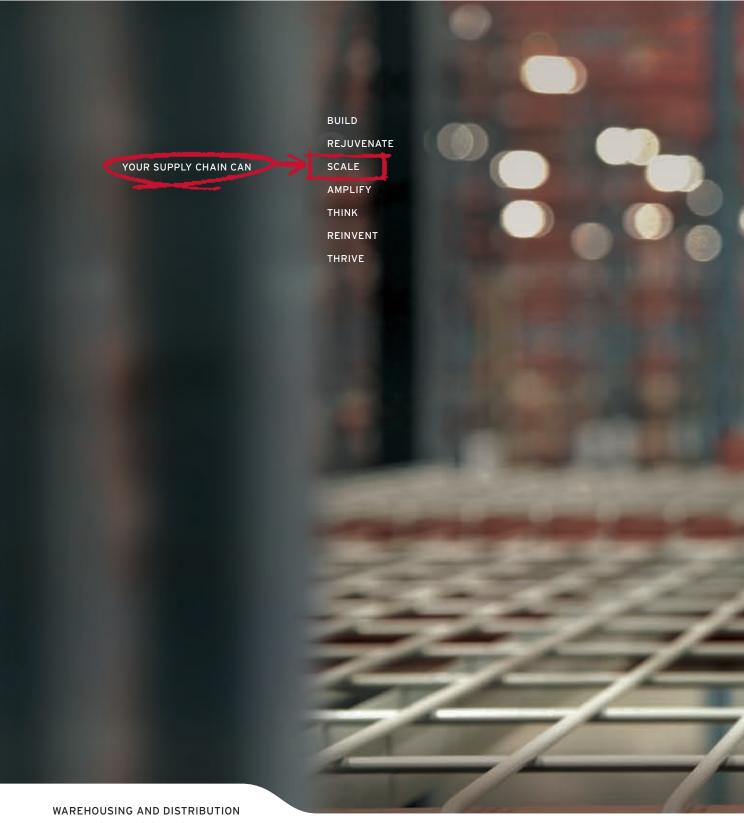


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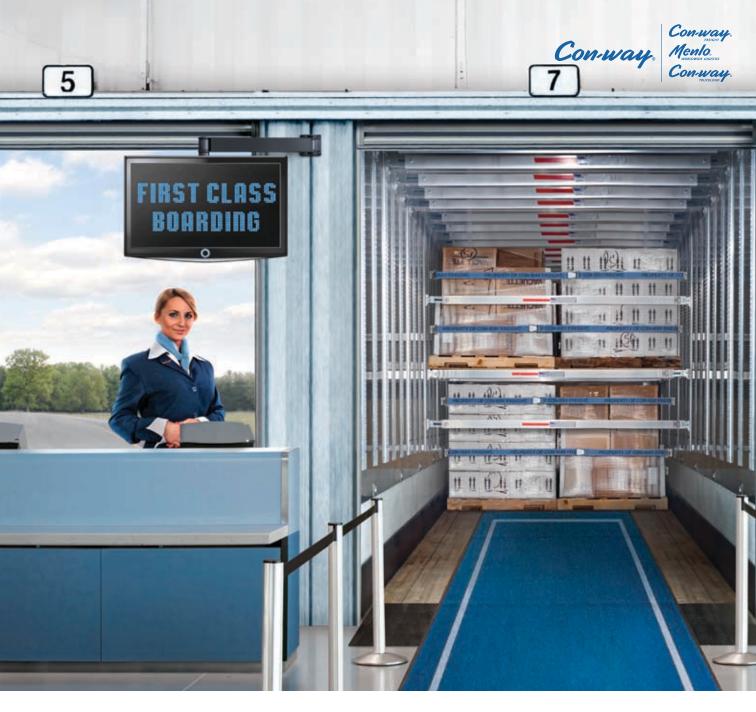
improve service, gain greater flexibility, and reduce their carbon footprint.





As shippers look to uncover efficiencies and economies in their supply chain, pallet management presents an area ripe for picking - no matter which pallet type you pick.



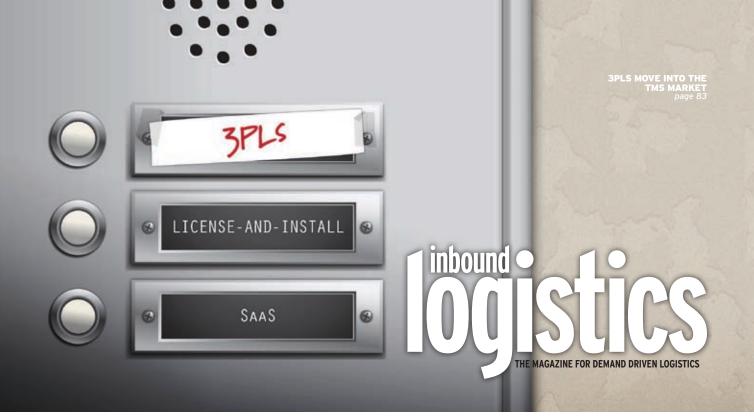


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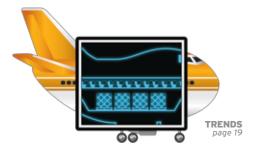
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# CHECKING





# Who Says You Can Never Go Home?

re we headed for a resurgence in U.S.-based manufacturing? Could be, according to a recent Boston Consulting Group (BCG) report (http://bit.ly/IL\_BC) that finds the United States, in some instances, holds a productivity advantage over China. If this trend is real, can business logistics practitioners help guide us to greater economic recovery by supporting growth in domestic manufacturing?

"Executives planning a new factory in China to make exports for sale in the United States should take a hard look at the total costs," suggests Harold Sirkin, senior partner at BCG. "They're increasingly likely to get a good wage deal and substantial incentives in the United States, so the cost advantage of China might not be large enough to bother-and that's before taking into account the added expense, time, and complexity of logistics.

"We expect net labor costs for manufacturing in China and the United States to converge by around 2015," Sirkin adds. "As a result, you will see a lot more products 'Made in the USA' in the next five years."

After making adjustments for American workers' relatively higher productivity, wages in Chinese cities such as Shanghai are approximately 30 percent cheaper than rates in low-cost U.S. states. And, because wages are 20 to 30 percent of a product's cost, manufacturing in China for U.S. consumption is only 10 to 15 percent cheaper than in the United States-even before considering inventory and shipping costs. After considering those costs, the total cost advantage will drop to single digits or be erased entirely, Sirkin says.

One major concern of bringing manufacturing back to the United States, however, involves the government's anti-business and anti-blue-and-graycollar worker stance manifested in many ways-predatory tax policy to fund the growing dependency class (whether voluntary or not); anti-energy policy; increasing regulation; growing government control of free-market business decisions; and divisive and simplistic class-warfare rhetoric to maintain political power.

At the risk of being classified as "tax breaks for the wealthy," state, local, and federal tax incentives for manufacturing should expand to nurture this nascent manufacturing trend. Tax policy tuned to help domestic manufacturing will offer young and non-white-collar workers choices beyond fast food or dependency. The Chinese government knows supporting manufacturing is really supporting labor. Yet some policy-makers here still man the proletarian barricades of an ideology that is on the ash heap of history. Government should step aside or help.

Logistics practitioners can help as well. The wealth of cross-enterprise experience and data you've accumulated through managing recent challenges-extended supply points far from your U.S. customer base; offshoring of manufactured components; increasing fuel costs; security compliance costs; rising offshore labor costs; labor unrest; and inflation-can help senior management decide between locating manufacturing here or there.

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# **INPERSPECTIVE**

BY PERRY A. TRUNICK

Associate Editor, *Inbound Logistics* ptrunick@inboundlogistics.com

# **Disruptive Influences**

Disruption is not a word supply chain managers like to hear. But operating today's extended global supply chain is fraught with risks. Planning and building good relationships are your best defense.

anaging risk in a global supply chain inevitably leads to discovering new twists to old themes or dealing with unexpected events that affect your logistics operations. Recently, we've been forced to cope with more events happening in a narrower time frame.

Nothing diminishes the pain and suffering, or massive loss of lives and property, that accompany catastrophic natural disasters. But some manufacturers who initially sighed with relief that suppliers were unaffected by the earthquake and tsunami in Japan began to gasp as the extended supply chain reached back to a supplier's supplier who was affected. In some cases, procurement policies designed to source from multiple suppliers ultimately led to the same source another level or two up the supply chain.

The risk should have been visible to those manufacturers, given efforts to secure the chain of custody for goods moving in trade to U.S. destinations. And, assuming the inbound logistics team had done a good job of following the extended supply chain through multiple sourcing levels, the problem then becomes one of close coordination inside the enterprise at the center of the supply chain.

Vetting security along that supply

chain—and implementing solid systems to support the flow and transport of components, subassemblies, or finished goods—is not the end of supply chain risk management. As we learn when events of this magnitude occur, a supply chain that leads to a single source or multiple suppliers in close geographic proximity can spell trouble.

Close on the heels of this major natural disaster came the political upheaval in the Middle East that toppled some long-standing regimes and, in the case of Egypt, a stable one that controlled a major trade route—the Suez Canal. The immediate impact on international trade flows was minimal, if noticeable at all. But, the long-term impact could look very different, depending on the outcome of Egyptian elections.

Just out of synch with new concerns over the Suez Canal (added to the existing piracy off the coast of Somalia) is the expansion of the

Panama Canal, which will improve capacity for that route and has already led to a number of agreements with U.S. East Coast ports.

Another potential disruptive influence on global supply chains is the impact of heightened security following the U.S. mission against Osama Bin Laden. Additional security requirements and heightened scrutiny could slow the responsiveness of some supply chains.

No company's contingency plan includes the number and magnitude of events that have occurred in such a short time: a massive earthquake and tsunami; followed by a regional wave of political protests, regime changes, and an increased terror threat; and then a torrent of domestic tornados and floods.

The true test of managing a successful global supply chain lies in how well we build relationships, within our own enterprise and with logistics providers, suppliers, the suppliers' suppliers, and the various regulatory agencies we deal with.

That's not easy work, but it will go a long way to ensuring the resiliency of your supply chain when faced with an ever-changing series of disruptive influences.







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# DIALOG

# **LETTERS TO THE EDITOR**

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# **Standing Ovation**

A standing ovation goes out to Perry Trunick for his observations about investing in human infrastructure (*In Perspective*, February 2011).

The cognitive dissonance introduced when companies say they want relationships, but aggressively go after cuts with no thought to the longer term (which may be as few as six months out) is turning Little Mary Sunshine into the Queen of Hearts, and Horatio Alger into Ambrose Bierce.

Art van Bodegraven, Practice Leader,
 S4 Consulting

# **Beat the Logistics Drum**

When a senior manager in Japan was interviewed about the catastrophic events of March 2011, he remarked that the biggest problem he faced was logistics. I was pleased to hear him succinctly describe what his country needed most in its time of peril. He knew the correct answer, so he knew how to address his challenges.

We in the logistics sector realize that logistics is the engine that drives world commerce, safety, government stability, peace efforts, military operations, and quick response to disasters. Yet until a disaster occurs, many people–even business leaders—have no concept of what logistics means, or how vital it is to our everyday lives.

Someone once said, "Logistics is like housework; no one pays attention to it until it doesn't get done." But logistics deserves critical attention every day—whether it's a space shuttle, a commercial airplane landing, or a group of Navy Seals accomplishing its mission in the middle of the night in a far-off country. It's all logistics!

Hopefully, reading *Inbound Logistics* will lead to greater understanding of logistics' importance, and someday it will become a household word.

**— Frank R. Breslin,** Dean, Institute of Logistical Management

# **A Relevant Reference**

I find *Inbound Logistics* helpful in my role as the manager of logistics programs, most of which support the Air Force Global Logistics Support Center and other logistics functions at Wright Patterson Air Force Base in Ohio, and its various depots and centers.

It also kept me up-to-date when I served as director of distribution/transportation at the Air Force Materiel Command prior to retiring as a colonel with 30 years service, including oversight of the packaging laboratory and shipping to worldwide bases, security assistance countries, and other military services and defense contractors.

Thanks for the subscription. I will pass the word.

-Charles York

# **Reader Connection**

In the Dialog section of *Inbound Logistics'* April 2011 issue, Ralph Ware of EET Corp. asked for information about truck ownership costs.

If Mr. Ware is interested, we could both consult and model dedicated and private fleet arrangements.

-Stan K. Meier, VP

Sales & Marketing, TransWood Carriers Inc., 402-346-8092 x255

# tweetlog

# tweeting it forward:

# **GreggVoss** Gregg Voss

#America is consuming again, but also appears to be producing. Good sign. http://bit.ly/eit4UT @ILMagazine

### PTGT Performance Team

@ILMagazine, great tips for eco-friendly warehouses! Optimizing product slotting is a GREAT suggestion. http://ow.ly/4vFqE

# a tweet for help:

# kylelrigsby Kyle Rigsby

@ILMagazine Is there any info you may have on drive-away service? Best driver lease service or load boards for this?





# **Optimizing Air Cargo Shipments**

urging oil and jet kerosene prices, increased security measures, and government focus on compliance are just a few factors currently impacting the air cargo industry. These trends and others make it more critical than ever that shippers optimize their use of air cargo transportation.

Scott Aubuchon, director of international airfreight marketing for UPS, offers the following advice to help transportation buyers get the most out of their air cargo shipments.

Implement and use shipping software solutions. Generate shipment labels and all required paperwork electronically. Using shipping software can save time and significantly reduce the risk of errors. The best-performing shipping programs on the market can be integrated with your company's information systems and facilitate your internal reporting and customer service processes.

Partner with your transportation providers. Limiting the number of providers you work with creates efficiencies and optimizes rates. Identify and partner with trusted transportation providers that can do it all: large or small shipments, domestic or international, and urgent or routine.

Shipments often have different weight and size characteristics, and time-in-transit requirements. Be careful to select the right option for each of your needs. Simply taking the time to match the correct type of airfreight service to your needs can be an easy way to reduce costs.

Double-check your documentation. Missing or incomplete commercial invoice information is a common cause of customs holds for air cargo buyers who don't utilize shipping software. You can easily avoid these delays by making accurate and complete shipment documentation a priority.

Broker through your carrier. If possible, manage customs through your carrier's customs brokerage house. This will minimize hand-offs, which can cause unexpected delays in the supply chain.

Centralize your payments. Take control of transportation costs by centralizing service payments through either a consignee or third party. Managing all your payments through one party will help you avoid additional transportation mark-ups charged by independent shippers.

Insist on visibility. Having full tracking visibility of your air freight from the time of shipment to delivery is critical. Visibility enables you to identify problems and keep your shipments on track, avoiding potential negative impacts on time, money, and credibility.

Set up alerts. Many full-service logistics providers offer automated proactive notifications to alert you of any issues with your shipment en route, and notify you at final delivery. These automated proactive notification tools can play a major role in managing unexpected delays.

Maximize your pallet. Optimally package and consolidate goods to maximize pallet space. While weight is a factor, space also matters. Packing your shipment efficiently will reduce your chance of incurring dimensional weight fees.

Weigh your costs. If speed and reliability are critical to your business, don't use price as your only carrier criteria. The repercussions of a missed deadline or upset customer can end up costing you more in the long run. You might end up stepping over a dollar to pick up a dime.

# It has ETDs and ETAs

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# R E A D E R PROFILE

# **Embarking on an ERP World Tour**

# **ENTERPRISING GUY**

NAME: David Ayers

TITLE: Lead business analyst, warehouse management, since September 2010

**COMPANY:** Newell Rubbermaid, East Longmeadow, Mass.

EXPERIENCE:

**PREVIOUS** Transportation manager, training manager, U.S. Army, 27th Transportation Battalion; logistics manager, manufacturing manager, Jacobs Vehicle Systems - Danaher Corp.; financial advisor, UBS Paine Webber; shift supervisor, Jacobs Vehicle

Systems; distribution and transportation manager, Lenox-Newell Rubbermaid

**EDUCATION:** Pursuing a BS in business administration. University of Maryland; U.S. Army Primary Leadership Development Course; U.S. Army School of Supply Management; U.S. Army School of Logistics Management; Franklin Covey time management and project management training; extensive training in Lean and Six Sigma capabilities

hen tool manufacturer Lenox implemented an enterprise resource planning (ERP) system in August 2009, David Ayers got deeply involved in bringing it online. At the time, he worked as the company's distribution and transportation manager in East Longmeadow, Mass.

Officials at Lenox's parent, Newell Rubbermaid, appreciated his efforts so much that in September 2010 they assigned Ayers to ERP duties full-time. As a lead business analyst and member of the corporate SAP warehouse management team, Ayers helped roll out the software at Newell Rubbermaid sites across North America. Now he's working on Europe and Africa.

Although his team's title specifies "warehouse," the implementation at each site

encompasses the entire operation – "from inbound to manufacturing to the distribution center and, obviously, transportation improvement and regional distribution center resupplies," says Ayers.

Ayers got his first taste of logistics in the U.S. Army as transportation manager for the 27th Transportation Battalion. Based in Germany, his team moved troops to Bosnia in 1995, and ran all the deployments and sustainment operations for that mission. When it was done, they redeployed the troops to the United States, Germany, and South Korea.



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

I love to spend time with family and friends. My girlfriend and I like to pursue adventure – we go parachuting and jet skiing. I play hockey, and enjoy tackling home improvement and construction projects.

### Ideal dinner companion?

Leonardo da Vinci. I'd ask what he thinks of the technology available to us today, and his ideas about new areas of opportunity.

