters, along with economic, environmental, and social issues, affect trade in Mexico. By working with providers and creating multiple contingency plans, you can overcome most of these events when they occur.

2 Control the black hole at the border. Because multiple parties and hand-offs are involved, shippers often become frustrated and lose track of freight at the border. Find a transportation partner that has the visibility tools to meet this challenge.

3 Integrate where possible. Accountability and visibility are lacking across the Mexican supply chain. Integrating where possible limits the

number of hand-offs, and streamlines accountability and freight location issues.

4 Find a great Mexican customs broker. In Mexico, you're guilty until proven innocent; therefore, choosing a customs broker is not the place to focus solely on cost savings. Unlike in the United States, the Mexican customs broker plays a key role in imported merchandise classification. You are tied to your broker long term, and issues that arise affect both parties—even as long as five years after a mistake is made. It is in your best interest to have a strong, long-term perspective on this complex element of Mexican trade.

5 When in Rome. Forget the U.S. practices you're accustomed to and learn the realities of the Mexican marketplace. You'll go farther a lot faster.

6 Diversify your carrier base. Constant variation in north to southbound freight changes equipment availability throughout the year. Relying on a single-asset carrier will not get your business through the tough months. By diversifying your carrier base, you can mitigate this issue and take advantage of equipment surpluses.

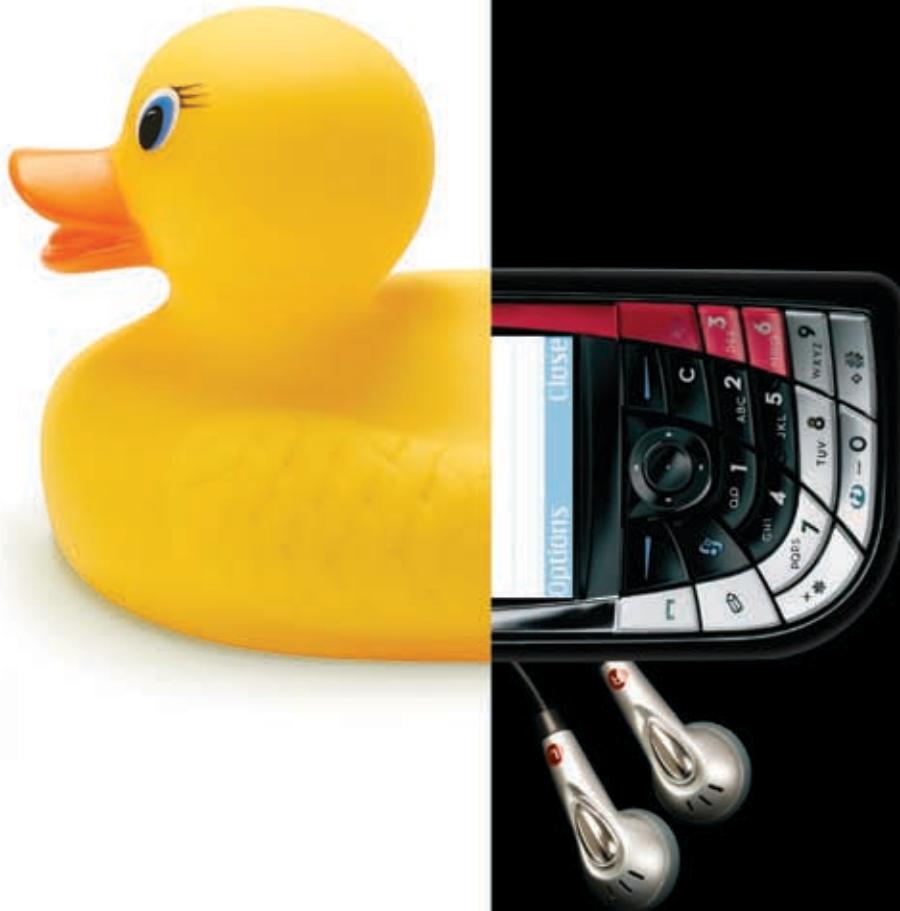
7 Avoid LTL in Mexico whenever possible. LTL shipments work differently in Mexico than in the United States; they are regionalized and more expensive. And, under Mexican customs brokerage practices, LTL shipments cross separately at the border (sharing space with others' freight is prohibited), making for longer transit times.

8 Buy insurance through your global policy. Carrier insurance coverage is not built into transportation rates in Mexico. Mexican law makes the carrier liable for 15 times the Mexican minimum wage per ton, or a fraction thereof, which is equivalent to about nothing. And collecting on it is unheard of. Use your global policy to leverage the coverage you need in Mexico. It is always the cheapest option.

9 Protect against exchange rate variance. Purchase logistics services in the same currency in which you sell your products.

10 Understand U.S. Customs and Border Protection security requirements. Learn the security implications of government programs such as C-TPAT to help facilitate the flow of cross-border freight. ■

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READER PROFILE

by Merrill Douglas



THE WHOLE BOWL

NAME: Saara Chung

TITLE: Customer logistics manager

COMPANY: Campbell Soup Company, Pleasanton, Calif., since 2010

PREVIOUS EXPERIENCE: Senior claims analyst, business analyst, Georgia-Pacific; financial analyst, Digital Generation Systems; senior accounting analyst, Levi Strauss & Co.; business analyst, distribution and supply coordinator, customer logistics manager, Georgia-Pacific

EDUCATION: California State University–Fullerton, BA, finance, 1995; St. Mary's College of California, MBA, finance, 1999

Dishing Up Souperior Service

Several years into a career in finance, Saara Chung realized she preferred preparing for the future to reporting on past financial activity.

Chung missed the kind of work she did at Georgia Pacific, optimizing the flow of products to customers. “I wanted a career where I could make a difference and come up with new and better ways of doing things,” she says. So when she got a chance in 2004 to move back into a supply chain role, she grabbed it. She has worked in logistics ever since.

In August 2010, Chung started a new job as customer logistics manager at Campbell Soup Company in Pleasanton, Calif. Her customers are three supermarket chains—Safety, WinCo Foods and H-E-B—and four wholesalers in California and Utah. Her job is to ensure that Campbell’s products—which include Campbell’s Soup, V8 Juice, and Prego Italian Sauce—move from Campbell’s production plants to those customers’ distribution centers (DCs) as reliably and economically as possible.

Sometimes the job involves logistics execution. For example, when a customer repeatedly submitted orders that would have required Campbell to load trucks beyond their weight limits, Chung worked with the customer’s supply chain manager to analyze the problem.

“I asked the customer for the weights and dimensions of the products it was selling,” she says. She compared that data with Campbell’s own specs and pointed out discrepancies. Then the customer updated its files with

accurate information to use when building loads.

Most of the time, Chung focuses on strategy. “My job is to determine how we can help improve efficiencies, reduce costs, and collaborate with customers to

The Big Questions

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

I enjoy spending time with my best friend and partner of 16 years. I like traveling, hiking, golfing, snowboarding, cooking, gardening, sailing, and accomplishing home improvement projects.

Ideal dinner companion?

Cal Ripken Jr., because of his exceptional work ethic, dedication, loyalty, and commitment through his 20-plus years with the Baltimore Orioles organization.

What's in your briefcase?

Calculator, business cards, wallet, Blackberry, mints, instant coffee, and a recent issue of *Fortune*.

Business motto?

Look at issues as opportunities and focus on possible solutions instead of obstacles.

If you didn't work in supply chain management, what would be your dream job?

National park forest ranger. I'm passionate about the outdoors, nature, and wildlife. I respect our environment and natural resources and would enjoy sharing them with others.

become a strategic innovator in their eyes, and improve their business," she says.

That could mean helping customers determine exactly how much Swanson broth they need to meet demand that surges at Thanksgiving, then suddenly drops. Sometimes it means getting sales representatives to consider logistics costs when offering customers special services.

Or it could mean finding a better way to serve a customer with a DC in a remote part of Texas. Trucking product to that facility was expensive for Campbell because carriers couldn't find backhauls. But Campbell has a plant in

Paris, Texas, where the customer also has some stores nearby. Chung and the customer decided that when the customer's own trucks delivered to those stores, they would also pick up product from the Paris plant. Campbell gave the customer an allowance for the service.

"The arrangement helps our customer return its trucks back to the DCs full," Chung says. "And we save money by having them pick up the product, versus paying a carrier to truck it to their DC."

One of Chung's latest projects involves working with a customer to find better ways to manage its supply chain from

end to end. "This project entails forecasting for the customer's promotional events and managing inventories at each of its distribution centers," she says. "The goal is to improve in-stock positions on the shelf, increase sales, and enhance our strategic partnership."

For a person who likes data but also likes people, Chung's job is just about perfect.

"I get to work collaboratively with customers to develop solutions for their issues, and crunch the numbers to see what might work and what might not," she says. "It's a good balance between the two." ■

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[INPERSPECTIVE]

BY PERRY A. TRUNICK

Associate Editor, Inbound Logistics
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Investing in Human Infrastructure

Roads, rails, and bridges are not the only kind of infrastructure worth investing in. What about people?

President Obama was greeted with a simple, one-word message when he visited the U.S. Chamber of Commerce: *jobs*. The Administration and, in fact, corporate America, have struggled with when, where, and how much to invest in projects that will fuel job creation. The usual refrain? Infrastructure.

The proposed tax incentive for business investment in plants and equipment shifts the focus from public works to private development. Both have their merits, but there's more to infrastructure than just asphalt, concrete, and steel.

During any economic downturn, companies cut investments in people. When the corporate top-line starts to tighten, the squeeze migrates down through each budget line item to try to add a drop or two of fresh juice to the bottom line. Early victims often include travel and training.

Membership and participation in professional associations and attendance at conferences, workshops, and events fall under that umbrella. Just at the time companies are looking for fresh ideas and suggestions to improve productivity, eliminate waste, cut costs, enhance customer service, and tweak a multitude of other best practices, they

cut off the conduit to those resources.

Business executives attend educational events and workshops only partly for the content. "What they crave is the networking that will help them find solutions and share ideas," says one educator.

Two forms of education occur at these industry and academic events, and only one centers on the formal presentations. The result, however, is orders of magnitude greater than passively sitting at a desk and reviewing numbers, searching for another budget item to cut.

OPERATING AT A LOSS

True, program organizers at universities and professional associations suffer their own top-line contraction when event attendance drops. But those who have devoted their careers to developing human resources recognize that the greater loss is the

potential contribution more motivated and better-informed logistics professionals can make to their organizations and supply chain partners.

