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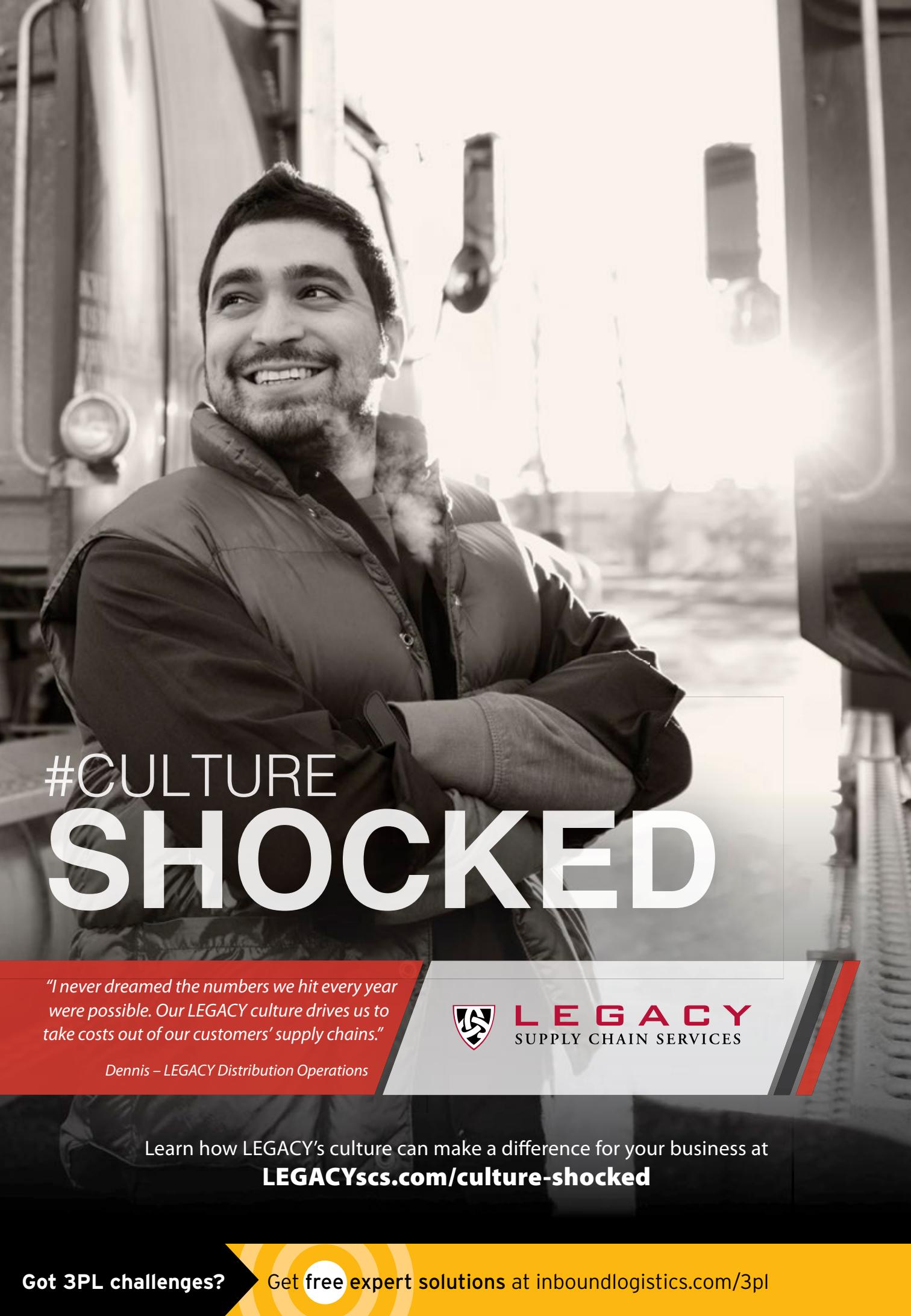
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*Online retailers need to rethink how they align their distribution networks... Manufacturers and retailers fail to adopt best-in-class processes and technology to address global complexities... Staples and Syracuse University partner to drive new research and innovation... U.S. beef supply chain participants form partnership to improve sustainability... Spot market rates dip seasonally as West Coast volumes catch up.*

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## ONLINE EXCLUSIVES

### QUICKBYTES

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#### Improving Your Fleet with Telematics [bit.ly/1LJg8Lo](http://bit.ly/1LJg8Lo)

**Bruce Horan, Director of Telematics, Element Fleet Management**

Telematics gives deeper insight and visibility into fleet operations, which is key for return on investment. This article explains how to put that information into action to better serve your company.



#### How to Make Physical Inventory Counts Less Stressful [bit.ly/1BAEaJO](http://bit.ly/1BAEaJO)

**Brandon Levey, CEO, Stitch Labs**

Ditch your annual inventory count and opt for something a little less taxing: ongoing cycle counts. Cycle counts are less disruptive to daily operations, provide an ongoing measure of inventory accuracy and procedure execution, and can be tailored to focus on items that have higher value, higher movement volume, or are critical to business processes.



#### Searching for the New Perfect Order [bit.ly/1LJmydk](http://bit.ly/1LJmydk)

**Peter Zaballos, Vice President of Marketing, SPS Commerce**

Omni-channel order fulfillment is a constant balancing act, and retailers need new technologies and capabilities to meet consumer demand for items that are available quickly and competitively priced—online, in stores, and in catalogs. Here's how to take control of omni-channel order fulfillment.

## 3PL RESOURCES

### 3PL Decision Support Tool [bit.ly/1L3PLDST](http://bit.ly/1L3PLDST)

Choose the services and capabilities you need, and the Decision Support Tool will find matching 3PLs. You can even contact companies directly from the search results through our linked RFP functionality.

### 3PL Request for Proposal [bit.ly/1L3PLRFP](http://bit.ly/1L3PLRFP)

Describe your supply chain challenge, then select the top 3PLs to receive your RFP and provide free, no-obligation advice, solutions, and information specific to your logistics management needs.

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# CHECKING IN

*Felecia Stratton*

by Felecia Stratton | Editor



## A Supply Chain World Tour

**D**emand-driven logistics spans the world... in practice and in print. For a host of reasons, U.S. shippers and consignees are taking control of how they pull—and push—global product to market.

Shifting demand dynamics, geopolitical volatility, currency fluctuations, government interference, lengthening and deepening supply networks, and cost reduction directives have conflated to consternate even the best supply chain strategies. That's why U.S. companies are flexing Incoterms to optimize point-of-origin logistics and reduce freight costs. It's why consignees are ordering smaller quantities from more suppliers, and using consolidation hubs in China and Hong Kong to fill containers. And it's why mobile phone manufacturers are decoupling shipments of higher-value units and lower-value accessories, and using packaging postponement strategies to better optimize air and ocean modes.

There's no doubt that the world's middle class is marching toward Asia. Eventually, even more manufacturers and retailers will follow. The maturation of e-commerce, and the relative speed and ease with which producers and consumers can tap this emerging global marketplace, is beyond comparison. To remain competitive globally, U.S. companies need to be nimble to these demand changes. That means digging deeper into analytics, modeling potential inputs and outputs, and finding reliable logistics service providers that can facilitate new relationships and provide cover in growing global markets.

With so much uncertainty in today's world, businesses have to find new ways to increase flexibility, resiliency, and responsiveness without compromising economy, speed, and service. That's no small task, especially considering business inertia. To learn more about managing global logistics, *Inbound Logistics* Senior Writer Joe O'Reilly spent the past 20 months on the ground in 20 countries – Canada, Brazil, China, Hong Kong, India, Panama, Germany, Italy, United Arab Emirates, Chile, Poland, and Belgium, among others – meeting with companies, touring facilities, and researching global markets and emerging supply chain trends.

How did he accomplish that? Joe took part in Georgia Tech's Executive Masters in International Logistics and Supply Chain Management (EMIL) class of 2015. EMIL is a post-graduate program featuring five two-week residencies across four continents. It's designed to help practitioners better understand how cultural dynamics and supply chain best practices intersect through immersion study.

Joe tapped this experience for his contributions to our Global Logistics issue. Sharing best practices across logistics functions, industries, and borders, is integral to *IL's* demand-driven logistics mission. As you read this issue—take special note of our 11th-annual Global Logistics Guide on page 41—consider the different market forces and internal organizational mandates that are guiding your company's global decision-making. Where are you today? Better yet, where can your supply chain take your business tomorrow? ■

**inbound**  
**logistics**

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### STAFF

**PUBLISHER** Keith G. Biondo  
publisher@inboundlogistics.com

**EDITOR** Felecia J. Stratton  
editor@inboundlogistics.com

**MANAGING EDITOR** Lauren Muskett  
lmuskett@inboundlogistics.com

**SENIOR WRITER** Joseph O'Reilly  
joseph@inboundlogistics.com

**ASSOCIATE EDITOR** Jason McDowell  
jmcowell@inboundlogistics.com

**CONTRIBUTING EDITORS**  
Merrill Douglas • John McCurry • Lisa Terry

**CREATIVE DIRECTOR** Michael Murphy  
mmurphy@inboundlogistics.com

**ASSOC. ART DIRECTOR/ PRODUCTION MGR.** Mary Brennan  
mbrennan@inboundlogistics.com

**DIGITAL DESIGN MANAGER** Amy Palmisano  
apalmisano@inboundlogistics.com

**PUBLICATION MANAGER** Sonia Casiano  
sonia@inboundlogistics.com

**CIRCULATION DIRECTOR** Carolyn Smolin

### SALES OFFICES

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

**WEST/MIDWEST/SOUTHWEST: Harold L. Leddy**  
(847) 446-8764 • FAX: (847) 305-5890  
haroldleddy@inboundlogistics.com

**Marshall Leddy**  
(612) 234-7436 • FAX: (847) 305-5890  
marshall@inboundlogistics.com

**SOUTHEAST: Gordon H. Harper**  
(404) 229-9691 • FAX: (404) 355-2036  
south@inboundlogistics.com

**MOBILE, AL: Peter Muller**  
(251) 232-1920 • FAX: (251) 343-0541  
petermuller@inboundlogistics.com

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

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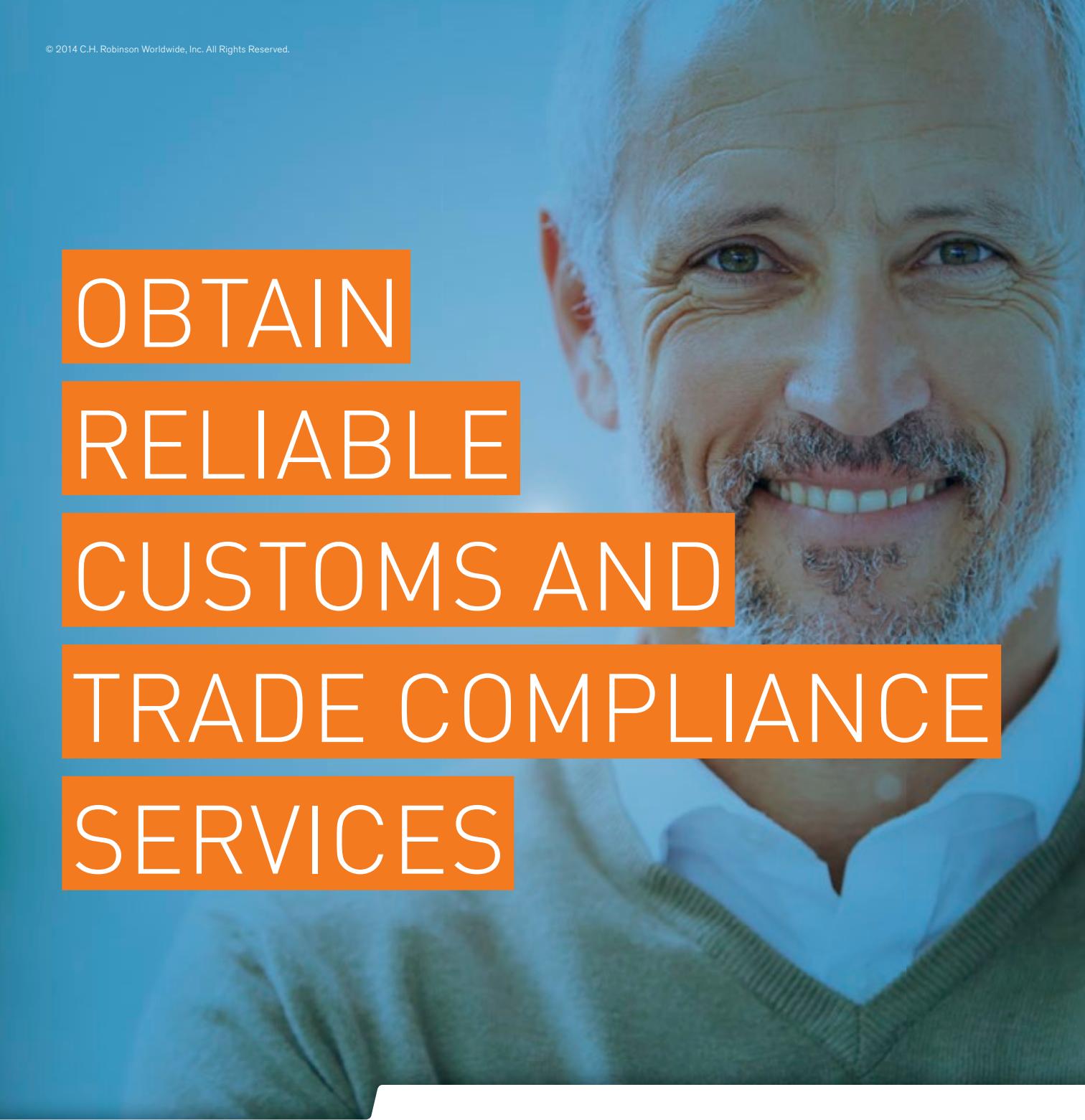
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12 FEB 2015

An oldie but a goodie. The relevance doesn't fade: Cargo Security: Protecting the Supply Chain – [bit.ly/MLXKdc](http://bit.ly/MLXKdc) via @ILMagazine

**Damian** @800527

21 FEB 2015

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26 FEB 2015

Contingency Planning Keeps Freight Moving – [bit.ly/1AwCYDV](http://bit.ly/1AwCYDV)

**Syed Qasim R Jafri** @31Qasim

The essence of agile logistics is planning for the unforeseen, and having the ability to switch plans according to requirements without transitional difficulties.

**Inbound Logistics** @ILMagazine

6 MAR 2015

Traditional Supply Chain Models Will Be Extinct in 2025, Thanks to These 10 Disruptors – [bit.ly/1yxmNRI](http://bit.ly/1yxmNRI)

**Jeffrey Fenter** @JeffreyFenter

Great perspective. In addition, 3D printing has high potential to dramatically disrupt.



**Nussbaum Transportation**

19 FEB 2015

Check this out! *Inbound Logistics* profiled one of our dedicated drivers, Rob Miller, for their article Trucking From the Driver's Seat: [bit.ly/1uPr5si](http://bit.ly/1uPr5si)

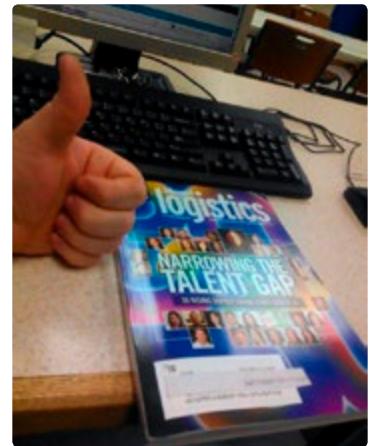


In January 2015's Global Ports:

A Boatload of Opportunity [[bit.ly/1uPsCyA](http://bit.ly/1uPsCyA)], Savannah is stated as being 100 miles from Atlanta. It is actually 247 miles.

**Nathan Siebrase**

**Editor's Note:** Nathan, thank you for pointing this out. Guess we should have



**Dane Higbee** @DANETRAIN05

21 FEB 2015

Super pumped to read my first issue of *Inbound Logistics*!

reset our mileage counter before going to press.

For many years, I shared my copies of *Inbound Logistics* with my freight, logistics, and purchasing classes at Cuyahoga Community College in Cleveland. I even gave out your free subscription cards to my classes.

**J.V. Shannon**, Owner/President, Profit or Savings Enterprise, LLC

**Editor's Note:** Thank you for helping to spread the good word to a new generation of logistics leaders.



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# 10 TIPS

## STEP-BY-STEP SOLUTIONS



## Supporting a Multilingual Workforce

**A**s today's workforce becomes increasingly multilingual and diverse, employers are focusing on ways to effectively communicate with their staff. Open lines of communication are key to avoiding confusion, mistakes, and accidents. While it is not necessary for managers to be fluent in every language the staff speaks, it is important to take steps to make sure communication with a multilingual workforce is clear. Jim Marcoly, president, and Gabe Covarrubias, bilingual director of operations, Pacific Coast Warehouse Company, offer these tips to improve employee interaction.

**1 Commit.** Once you start communicating with your multilingual team, make sure you are in it for the long term. Short-term attempts to communicate can appear insincere, and do more damage than good.

**2 Use many channels to communicate.** Interact with your workforce verbally and in writing. Make sure your team understands all processes and signage, along with legal and company documents.

**3 Embrace mistakes.** When communicating in a language other than your native tongue, you may incorrectly translate a word, sentence, or phrase. The team will understand your mistake—embrace it and learn from it.

**4 Understand your audience.** When working with a bilingual workforce, be aware of subtle regional differences or meanings for the same words. Geographic region often drives differences in words or phrases, including slang.

**5 Practice.** If you want to strengthen your second language skillset, and engage more with your team, talk to them in both languages. You may even find people on staff who want to practice their second language with you. This can be done in writing and verbally.

**6 Include everyone.** Trying to reach out to all multilingual workers in the same meeting can cause friction and confusion. Set the expectation that you are reaching your entire audience, and make changes or adjustments to ensure your message is clear.

**7 Increase the number of multilingual speakers.** It helps to have a senior leader of the organization engaging with the workforce in more than one language. Front-line supervisors should not be the only ones required to communicate in multiple languages. Support team members, such as human resources, IT, engineering and facility operations teams, should be able to communicate in multiple languages.

**8 Respect cultural differences.** Address team members' understanding of the culture, and encourage sharing heritages.

**9 Speed up communication.** Companies are hiring from a pool of diverse people. Learn to communicate quickly and efficiently with all workers no matter what language they speak.

**10 Slow down.** Speak at a slower pace when addressing a group, regardless of language, to allow people to digest the information. Adding a few extra pauses gives your audience a better chance to follow along. ■



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## Jim Young: Sourcing for a Startup

**D**URING MY TIME AS A STUDENT AT SAN JOSE State, I did an internship making technical training videos for Applied Materials, an equipment, services, and software supplier for the global semiconductor, flat panel display, and solar photovoltaic industries. After graduating with a radio, television, and film major, I went to Los Angeles to look for work in the entertainment industry. But jobs were hard to come by in those days. So when I ran into someone I knew from Applied Materials, and he offered me a job in the stockroom, I grabbed it.

I learned how to locate and pick parts, and use the company's order fulfillment system. After one year, I moved up to a job as a materials planner. I stayed with Applied Materials for 25 years.

Since 2011, I've worked for a startup, Applied Microstructures, which designs and manufactures equipment that produces ultra-thin films for a variety of

applications. For instance, pharmaceutical companies use them to put coatings on pills. We sell our technology to customers all over the world.

As senior supply chain manager, I'm responsible for everything from sourcing materials and services to shipping finished products. I oversee a logistics manager who runs the stockroom, and a

**Jim Young is senior supply chain manager at Applied Microstructures, Inc. in San Jose, Calif. He has held this position since 2011.**

### RESPONSIBILITIES

All supply chain activities required to support product development, configuration, and production, as well as shipment of products to customers.

### EXPERIENCE

Variety of positions in materials and manufacturing support; materials planning and execution manager (Centura Etch); senior material manager (Oxide Etch), Applied Materials Inc.; senior content strategist/marketing agent, Youngraw Entertainment; senior program manager (applied strategic knowledge solutions), senior materials manager (CPI), senior strategic program manager (applied global services), Applied Materials Inc.; senior commodity manager—front end material support, Solyndra.

### EDUCATION

BA, television, radio, and film, San Jose State University, 1981; MBA, Santa Clara University, 2000.

### The Big Questions

#### How do you like to spend time when you're not working?

I mentor youth in my community. I used to coach basketball, but I can't do it as much as I'd like. I enjoy photography, and I do DJ mixing and video editing.

#### Do you have a hidden talent?

I used to run an entertainment business, promoting R&B, hip hop, and rap artists. My work resulted in about 50 gold and platinum awards from the Recording Industry Association of America.

#### What achievement in your career are you most proud of?

I was the lead on the engineering team that helped implement the Oracle enterprise resource planning system at Applied Materials. That was a huge, difficult project. It taught me a lot about change management.

#### If you could attend any event in the world, what would it be?

The Kentucky Derby and Indianapolis 500 are both on my bucket list.

manufacturing engineer who works with the product development team.

Most of the suppliers we work with are located close to our facility. That way, we can quickly solve any problems that may arise. The major exception is our chemical suppliers, which can be located anywhere. We don't have a license to ship chemicals, so the suppliers ship products directly to our customers.

On the outbound side, we move systems and spare parts via our customers' carriers. I work with those customers and their logistics partners to understand the

markets we're serving and set up the transportation lanes.

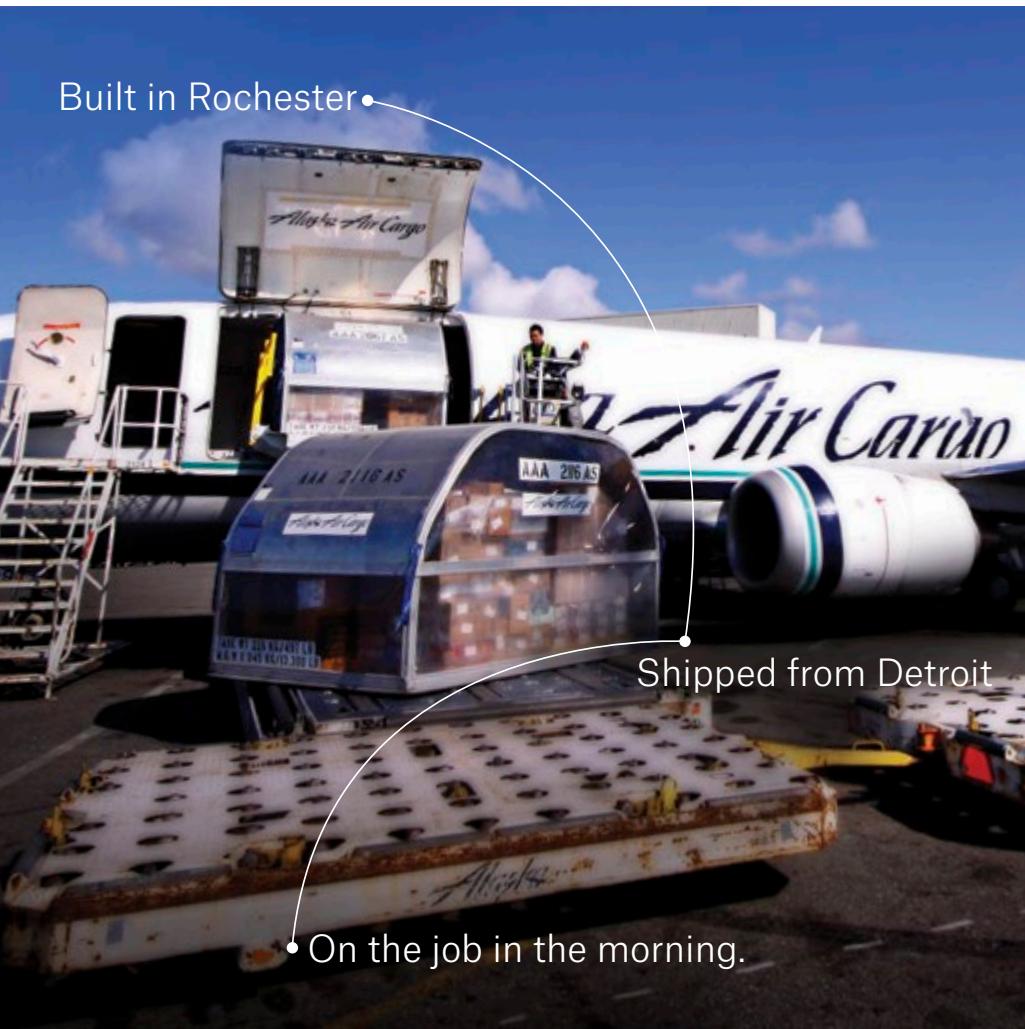
The biggest challenge I face is sourcing for a small startup. My previous employer, Applied Materials, is a Fortune 500 firm. If we signed a \$5-million agreement with a precision machine shop, that was a small contract. Here, my annual spend for precision machining is far less than \$900,000.

This means we have to work with smaller suppliers. Unfortunately, they don't always have the systems in place to deliver the quality we require. To get that quality, I have to spend a lot of time helping those

shops enable their capabilities. I serve as an unofficial consultant, recommending strategies they can use to better manage their operations.

One of the biggest moves we made here in 2014 was to implement *Expandable*, an enterprise resource planning system designed for small manufacturers. This year, we'll use that system to make some important enhancements to our operation. For example, we will introduce scorecards to guide execution and get a better view of inventory. Our ultimate goal is to create a world-class supply chain operation. ■

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# NOTED

THE SUPPLY CHAIN IN BRIEF



## recognition

**Hyster Company's** W45Z walkie pallet truck received a **Good Design** award from the Chicago Athenaeum Museum of Architecture and Design. The Good Design awards honor yearly achievements in design excellence.

### UP THE CHAIN

Chicken producer and processor **Allen Harim** appointed **Herb McCoun** senior manager of supply chain. McCoun is responsible for streamlining and supervising all aspects of the supply chain.

**Kimberly-Clark**, parent company of Kleenex, Scott, Huggies, Pull-Ups, and Kotex brands, appointed **Sandra MacQuillan** senior vice president, global supply chain. MacQuillan takes on global responsibilities for procurement; transportation; continuous improvement; sustainability; labor relations; and quality, safety, and regulatory operations.