# What's in your backpack?

Safety glasses, iPod, digital camera, more power cables than I'll ever need, and a medical kit for when I'm on the road. I also carry a stop-watch for doing cycle-time studies, a handful of mixed currencies, a laptop, and work files. The backpack weighs about 35 pounds!

### First Web site you look at in the morning?

Yahoo! Finance. It's a good snapshot of what's happening globally and economically.



The technology for monitoring those movements wasn't exactly high-tech. "We posted a world map on a wall," Ayers explains. "Every few hours we'd move Post-it Notes around to reflect the location of our vessels, planes, and trains to make sure everything came together."

That process is a lot different now, as Ayers and his colleagues work to implement a sophisticated ERP system in a wide variety of businesses and venues. The first task at each site is to learn the business processes, then figure out how best to match those processes with the software. Sometimes it means changing a process to fit the demands of

the new system; sometimes it means enhancing the software to meet existing requirements.

Rather than produce a highly customized version of the software for each location, the SAP team is trying to implement improvements, then spread them to the other sites. "If each business uses a different method to do the same task, we lose the opportunity for standardization and process control," Ayers says.

The biggest challenge in this global implementation involves change management, Ayers notes. It's important that all employees affected by the new software become engaged in the

implementation and feel that the SAP team is addressing their concerns.

To that end, Newell Rubbermaid has assigned some employees to a change management group and designated a business process champion at each location. As the go-live date approaches, the implementation team runs the system through several rounds of tests.

For Newell Rubbermaid, the payoff from all this work will be a much clearer view of global operations. "The visibility that we will have through the macro supply chain will enable us to make more intelligent and strategic decisions," Ayers says.

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# NOTED

THE SUPPLY CHAIN IN BRIEF

### UP THE CHAIN

**Acer's** board of directors approved the appointment of **Jim Wong** as new corporate president. He previously held the positions of corporate senior vice president and president of the IT Products Group. For the last decade, Wong has led Acer's global IT operations, including logistics and

product development.

**Kellogg Company** named **Steven Sterling** as its new senior vice president, global supply chain. He brings to the position more than two decades of manufacturing experience with major consumer packaged goods companies, and extensive logistics and procurement knowledge.



# GREEN SEEDS

▼ DHL Express is rolling out an allgreen fleet of commercial delivery vehicles in Manhattan. By September 2011, the carrier will operate 30 American-made, battery-powered electric vans and 50 hybrid trucks that will cut down fossil fuel use and reduce CO₂ emissions by more than 50 percent annually in comparison to conventional vehicles. Under a new five-year agreement, **Earth Day Canada (EDC)** will support **CN's** program to encourage environmental values and initiatives among employees across North America. The program enables CN employees to embrace environmental stewardship and leverage CN and EDC environmental resources and best practices.



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# recognition

Ford Motor Company honored Penske Logistics with its Gold World Excellence Award. The recognition celebrates production and non-production suppliers that align themselves with Ford's values and operating practices while reaching the highest quality, technology, cost, and delivery standards.

A. Duie Pyle received the 2010 LTL Carrier of the Year Award from Thomas Betts Corporation, a manufacturer of electrical, electronic, mechanical, and utility products. The award recognizes the carrier for performing at the highest levels of on-time service; claims; and EDI and billing accuracy.

Saddle Creek Corp. was named
PepsiCo's inaugural Third Party of the
Year for playing an integral role in its
warehouse delivered system. The 3PL's
Lakeland campus finished first among
PepsiCo's third-party providers in the
award review process. The recognition is
based on cost per case, inventory accuracy,
warehouse damage, customization
expense, product freshness and availability,
customer returns, and on-time delivery.

# SEALED DEALS

Maersk Line has been awarded a contract to operate and maintain two ships - the USNS Wheat and the USNS Stockham - in the U.S. Navy Military Sealift Command's (MSC) Maritime Prepositioning Force. The steamship line will provide personnel and mariners, and operational and technical support ashore and afloat, as well as all the equipment, tools, provisions, and supplies necessary to operate both vessels worldwide. Maersk will also support MSC in managing government-owned cargo, including hazardous materials, vehicles, and bulk and general cargo.

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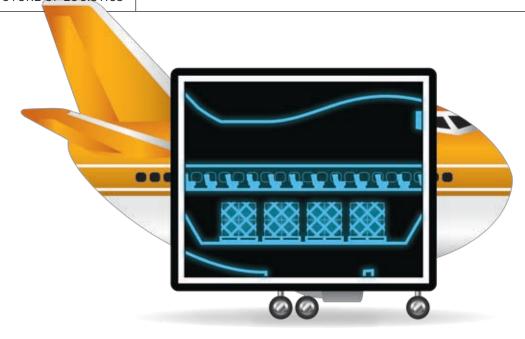
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SHAPING THE FUTURE OF LOGISTICS



# 100% Screening Deadline Up in the Air

The air cargo industry, manufacturers, exporters, importers, and consumers face the prospect of dramatic global supply chain disruption if the U.S. Transportation Security Administration (TSA) enforces a proposed deadline of Dec. 31, 2011, for 100-percent screening of all international inbound cargo on passenger aircraft. The subject dominated The International Air Cargo Association's (TIACA) Executive Summit in Bangkok recently, with both panelists and delegates expressing strong views.

by Joseph O'Reilly

"Unless TSA and, more broadly, the entire U.S. government, focuses the necessary resources on reviewing the process and timeline by which foreign security programs are validated and placed into the TSA's National Cargo Security Program (NCSP), we will face some significant disruptions to the global supply chain," says Neel Shah, senior vice president and chief cargo officer for Delta Air Lines and a TIACA board member.

"It's critical that we get more foreign

programs certified into the NCSP in the next few months—especially if TSA is considering an accelerated deadline for 100-percent inbound screening," he adds.

The TSA is still considering whether to establish Dec. 31, 2011, as the new deadline–two years earlier than originally planned, Doug Brittin, TSA general manager, air cargo, told TIACA delegates. Industry input, however, clarified that many challenges exist for meeting that time frame, he noted.

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# TMS Market Rebounds

The transportation management systems (TMS) market has bounced back after the global recession, according to *Transportation Management Systems Worldwide Outlook*, a report by ARC Advisory Group, a Dedham, Massbased consultancy. In 2010, the sector grew significantly faster than the rate of inflation, and is forecast to continue growing through 2015.

"Multi-tenant solutions that leverage the network remain a key growth driver for this market," reports Steve Banker, service director for supply chain management at the ARC Advisory Group, and principal author of the study.

Transportation is inherently a multi-partner collaborative endeavor. Networked-style solutions, particularly Software-as-a-Service (SaaS) deployments based on a multi-tenant architecture, facilitate a number of different efficiencies—from onboarding new partners to

improving freight payment audits and transportation benchmarking.

Some TMS market players, however, disagree about whether multi-tenant solutions are as functionally rich and robust as traditional behind-the-firewall solutions. And, with intellectual privacy and Internet security a probing issue these days, concerns regarding hosted solutions might become more prevalent.

# **CN Equips New Shippers**

A s yet another sign that North American railroads are reaching beyond their captive comfort zone to invest in intermodal equipment and attract new shippers, CN recently acquired more than 1,000 domestic containers to improve service to grocery and consumer goods manufacturers and



North American railroads such as CN are investing in equipment to lure new shippers.

distributors across Canada.

Roughly 80 percent of the new containers are heated, ensuring year-round consistent service for temperature-sensitive goods. The balance of the boxes comprises standard dry containers.

CN's domestic intermodal business focuses on delivering truck-competitive, cost-effective service, with an approximate 24-hour rail advantage from central Canada to western Canada. The service is also competitive with single-truck-

### UPDATE

# **Amazon Turns the Page on South Carolina**

Amazon is finding site selection a tougher sell these days. After its distribution center exodus from Texas over sales tax reparations and legal wrangling in early 2011 (see Inbound Logistics, March 2011), the online retailer has pulled out of South Carolina after losing a legislative showdown on a sales tax collection exemption for opening a DC in the state. Company officials immediately halted plans to equip and staff a one-million-square-foot building already under construction.

"We canceled \$52 million in procurement contracts, and removed all South Carolina fulfillment center job postings from our Web site," says Paul Misener, Amazon vice president for global public policy.

Amazon has made a fast habit of picking up and going elsewhere if state economic development authorities and comptrollers try to play hardball over sales tax and exemptions. Too many other states are willing to make concessions in an effort to create new jobs. The stigma attached to butting heads with Amazon also becomes a potential deterrent to other large site-selecting suitors—as much as luring Amazon becomes an economic development magnet.

Others see Texas' and South Carolina's hard-line stances as a win for smaller brick-and-mortar merchants and compa-

nies perceived to be at a competitive economic disadvantage. Some state lawmakers are looking at introducing federal legislation that would make the playing field "less pitched."

For instance, Senator Dick Durbin (D-III.) intends to introduce a bill that would force online retailers to collect local sales tax for online purchases. Currently, U.S. Internet consumers don't always pay the same taxes as they do when buying products from retail stores.

Durbin's Main Street Fairness Act, a doppelganger to legislation previously introduced in 2010, is joined by a number of other smaller measures percolating at the state level. California, for example, has an e-fairness law on the docket—AB 153—that follows New York's existing "Amazon Bill."

As long as online sales tax remains a state issue, companies such as Amazon will locate where the burden is less. For U.S. businesses, the current Amazon situation offers yet another reminder of the due diligence and forward planning necessary when identifying manufacturing, distribution, and retail operations—weighing transportation and labor costs, as well as ancillary factors such as sales tax and a location's resume of past successes and failures.

>> To see the original article, go to http://bit.ly/ITII1u



driver service between central Canada and the Winnipeg, Calgary, Edmonton, and Vancouver markets.

"CN has established a growing business transporting temperature-sensitive goods in long-haul markets across Canada," says Jean-Jacques Ruest, CN's executive vice president and chief marketing officer. "Our continued investment in infrastructure will benefit supply chain reliability for our grocery, consumer goods, and manufacturing customers."

Shippers such as global food company Heinz, in turn, value the specialized service capabilities that make transitioning to rail/intermodal a palatable option—especially as capacity tightens and transportation costs rise.

"Heinz welcomes CN's investment in new heated equipment," notes Tim Epplett, supply chain manager, traffic for Heinz Canada. "This will make load planning easier for us, knowing that the railroad can provide more containers to send to our customers during seasons requiring heated equipment."

# Truckers On the Up and Up

vidence that the steep and winding road motor freight carriers have been treading on for the past three years is flattening and straightening continues to build. To point: 92 percent of carriers expect volume increases in the next 12 months, according to Transport Capital Partners' (TCP) First Quarter Business Expectations Survey.

"This topped all prior quarters surveyed," says Richard Mikes, TCP partner. "And, for the first time, not one surveyed carrier expected a decrease."

Furthermore, 91 percent of polled carriers anticipate rate increases in the year ahead. As volumes rise and no new capacity comes online, truck pricing will continue to inflate with the costs of fuel, tires, new equipment, and drivers–swinging the pendulum away from shippers to truckers.



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# <u>GLOBAL</u>

THE WORLD AT A GLANCE

by Joseph O'Reilly



China is producing wind turbines, such as these in Xinjiang province at a record page

# China Comes Clean

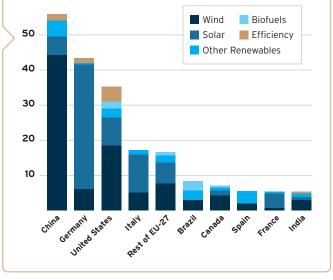
China may be the most polluting country in the world, but it's putting some of that smoke and carbon output to good use by manufacturing renewable energy equipment. The country is producing wind turbines and solar panels at a world-record pace, according to *Who's Winning the Clean Energy Race 2010*, a new report from The Pew Charitable Trusts. China's private investment in clean energy soared in 2010, increasing by 39 percent over 2009 to \$54.4 billion.

China's growth is a microcosm of broader global traction. The worldwide clean energy sector grew 30 percent from 2009 to \$243 billion of finance and investment in technologies such as wind, solar, biofuel, and geothermal.

But Asia is the region to watch. In 2010, its clean energy investment increased 33 percent over 2009 to \$82.8 billion. In 2009, the region surpassed the Americas for the first time, and in 2010, investment grew faster than in Europe. The European region is still the leader in clean energy finance, with \$94.4 billion in investments (mostly helped along by investments in small-scale distributed capacity projects, including rooftop solar panels), but Asia is quickly catching up. From a national standpoint, the top three countries are

2010 Clean Energy Investment (\$U.S. Billions)

The center of gravity for clean energy investment is shifting from Europe and the United States to China, according to a report from The Pew Charitable Trusts.



China, Germany, and the United States (see chart). Until 2009, the United States was the worldwide leader in the renewable energies sector until China, then Germany, displaced it. The primary reason? Both countries have renewable energy policies, says the report. The United States does not.

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# **NAFTA Trade Scratches Surface**

Surface transportation trade between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico increased by 24.3 percent in 2010 compared to 2009, reaching \$791 billion, according to the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS). The

24.3-percent increase in trade was the largest year-to-year increase for the period covered by these data.

Despite the increase from 2009 to 2010, the value of North American surface trade in 2010 remained below 2007 and 2008 levels, BTS reports. Total North American surface transportation imports increased by 25.1 percent in 2010 from 2009, and exports increased by 23.3 percent during the same period.



U.S. cross-border surface transportation trade with Canada continues to grow.

U.S. interests in Mexico remain largely stable, despite rampant violence. Proximity to American markets and reduced transportation costs kept companies committed to Mexico during the recession. How long this grace period lasts remains to be seen. In the short term, the new cross-border agreement that will allow Mexican truckers entry into the United States will help spike trade.

North of the border, Canada's east and west coast ports are becoming increasingly popular options for pulling freight into the U.S. Midwest via a maturing intermodal network.

# Irish Eye Logistics

Ireland's economy has been on the skids thanks to the global recession. After a bailout from the European Union—and with tepid job growth, high unemployment, and a mass emigration of young workers—Ireland is setting its sights on transportation and logistics as a new lifeline.

For a country that has historically relied on tourism, agriculture, and niche manufacturing-and more recently banking, high-tech industries, and research and development-to drive GDP growth, Ireland's economy is specialized. As an island with constrained and costly transportation connections to continental Europe, and limited offshore manufacturing appeal, its greatest export (and import, in terms of tourism revenue) has always been culture-often couched within the trappings of Waterford crystal, Guinness stout, and other typecast Irish commodities.

But Ireland has an educated, skilled,

# Radiation Scanning: Japan's New Normal

In the wake of the earthquake, tsunami, and eventual nuclear crisis that has devastated Japan, global shipping line APL began radiation scanning of containerized Japanese exports delivered to its marine terminal. The carrier expects to scan approximately 200 containers daily.

Damage to nuclear reactors heightened radiation levels in the vicinity of Fukushima, leading Japanese authorities to establish an 18-mile safety zone around the site. To combat the threat of nuclear contamination, carriers are taking extra

precautions. APL has directed ships at sea to remain 200 nautical miles from the reactor site, and has refused bookings within the safety zone.

APL also hired a Japanese surveying firm to scan export containers passing through its Yokohama terminal. Workers use portable detection equipment to determine if boxes have been exposed to heightened radiation levels.

Radiation scanning at Yokohama won't disrupt vessel schedules, says APL. But in the short term, it's another layer of cost and control that typifies the new normal in Japan.





and English-speaking labor force, strong ties to the United States and Europe, and a pro-business tax regime. It also has transportation infrastructure that is largely under-utilized from a cargo perspective—which has some people thinking about making freight transport a national priority.

One example: The Dublin Port Company plans to double trade volume by 2040 through recovering up to 100 acres of land from Dublin Bay and dredging deeper berths to accommodate larger containerships. The plan also includes an increase in roll-on/roll-off and load-on/load-off freight and cargo activities.

Dublin Port's 2040 roadmap follows already-developing plans to transform Shannon Airport into a global air cargo hub. Over the past 15 years, Dublin has supplanted the west-of-Ireland airport as the primary passenger port of entry.

In 2010, Lynxs Group, a global airport cargo facility company, and Shannon Airport signed an agreement to develop a major international logistics hub and business facility at Shannon Airport, which is managed by the Dublin Airport Authority (DAA). More recently, Lynxs submitted a proposal where the DAA would invest US \$10 million into making the freight hub a reality in the next few years.

The planned cargo port would be built at a cost of \$15 million and include a 200,000-square-foot facility with chilled and freezer storage capabilities, and heated warehouse space. Lynxs also holds the rights for the development of all on-airport cargo facilities and is currently in discussions with several major airlines and cargohandling companies.

As yet another sign that Ireland's logistics potential is coalescing, the United Kingdom Warehousing Association has announced the formation of the All Ireland Warehousing Association. The lobby will support all companies in the north and south of Ireland that provide warehousing and logistics services.



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# **Excellence in Supply Chain Execution**

ur clients in industries such as automotive, aerospace, hi-tech, retail and consumer goods are emerging from one of our nation's most trying economic times. Faced with serious pressures to cut costs and boost profits, many companies have re-examined how they source, store and deliver their products. Flexibility, innovation and the ability to operate with virtually no margin of error have become requirements when it comes to logistics outsourcing.

A company's ability to respond to change, to be nimble and innovative, depends on its ability to execute at the highest levels. Here are some of the elements of good supply chain management that must come together to achieve exceptional execution:

**Proven Template:** Firms that are undertaking a significant change to their logistics network are most often successful if they have a model to follow. This model becomes a pattern for a standard, replicable solution set that can be applied across different areas of the supply chain. This is not to say that all supply chains should be approached with a 'cookie cutter' model. Rather, a stan-

transportation management, cross-docking and network design; it also requires industry expertise in the unique aspects of customer requirements, drivers of profitability, challenges and trends for a particular industry segment. Functional and industry-specific knowledge allow companies to better synchronize supply and demand to achieve the optimal flow of goods across the network.