Companies are desperately looking for relationship managers to coordinate supply chain efforts across functions and disciplines, and within and outside the enterprise. Meanwhile, highly talented managers and executives are anxious to take on that challenge.

But when the message is to make another cut, that creativity is channeled in a less-productive direction. Recruiters tell us dissatisfaction is growing, not only with cuts in salary and benefits, but also with the ability to produce real, lasting results.

Plenty of strong talent is already in place; they only need some encouragement and a few additional tools to effect significant change. Consider investing in that bit of human infrastructure. The yield could be greater stability, reduced risk, and continued growth. In the end, that investment can produce a more sustainable future and the job growth everyone craves.

An investment in education can unlock the energy and ingenuity that produce results. ■

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THE SUPPLY CHAIN IN BRIEF

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Crowley Maritime Corporation has acquired **Jarvis International Freight**, a Houston-based freight forwarding, export packing, and logistics company primarily serving the energy, oilfield, and mining industries. The company will become a wholly owned subsidiary of Crowley and expand the steamship line's penetration into new markets.

JHCI Holdings, owner of Jacobson Companies, acquired **Chimerica Global Logistics**, a 3PL headquartered in Hong Kong with subsidiary operations in mainland China. The move expands Jacobson's international logistics capabilities in conjunction with the formation of its new 3PL division based in Hong Kong, providing logistics services to and from the United States and within Asia.

soundbyte

“Countries in Europe and Russia invest more in their roads and railways than we do. China is building faster trains and newer airports. When our own engineers graded our nation's infrastructure, they gave us a D.”

— President Barack Obama, 2011 State of the Union address

GREEN SEEDS

▼ **Coca-Cola and Plug Power** plan to implement a new fleet of GenDrive-powered Caterpillar lift trucks at the beverage manufacturer's 250,000-square-foot bottling

and distribution center in San Leandro, Calif. By removing the infrastructure associated with battery charging, changing, and maintenance, Coca-Cola will recover more

than 2,000 square feet of facility space, reduce electricity consumption by an estimated 1.6 million kilowatt-hours/year, and meet a 15-percent carbon reduction goal across its enterprise.

recycle more than 222,000 tons of material—an increase of nearly 8,000 tons over the prior year—which generated \$13 million in revenue, and saved an additional \$9.1 million in landfill fees.



The U.S. Postal Service has deployed more than 80 cross-functional lean green teams across the country to help reduce energy, water, and fuel use, as well as solid waste removal to landfills. From purchasing to fleet utilization, these efforts have helped the Postal Service

Epicor Software Corporation has debuted a Software-as-a-Service (SaaS) carbon accounting solution to help organizations address sustainability demands and increasing government regulations. *Epicor Carbon Connect* provides the ability to identify, analyze, audit, track, manage, benchmark, and report on carbon emissions, environmental impact, and energy consumption.

UP THE CHAIN

Rob Phillips has been appointed vice president of global operations for trucking parts supplier **Phillips Industries**. He started with the company 15 years ago, and has been instrumental in incorporating lean principles and consolidating distribution

facilities. In his new role, Phillips is tasked with exploring growth opportunities in Europe, Asia, and Latin America.



Lowe's has named **Rick Damron** as its new executive vice president, store operations. Damron most recently served as senior vice president of logistics and has been with the home improvement company for more than 28 years.

Rusty Burns, a 31-year veteran of medical device manufacturer **Cook Incorporated**, has been promoted to vice president of global logistics and purchasing. In this new position, he manages global warehousing, distribution, and materials management services.

recognition

► **Bison Transport** was recently honored by **Walmart Canada** as its **Innovative Carrier of the Year**. The award recognizes the trucking company's leadership and innovation in transportation sustainability.

A. Duie Pyle's Westfield, Mass., warehouse is the recipient of **The Scotts Miracle-Gro Company's 2010 Outstanding Warehouse Service Excellence Award**. The honor recognizes A. Duie Pyle's facility for achievements in flexibility, innovation, and collaboration. To qualify for the award, the carrier matched 11 of 15 performance metrics, in categories ranging from fulfillment accuracy and delivery to risk management and environmental practices.



Bison's Rob Penner (left) and Jeff Pries (third from left) accept their award from Walmart's Andy Ellis and James McKay.

SEALED DEALS

PepsiCo awarded **Kuehne + Nagel** a 10-year contract to manage its Dutch warehousing, freight management, and distribution operations. PepsiCo set three primary goals for its 3PL partnership: improve customer service by responding to changing market demands; cut supply chain costs; and reduce the environmental impact of its transportation activities.

Ken's Foods, which produces and packages more than 400 varieties of dressings and sauces, has begun shipping its U.S. retail products on **iGPS'** all-plastic pallets with embedded radio frequency identification tags. The decision to switch to plastic pallets was based on the company's desire to utilize an environmentally sustainable solution.

► **The Boeing Company** selected **New Breed Logistics** to provide logistics support in Charleston, S.C., for the production and final assembly of the 787 Dreamliner. Under the contract, the 3PL will receive, store, provide inventory control, kit, package, distribute, and transport 787 parts, tools, and supplies to designated locations within Boeing's North Charleston assembly facility.



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SHAPING THE FUTURE OF LOGISTICS



Where Demand Moves, DCs Follow

Businesses are always keen to identify where populations are migrating and demand is building. Demographic shifts keep retail locations and distribution networks in constant flux. They also illuminate states that are attracting or losing people and business.

by Joseph O'Reilly

If Atlas Van Lines' 2010 *Migration Patterns* study is any indication, consumers are on the move, and so are retailers and some manufacturers.

The moving company's annual study reveals that the number of U.S. household moves is rising, a sign that the economy may be beginning to rebound.

For some states, the number of outbound moves is high. Due to unemployment, especially with declining manufacturing and

automotive jobs, Rust Belt residents (Illinois, Indiana, Michigan, Pennsylvania, Ohio, West Virginia) continue to relocate elsewhere. By contrast, nearby states saw an increase in the number of inbound moves.

For the first time in two years, Kentucky joined its surrounding neighbors—North Carolina, Maryland, and Washington, D.C.—as inbound states. For the fifth year in a row, Washington, D.C. had the highest percentage of inbound moves, while Ohio

claimed the highest percentage of outbound moves.

Regardless of economic highs and lows, several states have remained constant in status for 10 or more years. California, Kansas, and South Carolina have been balanced; Indiana remains outbound; and Alaska and North Carolina are primarily inbound.

Among other regions and states:

■ Much of the West remains balanced. For the first time in three years, Idaho moves from an outbound state to a balanced state, joining California,

Oregon, Washington, Nevada, Montana, Colorado, Utah, and Arizona.

■ For several states, economic ups and downs have had little influence on the number of residents moving in or out. For 10 or more years, six states—California, Alaska, North Carolina, Kansas, South Carolina, and Indiana—have remained constant in their inbound, outbound, or balanced status.

■ Despite high foreclosure rates and poor housing sales, a large pocket of southeastern states, including Florida, Alabama, Georgia, and South Carolina,

saw no drastic increase in outbound moves; in fact, they remained relatively balanced. Why so little change? They remain popular as retirement destinations, according to Atlas.

Inbound Gains

Inbound transportation dynamics among manufacturers, distributors, and retailers are changing, according to recent trade data.

In July 2010, Boston-based research firm Aberdeen Group surveyed 155



A STATE OF UNION AND DIVISION

President Obama's 2011 State of the Union address raised some important domestic issues, ranging from job growth and energy development to fixing dilapidated transportation infrastructure, among other needs.

In its viral aftermath, industry lobbies have been saturating the Internet with their own huzzahs and harrumphs concerning the President's roadmap for the future. Here's what a range of industries had to say about bringing this vision home.

/// **The Coalition Against Bigger Trucks (CABT) applauds the President for recognizing the state of the nation's infrastructure and his call to fix crumbling roads and bridges. It's ironic, however, that while he is highlighting this national problem, we have seen a bill introduced in the Senate that would lead to 100,000-pound trucks traversing roads in Maine and Vermont that are part of the National Highway System. These trucks would be 20,000 pounds heavier than the current Federal weight limit on trucks. How could this possibly be good for our crumbling roads and bridges? ///**

—Curtis Sloan, director of public policy, CABT
CABT is a grass-roots organization that works nationally to unite communities against legislation that allows bigger, heavier trucks on U.S. roads.

/// **We share President Obama's view that moving more people and goods by rail is good for America. We look forward to working with the Administration to find ways to maintain our world-class freight rail network as we strive to meet the needs of U.S. business and passengers today and in the future. ///**

—Edward R. Hamberger, president and CEO, the Association of American Railroads (AAR)
The AAR represents North American railroads and Amtrak.

GLOBAL

THE WORLD AT A GLANCE

by Joseph O'Reilly

With market capitalization of \$12 billion, Hong Kong's Cathay Pacific is the third-largest airline in the world.



Largest Airlines Target Asia, Latin America

The world's five largest airlines now hail from Asia and Latin America, reflecting industry's shift away from U.S. and European markets to higher-growth countries, according to a recent report by the International Air Transport Association (IATA). The data suggests that airline expansion for both freighter and passenger activity will likely follow new opportunities in emerging countries.

Air China has a market capitalization of \$20 billion, followed by Singapore Airlines with \$14 billion, and Hong Kong-based Cathay Pacific with \$12 billion.

China Southern has a market cap of \$11 billion, as does LATAM, the Latin American airline recently created from the merger of Chile's LAN and TAM of Brazil. U.S. carrier Delta and Germany's Lufthansa follow with market capitalizations of \$10 billion each – combined, they match that of Air China.

Strong growth in developing countries and a rebound in North America are largely responsible for the industry's recovery, according to IATA. Airlines saw net profits of \$15.1 billion in 2010. Asian carriers contributed \$7.7 billion to the global total, while North American airlines earned \$5.1 billion. Europe, with estimated net profits of \$400 million, lags behind the Middle East (\$700 million) and Latin America (\$1.2 billion). African carriers contributed \$100 million last year.

Reds Cross

Switzerland and China officially launched free trade agreement negotiations during the 2011 World Economic Forum in an effort to boost business ties. The countries signed a memorandum of understanding that addresses intellectual property rights and import barriers, among other issues. The machinery, precision instrument, energy, pharmaceutical, and chemicals industries stand to benefit the most from continuing talks.

A feasibility study published in 2010 reports that Switzerland's gross domestic product could be boosted by

Honda Treads Green

Japanese carmaker Honda is mandating that global suppliers follow its Green Purchasing Guidelines, an effort that reveals how some industries and companies are beginning to force environmental compliance across the supply chain.