**Derek Jones** was promoted to executive vice president of wholesale and distribution operations for grocery chain **SpartanNash**. He now oversees the company's wholesale and supply chain operations, including warehousing, transportation, new business development, replenishment, customer service, and military operations.

**Advanced Auto Parts** named **Todd Greener** vice president, supply chain. Greener leads the company's supply chain operations, and is responsible for implementing a new system-wide supply chain integration and transportation strategy.

**Doug Moran** was named vice president, supply chain for **Axcelis Technologies**, a supplier to the semiconductor industry. In his new role, Moran oversees the company's supply chain management and functions.



# m&a

Trucking company **CRST** purchased **Pegasus Transportation**, a Louisville, Ky.-based regional trucker. Buying Pegasus helps CRST expand its temperature-controlled service footprint.

Third-party logistics company **XPO Logistics** acquired **UX Specialized Logistics**, a last-mile logistics provider for retail chains and e-commerce companies. The new purchase helps XPO's Last Mile division expand its nationwide service footprint.

**SEALED DEALS**

Logistics provider and ocean carrier **Crowley Maritime Corporation** provided support to the **U.S. Army** for **Operation United Assistance**, the mission to fight the Ebola epidemic in West Africa. Crowley handled emergency shipping, warehousing, trucking, stevedoring, and customs brokerage.

Clothing manufacturer **Dynasty Apparel** implemented product lifecycle management software provider **NGC Software's** fashion ERP system to streamline workflows, improve profitability, and reduce costs.

**Shell** deployed logistics software provider **E2open's E2 Process**

*Management* to create visibility of procured engineering materials along the supply chain. The global track-and-trace initiative helps Shell monitor the flow of materials through procurement, transportation, and disposal, ensuring that the correct shipments arrive at production sites on time.

**GOOD WORKS**

**Total Quality Logistics**, a freight brokerage firm, donated \$1,000 to the **Broward County Humane Society**. The company's Moves That Matter initiative benefits non-profit organizations using truckload transportation to move items that help those suffering or in need.

▼ Temperature-controlled logistics and warehousing provider **Americold** selected **Feed the Children** as its corporate non-profit partner. Americold will support the charity with global logistics resources.



# recognition



▲ Transportation and logistics group Panalpina recognized ocean carrier **Hamburg Süd** with a **Carrier of the Year Award**. Panalpina selected winners through a survey that asked 1,700 of its global employees to evaluate their daily dealings with shipping lines.

The Indiana Chamber of Commerce named supply chain and IT consulting firm **enVista** one of the state's **100 Best Places to Work**. Honorees are selected based on results of anonymous employee surveys.

UPS honored third-party logistics company **Syfan Logistics** with a **2014 UPS Peak Season Expedited Operations Power 5 Champion Award**. During the 2014 holiday season, Syfan provided UPS with a team of 74 dedicated personnel to help the parcel carrier manage its logistics operations.

# m&a

Global trade management software provider **Amber Road** bought **ecVision**, a cloud-based provider of global sourcing and supply chain solutions. The acquisition expands Amber Road's portfolio of supply chain solutions at the point of origin, and increases the company's footprint in the Asia Pacific region.

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# TRENDS

SHAPING THE FUTURE OF LOGISTICS

Photo: Ryder

With e-commerce becoming a significant portion of sales, retailers must re-examine distribution infrastructures that don't account for online sales.

## Learning the ABCs of DCs

To be competitive in today's dynamic retail space, online companies need to rethink distribution networks that were built to serve the brick-and-mortar store model, suggests research conducted by supply chain faculty at the University of Tennessee's (UT) Haslam College of Business.

by Joseph O'Reilly

Supply chain faculty surveyed more than 200 companies, and worked with third-party logistics provider Kenco, to produce its new report, *The ABCs of DCs*.

The research concludes that distribution centers (DCs) must be dynamic to meet customer expectations as Internet orders increase. Cost can no longer be the sole motivator for warehouse management. DCs must routinely seek to optimize their networks and adopt modern tools, such as advanced shipping

notices and warehouse information systems, to maximize accuracy and efficiency.

"Logistics professionals who operate distribution centers are expected to improve customer responsiveness, decrease cost, and manage higher volumes every year," explains Paul Dittmann, executive director of UT's Global Supply Chain Institute. "The most efficient distribution centers find innovative ways to meet all three of these demands rather than sub-optimizing one of the three."

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## Manufacturers/Retailers Taking IT Slow

Despite recognition that global supply chains have become increasingly complex, most manufacturers and retailers still rely on outdated tools and ineffective processes to manage the end-to-end value chain, according to JDA research.

The Scottsdale, Ariz.-based software solutions provider's *JDA Vision 2015 Supply Chain Market Study* is based on a

global survey of 255 executives across 17 countries, representing a wide range of retailers and manufacturers.

"It's no secret that retailers' and manufacturers' supply chains have become increasingly complicated—often spanning thousands of miles and dozens of trading partners," says Kevin Iaquinto, chief marketing officer at JDA.

Still, executives have been slow to adopt best practices and best-in-class technology solutions in critical areas including production planning and scheduling, supply chain planning and execution, demand management, and transportation.

Among key findings:

**■ Supply chain planning and execution.** When asked about priorities for optimizing inventory management, the top two responses were "improving service levels" (named as a top-three priority by 93 percent) and "moving inventory closer to demand" (88 percent).

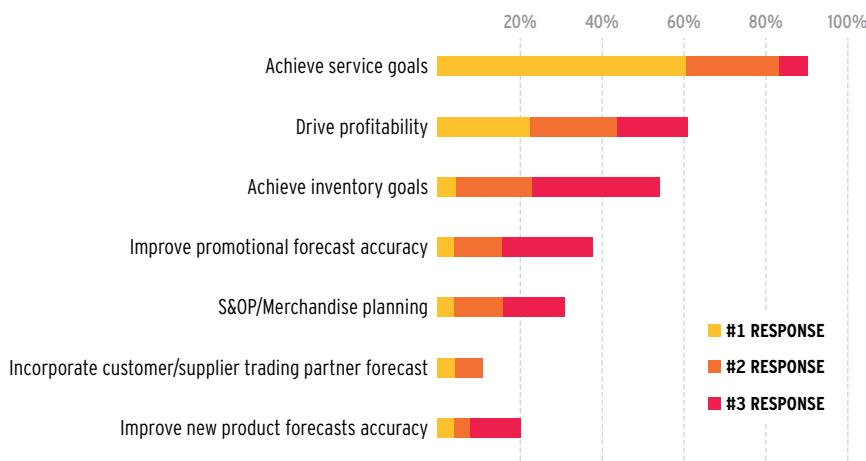
However, organizations lack a clear way to measure and improve effectiveness in this area; respondents provided at least 25 different metrics they apply to measure inventory management performance. In addition, most companies are not currently implementing advanced technology tools. Fifty-nine percent of executives cite "deploying automation" to manage inventory as a key initiative for the future.

**■ Demand management.** To meet the needs of today's price-conscious and innovation-driven consumers, both retailers and manufacturers have invested heavily in more frequent product launches, as well as more aggressive sales promotions. JDA's survey reveals, however, that companies lack a scientific way to forecast the effects of these expensive initiatives. For new products, 59 percent of responding companies either develop no forecast at all, or rely on a backward-looking forecast developed by the sales and marketing team.

**■ Transportation management.** JDA survey respondents report that 33 percent of all customer orders require expediting, which erodes margins significantly. More surprising, only 26 percent of transportation organizations employ a shared services model for centralized transportation management, and only 46 percent have created a core carrier program. In addition, just 43 percent of firms employ commercially available software solutions to optimize their transportation moves.

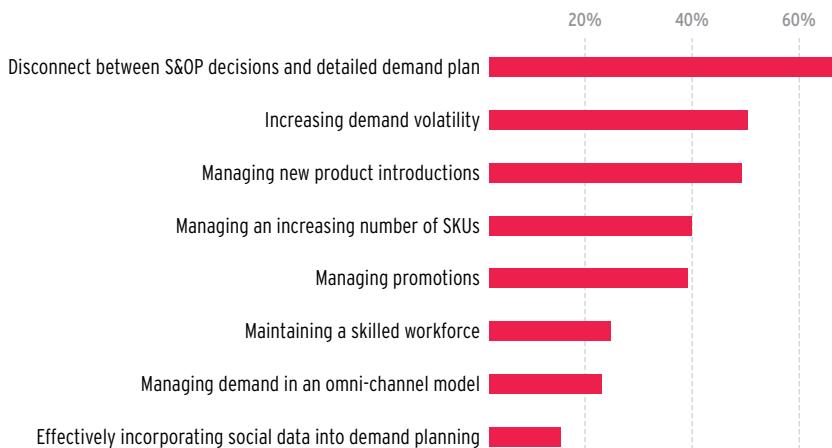
### IMPORTANCE FOR DRIVING DEMAND MANAGEMENT DECISIONS

Achieving service goals stands out as the top objective for driving demand management decisions both in #1 responses and overall top-three selection.



### TOP CHALLENGES TO DEMAND MANAGEMENT PROCESS

Responses underscore the disconnect between S&OP decisions and detailed demand plans.



Source: JDA Vision 2015 Supply Chain Market Study

## Partners in Learning

While the emergence of a supply chain talent gap is giving shippers plenty of cause for concern as they recruit a new generation of practitioners, there's also a silver lining—the private sector has even more incentive to foster closer partnerships with universities.

Case in point: Syracuse University's H.H. Franklin Center for Supply Chain Management is collaborating with Staples to drive new research and innovation by working on real-world challenges. As part of the Whitman School project, supply chain faculty and students will analyze fulfillment operations, and make recommendations regarding how the office supplies retailer can further improve its inventory and distribution decisions.



The Whitman School is collaborating with office supplies retailer Staples in a first-of-its-kind relationship to bring innovation and new research to the supply chain field.

“Staples already has an excellent distribution system, with the capability to deliver next-day to 96 percent of the U.S. population,” says Burak Kazaz, PhD, executive director of the H.H. Franklin Center.

Professors and students will analyze big data on customer orders, and make adjustments in inventory deployment decisions to create further efficiencies.

In a second project, professors and

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students are developing a risk assessment methodology to analyze exposure in the entire Staples supply chain. The work brings out a new perspective in supply chain risk management. The end result of both projects will be presented to senior Staples leadership.

“This collaboration not only provides a real-world consulting experience for students, but also contributes greatly to Staples’ supply chain knowledge to help it make better business decisions,” says Dr. Kazaz.

“Relationships such as these are the wave of the future for business programs,” he adds. “The experiential learning opportunity allows students to solve real

business problems to help corporations meet challenges.”

This type of engagement provides Staples with objective insight into its own supply chain operations, while at the same time creating a pipeline for recruiting supply chain professionals who already have a working knowledge of its business.

“Staples supports the learning opportunities this engagement provides to the next generation of supply chain professionals,” says Don Ralph, senior vice president, supply chain and logistics, Staples. “The company sees real value in bringing a fresh pair of eyes and new ways of thinking to data analytics and risk management planning.”

## Missing the Spot

Spot market freight availability declined for a second consecutive month in February 2015, a seasonal pattern that mimics the first quarter of 2013 but at higher volume, according to the DAT North American Freight Index, a measure of conditions on the spot truckload freight market.

Some of the lag may be attributed to residual effects of the West Coast port labor impasse, which greatly reduced outbound volumes from California, and, in turn, reduced rates.

Month-over-month freight volume dipped six percent in February. Juxtaposed

## Where's The Beef?

In an effort to advance and improve transparency within the U.S. beef supply chain, Cargill, McDonald's, Tyson Foods, and Walmart are among a group of 43 founding members in the U.S. Roundtable for Sustainable Beef (USRSB).

The USRSB comprises a group of U.S. beef value chain participants including producers, processors, retailers, foodservice operators, packers, and non-governmental organizations. Its objective is to identify sustainability indicators, establish verification methodologies, and generate field project data to test and confirm sustainability concepts for use throughout the United States.

The group is using the Netherlands-based Global Roundtable for Sustainable Beef's (GRSB) guidelines (*see sidebar below*) to support its effort. Specifically, members will develop sustainability indicators relevant to the various beef systems in the United States, as well as a means to verify and share sustainable progress transparently. Like the GRSB, the USRSB will not mandate standards or verify the performance of individual beef value chain participants.

The move comes after several consumer, animal rights, and environmental groups widely criticized the GRSB's guiding principles for not being progressive enough.

### Global Roundtable for Sustainable Beef's Five Guiding Principles

1. Produce beef in a manner that identifies and manages natural resources responsibly and maintains or enhances the health of ecosystems.
2. Protect and respect human rights.
3. Respect and manage animals to ensure their health and welfare.
4. Ensure the safety and quality of beef products and utilize information-sharing systems that promote beef sustainability.
5. Encourage innovation, optimize production, reduce waste, and add to economic viability.



against the extreme demand created by the polar vortex in February 2014, however, volume was 37 percent lower.

Compared to January 2015, freight volume by equipment type declined 3.9 percent for vans, 3.4 percent for flatbeds, and 18 percent for refrigerated (reefer) trailers in February. Truckload rates on the spot market drifted down 1.9 percent for vans, 3.2 percent for flatbeds, and 5.2 percent for reefers.

## Supreme Court Sides with Amtrak

Lingering service issues and delays have beset captive rail shippers over the past few years, in large part due to weather-related events, as well as growing demand in the oil and gas industry that is diverting railroad attention and investment. A recent U.S. Supreme Court decision threatens to complicate matters even further.

The Court has given new life to a federal law—the Passenger Rail Investment and Improvement Act of 2008 (PRIIA)—that aims to improve Amtrak’s on-time performance, superseding a lower court ruling that favored the freight railroad industry.



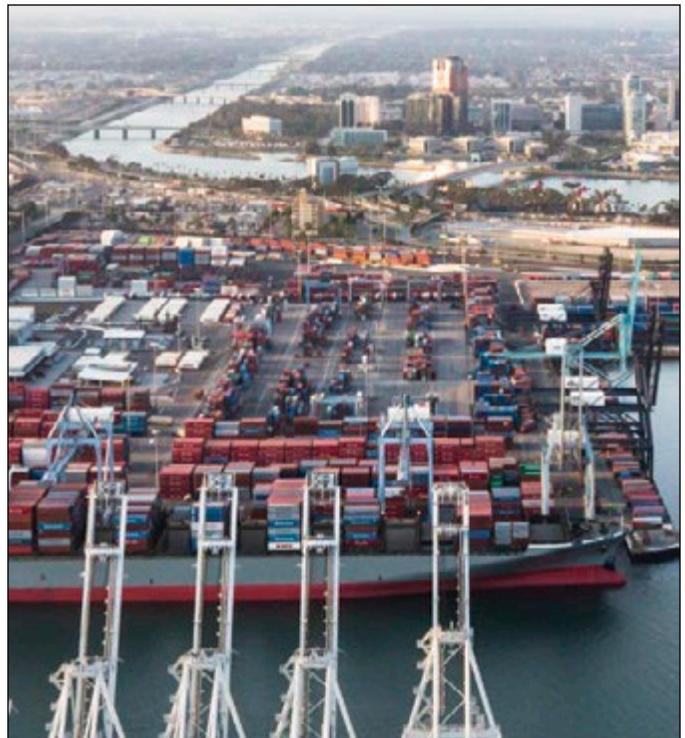
**Supreme Court rules Amtrak is more a government entity than a private firm.**

Amtrak has always straddled an uneasy balance as a non-profitable “private company” funded and controlled by the federal government. It was created in 1970 as a “for-profit corporation” supported by billions of dollars in public subsidies, and governed by a board of directors nominated by the president of the United States.

Amtrak, which by and large does not own the tracks it runs on, is at the mercy of Class I railroads to operate on time—which passenger rail proponents argue is one of the reasons for low ridership.

PRIIA proposes giving more control to Amtrak and the Federal Railroad Administration to hold Class I’s accountable for delays—even to the point of levying fines for non-compliance. The crux of the argument is whether Amtrak, as a “private company,” should be allowed a voice in regulatory decision-making that impacts freight rail competitors.

The Supreme Court decision, which concludes that Amtrak is “mostly” a government entity, now kicks it back to the lower appeals courts for further debate. ■



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# GLOBAL

THE WORLD AT A GLANCE

by Joseph O'Reilly



Densely populated Hong Kong has developed only 30 percent of its land, making industrial space scarce and expensive.

## Hong Kong: A Space Odyssey

Hong Kong is one of the world's most densely populated cities. Remarkably, only 30 percent of its land is actually developed—a reflection of the area's mountainous terrain. Hong Kong historically has focused much of its infrastructure development on costly projects to reclaim land from the sea.

Accordingly, these constraints have placed a premium on industrial space. The city always ranks among CBRE's top contenders for most expensive warehouse rents in the world.

Now some local consultants are suggesting government reconsider industrial real estate regulations to create more capacity.

For example, cheaper labor costs across the border in Shenzhen, China, have lured some specialized manufacturing

activities—shipbuilding and polystyrene plastics, for example—out of Hong Kong. By re-zoning these existing sites for more general industrial purposes, the city can add more warehouse capacity and take advantage of multi-story facilities.

Rent inflation remains the greatest obstacle for companies looking to locate warehouse space in Hong Kong—especially given nearby Shenzhen's relative economy. In its latest quarterly report, commercial real estate company Colliers International Hong Kong reinforces the need for more flexible land-use rules: "The potential gains from redeveloping or converting industrial buildings to other uses will continue to attract investors looking for investment opportunities in the en bloc sales market," it notes.

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## China-Europe Rail Rolls Along

For years, shippers, railways, and third-party logistics (3PL) providers have been experimenting with a backdoor rail link through Western Asia that connects Europe to China. Russian Railways, German rail carrier Deutsche Bahn, the Chinese Ministry of Transport, and CEVA Logistics are among the companies that have helped pave the way for an intermodal land bridge between the continents. Notably, in 2011, computer manufacturers in Chongqing, China, started moving laptops to Duisburg, Germany, by rail—reducing containership transit times from 36 to 13 days.

As Chinese manufacturing continues to migrate west and India's economy grows, opportunities to expand rail connectivity and volume across Eurasia will only grow. The latest example of this trend is Long Beach, Calif.-based UTI Worldwide's strategic partnership with Chinese automotive 3PL Changjiu Logistics. The two service providers are looking to serve the growing logistics requirements of global automotive original equipment manufacturers (OEMs) and suppliers based in China. One key aspect of the joint effort is to grow railway solutions between Europe and China.

Changjiu Logistics has already had success developing the China-to-Europe rail service with some of its OEM customers. UTI is now running Europe-to-China shipments using its partner's network. The 3PLs plan to focus on the automotive sector first, then expand into other manufacturing verticals, including aerospace.



German rail carrier Deutsche Bahn is among the companies trying to connect China and Europe via rail.



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## Global Suppliers Still Lack Environmental Awareness

When it comes to dealing with environmental compliance, suppliers in Europe and Japan are flying high, while those in Brazil, China, India, and the United States lag behind, according to a study conducted by Accenture and CDP. Their collaborative analysis focuses on how well suppliers manage climate change mitigation strategies.

The research features information from the United Nations' World Risk Report and data collected from 3,396 companies on behalf of 66 multinational purchasers that work with CDP to assess supply chain environmental impacts. UK-based CDP is an international, not-for-profit organization that provides the only global

system for companies and cities to measure, disclose, manage, and share environmental information.

"It is concerning that, despite the increase in the number of companies assessing and reporting on their emissions, the data suggests that suppliers are making either marginal or no improvements in their development of sustainable supply chains capable of weathering climate risks and other natural disasters," reports Gary Hanifan, managing director of Accenture Strategy.

This has always been a concern for global supply chains sourcing products in developing countries. While shippers generally have a handle on demand-side

visibility and environmental compliance, the back end of the supply chain is rife with inconsistencies and risk.

"The good news is, as companies transform their supply chains into digital supply networks, they will gain greater end-to-end visibility, traceability, and access to information to report on their compliance progress and mitigate climate risks," he adds.

Despite China and India's laggard progress with regards to environmental regulations and compliance, the two countries represent the greatest financial return on investment to reduce greenhouse gas emissions and demonstrate the strongest appetite for collaboration across the value chain.

Among other research findings:

■ Suppliers in France, the United Kingdom, Spain, and Germany—in that



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order—are the most sustainable. They have taken extensive measures despite comparatively low levels of exposure to climate risk.

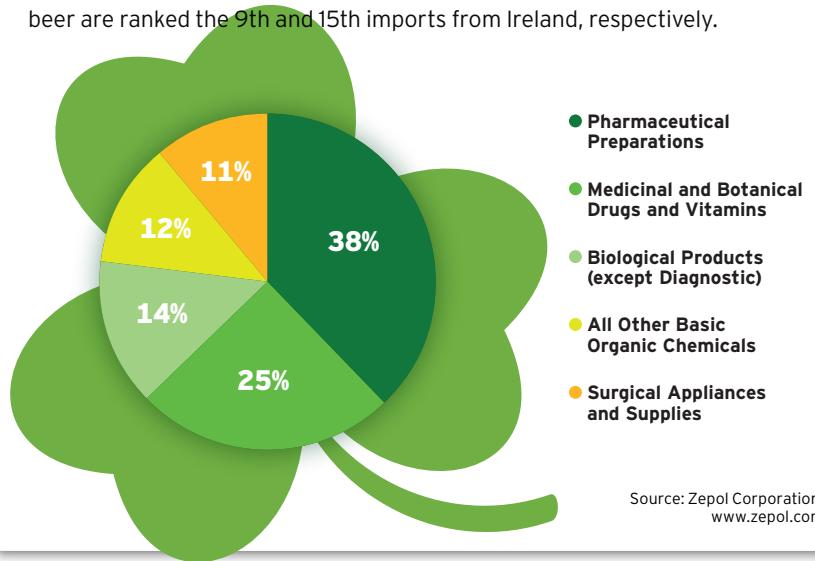
■ Japan is the only country with suppliers that are well-equipped to respond to high climate risks. They claim some of the highest levels of emissions reporting, target setting, and climate risk awareness and management.

■ Suppliers in China, Italy, and the United States are the most vulnerable. An assessed imbalance between high exposure to climate risk and the steps suppliers have taken in response to these risks leaves room for improvement. That said, CDP identifies the United States as an incubator of leadership given that the majority of its constituents are headquartered there.

■ Brazil, Canada, and India suppliers report fewer emission reduction initiatives than the global average. [1]

## Top 5 Imports from Ireland (NAICS Total Value)

Around St. Patrick's Day, Americans generally think of Ireland for its Guinness and Jameson. In reality, most imports from Ireland are high-tech. Liquor and beer are ranked the 9th and 15th imports from Ireland, respectively.



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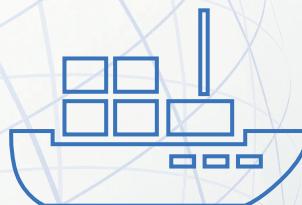
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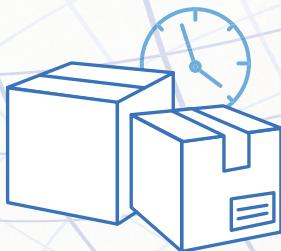
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## What is Globalization Doing to the World of Logistics?

Since the early 1990s, global trade agreements have divided the world up into larger and larger chunks of trading blocks where goods can flow virtually unimpeded across national borders that once protected their precious industries from outside competition with tariffs, duties and penalties. The Free Trade Agreement between the U.S., Canada and Mexico was signed in 1992 and the trend continues unabated.

Canada now has its deal with the European Union (EU) and it is negotiating with the 11 nation Trans-Pacific Partnership. The U.S. is working toward the EU Transatlantic Trade and Investment Partnership, and the Regional Comprehensive Economic Partnership that binds China and 15 other major Asian countries. Once completed, these agreements will tie 49 countries together and govern a huge share of the global economy.

Clearly, globalization is here to stay and large, multinational corporations are reaping the benefits, but what effect is this trading trend having on the physical movement of product around the world? What are these multinationals asking from their logistics partners?

As they try to quickly adapt their supply chains in order to take advantage of lower tariffs, rules and standards within these new trade zones, companies need the help of multinational logistics firms with a local presence and expertise across the globe.

Multinational customers manufacturing and selling everything from health and beauty products to electronics and automotive parts are looking to consolidate their logistics suppliers down to a few key partners that have local knowledge of culture and communications. They are also looking for intercontinental logistics expertise in all facets of logistics from the plant to the warehouse to the end customer. Today, the market continues to reward flexibility and adaptability with more business.

### Anticipate Market Changes

As logistics partners, we also have to be market anticipators. Where low labor costs once drove manufacturing offshore to Asia, the growing middle class there has developed a taste for high-end consumer goods that we now sell to them. At the same time, their wages have increased and, without that labor advantage, manufacturing is now moving back to the Americas. Witness

the billions of dollars in recent investments earmarked for the automotive and electronics industries in Mexico, along with rising employment numbers in the U.S. manufacturing sector.

Global logistics also depends on information technology like never before. Not only to track shipments, but moving millions of dollars worth of product around the world also produces reams of data – Big Data. This information has to be gathered, interpreted and manipulated to help configure new and less-expensive trade routes while avoiding high conflict regions.

Staying ahead of the curve requires a storehouse of smart people and this is an area that receives little attention when discussing global logistics in our changing world. Falling trade barriers not only affect the movement of goods, but also the movement of intelligent employees. Many executives forget that their companies are only as good as the in-house talent they maintain.

Talent acquisition and retention is paramount to a successful, international logistics company. The trade barriers may be falling, but local cultures, customs and language remain the same. Employers must have the ability to relate to cultural differences and interpersonal relationships. They must understand the need for work-life balance. Here, once again, flexibility, adaptability and opportunity mixed with some discipline will make your company a preferred employer in this: the age of globalization.



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## Three Ways to Drill Down Costs in Oil & Gas Supply Chains

A few years ago, rising energy prices were the main concern of the oil and gas market. Today, the price of oil has dropped to its lowest levels in years. New markets, extraction breakthroughs, and shifting geopolitical relationships are also affecting financial returns. The resulting market volatility is forcing the energy sector to rein in costs by maximizing their supply chain efficiencies. The oil and gas industry faces a wide range of logistics challenges along the upstream (exploration and production) to downstream (refining and marketing) spectrum.

Here are three ways companies are optimizing their supply chains and creating more predictable financial returns.

**1. Increasing supply chain visibility.** In oil and gas supply chain operations, companies must balance the high cost of downtime with the expense of carrying slow-moving parts and supply inventories. The difference between profit and loss can depend on losing a drilling day or even a week of production from waiting on parts, and companies can miss out on millions in sales because their supply didn't meet demand.