**Lean Principles:** Applying lean processes is key to delivering long-term value and consistent performance. In a lean culture, logistics teams are empowered to identify and eliminate waste in every process that occurs as an order is fulfilled. Lean tools, such as visual cues, problem solving jackets, and root cause analysis, result in shortened lead times, built-in quality and continuous improvement—ultimately increasing speed to market.

**Continuous Improvement:** We've found that ongoing, incremental improvements—both small and large in scope—add up to a significant edge. An important tool for continuous improvement is Value Stream Mapping. Value Stream Maps are created for many aspects of the supply chain such as detailed workflow management, warehouse productivity, route optimization and, on a larger







dard solution set comprised of best practices becomes foundational and can then be customized to meet each specific logistics engagement undertaken. In the absence of a proven model, it can be difficult to know what best practices or methods will breed success.

**Deep Expertise:** Today's complex supply chains require applied knowledge not only in their inner workings, but also with big-picture insight of the impact that changes made in one area of the supply chain will have across the network. Great execution requires functional expertise in distribution management,

scale, total landed costs. They combine engineering talent with practical operational knowledge to find the best opportunities for change and continuous improvement.

By achieving the right combination of proven templates, deep expertise, lean principles, and continuous improvement, your supply chain will ultimately get products to market faster, improve efficiencies, reduce costs, open new markets and enhance customer satisfaction. That's why when it comes to logistics, execution is everything.



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# **VIEWPOINT**

by David Strand



# The Surprising Upside to CSA 2010

hen it comes to the Federal Motor Carrier Safety Administration's guidelines known as CSA 2010, the trucking industry has focused on its potential drawbacks, including job losses for truckers and other challenges for carriers. While such issues do exist, there are also opportunities for drivers, carriers, and shippers to benefit from the rules' move to assign points for safety violations and require better driver conduct.

CSA 2010 addresses driver safety issues such as unsafe and fatigued driving, controlled-substance abuse, crash indicators, vehicle maintenance, and improper cargo loading. Your carriers should discuss safety measures and CSA requirements in training sessions with drivers to ensure they understand the guidelines.

# THE SILVER LINING

Complying with CSA 2010 guidelines can result in fewer fines, penalties, and other costs. And by improving their safety rating, drivers can decrease the insurance premiums they are charged.

The guidelines are likely to become a widely regarded measurement tool. Be sure to ask your carrier if it employs

drivers that meet CSA 2010 guidelines. Request reports on driver safety records to ensure your shipments are traveling with reputable drivers.

### **INDUSTRY GROWTH EXPECTED**

Undeniably, drivers who do not immediately qualify under the guidelines may find themselves out of a job. As many as 175,000 drivers could lose their jobs or clients, according to some estimates. This projection may seem ominous for shippers buying transportation services, but there will be an upswing. The trucking business in the United States and Canada is expected to increase as the economy improves.

Between 2011 and 2018, job opportunities for truck drivers and driver/sales workers are anticipated to increase by nine percent; heavy and tractor-trailer truck drivers are anticipated to increase by 13 percent; and light or delivery services truck drivers will increase by four percent, according to the U.S. Bureau of Labor Statistics' *Occupational Outlook Handbook 2010-11*.

As new truck drivers join the workforce, shippers and carriers can ensure they know who they are working with by accessing the Federal Motor Carrier Safety Administration's Preemployment Screening Program. This driver safety database reports 36 months of inspection history and 60 months of crash data.

### **IN GOOD HANDS**

Carriers will be paying more attention to driver safety records because they risk stiff penalties for hiring drivers classified as "unsafe." These drivers can also be targets for more roadside inspections. More than ever, carriers will be looking to employ safe drivers.

Shippers benefit from working with carriers who value driver safety. Ask your carrier if it takes steps to improve driver scores and recruit safe drivers. Some carriers have invested in specific driver safety courses or training specific to their own requirements. Others have instituted health screenings and distributed healthy lifestyle tips for drivers.

Despite the controversy surrounding CSA 2010, it is generally agreed that if you're a good driver today, you're going to be a good driver under CSA 2010. Seek out carriers that try to attract the highest quality drivers, so you can enjoy the peace of mind that comes with knowing your shipments are in good hands.





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# **SCSECURITY**

by Dr. Jim Giermanski



# **Container Security: Filling in the Blanks**

t is often impossible to know what containers entering the United States really contain. Even with bonded shipments and the 24-hour manifest required by U.S. Customs and Border Protection's Container Security Initiative, we merely take the shipper's word as to a container's contents, never knowing whether its security has been compromised during transit.

Using Container Security Devices (CSDs) provides a measure of safety. Shippers often balk at their use, however, claiming that these devices are too expensive. If shippers better understood the gains CSDs can deliver, they might appreciate their value.

CSDs provide a wealth of information. The devices allow shippers to monitor cargo from origin to destination, internationally and domestically. They can provide information such as:

- The container's contents; and the names of the people who supervised loading the cargo and verified the contents at origin.
- The time the container was sealed, delivered to the embarkation port, and loaded aboard the vessel.
  - The time the container left origin,

its route and progress, and whether it deviated from its course.

- The internal environment of the container during transit, including humidity and temperature, and whether it was breached.
- The time the container arrived at the destination port, and who opened it and verified the cargo.

# **WEIGHING THE BENEFITS**

In addition to the information gained by using CSDs, shippers benefit in cost savings. Monitoring shipments reduces costs associated with cargo loss or delay; diversions; increased insurance premiums; increased labor to reship or replace the cargo; business downtime; and seasonal promotion loss.

Why not put a number to the gains? According to a Stanford University study, the quantifiable benefits of using security controls and technology include:

- Improved product safety. Theft, loss, and pilferage is reduced by 38 percent; tampering drops by 37 percent.
- **Better inventory management.** Excess inventory is reduced by 14 percent, and on-time delivery increases by 12 percent.

- Enhanced supply chain visibility. Access to supply chain data improves by 50 percent.
- More efficient Customs clearance. Cargo delays are reduced by 49 percent.
- **Speed improvements.** Transit times are cut by 29 percent.
- **Higher customer satisfaction.** Customer attrition drops by 26 percent.

Other sources offer different, but compelling, benefits to using CSDs. Respondents to a survey by global management consultant A.T. Kearney report that they need real-time data for accurate visibility into their supply chains.

### **FILLING IN THE BLANKS**

Because accurate data does not exist within the current logistics sector, CSDs can provide missing data deemed important to shippers. The U.S. Department of Defense is now utilizing CSDs, and has reduced overall losses in military supplies to less than eight percent, according to the A.T. Kearney report.

Using CSDs can have a favorable impact on the bottom line. Control and speed through the supply chain, and especially through ports, pays off.



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# **3PLLINE**

by Rob Howard



# Take a Stand: Try a Platform Approach to Data Exchange

oday's fast-paced market compels companies to streamline operations and create a business model that provides customers faster, better, and smarter service. In particular, companies involved in last-mile logistics services need to make the most of their data assets to power real-time data transformation and exchange from core systems to customers and partners.

These real-time data exchanges drive efficient, on-time deliveries. But along these chains lies a Tower of Babel of diverse data formats and business-to-business (B2B) data exchange protocols.

Establishing effective electronic connections with trading partners and customers can present formidable technical challenges. Traditionally, companies handled B2B data exchange by writing custom code that enabled trading partner information, for example, to be transformed into a format that worked with their internal or outsourced logistics system. Companies had to repeat this costly, time-consuming process of coding and testing to add new features or connect to new trading partners. Software development time and costs add up, slowing the pace of business and

weakening competitiveness.

A platform approach to B2B data exchange removes the biggest road-block to quickly onboarding new trading partners. By automating the data transformation and exchange process, companies can shrink customer and carrier onboarding time from three months to as few as two days.

Other benefits of a platform approach to B2B data exchange include:

- A data exchange platform can enable an organization to exchange and transform data in any format from any source, and deliver it in a usable form to any target—all in real time. You can accept orders and status reports arriving in any B2B data exchange protocol, and issue order status requests just as readily.
- Save time and effort, and reduce risk. Toss out error-prone, labor-intensive custom code to minimize development time, effort, and risk. A platform approach can cut development time by 80 percent, software maintenance costs by 90 percent, and Service Level Agreement escalations by 95 percent.
- Enhance business continuity. In a conventional B2B data exchange

environment, business can slow when a partner makes a change to its data format, structures, or sources, because you have to re-code and re-test your data exchange software to accommodate the change. A platform, on the other hand, lets you quickly react to any changes through simple point-and-click development.

■ Keep pace with evolving standards and technology advances. Industry standards and B2B technologies continue to evolve. A data exchange platform with automated data transformation capabilities makes it relatively easy to adjust to standards and technology changes, so you keep your options open and don't risk falling behind the curve.

The logistics sector needs to embrace this kind of flexibility and efficiency across its electronic data exchange environments. Doing so will drain away costs and help ensure a flexible and efficient flow of goods, from first mile to last mile and all points between.

When you look to partner or engage with a third-party provider of logistics services, investigate its B2B data exchange capabilities. A successful supply chain needs the strongest, fastest, most flexible data linkages possible.





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# Simple Exercises to Get Your Warehouse in Shape

### By Merrill Douglas

warehouse is an assemblage of parts that work together to keep the whole body healthy and alive. Companies that operate warehouses use many different strategies to keep those parts running in top form. Among other benefits, the strategies aim to save money, increase productivity, eliminate waste, improve service, gain greater flexibility, and reduce carbon footprints.

Some people argue that in an ideal world, goods would move without pause from manufacturer to ultimate consumer. "The most efficient supply

chain wouldn't have any warehouses at all," says Robert Martichenko, chief executive officer at LeanCor, a third-party logistics firm in Florence, Ky.

But nothing is ideal—certainly not the synchronization of product supply and customer demand. That's why businesses need warehouses—nodes where inventory waits while supply and demand catch up with one another.

What does a highly optimized warehouse look like? What makes its heart beat and blood flow? Let's take a look inside.

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An experienced worker giving one-on-one instruction to a temporary worker is a common sight at Kenco warehouses, especially in September.

Because volume in its distribution centers peaks before the winter holidays, Kenco, a third-party logistics provider based in Chattanooga, Tenn., hires many temps from September through December. In 2009, company engineers started to investigate why so many of those temps in one facility were quitting almost as soon as they started.

It takes new temps about three weeks to become nearly as productive as long-term workers. "If they never get to week three, they never reach that level of performance," says Nathan Been, director of logistics engineering at Kenco Management Services. So high turnover in peak season spurred a serious productivity challenge.

A root cause analysis pinned the problem on the training program for temps. To teach a job, a supervisor would take about a dozen new workers into a room, explain the process step by step, then send them onto the floor to work.

Temps found this method too impersonal and felt that they couldn't get answers when questions arose. "Even though 300 people were working on the floor, temps felt isolated and wouldn't go to anyone for help," Been says.

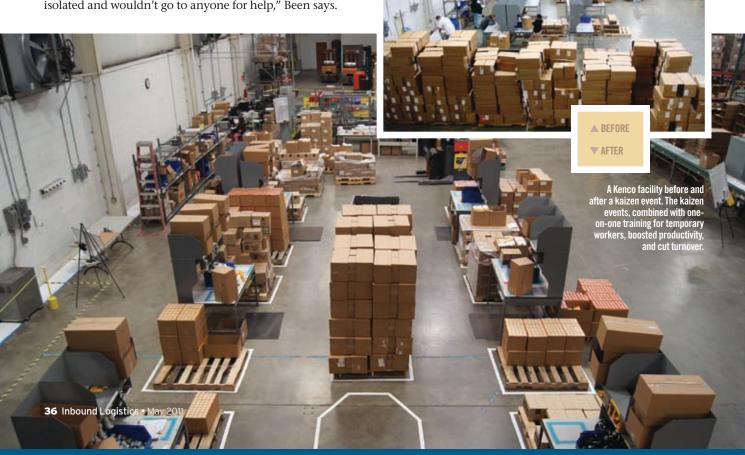
Frustrated, many temps left for other warehouse jobs, which are plentiful in most cities where Kenco operates.

So Kenco implemented a pilot program that paired each new worker with an experienced peer. Mentors were chosen for their enthusiasm and interpersonal skills.

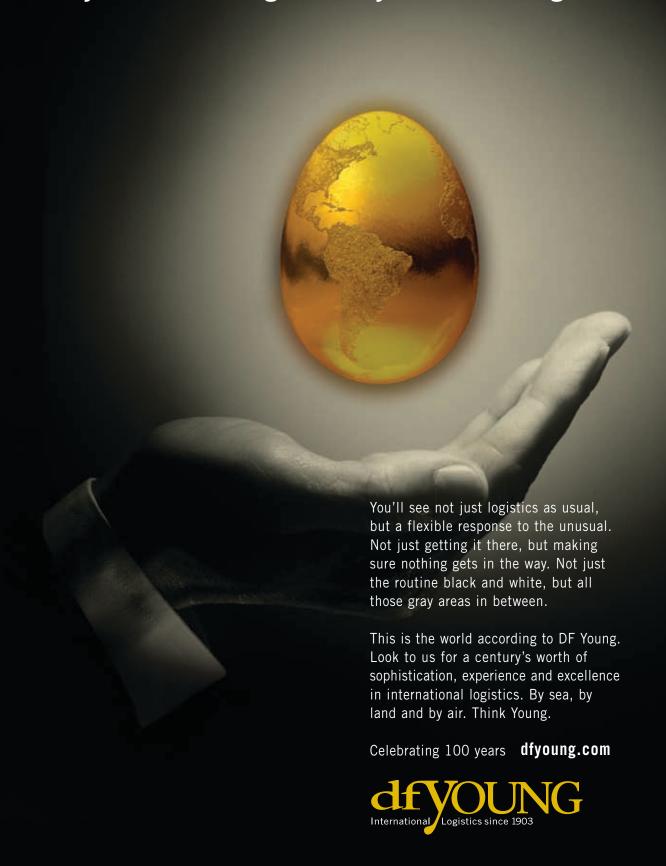
One-on-one training produced much better results than the traditional method. "The decrease in turnover completely minimized the upfront investment," Been says. Turnover improved from 29 percent in 2009, before Kenco implemented the change, to 11 percent in 2010.

At the same facility, Kenco held a series of kaizen events—lean exercises in which workers collaborate to improve certain warehouse processes. It's not possible to separate entirely the effects of the new training regime from the effects of the kaizen events. But peak season productivity improved, and lower turnover was a major contributing factor. In 2009, the warehouse was handling 26 to 27 units of product per man hour in the peak season. In 2010, it handled between 36 and 43, and cut shipping discrepancies in half.

The program proved so successful that Kenco now is implementing the one-on-one training strategy in its other warehouses.



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## **Everything in its** Right Place

The layout of an optimized warehouse varies greatly, depending on the business conducted inside. A warehouse takes best advantage of available space when managers truly understand their operation, says Geoff Sisko, senior consultant at Jack Kuchta LLC, a supply chain consultancy in Oakland, N.J.

"Effective managers use key productivity indicators well, and keep accurate data on what they're storing and moving. They pay attention," he says.

To optimize a picking operation, for example, it's important to understand "cubic movement"—not only how fast items move through the warehouse, but in what physical volumes they move.

A shipper that understands cubic movement will store faster-moving items closer to consolidation points, and in the right modules. "A very fast-moving but physically small item might just sit in a drawer or fit in a shelf box," Sisko says. "But a fast mover with a high cubic volume might belong in a flow rack, on shelving, or in a pallet location."

Shippers should know the length, width, and height of the items they store, along with their velocity, Sisko recommends. And they should review that data regularly, so they'll know when products change from fast to slow movers, or vice versa, and need to be reslotted. "Some facilities slot every season; others reslot as market demand for certain products rises and falls," he says.

Understanding cubic movement also helps a warehouse determine which racking solutions to use. Similarly, the right data helps determine where aisles should be narrow or wide, and how to take advantage of conveyors and other automation.

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# ADD MUSCLE, STAY LEAN

Lifetime Brands uses data gained from its RedPrairie warehouse management system (WMS) and its enterprise resource planning system to keep DC operations in tune with evolving business needs. The company markets kitchenware and other home products under names such as Farberware, Mikasa, and Cuisinart.

In 2006, Lifetime Brands added 150,000 square feet to its major East Coast DC in Robbinsville, N.J., bringing total capacity there to 700,000 square feet. The equipment it deployed in the new space included very narrow aisle (VNA) racking, a sortation system, and two miles of conveyors.

"We needed to add this muscle to accommodate business changes, including the addition of direct-to-customer sales," says Craig Phillips, senior vice president of distribution for Lifetime Brands.

Creating storage to support efficient picking was crucial to the design of the new space. "We didn't want workers to travel the length of the building to move product if it wasn't necessary," Phillips says.

One strategy that minimizes labor in the DC is pick-to-belt, in which a worker picks a product—whether in a carton, tote, or full case—and places it immediately

onto a conveyor belt. "That conveyor takes the product away and, in conjunction with the software, sorts the product into orders," Phillips says. In other situations, a worker might pick a full pallet from a bulk storage area and take it directly to a loading dock.

Storage equipment in the DC includes single-deep pallet racks that measure seven pallets high, as well as push-back racks that store pallets two, three, or four deep. "The racks improve storage capacity substantially," Phillips says.