Honda first released its procurement protocol in 2001 and disseminated it among Japanese suppliers. Now, the company is extending these guidelines to all global parts and materials suppliers (see chart below).

With the new guidelines, Honda is striving to create a unified standard to track and reduce greenhouse gases and other aspects of its environmental footprint over the entire lifecycle of Honda products—including the business activities of its suppliers.

CURRENT HONDA GREEN PURCHASING GUIDELINES

POLICY

Promote purchasing of environmentally responsible products

ITEMS TO BE MANAGED

CORPORATE STRUCTURE.
Introduce environmental management system (ISO 14001 by primary suppliers)

PRODUCTION.
Manage environmental footprint during production (amount of CO₂ emissions)

PRODUCT.
Manage use of chemical substances

SUBJECT OF THESE GUIDELINES: Suppliers in Japan (and all suppliers that use chemical substances)

SOURCE: Honda

REVISED HONDA GREEN PURCHASING GUIDELINES (JAN. 2011)

POLICY

Promote purchasing of environmentally responsible products

Add environment as a supplier evaluation item—quality, cost, delivery, development, environment

ITEMS TO BE MANAGED

MANAGEMENT.
Establish environmental management system for all areas of product and corporate activities

CORPORATE ACTIVITIES.
Manage environmental footprint in all areas of corporate activities (amount of CO₂ and other greenhouse gas emissions)

PRODUCT.
Improve product fuel efficiency
Manage use of chemical substances

SUBJECT OF THESE GUIDELINES: All suppliers around the world

0.23 percent, while companies could gain annual savings of \$304 million per year if trade barriers are lifted. China is Switzerland's most important trading partner in Asia, with exports totaling \$5.52 billion.

Still, Switzerland has been cautioned to proceed carefully on the thorny issue of civil rights during negotiations. Social concerns will be discussed only if they are directly related to trade between the countries.

Alibaba and a Tale Of 32 Million Square Feet

Alibaba Group, China's equivalent to Amazon.com, will spend \$4.6 billion to create a nationwide chain of warehouses for speeding product delivery in the country. The company is looking to locate 32 million square feet of distribution space near Beijing, Shanghai, and Guangzhou during the next five years. The expanded network will help Alibaba meet a 10-year goal of delivering any online order in China within eight hours.

Warehouse construction will focus on the regions around the northern cities of Beijing and Tianjin; the Yangtze River Delta in eastern China, which is near Shanghai; and the Pearl River Delta in southern China, near Guangzhou.

Alibaba hopes to mobilize other partners to join in this effort and create an integrated logistics platform that will help elevate the quality of service to Chinese consumers and allow merchants to meet rapidly growing domestic consumption needs.

Apart from expanding warehouse capacity, the company's strategic roadmap consists of three other key parts. First, its online subsidiary, Taobao.com, will develop its supply chain management platform to help merchants handle inventory and create standards for logistics service providers. Second, Alibaba will establish an integrated logistics platform that brings together all players, from warehousing to transportation. Finally, Alibaba.com will provide warehousing facilities to support small Chinese exporters.

[]



3PLLINE

by André Thornton

Benchmark Your Way to Successful Crossdocking

Manufacturers are renewing their interest in crossdocking as a “new and improved” way to achieve cost-effective results. Crossdock operations offer a solution to companies focused on reducing inventory levels.

Crossdocking is the process of breaking down a large shipment into smaller shipments and/or combining shipments for delivery, ideally within 36 hours. The more typical supply chain model of “store and rack” holds inventory in the warehouse, then in transit, and finally on the store shelf. Assume this cycle takes 90 days. Imagine the efficiency and savings if you could reduce this cycle to 60, 30, or 22 days. The bottom line can improve dramatically.

Operations teams need to be aware of what to expect, however, as they redesign their supply chain approach. Attention to lean methodology and metrics is critical to the longer term sustainability of managing inventory at reduced costs.

To achieve consistent and reliable performance, identify and benchmark your metrics. Benchmarking can include comparison to other internal metrics to eliminate unintended consequences in performance from an improvement in

another area. It also includes external comparisons to peer groups, competitors, and industry standards.

The following five steps allow supply chain directors to define and compare performance against some of the strongest operations in the country.

1. Determine the right drivers. Focus on the two primary drivers that influence excellence: efficiency and quality.

2. Measure and monitor over extended time frames. Good weeks or months do not indicate excellence. Quarter-over-quarter and, ultimately, year-over-year data is the only way to measure sustainable performance.

3. Define efficiency. Select the most important factors that define operations efficiency, such as pallets per hour or case per hour. Avoid settling for more basic metrics—cost per pallet, for example. Many variables can skew cost-per-pallet results, so it is not the best indicator of operational excellence—although it is a popular piece of data among some managers.

4. Categorize efficiency factors. Efficiency drivers include: product shipped within 48 hours of receipt; live unloads processed in less than two hours; percentage of loads processed

within must-arrive-by date. Other factors in the efficiency quotient include availability to unload beyond commitments, and building capacities set correctly to match throughput demands. A word of caution: the longer the metrics list, the less emphasis placed on drivers. Focus on drivers.

5. Define quality. Defining quality is more straightforward than defining efficiency. Most shippers and 3PL managers agree that there are two quality drivers: accuracy and damages. The concept of zero is the total focus: zero missed shipments, zero damages, and zero mislabeling. Stock shortages and inventory variances clearly indicate how well the inventory is being managed.

Associated advantages of managing a well-documented crossdocking operation include gainsharing with suppliers, legitimate incentive pay programs, managed transportation costs, and reduced footprint for unnecessary warehousing.

Finding the right logistics leaders who can manage at this level of sophistication can be a challenge, as shippers, distribution centers, and 3PLs embrace diverse approaches. Qualified partners do exist, however, and they make the supply chain infrastructure even stronger. ■

FUTURE



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IT MATTERS

by Kevin Shoemaker

Who's Comparing Your Import Data?

Considering the effort it took to comply with the Jan. 26, 2010, Importer Security Filing (ISF) mandate, it would be understandable if we adopted a “set it and forget it” mindset and assumed there was nothing left to do now that we’re all filing our ISFs. Unfortunately, it’s not that easy.

Any time you are required to submit data to U.S. Customs and Border Protection (CBP) pertaining to importing goods, there is an inherent understanding that it must be accurate. If it is not, then CBP will hold you—the importer—responsible.

The same expectation holds true for ISF—with one major exception. Successfully submitting the ISF filing does not end your responsibility as an importer. You must also ensure that the data elements common to both the ISF and the entry documents are the same on both documents.

Although ISF’s intent is security targeting and it is not to be used for compliance purposes, the CBP can compare ISF data against entry data to look for inconsistencies. Today, the ISF is filed via the Automated Broker Interface (ABI) or the Automated Manifest System, and the data is then sent to the Automated

Targeting System (ATS) for analysis and review. The entry is sent via ABI to CBP, then to the Automated Commercial System (ACS) for review by Customs. ACS is not the end point for entry data, however—it is also pushed to ATS for additional targeting purposes.

What does all this mean? CBP now has the ability to view a shipment “holistically” and to compare shipment data filed on an ISF against data filed in an entry. In fact, as of late 2010, CBP is now validating ISF data against information contained in the entry.

KEEPING CLEAR OF CUSTOMS

Considering that many of the ISF data elements are identical to elements submitted for entry, it doesn’t take much to figure out what CBP is looking for when comparing data. Filing consistent, accurate data, coupled with having the ability to validate what was submitted, is the cornerstone to remaining compliant and flying below Customs’ radar.

Not having the ability to validate ISF and entry data only increases the possibility of additional fines assessed as a result of data not matching. Discrepancies found by CBP between the ISF and what is declared at entry

may lead to the assessment of liquidated damages and/or penalties against the importer.

And, if Customs finds a mismatch between the ISF and the entry, it will expand its review of both sets of documents. If it finds additional inconsistencies, you may end up on the receiving end of a \$5,000 Security Filing fine and/or a penalty on the actual entry.

Importers must be aware of the real possibility that the number and amount of the fines may increase if the Security Filing and the entry do not match. Consider the steps your company should take to prevent the possibility of submitting data that is not consistent across the two documents.

To complicate matters even more, this same scenario is about to play out in other countries as well. Programs similar to the ISF—such as Canada’s eManifest program and Europe’s Advance Cargo Security Filing—are on the horizon, and will pose many of the same issues and challenges when it comes to matching security filing and entry data.

Will you be proactive in ensuring that both sets of data match? Or will you wait until Customs informs you that it has found inconsistencies in your data? ■

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THE PERFECT STORM

Weathering a Chassis Crisis

Economic recession, cost-conscious ocean carriers, a half-baked federal mandate, and ambivalent ports have dropped another heavy load on the U.S. trucking industry. But who's the real victim of a widespread chassis shortage? And who's to blame? **By Joseph O'Reilly**

In April 2009, while guiding a tour of Maher Terminals' container yard at Port Elizabeth, N.J., corporate vice president Ivo Oliviera pointed to an out-of-service chassis "graveyard," a holding space for the wheeled trailers used to move shipping containers in and out of ports. His comment elicited a few chuckles from the group of logistics professionals preoccupied by a rare inside look at the Port Authority of New York & New Jersey's crown-jewel facility in a post-Sept. 11 world.

Absent a steady flow of containerships, the terminal was flush with empty space. The derelict chassis stockpiled on a small parcel of yard were a sign of bad economic times. No one knew it was an omen of worse things to come—in better days.

Juggling "live" chassis was always a difficult proposition for Maher Terminals

and other port operators across the United States. It was a challenge that required collaborative partnership and solutions well before the recession seized hold.

"We have an off-site chassis pool cooperative close to the terminals," Oliviera explained. "When an Evergreen container comes off a ship, it doesn't have to be paired with an Evergreen chassis. It's a gray chassis pool. We're taking assets off-terminal and greatly improving stevedoring."

By pooling chassis, Maher Terminals was helping improve asset utilization and turns. "Today, Evergreen needs 700 chassis instead of 1,000," Oliviera added. "Using an equipment depot off site considerably reduces capital expense. And there is increasing demand for a port-wide chassis pool."

Weathering a Chassis Crisis



Two months later, Oliveira's casual observations hit home in a big way. The Federal Motor Carrier Safety Administration (FMCSA) began enforcing its Requirements for Intermodal Equipment Providers and for Motor Carriers and Drivers Operating Intermodal Equipment Rule—now known as the “Roadability Rule.”