Companies need a clear view into the operations of the suppliers, projects, customers, and business processes to ensure complete tracking and monitoring of the movement of goods. Using technology enables real-time tracking and the ability to immediately and proactively address issues as they occur. With real-time supply chain visibility, companies can benefit from lowered safety stock inventory levels; shortened inbound supply lead times and order cycle times; and reduced purchasing and order expediting costs.

**2. Improving compliance.** Oil and gas producers must deal with changing regulations, numerous government agencies and complex import/export requirements from multiple countries. Many materials used in the oil and gas sector are highly controlled, including explosives and hazardous or radioactive materials. Deemed exports and controlled technologies – the transfer of sensitive U.S. technology information or material to foreign nationals – also requires an export license. Avoiding

shipments to embargoed countries (such as Iran) and entities is yet a third export compliance consideration.

As mentioned earlier, the speed of the supply chain can make a tremendous difference in bottom line performance for oil and gas companies. In addition to the distance and geographic logistical challenges of an international operation, there is an additional challenge – customs clearance. Getting replacement parts through customs quickly can be an issue. Knowing the customs requirements for each country in advance of clearance is imperative. Using technology to highlight the regulations and documentation requirements before the emergency occurs is imperative. Leveraging the same technology to manage the compliance information and supply chain execution, can virtually eliminate the customs clearance bottleneck. Even the best operating global supply chains can be thwarted by customs clearance issues.

**3. Enhancing supplier collaboration.** Procuring goods from international suppliers is wrought with complexity, with oftentimes diverse supplier bases, geographies, time zones and government regulations. These complexities can lead to communication problems, inventory shortages and improper goods documentation.

An interactive supplier portal promotes efficient communication with partners and enables prompt decision making around issues such as diverting inventory or resolving bottlenecks. By extending purchasing and compliance processes to inbound trading partners, buyers can manage all facets of the purchase order (PO) process with their partners. Shortened cycle times, improved service levels, lower supply chain execution costs, reduced regulatory risks, and better support of compliance initiatives are the result.

Applying these three techniques can lower costs and flatten the variables in your supply chain. A global trade management solution can assist by streamlining and automating the business processes associated with conducting global trade, including compliance with global import and export controls, supplier management and supply chain visibility.

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## VIEWPOINT

BY CHARLIE SAFFRO

Executive Recruiter, CS Recruiting  
info@charliesaffro.com | 847-780-4628

# Preparing Your Company Today To Hire for Tomorrow

**T**he logistics sector will create more than one million jobs through 2016, according to the U.S. Department of Labor. To complicate matters, there is a skills gap in logistics, so recruiting proven and experienced professionals has become a priority for many companies. With competition for talent increasing, organizations must attract candidates who will be the most productive in the position they are placed.

The variety of challenges facing today's supply chain have made many companies shortsighted in their hiring practices. The growing need for skilled workers in manufacturing, truck driver shortages, and non-compete clauses are just a few hurdles facing hiring managers. Companies must adapt their hiring practices to ensure they find and hire candidates who will lead them beyond these obstacles and better prepare them for challenges down the road.

### Know What You Need

When it comes to evaluating candidates, companies must determine internal goals before beginning the hiring process. Having a recruiting plan is essential so you can place new talent strategically, with a design that allows for both the company and employee to grow.

One strategic error that companies

can make is putting new talent in the wrong position. For example, a candidate from a small company may be given a more senior title, while not necessarily having the experience of a person with the same title at a larger company.

Job titles can be misleading, but they are the best way for the potential employer to describe the work involved to an applicant. So dig deeper as you define the needs for your position, and make sure you cover these bases:

■ **Have objectives in place and communicate them clearly to candidates.** Knowing your long-term and short-term goals helps identify candidates with the appropriate skillset to help meet those goals. The most desirable candidates are attracted to positions with clearly defined expectations.

■ **Define your ideal candidate before starting the search.** The biggest challenge is deciding what qualities

and skills are most important to meeting company objectives. Your company's golden candidate will be a combination of educational background, applicable skills, work experience, and personality.

■ **Put talent into the right position as quickly as possible.** Time is money, as the old saying goes. The average time to fill a position in the transportation industry is about 50 days. During that time, other people will be pulled away from their normal duties to assist in the hiring process, which can reduce productivity. Evaluate where time is best spent, and which candidates are worth the extra effort.

### Empower Your New Employee

A company should be prepared to give new hires every opportunity to develop their skills, and empower them to take on more responsibility. This means having metrics in place to ensure they are producing quality work from day one.

With a clearly defined understanding of long- and short-term goals, and a firm grasp of what your company is looking for in an ideal candidate, you will be in a position to recruit and retain top talent. Maintaining a consistent and proactive hiring method ensures that many of the obstacles facing most organizations will be in your rear-view mirror. ■

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BY DOUG PASQUALE

Executive Vice President of Supply Chain Solutions, Ingram Micro Mobility  
doug.pasquale@ingrammicro.com | 714-566-1000

## Unlocking the Hidden Green Value In Mobile Devices

**R**everse logistics for mobile devices is more important than ever. Mobile-connected devices exceeded the world's population in 2014. Wearable technology sales will hit 22 million in 2015, and reach 370 million devices over the next five years, according to analyst CCS Insight. Imagine landfills piled high with smartwatches and connected egg trays, instead of smartphones and laptops. It's not a pretty picture.

Original equipment manufacturers (OEMs) and retailers have been running reverse logistics for decades. The market has matured into a \$400-billion industry. But new technological innovations, such as connected devices, present an even larger opportunity for retailers and device manufacturers.

Products are often returned, processed, and either triaged, refurbished, or recycled by a third-party logistics (3PL) provider in order to nix the step of shipping back to the OEM. Retailers are offering more trade-in and upgrade programs to provide a better customer experience. Companies are also investing additional resources into developing corporate sustainability programs to further green business models because consumers are pushing for these programs, which allow them to recoup some money ethically.

Reverse logistics is complex, requiring

a networked model to provide the most value, and a host of technological management and IT process expertise. Every reverse logistics strategy should take into account the following points:

■ **Business intelligence is vital.**

Keeping data clean and up to date is one of the biggest challenges in the reverse logistics system. Devices must be tracked throughout the entire lifecycle, until they are ready to be repaired or recycled.

This data provides a clear picture of demand management and forecasting, and shows the root causes of returns. The supply chain and point-of-sale data shed light on how to prevent device returns, how to reduce inventory levels, when to move product, and how much. This knowledge improves return rates, frees up capital, and increases potential revenue.

■ **Certification standards are essential.** Proper certification levels, such as the certification of component

parts by device manufacturers, must be met throughout each step of the reverse logistics process. The certification process is often rigorous, as manufacturers want to ensure the parts put back in their devices are quality components. Many organizations seek help from providers with expertise in device recovery that will meet manufacturer specifications, as well as adhere to industry standards, such as ISO and Responsible Recycling.

■ **Collaboration is crucial.** A truly networked reverse logistics program features a smooth communication and data pipeline between manufacturers, providers, and suppliers. Ensuring that a product's lifecycle is visible through to its final destination means all parties must collaborate to swiftly address issues, such as hardware and software glitches, or high failure rates. Greater collaboration also ensures forward logistics operations are better integrated with reverse logistics for faster redeployment and sales.

In the next five years, reverse logistics will be more critical than ever for the mobile device industry. Device lifecycles are extending far beyond cradle-to-grave, and greater volumes of new technology will require more sophisticated reverse logistics programs to avoid filling landfills with wearable technology that could be reused or recycled. ■



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## [ IT MATTERS ]

BY GREG CRONIN

Executive Vice President, Intelligrated  
info@intelligrated.com | 866-936-7300

# Is Your Warehouse Software Holding You Back?

**C**hange is underway in warehouse management and fulfillment operations. Driven by e-commerce and omnichannel demand, and enabled by innovative automation and software solutions, the fulfillment execution model is ushering in an era of real-time adaptive workflow for optimized fulfillment.

When warehouse management systems (WMS) replaced paper-based systems in the mid-1980s, they marked a fundamental shift in workflow. Today, these traditional solutions remain focused on the cycle of planning, executing, monitoring, and adjusting as a sequence of discrete events, sometimes limiting their ability to optimize in real time.

### The Automation Equation

Qualified workers are costly and increasingly scarce. Even with readily available labor, manual operations have limits. Order profiles have shifted to more frequent, smaller quantities, and customers expect faster deliveries, increased order accuracy, and better quality, which require automation. The challenge in today's fulfillment operations is to solve this equation: labor amount + automation + real-time execution software = the highest ROI?

With the rise of e-commerce, multi-channel shopping dramatically impacts the traditional retailer's ability to retain market share. Threatened by

Internet-only e-tailers, today's retailers must meet the changing demands of customers, both in the store and at home. Companies are being forced to leverage existing distribution infrastructure to respond to demand, rather than relying solely on forecast-driven planning.

Retailers need real-time, event-driven data to optimize fulfillment operations, and automation to efficiently source orders, minimize shipping and operating costs, and respond to consumer demands to shop anywhere, any time.

### Warehouse Software: Then and Now

Warehouse systems were once the back-end of an inventory, purchasing, or outbound order management system operating on a mainframe computer. This included keeping records manually, keying in data, generating reports overnight, and batch processing. Product moved faster than information, so batch-generated reports were inaccurate by the time they reached management.

In the 1980s, the mantra of "the right product, at the right location,

with the right operator" emerged. Real-time processes enabled the WMS to keep an instant record of a product's physical position and order, and the operator's location in the warehouse. This increased throughput and accuracy by allowing the WMS to direct workers to the most efficient path. However, WMS suppliers measured real time in seconds to minutes.

Little has changed. Traditional solutions cannot provide the real-time microsecond response times required to optimize fulfillment operations. They don't account for the role automation plays.

As such, many WMS solutions rely on warehouse control systems (WCS) to connect with automated equipment, and order fulfillment software to manage labor and processes. Separate WMS, WCS, and order fulfillment software packages face optimization limitations.

The emergence of fulfillment execution systems has the potential to change the game within the four walls and beyond. They are equipped to optimize work order flow, labor, inventory, and automated equipment in a single solution. With real-time execution of fulfillment operations, users can experience the increased throughput, lower operating costs, and higher service levels that are required for today's high-speed picking operations. ■



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# 2015 Global Logistics Guide



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*Inbound Logistics'* 11th annual Global Logistics Guide presents a transportation and logistics world atlas to help you identify and map continents and countries that require further exploration.

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In one word, the world of 2015 is dynamic. Against a backdrop of social, economic, and political upheaval in the Middle East, Ukraine, Greece, Thailand, and parts of Africa, the spreading threat of terrorism, and the pervasive influence of technology and social media, global consumption patterns are changing. Entrenched worldviews have come unhinged as emerging economies mature and new ones take seed.

E-commerce is sweeping the globe en force and at pace. In its wake, consumer expectations for speed, service, economy, and availability are converging.

The world's demographic shift is undeniable. By 2025, two-thirds of the global middle class will reside in Asia. Traditional low-cost sourcing countries are becoming new consumption markets, which presents a formidable challenge for manufacturers and retailers as they re-engineer their supply chains.

Consequently, supply chain design is fast becoming a core competency as U.S. consignees and shippers consider strategic sourcing initiatives, alternative trade routes, and new partnerships to best match supply to demand—all over the world.

To help you better understand these changing global dynamics, and map out locations for further exploration, *Inbound Logistics'* 11th-annual Global Logistics Guide offers a transportation and logistics world atlas replete with need-to-know information.

*IL* identifies global hotspots as excelling in three key critical areas:

1. **Transportation Infrastructure.** The density and breadth of airport, port, and road infrastructure.
2. **IT Competency.** The progressiveness of information and communication technology investment and development as measured by The World Economic Forum's Networked Readiness Index.
3. **Business Culture.** The strength and expertise of homegrown logistics talent, cultural and language similarities, government leadership, historical U.S. foreign direct investment outflows, and economic freedom. This index takes into account variables that might appeal to U.S. businesses, as well as pro-business sensibilities ranging from investment trends to future economic potential.

There are intangibles at play as well. Our X-Factor qualification considers other determinants such as political stability, labor availability, and foreign investment policy that may shade a company's location decision one way or the other.

Our Global Logistics Guide offers a macro perspective of global regions to help you quantify and qualify expansion opportunities. We then break each area down with country-specific snapshots that identify strengths and weaknesses to help you align logistics and supply chain needs. If you have questions or comments about our methodology and selections, please email: [editor@inboundlogistics.com](mailto:editor@inboundlogistics.com)

#### ABOUT THE RANKINGS

Countries are ranked on three criteria: transportation infrastructure (T: 1-4 points), IT competency (I: 1-3 points), and business culture (B: 1-3 points). Points are totaled for all categories – taking into consideration X-Factor (X: plus or minus) points – to determine final ranking: 10 is highest, 3 is lowest.

Sources: U.S. Department of State; World Port Rankings, American Association of Port Authorities (AAPA); Airports Council International; World Economic Forum's Growth Competitiveness Index; World Economic Forum's Global Information Technology Report; Central Intelligence Agency's World Fact Book; Bureau of Economic Analysis, U.S. Direct Investment Abroad; 2015 Index of Economic Freedom, The Heritage Foundation.

## CANADA

**GDP:** \$1,825  
**EXPORTS:** \$459  
**IMPORTS:** \$471  
**FDI 2013:** \$368

TOTAL RANK  
**8**  
**T I B X**  
**2 3 3 0**

Securing free trade agreements with the European Union and South Korea—Canada's first with an Asian country—signals a more open trade policy.

## MEXICO

**GDP:** \$1,327  
**EXPORTS:** \$371  
**IMPORTS:** \$371  
**FDI 2013:** \$102

TOTAL RANK  
**7**  
**T I B X**  
**2 1 3 1**

**X-FACTOR** Cheaper energy and nearshoring continue to favor economic development. Government's decision to open up the oil and gas industry will further foreign investment.

## PANAMA

**GDP:** \$41  
**EXPORTS:** \$19  
**IMPORTS:** \$27  
**FDI 2013:** \$6

TOTAL RANK  
**7**  
**T I B X**  
**3 1 2 1**

**X-FACTOR** With the Canal expansion imminent, the country is focused on building out port and logistics infrastructure to make it more attractive as an Americas distribution hub.

## CHILE

**GDP:** \$282  
**EXPORTS:** \$78  
**IMPORTS:** \$76  
**FDI 2013:** \$41

TOTAL RANK  
**6**  
**T I B X**  
**2 2 2 0**

The most open and IT-mature South American economy, Chile's recent labor unrest has done little to unsettle steady 4-percent GDP growth.

# The Americas

China's competitive edge as a low-cost sourcing location is no longer as dominant as it once was. In fact, Mexico has now surpassed China as a more competitive manufacturing location, as some recent studies suggest. When you consider distance to market and energy prices, the nearshoring reality has legs.

The energy renaissance in the Americas is an added incentive for U.S. companies looking to locate manufacturing closer to demand. While oil and natural gas exploration in Canada and the United States has been robust over the past few years, Mexico's energy industry remains largely untapped. The government's decision to invite more foreign investment and competition into the country will help expedite its oil and gas boom.

South America is a tale of two coastlines. On the Pacific side, Colombia, Chile, and Peru continue to shine; on the Atlantic seaboard, Venezuela, Brazil, and Argentina remain laggards. The commodity-rich continent, and countries where oil and gas production are important economic drivers (Colombia and Venezuela), will likely feel the pinch as price volatility endures.

Finally, as the Panama Canal's expansion project nears completion, the race is on. Jamaica, Colombia, Puerto Rico, the Bahamas, and Panama are all looking to stake a claim as the next transshipment hub of the Americas.

## COLOMBIA

**GDP:** \$369  
**EXPORTS:** \$59  
**IMPORTS:** \$54  
**FDI 2013:** \$8

TOTAL RANK  
**5**  
**T I B X**  
**2 1 2 1**

Dependence on oil, which accounts for more than half of all exports, is expected to take the steam out of Colombia's reborn economic engine.

## BRAZIL

**GDP:** \$2,190  
**EXPORTS:** \$245  
**IMPORTS:** \$241  
**FDI 2013:** \$78

TOTAL RANK  
**5**  
**T I B X**  
**2 1 2 0**

Poor infrastructure, high logistics costs, and labyrinthine tax policies remain outstanding concerns.

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**FDI** U.S. Foreign Direct Investment  
**T** Transportation Infrastructure  
**I** IT Competency  
**B** Business Culture  
**X** X-Factor

All amounts in \$US billions.

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# Europe

There's no shortage of plot lines as the European community endures a currency crisis amid threats of terrorism and Russia's "uneasy diplomacy" in Ukraine. As the euro falls closer to parity with the U.S. dollar, and the European Central Bank considers quantitative easing to stimulate domestic consumption and private investment, the continent is on edge.

Even Switzerland, once an island of stability inside an otherwise chaotic regional economy, is starting to show signs of cracking. The Swiss franc is appreciating wildly and threatening to unsettle the country's important export industries.

Germany remains a model of efficiency—and an example of how progressive labor policy can foster stability. Neighboring Poland also shows signs of becoming a future contributor to the European Union as a manufacturing hub. The Netherlands and Belgium remain FDI targets largely because of their transportation and logistics assets and pedigree.

But Europe's economic recovery is being tested. As austerity measures feed social unrest and provocation in places such as Greece and Italy, countries are struggling to strike a balance between capitalistic ambition and entrenched entitlements. Talk of nearshoring is forcing the EU into some difficult debates over energy policy and labor reform.

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## GERMANY

<b>GDP:</b>	\$3,593
<b>EXPORTS:</b>	\$1,493
<b>IMPORTS:</b>	\$1,233
<b>FDI 2013:</b>	\$118

TOTAL RANK

9

T I B X  
4 3 2 0

Germany remains one of the few bright spots in a struggling eurozone. A pedigree for manufacturing output is now equaled by strong domestic consumption, which is raising the tide on the continent.

## FRANCE

<b>GDP:</b>	\$2,739
<b>EXPORTS:</b>	\$570
<b>IMPORTS:</b>	\$640
<b>FDI 2013:</b>	\$78

TOTAL RANK

6

T I B X  
3 2 1 0

A push for more liberalized economic policies and business-friendly laws is offset by entrenched pro-labor positions. That tension is a recurring hurdle for foreign investors.

## SWITZERLAND

**GDP:** \$646  
**EXPORTS:** \$312  
**IMPORTS:** \$276  
**FDI 2013:** \$130

TOTAL RANK

7

T I B X  
2 3 3 -1

**X-FACTOR** Efforts to control Swiss franc valuation by pegging the currency to the euro have been abandoned. An uncapped and wildly appreciating currency is likely to have a negative impact on exports.

## NETHERLANDS

**GDP:** \$801  
**EXPORTS:** \$551  
**IMPORTS:** \$478  
**FDI 2013:** \$723

TOTAL RANK

8

T I B X  
3 3 2 0

Favorable tax treaties aside, the country attracts foreign investment because of its transportation assets—Rotterdam remains the top container port in Europe, and Amsterdam Schiphol is ranked third for airfreight tonnage.

## POLAND

**GDP:** \$514  
**EXPORTS:** \$202  
**IMPORTS:** \$207  
**FDI 2013:** \$14

TOTAL RANK

5

T I B X  
2 1 1 1

**X-FACTOR** Poland was the only EU country to avoid recession during the global crisis. Sound economic policies and a flexible exchange rate paved the way for the country to build a major manufacturing presence.

## BELGIUM

**GDP:** \$507  
**EXPORTS:** \$295  
**IMPORTS:** \$310  
**FDI 2013:** \$48

TOTAL RANK

7

T I B X  
3 2 2 0

A diverse economy that has become a favored European distribution location for multinationals, Belgium has demonstrated positive GDP growth for seven consecutive quarters.

## TURKEY

**GDP:** \$822  
**EXPORTS:** \$168  
**IMPORTS:** \$243  
**FDI 2013:** \$5

TOTAL RANK

3

T I B X  
2 1 1 -1

**X-FACTOR** Turkey's fortunes have reversed course quickly. Not long ago, the country was lauded as one of the MINT economies. Currency deflation is worrisome. Geopolitical stress and falling FDI are equal concerns.

**FDI** U.S. Foreign Direct Investment  
**T** Transportation Infrastructure  
**I** IT Competency  
**B** Business Culture  
**X** X-Factor

All amounts in \$US billions.

FDI U.S. Foreign Direct Investment  
 T Transportation Infrastructure  
 I IT Competency  
 B Business Culture  
 X X-Factor

All amounts in \$US billions.

## EGYPT

**GDP:** \$262  
**EXPORTS:** \$25  
**IMPORTS:** \$59  
**FDI 2013:** \$19

TOTAL RANK

4

T I B X  
 2 | 1 | 1 | 0

The Suez Canal has attracted more traffic as Asian manufacturing moves westward and Panama's capacity constraints surface. That may change with Panama's expansion. Political stability and social unrest are more immediate issues.

## UNITED ARAB EMIRATES

**GDP:** \$390  
**EXPORTS:** \$369  
**IMPORTS:** \$250  
**FDI 2013:** \$11

TOTAL RANK

8

T I B X  
 4 | 2 | 2 | 0

The UAE has rebounded from global recession, and economic diversification has transformed the country into a major air-ocean distribution hub and gateway to Africa. Lack of skilled talent and questions about its practice of "importing labor" are future concerns.

## SOUTH AFRICA

**GDP:** \$354  
**EXPORTS:** \$91  
**IMPORTS:** \$100  
**FDI 2013:** \$5

TOTAL RANK

5

T I B X  
 2 | 1 | 2 | 0

While Nigeria has become Africa's largest economy, the country is still the most progressive on the continent. Stable government and sound fiscal policies are strengths. Lack of rail infrastructure, relatively high logistics costs, and commodity dependence are causes for concern.

## Middle East/Africa

The United Arab Emirates (UAE) remains the jewel of the Arabian Peninsula. Amid geopolitical instability and spreading terrorism, the country has managed to rebound from its own hangover following the global recession. The country has made a concerted effort to diversify its economy and ease dependence on oil and gas.

UAE's economy is anchored by a growing transportation and logistics sector that has become the Middle East distribution hub of choice. Dubai Ports ranks in the world's top 10 for container transits. UAE also has three airports—Dubai International, Dubai World Central, and Abu Dhabi—that have become major global cargo hubs. Dubai is transforming into one large, free economic zone.

Between its airports (Dubai, Abu Dhabi, Doha, Bahrain) and state-owned airlines (Emirates, Qatar Airways, Etihad) the Middle East at large has become the world's aerotropolis—a stepping-stone on the Europe-Asia trade and a natural gateway to Africa. One challenge the region continues to face is a lack of collaboration among countries. Air traffic congestion, for example, is a major concern. Governments follow their own course in lieu of working together to take advantage of complementary advantages.

Another troubling concern for the region is talent development and dependence on imported labor from Southeast Asia—a well-publicized issue regarding Qatar's 2022 World Cup bid. Apart from human rights objections, there is debate over whether this model is sustainable in the long term.

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## CHINA

**GDP:** \$8,939  
**EXPORTS:** \$2,210  
**IMPORTS:** \$1,772  
**FDI 2013:** \$61

TOTAL RANK  
**6**  
 T I B X  
 3 1 2 0

GDP estimates are dropping, but China still expects to post 5-percent gains in the near term. As its middle class and domestic consumption grows, trade dynamics are changing.

## HONG KONG

**GDP:** \$272  
**EXPORTS:** \$456  
**IMPORTS:** \$521  
**FDI 2013:** \$59

TOTAL RANK  
**10**  
 T I B X  
 4 3 3 0

The world's busiest cargo airport and one of the top ports in terms of container transits, the special administrative region is transitioning into an Asian transshipment hub. Increasing competition from Shenzhen, and exorbitant real estate prices, place a premium on distribution space and activity.

## INDIA

**GDP:** \$1,758  
**EXPORTS:** \$318  
**IMPORTS:** \$515  
**FDI 2013:** \$24

TOTAL RANK  
**7**  
 T I B X  
 2 1 3 1

**X-FACTOR** Prime Minister Modi has set out to reform India's economy. GDP growth is expected to approach 8 percent in the next year, surpassing China. A national goods and services tax is expected to help standardize trade within the country.

# Southeast Asia

The story in Southeast Asia is India's rising profile under Prime Minister Narendra Modi. The country, which has long been overshadowed by China's explosive growth, is finally showing signs of progress. Modi has set out to modernize an economy that is burdened by bureaucracy and timeworn ways of doing business. Palletization and bar codes are still novel concepts. India's cold chain is underdeveloped. Under Modi's watch, India is in the process of implementing a goods and services tax that will help harmonize tax policy across the country.

India has also softened its FDI policies over the past few years to attract investors and stimulate over-protected domestic industries.

Elsewhere in Southeast Asia, Malaysia and Singapore are bright spots. The city-state remains the leading transshipment hub, with a port and airport that regularly rank among the best in the world. Malaysia, too, is a top performer in the region, touting above-average IT readiness, quality road infrastructure, and leading container port facilities in Tanjung Pelepas and Port Kelang.

By contrast, Indonesia and Thailand remain fettered by lingering infrastructure issues and lack of FDI. In 2014, Jakarta made the radical decision to stop all nickel-ore exports in a move to attract more foreign investment and develop the country's industrial base. Political stability and social unrest continue to plague Thailand's economic progress.

## THAILAND

**GDP:** \$401  
**EXPORTS:** \$229  
**IMPORTS:** \$223  
**FDI 2013:** \$14

TOTAL RANK  
**4**  
 T I B X  
 2 1 1 0

Political instability contributes to lackluster foreign investment. High labor and logistics costs relative to other ASEAN countries hurt exports.

## MALAYSIA

**GDP:** \$312  
**EXPORTS:** \$231  
**IMPORTS:** \$193  
**FDI 2013:** \$16

TOTAL RANK  
**6**  
 T I B X  
 3 2 1 0

Malaysia is Southeast Asia's strongest contender. It ranks 27th, 30th, and 31st in the world in terms of road quality, IT readiness, and economic freedom—all tops in the region.

# Asia

The continent is in the midst of major transitions due in large part to China's evolving economy. In the wake of Europe's crisis, and a slowdown in exports, China has made a concerted effort to prioritize domestic investment and stimulate consumption. It also remains aggressive on the global front, bankrolling infrastructure projects in Central America, the Caribbean, and Africa, among other places.