"You need to identify the problem, and be able to measure it as you're collecting the data, so you can plan and improve."

-**Craig Phillips,** senior vp of distribution, Lifetime Brands

Wire-guided turret trucks allow workers to negotiate narrow aisles without steering, while moving up and down among the storage levels to pick or put away product. Those workers take their instructions from vehicle-mounted computers connected to the WMS.

Since Lifetime Brands switched from a homegrown WMS to the RedPrairie system, it has gained better visibility into its operations. Data from the system helps the company track business and product flow changes, so it can fine-tune its materials handling strategies. "You need to identify the problem, and be able to measure it as you're collecting the data, so you can plan and improve," Phillips says.

Together, the software, DC design, and materials handling systems have helped the New Jersey facility reduce the cost of distribution as a percentage of net sales of product leaving the building, Phillips says.

Lifetime Brands is looking for similar benefits in its new 750,000-square foot DC in Fontana, Calif. The facility handles a different product mix than the New Jersey DC. But it does use VNA storage, along with standard pallet racks. And, like the Robbinsville DC, it uses wire-guided turret trucks.

There, as in New Jersey, data was crucial to obtaining the right design. "To achieve consistency and accuracy, you need to be able to measure," Phillips says.



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### STAYING FLEXIBLE

Picture the inside of a typical warehouse and you'll probably see lots of hard surfaces—metal racking, plastic containers, concrete floors. That picture is a bit different in Aurora, Colo., where a facility operated by Acme Distribution Centers features blue fabric curtains that serve as movable interior walls.

A 3PL that offers a range of logistics, warehousing, transportation, and ful-fillment services, Acme serves more than 400 clients in 18 vertical markets. It operates distribution centers in the Denver, Chicago, Dallas, and Harrisburg, Pa., metropolitan areas. The Colorado facility is the largest, with slightly less than one million square feet of space.

Acme faced a challenge there because several of the customers it serves in the facility need to store products that give off odors. "Other customers' products could not be stored in proximity to them because of the possible contamination," says Doug Sampson, Acme's senior vice president. "We couldn't fully utilize the available space in the building without impacting the quality of our service, which we cannot compromise."

Officials at Acme considered erecting permanent walls to segregate the odorous products from the rest. But that left Acme with too little flexibility to reconfigure the warehouse as customers' needs changed over time.

The solution that Acme chose instead was a fabric wall system from Zoneworks, based in Milwaukee. Zoneworks markets these systems for containing temperature, dust, and fumes, as well as odors. They are also used to dampen sound, ensure privacy, and create temporary storage areas. Acme installed its first Zoneworks unit in October 2009 and added a second in fall 2010.

The curtains provide the advantage of mobility. "It takes a bit of work to move them, obviously, but you can manipulate them to expand or contract the space," says Glenn Oleson, Acme's vice president of operations.

Along with the fabric walls, Acme has installed a unit on the roof that pumps fresh air into the areas it wants to protect, pressurizing the room to keep smells from wafting in.

The fabric walls have helped Acme make more efficient use of available space in the warehouse. "We've improved the revenue per square foot by being able to utilize these areas today, where they couldn't be utilized to nearly this capacity previously," Sampson says.

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### **Monitor & Measure**

One thing you'll spot in a LeanCor warehouse is an abundance of visual displays. LeanCor, a 3PL based in Florence, Ky., is deeply steeped in lean principles, and visual management is one key to a lean operation.

Visual displays may take several forms: computer monitors, white boards, PowerPoint slide projections. But they're all designed for the same purpose: to keep workers and supervisors informed about how closely they're adhering to the work plan.

"Workers need to know the score of the game," says Robert Martichenko, CEO of LeanCor. And warehouse supervisors must be able to monitor how well their teams perform throughout the day.

Using input from multiple sources, often including a warehouse management system, managers in a lean warehouse track operations throughout the facility. "They ask, 'Are we getting orders out on time? Are we where we expect to be at 10 a.m.?" Martichenko explains.

The goal is to keep the day's plan in mind, monitor performance against that plan, then close any gaps that emerge. Members of work groups refer to the metrics posted on the visual displays, much as fans check the score at a sporting event. The display gets updated regularly.

Nathan Been, director of logistics engineering at Kenco Management Services, a Chattanooga-based 3PL, agrees that visual management is crucial. "We set up takt boards (a particular kind of visual management display) at every value stream," he says.

The boards help employees keep their work on target. "Rather than waiting until the end of the day to know how they're doing, they keep track every hour," Been notes.

A supervisor visits the location hourly to check the "score" on the board. "Associates get real-time feedback on their performance," Been says.



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At Ben E. Keith, a broadline food service distributor based in Fort Worth, Texas, the warehouse anatomy includes a system that's tied to a key piece of human anatomy: the lower arm.

Employees who pick product in the company's seven warehouses take their instructions from Motorola portable computers worn on their wrists. Workers also use an attached bar-code scanner, worn on one finger, to scan product as they pick. The *Selector Pro* software package, from Systems Applications Engineering Inc., Houston, powers the application.

Ben E. Keith serves customers in Texas, Louisiana, New Mexico, Oklahoma, and parts of Arkansas, Tennessee, Missouri, and Colorado. About five years ago, the company wanted to increase picking accuracy and began looking for a solution to replace its paper-based picking system.

"The objective was to reduce the cost of returns and increase quality for customers," says Michael January, Ben E. Keith's director of process improvement. Any order that is picked incorrectly carries a cost because employees must spend extra time on restocking and repicking.

The paper-based system relied on workers to read every slot and case description to locate items for picking. Although the company coached pickers extensively, "mistakes were inevitable," January says.

Company officials evaluated systems that use bar-code scanners to capture

39107C 881BB = 91078 BH When it comes to using scanners to help improve productivity and quality, and reduce labor expenses, it's all in the wrists.

data and systems that rely on voice input. They chose a scan-based system because it will help Ben E. Keith trace its product in the future, positioning the company to comply with new government regulations looming on the horizon.

Ben E. Keith spent about seven months rolling out the new system to all its warehouses. Learning to use the new technology took employees only 10 to 15 minutes, January says. There was a brief drop in productivity as workers got used to the new procedure, but they got up to speed fast, and in some cases productivity improved, he says.

The main difference today is that workers don't need to read case descriptions to find the right cases to pick. "If they scan a case and the computer beeps correctly, the label prints, January says. "Then workers pull the label off, tag it, put it on the pallet, and off they go."

Ben E. Keith expected to see a return on its investment in 12 months by cutting the company's error-to-pick ratio from one in 1,500 to one in 6,000. The solution surpassed those expectations.

"Ultimately, we reached a one in 12,000 ratio, and at times, the ratio has fallen as low as one in 16,000," January says. "Our ROI was cut in half."







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As you hunt for clues that you're walking through an optimized warehouse, don't forget to look up. Installing an energy-efficient lighting system in a warehouse can save a good deal of money and help reduce a company's carbon footprint.

A warehouse that replaces its existing lights with an Intelligent Lighting System from Boston-based Digital Lumens, for example, can reduce energy consumption by as much as 90 percent, according to Mike Feinstein, vice president of sales and marketing for Digital Lumens.



**SEEING THE DIFFERENCE.** In this Americold warehouse, the left aisle is lit with the facility's old yellow lights, while the right aisle uses Digital Lumens fixtures.

"Two elements of the system drive that energy savings," Feinstein explains. First, Digital Lumens' fixtures use light-emitting diodes (LEDs), which are highly efficient sources of illumination. The high-intensity discharge lamps installed in many warehouses today consume about 460 watts. "The Digital Lumens light fixture uses about 160 watts for the same amount of useful light," he says.

The intelligence that drives the Digital Lumens system produces additional savings. Sensors built into the fixtures track whether people are pres-

> ent in various spaces within the warehouse. As workers come and go, the system turns lights on or off, or makes them brighter or dimmer.

"In general, most lights are off 70 percent of the time," Feinstein says. That reduces energy consumption by another two-thirds, on top of the savings from the LED technology.

The ability to dim and brighten lights is an added plus. "Fork truck operators don't feel comfortable, for example, if they're looking into a pitch-black space,"

Feinstein says. Instead of programming the system to turn lights off completely when no one is there, a company might choose to dim the lights, then turn them all the way up as soon as someone enters.

Besides putting out economical light, the Intelligent Lighting System generates reports based on data it collects as it operates. "Managers can analyze the occupancy patterns of the warehouse, or of particular rooms or aisles," Feinstein says. The system can also report on energy usage during selected periods and identify peak activity times.

Managers can also use the information to reconfigure the system to produce even greater energy savings. Such data might also help the warehouse qualify for incentives that power utilities offer to customers for reducing energy consumption, Feinstein says.

According to Digital Lumens, companies that have installed the Intelligent Lighting System in warehouses or cold storage facilities include Americold, Quandt's Foodservice, Maines Paper and Food Service, and United States Cold Storage.

### Cooling Down

These are only a sampling of the systems and parts you might find in a healthy, optimized warehouse. Like any organism, a warehouse is a complex of mutually dependent parts. It takes the right combination, and the right kind of attention, to keep the entire system fit and alive.





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4-Way Entry Pallet



alk into any warehouse, manufacturing, or retail facility, and pallets are hard to miss. Strewn here and stacked there, these denizens of industrial space are part of the transportation and logistics clutter that often goes unseen. While attention focuses on shrink-wrapped SKUs laden with value, the equal-opportunity pallet sits in quiet diffidence, fulfilling its supporting role.

Without the pallet there is a clear void in the warehouse and the supply chain. For such a

simple piece of equipment, it stirs rabid debate and attracts a lot of interest—often after the fact and for the wrong reasons. When materials handling systems fail, or pallets fall apart with contents in tow, shippers and consignees take note.

But when companies attend to pallet management proactively and appreciate how materials handling impacts other areas of the supply chain, as well as the bottom line, efficiency gains and cost savings can be considerable. It all begins with understanding and appreciating the iconic wood pallet's role.

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"The wood pallet is still ubiquitous because it is cheap, renewable, and recyclable," says Derek Hannum, director of marketing at CHEP, an Orlandoheadquartered pallet company. CHEP serves as a pooling resource by issuing, collecting, and conditioning more than 300 million pallets—handling three million equipment moves each day—from a global service center network.

In the pool, the company delivers ready-for-use pallets and containers from its service centers to customers, who load their goods and ship their products through the supply chain. When shipments reach their destination, the consignee off-loads the goods and returns the pallets or containers to the nearest service center.

### **DON'T KNOCK WOOD**

CHEP's familiar blue wood block pallet connects retailers, distributors, manufacturers, growers, and transportation and logistics service providers across countless industries, throughout the entire length of the supply chain. The company's product line carries an assortment of styles and dimensions, both wood and composite plastics that meet varying operational standards for different regions around the world.

"We aren't really a wood pallet company," says Hannum. "We consider ourselves material agnostics." CHEP invests a great deal of money in researching alternatives to wood for applications that range from open pool use to fastmoving consumer packaged goods.

With so many different freight types and pallet varieties on the market, neutrality is important. At the end of the supply line, demand ultimately dictates preference.

Manufacturers often favor one shipping platform type for consistency and cost reasons. In certain industrial sectors, such as food and beverage, electronics, and pharmaceuticals, it makes sense for companies to operate closed-loop pallet networks among carriers, vendors, and competitors, pooling equipment that meets specific shipping requirements. This practice eliminates variability and builds consistency.



CHEP's four-way block pallets allow for greater flexibility in maneuvering loads.

Regardless of materials handling preference upstream in the supply chain, end customers generally specify the pallet type they want, and suppliers comply. The reasons are manifold. Pallet quality, like an inbound routing guide, is a sometimes-overlooked requirement that has an impact on loading and unloading time, product quality, safety, and total cost.

#### **AS YOU LIKE IT**

Customers running sophisticated automated storage and retrieval systems require quality pallets that won't jam warehouse machinations. Consignees with minimal staffing need to ensure that pallets are unloaded as quickly as possible. Defective pallets create longer inbound loading times, increase freight damage risk, add touches to product,

lead to bottlenecks farther along in the supply chain, and cost money. When vendors supply non-compliant platforms to their customers, they are often charged penalties.

"The pallet receiver dictates influence in the buying equation," says Hannum. "Retailers want to ensure the pallet is easy to handle with pallet jacks instead of forklifts. Costco, for example, demands all inbound loads come in on a block-style pallet rather than a stringer."

Sturdier four-way block pallets, often made out of a harder wood, allow for greater flexibility in maneuvering loads in tight places where pallet jacks can access the platform from any direction. Alternatively, two-way stringers require forklifts and more time adjusting equipment. Most pallet pooling

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stringer pallets to CHEP's block pallet system about three years ago, says

Mo Rafizadeh, vice president of Nirvana. The company bottles water from a proprietary spring

located on 2.000 acres in the Adirondack Mountains.

"Cost wasn't an issue," he says. "We were concerned because we couldn't doublestack standard wood pallets without using a piece of plywood in between."

Nirvana's transition to CHEP pallets was based on operational efficiency, and the time and cost savings gained by not having to deal with loading concerns.

**DEMAND-DRIVEN NIRVANA** 

The changes have been noticeable, says Rafizadeh. Nirvana's palletizer doesn't get as many rejects or stuck loads as in the past. Workers can turn CHEP pallets around easily, whereas standard wood pallets require adjusting a lift truck's forks. Additionally, double-stacking pallets without having to insert a flat piece of wood saves

But Nirvana is also something of an anomaly. It rents from two different pallet-pooling companies. In fall 2010,

"Pooling is a marathon, not a sprint. Leakage is a concern within the pool, so there is constant capital inflow. We're exploring better asset control."

- Derek Hannum, director of marketing, CHEP

Nirvana began shipping some product with CHEP's foremost competitor. Orlando-based iGPS provides plastic pallets with embedded radio frequency identification (RFID) tags, enabling shippers and consignees to track shipments through different touchpoints along the supply chain. Nirvana rents the iGPS pallets by the day; then returns

the assets to the pallet provider's pool.

Some consignees want as much information about their shipments as possible. "They want more data, and more accurate and reliable advanced shipment notices," explains Rex Lowe, president of iGPS.

### **KEEPING IT CLEAN**

iGPS has gained growing customer traction among fast-moving consumer goods companies and pharma shippers, largely because of its "clean" platform profile and the RFID track-and-trace technology embedded in its pallet-pooling system.

"Shippers place product with its license plate on a unit load," Lowe says. "They attach that to the iGPS pallet, which has a programmable number embedded inside. Linking this tracking information allows us to follow the pallet anywhere in the supply chain. The technology is available, whether shippers want to take advantage of it or not."



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Users can turn the RFID on or off, or simply use a bar-code scanner instead. Tracking functionality incorporates redundancy that enables shippers to have full confidence in where a pallet is coming from or going to.

But the sophistication of iGPS pallets isn't necessary for every company. And if shippers are moving volumes outside the network or outside North America—the pallet company's primary operating area—the value proposition is less advantageous.

Nirvana partnered with iGPS primarily because a major grocery chain customer specified that requirement in its shipping instructions. For the bulk of its freight, the bottled-water company relies on CHEP.

### **MATERIAL DIFFERENCE**

Pool providers, regardless of pallet material, offer shippers a viable alternative to owning and maintaining a seemingly non-essential piece of logistics equipment. The value of having a third party manage asset allocation and maintenance is easily tenable.

But not every supply chain partner is part of a pool. Shipment volumes or facility locations might not warrant a dedicated service. Or, as with Nirvana, a customer may stipulate a non-standard shipping platform.

"CHEP pallets provide additional flexibility for moving out-of-network

While wood and plastic duke it out in the materials handling world, aluminum is quickly gaining traction as a popular means for shipping and stowing freight.

shipments," says Rafizadeh. This means working with companies that are not a part of the pool. Given the cost that can be tied up in pallets, shippers are wary of using more expensive plastic types for one-way moves in which the pallets won't return or could be exchanged for inferior pieces of equipment. This is a foremost distinction between wood and plastic options.

Over the past few years, a pallet war of sorts has erupted between CHEP and iGPS over the efficacy of wood and plastic. Each company stakes its claim to a number of arguments that cover durability, sustainability, cost, traceability, and safety, among other contentions. Both sides carry pros and cons.

Compared to wood, plastic pallets are more expensive, but are lighter and therefore cost less to move freight. Shippers can build more optimal loads because of the weight displacement. Plastic is impervious to insect infestation and fluid contamination; however, it carries fire-code restrictions and can bend under heavy loads.

Wood pallets are less expensive and have a greater load-bearing stiffness, but require fumigation and fire-retardant applications for certain shipment types.

Both pallet types are sustainable depending on perspective, and pooling reusable assets is green by default. Soft and hard timber used in wood pallets is a renew-

able resource that comes from the earth and is recyclable. Plastic pallets last longer, are lighter in transport, and are also recyclable.

The characteristics and qualities that shippers prioritize ultimately dictate pallet preference. Certain applications favor one type over the other. "Heavily automated industries that require precise equipment, or those that emphasize packaging reduction, may be better suited to plastic," acknowledges Hannum.

As companies explore innovative ways to eliminate secondary packaging by shrink-wrapping SKUs tight to the pallet, plastic has a hard and smooth edge over wood.

"The iGPS pallet is flat and even," says Lowe. "This design means shippers can remove slip sheets-corrugated or



plastic—and slat boards that lay on top of stacked pallets, which represent an extra disposal cost."

Composite platforms are also generally preferable for international shipments where the rigors of transport can pose durability and product integrity concerns; however, there is a cost trade-off if the pallet isn't returned. And from an asset-tracking standpoint—RFID use, for example—wood is not appropriate.