The FMCSA regulations called for providers of intermodal equipment such as container chassis to register assets; establish a systematic inspection, repair, and maintenance program; document their maintenance program; and provide a means to effectively respond to driver and motor carrier reports about intermodal chassis mechanical defects and deficiencies. Simply, it required greater diligence at equal expense.

At the time, the new mandate was largely overshadowed by an economic recession. Containers weren't moving and chassis were idling in varying states of decay.

Fast forward to 2011. There is a scarcity of roadworthy chassis at U.S. ports and the FMCSA's Roadability Rule is finally exposing its regulatory teeth. With the economy showing signs of rebound, container traffic is building. There is incentive to resurrect dead chassis, make them serviceable again, and bring new equipment on line. But who's going to do it?

During 2010, a number of large ocean carriers—including Maersk Line, Yang Ming, CMA CGM, OOCL, NYK Line, and Evergreen—announced they would no longer provide chassis at select U.S. ports. Recognizing that the role of intermodal equipment supplier was no longer a viable business, steamship lines dropped chassis in favor of floating containers.

Ports have been largely silent on the issue. They are casual observers to a building drama where taking sides is inconvenient. In fact, they stand to gain ground. A change in chassis ownership means equipment will no longer be stored on port property, reducing safety and liability exposure while increasing yard capacity.

In contrast, terminal authorities are looking to facilitate collaborative solutions—as Maher Terminals

has endeavored—so they can keep storage and staging areas clear and container movement fluid.

Through it all, shippers and drayage companies are left wondering what they need to do and how much it will cost.

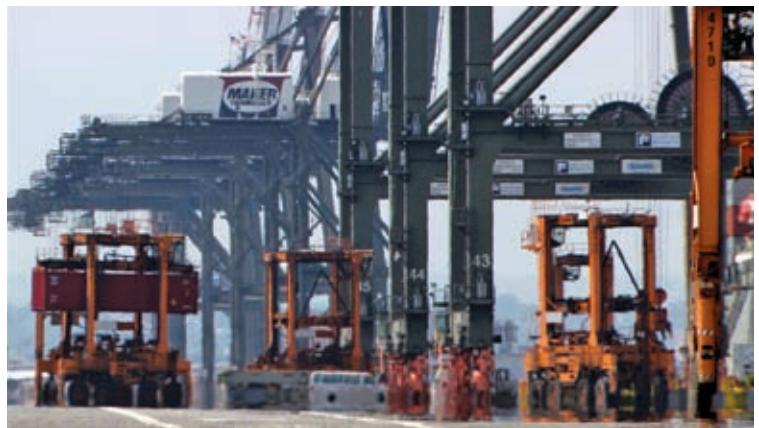
The neutral gray chassis pool and the gravitas of equipment left to oxidize in early graves—details that illustrated Maher Terminals' predicament in 2009—are now acquiring new meaning for shippers and drayage companies across the United States. Chassis ownership and accountability is a gray area between modes. And it's becoming a serious concern for port users who have to find alternative solutions and reconcile additional costs.

EXPLORING PERSPECTIVES

Inbound Logistics reported on the shortage of chassis at U.S. ports in November 2010. The feedback we received from readers encouraged further survey of the market to investigate two threads: the severity of the situation; and what shippers, intermodal drayage companies, and intermediaries are doing about it.

We conducted a straw poll of readers via Web and email outreach to gauge their perspective. Their response was immediate and overwhelming. Fifty-one companies provided both quantitative and anecdotal feedback.

The general consensus (88 percent) is that chassis



Port Elizabeth's Maher Terminal has led the way in chassis pooling since it began supplying equipment for terminal users in the early 1990s.

availability is a concern for port users. More telling, 80 percent have already experienced a drop in chassis availability at ports—with 18 percent identifying no change and only two percent reporting an increase in available assets.

Maintaining chassis in an uncertain economy has become a financial burden for intermodal equipment suppliers, especially now that the government



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Weathering a Chassis Crisis



is mandating providers comply with regular inspections—and face fines for failing to do so. Despite the FMCSA's new rules, many ocean carriers realize that providing intermodal equipment is not a core business anymore, and therefore not in their best interest.

One respondent explains that the FMCSA ruling is not the predominant reason steamship lines are exiting the chassis business. Instead, it has more to do with the economic downturn and the expense of managing underutilized assets. A chassis parts supplier that favors the new mandate agrees, saying, "This rule simply outlines responsibilities for maintaining equipment."

Others, notably on the trucking side, are less forgiving.

"There will come a day when all steamship lines will need to start making money on ocean freight and leave inland transportation to truckers," says one reader. "It's coming soon. Ocean carriers have leeches on to the trucking community far too long, making us do their work for free; running bad chassis to maintenance and repair; then waiting. It will all come back to haunt them."

Such vitriol sounds extraordinary for a piece of intermodal equipment that ferries containers to and from ports. But a chassis' role in the grand scheme of supply chain management is important—much like a pallet in a warehouse. It's always undervalued, and the cost to own and maintain it is generally perceived as a non-core business expense.

Unfortunately for shippers, that expense is arcing sharply in the wrong direction. When *IL* asked survey respondents whether they had experienced any changes in port drayage pricing, 67 percent reported that costs were higher, 31 percent the same, and two percent noted cheaper rates.

FRAMING THE PROBLEM

In the past few months, with the economy and container trade showing signs of recovery, the chassis conundrum has begun to trigger concern in much the same way as truck capacity and driver shortage worries.

The most obvious recourse for shippers is to negotiate with steamship lines and redact chassis and related liability costs from their contracts. But this is easier said than done. Only 35 percent of surveyed respondents have pursued such options, with the remaining 65 percent yet to reconcile ocean carrier pricing with "dropped" service.

"The shipping lines are not negotiating this point," says one shipper. "Carriers have simply advised they will no longer pay for chassis. We don't have the means to negotiate these costs out of our contracts."

The exodus of ocean carriers away from the chassis business has left port users in a fix. And with the FMCSA's Roadability Rule becoming more visible as container volume and chassis demand builds, intermodal trucking companies and shippers are bearing the consequences.

For truckers, the grudge is consistent. Government is placing the burden of responsibility, in terms of inspecting and maintaining equipment, directly on drivers—something that might not sit well in certain

CHASING CHASSIS

Inbound Logistics surveyed readers to find out whether a chassis shortage is impacting their business. Here's what they had to say:

Is chassis availability at ports a concern for your company?

88% YES

12% NO

Have you seen, or do you expect to see, any change in chassis availability?

80% FEWER CHASSIS

18% NO CHANGE

2% MORE CHASSIS

Have you seen any change in port drayage pricing and costs?

67% HIGHER

31% ABOUT THE SAME

2% LOWER

Are you negotiating with shipping lines to back chassis and related liability costs out of your contracts?

65% NO

35% YES

ports where unionized labor has leverage. In effect, the new protocol is decentralizing asset control.

This is a major source of contention for draymen operating at ports. Many truckers believe that chassis waiting in terminal staging areas or at off-site depots should already be vetted and roadworthy before they even enter the equation. Instead, intermodal equipment providers are depending on driver discretion to discern whether chassis are usable—opening up a can of worms in terms of liability for non-compliant assets.

While debate over chassis chain of custody continues, some truckers are dealing with the problem head-on. “We are buying chassis and charging our customers the additional cost,” says one drayage company.

For shippers, the options are just as limited. Some are outsourcing the problem entirely. Many have entered contracts with chassis leasing companies to secure equipment. Others are buying their own chassis and augmenting capacity when necessary by negotiating with smaller equipment pools.

“We have purchased a small amount of chassis for our special commodities and we signed contracts with leasing companies to guarantee availability of equipment to our customers,” explains one shipper.

POOLING RESOURCES

On Jan. 31, 2011, Maher Terminals issued a notice to customers at its Port Elizabeth facility: *Please be advised that due to a surge of import cargo, the Steamship Line Co-Op Chassis Pool is experiencing shortages of 20-, 40-, and 45-foot chassis. We encourage anyone that may have 20-, 40-, and 45-foot co-op chassis in their possession to return them to the depot.*

The shortage was partly due to winter weather conditions in the New York metro area, which made it difficult for drayage companies to turn and return equipment. But it's also an indication of how a growing impasse over chassis ownership, availability, and accountability could impact container throughput at U.S. ports moving forward.

Many observers agree that the current predicament was inevitable, because ocean liners had too much control over intermodal assets for far too long. In most parts of the world, chassis are owned and/or operated by shippers, consignees, and drayers.

“Steamship lines are in the water business, not the road business. Ocean carriers providing chassis may have been a good idea 20 or 30 years ago, but it has moved out of their control,” says one source.

To point, Malcom McLean invented the shipping container and Sea-Land pioneered the ISO chassis—in Port Elizabeth—with no idea how global trade might one day explode. So it's little wonder ocean carriers serving U.S. ports have always held on to the rolling linchpin critical to intermodal transport.

Today, steamship lines are getting back to basics by divesting intermodal assets. In some cases, they have spun off separate chassis-leasing divisions, as Maersk did with Direct Chassis Link (DCL). The carrier rolled out the new company in August 2009 at the Port Authority of New York & New Jersey.

“The shipping lines are not negotiating this point. Carriers have simply advised they will no longer pay for chassis. We don't have the means to negotiate these costs out of our contracts.”

—Shipper respondent to *IL's* survey

Truckers hauling Maersk containers from marine or rail terminals at the port are now required to participate in the program. Draymen can use the same chassis from DCL for multiple trips during the same day. Maersk has already begun rolling out this pooling system to the Southeast and Gulf inland regions.

Other ocean liners are getting out of the U.S. chassis game all together. In July 2010, Evergreen Lines “donated” 1,700 units to Maher Terminals' Port Elizabeth MetroPool network, which is operated in concert with TRAC Intermodal, North America's largest chassis pooling provider.

Maher Terminals has been on the leading edge of chassis pooling since the early 1990s, when it first began supplying equipment for terminal users at Port Elizabeth. As vessel-sharing agreements became more common and customers began calling on other facilities at the port, it made sense to locate chassis depots off-site.

The current chassis predicament is the manifestation of a perfect storm: an economic recession, ocean carriers looking to reduce operational costs, and a well-intended, but half-baked, federal mandate that is dropping another heavy load on a decimated and distracted trucking industry.

Now that companies are forced to reckon with a new way of operating around ports, there is a great deal of confusion and uncertainty. Looming capacity and driver shortage threats notwithstanding, a lingering chassis deficit creates a worse problem—supply chain bottlenecks at the most important pivot in the U.S. supply chain. ■

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By Perry A. Trunick

Every day, logistics professionals learn on the job. The mix of challenges they face managing extended global supply chains ensures that. But, attaining a more formal education—through classroom work, workshops, or study courses—presents a different set of challenges.