As China's middle class expands and economy slows down, intra-Asian trade is heating up.

Low-cost manufacturing is migrating into Southeast Asian countries such as Vietnam, Laos, and Cambodia. These countries are now helping to feed the "factory of the world."

Japan's situation is more tenuous. The country's aging population has created an inevitable tinderbox in terms of the future ramifications of growing public debt. The government has initiated a series of sales tax increases over the next several years to help ease this burden. While the country emerged from recession in late 2014, weak economic growth and inflation are still underlying concerns.

Meanwhile, South Korea's economic recovery is contingent on the government's resolve to engage structural reforms. A spate of free trade agreements over the past several years signals the country's willingness to expand its horizons and insulate against risks in China, Japan, and the EU.

## SOUTH KOREA

**GDP:** \$1,198  
**EXPORTS:** \$557  
**IMPORTS:** \$517  
**FDI 2013:** \$33

TOTAL RANK  
**8**  
**T I B X**  
**3 3 2 0**

Samsung accounts for one quarter of the country's economy. In turn, declining smartphone sales have negatively impacted near-term prospects. South Korea has been active, signing and tweaking FTAs with Canada, China, and Turkey.

## JAPAN

**GDP:** \$5,007  
**EXPORTS:** \$697  
**IMPORTS:** \$767  
**FDI 2013:** \$123

TOTAL RANK  
**8**  
**T I B X**  
**4 3 2 1**

**X-FACTOR** An aging population and unsustainable government debt are leading toward an inevitable crisis. Officials recently raised the sales tax to help curb the problem. That, in turn, has hurt consumption amid weak recovery.

## SINGAPORE

**GDP:** \$287  
**EXPORTS:** \$443  
**IMPORTS:** \$380  
**FDI 2013:** \$154

TOTAL RANK  
**9**  
**T I B X**  
**4 3 2 0**

The city-state remains the envy of many. Its port is the largest transshipment facility in the world and second in terms of container traffic and tonnage. On the downside, its heavy dependence on trade makes it more vulnerable to global fluctuations.

## TAIWAN

**GDP:** \$485  
**EXPORTS:** \$306  
**IMPORTS:** \$269  
**FDI 2013:** \$17

TOTAL RANK  
**7**  
**T I B X**  
**3 3 1 0**

With two seaports and one airport among the world's Top 50 in terms of cargo tonnage, the Maryland-sized country has strong infrastructure credentials. GDP growth has been dialed back due to Asian slowdown. There are still concerns about Taiwan's uneasy relationship with China and lack of FDI.

## INDONESIA

**GDP:** \$868  
**EXPORTS:** \$179  
**IMPORTS:** \$179  
**FDI 2013:** \$13

TOTAL RANK  
**4**  
**T I B X**  
**2 1 1 0**

The commodity-driven economy has felt the impact of fluctuating global oil prices. Infrastructure development remains a concern.

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**FDI** U.S. Foreign Direct Investment  
**T** Transportation Infrastructure  
**I** IT Competency  
**B** Business Culture  
**X** X-Factor

All amounts in \$US billions.



# Rethinking the Global Supply Chain

Shifting global dynamics and internal business process changes are compelling manufacturers and retailers to challenge the status quo and reinvent their supply chains.

by Joseph O'Reilly

**D**emand is a fickle thing. In today's global, e-commerce-oriented economy, that one simple truth resonates. Against a backdrop of geopolitical provocations, social conflict, and oil price volatility, shifting demand patterns underscore a new era of uncertainty. For many U.S.-based manufacturers and retailers, it also signals the need for a brave new world of thinking.

"In the past five years, volatility has caused exponential changes in the supply chain management field. That's the new norm, and it's happening at a more rapid pace than ever before," says Toby Brzoznowski, co-founder and executive vice president of Llamasoft, an Ann Arbor, Mich.-based supply chain design software provider.

On the demand side, there's a continental shift in terms of consumption markets. Urges and surges are no longer isolated to the Western Hemisphere, Germany, and Japan. The

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**E-commerce customers want their products fast, from a single source, no matter where in the world they are located. Providers such as UPS are adapting to meet those needs.**

middle class is expanding into far-flung corners of the world where manufacturing, raw material, and agriculture exports used to dominate trade.

Today, China and India alone (2.5 billion people) comprise more than one-third of the world's 7.2 billion population. In the past, these numbers fed low-cost sourcing paradigms. By 2025, however, forecasts predict two-thirds of the world's middle class will reside in Asia.

The demand-supply curve is arcing in new directions. It's not just Asia. South American economies are transforming from commodity-rich export countries into more diversified, hyper-growth consumer markets. Africa is maturing as well, but at a slower pace. And don't forget Europe's growing attractiveness as the euro's valuation approaches parity with the U.S. dollar.

As Asia's low-cost labor edge erodes, and global energy prices fluctuate, U.S.-based companies face a great deal of indecision about where and how they source, manufacture, and sell products. Over the past decade, offshoring has exposed supply chains in countless ways, which only convolutes analysis.

"Executives are keenly attuned to the risks associated with lengthy supply chains—in-transit inventory delays, supply quantities/quality uncertainty, performance failures, and capacity constraints," notes John Simonsen, vice president of corporate development for Yusen Logistics Americas, a Secaucus, N.J., third-party logistics provider.

"In addition, they have to evaluate how



much working capital is tied up in their supply chain, which is a significant factor when dealing with long lead times between Asia supply and U.S. consumption," he adds.

Demand is moving, but it's also changing. In the B2C world, consumers are unpredictable, with growing license to switch between omni-channel retail formats, and even brands. SKU proliferation is rampant. "Consumers want product faster, from a single source, readily available, and in all kinds of varieties, shapes, and colors," says Brzoznowski.

E-commerce has greatly facilitated this change in behavior, and it challenges both B2C and B2B value chains. Expectations for speed, service, economy, and availability are sweeping across mature and developing economies alike.

"Changes at the end user point of demand can trigger wide swings upstream," explains Simon Bhadra, marketing manager with UPS' Industrial Manufacturing & Distribution segment in Atlanta. "Factoring all these small working inventory levels across the supply chain creates the infamous bullwhip effect."

This uneasy convergence of external market influences and internal business changes begs a whole host of new questions. Companies are looking for answers.

### External Forces of Nature

Demand variability aside, commodity, energy, labor cost swings, and currency fluctuations have a way of unsettling the status quo. Consider the market forces that are skewing the world's supply and demand curve, and China invariably tops the list.

Over the past decade, the country's impact on global trade has been well-documented. The low-cost sourcing magnet ushered in a period of sustained production outsourcing and offshoring throughout the 2000s. Foreign exports fed China's economic engine. But during the global recession in 2008, U.S. imports from Asia dropped off significantly. The eurozone followed in due time.

Then China's economy performed a reverse pivot as it focused investment on private sector industries, infrastructure, and domestic consumption. This contributed to wage inflation and increased consumption.

# Reaching a New Orbis in Mexico

Orbis is a familiar name to many in the logistics and supply chain sector. The subsidiary of Oconomowoc, Wis.-based Menasha Corporation manufactures a variety of plastic totes, containers, pallets, and customized materials handling equipment for industrial, food and beverage, and distribution companies.

Orbis recently opened a new plastic packaging production facility in Silao, Mexico, its first such manufacturing plant in Latin America.

A need to better serve customers in that market, as well as free up capacity for growth in the United States, predicated the move. In the past, the company shipped product to Mexico from facilities in Kansas, Ohio, and Kentucky.

"Our manufacturing footprint is mainly concentrated in North America," says Alberto Soto, vice president of sales for Latin America, Orbis. "We operate nine facilities in the United States, and one in Toronto, Canada. We also have a facility in Shanghai, a joint venture operation in Belgium, and this new operation in Mexico."

Orbis has historically used its U.S. manufacturing footprint to serve the United States, as well as Central and South America.

The manufacturer has had a presence in Mexico since the late 1990s, operating three service centers to manage and clean reusable plastic packaging. But growing demand necessitated a different approach.

"Our global strategy is to be where our key customers are," says Soto. "When we started up in Shanghai, for example, we knew we had to be in China. We couldn't compete by shipping from the United States.

"Our base in Mexico has been growing year over year," he adds. "We reached a point where it made sense to have a production facility in the country to fulfill that market need. And, some of our key customers made local supply a requirement. So it was a combination of both factors."

Orbis' client base in Mexico is mostly industrial, specifically automotive. Over the past several years, original equipment manufacturers and Tier I suppliers have invested heavily in

the country, which has only accelerated demand for materials handling equipment. The new facility allows Orbis to support these existing customers, as well as expand into other non-industrial sectors such as food and beverage.

"We want to be closer to our customers," explains Soto. "We also need to be more efficient, and provide them with a lower delivered cost. Freight is an important consideration."

Finding a local labor market that could accommodate the skillsets necessary to staff the manufacturing facility was a secondary site selection criterion. The state government offered some key incentives to that end. Because injection molding is a specific skill set, the government partnered with a local school to help prepare workers with requisite training to meet Orbis' needs.

The Silao location is the company's first facility to incorporate all its different manufacturing processes under one roof. The plant makes bulk containers, pallets, handhelds, and ORBIShield dunnage, as well as a new divider sheet line.

This is advantageous for a few reasons. Local automotive customers, for example, can source their total packaging solution from one facility in lieu of having to receive different products from disparate U.S. facilities. Secondly, Orbis doesn't have to consolidate freight in between, which reduces both cost and time.

The new facility is primarily purposed to serve the Mexico market. But it provides extra bandwidth as a contingency.

"Orbis has a lot of capacity in the United States," says Soto. "If we need to, we can manufacture products that are more labor intensive in Mexico to be more competitive. It complements our U.S. footprint to that extent."

The new facility also gives Orbis additional leverage as it looks to grow its presence beyond Mexico.

"Based on free trade agreements and duty concessions between Mexico and South America, Orbis' intent is to expand its presence through this facility," Soto explains. "In Brazil, for example, we receive a 50-percent tax reduction simply by shipping out of Mexico rather than the United States."

Today, China is no longer as price competitive as it once was. Migrating production inland and southward raises total logistics costs. The global recession flipped China's low-cost sourcing model on end, forcing U.S. companies to reconsider where they source product relative to demand.

It creates a difficult proposition: re-shore or nearshore manufacturing to take advantage of more competitive labor rates, cheaper energy costs, and proximity to

market? Or maintain a presence in Asia to serve the burgeoning market?

Global e-commerce similarly complicates dynamics. Suddenly, smaller, nimbler players—from all over the world—have a stake in the game without having to invest in infrastructure or boots on the ground.

"Businesses don't know how to re-engineer their supply chains. Producers are becoming consumers. Where do you pivot?" asks Bhadra. "Total landed cost

analysis might suggest reshoring. But then you have to look at where you are selling. Do you keep manufacturing in Asia, maybe outside China?"

Much of the decision-making depends on how mature supply chains are, and where companies identify future demand. North America's energy renaissance and Mexico's attractive labor market have created additional incentive for U.S. companies to operate closer to home.

Simonsen points to evidence of manufacturing reshoring in the United States, especially in durable goods—but he’s cautious about labeling it as pervasive. It’s more likely a natural instinct coming out of depression rather than a full renaissance.

Nearshoring, on the other hand, is happening. “The growth in Mexico’s automotive sector is impressive,” says Simonsen. “Automakers quickly recognized the American consumer’s ever-improving appetite. Original equipment manufacturers and their extensive supplier base are expanding existing operations, and setting up new operations in Mexico to take advantage of its close proximity to the U.S. market.”



**While Mexico has become a hot nearshoring target for U.S. manufacturing, Ford made the strategic decision in 2014 to reshore production of its F-650 and F-750 medium-duty trucks from Escobedo, Mexico (pictured) to its Ohio Assembly Plant. The company plans to invest \$168 million to retool the Cleveland-area plant.**

While cheaper energy may be contributing to this nearshoring reality, others argue it’s merely a short-term blip that has yet to profoundly influence supply chain location decision-making.

These global factors ultimately place more pressure on supply chains to mitigate variability while accommodating new growth opportunities. Building a flexible, responsive, and resilient supply chain is not without challenges—especially considering how industry has evolved.

As U.S. manufacturing organizations matured in the 1980s and 1990s, and became more demand-responsive—especially with the automotive industry’s

adoption of just-in-time principles—lead times grew shorter, inventory carrying costs shrank, and supply chains gained latitude to accommodate new product launches and model refreshes.

Given the consumption shifts in today’s global market, manufacturers have to adapt—fast.

Matt Goodman, president of global trade management for customs brokerage firm Livingston International, identifies a diverging path between B2C and B2B supply chains. The idea of regionalizing production flows is changing in some industries. Where in the past, manufacturers looked to decentralize their supply

industries—are migrating toward a centralized production approach.

“They’ll use a global supply base, but production facilities that are limited in number. Then they distribute back out to larger markets,” Goodman adds.

This presents some unique pressures. Manufacturers are moving raw materials and sub components across more international borders and longer distances. Transport and freight costs increase. On the flip side, they reap engineering and production-side economies and efficiencies, and they can align with fewer suppliers.

Bahdra has seen similar instances, but often it’s predicated by industry. Where local sensitivity to product differentiation and tastes are muted, a more centralized approach makes sense. As fuel prices moderate, and capacity in some modes, specifically ocean, remains fluid, freight costs may be less of a concern.

On the B2C side, however, demands are different. Consumer preference for choice drives customization. This requires localized infrastructure, or at least more dynamic supply chains that can differentiate product closer to demand.

### The Third Pillar

Technology is another pervasive influence that has effectively flattened the world. While data processing, functional optimization, visibility, and communication are hallmarks of the logistics IT landscape, a cottage industry is building around analytics and supply chain design.

“Planning and execution systems help companies run supply chains as efficiently and economically as possible,” says Brzoznowski “But they don’t tell you whether your supply chain is the best, or whether you should do something different. This is where design is evolving into the third pillar of supply management.”

Networks today are so interconnected that any change in demand, or supply for that matter, creates ripple ramifications. These vagaries build a case for looking at the supply chain as a set of fluid circumstances that can be optimized and improved upon again and again—a methodology that fits neatly with big data analytics and Lean principles.

Supply chain design is a core business process that should reside

alongside planning and execution functions, Brzoznowski notes. It's not just about technology.

"It's about organizing processes and strategies that make supply chain design a part of the decision-making landscape," he says. "As a company introduces new products, it needs to model and design various inputs and outputs—the manufacturing footprint of low cost vs. local, or make vs. buy."

Supply chain software that models and simulates different "what-if" scenarios enables organizations to consider the future state of their supply chains. It provides a digital laboratory where users can essentially role-play new sourcing dynamics and contingency plans, or optimize for different situations predicated on demand, cost, lead time, and availability criteria.

Modeling and simulation provide global companies with a framework for continually analyzing their networks as dynamics change. Businesses can also use data analytics to divine similar truths.

Retailers, in particular, have become savvy at harnessing technology and point-of-sale data to better understand end-user

demand. This drives more accurate forecasting, and helps rationalize inventory to demand. But companies can delve even deeper into analytics—in ways they may not even conceive. In the context of global trade, countless possibilities exist.

Take, for example, the proliferation of free trade agreements (FTAs). The United States currently has 14 FTAs in force with 20 countries, and just as many proposed pacts in the works. These considerations should push companies to look at where they locally source, the origin of that source material, how it flows into their production systems, and where they can gain financial leverage.

"We're currently dealing with concepts such as total cost of customs management," says Goodman. In effect, this approach takes total logistics cost analysis to another dimension.

"For example, where are all the points in the supply chain that generate a customs-related expense, be it a hold at the port, or taking advantage of a drawback or duty relief program?" he says. "There's a lot of emphasis on dipping into that granular

level. The only way you can do that is through access to accurate data."

The degree to which companies can analyze data and model outcomes holds few bounds. Given the challenges of aligning growth strategies with emerging consumer markets and supply locations, companies will have to look to supply chain design as a core competency to remain competitive.

Some early supply chain adopters have become victims of their own success. China's lengthy tenure as the low-cost sourcing destination of choice forced many to lean inventories and shorten lead times—measures that helped reduce costs in a lengthening supply chain. They became comfortable with the status quo. Now dynamics are changing. Global competition is heating up. Businesses have to adapt.

"As we streamlined the supply chain and made it tighter, we lost some of our shock absorbers," says Bhadra.

Today's world provides plenty of shocks—both internal and external. Understanding what and where they are is key to absorbing or circumventing them. ■

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### **Peaches, peanuts, Vidalia onions—Georgia brings a cornucopia to the table, and not just at meal time. For companies that operate in Georgia, the state lays out a grand feast of transportation and logistics assets all day, every day.**

Resources for receiving, storing, and distributing goods are part of the reason *Site Selection* magazine awarded Georgia the number-one spot on its list of top state business climates in both 2013 and 2014. *Area Development* magazine and CNBC joined in on the accolades, both naming Georgia the nation's top place to do business in 2014.

Home to transportation giants such as UPS, Delta Air Lines, and Saia, plus

logistics software powerhouse Manhattan Associates, Georgia is also a major distribution hub. Walmart, Solo Cup, Kellogg's, Kimberly-Clark, Clorox, Walgreens, and Academy Sports+Outdoors are just a few of the companies to establish a large distribution presence in the state.

Georgia's logistics advantages start with its transportation network. The state's principal city, Atlanta, grew up around the end point of the Western and

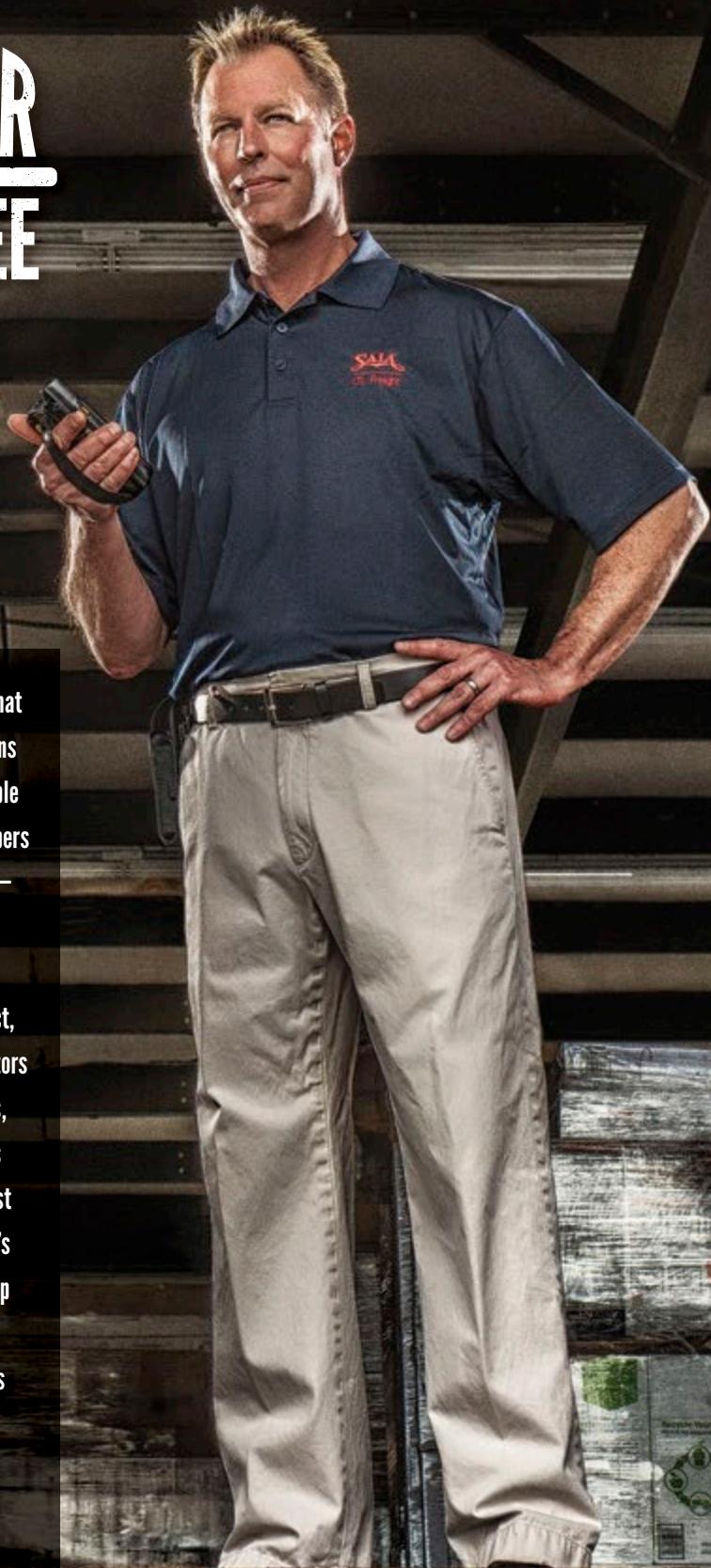
Atlantic Railroad. One of the city's early names, Terminus, refers to that landmark.

Today, Georgia is not so much a terminus as a center point from which roads, rail lines, and ocean and air routes radiate across the United States and around the world. Two interstate highways – I-75 and I-95 – connect Georgia with the southernmost and northernmost reaches of the United States. Another four interstates – I-16, I-20, I-59, and I-85 – put



**MAKING THE GRADE.** Atlanta is one of the "friendliest" cities in the country for small businesses, earning an A- in a survey of small business owners conducted for Thumbtack.com, and the Ewing Marion Kauffman Foundation.

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Georgia on a direct route to 15 states. Trucks hauling freight from Georgia on those highways reach 80 percent of the U.S. population within two days.

True to its heritage, Georgia remains a major rail transportation center, with 5,000 miles of track. Two Class I railroads – CSX and Norfolk Southern (NS) – operate there, along with 24 short-line carriers. Intermodal traffic makes the Atlanta area the second-largest inland port in the United States.

Georgia's Hartsfield-Jackson Atlanta International Airport, the busiest passenger airport in the world, is also the

10th-largest air cargo hub in North America. With three main cargo complexes, the airport houses 14 cargo-only carriers and two million feet of warehouse space for air cargo. Flights from Atlanta reach 80 percent of the U.S. market within two hours. The airport also offers direct flights to 75 destinations outside the United States.

### The Power of the Ports

For companies that rely on maritime transportation, Georgia's Ports of Savannah and Brunswick – both owned and operated by the Georgia

Ports Authority (GPA) – exert a powerful attraction.

The fourth-busiest container port in the United States, the Port of Savannah offers 38 shipping services, the most at any port in the Southeast. Savannah's Garden City Terminal, which handles containerized and refrigerated cargo, is the largest single-terminal container operation in North America. Its Ocean Terminal provides dedicated capacity for breakbulk and Ro/Ro (roll-on/roll-off) cargo.

"The GPA's specialized operations – containerized goods at the Garden City Terminal, breakbulk at Ocean Terminal,

## Prime Logistics Location

Taking full advantage of its geographic location at the crossroads of north-south and east-west travel in North America, Georgia provides shippers easy access to a wealth of major interstates, rail networks, airports, and sea ports. Abundant warehousing space rounds out the offerings, which add up to a convenient and efficient logistics sector.

**INTERSTATES.** Georgia's 118,777 miles of highway lead more than one million trucks across the state each week.



**AIR TRANSIT.** Air freight can reach 80 percent of the U.S. market within two hours of leaving Atlanta.



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– Reade Kidd ▪ Home Depot  
Director of International Logistics

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and Brunswick's three terminals specializing in breakbulk, bulk, and Ro/Ro – ensure expert and expedited handling in each cargo sector," says GPA Executive Director Curtis Foltz.

Shippers at the Port of Savannah enjoy quick, efficient connections to the domestic transportation network. "Garden City Terminal offers direct access to I-95 and

I-16 without city traffic congestion," says Foltz.

Both NS and CSX operate on-terminal in Savannah, with overnight service to Atlanta, Charlotte, Jacksonville, and Birmingham, two-day service to Memphis and Nashville, and three-day service to Chicago, Cincinnati, and Dallas.

Shippers gain a particular advantage

from the presence of two Class I railroads at the port. "Shippers get competitive rates, which they wouldn't if they had to deal with a carrier that has a monopoly or dominant market share," notes Trip Tollison, president and CEO of the Savannah Economic Development Authority (SEDA).

Shippers also benefit from the excellent balance between imports and exports at

## Syfan Logistics: Dedicated to Georgia

Jim Syfan, CEO of third-party logistics provider Syfan Logistics, discusses the company's long-term success in Georgia.

**Q: Syfan Logistics has been an industry leader for decades. Can you describe some of the changes you have seen in Georgia in general, and in the logistics sector specifically?**

**A:** The transportation logistics sector today is vastly different from when I started more than 40 years ago, and the reasons all revolve around technology. Paper systems and rotary dial phones are distant memories.

As fiber optic cable continues to expand to every corner of Georgia, communications are not only faster, but more transparent as well. GPS tracking systems allow shippers to pinpoint the status of their freight at any given minute. Email, texting, and social media keep us connected to our customers and drivers like never before. Meanwhile, the Internet and advanced software systems have allowed us to be more efficient while expanding the borders of our business operations and territory. Technology will never replace networking and relationships, but it sure has made it easier to stay in touch and in tune with our customers and partners.



Located in a bustling poultry-industry region of north Georgia, Syfan Logistics specializes in hauling time-sensitive, perishable food products.

**Q: In 2014, you participated in a project at the Georgia Center of Innovation for Logistics to develop software that facilitates connections between logistics companies and manufacturers. Did that project come to fruition?**

**A:** The project was started under Governor Sonny Perdue several years ago. When completed, the software project will connect logistics companies and manufacturers. The project is still under development, but continues to move forward. It is a massive undertaking, but it will be a huge benefit for transportation and business in

Georgia. I hope we will be closer to completion by the end of 2015.

**Q: As competition for site selection heats up around the United States, what can Georgia do to stay competitive?**

**A:** We absolutely must continue to focus on enhancing our transportation infrastructure—our roads and bridges. Currently, the Georgia Motor Trucking Association is diligently working with our state legislators to produce an appropriate tax package that will address these needs and keep Georgia's transportation industry thriving.

We have had a few setbacks in recent years, primarily with the failure of a proposed transportation sales tax. It's hard to get voters excited about roads and bridges, but transportation infrastructure is vital to our state's economic well-being. We must not slip behind.