But wood still remains the most popular pallet option on the market, thanks to its economy and tensile strength. "Wood is very durable and rigid, and can support heavy loads," says Hannum.

When pallet pooling enters the mix, economies become even greater, regardless of whether a skid is plastic or wood. Challenges arise as well. Keeping track of assets and preventing shrinkage are ongoing problems.

"Pooling is a marathon, not a sprint," says Hannum. "Leakage is a concern within the pool, so there is constant capital inflow. We're exploring better asset control."

### **PALLETS PROVE THEIR METAL**

While wood and plastic duke it out in the materials handling world, aluminum is quickly gaining traction as a popular means of shipping and stowing freight. Metal skids have traditionally been used for heavier freight and global shipments. But innovation and engineering are making aluminum pallets a much more pallet-able solution for shippers.

"Engineering and structural design make our product unique compared to other metal providers," says Young Lee, executive director of AL Pallets USA, a Carson, Calif.-based company that began operations in 2002. The company has created a patented aluminum product that is lighter and carries the same load capacity as heavier types on the market.

In terms of advantages, aluminum pallets are light, easily sanitized, non-corrosive, durable, and can be easily handled by one person—a consideration that is often forgotten. They are also fireproof, which can help reduce

insurance rates. But their real value is in weight displacement.

Compare a nine-pound, ultra-light AL pallet, a 65-pound wood pallet, and a 50-pound plastic pallet, each ferrying air freight at \$1 per pound. The shipping platform creates a major price differential.

There is a cost, however. AL Pallet's lighter, one-way air model averages about \$30 a unit, while its heavier, reusable sister product sells for around \$60. Each price is variable depending on the amount of customization required.

"The cost depends on specifications," explains Lee. "A four-way, rackable, one-ton-plus, reusable pallet, for example, costs more than a standard air logistics pallet."

Compared to wood and plastic, that's a lot of money tied up in one piece of materials handling equipment—let alone a fleet.

Still, AL Pallets is building a growing roster of customers that includes Samsung, Nokia, and LG. Electronics, pharmaceuticals, and automotive parts are among the company's target industries, largely because these products are shipped via air and are sensitive to dust and magnetics. Aluminum is anti-static and anti-magnetic.

Metal pallets also offer potential

return on investment. Currently, all of AL's pallets are manufactured in Asia. When a company ships a one-off air logistics pallet from Shanghai to Dallas, for example, the consignee can scrap the pallet and redeem as much as \$9 per unit as part of a company-sponsored buy-back program. One business in India receives aluminum pallets, scraps the metal, and subsidizes its entire payroll with this new revenue stream, according to Lee.

The one concern, given aluminum's scrap value, is the threat of pallet theft—a lesser consideration for wood and plastic.

### **MAKING PALLETS A PRIORITY**

What is unique about pallets is that shippers often only perceive them as absolute costs—a business necessity and a capital expense. Companies don't necessarily pay attention to a pallet's strategic function and use, or how investing in a pallet management system can bring tangible returns.

With so many different pallet options and services to consider, diligent shippers can find the best match that will help them locate hidden supply chain costs – beyond even the warehouse floor—and drive further efficiencies and economies.



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# Do you need a logistics partner that will bend over backwards for you?



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Inbound Logistics assembled a team of executives at leading materials handling companies and asked for their perspectives on the important logistics challenges and opportunities affecting your business processes.

# HANDLING THOUGHT LEADERS

56 MICK MOUNTZ

CEO and Founder, Kiva Systems

57 PETER HARTMAN
President, Retrotech Inc.

58 PHIL VAN WORMER
Executive Vice President, Sky-Trax Inc.

RAVI PAPPU

VP Advanced Development Group (ADG),
ThingMagic, A Division of Trimble

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### **Mobile Robots Expand Warehouse Automation Options**

Q: Warehouse managers are tasked with making investment decisions about systems that must scale for growth, often leading to unnecessary spending based on faulty five- and 10-year plans. Are there equipment options that can help mitigate this risk for warehouse management?

MOUNTZ: Mobile-robotic solutions offer a whole new approach to warehouse automation. Using features such as robotic drive units, mobile shelves, workstations, and sophisticated control software to automate the pick, pack, and ship processes provides warehouse managers Q: In the e-commerce fulfillment center (FC), managers are pressured to keep costs down, offer same-day or overnight shipping options, and adapt quickly to changing product assortment. Order accuracy is paramount and any disruptions to the workflow are costly. How can an FC warehouse keep up with the complexities of demand without sacrificing speed, efficiency, and accuracy?

MOUNTZ: Today's savvy Internet retailer has abandoned the old practices that required operators to walk miles each day pushing carts to pick orders. Instead, they're leaving the heavy lifting and travel to warehouse robots.

This form of picking is operator-friendly; empowers two to four times more productivity than other pick, pack, and ship automation approaches; and boasts a 99.99-percent order accuracy rate. And, because today's trend could be tomorrow's clearance item, when product accessibility needs change drastically overnight, mobile shelves ensure that items are always placed in the most efficient location.

Q: How can an investment in warehouse automation begin to reflect ROI even in the short term?

MOUNTZ: Mobile-robotic systems are easy to design and install, with overall lower installation and operational costs than traditional warehouse automation systems. This flexibility drastically reduces the installation time for a new distribution center from months to weeks.

MOUNTZ

CEO and Founder Kiva Systems

unmatched flexibility to implement the solution they need to handle their current volumes, then add additional capacity quickly and easily if they need it later.

Unlike conveyor, carousel, and traditional automated storage and retrieval systems (AS/RS), this type of portable solution adapts to changes in product types and velocities, order prioritization, and other operational realities.

Work injury reduction also yields cost savings. These solutions reduce worker fatigue and injury, because they limit walking through the warehouse, and bending and stretching at pick stations. Companies can also save on overhead costs by using zone heating and lighting in the limited areas where human stations are located.

Ultimately, a mobile-robotic warehouse is quick and low-cost to set up, inexpensive to operate, and easy to change.

Kiva Systems | 781-221-4640 info@kivasystems.com | www.kivasystems.com



# Upgrading Order Fulfillment Systems Boosts Warehouse Efficiency

Q: Is it possible to speed product flow in response to customer demands and cut inventory processing costs at the same time?

HARTMAN: Many automated systems installed several years ago were not designed to handle escalating customer requirements, such as higher accuracy, more complex traceable orders with multiple SKUs, and more on-time deliveries. Nor did these designs anticipate the growing need to safeguard workers and consume less energy. And the food industry must now deal with escalating requirements resulting from the Food and Drug Administration's new Food Safety Modernization Act.

Minor equipment and/or operating software additions and upgrades can help firms with an automated storage and retrieval system achieve measurable improvements in many areas, including throughput speed and costs.

Q: SMBs and mid-size 3PLs are dealing with increasingly stringent demands from their vendors, and many don't have the internal capabilities to keep up. Are there solutions that act as force equalizers, giving smaller companies world-class product throughput capabilities?

HARTMAN: Companies have achieved stunning results from projects that converted manual warehouse operations into automated order fulfillment centers. These firms deliver attributes of customer value that yield higher product quality, revenues, and margins, with lower costs.

What if you could access any case at any time to build a customized pallet at the dock ready for shipment? What if the cost of handling every case in your warehouse could be reduced 90 percent? What if enough space were freed up to eliminate the need for outside warehouses? Some firms will not be competitive without automating their warehousing and distribution operations.

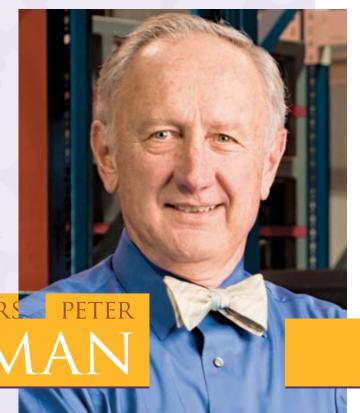
If your competitors have an automated order

fulfillment system, we recommend vigilant competitive benchmarking. Manufacturing firms must question if their future is based on continued aggressive bidding of three-year contracts or, perhaps, a more thoughtful long-term relationship with 3PLs centered on well-considered infrastructure investments.

Q: Today's demands stretch many legacy warehouse automation systems beyond their capabilities. Despite the need, some companies are reluctant to undertake a new warehouse automation project because of downtime caused by design complexity and long lead and project completion times required. What options are available to address these concerns?

HARTMAN: Existing systems made by defunct firms can be brought back to useful life. Through a procedure called "Live Retrofit," a bypass can be developed to enable ongoing order fulfillment as hardware or software components are repaired, replaced, or upgraded.

Retrotech Inc. | 866-915-ASRS



President Retrotech Inc.

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### **Tracking Warehouse Inventory on the Move**

Q: Despite technology advances in end-to-end supply chain visibility, the warehouse is still a "blind spot" for many companies. What can be done to improve visibility within the four walls to bring the same level of excellence achieved in other areas of the supply chain?

have gained tremendous productivity through real-time GPS tracking of their trucks, drivers, and in-route inventory. As in transportation, visibility in a warehouse operation means knowing the real-time location of your materials

VAN WORMER: Over-the-road transportation fleets

and historical data analysis. For example, optical tracking technology from Sky-Trax provides second-to-second, inch-accurate tracking of vehicles, drivers, and inventory, with a full package of reporting and data visualization tools that allow managers to view the inside of their facility in ways they've never been able to before.

### Q: What are the benefits of this kind of visibility?

**VAN WORMER:** Having real-time visibility of your warehouse operations provides immediate improvements in accountability, safety, and elimination of unproductive activity. Managers can also track and analyze fleet utilization and driver productivity to determine opportunities for reducing fleet and shift sizes, and improving labor standards. Additionally, tracking inventory movement from receiving to put-away, picking, and shipping provides insight into optimizing routes, rack slots, zones, and throughputs. Accurate inventory and vehicle location data can be fed real-time into warehouse management systems (WMS) to create optimized tasks, enable interleaving opportunities, and reduce the need for cycle counting resources.

Sky-Trax technology can also eliminate the need for hand-scanning pallet and location IDs, allowing drivers to move more pallets per hour. This historical data can be captured in a database to support Six Sigma, lean manufacturing, or other continuous improvement initiatives. Warehouse operators who have invested in these visibility tools have typically realized productivity improvements of 10 to 40 percent.



Vice President Sky-Trax Inc.

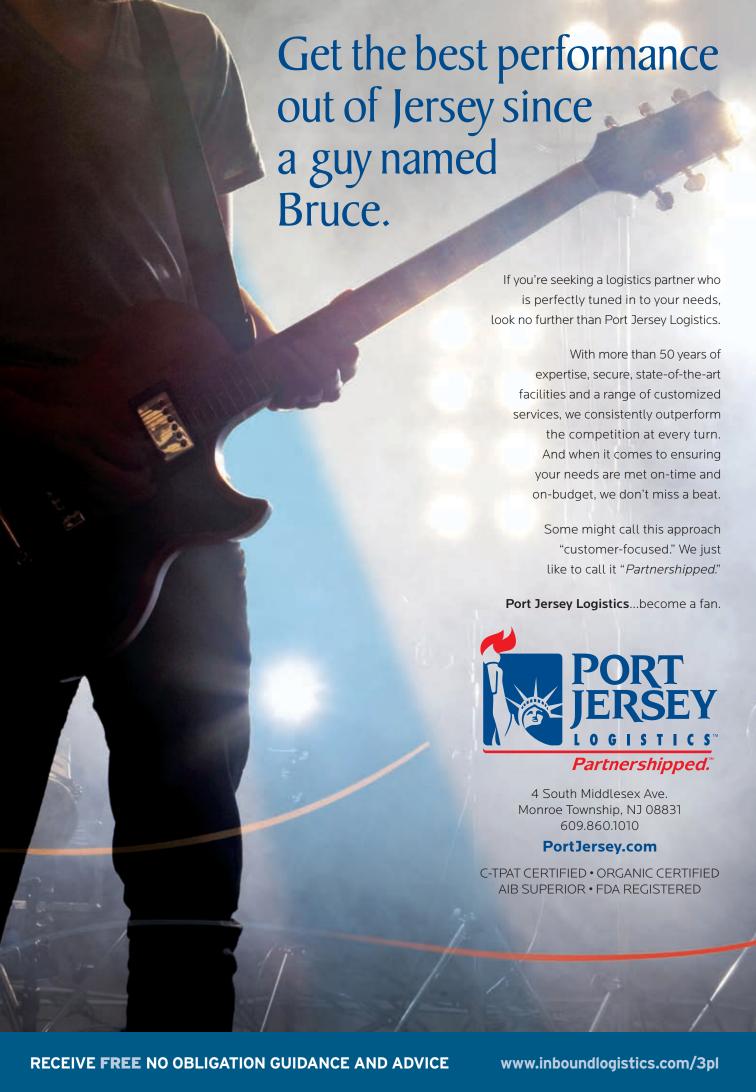
handling vehicles, drivers, and inventory so operations can be optimized for maximum productivity.

GPS does not work indoors, but different types of visibility solutions and tools provide indoor tracking and productivity gain. RFID, laser, and optical solutions are the most common technologies deployed today. These solutions typically include visualization tools such as realtime location maps, daily performance reports,

These visibility technologies also support nextgeneration warehouse automation opportunities, such as tracking and controlling automated guided vehicles. The ability to track both manned and unmanned vehicles' real-time location, direction, and speed allows managers to remotely control mixed fleets, ensuring safety while optimizing vehicle and labor utilization, and inventory flow.

> **Sky-Trax Inc.** | 866-927-4927 skysales@sky-trax.com | www.sky-trax.com





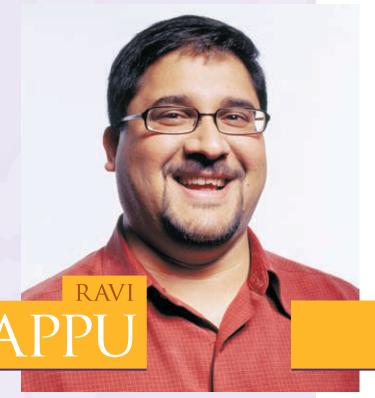
### **RFID Delivers the Power to Transform Markets**

Q: The business cases for achieving improved visibility throughout the supply chain have been identified. What technologies should logistics providers consider to get there?

PAPPU: Physical objects are becoming coupled with a myriad of radio technologies to drive a communications revolution. For instance, location information from GPS satellites 16 miles above the earth is being used to track vehicle fleets delivering goods between locations. Various radio frequency identification (RFID) technologies are being used to locate and identify objects during manufacturing and shipping processes at distances from inches to hundreds of feet. And the sensing capabilities of some RFID-enabled devices can remotely determine a shipment's temperature, determine its direction of travel and velocity, and even turn on and off devices connected to the RFID tag. These technologies allow computers, objects, and individuals to interact in many new ways, supplying logistics providers and materials handlers with predictable and actionable data to enhance their service offerings and operations.

commercial, and industrial environments where high performance in a wide range of operating conditions is required.

More interesting than any standalone technology is the integration of multiple identification and sensing technologies into a



VP Advanced Development Group (ADG)
ThingMagic, A Division of Trimble

Q: What are some of the trends and advancements logistics providers should be aware of when considering GPS and RFID technologies?

PAPPU: Ultra-High Frequency (UHF) Passive RFID performance is advancing phenomenally. The read range of passive UHF RFID tags has quadrupled in the past three years, read rates have increased from 200 to 1,200 tags per second, and read accuracy is nearly 100 percent. The cost of Passive RFID tags has also decreased by a factor of five over the same period.

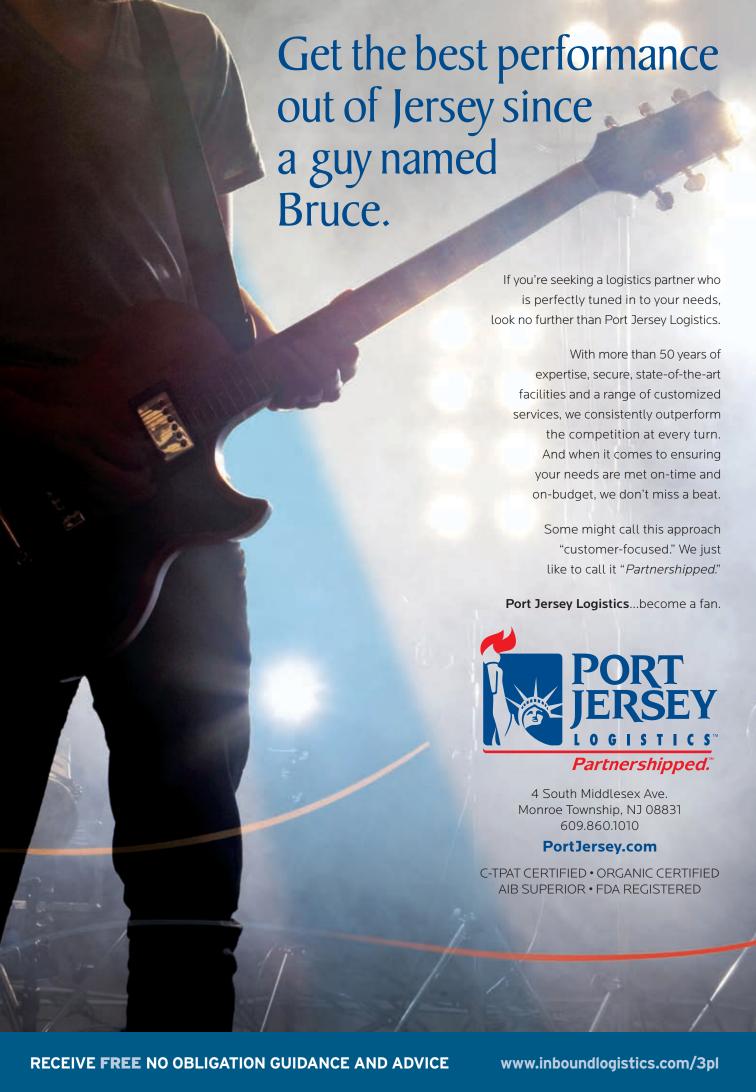
Further, as the market evolves from one-size-fitsall RFID readers toward highly integrated solutions, diverse RFID reader form factors become more important. Today, small UHF RFID modules are being embedded into mobile devices for inventory management applications, and a variety of stationary RFID readers are available for enterprise, single device or solution. Combining RFID, GPS, GPRS, Wi-Fi, and other technologies will allow everyday objects to deliver valuable data that can be used for a variety of applications.