The economic downturn has affected program enrollment at universities and logistics/supply chain management professional associations. In difficult times, companies cut travel and education budgets.

Some logistics professionals feel strongly enough about boosting their knowledge

and skills that they pursue learning opportunities on their own. Technology has been a boon in allowing many educational programs to be packaged electronically and operated either as one-way communication, such as Webcasts, or as full-fledged, accredited academic courses conducted online.

Choosing the best education/career path can be daunting in the face of the myriad options: Workshops? Webinars? Executive education? Certification? Academic certificate? Degree? What type and which concentrations?

LOGISTICS OR SUPPLY CHAIN?

The first step is deciding whether to pursue an education in logistics or supply chain management.

Some of the most passionate debates in academic circles still center on what

careful review of how the educational resource you choose is positioned, and how it presents its logistics and supply chain content.

“Ohio State University has thus fought the temptation to rename our logistics programs as supply chain management. That’s because we turn out about 225 graduates a year and they find jobs,” says Douglas M. Lambert, Raymond E. Mason chair in transportation and logistics, and director of the Global Supply Chain Forum at Ohio State University. “At the MBA level, we offer a smaller program that combines operations and logistics.”

Lambert recalls an educators’ conference during the Council of Supply Chain Management Professionals (CSCMP) annual meeting, where a panel of legendary logistics academics

supply chain?” Lambert advises. “If you are going to manage it, you’ve got to figure out what it is. At Ohio State, we define it as a network of companies. And we don’t think it’s possible to manage a network with fewer functions than it takes to manage one company.”

Lambert offers the example of two companies sharing a supply chain relationship: Coca-Cola and Cargill are conducting joint research and development on Truvia, a new zero-calorie, natural sweetener. Coca-Cola holds the exclusive rights for the product’s use in beverages, and Cargill the rights for all non-beverage food uses. They also are working together to reduce their logistics operations’ carbon footprint.

“The relationship comprises far more than purchasing, logistics, and operations,” says Lambert. “It has CEO-



Doug Lambert teaches MBA students at Ohio State University how to build and manage successful supply chains.

constitutes supply chain management and its place in the academic structure. Not surprisingly, that same debate rages in the commercial world.

Early in your educational decision process, identify which camp you, your company, and your target career opportunity belong to. Is it logistics? Supply chain management? Follow that with a

debated what constituted supply chain management. One panelist used the terms logistics and supply chain management interchangeably. Another described supply chain management as “logistics on steroids,” says Lambert. And one noted it is still important for logistics to have its own place.

“Back up a bit and ask, ‘What is a

to-CEO involvement.”

In addition, Coca-Cola and its rival PepsiCo share common raw materials vendors in their supply chains and sell to some of the same customers, such as major food chains and mass retailers.

“Supply chain management is really about relationship management,” notes Lambert. “If Coke manages relationships



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By requiring students to attend classes for only one week, with the rest taught online, Penn State's Smeal College of Business allows them to earn a supply chain degree without quitting their jobs.

better than Pepsi, it wins more often. If Colgate manages relationships better than Procter & Gamble, then it wins more often."

Determine whether you want to take the broad, multi-functional, multi-discipline, multi-industry approach to your education, or concentrate on certain fundamentals.

MS OR MBA?

"Students often ask whether they should pursue a Master of Science (MS) or a Master of Business Administration (MBA) degree," says Bob Novack, associate professor, supply chain management, Pennsylvania State University. "To me, an MBA is career *changing*—if you're an engineer and want to establish a business career, get your MBA. An MS is career *enhancing*, often completed to deepen knowledge and skills in a specific field or discipline."

Because many of the master's programs Novack oversees are online, and students don't have to quit their jobs to attend, they attract a wide mix of individuals and experience levels.

Students with a range of backgrounds and experience are also attracted to Cleveland State University's (CSU) executive MBA program (EMBA).

"The curriculum for CSU's EMBA is designed to provide a foundation in the various logistics disciplines, an understanding of the theory, and the application of management skills," says Elad Granot, director, executive MBA and accelerated MBA programs, Nance College of Business, CSU. The core

curriculum includes a class in supply chain management that explores this cross-functional, multi-disciplinary management approach.

Cleveland State added the EMBA and accelerated MBA programs to its curriculum in response to local and regional needs. "The university reflects the economy of the region. The industries that tend to thrive here range from health-care to education to manufacturing, alternative energy, and sustainable business," says Granot. "We are partners with, and cater to, those markets."

The EMBA is a weekend-based, two-year program for working professionals. The Accelerated MBA (AMBA) is a shorter program, also weekend-based, for recent graduates who want to pursue their MBA on a faster track. In addition, the university offers a broad mix of master's programs, including operations and supply chain management degrees that reflect a more conventional operations, logistics, and supply chain management concentration.

FIND A MODE

Whether you are a multi-discipline relationship manager or deep-dive practitioner, once you determine where you want to target your new skills, you can identify who can deliver them and by what method.

Heading the list of options is the conventional approach of becoming a full-time student in a campus setting. But, for many professionals who have started their career or who are mid-career, becoming a full-time student

isn't an option.

If you live in the vicinity of a university that offers the type of logistics or supply chain program you want to pursue, you'll likely find flexible options. Some weekend-based programs may be more general—operating from a fixed curriculum in exchange for speed. Other programs may offer opportunities to specialize, but require a longer time commitment and less-conventional approaches.

Enter technology. "We used to conduct correspondence courses through the mail," says Penn State's Novack. "Now we offer an online Professional Masters Degree, where students come to the campus for one week in their first year, then do all their course work and papers online."

The online courses are accredited by the graduate school and the Association to Advance Collegiate Schools of Business. "Online courses have opened a whole new market for executive education," Novack notes. "People no longer have to attend a university full-time to take courses and matriculate into a degree. They can continue working and still earn a degree."

At the Massachusetts Institute of Technology (MIT), even MBA students are enrolling in a degree program that focuses on supply chain management, says Jim Rice, deputy director, MIT center for transportation and logistics. And professionals from other diverse fields are realizing the need to concentrate, and identifying supply chain management as that opportunity.

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The MIT program recruits corporate sponsors who are involved with the students. "In fact, each student's thesis is a direct response to a problem that has been presented by a corporate partner/sponsor," Rice adds.

The degree involves attending a full-time program, but in nine months, students receive a Masters of Engineering in Logistics. As with Cleveland State University's executive MBA program, the MIT program is designed for professionals who are at least five to seven years into their careers and looking to take that next step.

"Employers aren't just looking for a person who can develop and operate a model," Rice notes. "They're looking for graduates with the ability to manage across disciplines and globally."

Another fast-track approach is to earn a certificate in logistics, supply chain management, or a related discipline. "Students can earn a certificate by coming to the university and attending our week-long executive programs," says Novack. "But they can also get a graduate certificate of supply chain by taking four graduate-level courses online.

"The best bet for some students is to pursue the graduate certificate earned by taking four courses online," he adds. "Then they can decide whether they think it's worth the investment to get a master's degree."

MIT offers a certificate program through its Supply Chain and Logistics Excellence Centers in Zaragoza, Spain; Bogota, Colombia; and its newest site in Malaysia. Bogota offers a certificate to students who take a certain number of credits and attend MIT for a few weeks. "In Zaragoza we also offer a certificate from MIT if students complete the master's course that we co-designed," says Chris Caplice, executive director, Center for Transport and Logistics, MIT.

EARNING CREDENTIALS

Degrees carry weight in career development, and certificate programs that allow working professionals or students to concentrate in an area and quantify that education without requiring the full measure of time and expense associated with a degree program can add to

your professional credentials.

But you can take another route to achieving recognized professional credentials. Many professional associations offer certification in one or more categories. Some associations that don't offer certification have arrangements with associations that do.

Some associations offering certifications in logistics and supply chain management include:

■ The American Society of Transportation and Logistics (AST&L) offers a Certification in Transportation and Logistics (CTL) and Professional Designation in Logistics and Supply Chain Management (PLS).

■ The Association for Operations Management (APICS) offers both

standing and/or offer some reciprocity with credentials from other professional associations. As with university degree and non-degree programs, deciding which professional credentials might be important to you depends on your career direction and the need to quantify your skills and knowledge for a current or future employer.

Various organizations may have differing views of supply chain management's definition or role. Rather than focus only on these differences, many associations have come together to collaborate and broaden the scope of their own conferences and educational opportunities through close affiliation with other groups. This collaboration can extend to offering discounted rates



Alumni of MIT's supply chain management program possess the analytical, leadership, and communication skills they need to manage increasingly complex global supply chains.

the Certified Production Inventory Management (CPIM) and Certified Supply Chain Professional (CSCP) certifications.

■ The Institute of Supply Management (ISM) runs its Certified Professional in Supply Management (CPSM) program.

■ Supplier-focused groups such as the International Warehouse Logistics Association (IWLA) and Transportation Intermediaries Association (TIA) set and recognize member qualifications.

Some designations have international

for various products and services to each other's members.

For example, CSCMP members have access to APICS study materials and can take APICS certification tests at the member rate, says Kathleen Hedland, CSCMP's director of education and research.

The body of knowledge and specific requirements for each association's designation will vary. For instance, AST&L's PLS requires students to pass an exam based on a text and study guide. Its CTL requires candidates to complete

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Those who achieve the APICS CSCP designation can obtain AST&L certification through a special waiver. The CSCP takes a broader view of some subjects than the CPIM as they apply to the supply chain (vendors and customers).

The ISM CPSM certification also has study guides and three exams. ISM offers a bridge exam for certified purchasing managers that requires only one exam.

Many who have attained professional certification compare the process to earning a degree in terms of content and rigor. In some cases, university courses qualify as fulfilling certification requirements, and similarly, some university credit can be gained for completing various study and exam requirements for some associations' certification programs.

But the major difference between professional certification and a university degree is that most professional certifications require renewal. Renewal includes continuing education.

EDUCATION WITHOUT THE STRINGS

Continuing education opportunities are also available through commercial education and training sources. Many commercial programs are practical or compliance-based programs such as hazardous materials training, Incoterms, or Customs compliance, for example. But a number of programs focus on high-level, strategic logistics and supply chain subjects and areas.

Executive education takes a few forms. One is the open enrollment program offered by a university or professional association. Another is the on-site, tailored programs those same institutions can build for a company or group.