**Q: What are the benefits for companies siting new distribution or fulfillment centers in Georgia?**

**A:** Georgia is a transportation hub state for the Southeast, with excellent access to major transportation arteries—among the world's busiest ports along the coast in Savannah and Brunswick; one of the world's busiest airports in Atlanta; and a network of rail and interstate highways allowing easy access to any point in the country. In fact, Atlanta is one of the few U.S. cities where three major interstates converge. This is a tremendous advantage for any company that moves goods throughout the United States and the world. The whole world passes through our transportation doors and corridors.

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the Port of Savannah. “We’re currently at about a 50-50 ratio between container-ships that come here full and leave full,” Tollison says.

Geography also sets apart the Port of Savannah: of all the ports on the Eastern Seaboard, it’s located the farthest west. Companies that import through Savannah, and then forward

dredge the outer harbor to 49 feet at low tide,” says Foltz. A subsequent contract will deepen the inner harbor to 47 feet at low tide.

“The deeper water will enable the Port of Savannah to better serve the Super Post Panamax vessels that currently call on Garden City Terminal, allowing them to arrive and depart without waiting for

pressure on industrial real estate in the Savannah region, but the number of available properties is on the rise. “Several private developers are looking at opportunities to build facilities,” Tollison says.

Logistics operations in the Savannah region also benefit from the work of two local institutions of higher education. “Georgia Southern University, which is 45 minutes from the port, offers four different logistics degrees,” says Tollison. And, students can earn an associate’s degree in logistics management at Savannah Technical College.

Military facilities near Savannah also bolster the logistics workforce. “All branches of the armed services have some sort of presence within one hour of Georgia’s ports,” says Tollison. As service members make the transition to civilian life, many go to work for local employers. “Logistics companies, as well as manufacturers and others, love the opportunity to tap into the military workforce because of the value they bring,” he adds.

### Logistics Commitment

Among the many factors that make Georgia a prime location for logistics, one of the most notable is the Georgia Center of Innovation for Logistics. Part of the Georgia Department of Economic Development, the Center uses its expertise, resources, and connections to help companies operating in the state make their supply chains as efficient as possible.

For example, a company might need help choosing the best location for a distribution hub, with the right connections to the transportation infrastructure. “We’ll explore what company officials are looking to achieve, then we’ll go through our contact list to find logistics providers in Georgia that can tailor solutions to the shipper’s needs,” says Miller.

The Center also works with its state partners to connect logistics companies to programs such as Georgia Quick Start, which provides free training to logistics employees. Delivered in partnership with the state’s technical colleges, Quick Start



Ocean shippers are attracted to the Ports of Savannah and Brunswick for good reason. As the U.S.’s fourth-busiest container port, the Port of Savannah offers more shipping services than any port in the Southeast.

goods to other locations, save money as a result. “The cargo spends more time on the ocean and less time on surface transportation,” says Jannine Miller, director of the Georgia Center of Innovation for Logistics.

Recent infrastructure projects have made Savannah an even better choice for shippers. For example, the GPA has expanded its Mason Intermodal Container Transfer Facility. “Working in conjunction with a new Highway 307 overpass, and a wye installed by Norfolk Southern, the expansion has cut round-trip NS transit times to Atlanta by six hours,” says Foltz.

The biggest improvement currently on the Port of Savannah’s horizon is the Savannah Harbor Expansion Project (SHEP). “The U.S. Army Corps of Engineers will soon issue a contract to

high tide, and to transit the channel more heavily loaded,” Foltz says.

Another project currently in the works is the Georgia Department of Transportation’s (GDOT) plan to complete the Jimmy Deloach Parkway Extension in 2016, providing a direct, highway-speed link for freight moving between the port and I-95 and I-16.

### Savannah’s Reach

While the port is a tremendous asset, Savannah also offers other advantages to shippers. One is access to markets. “Within 300 miles, we have 28 million residents in 11 major metropolitan areas, with eight major international airports and five ports – Savannah being one of them,” says Tollison.

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can provide training in classrooms, in mobile labs, or at a company's own facilities. "The training can cover everything from the basics of forklift operation to efficiency within the distribution center to truck driving and obtaining a commercial driver's license," Miller says.

In fact, she points out, Georgia offers top-quality educational opportunities for people who work – or want to work – in logistics at all levels, from the warehouse floor to the executive suite.

For instance, in Savannah, logistics firms have teamed with local high schools to create an internship program for students. "The interns work at the port and in the distribution centers, putting them

on a path toward solid, well-paying jobs," Miller says. "We clearly have a need for those employees in our systems, and this gives us a way to connect with them."

At the other end of the spectrum, the Supply Chain and Logistics Institute at the Georgia Institute of Technology in Atlanta offers graduate degrees and certificate programs in logistics and supply chain management.

Several transportation infrastructure projects in Georgia are on track to make life even easier for companies that ship product into, out of, or within the state. The Savannah Harbor Expansion Project's move from the planning stage into actual construction is especially exciting. "That

project will bring a five-to-one return on investment for the entire country, once we can move the bigger ships that are coming here through Panama," says Miller.

Another project already underway is construction to add two tolled express lanes to I-75 in metropolitan Atlanta. Although the new lanes are designed for passenger cars, they will help to speed freight by drawing traffic away from the lanes that carry commercial trucks.

"Every day, 16,000 trucks go through I-75 South," says Miller. Commercial traffic on the northbound side is heavy as well. "The new lanes will greatly improve the traffic flow in this major corridor," she adds.

## Georgia's Building Boom

**Prominent companies continue to invest in Georgia, drawn there by its location, logistics infrastructure, business-friendly climate, and other advantages. Here are some companies that have recently announced plans to build new distribution or manufacturing facilities in Georgia, or add to existing ones:**

### Retail Distribution Centers

■ **Walmart** will construct a new, 1.2-million-square-foot distribution center (DC) in Union City to support its e-commerce business. Slated to start operating in mid-2015, the facility will manage about a half-million SKUs.

■ Supermarket retailer **Kroger** is building a one-million-square-foot DC in Forest Park, to serve the company's stores in Alabama, Georgia, South Carolina, and Tennessee.

■ **Ollie's Bargain Outlet**, based in York, Pa., is investing \$14.6 million in the construction of its new DC for the southeastern United States in Commerce, at the Commerce Industrial Park. With the Port of Savannah as its gateway to the southeastern U.S., Ollie's will use the new facility to support its expansion into Alabama, Georgia, Florida, and Tennessee.

■ Furniture retailer **W.S. Badcock Corp.** is building a regional distribution center at the Callaway South Industrial Park in LaGrange, with plans to open in the third quarter of

2015. The new, 535,000-square-foot building replaces two existing facilities in Alabama. Badcock has designed it for eventual expansion to 700,000 square feet.

### Third-Party Logistics Facilities

■ Third-party logistics (3PL) provider **Jerich USA** recently opened a new warehouse in Savannah, four miles from the Garden City container terminal. The 140,000-square-foot facility includes nine box car doors, 20 dock doors, and a rail siding served by CSX.

■ **Gulf States Cold Storage** will add 55,000 square feet to its facility in Savannah, increasing its blast freezing capacity by 200 percent, and doubling its storage capacity for poultry and other proteins.

### Manufacturing Plants

■ **Tyson Foods** announced plans to add 100,000 square feet to its processing plant in Vienna. In the past, this plant processed chicken for food service customers. After the expansion, the facility will switch to

producing fresh tray-packed chicken for retail stores.

■ **Mannington Mills**, a manufacturer of vinyl tiles, plans to construct a 550,000-square-foot manufacturing and distribution facility in Madison. This marks the company's second expansion in Morgan County within one year.

■ **Häring**, a German-based manufacturer of automotive components and subassemblies, recently chose Hartwell as the site of its first U.S. production plant. The 196,000-square-foot facility at the Gateway II Industrial Park will produce fuel injection parts and other precision components.

■ **Kubota Manufacturing of America** plans to expand its headquarters in Gainesville. The company, which manufactures small tractors, rough terrain vehicles, and lawn mowers, will build additional manufacturing capacity on 180 acres within the Gateway Industrial Centre.

Source: Georgia Ports Authority

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Georgia is also planning future highway projects that will benefit freight transportation. In 2012, the U.S. Department of Transportation (DOT) awarded the GDOT one of its Transportation Planning Excellence Awards for the state's Statewide Freight and Logistics Plan. This blueprint identifies transportation improvements that will bring the greatest benefit to the freight industry. In making the award, the U.S. DOT cited GDOT's efforts to engage both public- and private-sector stakeholders in the plan.

"This is now on our books as a priority network—a grid of highways running north, south, east, and west throughout the state that prioritizes freight infrastructure," Miller says.

So dedicated is the state to promoting logistics that it has created an annual event just for that industry, the Georgia Logistics Summit. Founded in 2009 as a

“So many of the major ports in the United States are facing congestion and other logistics problems. But GPA has enough capacity to double its business in the next 10 years.”

—**BEN GOLDBERG**, President, JIT Warehousing and Logistics

luncheon, it has blossomed into a two-day event that makes an impact far beyond Georgia's borders. In 2014, it drew attendees from 35 U.S. states and 11 nations.

The Summit provides a forum where shippers, service providers, and industry and government officials can talk about challenges and opportunities in logistics, share the latest news, and forge new connections. One of the most popular sessions in the program is the Rapid-Fire Transportation update, featuring

news from the GPA, the Georgia Motor Trucking Association, the Georgia Railroad Association, Hartsfield-Jackson Atlanta International Airport, and GDOT.

Each summit also features a set of "Opportunity Sessions," focusing on issues connected to particular logistics markets. "The 2015 Summit featured panels on e-commerce, perishables, and intermodal transportation," Miller says.

One big fan of the Georgia Logistics Summit is Mike Owens, president of



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HWC Logistics in Savannah, one of the event's sponsors. "The Summit draws a big crowd we can sell our services to, and describe what differentiates us from other logistics companies," he says. "We also get a chance to tell attendees why Georgia is such a great place to do business."

HWC has provided service in Georgia and nearby states for 35 years. With warehouses in Atlanta and Savannah, as well as in Charlotte, N.C., plus a fleet of 40 trucks, HWC offers a single-source solution for shippers that require service in any of the company's five specialty areas—distribution, warehousing, transportation, import, and export.

Companies that work with HWC benefit from its long experience and ability to take advantage of cutting-edge technology. The company recently implemented a new transportation management system (TMS) and is now focusing on other technology improvements.

"We're enhancing our WMS (warehouse management system), and we're integrating radio frequency capabilities further and further into our warehouse operations," Owens says.

### Loving the Location

According to Owens, the great advantage to running a logistics operation in Georgia boils down to location. The ability to reach 80 percent of the U.S. population within two days is a major plus, but that's only part of the story. Continued economic growth in the Southeast is also an important factor.

"Now that the population growth is pushing south, that demographic has to be fed with products and services," Owens says. Merchants need to get their products closer to that growing market. "The Southeast makes a wonderful place to do that," he says. "Once you get the product here, it's much cheaper to get it to market."

Georgia's extensive transportation infrastructure and temperate climate offer advantages as well. "You don't get the kinds of delays that increase the cost of a product for a customer," Owens says.

Recent labor slowdowns at West Coast ports have helped make Georgia an even more popular choice for shippers, says Owens. It's well-known that in recent years, companies that used to bring Asian imports into the United States through Los Angeles have started using ports in the Southeast as well, to import product

bound for markets in the eastern United States. But lately, even product ultimately bound for the West Coast has started to enter the country through Savannah and other Southeastern ports. "I've never seen that before," he says. "It's happening now because shippers are frustrated with the congestion and delays at West Coast ports."

## Saia Helps Drive Georgia's Future

**Among the logistics service providers operating in Georgia is one of the nation's largest, Saia, Inc.** Headquartered in Johns Creek, Saia provides regional and interregional less-than-truckload service in 34 states, as well as non-asset-based truckload and third-party logistics services.

In addition to its headquarters, Saia's operations in Georgia include terminals in Athens, Augusta, Ellenwood, and Savannah. Close to 1,000 employees work at the five facilities.

"In Georgia, we are eclipsing industry standards relative to our workforce," explains Michelle Richard, Saia's director of human resources. "We have a diverse group of executives, senior leaders, and managers at our corporate office, as well as at our terminals throughout the state."

By providing these types of employment opportunities for growth, and potential for employees, Saia has helped elevate the standard of living by putting more dollars into communities, Richard says.

"By providing employment opportunities, we support small and large businesses, and invest in public education and public works," she notes. "These investments in Georgia take place for dockworkers at our Atlanta/Ellenwood terminal; linehaul or city drivers domiciled at our Athens, Augusta, or Savannah facilities; or directors at our corporate office."

"We are growing Georgia's future by developing highly skilled, highly competent workers," Richard says.



Saia recently launched two new service groups, Saia TL Plus and Saia Logistics Services. Each group offers unique services that complement each other well, and add the core capabilities that allow the transportation company to continue to grow and succeed in Georgia.



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# Georgia

Cargo Group LLC operates a 255,000-square-foot U.S. Customs bonded third-party warehouse located just three miles from the main gate of Savannah's Garden City Terminal and three miles from I-95.

"Our proximity to both is a winning combination for moving freight through the supply chain quickly and effectively," says Jason Todd, who is responsible for Cargo Group's inside sales and marketing. "Our 28-year history in Savannah, and the fact that we own our facilities, also provide key advantages, as we effectively service our customers while maintaining a reasonable cost structure."

Cargo Group's customers include customs brokers, freight forwarders, trucking companies, and end-product users. Commodities the company handles range from auto parts to paint pigments, electrical insulators, plywood, boats, and cars,

among many others. "Whether we're handling a palletized flat load or loading a multi-million-dollar submarine on a flat rack for exporting, we provide the same consistent service," Todd says.

Staying diversified keeps Cargo Group flexible. "If one market starts to slow down, another might start seeing an increase," Todd explains. This diversity lets Cargo Group's customers seek out varied kinds of cargo in turn. "They know they have a warehouse in Savannah that can meet their requirements and expectations, whether they need transloading, storage, crating, or heavy lift capacity," he adds.

### Logistics Gateway

Georgia's continued investments in infrastructure, the pro-business mindset of its leaders, and the support provided by the GPA all make the state a great place to do business, Todd says. "Twenty percent

of the U.S. population is already served by the Port of Savannah, and 44 percent of the U.S. population is within easy reach," he notes. "Savannah is a gateway to and from major markets."

Cargo Group's customers appreciate the quick transit times from the Port of Savannah to destinations in the Southeast. The consistent service that shippers get at Georgia's ports, and the state's hardworking population, also provide important benefits, Todd says. And by partnering with Cargo Group, companies effectively extend their own operations into a location just a few miles from the fourth-largest container port in the United States. "We provide warehousing services at a more cost-efficient rate than if shippers had to move the cargo to their own facility," he says.

Customers also appreciate the special services Cargo Group can provide in its



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Customs-bonded facility. Occasionally, for example, a load may arrive in port with product packed on wooden pallets that have not been treated against invasive insects, as U.S. Customs requires. If the shipper or forwarder was not working with a bonded warehouse, Customs would have to send that load straight back to the country of origin.

But Cargo Group's bonded status allows the company to receive such loads in its warehouse and correct the situation. "We take the cargo off the non-compliant wooden pallets, put them on compliant pallets, and re-export the non-compliant ones," Todd says. The cargo can then move on to its final destination without delay.

**JIT Loves the GPA**

Another business with close ties to the Port of Savannah is JIT Warehousing and Logistics. Located one half-mile from the



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Ocean Terminal and 3.5 miles from the Garden City Terminal, JIT operates more than one million square feet of indoor storage, 10 acres of outdoor storage, and logistics complexes on the Norfolk Southern and CSX rail lines. Along with warehousing, JIT's services include trucking, shipside delivery, intermodal services, specialty hauling, cross-docking, and more. Its trucks move steel and metal products, wood products, palletized cargo, and other commodities throughout the United States.

### Proponent of the Ports

To Ben Goldberg, president of JIT Warehousing and Logistics, the prime reason for doing business in Georgia is access to the Port of Savannah. "Georgia Ports Authority has always been an industry leader," he says. "So many major ports in the United States are facing congestion and other logistics problems. But GPA has enough capacity to double its business in the next 10 years."

Goldberg points to an ongoing series of port improvements designed to make sure that cargo moves smoothly into and out of Savannah's marine terminals. One of those projects is the construction of Gate 8 at Garden City Terminal. "This new multi-lane truck gate will help the terminal avoid congestion while completing 9,000 truck moves per day," says Foltz at GPA.

In connection with that project, GDOT plans to upgrade Grange Road, the exit from the Jimmy Deloach Parkway that will bring trucks to Gate 8. "Expected completion is in 2016," Foltz says. Georgia also plans to build the Brampton Road Connector, a 1.1-mile-long road that will allow trucks to move directly from Garden City Terminal to Interstates 516/16.

Within the terminal itself, the GPA recently added four electric-powered container cranes, bringing the total there to 22. "Four more cranes are set to be delivered in 2016," says Foltz.

JIT Warehousing and Logistics is also beefing up capacity to accommodate the

## Jack Cooper: The Fast Lane to Success

**Based in Kennesaw, Ga., Jack Cooper has been in business for more than 85 years, and in that time has witnessed many changes.** But the one constant is that Georgia, as the largest transportation and logistics hub in the Southeast, is a prime location for building and growing its automotive logistics business. With the development of major highways and interstates, the expansion of Hartsfield Jackson International Airport, and the continued growth of the Ports of Savannah, Jack Cooper finds that transport in and around the Southeast has never been more efficient.

Additionally, the rise of OEM manufacturing facilities, growth of the remarketing and auto auctioning industries, and the move of major logistics firms to Georgia, has allowed the state to develop into a centralized logistics and automotive epicenter, for both the Southeast and the nation.

Jack Cooper provides automotive transport and logistics services to OEMs, remarketers, fleets, auctions, and dealers throughout North America, and finds Georgia is a particularly good location for serving the automotive industry. The Southeast has become a hub for automotive innovation throughout recent years, with Georgia driving innovation and business growth. Various automotive companies—including Porsche and Mercedes Benz—now call Atlanta home. In addition, many OEMs are based in the region, such as Kia, which maintains operations in West Point.

Additionally, Georgia's strong university network and educational institutions, such as Emory and Georgia Tech, foster the development of next-generation engineers who will help to propel the automotive industry forward.

As competition for site selection heats up around the United States, Jack Cooper believes Georgia can stay competitive by positioning itself as an optimal hub for Southeast automotive and logistics operations, and continuing to offer economic benefits and incentives to companies looking to relocate or start up in the region.



**Jack Cooper Transport finds Georgia is a particularly good location for serving the automotive industry.**

For example, Georgia offers many distinct advantages, such as low taxes, a highly skilled workforce, and a large number of engineers in the area. In addition, Atlanta is one of the largest metro areas in the country, and has already attracted major automotive manufacturers. For international companies, Hartsfield Jackson International Airport offers the advantage of daily connections to both domestic and international destinations.

Georgia also provides many benefits for companies siting new distribution or fulfillment centers. Its rich logistics history, and many large logistics firms, such as UPS, have helped to develop the region's infrastructure. Easy transportation through Georgia's evolved highway, rail, air, and sea networks allows logistics carriers a variety of transportation and route options, and has helped to develop a strong trucking base.

In addition to the growing logistics sector, four of the top 10 warehouse providers in North America are headquartered in Georgia, and 90 percent of the top 25 global third-party logistics providers maintain operations in the state.



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needs of shippers in Georgia’s flourishing economy. “We’ve been adding forklifts, cranes, trucks, and trailers to accommodate our growth,” Goldberg says. “We’ve purchased additional heavy-haul equipment, a new quad axle-trailer, and a new triple-axle truck.”

### All About the People

Ask Hal Justice what’s so great about Georgia, and you’ll hear him sing the praises of its population.

“Vendors and employees in Georgia understand business,” says Justice, vice president of sales and operations at Kennesaw-based Atlanta Bonded Warehouse (ABW). “The workforce is focused on seizing the initiative, getting things done, and satisfying customers.”

ABW operates nine warehouses across the southeastern United States, comprising 2.5 million square feet of dry and



Its metro-Atlanta location helps Atlanta Bonded Warehouse Corporation, and its in-house carrier Colonial Cartage, provide public and contract food-grade, temperature-controlled distribution services that satisfy even stringent shipper requirements.

temperature-controlled space. Along with warehousing and co-packaging, the company provides LTL distribution for temperature-controlled products through

a sister company, Colonial Cartage Corporation. That transportation service covers the Southeast, Southwest, and Midwest, as far as Colorado with 80 power

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“Twenty percent of the U.S. population is already served by the Port of Savannah, and 44 percent of the U.S. population is within easy reach.”

— JASON TODD, Inside Sales and Marketing, Cargo Group

units and more than 250 trailers, plus another 25 contracted power units and drivers.

ABW primarily handles food, food-grade material and ingredients, and over-the-counter pharmaceuticals, with an emphasis on confectionary products. “Our largest customers are Mars, Hershey, Wrigley, Storck USA, and others that need products in a temperature- and humidity-controlled environment,” says Justice.

The second great advantage ABW gains from its location near Atlanta is easy

access to world-class transportation infrastructure. “Outside of megalopolis areas, there are few locations in the United States that have so many interstates converging in the metropolitan area, and all going in different directions,” Justice says. But that’s the case in Atlanta, where the convergence of I-75, I-85, and I-20 puts trucks on a direct route to points north, south, east, west, and in-between.

Proximity to Georgia’s ports is crucial as well, because much of the product ABW handles is imported from Europe,

the Far East, or the Middle East. “We get a lot of product inbound from Savannah for several customers,” Justice says.

ABW has gained new business as Georgia’s economy has accelerated in recent years. “The volume of inventory coming through our locations, and the tightening of available warehouse space, has been significant,” Justice says. “Space that was empty four or five years ago is now getting a lot of interest.”

ABW has grown to meet the new demand. “We’ve expanded about 30 percent in terms of space to handle new and existing customers, and in anticipation of new business,” Justice says. “We’ve taken some additional space, and we expect we’ll have it all filled by the end of 2015.”

The company has also spent the past two years implementing a new Tier 1 WMS. “It’s a large undertaking, but it’s necessary to be able to provide the transaction speed and information that our

## Georgia: A Logistics and Economic Powerhouse



by Jannine Miller

Georgia continues to attract leaders in logistics and transportation for numerous reasons: its southeastern U.S. location; its Atlantic Ocean coastline with two major East Coast ports; its growth, which is expected to outpace the national logistics employment average by five percent; and its five-year, record-breaking trend in international trade. However, logistics isn’t the only sector booming in the state, and conversations about the best place to do business have increasingly turned to the Peach State.

Why?

Due to its pro-business environment, talented workforce, world-class infrastructure, and unparalleled access to the world market, Georgia continues to successfully attract domestic and international companies at a record pace. State-level, performance-based assistance packages, along with incentives offered by local municipalities and counties—including access to the Georgia Centers of Innovation—help new and expanding ventures achieve new levels of success.

**GEORGIA RANKS #1 FOR BUSINESS.** Consistently ranked at the top for its business climate, it’s no surprise that 17 Fortune 500 headquarters, and 31 Fortune 1000 companies call Georgia home. Georgia makes it easy for logistics providers to grow and meet consumer demand while

keeping costs low. Companies here enjoy a low six-percent corporate tax rate for income earned in the state; tax credits for creating jobs, expanding, research, and more; as well as tax exemptions for purchases and inventory. The state also offers competitive incentives to encourage the creation of small businesses and entrepreneurial ventures.

**ABUNDANT, WELL-EDUCATED WORKFORCE.** Georgia values education. It ranks in the top five for labor climate, and in the top 10 for skilled labor availability (Area Development, 2014). The state’s universities, colleges, and technical college system produce 50,000-plus future employees each year, and is one of the largest university systems in the nation. Adding to its business-friendly environment, Georgia is a right-to-work state that boasts the second-lowest unionization rate in the United States.

As the logistics sector continues to grow, incorporating conditions created by new technology; regulations; and increasing demand for faster, better, and cheaper delivery of goods; a properly trained and educated workforce will be crucial to meet these demands. Access to free programs such as Quick Start—the number-one ranked workforce development program in the nation—keeps Georgia ahead of the curve, and ensures the future of a qualified workforce.

**GLOBAL REPRESENTATION.** Georgia welcomes international business, and is home to more than 3,500 international firms, 65-plus international consulates, trade offices, and bi-national chambers of

customers require, as well as improve productivity,” Justice adds.

**Georgia’s Got Talent**

Georgia’s talent pool is a tremendous plus for Nolan Transportation Group (NTG), a full-service third-party logistics provider (3PL) headquartered in Roswell.

“Many good schools here offer logistics programs, including Georgia Southern University and Georgia Tech,” says Kevin Nolan, the company’s chief executive officer. Georgia College recently added logistics to its offerings. Logistics professionals also come to Georgia with degrees from programs in adjacent states – at the University of Tennessee in Knoxville and Auburn University in Auburn, Ala.

With 10 offices throughout the United States, NTG helps companies of all sizes – from the Fortune 500 to small, family-owned concerns – move freight throughout the United States. It also

operates OTR Capital, which provides financial services to small trucking companies. Among those services is factoring, a mechanism that helps small trucking firms ride out cash flow fluctuations when they can’t get bank loans. “We purchase their

receivables, so they don’t have to wait 30 or 40 days to get paid,” Nolan says. NTG also sells insurance to trucking companies.

For shippers, NTG serves as a kind of matchmaker, working with smaller carriers to provide capacity.



**With corporate offices in Lithonia, Ga., Brown Integrated Logistics provides a suite of logistics services, including dedicated trucking and third-party logistics, through its four subsidiaries.**

commerce. With offices and relationships around the globe, the Georgia Department of Economic Development helps companies build valuable partnerships to ensure success in a global marketplace.

**LIVE, WORK, PLAY.** The state’s lifestyle and standard of living is hard to beat. The low cost of living makes it affordable for companies considering relocation to choose Georgia as a place to grow. A moderate climate and diverse landscape, combined with top-notch professional and college sports franchises, a diverse culture and arts scene, as well as entertainment options for any age, mean Georgia has something for everyone.

**AMPLE, EFFICIENT, AND FAST ACCESS TO MARKETS.** Georgia’s infrastructure promotes speedy access to domestic and international markets, and logistics service providers and transportation companies in Georgia gain competitive efficiencies and advantages by operating in the transportation “super hub” of the Southeast. Georgia’s location at the crossroads of north-south and east-west travel helps move people and products quickly and easily via air, road, railway, and sea to global markets, helping businesses save time and money.