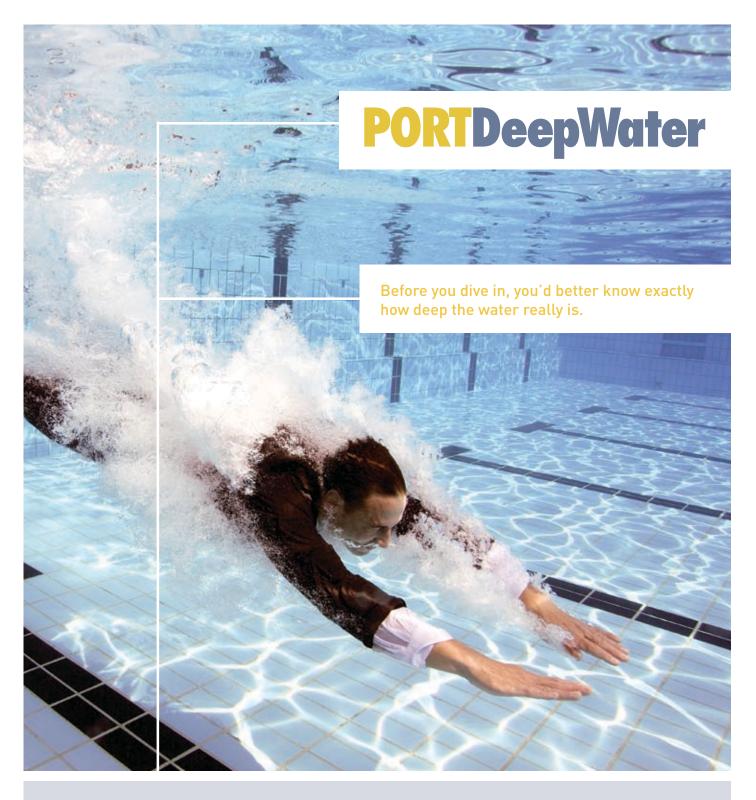
Q: Where do you expect new market growth to come from?

PAPPU: Many markets are adopting RFID technology. Any organization focused on decreasing delivery times of its products, reducing product theft, or improving customer service can benefit from implementing autoidentification and sensing technologies. The important thing to understand is that the technology itself is no longer a barrier to entry.

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The deepest channels in the Southeast are in Charleston, South Carolina, the only port in the South Atlantic that routinely handles 8,000+ TEU post-Panamax ships. While the Panama Canal expansion is on track for completion in 2014, post-Panamax ships are moving cargo here today. And more than 75 percent of the global ship capacity on order is for post-Panamax ships. You can only realize the benefits of these ships in a port capable of fully loading them. So before you take the plunge, visit PortCharleston.com.

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### AN INTERMODAL GAME-CHANGER WAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY

Everything is on track for what promises to be a "game-changing" intermodal terminal in the Wayne County city of Prichard, W.Va., according to Don Perdue, execu-

tive director of the Wayne County Economic Development Authority.

"This project is the nexus of opportunity for the entire mid-Atlantic region," Perdue says.

The planned Prichard facility is a key component of what Norfolk Southern has dubbed the Heartland Corridor – a portfolio of intermodal-based projects designed to significantly improve mobility and increase freight capacity between the mid-Atlantic regions of Virginia and North Carolina, and the Midwest and West Virginia.

The Heartland Corridor is a public-private partnership among Norfolk Southern; the states of West Virginia, Virginia, and Ohio; and the federal government to create the shortest, fastest route for double-stacked container trains moving between the Port of Virginia and the Midwest. The new routing improves transit time between Norfolk and Chicago from four days to three, and is nearly 250 miles shorter than previous circuitous trips.

The Prichard project, championed by West Virginia Governor Earl Ray Tomblin and other state leaders, has the vigorous support of U.S. Rep. Nick Rahall of West Virginia, top Democrat on the House Transportation and Infrastructure Committee.

"I am happy to report we are making

progress with the Prichard intermodal facility," Rahall wrote in a recent letter to constituents. "In fact, it is fair to say the facility's development is picking up steam."



Heartland Corridor rail projects, such as Wayne County's Prichard intermodal terminal, connect the East Coast to the Midwest.

The Prichard facility will have access to Huntington's Tri-State Airport, as well as to a larger rail tunnel, enabling it to become a commercial transportation and product transition hub for the region.

Rep. Rahall reports that his \$4-million federal highway earmark will be put to work to facilitate access to the Prichard site via Tolsia Highway, the portion of US Highway 52 in southern West Virginia that runs between Kenova in Wayne County and Kermit in Mingo County. Excavation from the highway project will be used for the construction associated with the terminal.

"When Norfolk Southern came to Congress asking for a down payment on what I and others saw for the heartland of America – including Prichard – Congress responded with tens of millions of dollars in support," Rep. Rahall wrote. "The private contributions of this corporate community citizen are essential."

Research for the Prichard project has been conducted by the Rahall Appalachian Transportation Institute, a National University Transportation Center funded by the U.S. Department of Transportation's Research and Innovative Technology Administration, based at Huntington's Marshall University.

"Make no mistake, there is a strong partnership moving the project along," wrote Rep. Rahall.

"We believe this will be the primary economic driver for Wayne County for many years to come," says Perdue, who is a West Virginia legislator in addition to his role with the Wayne County Economic Development Authority. "We often refer to Wayne County as the 'Western Gate to the Mountain State.' Soon that 'gate' will be open to the entire globe in a very profound way."

### RIDING A NEW WAVE OF CONTAINER TRAFFIC NEXUS

In the five years since third-party logistics (3PL) provider Nexus opened its unique Chicago Land Bridge, nearly 1,000 import containers have shipped from overseas direct to the Chicago marketplace.

The Land Bridge, a nearly \$1-million project, is a half-mile-long private roadway that links a metro-Chicago CSX intermodal facility with two Nexus warehouse facilities in Bedford Park, III. The Nexus facilities with access to the Land Bridge provide a total of 57 truck docks, 26 rail doors, and 400,000 square feet of space.

"As the Land Bridge continues to capture the attention of

international shippers, we are preparing for a new wave of container traffic, particularly in light of rising fuel costs and the growth that the intermodal industry will experience related to the Panama Canal," says William Hansen, a principal of Nexus.

With the Chicago Land Bridge, heavy containers can travel from U.S. East Coast ports directly to the nation's epicenter without ever touching public roadways. The Land Bridge can also be leveraged in reverse to support movements out of the Midwest for export via East Coast ports.

"The Land Bridge allows shippers to avoid de-consolidation at the



# THE STORY OF AN ICE CREAM COMPANY, A GIRL WITH A SWEET TOOTH AND THE 2,300 MILES IN BETWEEN.



Now, nothing comes between refrigerated or frozen goods and the people who want them—because NFI has added state-of-the-art containers that maintain a consistent temperature as low as -20°F. Since these fully insured intermodal containers have a 120-gallon fuel tank, there's little need for refueling en route—and less of a chance for variations in temperature. For a quote or more information, call Mike Hayden at 800-766-0919 x 5531 or visit us at nfiindustries.com/nfi-difference/case-studies

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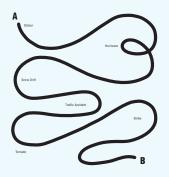




A 120-gallon front-mounted fuel tank ensures consistent temperatures as low as -20°F.

-20

An alarmed monitoring device gives NFI full visibility on inside and outside temperatures throughout the journey.



Even ice cream is no problem with these high-tech intermodal containers. We've proven that product quality can be maintained—even for the long haul.



Each container is designed to withstand high-loaded double stacking on rail. And a high-capacity tank ensures greater distance between refueling.



port of entry, and to build heavier shipments that take advantage of maximum container capacity," Hansen explains. "The result can be as much as a 20- to 30-percent cost savings.

"Also, the proximity of the CSX intermodal yard to our distribution center potentially allows customers to realize a reduction in transit time and drayage-related expenses," adds Hansen. "The solution basically allows our Bedford Park campus to serve as an inland port."

As with many new endeavors, the flow of containers in the pipeline started gradually following the project's launch in March 2006. As a result, Hansen says, the steady growth

has been met with flawless execution.

Hansen calls the Land Bridge a truly unique value-add. "Many companies offer transportation, warehousing, and other traditional third-party logistics services," he says. "But the Land Bridge concept goes above and beyond."

All Nexus warehouse facilities are served by major railroads and are equipped with a large volume of rail and truck dock doors to accommodate inbound product deliveries. Nexus can receive product arriving in railcars, intermodal containers, and domestic trailers, and ship product via almost any transportation mode required.

Storage, crossdocking, and value-added packaging services are also available in conjunction with transload services. In addition to the management of product at its warehouse facilities, the Nexus team can coordinate and provide transportation services utilizing the required modes.

"At Nexus," says Hansen, "we're focused on solutions that are contemporary with the challenges faced by the logistics sector. Our Land Bridge directly addresses real concerns related to shifts in global and domestic supply chains, and leverages intermodal transportation as a dynamic resource in responding to those challenges."

### POWERING UP SERVICE ASSETS AMEREN CORPORATION

"Illinois and Missouri represent a transportation gateway," claims Michael Kearney, economic development manager for Ameren, a utility company that provides energy to electric and gas customers in central and southern Illinois, central and eastern Missouri, and the St. Louis metropolitan area.

It is no idle boast. The region offers connections to multiple rail lines serving Atlantic, Pacific, and Gulf Coast ports in the United States, Canada, and Mexico. To serve these railways, a total of 17 intermodal terminals operate in and within driving distance of Ameren's service territory. As much as 80 percent of the materials passing through the region's DCs travel by dual modes.

In addition to rail intermodal facilities, the area offers access to five interstates, all seven Class I rail lines, and two major airports. From the well-connected region, trucks can reach more than 78 million people within eight hours, making the

area attractive to businesses siting new distribution centers and manufacturing facilities.

It takes a tremendous amount of energy to run all those intermodal terminals, distribution centers, and businesses. That's where Ameren comes in. The company's opercomprehensive services to companies seeking business location options in the area.

"As a utility, Ameren's infrastructure connects our communities," Kearney says. "Our development professionals throughout the region work with local partners to explore build-



Ameren's workforce helps maintain the energy grid that powers transportation facilities and businesses in Illinois and Missouri.

ating subsidiaries provide energy services to 2.4 million electric and 900,000 natural gas customers across 64,000 square miles.

Ameren's team of economic development specialists provides

ing and site options confidentially and without obligation."

Among the region's selling points is its diverse industrial base, inherent in the breadth of its geography. Ameren recently commissioned two consulting firms to study its service territory assets. One of the primary advantages the study identified is the region's unsurpassed transportation infrastructure, particularly its well-distributed network of rail intermodal terminals, highways, and commercial and cargo airports.

The study also found that selected business costs in the region are at least 18 percent below typical or national average distribution center costs. Those costs are up to 27 percent below average in some parts of the region, and up to 32 percent below certain competing locations in the Midwest, such as parts of the Chicago metro area.

"We know that energy will not be the only driving force in site decisions," says Kearney. But he is confident that, when all factors are considered, the Illinois-Missouri region Ameren serves emerges at the top of any company's "must consider" site selection list.

### PUTTING INTERMODAL IN THE SPOTLIGHT NEI

As fuel prices continue to rise, one logistics company is finding success by focusing on intermodal services.

NFI, one of the largest privately held 3PLs in North America, offers an array of supply chain services to help businesses manage, grow, and succeed in today's marketplace.

"We've been in the trucking business for 79 years, and we've established a widespread network operation across the United States," says lke Brown, president of NFI RoadRail, NFI's Intermodal Division.

NFI enjoys powerful synergies among its trucking and warehousing operations in Los Angeles, Dallas, Chicago, Orlando, New Jersey, and eastern Pennsylvania, according to Brown.

"We've gone through a metamorphosis," he says. "We operate on a non-asset model, but we have assets to back us up."

NFI RoadRail experienced exponential growth between 2008 and 2009, before changes in regulatory environments in 2010 affected pricing. Now Brown expects growth to pick up again in 2011, with billions of dollars being spent federally and at the state level to improve networks, add more rail depots, and generally make rail transport a

more competitive option than over-the-road.

Another intermodal innovation NFI is pioneering is the refrigerated container. "We explored what else we could do in the intermodal arena that would separate us from the rest of the pack," Brown says. "We were among the first in the market with a 53-foot refrigerated intermodal container."

The container is designed to be capable of two-high loaded double stacking for railcar service, and three-high loaded for terminal operation with 40-foot ISO type containers, as well as other domestic containers. NFI's containers have been proven to successfully handle shipments of highly perishable product using the most efficient, environmentally friendly method of transportation today: the railroad.

"NFI runs about 70 of these units now, and increases its volume weekly," Brown says.

This increased emphasis on intermodal and sustainable initiatives fits well into NFI's core values. "Our corporate values include customer service, performance, and social responsibility," says Brown. "The economic benefits of refrigerated rail containers are

### Life is Good Distribution is Great

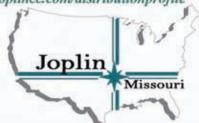
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President, Joplin Area Chamber of Commerce www.joplincc.com

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NFI RoadRail's refrigerated intermodal container is designed for double stacking on a railcar and triple stacking at the terminal.

complemented by how they contribute to sustainability. By reducing the number of trucks on the road, intermodal transportation helps reduce the company's carbon footprint."

Refrigerated rail containers allow for

efficient and expedited delivery of large volumes of perishables such as frozen or refrigerated products, including ice cream; infant formula; pasta; and baked goods. They also offer sensible alternative transportation to over-the-road.

"NFI's business is increasing every month because it hit a nerve in the transportation industry: the need to increase capacity of shipments while reducing the number of trucks on the road," says Brown.

NFI is a conglomerate of transportationrelated companies committed to serving the logistics and supply chain sector by offering dedicated truckload services, logistics, and warehousing across the United States and Canada.

The company started in 1932 as National Hauling in Vineland, N.J., with one dump truck, and has grown to become a leader in third-party logistics. One of New Jersey's largest private employers, NFI generates \$900 million in gross annual revenue, employs more than 5,500 individuals, and maintains more than 2,000 tractors and 7,200 trailers.



### ENERGIZING THE HEART OF AMERICA NEBRASKA PUBLIC POWER DISTRICT

### Nebraska's central location makes it an ideal transportation hub.

Interstate 80, arguably the nation's busiest intercontinental highway, stretches 482 miles east-west from one end of the state to the other. Seven north-south highways bisect Nebraska, providing companies with ready access to the NAFTA trade corridor. The state also is served by two Class I rail systems.

"Nebraska's relationship with major Class I railroads is a key strategic advantage for companies that locate in the state," says Ken Lemke, economist, Nebraska Public Power District (NPPD). "Union Pacific, head-quartered in Omaha, and BNSF Railway are two key railroads that enable strategic supply chain delivery by way of direct mid-continent routes. Because of these main rail centers, no major city in the United States is more than five days away by rail.

"While this geographically centered location is a natural asset that businesses in Nebraska can take advantage of, the state offers other strategic advantages to prospective businesses," Lemke adds. "At the core of any successful business is reliable energy, and Nebraska is the only state in the nation where all electric utilities are publicly owned to

ensure affordable, quality electricity."

NPPD's Economic Development Team provides a variety of services to assist Nebraska and its communities in their efforts to attract, retain, and expand businesses. These services are available to NPPD customers and utility partners, as well as to companies considering locating a site in Nebraska.

"The Economic Development Team has helped hundreds of companies find productive and profitable locations in Nebraska," says Lemke. "Services range from supplying requested information to guiding firms through the entire site-selection process. This may include gathering community proposals, identifying informational and financial resources, or facilitating final negotiations at the local level."

Logistics is a key factor in site-selection decisions. In that regard, Nebraska's rail intermodal assets make the state particularly attractive. "A total of 10 freight railroads operate more than 3,200 miles of track throughout the state," Lemke notes.

Nebraska also is home to several of the nation's leading truck transportation companies, including Adams Trucking, Crete Carrier

# **Least Cost Connections to Midwest Markets**

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Corporation, and Werner Enterprises. In total, some 13,500 trucking companies call Nebraska home.

"Through Nebraska's roadways, goods delivered by truck reach more than 25 percent of the U.S. population in just one day," Lemke says. "Within two days, that percentage skyrockets to more than 90 percent. Thus, from a resource perspective, we are well-positioned to take advantage of rail intermodal operations."

In addition, Lemke cites Nebraska's strong workforce as an important ingredient in its success. "Nebraskans take great pride in the quality of their work," he says. "This contributes to high productivity and success rates, and low absenteeism and turnover rates."