CSCMP, for instance, offers open-enrollment workshops focusing on supply chain fundamentals and strategic issues. It also develops and delivers other workshops, and will tailor them for specific companies or groups. "Often, a company will send someone to an open-enrollment workshop to get a feel

for it, then ask CSCMP to tailor that program to the company or its industry," says Hedland.

CSCMP often recruits members to serve as faculty for its workshops and seminars. The association may use its core presenters for the tailored programs and add a specific subject matter expert from among its members in industry or academics.

Some longer executive education programs can span one or two weeks. Penn State, for example, adapted a two-week program for the Marine Corps that it presents on campus or at the Marine Corps facility. The program has travelled overseas to reach Marine Corps groups not based in the United States.

In addition to face-to-face interaction and bonding, another advantage of these tailored programs that many companies value is the common foundation they build for the group.

The Marine Corps is undergoing a logistics modernization program, and the university has been conducting these programs for the Marines for a number of years. "The Marines are trying to reinvent how they do supply and maintenance and to streamline their processes," says Novack.

Basically, the Marines manage maintenance and supply differently in garrison and in deployment. "The Marines say, 'We want to train like we fight,'" says Novack. "They want to have one standardized process."

Companies also have benefitted from this approach, sending teams to executive education or bringing tailored programs into their organization. "With an on-site program, 25 people get the same message at the same time," says Lambert. "Not only do they learn a common set of tools, they speak the same language and have an opportunity to bond with their counterparts."

Bonding becomes an important part of the program and companies that send teams of people to an open-enrollment program presented by the university often plan additional events for those teams while they are together. The teams aren't necessarily from the same site or division, or even the same country, and the dissemination of a

common message and method is one key to why these programs are valuable for multinational companies with global supply chains.

From an individual perspective, open enrollment courses allow a different type of bonding. Executives who attend by themselves, or with one or two other colleagues, sit with peers from other companies and industries and have an opportunity to interact, and share insights and solutions. It's a non-quantifiable multiplier of the learning experience, but one that attendees say provides great value.

Sometimes a customer and supplier will jointly attend a specific executive education program. Though educators agree there is value in having a common message or foundation extend to a supply chain, to date, the focus has been on the single enterprise.

INVESTING IN THE FUTURE

In today's tough economy, travel and training budgets have been slashed to the point where executive education programs have felt the bite. The universities involved in executive programs have made adjustments and moved ahead, but the greater cost may lie in the missed opportunity for logistics professionals to learn and gain insights to more effectively manage supply chain uncertainty and risk.

This is a time when companies should be investing in key people to hone their skills. But, when budgets are cut, some individuals will take matters into their own hands. Lambert recounts the case of a woman who, after her company cut the on-site programs the university had been presenting, felt disadvantaged in her own career. So she signed up for the comparable open-enrollment program and continued her education on her own.

Online, on campus, or on-site, continuing education in logistics and supply chain management offers many options and many benefits both to individual careers and enterprises. With new hiring coming on slowly, and demand for deeper supply chain skills increasing, now is the time to invest in continuing education. ■

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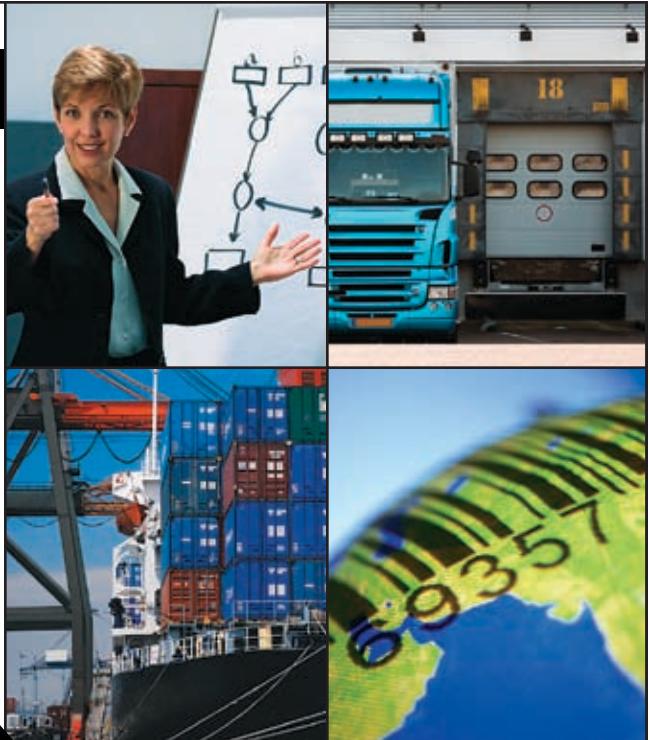
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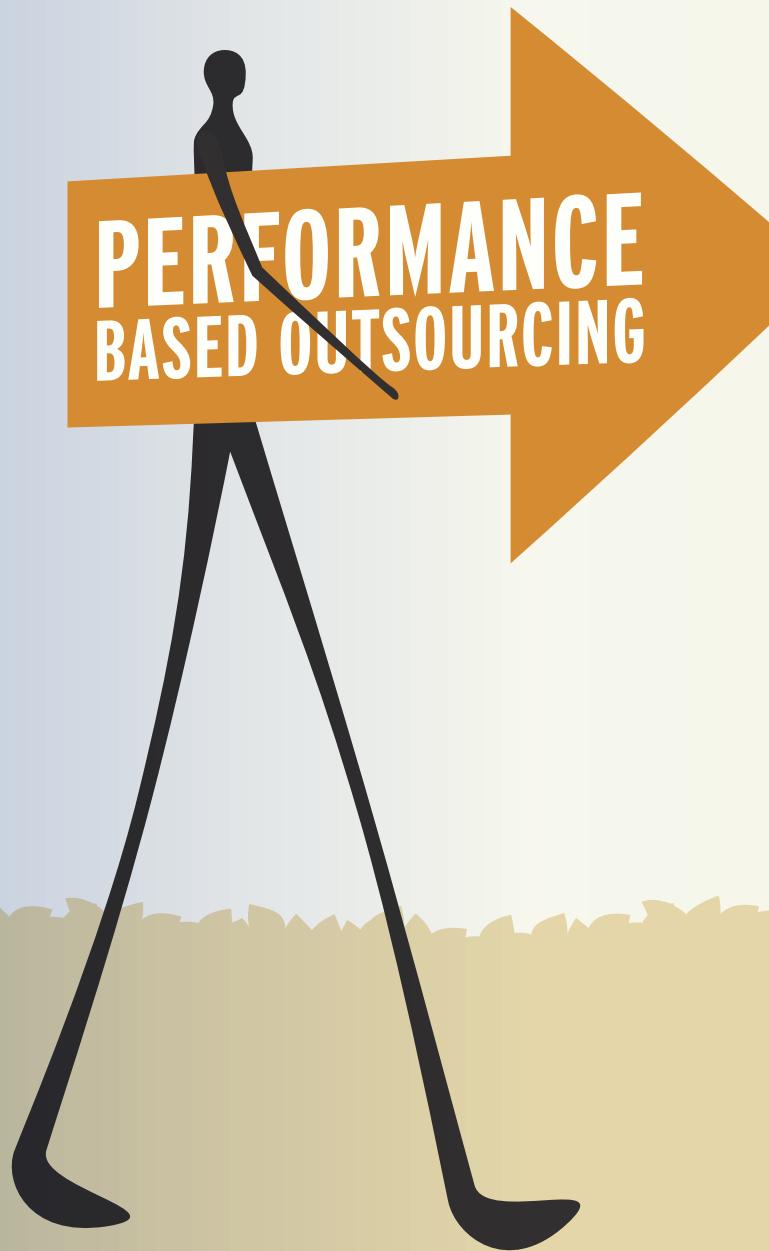
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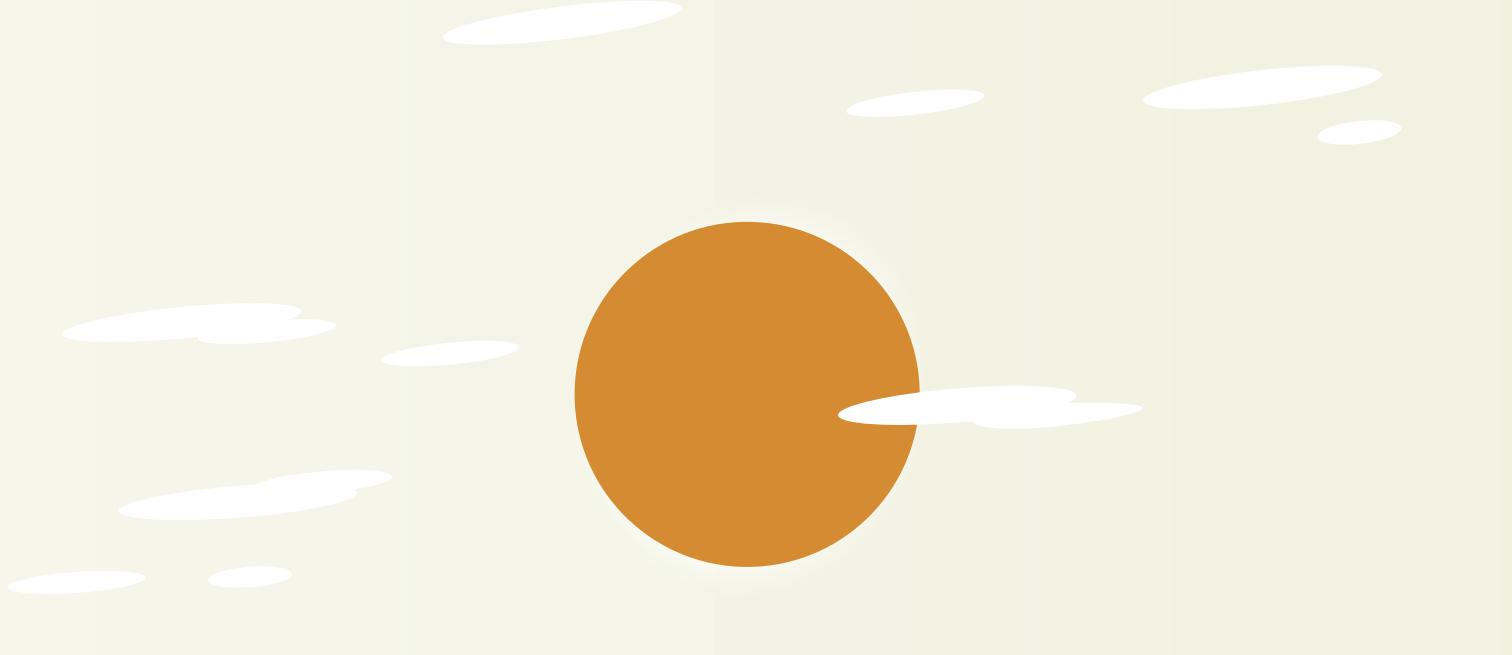


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A NEW DAY DAWNS FOR 3PL PARTNERSHIPS

Most logistics outsourcers today use an RFQ to select their 3PLs. But that model is outdated and ineffective. A handful of forward-thinking shippers and logistics providers are instead embracing a collaborative outsourcing method – with powerful results.