Assets include the world’s busiest and most efficient passenger airport, four major U.S. interstates that allow access to 80 percent of the United States within two days or fewer, two deep-water ports that serve all major ocean carriers, and 100-plus trucking companies, as well as an extensive rail system that creates the largest intermodal hub in the Southeast.

**THE CENTERS OF INNOVATION & THE 2015 GEORGIA LOGISTICS SUMMIT.** If all that wasn’t enough to place Georgia at the top of any list,

perhaps the Georgia Centers of Innovation will tilt the scales. Exclusive to Georgia, the Centers of Innovation is a free resource within the Department of Economic Development that provides growing companies access to university research, commercialization resources, matching grants, and potential investors in six industry clusters, including logistics and transportation.

Whether air, ground, rail or sea, the Georgia Center of Innovation for Logistics understands global supply chain issues, and helps companies find practical answers to complex challenges in the focus areas of freight transportation, warehousing and distribution centers, and logistics technology. To help meet these challenges, and further link the industry together, the Center established the annual Georgia Logistics Summit. This event is the largest of its kind and size in the nation, and connects providers and consumers of logistics together under one roof.

More than 2,300 industry professionals attended the 2014 event, with representatives from 35 states and 11 foreign countries, and we anticipate more in future years. For more information on this exciting networking, learning and collaboration event, please visit: [www.georgialogistics.com/logistics-summit](http://www.georgialogistics.com/logistics-summit), or [logistics.georgiainnovation.org/logistics-summit](http://logistics.georgiainnovation.org/logistics-summit).

*Jannine Miller is the Director of the Center of Innovation for Logistics. As the Center’s new director, she is working to integrate her public and private sector experience to advance Georgia’s logistics industry.*

“The carriers we work with range in size from those with just one truck to those that operate 500 power units but don’t have a national sales force,” Nolan says. “The freight we move includes roll stock paper, steel coil, and just-in-time aviation and auto components.” NTG also handles a great deal of produce from southern Georgia and Florida.

During the nine months of the year when Florida does not ship large volumes of produce, much more freight moves into that state than moves out, Nolan says. The imbalance creates a capacity bonus for Florida’s neighbor to the north.

“Every day, thousands of trucks move out of Florida with no freight on them. Georgia can capture a lot of those trucks,” he says. Georgia’s ports and Atlanta’s airport also promote an abundant flow of capacity into the state.

Georgia’s diverse mix of businesses and lively economy certainly has kept NTG busy in recent years. “Many large companies have moved their headquarters and manufacturing here, and we’ve hauled

building materials in during the construction process,” Nolan says. “Later, we help them move freight out.” That’s what happened, for example, when Kia Motors built a plant in West Point.

All that activity has spurred a significant growth spurt at NTG. “We hired 90 people in January 2015, and we plan to hire another 90 in June,” Nolan says. “The new hires work in service, sales, and operations, and they’re great people.”

Although NTG operates all over the United States, it can thank the abundance of large businesses with hubs near Atlanta or Savannah for a lot of its growth. “There’s endless opportunity for our business to gain customers right here in our backyard,” Nolan says.

### Growing Economy

Brown Integrated Logistics traces its history to a business founded with a single dump truck in the mid-1960s. Located in Georgia since the early 1970s, the company took its current form and name in 2011. Today, it operates through four

subsidiaries: Brown Logistics Services, West Logistics, Brown Fleet Services, and Brown Trucking. Its portfolio includes third-party logistics services, brokerage, warehousing, fleet maintenance, and dedicated trucking.

Brown’s headquarters in Lithonia, east of Atlanta, includes a brokerage terminal, truck dispatching facility, and fleet maintenance facility. The company also operates truck terminals in Savannah and Columbus, Ga., and a warehouse in Rome, Ga. Outside Georgia, Brown operates trucking, warehouses, and repair shops throughout the Southeast, plus brokerage offices in Chicago and Dallas, and two warehouses in California.

Georgia is the right location for Brown Integrated Logistics because of the state’s booming manufacturing sector. “Few of our customers are based here, but they all have facilities here,” notes President and CEO Brian Kinsey. “There are a tremendous number of distribution and manufacturing operations in the state.”

With a strong pro-business climate,



HWC Logistics offers close to one million square feet of warehousing space spread over three locations—Atlanta and Savannah, Ga., and Charlotte, N.C. Warehousing services include transloads, cross-docking, and heavyweight freight, as well as short- and long-term storage.

“Georgia’s workforce is focused on seizing the initiative, getting things done, and satisfying customers.”

— HAL JUSTICE, Vice President of Sales and Operations, ABW

Georgia has done an excellent job of attracting new companies, says Kinsey, who points to a recent announcement that Mercedes-Benz USA will move its headquarters to Atlanta as one example.

“The economic development initiatives have been attracting additional businesses, which generates more business for us,” Kinsey says.

Although Georgia, like the rest of the country, was hit hard by the recession of 2008-2009, it has made a remarkable recovery in recent years. New arrivals create new opportunities. “Many industry

verticals are coming to the area,” Kinsey says. “We’re starting to focus on what they need, such as special equipment.”

For example, Brown has begun moving compressed wood fuel pellets to the ports for export. “We’re also doing dedicated flatbed hauling for utilities and building materials companies, some of which require a moffett – a forklift attached to the trailer – for offloading in the field,” he says. In addition, Brown uses specialized high-cube vans designed for handling ultra-large rolls of paper. “We’re also looking at a lot of other opportunities to offer

customized solutions,” Kinsey adds.

All that activity has prompted Brown to expand its presence within Georgia. “We opened our first warehouse in Georgia in 2014, and it’s doing well,” Kinsey says. “Every one of our divisions has a significant operation in the state and is looking to add more.”

One of the brightest aspects of running a logistics company in Georgia is that there seems to be plenty of customers to go around. “I don’t have to steal market share from somebody else in order to get new business,” says Kinsey.

With no end to its growth in sight, it’s no wonder that more companies keep coming to Georgia to savor its grand banquet of opportunities.

For information on featuring your region in an Economic Development Supplement, contact Keith Biondo at 212-629-1560 or [publisher@inboundlogistics.com](mailto:publisher@inboundlogistics.com).

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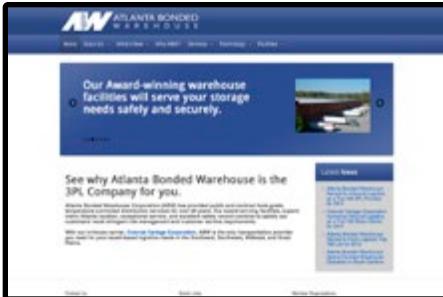
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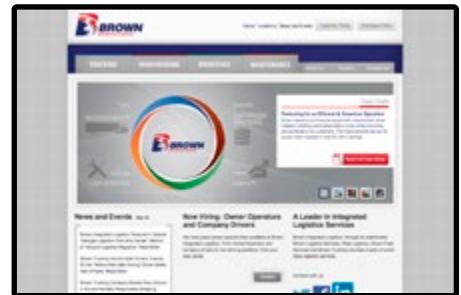


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Cargo Group, LLC began in a modest 22,500-square-foot facility in Garden City, Georgia, in 1987. Since then, we have grown into a 255,000-square-foot port warehouse and distribution center capable of handling your distribution challenges and needs. As a result of our dedication and commitment to customers' needs, Cargo Group, LLC has established itself as a world-class warehouse throughout the shipping community. Our goal is to continuously improve our services to the logistics community by increasing our overall scope and abilities in order to flexibly change with technology and shipping demands.

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**Georgia Ports Authority • [www.gaports.com](http://www.gaports.com)**

The Georgia Ports Authority (GPA) includes the Port of Savannah, the Port of Brunswick, the Bainbridge Inland Barge Terminal, and the Columbus Inland Barge Terminal. Its home page offers history and background about the Ports Authority, a port directory, shipping directory, GPA statistics, maps, photos, and more.

**Georgia Center of Innovation for Logistics • [www.georgia.org](http://www.georgia.org)**

The Georgia Center of Innovation for Logistics is the leading statewide resource for fueling logistics industry growth and global competitiveness. The Center works to address the needs and opportunities of companies of any size involved in logistics and freight transport – both providers and heavy consumers of logistics services. The Center provides industry knowledge and technical expertise, and connections to research and innovation resources.



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**Jack Cooper Transport • [www.jackcooper.com](http://www.jackcooper.com)**

Jack Cooper Transport provides a full range of automotive transportation and logistics services to OEMs, automotive auction companies, and logistics brokers of cars and light trucks in the United States and Canada. We deliver a full spectrum of services within the finished vehicle and remarketed vehicle markets. Unlike most industry providers, Jack Cooper offers a broad continuum of services, including land and ocean transport, rail and yard management, vehicle inspections, claims management, and title services. Our 59-plus terminals throughout the United States and Canada are strategically located near manufacturing assembly plants, vehicle distribution centers, railheads, and ports.





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Nolan Transportation Group, Inc. (NTG) is a dynamic freight brokerage company. NTG's experienced brokers are at your disposal, and have the unique ability to provide a level of service superior to other brokerage companies. Are you a carrier that needs to get loaded? NTG is here to help. Wherever you want to go, we have a load to get you there. No customer or shipment is too small or too big, we value each and every opportunity presented to us.

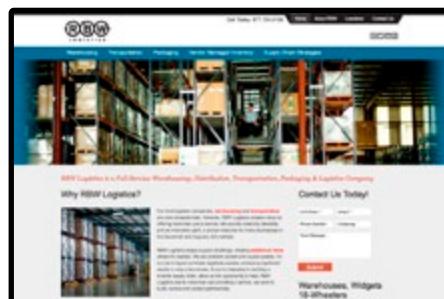


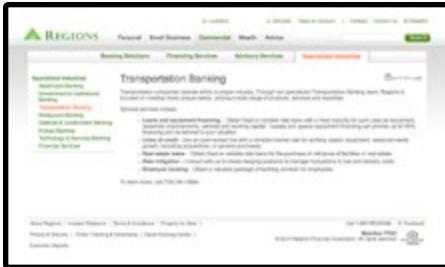
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Not every company has the knowledge or infrastructure required to address its logistics needs in the most efficient possible way. Their focus, and rightfully so, is on the products and/or services they provide. That's where RBW, a leader in the 3PL industry, comes in. By taking on the issues of warehousing, distribution, and supply chain management, we allow our partners the freedom to stop sweating the small – or significant – stuff, and focus on the business at hand. Let RBW take a look at your operation, and help develop and execute a 3PL plan that will work for you.





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**Savannah Economic Development Authority • [www.seda.org](http://www.seda.org)**

From the invention of the cotton gin on Chatham County's Mulberry Plantation, which led to the Savannah Cotton Exchange being known as the "Wall Street of the South," to the first steamship to cross the Atlantic Ocean — *The Savannah* — in 1819, the City of Savannah has long been recognized as a location for business. In fact, today Savannah is located in the No. 1 state for doing business according to *Site Selection* magazine and CNBC. And with a skilled workforce, unsurpassed infrastructure, available property, and a community committed to your success, Savannah has everything to propel your business.

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Since 1984, Syfan has provided customers with a competitive advantage through superior transportation and logistics services. Syfan consistently strives to meet and exceed customer expectations of service through timely communication and quality information. Leveraging its rich experience and dedicated team, Syfan's commitment is to provide you with on-time pickup and delivery—every time.



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One key step to finding answers to any logistics, supply chain, or technology challenge is knowing the right questions to ask.

*Inbound Logistics* assembled a team of supply chain and logistics technology leaders, and asked for their perspectives on the important logistics challenges and opportunities impacting your business.

More importantly, these logistics thought leaders can give you guidance when considering improvements to your business processes.

# THOUGHT LEADERS

**88** JOSEPH HOBAN

International Logistics Manager, DLS Worldwide

**89** BOB RICHARD

Vice President of Regulatory Affairs, Labelmaster

**90** JOHN SELL

Vice President of Retail and Transportation Operations, MD Logistics

## The Value of a Freight Forwarder

**Q: How do you define a freight forwarder?**

**A:** A freight forwarder is a full-service provider offering multiple levels of transportation and logistics services. It combines the assets of airlines, steamship lines, and trucking companies around the world to build remarkable service and price solutions for a variety of clients—even for individual customers or shipments.

**Q: What valued-added services does a freight forwarder provide?**

**A:** There are many. A freight forwarder can offer EDI billing for seamless data exchange, provide Internet track and trace for easy tracking, unlock extensive global shipping networks to help clients do business wherever and whenever they want, and much more. According to Gerry Post, Freight Forwarding Director at DLS Worldwide (an RR Donnelley company), freight forwarders offering volume-leveraged economies of scale through technology and support are especially desirable because they provide clients with “complete accessibility and visibility from a reliable single source.”

**Q: What are the trade-offs between time and money when selecting a freight forwarder?**

**A:** The two factors that most often dictate client transportation decisions are time and money. Interestingly, clients may not initially realize their importance when selecting the best way to move their cargo. To help them, we often offer this analogy: think of time and money as a classic X-Y graph.

On the X-axis, we have “time” going from slowest (left) to fastest (right). On the Y-axis, “money” extends from lowest price (bottom) to highest (top). Traveling up and to the right on the chart means that shipping speed increases, but so do costs; moving down and to the left means shipping takes longer, but costs less.

We then place shipment solutions on the X-axis as well, arranged from slowest to fastest: sea freight, ocean-air combinations, consolidators, air freight providers, and integrators.

The real value of the exercise is demonstrating to clients that there are other options available to them. As a freight forwarder, we knit together an astounding combination of some or all of these services, using air, land, and sea options to support their success. As a result, finding the optimal combination of time and money helps every aspect of their supply chain work together in harmony, providing a seamless connected experience that helps clients reach current customers, discover new ones, and expand their vision for what’s possible.

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JOSEPH

HOBAN

International Logistics Manager  
DLS Worldwide

## USPS Publishes a Battery of New Shipping Regulations

**Q: The United States Postal Service (USPS) published changes for shipping lithium batteries. How will that affect my shipments?**

**A:** On Jan. 26, 2015, the USPS published revisions to the domestic mail regulations that more closely align USPS requirements for shipping lithium batteries with those found in both the U.S. DOT and international regulations. The amendments take effect March 2, 2015. The amendments can be viewed at [bitly.com/1LT2De2](http://bitly.com/1LT2De2).

This revision significantly changed the USPS requirements for packages containing standalone lithium cells or batteries, or lithium cells and batteries packed with or contained in equipment. Packages must now be marked and accompanied by a document that indicates: it contains “lithium metal” or “lithium ion” cells/batteries; it is to be handled with care and that a flammability hazard exists if package is damaged; special procedures must be followed in the event the package is damaged; and a telephone number for additional information. A peel away document is authorized, such as Labelmaster’s Lithium Battery Peel Away Documents.



BOB

RICHARD

Vice President of Regulatory Affairs  
Labelmaster

The USPS revisions also prohibit the lithium battery handling label for international shipments where only lithium batteries contained in equipment with fewer than two batteries or four cells are permitted. Some companies choose to not take advantage of the package marking exception on packages that do not require them (e.g. a package containing a single laptop computer). These packages will not be authorized for international mail shipments.

**Q: How do lithium battery regulations differ when shipping to or from Canada versus the United States?**

**A:** On Dec. 31, 2014, regulations amending the Transport of Dangerous Goods Regulations were published in the Canada Gazette Part II, Vol.148, No.27 as SOR/2014-306. The amendments include significant changes to the Transport of Dangerous Goods Regulations (TDGR) concerning lithium batteries and

most will go into effect June 31, 2015. The full text can be viewed at [bit.ly/1wsKcTU](http://bit.ly/1wsKcTU).

Consistent with PHMSA’s Final Rule HM-224F, Transport Canada will amend the TDGR to align with international standards (ICAO/UN Recommendations) on the transport of lithium batteries. Changes incorporated into this rule amendment include the following: Aligning with international requirements, such as new requirements for hazard communication (lithium battery handling label and accompanying document, in most cases); revised lithium cell and battery size limitations; and the requirement for the watt-hour rating to be marked on the outside case of lithium ion batteries, the addition of international shipping descriptions and prohibiting lithium metal batteries on passenger aircraft.

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## How Omni-Channel Commerce Is Changing Traditional Supply Chains

With the introduction of online (e) and mobile (m) commerce, consumers are now more comfortable than ever making purchases from any place, at any time, on virtually any device. This shift in consumer behavior has changed how goods and products flow through the supply chain to the end user. As a result, supply chain partners are now required to respond to not only the

brick-and-mortar retail stores by emphasizing online, direct-to-consumer shopping.

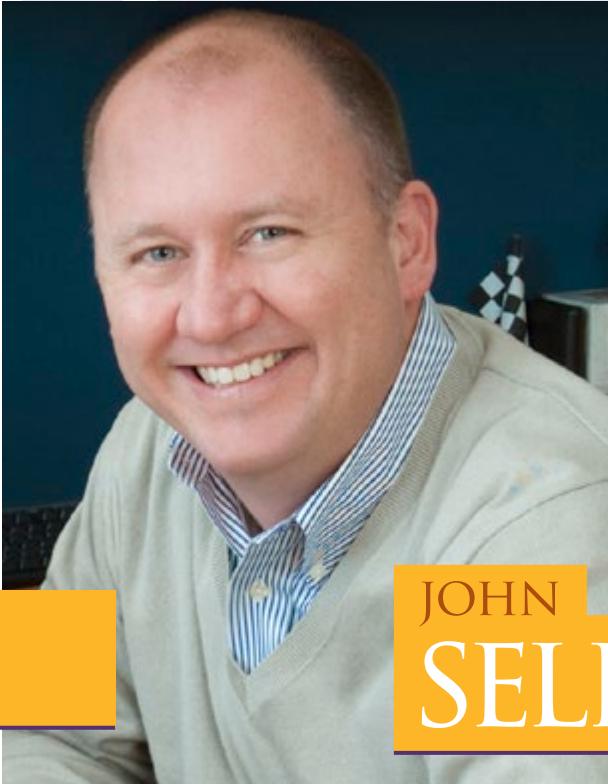
Additionally, buyers are no longer content to wait for inventory to arrive in a store. Instead, they will search the Internet and find a competitor offering quick delivery. Shipping time is a decisive factor for buyers making an online purchase. This means a proactive and responsive supply chain is the key to maintaining market relevancy.

To counteract the impersonal online shopping experience, companies must now reflect their brand identity in every part of order fulfillment. From customized packing slips to gift-wrapping, the most effective supply chains highlight brand personality. Today, companies face the task of fostering loyalty among customers who have never stepped into a store.

### Q: How has omni-channel commerce changed the supply chain from a provider's perspective?

**A:** One major adjustment has been responding to workflow changes. Online orders spike at the beginning of the week, reaching a peak on Monday and slowly declining through the middle of the week. Prior to the rise in omni-channel commerce, weekly order volumes were not nearly as front-loaded.

We have also seen an increase in small pick-and-pack orders. Before online shopping boosted



JOHN  
SELL

Vice President of Retail and Transportation Operations  
MD Logistics

needs of brick-and-mortar stores, but also to e-commerce and m-commerce customer demands. Omni-channel commerce encompasses these various ordering and fulfillment channels of the supply chain.

### Q: How has omni-channel commerce changed the traditional supply chain?

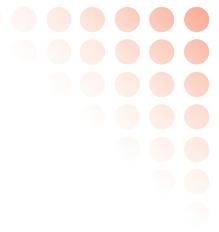
**A:** The traditional supply chain model revolved around transporting bulk product to brick-and-mortar retail stores or distribution centers that would handle small volumes of direct-to-consumer catalog orders. The ease and convenience of online shopping altered this model by significantly increasing the amount of direct-to-consumer orders.

As a result, retailers are mitigating the high carrying and employment costs associated with

direct-to-consumer shipping, manufacturers mostly shipped bulk orders to warehouses or retail distribution centers. Today, e-fulfillment solutions focus on effectively moving small pick-and-pack orders of one or two items.

In response, traditional parcel providers such as UPS and FedEx are developing postal solutions that accommodate lighter parcels with quick shipping options. The traditional supply chain model was built upon moving large shipments exceeding 30 pounds. Today, companies are tasked with fulfilling pick-and-pack orders that average one pound. This means postal services, and not traditional freight carriers, may offer the most economical transportation rates.

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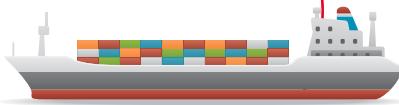


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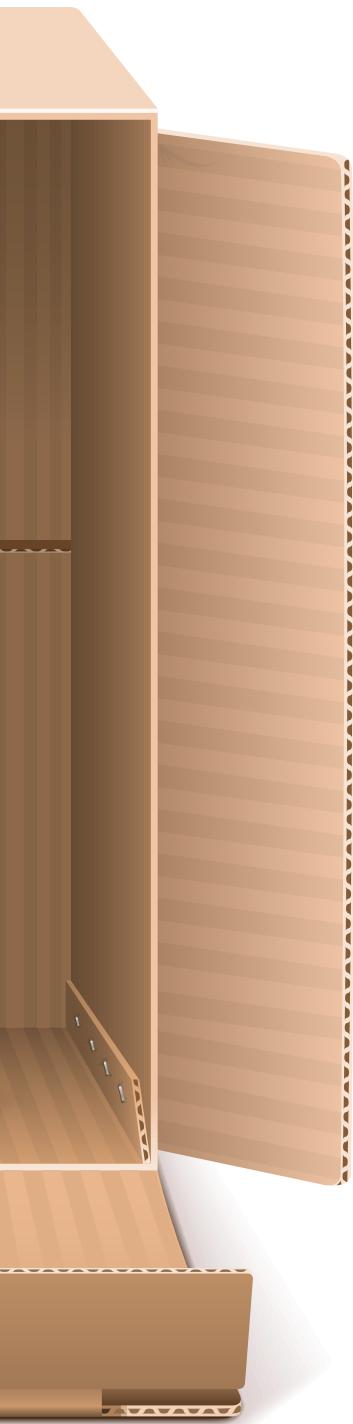
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# INSPECTING THE THE SCIENCE OF PACKAGING PERFECTION UNEXPECTED

Avoid these 10 common packaging mistakes to keep high transportation costs and inefficiencies from boxing you in.

**BY LISA TERRY**

**W**hen is a box not just a box? When it represents your brand, advances your green initiatives, prevents costly damage, and helps limit the impact of dimensional (DIM) weight pricing for parcels measuring less than three cubic feet.

The advent of small parcel DIM weight pricing, which took effect on Jan. 1, 2015, for shippers using FedEx and UPS, is just the latest factor driving interest in optimizing packaging. While packaging has sometimes been the neglected stepchild of supply chain decision-making, its potential to contribute to greater efficiency and an improved customer experience is helping to raise its profile.

“Many companies see packaging as small potatoes,” says Jack Ampuja, president of Getzville, N.Y.-based management advisory firm Supply Chain Optimizers. “But the key is not the cost of the box, it’s the impact on efficiency. It’s possible to save \$1 million depending on the choice of box, but many companies don’t do their homework.”

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That means many shippers are missing out on packaging savings. They are not only paying more than they need to for parcel shipments, they are also overlooking multiple opportunities to ship more efficiently up and down the supply chain, and support myriad other business goals—from embracing sustainability to enhancing customer satisfaction.

Here are 10 common packaging errors, and advice on how to correct them.

## 1 UNDERESTIMATING THE IMPACT.

Parcel shippers who failed to act after DIM weight pricing was announced are already paying the price through increased shipping rates. According to industry estimates, shippers pay about 30 percent more if shipping the same items under DIM versus

weight-based pricing, and that's apart from the nearly five-percent rate increase that went into effect for many shippers in 2015. Savvy shippers acted proactively. Some negotiated in advance to postpone their rate increases, while others undertook packaging optimization projects to make parcel shipping more efficient. But it's never too late to start, and minimizing DIM weight is not the only way to achieve savings.

For example, Supply Chain Optimizers helped one nutraceuticals manufacturer increase the strength of its cartons so they could be stacked onto pallets for the first time, significantly increasing space utilization. The consultant also managed an optimization project for slipper company R.G. Barry that included replacing weak, shallow boxes imported from China with deeper, stronger corrugate and changing how the slippers were packed. This project reduced R.G. Barry's corrugate spend by 15 percent, cut inbound freight costs by 20 percent through eliminating 600 ocean containers, and reduced storage costs by 25 percent. Those reductions saved \$2.5 million annually.



Companies looking for packaging efficiencies often turn to third-party logistics (3PL) providers. At Kenco's Chino, Calif., distribution center, for example, the 3PL analyzes customer parcels and packaging characteristics, and offers cost-effective alternatives.

Packaging efficiency improvements can have a cascading impact—from the individual product or case level all the way up to containers. “If we can bump up an ocean container from 60 percent to 80 percent density, by the end of the week we’ve used two fewer containers,” says Michael Labadie, director of global solutions at Crane Worldwide Logistics, a third-party logistics (3PL) provider based in Houston. “Good things happen if we can ship full containers—not only transportation savings, but also lower forwarding fees, fewer broker entries, and fewer containers causing congestion in the port.”

Another important, although softer, benefit is the positive impression good packaging can deliver. A consumer survey conducted by Charlotte, N.C.-based packaging maker Sealed Air finds that 66 percent of Americans agree that how their shipment is packaged reflects how much a retailer cares about their order, and 48 percent think packaging quality reflects the value of the product (see sidebar, page 96). About half of responding consumers get a negative impression when orders are over-packed, the survey notes.



**MP Global Products offers ultra-insulating padding that can be used multiple times due to an EPA-approved antimicrobial additive that prevents cross-contamination.**

Packaging optimization strives to overcome those complexities by finding the right balance between two conflicting forces: product protection and cost. “Too little packaging can cause item damage, product waste, return shipping costs, and lost customer trust,” says Ron Sledzieski, executive business director, global-Instapak, for Sealed Air. “Too much or the wrong packaging can result in environmental implications and higher costs for the shipper.”

## 2 LEAVING PACKAGING UP TO PARTNERS.

Few contract manufacturers in Asia have significant expertise in packaging. Given the distance those cartons may travel—via container, and then truck or rail—small improvements in density can have a large impact on efficiency. It pays to ensure good protection and density by making your own packaging decisions rather than leaving it up to your suppliers.