Nebraska traditionally maintains low unemployment. The March 2011 rate was 4.2 percent, less than half the nationwide rate.

### **CENTRAL ARTERIES**

JOPLIN REGIONAL PARTNERSHIP

### The Joplin region comprises 10 communities and five counties in southwest Missouri and southeast Kansas.

The region's economic development efforts are promoted through the Joplin Regional Partnership, which provides site-selection assistance, incentive and business tax information, key business and local government contacts, and demographic and economic data.

"This unique partnership gives site selectors access to information about multiple locations throughout our area that meet their specifications, reducing the number of inquiries they have to make," says Rob O'Brian, president, Joplin Area Chamber of Commerce. "It also



Centrally located Joplin, Mo., anchors a market of 250,000 people.

expedites the selection process for companies looking to move, expand, or begin operations."

The city of Joplin is the hub of the region's market area, which contains nearly 250,000 people.

The overall market reach within 60 miles of Joplin is more than 700,000 people.

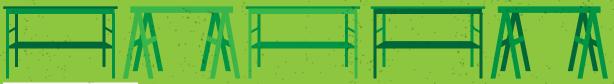
"The Joplin region is located near the U.S. population center and situated nearly equidistant between Los Angeles and New York, as well as the Mexican and Canadian borders," says O'Brian.

### WAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC. Western Gate to the Mountain State In partnership with Norfolk Southern, the announcement of the new We're Building For You! Prichard Intermodal Facility marks a robust addition to the Heartland Corridor. With its proximate location to I-64 and access to the Tri-State Airport, this new facility will become a hub of commercial transportation and product transition for the Mid-Atlantic and Midwest regions. West Virginia Wayne County Proposed Prichard Intermodal Facility 50-60 acres near I-64 1.5 mil. sq ft. of available space Double stacked freight car capable **Don Perdue Executive Director** wceda@suddenlinkmail.com

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"Our region's central location is well-served by highway transportation routes," he adds.

An excellent highway system that includes Interstate 44 running east-west, interstategrade US Highway 71, and US Highway 69 running north-south creates connections to every region in the country, as well as to Mexico and Canada.

Three Class I railroads and two regional shortline railroads also are important components of the transportation system. These rail lines provide direct access to major ports on the Gulf of Mexico and the Pacific Ocean.

In addition, the Joplin Regional Airport and three other airports within a 60- to 90-minute drive provide commercial and cargo air service to markets throughout the world.

The proximity of southwest Missouri and southeast Kansas' central U.S. location makes the region an ideal site for office space and warehousing/distribution facilities. The region is home to companies such as General Mills, Leggett & Platt, Owens Corning, Atec Steel Fabrication, Butterball, Schreiber Foods, and Thorco Industries.

### **MOVING CUSTOMERS TO GLOBAL MARKETS**

FORD STORAGE & MOVING COMPANY

After working for his brother Grover in the storage and transfer business, Ray Atlee Ford decided to strike out on his own. He became an entrepreneur, incorporating Ford Transfer Company in 1915. The business, which originated in Council Bluffs, lowa, initially provided storage and hauling of flour, rice, grain, and other bulk products to local grocers.

In 1919, another brother, Roy Virgil Ford, returned from World War I and joined what today has evolved into Ford Storage & Moving. With Ray operating the warehousing side and Roy running the moving and storage company, Ford Bros. Van & Storage was formed.

Ford Bros. soon became a charter agent for Allied Van Lines, connecting to a network of movers working as a national carrier.

Meanwhile, growth in the warehousing and distribution markets fueled Ford Bros.' own growth.

With this strong lineage, Ford Storage & Moving cites nearly one century of leadership in the logistics and transportation sector. An

asset-based warehouse provider, Ford Storage is strategically located in the Midwest, providing logistics services from six distribution centers in Nebraska and Kansas.

With more than 750,000 square feet between Omaha and Kansas City, the diverse company now offers warehousing, transportation, logistics, consolidation, home delivery, and relocation services. The company, which traces its presence in Omaha to 1932, expanded to Kansas City in an effort to provide customers access to a global marketplace.

"The Kansas City facility is a logistics hub supporting international trade," says Chad E. Ford, vice president for business development.

Ford Storage has authority with the Uniform Intermodal Interchange and Facilities Access Agreement for all Class I railways in the Kansas City marketplace. "The Kansas City terminal is less than one mile from BNSF's intermodal facility, and centrally located among the Kansas City railways," Ford says. "We service import and export shipments with a focus on customers' specific supply chain requirements."

With 3PL warehouse locations in Omaha and La Vista, Neb., as well as Kansas City, Ford Storage is a resource for shippers requiring any combination of transport modes servicing B2B and B2C companies. Ford Storage customers include manufacturers, distributors, and wholesale and retail-based industries.

Chad Ford attributes the company's success to its adaptability, as well as its strategic locations. "Our systems are built around our customers' business processes," he says. "They make the business rules and we create a method to service and manage their inventory. The satisfaction and requirements of our customers' own customers become our focus, goal, and standard operating procedure.

"Companies that want to consolidate vendors for a cost-effective and efficient supply chain should view Ford Storage's asset-based solutions," he suggests.



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# Optimizing the Supply Chain Where "East Meets West"

Low labor costs, plentiful resources and a skilled workforce make offshoring in Asia appealing to North American manufacturers.

or nearly three thousand years, the Silk Road—a complex tangle of trade routes connecting Ancient China, India and Persia to the West—provided a conduit for the transport of goods, fabrics, spices, perfumes, and medicine. Trade along this 4,000—mile route didn't just facilitate the transport of goods to the West. It played a critical role in fostering the exchange of ideas, knowledge and technology and the development of modern civilization.

by Meredith Deaver

## Offshoring in Asia—A Modern Spin on an Ancient Business Model

Today, tough economic headwinds, downward price pressures and rising labor, energy and material costs have brought the Silk Road back to life—with a 21st century spin. As organizations attempt to meet fickle consumer demand, wring costs out of the supply chain and cut unit costs, production has continued to migrate from the West to China and other developing Asian nations.

Certainly, sourcing in Asia isn't a new concept. Over the last 30 years, scores of US firms have made Asia a strategic link in their supply chain networks. Today, the pressures of the global economy are driving more corporations to re-think their logistics strategies. As a result, many are relocating manufacturing processes to low-wage destinations like China, India, Taiwan, South Korea, Malaysia, Indonesia and Viet Nam.

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"Whilst India is the clear leader for offshore IT services, and China is the most prominent challenger in Asia, countries such as Indonesia, Malaysia, the Philippines, and Vietnam have continued strengthening their position against leading alternatives," said Jim Longwood, research vice president at Gartner. "Some of these countries have invested considerably and leveraged increased demand for lower-cost services." This is according to Gartner's report, 10 Leading Locations for Offshore Services in Asia Pacific and Japan, 2010-2011.

The goods being manufactured in Asian nations run the gamut from athletic shoes and apparel to kitchen appliances, hand and power tools, chips, hard drives and other electronics. The rationale for globalizing manufacturing to countries like China, India and Viet Nam is as multi-faceted as the products manufactured there—low wage rates, currencies pegged to the US dollar, tax breaks, cheap land and factories, fewer environmental regulations, and a plentiful, low cost labor force.

#### The Numbers Tell the Story

For these reasons and more, Asia, most notably China, has become the workshop of the world. In fact, China is now the world's top goods producer by output<sup>1</sup>. The migration to the east began in earnest when the People's Republic of China joined the World Trade Organization (WTO) in 2001. Since then, China's exports have jumped by an estimated 25 percent a year. IHS Global Insights data projects growth in China's exports of 10 percent this year and India's by nine percent. Singapore's exports grew 32 percent in the first three months of 2010.

A.T. Kearney's annual Global Services Location Index ranks 50 offshoring locations based on a composite of 43 measures of financial stability, availability of skills and overall business environment. The top 10 offshoring destinations in descending order were India, China, Malaysia, Thailand, Indonesia, Egypt, Philippines, Chile, Jordan and Viet Nam.<sup>3</sup> While India heads the list, many companies are shifting their focus to China in response to wage inflation and perceived risk.

#### **Potential Pitfalls**

Considering the seemingly limitless supply of low-cost labor in China, offshoring looks like a slam-dunk. However, despite its attractions, offshoring in Asia can introduce risk, challenge and layers of complexity to global supply chains. The lengthier supply chain compromises predictability. This creates a serious issue for time-sensitive products subject to fickle consumer demand. Launching an offshore operation can incur significant fixed costs. And as the economic recovery continues, tighter

- 1 Source: IHS Global Insight, as described in CFO Innovation ASIA, China Surpasses US as World's Top Manufacturer, 16 March 2011
- 2 Source: Forbes Magazine, The Most Rapid Trade Growth is in Asia, Alexandra Zendrian
- 3 Source: CFO Magazine, Offshoring's Best Bets, Kate O'Sullivan, May 21, 2009



#### **Fast Facts About China**

- Manufacturing comprises approximately 14% of GDP in the U.S., 18% worldwide and 33% in China.<sup>1</sup>
- In 2010, China's top export destinations included the U.S., Hong Kong, Japan and South Korea.<sup>2</sup>
- Exports from China jumped \$266.1 billion USD to \$1,201.6 billion US from 2001 to 2009.4
- Trade with the United States rose 24.8 percent from 2001 to 2009.<sup>4</sup>
- In the decade from 1993 to 2003, China's share of global production doubled.<sup>6</sup>
- Estimates indicate that China accounted for 19.8% of world manufacturing output last year.<sup>7</sup>
- China's domestic product jumped 9.7% in the first quarter of 2011 compared to the first quarter 2010.8
- Source: World Bank manufacturing calculations
- 2-6 Source: PRC General Administration of Customs, China's Customs Statistics
- Source: U.S. Bureau of Economic Analysis
- 8 National Bureau of Statistics in China

freight capacity, coupled with rising energy costs, will likely increase transportation costs as shippers must pay premiums for ocean freight.

Given these factors, it's important to weigh the benefits and challenges of offshoring to Asia. It also helps to partner with a supply chain expert with the resources, scale, and "boots on the ground" to navigate the terrain. Let's look at the top three challenges of offshoring to Asia.

#### Delays in shipping and time to market

Given the extended distance between the plant and consumer, time to market is the leading issue when offshoring to Asia. Already, many retail and consumer packaged goods companies are wrestling with getting products to market faster. With longer trans-oceanic supply chains and longer transit times, companies have to be able to manage supply chains with even greater agility. The amount of time products spend in transit can have a significant impact on a company's inventory carrying costs.

For example, "some Chinese manufacturers are actively receiving orders, but it turns out many can barely meet customer delivery dates because of the overwhelming production burden," according to a Gartner report<sup>4</sup> on sourcing



<sup>4</sup> Source: Sourcing from China? Understand the Potential but the Pitfalls, Too, Mickey North Rizza and Kevin Sterneckert, August 13 2010 Gartner, Research Note

in China. This problem can be serious for products with peak selling seasons. Compounding the problem, not all Chinese suppliers actively help resolve shipping delays and it can be tough getting vendors to commit to an exact ship date. As a result, it is critical to establish proactive measures and controls to ensure that delivery times are met. When products are not shipped from the point of origin on time, there's a downstream impact on the rest of the supply chain - steamship lines, forwarders, warehouse and distribution providers and air cargo carriers. This means that you—or your third-party logistics provider - must be able to react to unexpected delays at any point in the supply chain and potentially shift modes of transportation to reclaim some or all of the lost time.

"You need a supply chain with scale," says Vice President and General Manager of Retail for Ryder Supply Chain Solutions, Darin J. Cooprider, "That means an on-the-ground presence in key business centers—people, managers, leadership—that can act as the de facto eyes and ears of your company in the Asian country. You need someone to manage vendors, tour factories, and check quality. You also need end-to-end visibility to purchase orders and the ability to track progress from order preparation through every phase of execution."

"Say you've been given a deadline to get a product to the United States. An all-water route to the East Coast might take 24 to 28 days. An all-water route to the West Coast might be only 14 days," says Cooprider. "If you end up shipping two weeks late from the factory in Asia, you have to be able to shift gears and ship product to California, then truck it across the United States to make up lost time. Or you might want to ship 10 percent of the shipment by air and the balance by steamship. Either way, your supply chain has to have flexibility built into it."



A third party logistics provider must be able to react to unexpected delays to ensure goods arrive at their destination on time.

In fact, the supply chain has to flex based on a number of factors - customer dynamics, transportation costs, vendor stability, hiccups in production schedules and more. Manufacturers and retailers have to be able to choose the right route and transportation mode at any time—with access to real-time status data to guide the decision-making process as goods move through the supply chain.

#### The hidden costs of poor quality

It's a fundamental tenet of business—compromise the quality of your product, and you run the risk of compromising your brand. Another risk of offshoring to Asia is poor or unreliable quality. Consider this scenario: A company sources products at a factory in China. The first two or three orders are completed successfully. Then, to improve profit margins, the service provider alters subcomponents in subsequent orders—without changing the outward appearance of the product. If someone isn't on the ground doing routine quality checks, this type of issue could go undetected until it's too late. Situations like these make it imperative to have a presence on-site, making pre-shipment inspections to ensure that quality meets specifications.

Another situation that companies encounter occurs when an Asian supplier completes an initial order in a facility that has passed quality and compliance certifications. Then, to cut costs, unbeknownst to the company, the supplier moves production to a smaller, uncertified backup factory or subcontracts work to outside, uncertified facilities. Without oversight, this type of bait-and-switch could go on undetected until a major problem occurs, and companies have to scrap or rework products when they reach the United States. With a qualified supply chain partner closely managing vendors, these types of potential disasters can be averted.

There's more to quality than quality checks. Managing quality encompasses everything required to get merchandise manufactured in the East and shipped to the West. That includes shipping and export documents and regulatory, customs clearance and Importer Security Filings (ISF). "Most manufacturers get it right," says Ryder Director of Business Development, Carol Kolster, "but there are hundreds of smaller service providers scattered throughout Asia that don't. If a product sits in a port for two weeks waiting for the disposition of inbound documents, that dwelling time costs money."

Problems arise when companies work with carriers, brokers or supply chain partners who aren't equipped to move goods in and out of Asia. Delays occur when companies do not file documents correctly or there isn't enough space on a vessel or if required equipment is not available. Loads can sit in ports when any or all of these issues occur. Delays increase cycle times, sabotaging efforts to implement just-in-time or lean delivery strategies. Without the technology to improve supply chain visibility, it's nearly impossible to pinpoint why delays occur or when loads are released. Third-party service providers can offer visibility through toolsets like Liberty and LIMA used by Ryder, which enable real-time management of points of interchange between customers, vendors, on-site quality and the movement of containers to carriers.

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<sup>5</sup> Source: Sourcing from China? Understand the Potential but the Pitfalls, Too, Mickey North Rizza and Kevin Sterneckert, August 13 2010 Garnter Research Note

#### Infrastructure issues

Historically, the lack of a strong distribution infrastructure in Asia has presented significant obstacles. In the context of the supply chain, infrastructure extends beyond the host country's network of roads, rails, bridges and boats. It also includes the assets and expertise that third-party supply chain providers bring to the table. At a minimum, this should include offices in the host country and experts on the ground who can qualify potential offshore suppliers, facilitate communication between domestic and offshored locations, arrange for the correct permits, duties, tariffs and ensure compliance with import/export restrictions so quality and production milestones are met.



When documents are not filed correctly and in a timely manner, loads can get delayed at the port for weeks.

As workers on China's coastal areas demand higher wages, companies are moving inland. The labor costs are lower and government support often stronger. However, there are drawbacks and most have to do with infrastructure. The deeper you travel into China's rural provinces, the more primitive the infrastructure, the longer the supply chain and the higher the transportation costs. "Infrastructure in the interior of China is an issue," points out Cooprider. "From the ports out, the infrastructure is pretty good. Even 500 miles inland, it's good. Further in, it's a different story. There's still a lot of cargo that floats down a river and gets placed on an oxcart. China's pushing for rural rail and highway systems, but they still have a ways to go." Infrastructure issues like dirt roads that become impassable during monsoon season can negatively impact delivery schedules.

# Delivering on Time by Strengthening Vendor Relationships

Predictable, on-time delivery is a pressing challenge for companies that manufacture in offshore locations. The key to overcoming that challenge is building relationships with vendors, managing them face-to-face, making onsite factory inspections and verifying that production is on schedule. This enables companies to identify problems early and avoid losing time and money because of late deliveries.

By partnering with a third-party logistics provider like Ryder, companies can implement systems that track milestones and provide detailed information about purchase order lifecycles. These systems can monitor POs through creation, delivery to a factory and ultimately, final order fulfillment. Ryder uses the LIMA event tracking system as a PO management platform to enhance visibility into cargo booking, receipt and shipment, documents, customs clearance, estimated versus actual delivery time, delivery at destination, reports and shipment authorization. This illustration tracks a purchase order as it moves through the order and shipping process with LIMA.

#### **Improving Purchase Order Visibility**

Purchase order management systems, extremely effective at reducing supply chain inventories, work like air traffic control towers, providing an end-to-end view of PO planning and delivery. Purchase order practices include working with customers to identify the aspects of the PO that have to be compliant (customer code, style, sku), checking on discrepancies and tracking PO delivery status against shipment windows and delivery standards like quantity and quality. The PO is managed through the cargo receiving, load planning and shipping stages.