By Amy Roach Partridge



Today's logistics outsourcing landscape is populated by a variety of global, regional, and local third-party logistics providers (3PLs), all professing to do the same thing for their clients: cut costs, boost productivity, and improve performance. Companies looking to outsource some or all of their logistics functions to a 3PL must navigate this crowded field and attempt to find the logistics provider best suited to help them gain the agility, flexibility, and innovation needed to survive in today's uncertain economic environment.

That task, however, is easier said than done.

A NEW DAY DAWNS FOR 3PL PARTNERSHIPS

Logistics outsourcers are often laser-focused on finding the lowest-cost provider, while 3PLs are hoping to present their capabilities in a way that helps them stand out in a crowded field.

This disconnect does not make for a great starting point. In addition, it is difficult, under the constraints of the typical logistics outsourcing process, to determine just what value a potential logistics partner can bring to the table.

"Quality information about the true strengths and capabilities of service pro-

viders is hard to find," explains Adrian Gonzalez, director, logistics viewpoints for research firm ARC Advisory Group. "Many 3PLs say they can do it all, but when you peel back the onion, you discover they have good capabilities only in certain segments of the end-to-end logistics process, or they have experience in some industries and not others."

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Though outsourcing logistics functions to a 3PL is commonplace today, and has transformed many supply chains, dissatisfaction with the outsourcing process is widespread. A 2008 Deloitte survey, for example, found 39 percent of 300 respondents had terminated at least one outsourcing contract and transferred it to a different vendor

because they were "dissatisfied" or "very dissatisfied" with the contract. In many cases, this dissatisfaction can be traced to the origin of the outsourced relationship.

"3PLs need to implement and execute a supply chain plan that brings value to the client. To do that, they must take the time before signing a contract to understand the company's industry, culture, and customers, and be able to identify solutions to address its pain points," says Stephen Dean, senior vice presi-

dent of sales and marketing for Ryder Supply Chain Solutions, a Miami-based 3PL. Dean is a proponent of moving away from the traditional outsourcing arrangement and toward a more collaborative way of selling logistics services.

to help logistics outsourcers compare potential providers to find the one best suited to manage their supply chain, the methodology can be fraught with inefficiencies. Comparing "apples to apples" is a stated goal for many RFQ users, but it often misses the point of really understanding the capabilities each provider can offer.

"The RFP process has two drawbacks," Gonzalez notes. "First, companies are often blind to the broader opportunities available. Second, if procurement takes the lead in the evaluation/selection process, the conversation quickly becomes one dimensional—it's all about cost."

"Once implemented, the traditional RFQ process typically yields relatively short-term reductions that do not contribute to a company's long-term vision," adds Darcee Scavone, vice president of finance at Ryder Supply Chain Solutions. "Freeing up capital that is otherwise tied to inventories, while maximizing flexibility to fulfill demand, is where companies want to see bottom-line impact. They are not interested in one-time, quick-hit cost savings, such as freight cost reductions that cannot be sustained or contribute to long-term goals."

When shippers focus on picking providers based on cost, they might overlook the strategic impact logistics services have on business operations. "Logistics is not a commodity, it is a big-ticket intangible," Dean explains. "Providing end-to-end, integrated supply chain solutions can drive savings and improve results as much as an ERP system can."

In addition, the RFQ's narrow focus on standardized requirements and performance expectations can trap outsourcers into a cage of their own making, because the questions and metrics outlined in the RFQ do not always correlate with the company's long-term supply chain goals and needs. Companies seeking a 3PL often develop the "scope of work" portion of the RFQ based on a perceived area of need within the supply chain, so they



RFQ: A RANGE OF PITFALLS

Though this approach sounds like an obvious way to start a logistics outsourcing relationship, it actually counters the prevailing culture. Typically, finding a 3PL whose capabilities meet a shipper's needs and budget is done through a Request for Quote (RFQ) process, where the outsourcer invites a number of logistics providers to bid on its services.

While the RFQ process is intended

may overlook opportunities to improve other portions of the supply chain not included in the scope of work.

"In a procurement-driven RFQ process, the main focus is on the statement of work," explains Kate Vitasek, a faculty member at the University of Tennessee's Center for Executive Education, and author of the book, *Vested Outsourcing: Five Rules That Will Transform All Outsourcing Relationships*. "Companies create a spreadsheet with the different suppliers across the top and their prices down the side and they are, in effect, buying a task at a certain price.

"But if you have a problem to solve, you don't want to merely buy tasks," she adds. "If you have a \$40-million damage issue or retail compliance problem, you need brainpower to come up with solutions, not a 'butt in a seat' to perform a task."

DATA DEFICIENCY

The narrow, cost-focused RFQ approach also means companies don't share enough data to allow prospective providers to truly understand how to bring benefit to the company. "During the RFQ process, the 3PL is analyzing data that, in most cases, is simply a shell of all the available data," Dean says. "Companies don't always get a well-rounded solution because the 3PLs can't grasp the full range of processes and operations to be outsourced based on information provided in the RFP."

Many times, the winning 3PL is also challenged to implement its proposed solutions because so much has changed in the client's business since the inception of the RFQ process.

"By the time the decision is finalized, the outsourcer may have acquired another company or divested part of its business; launched new products; switched sourcing from a supplier in China to a supplier in Mexico; or opened one new plant and closed three others," Dean says. "The supply chain has changed, so the outsourcer and the 3PL have to start over again and come

Jaguar Gets Vested

One good example of a vested outsourcing method – and its payoff – is the partnership between Jaguar and its logistics provider Unipart North America, Montvale, N.J. Beginning in 1998, when the luxury automaker wanted to boost its customer service standing, it asked Unipart to work closely with Jaguar dealers in North America to find out how to improve the dealership experience for car buyers.

The companies used the external measurement of JD Powers' customer satisfaction rankings as their benchmark. "Any logistics provider can make claims about customer service," explains Richard Maclaren, president and general manager of Unipart North America. "But when you can cite an independent benchmark, such as the JD Powers ranking, it demonstrates how you can work strategically with your partner to achieve the desired results."

When the companies began their vested approach to solving this problem, Jaguar ranked 12th in JD Powers' luxury auto sector; together, they set their sights on improving to at least a fifth-place ranking. This specific, shared vision is a hallmark of a vested approach – and one that is not focused on costs, says Kate Vitasek, faculty member at the University of Tennessee's Center for Executive Education, and author of *Vested Outsourcing: Five Rules That Will Transform All Outsourcing Relationships*.

After enacting changes to what Maclaren calls "Jaguar's methods for sourcing, storing, processing, and dispatching parts," in 2007, Jaguar nabbed the number-one spot on JD Powers' list.

Jaguar and Unipart continue to work together using a vested approach, and are in the midst of a 10-year contract that "runs the full spectrum," Maclaren notes. "We own Jaguar's inventory; run its contact center; conduct finance functions; manage the freight and distribution; and even act as the importer of record. And, Unipart makes all the systems, warehousing, hiring, and training investments. It's a very different model than the typical outsourced relationship," he explains.

Maclaren credits both companies' willingness to "have the courage to manage for the long-term against the pressures we face today for instant results" as the key to their successful vested outsourcing relationship.



Jaguar XJ

up with new solutions,” Dean explains.

Being able to quickly address changing supply chain needs is one of the most important advantages a 3PL can provide its clients. When that ability is diminished from the start of the relationship because of improper planning and inaccurate information, it doesn't bode well for the partnership's success.

FINDING A BETTER WAY

The logistics outsourcing process need not be doomed to failure, however. Shippers, logistics providers, and industry experts are beginning to embrace an outsourcing mindset that shifts focus away from cost-driven RFQs and toward a more collaborative approach to building effective relationships.

Whether it's called vested outsourcing, performance-based outsourcing, or solution-driven outsourcing, the premise is the same: shippers and 3PLs work together from the outset to determine what services are needed to improve supply chain performance and reduce costs, while allowing both parties to engage in a mutually beneficial business partnership.

To begin down this path, Vitasek recommends shippers use the following five-part structured framework to transform their existing outsourcing relationship and contract to a more productive performance-based approach:

1. Lay the foundation.
2. Understand the business.
3. Align interests.
4. Establish the contract.
5. Govern the relationship.

Interestingly, Vitasek does not ban the use of RFQs in order to do this—instead, she advocates using them in an entirely different fashion.

“You can do an RFQ in a vested environment, but you can't just dust off your old one and put it out to bid,” she explains. “Instead, think holistically about what problems you will solve and make that the basis of your RFQ.”

Companies should use the RFQ process as a way to outline their existing

baseline, including current damage levels, retail compliance chargebacks, inventory levels, and profit-and-loss information, among other aspects. “Companies need to use the RFQ to articulate their current situation, which most companies don't do,” she notes.

Vitasek also recommends limiting the number of 3PLs involved in the RFQ process to a select few whose culture and costs are aligned with what the outsourcer is looking for.

“After you get the RFQ information from these select providers, have them come in, do an analysis of your current situation, and develop a detailed proposal of how they will solve your problems,” she advises. “This way, instead of saying, ‘Here is my spreadsheet, fill in your price,’ you are asking potential providers to tell you how they will improve your supply chain.”

Although the RFQ process is designed to help outsourcers find the right provider, it can be fraught with inefficiency.

This vested approach is much more time-consuming, Vitasek admits, but the payoffs make it worthwhile. “Taking the time to understand your desired outcomes, articulate your problems, and get providers to come in and truly look at your business and develop solutions is harder and takes more time than the typical approach,” she says. “Often, companies are not comfortable with it because they've never done it before. But if you want transformation, you have to work at it.”

This type of strategic and collaborative relationship is what many 3PLs are striving to develop with customers. Though

it terms its approach as “solution-driven outsourcing,” Ryder, for example, proactively approaches prospective clients with a well-researched, well-defined business plan and value proposition rather than waiting for an RFP.