## 3 DISMISSING THE COMPLEXITY.

Improving the packaging of your products can be complex. And nowhere is packaging more complex than in e-commerce, where the number of SKUs multiplied by the possible combinations of items in a customer’s order makes for millions of different potential weight and cube requirements—all of which the average packer, often incented on productivity, has to match on the fly to a limited range of box choices. In most e-commerce shipments, the product takes up no more than 60 percent of the box volume, according to Supply Chain Optimizers.

Even a predictable packaging task, such as boxing up identical items coming off the production line, can be tough to optimize, with hundreds of possible configurations of product inside a carton, multiplied by a variety of box options. And customized cartons present even more possibilities.

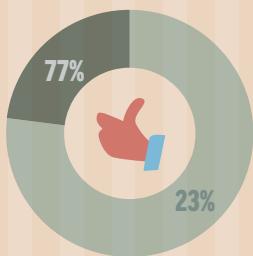
## 4 NEGLECTING SUSTAINABILITY

Increasing density has ripple effects across the supply chain, making every move more efficient and, in turn, reducing carbon footprint. But that’s not the only impact packaging can have on sustainability. Consumers demonstrate an interest in buying from companies that make them feel good about their purchases. The packing materials market has responded by developing greener alternatives to environmentally unfriendly materials such as polystyrene, and seeking ways to ensure the recyclability of the packaging materials they use. Steady improvements mean many green products made from agricultural waste, pulp, and mushrooms, now offer comparable performance and pricing to petroleum-based materials.

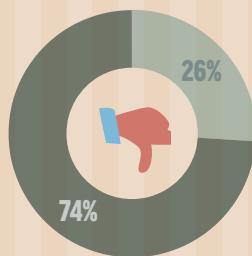
“Sustainability is huge as it relates to shipping and package design,” says Kevin Fletcher, senior vice president at Kenco, a 3PL based in Chattanooga, Tenn. “Many companies that consider new package designs are responding to customer desires, but other factors to consider include government and environmental agency regulations regarding materials, products, and compositions. They

# Packaging Design and the Environment

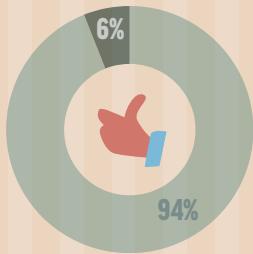
A recent Sealed Air/Harris Poll survey examined the role packaging plays in e-commerce, and how the presentation of products impacts the customer experience and consumers' image of retailers. A majority of respondents said they are more conscious of packaging materials and design today than they were five years ago. Here are other key findings.



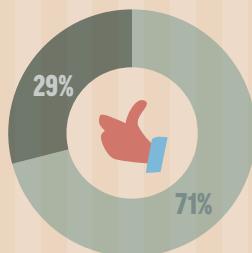
"The packaging a company uses for online shipments should reflect their **environmental values.**"



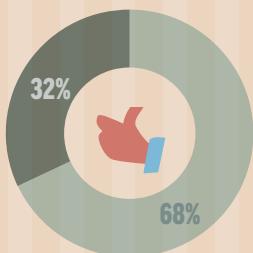
"I am **willing to risk potential damage** to my online purchases by retailers using more environmentally friendly packaging materials."



"If I were returning an online order, I would **prefer to re-use** the original packaging."



"I would expect a company selling high-end, luxury, or high-value goods to use packaging that is more **visually appealing and consumer friendly.**"



"I am **more conscious of packaging materials** and design today than I was five years ago."

Somewhat or strongly agree.  
 Somewhat or strongly disagree.

Source: Sealed Air/Harris Poll, *Packaging for e-Commerce Success*, 2014

see green initiatives as a source of innovation for their companies."

Sealed Air's survey finds 68 percent of American consumers are more conscious of packaging and design than they were five years ago, and 77 percent agree an online company's packaging should reflect its environmental values.

For example, recycled denim fiber takes the place of polystyrene in MP Global Products' solution while offering comparable R-values and cost, says Roger Borgman, national sales manager for the company's Thermal Packaging Division, based in Norfolk, Neb. The denim biodegrades in less than one year, while the poly liner takes a little longer to break down. Because the two-part system—walls and lid—is custom cut and compressable, it absorbs shock better and eliminates molds. Shippers can fit 20 to 50 percent more denim fiber on a pallet versus polystyrene, although it offers less support, Borgman says.

Similarly, Sealed Air has introduced a variety of sustainable packaging materials, including a high-efficiency packaging foam that offers better performance in less space.

## 5 REDUCING BOX SELECTION.

Reducing SKU count is a time-honored way to trim costs. But in the case of boxes, savings are often found by adding rather than reducing options. A larger array of packaging increases the odds of maximizing the density for a particular order.

It's not really about the box.

"Out of every \$1 in an e-commerce supply chain, less than 10 cents is in the box," says Supply Chain Optimizers' Ampuja. "The other 90 cents is in labor and freight costs."

In fall 2014, SCI Logistics, a 3PL based in Canada, implemented a new packaging strategy that increased its box choices from seven to 12, while also changing the strength of the boxes to better match needs. To date, it has netted better cubing and fewer damages to customer shipments.

Moving forward, "we expect to decrease corrugate spend, reduce transportation costs, and increase customer satisfaction," says Tim Pyne, general manager, retail services for SCI Logistics. In addition to changing the array of boxes, it sometimes helps to ship a single order in multiple boxes, Pyne adds, although this tends to be less popular with customers.

Some shippers worry that selecting a box closer to the size of the contents compromises the ability to ward off damages. But any loss of protection in box size can often be made up with better packaging. "In the end, you've reached the same goal of reducing shipping costs," notes Sledzieski.

## 3PL Partner Identifies Packaging Opportunity for Entrust Datacard

Governments, financial institutions, retailers, and other organizations worldwide use Minnetonka, Minn.-based Entrust Datacard's card printers to issue more than 10 million identity and payment credentials every day.

The company manufactures many of its enterprise made-to-order and desktop printers in Minneapolis, and used to send weekly shipments via ocean container to overseas customers, which was a costly proposition.

To minimize those costs, the company decided on a two-stage approach to serve its Asia-Pacific customers. First, it established a distribution facility in Hong Kong through its third-party logistics (3PL) partner, Crane Worldwide Logistics. Then, it looked to revise how its printers, parts, supplies, and consumables were packaged. "Working with a 3PL allowed us to look at container utilization, and reduce freight costs to the region," says Marc Schopp, director of global logistics for Entrust Datacard.

Protecting sensitive printers from damage that can occur during ocean transport requires overpacking. But this level of protection is not needed once an order shifts to ground transport; it just runs up costs. Entrust Datacard also wanted an attractive package for its customers to open, but "pretty boxes don't look as pretty after a one-month ocean journey," Schopp notes.

Today, Entrust Datacard can focus on making ocean movements as cost efficient as possible for Asia-Pacific customers. When a container reaches its new Hong Kong DC, Crane staff repackages selected orders for attractive and efficient parcel delivery.

In addition to enabling more cost-efficient movements, the two-part strategy reduced negative feedback on shipping issues from Asia-Pacific customers by 25 percent. These results drove Entrust Datacard to award Crane a similar 3PL contract in Brazil.

## 6 IGNORING ALTERNATIVES

Sometimes the best box is a pouch, or a tote (*see sidebar, page 98*), or even a different grade of corrugate. A big part of reducing DIM weight is cutting air out of the package, something an envelope or poly bag does well for small items.

Packing material represents another area for considering alternatives. Packing material manufacturers are continually refining their product lines of sustainably sourced materials (*see Mistake 4*). But sometimes, finding alternatives is simply a matter of being open to new packing techniques, such as using plastic film to suspend a product in the center of the box instead of using loose fill.

## 7 GETTING THE WRONG KIND OF HELP.

Much like industrial, aircraft, nautical, or any other type of engineering, package engineering requires a specific set of skills. An optimized package balances competing priorities—protection and cost efficiency. But many companies assign the task to internal engineers who lack the correct expertise.

Companies can find packaging help from a variety of sources—from packaging materials manufacturers to design firms to independent consultants. Recently, many 3PLs have tossed their hats into the ring as well, viewing packaging efficiency from a supply chain perspective.

"Packaging is our secret sauce," says Crane's Labadie. "As a 3PL, we find that companies make packaging decisions for various reasons—manufacturer convenience, lifecycle, presentation to customer—but not for optimizing the supply chain. We look at the supply chain impact versus the actual packaging itself."

Crane sometimes works in concert with a packaging partner, but always applies its logistics perspective to the task. "Packaging manufacturers make packages for the sake of making packages," Labadie notes. "They may not consider how the box will be used, or how it moves through the supply chain. We have a broader scope, because we work in every industry vertical."

Similarly, SCI Logistics and Kenco offer their clients consulting services around their packaging, sometimes in conjunction with third-party packaging experts. For customers impacted by the shift to DIM weight pricing for parcels, for example, "We work with them on parcel analysis, to see how much of their business is affected, their packaging characteristics, and the financial impact," says Kenco's Fletcher. "In some cases, packaging improvements require minimal effort, while in other cases, there is more upstream involvement."



## Is the Best Box No Box?

The trend toward smaller formats in retail has a collateral effect: How to make efficient deliveries through narrow rear doors into tiny back rooms. Suppliers such as Orbis, an Oconomowoc, Wis.-based provider of bulk containers, pallets, and protective dunnage, think they have the answer: Get rid of the box entirely.

Currently, store orders are often picked to cartons, built into pallets, and loaded into trailers. Then the driver manually retrieves the order, and places cartons onto a hand cart or conveyor to fit through the back door. The store needs labor to receive the order, stage the boxes, replenish the store floor, and compress the corrugate.

Orbis provides alternative solutions that combine plastic totes, dollies, and pallets to minimize touches, avoid the need for hand trucks or conveyors, eliminate carton disposal, and enable goods to move right from the truck to the store floor. Warehouses build the store's order right onto the reusable totes, which move easily from truck to store floor, with totes picked up on the next delivery.

The return on investment comes from efficiencies in truck usage, labor, materials handling equipment, and increased throughput, with sustainability benefits as well.

"We used time and motion studies to make the process more efficient," says Mike Ludka, product manager, retail supply chain, for Orbis. "We're breaking down the silos between the steps of the supply chain, delivering savings all along the way."

## 8 SELECTING BOXES AND BUILDING CUBES MANUALLY.

In e-commerce packing operations that rely on manual box selection, packers grab the wrong box about 25 percent of the time, according to Supply Chain Optimizers. Incenting packers around efficiency, not just productivity, can help.

Another solution is implementing box optimization software. Atlanta-based advanced planning and optimization service and solutions provider ORTEC says its technology improves box utilization by 15 percent, cuts costs by 40 percent, improves pick/pack labor efficiencies by 20 to 30 percent, and reduces carbon footprints by using less corrugate.

Software is the next step in SCI Logistics' packaging initiative. "Packers currently make the decision on the box," says Pyne. "As we improve weights, and especially master data information, we plan to implement software to better identify the right size box."

Load planning software can also act as a complementary technology, which helps ensure pallets are built to maximize use of space, and trucks are optimally loaded.

## 9 WORKING IN A SILO.

Packaging affects a surprising portion of an organization, and decisions made in one group can impact the ability of another to reach its goals. A small change to product packaging, for example, impacts the size and type of carton used to pack it, as well as packing materials used. That, in turn, can impact how the product is palletized and how it moves through the supply chain.

The appearance of packaging is also a concern: The box may need to attract attention and tout product features, and the presentation affects customer impressions. But features that make the box pretty may not stand up to current handling practices. So any well-considered packaging initiative needs to include representatives from sales and marketing, transportation, warehousing, sourcing/procurement, production, and finance.

Cross-functionality is not the only consideration. Companies must factor in many trade-offs. Packaging changes made to accommodate one group may inadvertently impact another, adding steps or costs to their processes. "Four budget holders might have completely different ways to measure their business," says Crane's Labadie.

# 10 NOT PREPARING FOR RETURNS.

Up to one-third of e-commerce purchases are returned, according to retail consulting firm Kurt Salmon. But with the category's fast growth, few companies have looked closely at packaging in the returns process. That can be a costly oversight, particularly for those offering free returns in the DIM weight pricing era.

"When you leave return packaging to the consumer, inefficiency goes through the roof," notes Ampuja.

Some retailers are beginning to design outbound packaging with returns in mind, not just by enclosing returns paperwork, but also by designing packing materials and boxes that are reusable, intuitive, and strong enough to make a return trip. Designing returns packaging prevents damage, and is more convenient for the consumer.

For shippers with high return rates, "It's in their best interest to use the most efficient package to ship and to minimize damage on eventual returns," says Fletcher. Those efficiencies may include reusable containers, and/or a pouch or a box that can be resealed.

## Looking Ahead

DIM weight may be the current focus in parcel shipping, but "Less-than-truckload (LTL) is not far behind," notes Ampuja. LTL shippers often don't know, or they understate, their freight class. Instead of taking risks by basing pricing on weights at potentially wrong rates, some LTL carriers are installing dimensioning systems that use lasers and scales to calculate a package's weight, cube, and density, along with recording the date and a photo of the shipment. They can then charge based on accurate weight and freight class.

"For one LTL carrier, this system paid for itself in three weeks," Ampuja says. A few carriers have already implemented density-based pricing for LTL, while others are currently making it voluntary. "We expect the tipping point in fewer than two years," he says.

With all the changes and opportunities, it's time for packaging to gain a higher profile in supply chain discussions.

"Packaging is a brand differentiator, and offers an opportunity to highlight your company as environmentally friendly," says Kenco's Fletcher. "As long as advancements in technology continue, packaging is an area companies should revisit at least annually." ■

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## SITE SELECTION & E-COMMERCE



# TAPPING REGIONAL EXCELLENCE

When choosing new sites to locate fulfillment facilities, retailers opt in for e-commerce excellence and proximity to large population centers.

**W**hen UK-based upscale casual clothing retailer JP Boden was ready to establish an online fulfillment center in the United States, it focused its search on the East Coast. After a short, but fruitful, three-week site selection process, the company established its first U.S. call center and fulfillment facility in Wilkes-Barre, Pa.

“At the time, we were supporting our U.S. business from the United Kingdom, so we had a blank canvas for the location of our first U.S. facility,” recalls Ben Dreyer, who, as operations and IT director for JP Boden, directed the site search. “We focused on the East Coast because that’s where most of our U.S. customers are located.”

When he began the search, Dreyer spent one week in the United States touring sites in Connecticut, New York, New Jersey, Delaware, West Virginia, and the Carolinas. He returned to the UK and spent another week conducting research. After a second round of site visits in the United States, he zeroed in on northeast Pennsylvania.

“A warehouse supporting e-commerce is labor-intensive, because merchandise

has to be packed into thousands of parcels to ship out to customers,” Dreyer explains. “We also have a call center, so we wanted an area that could provide a qualified labor pool.”

Dreyer was attracted by the readily available warehousing space in the northeast Pennsylvania region, and the easily accessible interstate routes. Quick access to the Port of New York and New Jersey, which is a two-hour drive away and the entry point for many of JP Boden’s goods, was another key factor in his selection. But the tipping point was the region’s labor force.

“A good labor force was the driver for us,” Dreyer says. “Of all the regions we considered, northeast Pennsylvania offered the best-qualified, least-transient labor force.

Other regions we considered had high turnover rates. We like to invest in staff and training, and we don’t want workers leaving every six months.”

JP Boden opted to lease a new building, and was able to influence some of the design. A few years later, the company expanded that facility, more than doubling its size to 136,400 square feet. The facility employs about 120 workers; that number rises to 150 during peak seasons.

Looking back, Dreyer is pleased with his site selection choice. “The facility works well,” he says. “We’ve been able to expand it, we are happy with our workforce, and we can offer excellent customer service.”

JP Boden’s choice of northeastern Pennsylvania illustrates the current top driver of site selection for fulfillment centers: proximity to large population areas. Pennsylvania is one of several such locations almost universally cited by commercial real estate companies. Other “hot” regions include Columbus, Ohio; Dallas/Fort Worth; Chicago; Atlanta; and southern California.



CenterPoint developed Walmart's two facilities in the Joliet/Elwood CenterPoint Intermodal Center. Serving e-commerce customers played a role in the retailer's site selection decision.

Duke Realty, an Indianapolis-based builder of distribution facilities across the United States, is involved in dozens of e-commerce-related projects. Business is strong and signs are it will keep improving.

“We have been following the e-commerce trend for a long time. It is growing and will continue to grow,” says Mark Hosfeld, vice president of leasing and development for Duke Realty. “The pie keeps getting bigger. Companies that don’t develop a strong e-commerce plan will get left behind.”

Duke’s strategy is to buy land across the country and try to be at the right place at the right time, Hosfeld says. In addition, Duke often builds to a client’s specifications, then leases to the client that operates the facility. Other times, Duke builds on spec in hopes that the right tenant will come along who can’t wait for a building to be constructed.

“We try to design with flexibility in mind, and we have to be strategic, but most of the time we provide a build-to-suit product,” Hosfeld says.

Big retailers have evolved their thinking



over the past several years when it comes to site selection, according to John Nicholson, senior managing director for DTZ, a global property services firm that recently merged with Cassidy Turley. Today, the driving force is proximity to population centers to ensure rapid delivery to most customers. Population centers also provide access to large labor pools, another necessity for labor-intensive fulfillment centers.

“We’ve watched as mega retailers such as Amazon create same-day and next-day delivery models,” Nicholson says. “Historically, fulfillment centers have been large and located in central areas. That has evolved to smaller facilities in metropolitan areas. Amazon is the leader, and its competitors have followed.”

Fulfillment centers require many more employees than traditional distribution centers, Nicholson notes. So these new facilities need a different type of infrastructure that includes more parking spaces, more restrooms, and heavy power equipment. Companies also consider the tax environment, the availability of local and state incentives, and proximity to parcel distribution hubs, when making their site selection decisions.

#### Love at First Site

“E-commerce companies consider a number of factors when they begin the site selection process,” Nicholson says. “First, because they are implementing automated systems, they have to look at floor loads, heavy power, clear height, ESFR (early suppression, fast response sprinklers), and column spacing. Second, an e-commerce facility requires additional employee parking, breakrooms, restrooms, administrative office space, warehouse management systems, and access to fiber optics and HVAC.

“To support same-day or next-day delivery service, they might consider other amenities such as trailer drops, access to major thoroughfares, parcel hubs, availability of seasonal labor, and speed of delivery,” he adds.

The United States is early in the process of e-commerce infrastructure development, especially compared to Europe, notes Nicholson. U.S. industry is still trying to

## HERE, THERE, EVERYWHERE

Here’s a look at a few recent e-commerce fulfillment center announcements from around the country:

■ **ReallyGoodStuff.com**, an online retailer of teaching supplies, selected a site in CenterPoint Intermodal Center, Kansas City. The site was chosen for its location in the U.S. heartland, from which the company will distribute nationwide and into Canada.

■ **Macy’s** is moving its West Sacramento, Calif., fulfillment center to a nearby location in Sacramento County. The company plans to begin operations in summer 2015 in a 385,000-square-foot facility, about four times the size of its current building. Its workforce will grow from 72 to more than 175 after the move. Macy’s says it chose Sacramento County for its workforce and community support.

■ **Target Corp.** announced plans in early February 2015 for a \$52-million, 250-job fulfillment center in York County, Pa., which will be managed by third-party logistics provider GENCO. That follows a December 2014 announcement of a 900,000-square-foot center in the Memphis region, which will create more than 400 jobs.

■ Charlotte, N.C.-based retailer **Belk** continues to expand its center in Union County, S.C. The facility is now approximately 865,000 square feet. Belk anticipates employing more than 300 workers by the end of 2015.

find the right processes, efficiencies, and best use of capital.

Fulfillment centers tend to be labor-intensive, because they distribute small packages and small orders. Besides the extra labor needed, this also demands more automation to move, handle, and sort product and shipments, says Andy Mace, managing director of global business consulting and supply chain solutions for commercial real estate services firm Cushman & Wakefield.

### Labor Pains

Access to labor is paramount when making e-commerce site selection decisions. Larger centers employ 1,000 or more workers year-round, and double that number during peak seasons. That drives e-commerce companies to place facilities near population centers, even though real estate and labor may cost more. Turnover rates are often high, so they have to ensure a steady pool of employees.

“E-commerce companies have to be mindful of their labor supply,” Mace says. “In fact, labor is often more important than transportation considerations. Most companies say they want to deliver products faster—either same-day or next-day. To do that, they locate fulfillment centers close

to large population centers. It’s symbiotic with the need to have a larger workforce.”

E-commerce fulfillment has proliferated in northeastern Pennsylvania over the past few years. It has been a growing business for Wilkes-Barre-based Mericle, a commercial real estate specialist, which developed the facility JP Boden occupies in the CenterPoint Commerce & Trade Park. Fulfillment centers also have found homes in Scranton, Pittston, and Hazleton, Pa. Mericle has 13 such tenants in buildings ranging from 200,000 square feet to more than one million square feet.

Delivery speed is important to e-commerce companies that are looking for either a shovel-ready site or a ready-to-go building. Eastern Pennsylvania offers a prime platform from which to serve a region stretching from Maine to Virginia, west to Ohio and east to the ocean.

“We have seen an uptick in both inquiries and projects completed in recent years,” says Jim Cummings, Mericle’s vice president of marketing. “E-commerce companies are in a hurry, and need to quickly occupy an existing building or a prepared site. They want to be in the heart of things. There are 51 million people within 200 miles of northeast Pennsylvania; e-commerce companies are trying to find a way to reach them affordably.

“Growth in this region has everything to do with the logistics models companies use to compare operating costs, real estate taxes, utilities and labor costs, and being two hours from New York City versus 30 minutes,” Cummings adds. “Site selection is a complicated science.”

Northeast Pennsylvania also benefits from having a large supply of available industrial buildings and fully prepared sites. Mericle is involved with about 90 such sites in 11 business parks. Retailers operating fulfillment centers in the region include Discount Dance Supply, Neiman Marcus, babyage.com, and Men’s Wearhouse.

### Discovering Columbus

Columbus, Ohio, has also become a popular spot for new fulfillment facilities and expanding firms. One such firm is Cheryl’s, which sells cookies, cakes, and other desserts. As part of the 1-800-Flowers.com family of companies, Cheryl’s is growing fast, and currently occupies a 175,000-square-foot distribution center in nearby Obetz.

Cheryl’s didn’t move to the Columbus region; it had the good fortune to be a homegrown company in a prime logistics nexus. “A UPS ground hub is located a few minutes from our facility, so orders



**Geographically positioned to reduce transportation costs, Home Depot’s three new fulfillment centers will deliver 90 percent of orders within two days using ground service.**

we receive by 7 p.m. can make the last truck,” says Bob Happel, vice president and general manager of Cheryl’s. “In addition, UPS’s main hub is just 25 minutes away. We have many customers in Ohio and in surrounding states, so we can offer one-day shipping.”

When a holiday spike happens, another bonus is the facility’s proximity to UPS’s Worldport air hub in Louisville, just three hours away.

“E-commerce is our growth engine,” Happel says. “We’ve grown from a bakery to selling through catalogs, then transitioning to e-commerce, which is fueling our success. We have the potential to double our business in the next few years, and most of that growth will come from e-commerce.”

Many other e-commerce retailers have settled in the Columbus area during the past few years. These include:

■ **Gwynnie Bee**, a subscription-based apparel retailer, which plans to create more than 400 jobs in Columbus by 2017.

## THE JOPLIN ADVANTAGE

When it comes to locations for distribution centers, Joplin, Mo., has a lot going for it. The city of 50,000 in Missouri’s southwest corner is near the borders of both Kansas and Texas, and sits at the crossroads of Interstates 49 and 44. The Joplin area has attracted a significant number of traditional distribution operations, and is now hoping to lure investment in online retail fulfillment centers.

“For sheer market reach, we are in a central location to reach a good part of the U.S. market,” says Rob O’Brian, president of the Joplin Area Chamber of Commerce. “I-44 connects the Midwest to the growing Southwest market.”

O’Brian says Joplin’s distribution center sector is a mix of regional centers serving a four-hour reach by truck and larger centers with a much broader service area. The sector includes Heartland Pet Foods, which operates a distribution center along with its manufacturing operation.

Joplin’s Crossroads and Distribution Park, located near the intersection of the two interstate highways, has available space suitable for distribution operations.

■ **lululemon athletica**, a Vancouver, British Columbia-based firm specializing in yoga apparel, which chose an existing 300,000-square-foot building and is creating 170 jobs.

■ **Homage**, which consolidated its operations into a headquarters and distribution location near Port Columbus International Airport.

■ **Pier 1 Imports**, which established a

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fulfillment center in Grove City and created more than 150 jobs.

■ **Zulilly**, which opened a fulfillment center in Obetz in 2012, with plans to create several hundred jobs.

Employment in the logistics and transportation sector is projected to grow 20 percent by 2020, according to Patricia Huddle, vice president of existing business

## DEVELOPING A NEW BLUEPRINT

Retailers are still establishing their formulas for choosing the best site for e-commerce facilities, says Brian McKiernan, senior vice president, development for CenterPoint Properties, an Oak Brook, Ill.-based developer of industrial property. Structural requirements are also changing.

“We are looking at buildings differently now,” McKiernan says. “Companies are asking for more mezzanines and more parking spaces. Those requirements eliminate a lot of existing buildings.”

McKiernan believes the industry is still trying to sort things out when it comes to real estate. Increasing infill development around larger cities, such as Los Angeles and San Francisco, targets delivery within the city.

“For many years, distribution centers were located outside of populated areas; now they have to be closer to the population,” he adds.

services for Columbus 2020, the region’s economic development agency.

The region could also benefit from related industries, including data analytics. In 2012, IBM opened its Advanced Analytics Center in Columbus, which could spur further growth. “Retailers are being driven more and more by data, so

we see data analytics and e-commerce as synergistic,” Huddle says. “We expect this area to grow.”

David Widdifield, senior lecturer and director of the Masters in Business Engineering Program at The Ohio State University’s Fisher College of Business, came to the academic world after working as a logistics systems manager at shoe retailer DSW and other e-tailers in the Columbus region. He attributes Columbus’ explosive growth to several factors.

“One is that Columbus tends to be a retail hub,” Widdifield says. “A number of companies, such as Big Lots, Abercrombie & Fitch, and L Brands were already established in the city. Skill sets were in place, and Columbus 2020 and the Columbus Chamber of Commerce put a lot of effort into making people aware of not just the area’s skilled labor pool, but also its access to infrastructure. Columbus offers the ability to reach nearly the entire country within an eight- to 10-hour drive.”

Another factor is plentiful distribution space. The Rickenbacker Inland Port, for example, includes a global logistics park and an international airport that targets cargo.

One air carrier serving Rickenbacker International Airport is Cathay Pacific Cargo. The Hong Kong-based airline began flights to Rickenbacker in 2014, and now offers three flights per week. The flights are primarily based on fashion-related shipments to L Brands, Abercrombie & Fitch, and other retailers, says James Woodrow, director of cargo for Cathay Pacific. The carrier hopes to expand its customer base in the Columbus area in the coming months, and outbound flights may include some e-commerce-related shipments.

### Southern California Shines

The massive ports in Long Beach and Los Angeles that receive goods from Asia drive e-commerce in densely populated Southern California.

“E-commerce growth is tied to population,” says Kevin Turner, executive vice president of Voit Real Estate Services. “With a population of more than 20 million, it makes sense that Southern California is growing in fulfillment.”

Land is becoming a rare commodity in the region, with just a few remaining parcels in the Inland Empire that can accommodate distribution, Turner notes. As a result, rents are on the rise. Currently, 21 facilities in the Inland Empire are one million square feet or larger.

### No Place Like Home

E-commerce has also become increasingly important to the big home improvement retailers. Home Depot, for example, opened two fulfillment centers in 2014, and will debut another in 2015. The three centers comprise more than three million square feet and will employ about 1,000 workers. The first fulfillment center opened in the Atlanta suburb of Locust Grove, followed a few months later by one in Perris, a small city south of Riverside in Southern California. The third will open in 2015 in Troy, Ohio, just north of Dayton.

“Our three new direct fulfillment centers are strategically positioned to deliver 90 percent of our customers’ parcel orders within two days, using economical ground service,” says Scott Spata, vice president of supply chain for Home Depot. “For example, a customer who places an order by 5 p.m. Monday receives it on Wednesday.”

Spata says the three new facilities will reduce Home Depot’s transportation costs and allow the company to deliver online orders to consumers, contractors, and U.S. stores quickly and uniformly. Home Depot chose each site for its geographic reach and ability to leverage the company’s existing distribution center infrastructure.

Developing an understanding of the e-commerce sector requires looking at its history, according to Chris Caton, vice president of research at ProLogis, a real estate company with corporate headquarters in San Francisco. The massive size of e-commerce—estimated at \$300 billion in the United States, and approaching \$1 trillion globally—is the result of more than one decade of growth. The industry is growing at a clip of 15 to 20 percent annually, but only in the last few years have companies focused in a big way on logistics and leasing of space.

“Many companies did the best they

could with their existing supply chains coming out of the recession, or they reached a critical mass," Caton says. "They determined they needed to invest in both pure play and multiple channel retail."

ProLogis has seen its e-commerce business double from three years ago; it now accounts for 10 percent of its leasing. The fourth quarter of 2014 was the company's most active quarter ever for e-commerce leasing, says Caton.

### Sizing Up Decentralized Distribution

"There is a lot of diversity among companies in the \$300-billion e-commerce industry," Caton says. "Many are major national and international brands with sizeable supply chains. A large component of that industry is midsize online retailers with between \$.5 billion and \$2 billion in annual sales. Their model is centralized, with one or two centers in the middle of the United States to serve the full U.S. market.



**To better reach customers and stores, retailer Neiman Marcus relocated its East Coast fulfillment and distribution center to Jenkins Township, Pa.**

"As those companies grow over the next few years, that scale will allow them to carry enough inventory to have four or five centers closer to their markets," he adds.

"Amazon, Staples, and Home Depot for example, have decentralized distribution," Caton continues. "They can carry the inventory consumers want. Mid-sized

retailers can grow much larger." And, larger retailers often opt for big buildings with mezzanine flooring and ceilings as high as 40 feet, he notes.

Caton says the e-commerce fulfillment center growth spike is nowhere near reaching a plateau: "I see a lot of growth from here on out." ■

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## Casebook | by Mary Shacklett

### Popping the Cork on Outsourced Logistics

**A**fter experiencing logistics challenges during a high-volume holiday season, Coravin, a wine access system innovator, needed help handling distribution, shipping, and product assembly. With assistance from a third-party logistics (3PL) provider, Coravin formulated a product distribution strategy to help operations flow like wine.

Founded in 2011 by Greg Lambrecht, Burlington, Mass.-based Coravin invented a wine access system that allows the user to get a glass of wine out of the bottle without removing the cork. The wine flows through a needle that is inserted briefly into the cork, and the cork reseals itself once the glass is poured. The technique keeps oxygen out of the bottle to preserve the quality of the wine. The system uses argon, an inert gas that keeps wine pressurized in the bottle, but has no deleterious effect on its taste.

#### Getting Product to Market

As an innovative and entrepreneurial company consisting of approximately 50 employees, Coravin is relatively

small, but has peaked worldwide interest in its wine preservation technology. Consequently, a major challenge for Coravin was developing a strategy for getting its product to market.

“Both the CEO and I come from consumer products backgrounds,” says Calli Prendergast, Coravin vice president. “When we launched the product a few years ago, we agreed the best thing to do initially was to keep direct control of all operations, including doing our own product distribution. Upfront, we realized that as we grew, we would probably seek a 3PL to handle distribution. But at least at the onset, it was important for us to experience the logistics challenges so we could understand them, along with

To get its innovative wine access system to market, Coravin raises a glass to its third-party logistics provider.



the role they play in the business.”

As part of this early effort, Coravin hired a distribution manager. And in 2013, during its first holiday season, the company used a skeleton crew that was augmented with temporary workers. The 2013 holidays proved to be successful, and also busy. The peak season taxed Coravin employees and contract workers, who struggled to keep up with assembling, gift wrapping, packing, and shipping product to more customers than the company had originally anticipated.

“The experience of handling product distribution on our own turned out to be painful during that first holiday season,” recalls Prendergast. “We tried to work with a small staff and temporary workers, and we had committed to offering top-of-the-line customer service. Media and press coverage about our product had built up excitement in advance of our first Black Friday sale. Between the packaging, gift wrapping, shipping, and demand that the publicity created, we had all the distribution we could handle.”

### Looking for Distribution Help

It didn't take long for Coravin management to determine it needed a 3PL to handle distribution, shipping, and portions of its gift packaging, gift wrapping, and product assembly operations.

“We looked at several 3PL providers as an outsource option, but also as companies capable of partnering with us in this process,” says Prendergast. “One advantage as we entered the 3PL interviewing process was that I had already worked with Kenco at a previous company. The CEO also had worked with Kenco. We knew its capabilities and its people. When we looked at the parcel solutions available through a 3PL, we saw the economic advantages of participating in the more attractive shipping rates that a 3PL can obtain because of its larger negotiated volumes. Given this, outsourcing shipping and distribution made even more sense.”

Coravin contacted Kenco about assuming responsibility for distribution and shipping, and the two companies began to

formulate a product distribution strategy.

“When we initially came to those meetings, we wanted Kenco to assume responsibility in several areas,” says Prendergast. “First, we had to integrate our internal systems with Kenco's systems so information exchanges would be as close to real time as possible. This meant order information had to flow to Kenco from the Coravin order system, and information from Kenco's shipping and order fulfillment systems had to flow into our systems. Both companies also required real-time, accurate visibility into inventory. To facilitate this, we had to integrate our IT systems to also address inventory.”

The ultimate goal for the end-to-end system integration was to facilitate instantaneous information exchanges so Coravin's orders would stay in step with Kenco's order fulfillment actions. To achieve this integration, Kenco and Coravin closely collaborated, carefully mapping out all the

data and system requirements for the integration. The project team determined that using electronic data interchange would allow them to exchange 945 warehouse shipping advices and 947 inventory adjustment advices.

“The end result was that the reporting system we both used was fully automated after the system integration,” says Prendergast.

As Coravin's fulfillment center business partner, Kenco had immediate visibility of purchase orders. This optimized operational coordination. “The system integrates inventory information to where Coravin sends us the orders and we send the confirmations,” says Judy Craig, Kenco vice president.

Thanks to the business process improvements the system integration delivers, an order comes into the Coravin system in Massachusetts and Kenco fills it as quickly as 10 minutes later at its Chattanooga, Tenn., distribution center.

### Transferring White Glove Skills

Having directly experienced the challenges of packaging, gift wrapping, distributing, and shipping product through one holiday season, Coravin also wanted to outsource several product assembly operations to Kenco.

“Our light assembly, gift wrapping, and packaging process required that workers receive special training because these requirements are customized to the product and for our clientele, who are serious and affluent wine collectors and connoisseurs,” says Prendergast.

Consequently, deciding to outsource this work to Kenco required several Coravin employees to travel to Kenco's Chattanooga distribution center (DC) to perform hands-on training of staff. During training, Coravin employees also produced a set of documented procedures for these operations that Kenco staff could continually use and

## WINE BY THE GLASS: HOW IT WORKS

- A thin, hollow needle is inserted through the cork to access the wine.
- The bottle is pressurized with argon, an inert gas that has no effect on the taste profile of wine. The wine then flows through the needle and pours into the glass.
- The needle is removed from the cork and the cork reseals, protecting the wine from oxidation, which enables users to enjoy wine glass by glass weeks or months later.



**“To be successful in every area of our operation, we need to find trusted business partners that can assist us.”**

– Calli Prendergast, Vice President, Coravin

reference. A key focus of training was precisely assembling each unit’s capsule, in addition to mastering the specialized gift wrapping and inclusion of personalized notes.

“This is an assembly and gift wrap process for a high-value product,” says Kenco’s Craig. “The gift wrapping operations must be consistently executed to a high standard.”

Meeting the needs of a white glove clientele is challenging. If an order is in the system by 1 p.m., Coravin customers expect the order will ship the same day, and be correctly shipped to specification.

“We have to meet customer service

metrics in the distribution process,” says Craig. “We track these metrics, and provide feedback to Coravin that helps identify any changes to the business model that it needs to address.”

#### **Reaping the Benefits of Outsourcing**

Moving to a 3PL with knowledge and experience in dealing with multiple distribution points and sales channels has been a great benefit to Coravin, according to Prendergast, who still has fresh memories of the challenges faced when trying to handle order fulfillment and distribution in-house during the 2013 holiday sales season.

“The quality of the partnerships formed with logistics partners can help companies continue to grow their businesses,” says Craig.

Since outsourcing light assembly, packaging, distribution, and logistics to a 3PL, Coravin has moved to a multiple sales and order fulfillment model over a short time, which has further complicated distribution.

“We continue to fill customer orders directly as they come in through our website, but we also separately ship orders to business partners including wine shops and vineyards. In turn, they sell our product to their end customers. We now manage multiple drop ship programs,” says Prendergast.

“Our business continues to expand,” she adds. We have a growing presence in Europe with a facility in Amsterdam that serves customers in England, France, Germany, Italy, and Spain. In 2015, we anticipate we will start marketing our product in big box stores.”



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Still, logistics challenges remain—especially when selling to foreign markets.

“Certain countries, such as Brazil and Japan, restrict the use of argon as an element in products, and consider it a hazardous material,” says Prendergast. “We are still learning the various customs rules and restrictions that apply in different countries as we continue our market expansion.”

### Meeting Expectations

However, true to its entrepreneurial roots, Coravin remains undeterred.

“We are an entrepreneurial company, and we will always come up with new products,” says Prendergast. “We recognize our strength is product innovation and marketing—and if we are to be successful in every area of our operation, we need to find trusted business partners that can assist us.

“Early on, we recognized we needed to outsource distribution and logistics,” she says. “Finding a third-party logistics partner



that we could rely on and collaborate with, and that offered distribution and logistics expertise that could support the rapid sales

**In addition to distribution and shipping, Kenco helps Coravin with portions of its gift packaging, gift wrapping, and product assembly operations.**

growth and market expansion that we were anticipating, was crucial.

“The clientele for our products will always expect us to meet their high expectations, even in periods of heavy expansion,” Prendergast continues. “This is what convinced us to identify our core competencies, and to recognize where we didn’t have the expertise.

“To be successful, we have to meet our clients’ expectations in every aspect of our operations. It’s reassuring when you find operational expertise that can match your core competencies in product innovation and marketing,” says Prendergast. “Being able to outsource some operational elements of our business leaves us free to focus on what we do best—making innovative products and growing sales.”

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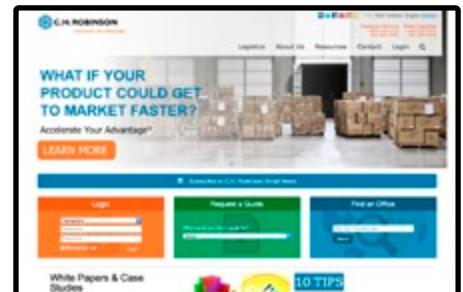


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Founded in 1905, C.H. Robinson Worldwide, Inc. is one of the largest third-party logistics companies in the world, providing multimodal transportation, fresh produce sourcing, and information services to more than 32,000 customers globally, ranging from Fortune 500 companies to small businesses in a variety of industries. For more information about our company, visit our website at [www.chrobinson.com](http://www.chrobinson.com).



### Geodis • [www.geodis.com](http://www.geodis.com)

With 5,500 people and a global network, Geodis is one of the world's largest freight management companies, serving customers with integrated supply chain solutions that deliver cargo by sea and air. The company's expertise, value-added services, and e-services enable you to streamline the flow of goods. We also make your supply chain more transparent and easier to manage. A self-reliant network of offices, and air and ocean hubs in more than 50 countries, ensures that your cargo flows efficiently and consistently across the world.

### Werner Enterprises Inc. • [www.werner.com](http://www.werner.com)

Werner Enterprises Inc. is a premier transportation and logistics company, with coverage throughout the United States, Canada, Mexico, and China. Werner maintains its global headquarters in Omaha, Neb., offering 24/7 service 365 days a year. Werner is among the five largest truckload carriers in the United States, with a portfolio of services that includes long-haul, regional and local van capacity, temperature-controlled, flatbed, dedicated, and expedited. Werner's value-added services portfolio includes import and export freight management, PO and vendor management, truck brokerage, intermodal, load/mode and network optimization, and global visibility. Internationally Werner provides freight forwarding and customs brokerage services, and is a licensed NVOCC.



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**Logistics IT - Trucking-LTL**

**LOGISTICS IT**



**Magaya Logistics Software Solutions • www.magaya.com**

Magaya's logistics software is designed specifically for freight forwarders, NVOCCs, logistics providers, warehousing and distribution centers, importers, exporters, and others in the logistics industry. Our software is a complete package that integrates logistics, communication, and accounting features built on the award-winning Magaya Network. Companies can exchange documents for shipping, and more, with their customers and agents worldwide via the Network and give them real-time tracking.

**PORTS**

**Port of Long Beach • www.polb.com**

The Port of Long Beach is one of the world's busiest seaports, a leading gateway for trade between the United States and Asia. During the next 10 to 15 years, the Port of Long Beach plans to create at least four container terminals of more than 300 acres each, and to build at least one other large terminal. The new terminals will have dockside rail facilities, which allow cargo to be transferred directly between ships and trains. Such transfers speed deliveries between Long Beach and markets nationwide. For more information on the advantages and services offered by the Port of Long Beach, visit www.polb.com.



**RAIL**



**Florida East Coast Railway • www.fecrwy.com**

The Florida East Coast Railway (FEC) is a 351-mile freight rail system located along the east coast of Florida. It is the exclusive rail provider for PortMiami, Port Everglades, and Port of Palm Beach. FEC connects to the national railway system in Jacksonville, Florida, to move cargo originating or terminating there. Based in Jacksonville, FEC provides end-to-end intermodal and carload solutions to customers who demand cost-effective and premium quality.

**TRUCKING-LTL**

**Old Dominion Freight Line • www.odfl.com**

Old Dominion Freight Line is a less-than-truckload carrier providing complete nationwide service within the continental United States. Through its four product groups, OD-Domestic, OD-Expedited, OD-Global, and OD-Technology, the company offers an array of innovative products and services to, from, and between North America, Central America, South America, and the Far East. The company also offers a broad range of expedited and logistical services in both domestic and global markets.



# WhitePaperDigest

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



## Ryder

**TITLE:** *Be Nimble - Drive a Nimble Supply Chain*

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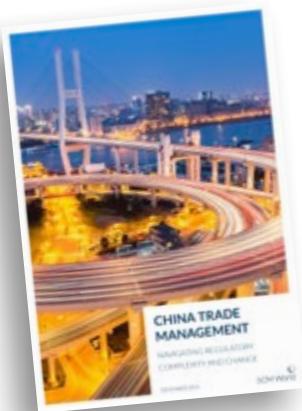
**SUMMARY:** As companies look for ways to stay competitive, they should consider evaluating the type of fleet they operate. There are several factors to consider when choosing between owning a fleet or using a dedicated contract carrier. With many new trends in the trucking industry, here's how Ryder Dedicated can help your business.

## BellHawk Systems Corporation

**TITLE:** *Work-in-Process Tracking of Materials With Different Widths and Lengths*

**DOWNLOAD:** [bit.ly/1MfhFeh](http://bit.ly/1MfhFeh)

**SUMMARY:** A big issue for many manufacturers is how to use bar codes to track materials with different lengths and widths. For example, a manufacturer may buy 10 sheets of material that measure 4x8 feet, then use 3.5 sheets to make a batch of products. They return the leftover 4x4 sheet to stock, and use it again on subsequent jobs. Over time, the manufacturer accumulates many off-cuts of different sizes. If a manufacturer assigns a separate part number to each size of the same material, then it quickly ends up with thousands of part numbers. Find the solution by downloading this free whitepaper today.

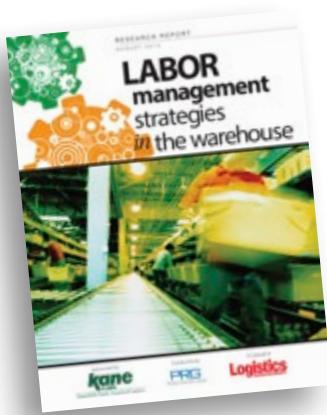


## Amber Road

**TITLE:** *China Trade Management: Navigating Regulatory Complexity and Change*

**DOWNLOAD:** [bit.ly/1MfhwaG](http://bit.ly/1MfhwaG)

**SUMMARY:** According to SCM World research, supply chain leaders view China as a premier growth opportunity, but many also consider the country too risky to do business in. SCM World's new report digs a little deeper into the dynamics at play in China, the core capabilities for taking advantage of China growth opportunities, and how global trade management solutions can help organizations deal with an evolving China.



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## Kane Is Able

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**TITLE:** *Labor Management Strategies in the Warehouse*

**DOWNLOAD:** [bit.ly/1MfhBLo](http://bit.ly/1MfhBLo)

**SUMMARY:** Kane Is Able recently sponsored research that surveyed 252 logistics executives on the strategies they employ for managing labor in the distribution center. The results of that research are summarized in this report. Survey questions explored a range of issues, including use of technology, strategies to drive productivity, and use of third-party labor providers. The report, filled with charts and other data, allows you to compare your approach with your peers.

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## J.B. Hunt

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**TITLE:** *Industry Challenges*

**DOWNLOAD:** [jb.ht/IndustryChallenges](http://jb.ht/IndustryChallenges)

**SUMMARY:** The transportation industry faces many challenges in 2015 and beyond. Increased recruiting expenses and mileage pay, truck and maintenance costs, preparation for future regulations on equipment, lost productivity due to new regulations, and a precarious market capacity situation are all stressing forces. This whitepaper provides valuable information and insights surrounding the driver shortage, driver retention, tightening regulations and capacity, railroad investment, equipment costs, and overall productivity.

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## Verizon

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**TITLE:** *How to Get More Done for Less With a GPS Fleet Tracking System*

**DOWNLOAD:** [bit.ly/1NqEJZ3](http://bit.ly/1NqEJZ3)

**SUMMARY:** Controlling labor costs doesn't have to lead to diminished service quality. In fact, with a vehicle tracking solution like Networkfleet, you can control labor costs and improve service quality at the same time by managing your entire fleet more efficiently and effectively. Combining the data from Networkfleet with a disciplined approach that rewards drivers for efficient driving habits can enable your fleet to drive fewer miles, reduce overtime and other labor expenses, and get more jobs done in less time. To learn more about vehicle tracking solutions, download this free whitepaper today.



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## UPS

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**TITLE:** *UPS B2B Purchasing Insights*

**DOWNLOAD:** [bit.ly/1NqEBZp](http://bit.ly/1NqEBZp)

**SUMMARY:** Industrial distribution, once dominated by family-owned companies built on generations of personal relationships, has undergone a quiet but dramatic renaissance. Vendor reduction initiatives, widespread mergers and acquisitions, and the inevitable growth in online selling have intensified competition for available dollars. This whitepaper, conducted in partnership with TNS, sheds light on factors driving the purchase decisions of those who buy or influence industrial supplies purchases. The study offers distributors a glimpse into their competitive position in the marketplace, as well as potential areas for growth.

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Materials handling company **Crown Equipment Corporation** enhanced its PE 4500 Series of pallet trucks to include power steering. The power steering allows operators to reduce strain on shoulders, back, and arms, and use rubber drive tires without increased steering effort.

### //Services//

Third-party logistics (3PL) provider **A&R Logistics** leased a 167-acre transload campus from CenterPoint Properties in Morris, Ill. The location features two buildings totaling 328,500 square feet, a transload operation, 450 rail car storage spots, and 80 acres of expansion land.

Airfreight carrier **Lufthansa Cargo** took possession of its fifth Boeing 777F aircraft. The carrier mostly uses the five freighters for scheduled operations between Europe and North America, and has options to buy five more of the aircraft before September 2020.

Customs broker **Livingston International** entered into a partnership with the **National Small Business Association** (NSBA) to help small businesses trade internationally. NSBA members now have access to Livingston's customs brokerage, trade compliance, and import and export solutions.

Logistics provider **Murphy Logistics** opened two additional campuses totaling 150,000 square feet in Kansas City, Mo. The new locations allow Murphy to provide rail services to shippers.

Temperature-controlled warehousing provider **Preferred Freezer Services** expanded its Houston Express facility with 84,686 square feet of freezer

space, and 13,058 additional square feet at the loading dock. The facility is located near major roadways and the Port of Houston, and offers packing and labeling services, a 24/7 online information system, and on-site inspection capabilities.

**Old Dominion Freight Line (ODFL)**, a less-than-truckload carrier, expanded its service center in Oshkosh, Wis. The eight-acre, 48-door facility replaces an

older 37-door facility, and helps ODFL better serve the region's paper industry.

## //Transportation//

Mexico-based freight and parcel carrier **Paquetexpress** announced a new consolidated LTL service connecting 99 locations in Mexico with multiple points in the southeastern United States.

Ocean Roll-on/Roll-off (RoRo) carrier **SC Line** began operating a new service between Port Everglades, Fla., Latin America, and the Caribbean. The *M/V Caroline Russ*, a 10,488-gross-ton RoRo ship with a capacity for 190 trucks, 470 cars, and 120 20-foot containers, serves the route.

Logistics provider **Canadian American Transport (C.A.T.)** began a door-to-door intermodal service to all points in North



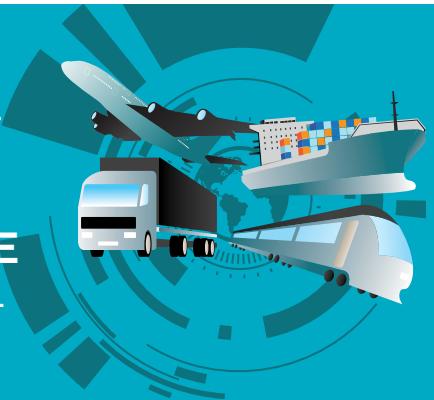
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America. C.A.T. coordinates transport of the shipment to the outbound rail yard, moves it via rail to its destination, and handles final delivery. The service handles both dry and temperature-controlled cargo.

### //Technology//

Supply chain management software provider **HighJump Software** teamed up with **NumberCruncher.com**, a provider of inventory and order management solutions for *QuickBooks* software users. The partnership allows users to automate and accelerate order processing by linking their electronic data interchange, inventory management, and *QuickBooks* accounting systems.

Fleet management software provider **iGlobal LLC** and transportation solutions company **MacLeod Software** completed an integration of iGlobal's suite of mobile data terminals with MacLeod's *LoadMaster Enterprise Dispatch* software. Users can now get automated position updates, two-way text messaging, real-time electronic driver log status, and automatic arrival and departure updates.

The warehouse management system from **MNP Retail**, a developer of omni-channel retail solutions, acts as an inventory hub between order management and purchasing management solutions. The system helps to manage and optimize receiving, picking, and packing operations in retail warehouses.

Transportation management software (TMS) provider **UltraShipTMS** completed its integration with fleet technology provider **PeopleNet**,



The TND Tablet from **Rand McNally** connects the TND Truck GPS device with an Android tablet that is pre-loaded with trucking applications. The tablet provides driving solutions such as truck-specific routing, mileage tracking, and an on-board dash cam; pre-loaded applications to help manage business processes, including document scanning, load matching, and bookkeeping assistance; and access to entertainment, social media, and email during off hours.

enabling fleet management features that allow users to manage common carrier, private, and dedicated fleet movements from one application.

**BigTruckGuide.com** provides access to detailed information on gross weights, payload estimates, axle weights, and dimensions for 27 commonly used truck types across the United States and Canada. Shippers can check their area of operation to find the optimal truck for their load, and carriers can ensure compliance, and look for above-average weight allowances to satisfy shippers.

### //Products//

Storage and materials handling solutions provider **SSI Schaefer** developed the SSI Order Verifier to verify and document orders prior to shipping. Users can identify, count, verify, photograph, and document

products within an order in one integrated process, providing a system to meet the legal track-and-trace requirements for documentation of shipped pharmaceutical products.

Glow Floor-Mark from **Visual Workplace** is a peel-and-stick safety product that helps distribution center and warehouse personnel find their way in the dark in the event of a power failure, fire, or other emergency. The tape is light green when lights are on, glows when lights are off, and is durable in industrial environments where forklifts and floor-scrubbers are in use.

The Q-Gate system from software developer **QuikQ** provides access control with the use of vehicle-mounted RFID tags. This prevents unauthorized vehicles from entering secure locations, and can reduce the risk of drivers picking up the wrong trailer before exiting a facility.

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