“To develop targeted supply chain solutions for potential outsourcers, Ryder draws on industry experience and internal data to outline relevant industry benchmarks and best practices, define areas of a company's supply chain that can be improved, and illustrate the financial impact of deploying the proposed solutions,” explains Dean.

SHOW WHAT YOU KNOW

“Walking into a potential outsourcer's office with the required PowerPoint presentation about your history and capabilities doesn't excite anyone and doesn't show how a logistics provider can help,” adds Dean.

“A better approach is for a 3PL to show how it can drive supply chain solutions in specific areas because it has looked at industry sources and market intelligence; knows how your day's sales outstanding compare to industry peers; knows about your raw material inventory, transport costs, and challenges in deploying your manufacturing model in China; and knows that you plan to open 17 warehouses in Canada five years from now to deploy your consumable goods,” he says.

By instead embracing a solution-based approach to outsourcing logistics services, companies in need of supply chain expertise can expect to reap from their 3PLs more clearly defined solutions, greater alignment of expectations, and faster implementation.

“This approach comprises a methodology around discovering and defining opportunities within an organization, then managing or executing services to capitalize on those opportunities,” Dean explains.

That should be music to the ears of forward thinkers on both sides of logistics outsourcing contracts. ■

3PLs

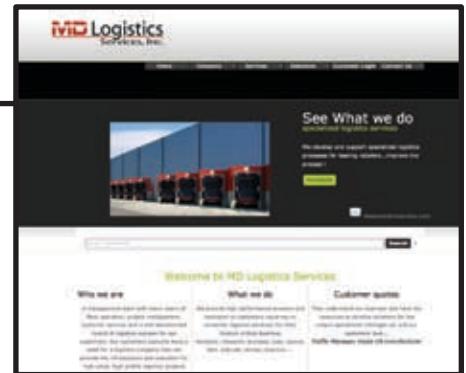


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ECONOMIC DEVELOPMENT

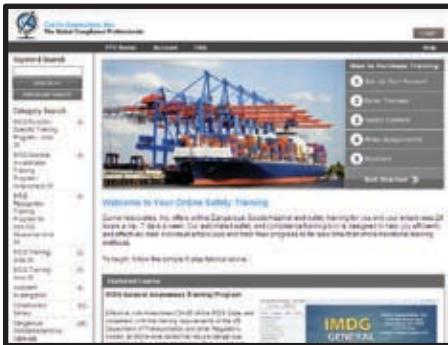
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George Mason School of Public Policy • www.policy.gmu.edu/tpol

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Georgia Tech, Executive Masters in International Logistics & Supply Chain Strategy • www.emil.gatech.edu

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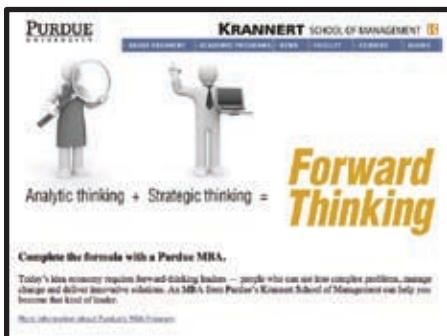
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Michigan State University – Masters in Supply Chain Management <http://broad.msu.edu/supplychain/msscm>

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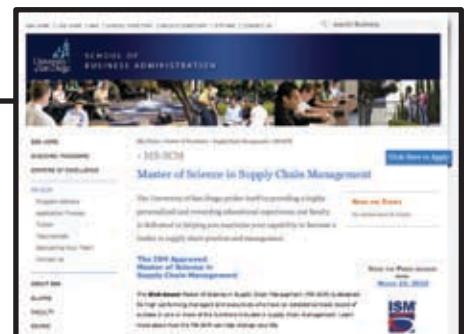
Purdue University, Krannert School of Management www.krannert.purdue.edu/stem



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IN THIS SECTION:

Events – Real Estate Logistics

EVENTS



ProMat, Material Handling Industry of America • www.mhia.org

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FREIGHT FORWARDERS/BROKERS

Airschott, Inc. • www.airschott.com

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REAL ESTATE LOGISTICS

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RECRUITING



Franzetta & Associates, Inc. • www.franzetta.com

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WAREHOUSING



PSS Warehousing & Transportation • www.pssdist.com

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PaperWise, Inc.

- TITLE:** *Advantages of a Web Portal in Transportation*
LENGTH: 11 pages
DOWNLOAD: <http://tinyurl.com/paperwise>
SUMMARY: The complex nature of logistics requires constant communication and easy access to information. Coordination among companies, carriers, and manufacturers involves continuous attention, accuracy, and flexibility throughout the supply chain. This whitepaper explains what a Web portal is and examines the advantages and benefits that a company in the logistics or transportation sector can gain by implementing one.

Zebra and Motorola

- TITLE:** *Customer Case Study: McMahon Cartage*
LENGTH: 2 pages
DOWNLOAD: <http://tinyurl.com/ilzebra>
SUMMARY: Carriers across the country are struggling to reduce costs to keep their customers happy and their bottom line healthy. To survive and thrive, carriers are called upon by their customers to find new, more efficient ways to operate to help customers drive costs out of their logistics network. Download this case history to see how one mid-size carrier took touches out of the dispatch process using the latest in combined technology from Zebra and Motorola.

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HighJump Software

TITLE: *Nine Telltale Signs You Should Replace Your Current WMS*

LENGTH: 8 pages

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SUMMARY: Is an inflexible or legacy warehouse management system (WMS) putting your business at risk? You rely on a warehouse management system to maintain ongoing operations, support changing customer requirements, keep up with new industry regulations, and simply get product out the door on a daily basis. What happens when you're no longer able to get the job done? In this new industry report, *Nine Telltale Signs You Should Replace Your Current WMS*, you'll learn to analyze the operational factors influenced by your WMS – and find out whether your system is constraining your company's growth and global reach.

Zebra and Motorola

TITLE: *Unlock the Power of Your Field Service Teams With Mobility*

LENGTH: 12 pages

DOWNLOAD: <http://tinyurl.com/ilmotorola>

SUMMARY: This new report outlines how achieving maximum productivity involves streamlining and automating processes to reduce, or even eliminate, the large volume of paperwork that often burdens field service professionals. Discover how mobility can benefit field service operations, considerations when implementing mobile field service applications, and technical considerations when evaluating potential solutions.

Ryder

TITLE: *Reverse Logistics – The Untapped Revenue Stream*

LENGTH: 11 pages

DOWNLOAD: www.ryder.com/supplychain_resources.shtml

SUMMARY: Because reverse logistics can drive real impact to the bottom line, this is an area of high priority for companies looking to reduce costs, add efficiencies, improve the customer experience, and build sustainable supply chain practices. As a result, manufacturers are uncovering the hidden value of returned assets and streamlining return, repair, and product reallocation processes. Find out how your company can benefit from effective reverse logistics management.

Management Dynamics

TITLE: *Best Practices to Reduce International Freight Costs*

LENGTH: 7 pages

DOWNLOAD: <http://tinyurl.com/mgmdynamics2>

SUMMARY: Struggling with out-of-control freight costs? You've got a TMS solution in place – but let's face it, those solutions are oriented to managing domestic transportation, and just aren't set up to handle the complexities of global containerized transportation and air freight. Download Management Dynamics' whitepaper, *Best Practices to Reduce International Freight Costs*, to learn how you can benefit from contract automation to meet, or even exceed, your aggressive budget commitments.



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www.hyster.com

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3PLs

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The company's expansion into West Africa and Central Asia offers tailored services, with a focus on integrated end-to-end solutions ranging from origin services such as warehouse and hub management,

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www.cevalogistics.com

800-355-0350

Xcel Delivery Services

Xcel Delivery Services is in the final stages of building a new office and warehouse in Tucson, Ariz., that will expand storage capacity by almost 10,000 square feet, and allow the company to accept larger loads and offer increased efficiencies. From the new facility, Xcel will continue to offer distribution services, as well as airport cargo work, hot shot, urgent, pharmaceutical, and medical deliveries with a 24-hour staffed dispatch office.

www.xceldelivery.com

520-408-7200

Pacer International

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www.pacer.com

888-722-7404

SOFTWARE

Accellos

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www.accellos.com

719-433-7000

LeanLogistics

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www.leanlogistics.com 616-738-6400

Echo Global Logistics

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www.echo.com 800-354-7993

OCEAN Laufer Group

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www.laufer.com 212-945-6000

Crowley Maritime

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◀ CONTINUED FROM PAGE 63

and Long Beach, the office will continue to provide ocean, airfreight, and Customs brokerage services.

www.crowley.com 1- 800-CROWLEY

Ocean World Lines (OWL)

OWL, a global, single-source non-vessel-operating common carrier, opened a new office in Szczecin, Poland, to offer more coverage and service options in the expanding Eastern Europe region. Through the Szczecin office, OWL will offer air, ocean, cargo management, and customs clearance services.

www.owlusa.com 516-616-2400

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www.cma-cgm.com 757-961-2100

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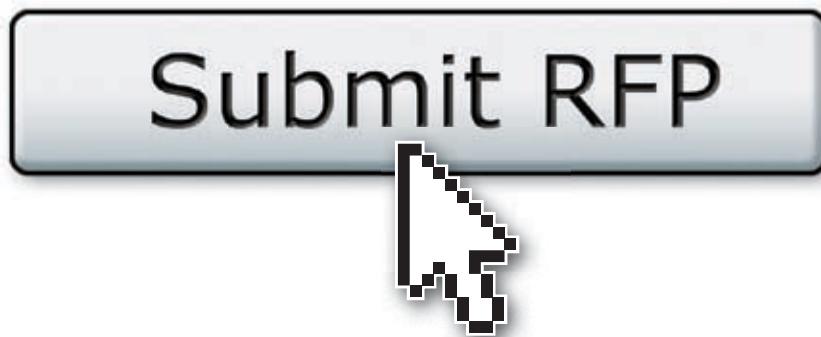
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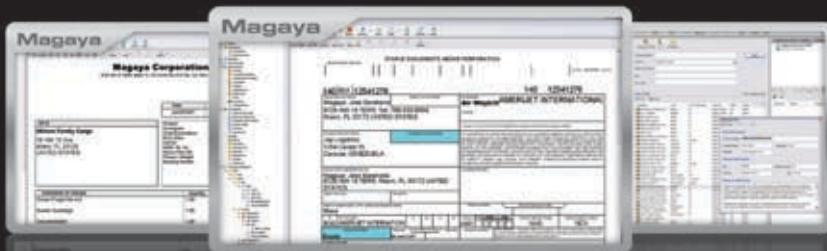
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