Ryder coordinates activities from multiple suppliers in multiple locations, reducing minimum order quantities and keeping goods flowing smoothly. This entails arranging shipments from factories and operating consolidation centers in Asia where products from multiple vendors for the same or different products can be consolidated and stuffed into common containers. The company handles bookings with ocean lines and export documentation from Asia, including managing ISF filings for US-bound goods. Once cargo is in the U.S. or Canada, Ryder arranges for brokerage clearance, deconsolidates containers, handles warehousing and delivery of containers or trailers to distribution centers or retail stores. In addition, Ryder runs dedicated truck fleets for some of America's largest retailers.

Not surprisingly, the use of third-party purchase order management services has become widespread. They offer time- and money-saving efficiencies like lower transportation costs, fewer network failures, improved network visibility and responsiveness, optimal inventory levels and faster process times. Companies that source from multiple factories



or dispersed locations can benefit from the resources of companies like Ryder. Serving as a partner and the eyes and ears of its customers, Ryder proactively manages the global supply chain to ensure that both deadlines and quality specs are met.

#### **Managing Vendors for Quality and Timely Delivery**

Ryder works with vendors to ensure that they execute processes correctly to meet specific customer requirements. Ryder hosts seminars and training sessions to educate vendors on compliance issues and new programs. In addition, Ryder helps retailers measure performance by developing key performance indicators (KPIs) to track accuracy and timeliness of deliverables. These KPIs form the foundation for continuous improvement throughout the delivery cycle.

#### Ryder in Asia

Operations in Asia since: 2000 Customer Accounts: 32

Headquarters in Asia: China and Singapore
Regional Offices: Shanghai and Singapore

Employees in Asia: 3,000

DC Space Managed: 4.3 Million Sq. Ft.

NVOCC Volumes Managed: 410,000 TEUs Worldwide

#### **Case in Point**

With Ryder's help, a Halloween retail products manufacturer transformed its purchase order and vendor management systems. The manufacturer, located in Shenzhen, China, had to fill an order of 222,000 units with a final destination of Felixstow, United Kingdom. Working with nine vendors and more than 1,100 pallet boxes, the customer wanted to streamline distribution and improve supply chain visibility. The company looked to Ryder to handle a variety of services - pick

and pack, labeling, palletization, packing list preparation and LIMA PO tracking and management. By partnering with Ryder, the manufacturer reduced end-to-end delivery and transportation costs by 30 percent, shortened lead times, reduced inventory levels and DC capacity during peak periods and improved its distribution accuracy.

#### **End-to-end Solutions for Manufacturers**

Leading retailers and manufacturers throughout North America leverage Ryder's end-to-end supply chain solutions to improve supply chain visibility, streamline processes, eliminate waste and reduce costs. To enhance vendor management, Ryder trains vendors in Asia about meeting customer expectations, quality requirements, booking shipments, recording information, managing purchase orders, performing quality inspections and moving products in a timely manner.

Ryder provides a variety of services to simplify the management of purchase orders—order management, inbound product flows and container offloading from Asia to the United States. Transportation management services include planning, optimized routing, scheduling, execution, carrier management and freight bill audit and payment. Ryder also provides services like product configuration, retail compliance, packaging, kitting, quality inspection and rework, distribution to US retailers and returns management at regional drop-off locations.

In 2008, Ryder acquired CRSA Logistics and Transpacific Container Terminals, extending its presence in Asia. In 2010, Ryder formed a partnership with Cargo Services Far East, Ltd an Asia-based logistics services provider specializing in export consolidation services to help US importers design, plan and manage product flows from Asian factories to North American retailers.

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Likewise, many companies are shifting operations to Viet Nam and the Philippines to offset wage inflation in coastal China and India. Some companies are adding sites in other low-cost destinations to hedge their bets and build more flexibility into the supply chain. As they do, they must contend with other deficiencies—including less-skilled workforces, a lack of infrastructure services, language and dialect barriers and issues with communication and technology.

#### **Additional Challenges**

Shipping snafus, quality problems and infrastructure issues aren't the only risks. In countries with weak patent systems, the lack of protection for intellectual property rights is a problem - especially for companies that produce leading-edge technology. In a recent address at a U.S. China Commercial Relations event in New York City, Secretary of Commerce, Gary Locke noted that American and other businesses lose billions of dollars from intellectual property theft every year.

Communication and service provider relationship issues can throw a monkey wrench into offshore production projects too—particularly those that require constant communication or where local knowledge is required. When your production facility is 10,000 miles from the home office, supply chain success depends on being able to communicate in the provider's native language. Even basic issues like time zone differences can impede productivity. And, as fuel costs rise, shipping and transportation costs also rise, which can offset the savings gained using lower-cost labor.

#### The Secret to Successful Offshoring in Asia: A Flexible Supply Chain, Boots on the Ground and the Right Partner

Clearly, offshoring in China and throughout Asia poses challenges. However, with the right strategy, a flexible supply chain that can adapt to production delays<sup>6</sup> and the right

service provider, the pros can far outweigh the cons. For companies that want to make Asia a strategic link in their supply chains, it helps to partner with the right third-party logistics provider. The ideal partner offers solid experience, top-of-the-line facilities, sophisticated technology, a network of qualified carriers and resources to automate vendor and PO management to improve supply chain visibility.

#### Ryder Supply Chain Solutions in Asia

Ryder System, Inc.'s Supply Chain Solution's group has been helping customers reconfigure their global supply chains for over a decade. Companies that partner with Ryder enjoy highly optimized supply chain networks with much-needed visibility to enhance control of their shipments. They also realize lower transportation costs and shorter cycle times. As a result, they can invest less money in inventory while improving customer service. Working with a single provider that takes full responsibility for shipments from end-to-end connects them with opportunities to consolidate freight and reduce total system costs.

Ryder's expertise in lean best practices is ideally suited for Asian manufacturing environments. What's more, the company's reputation for security, service and efficiency ensures that loads get out of the port quickly and reach their destinations on time. With offices in Shanghai and Singapore, Ryder operates an extensive logistics network throughout Asia, and combines domain expertise with an equally wide range of services. These include vendor and purchase order management, freight consolidation, container stuffing, store-ready pallets, price tagging and garment on hanger services.

6 Source: Sourcing from China? Understand the Potential but the Pitfalls, Too, Mickey North Rizza and Kevin Sterneckert, August 13 2010 Gartner, Research Note







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# NEW KIDS IN TOWN

## 3PLs Move Into the TMS Market

By Merrill Douglas

If you want to manage transportation in-house, you contract with a software vendor for a transportation management system (TMS). If you want to outsource, you ask a third-party logistics (3PL) provider to handle transportation for you. Those have been the basic options for years.

Today, though, shippers enjoy another choice: some 3PLs have gone to market with TMS solutions of their own. Shippers who deploy such a TMS might also engage the 3PL for other services, including some that involve transportation. Or they might purchase the software solution à la carte.

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"Working with a 3PL doesn't have to be an all-or-nothing process," says George Abernathy, executive vice president and chief operating officer at Transplace, a Dallas-based 3PL whose offerings include the *Transplace Transportation Management System*.

Transplace first developed its TMS for internal use, replacing an old mainframe system. The company then started to offer the software as a hosted solution—or Software-as-a-Service (SaaS)—as a way to maintain relationships with clients who were shifting logistics functions to in-house staff.

The next logical step was to seek a wider market. "We made the TMS available to shippers who had not used us as a 3PL before," Abernathy says.

SaaS is an increasingly popular software delivery model, and many traditional IT companies offer that option as well. Most software vendors offer their TMS solutions in two formats:

license-and-install, and SaaS, according to *Transportation Management Report* 2011, published by New York-based Cappemini Consulting.

From a technical perspective, it doesn't matter whether a shipper gets a TMS from a traditional software company or from a 3PL, says Roy Ananny, senior manager, transportation practice at Atlanta-based supply chain consulting firm Chainalytics.

But getting a TMS from a 3PL offers flexibility. "Shippers who have outsourced to Transplace as a 3PL have moved to a more software-as-a-service relationship, and back again to a more outsourced relationship," Abernathy says. Conversely, some shippers who come to Transplace for the TMS alone later decide to let the 3PL manage some or all of their transportation.

For most *Transplace TMS* customers, using the system is similar to using a TMS hosted by any software vendor.

Not so for shippers who use *Managed TMS*, a SaaS solution from Eden Prairie, Minn.-based 3PL C.H. Robinson. Under C.H. Robinson's model, the shipper and 3PL collaborate on transportation management.

#### **COLLABORATIVE MANAGEMENT**

C.H. Robinson launched *Managed TMS* in 1998 for shippers that wanted to outsource day-to-day transportation, but also wanted technology in-house to support carrier management and other strategic functions, says Jordan Kass, executive director of TMC, the C.H. Robinson division that provides *Managed TMS*.

"Shippers are realizing it's difficult to be strategic when they're also expected to run the tactical business," Kass says.

Under the *Managed TMS* model, "power users" employed by C.H. Robinson, stationed at the shipper's site or at one of the 3PL's regional "control

## Software House or 3PL? Addressing Your TMS Needs

How do you know whether to obtain your transportation management system from a traditional vendor or from a third-party logistics provider? Consider these factors when making your decision:

#### The Solution's Track Record

Some 3PLs have offered a TMS for some time, or have based their products on well-established technology purchased from another firm. But 3PLs in general may fall slightly behind traditional TMS vendors in developing their systems. "There may be some areas where other TMS vendors offer functionality lacking in your 3PL's TMS," says Roy Ananny, senior manager, transportation practice at consulting firm Chainalytics in Atlanta. "Whatever the source of a TMS, it's wise to ask the vendor how long it has been offering the solution."

#### The Appeal of Added Services

Do you want some of the additional services a 3PL can offer along with a Software-as-a-Service (SaaS) TMS? If functions such as carrier selection and rate management aren't part of your core competencies, your company is better off working with a 3PL, says Jordan Kass, executive director of TMC, the TMS division of Eden Prairie, Minn.-based 3PL C.H. Robinson.

#### Your Desired Collaboration Level

TMC's SaaS solution, *Managed TMS*, promotes collaboration between the shipper and 3PL. But some shippers don't want that

kind of relationship. "They may want in-house staff to operate the TMS and handle tactical execution," Kass notes. If this is the case for your company, a 3PL TMS might not be right for you.

#### The Technology's Quality

If you are considering a TMS from a 3PL, evaluate its IT capabilities just as you would any other software provider. "Evaluate whether the 3PL is as rigorous toward what it has built, designed, and supports as a software vendor that's building a TMS as its primary business model," recommends George Abernathy, executive vice president and chief operating officer at Dallas-based 3PL Transplace.

#### The 3PL's Vertical Knowledge

Make sure that the 3PL has expertise in your market. "Transplace, for example, designed its system to be user-friendly for consumer packaged goods, food and beverage, discrete manufacturing, and retail shippers," Abernathy says. "But, the software can also play in other verticals." If a 3PL has never worked with companies in your vertical market, investigate carefully before choosing that TMS.



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## Changing the TMS Scene

Here are some 3PLs that have moved into the transportation management system (TMS) space. They offer their TMS either as a stand-alone option or part of the outsourced transportation service.

#### **Blue Grace Logistics**

#### www.mybluegrace.com 800-MY-SHIPPING

BlueShip TMS allows users to customize their transportation process, providing functions such as rating, routing, tracking, and reporting.

#### **Cardinal Hosted Logistics**

#### www.cardlog.com 800-800-8293

Cardinal's hosted TMS, available as a stand-alone solution or integrated with other services, enables shipment management from order creation to final-mile delivery.

#### **Echo Global Logistics**

#### www.echo.com 800-354-7993

FlexTMS offers Echo Global clients routing guide management, automated load entry, tendering and acceptance, load visibility, customized reporting, and analytics.

#### Exel

#### www.exel.com 877-272-1054

Exel will configure and deploy its TMS to shipper specifications.

#### **Jacobson Companies**

#### www.jacobsonco.com 800-636-6171

Available to Jacobson customers, the *Logistics Integrated Network Collaboration System (LINCS)* offers access to shipment information to enhance order visibility and product flow throughout the supply chain.

#### **LeSaint Logistics**

#### www.lesaint.com 877-KNOW-3PL

LeSaint supports its transportation management services with its Webenabled *TransTech TMS*, which gives shippers visibility to shipping costs and activities.

#### **Menlo Worldwide Logistics**

## www.menloworldwide.com 650-378-5200

The Logistics Management Solutions suite available to Menlo customers features decision-making tools to select carriers and routes based on customer-specific business rules.

#### **SEKO Worldwide**

#### www.sekologistics.com 800-228-2711

SEKO's TMS allows users to automatically audit invoices, report exceptions, and generate real-time track-and-trace information for international and domestic shipments.

#### TMC, A Division of C.H. Robinson

#### www.mytmc.com 800-323-7587

TMC's *Managed TMS* provides planning, execution, settlement, and strategic procurement capabilities.

#### **Transplace**

#### www.transplace.com 866-413-9266

Transplace's on-demand TMS automates order management, optimizes and tracks shipments, and builds sustainable routes to increase asset utilization.

#### **Weber Logistics**

#### www.weberlogistics.com 877-624-2700

The Weber Web Portal provides shippers access to TMS functions such as shipment visibility, reporting, and custom business rule setup.

#### **Werner Enterprises**

#### www.werner.com 800-228-2240

Werner's SMART system provides customers shipment validation, visibility, and optimization, and comprehensive data collection. towers," use the software to route shipments, tender loads, and conduct other day-to-day activities. Shippers use the system to obtain the business intelligence they need to make longer-term transportation decisions. "They develop the plan, and we execute it," Kass says.

Managed TMS provides shippers the chance to save money by cooperating with other shippers. A single platform supports all C.H. Robinson customers—whether or not those customers also use the TMS themselves.

"They're already integrated, and so are their carriers," Kass says. "That presents a unique opportunity to collaborate on round-trips, LTL consolidation, or other efficient transportation moves."

#### **BETTER BUSINESS INTELLIGENCE**

Like C.H. Robinson, Blue Grace Logistics in Riverview, Fla., has developed a TMS based on collaboration between shipper and 3PL. "Some of our customers only utilize the TMS," says Bobby Harris, chief executive officer at Blue Grace. "They just want the technology piece, and they manage their own rates and shipping. But the majority of customers engage us to handle distribution, and our TMS is the centerpiece."

Blue Grace provides its *BlueShip* system as a free service to customers who use it mainly as a visibility and business intelligence tool. For example, a purchasing manager might use the system to find out when a particular shipment is due to arrive. A chief financial officer might pull a report to learn what the company paid to ship product to a certain state in the past 60 days.

"The system allows us to gather data and compile a detailed review," Harris says. For instance, the system could help Blue Grace and the shipper find opportunities to save money by consolidating shipments.

Whether they decide on a long-time TMS market resident or the new guy in town, the variety of choice increases the chance that shippers will find a solution to closely match their needs.

For a tour of TMS solutions available from traditional software providers, turn the page to *IL*'s TMS Buyer's Guide.









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# TMS Buyer's Guide

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	VENDOR	PRODUCT		DESCRIPTION
H	<b>Agistix Inc.</b> Redwood City, Calif. agistix.com	The Agistix Transportation Management Solution		Provides rate quotes from multiple carriers in all modes; bid module for spot market quotes; automated shipment execution; routing guide customization; custom document generation and upload; supplier networking; and real-time in-transit status updates.
H	<b>Aljex Software Inc.</b> Middlesex, N.J. aljex.com	Aljex Vision		Automates shipment execution with least-cost routing, EDI, document imaging, integrated emailing and faxing, and burst communication. Suitable for use by manufacturers, retailers, 3PLs, and intermodal and asset-based carriers.
H	AndSoft Madrid, Spain and-soft.com	e-TMS		Supports high data volume, customizations, and changes in real time. Prepares international shipments for transport to all European countries through connectivity to carriers and customs, differing rate structures, and shipping and usage requirements.
L	Appian Logistics Software Oklahoma City, Okla. appianlogistics.com	Direct Route		Automates routing and scheduling using shippers' data and work rules. Features customer importing, route printing, and route exporting capabilities. Users can view and modify routes on a full-color detailed map or through spreadsheet updates.
H	<b>BestTransport.com</b> Columbus, Ohio besttransport.com	BestShippers TMS		Enables shippers to optimize loads, execute advanced tendering rules (both inbound and outbound), track shipments, and pay freight bills. Provides immediate and accurate visibility into every transaction.
H	CargoSmart Ltd. San Jose, Calif. cargosmart.com	CargoSmart Contract and Performance Management		Automates the ocean carrier contract management process, including bids, routing guides, and rate comparisons. Integrated with booking for seamless execution. Performance management aids contract negotiation.
H	<b>Cheetah Software</b> Westlake Village, Calif. cheetah.com	Cheetah Freight		Delivers real-time wireless solutions to automate and optimize pickup, delivery, dispatch, and customer service for private fleet and less-than-truckload carriers of any size.
H	<b>ClearTrack</b> Brentwood, Tenn. cleartrack.com	Global Logistics Management		Provides automated shipment visibility, real-time status information, distribution center appointment management, key performance indicator dashboards, flexible analysis reports, and email notifications.
H	Codeworks Columbus, Ohio ctcodeworks.com	Traffic		Allows shippers to identify loads and consolidate freight to minimize costs, review shipment savings before consolidation, find carriers with the lowest shipping costs or best margin, and use stored route histories to choose the most fuel-efficient routes.
H	CT Logistics Cleveland, Ohio ctlogistics.com	FreitRater	5	Provides rate quotes from multiple carriers, with transit times for all modes, as well as access to freight accounting/accruals, real-time reporting, and status and shipment information.





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	VENDOR	PRODUCT	DESCRIPTION
H	<b>CTSI-Global</b> Memphis, Tenn. ctsi-global.com	CTSI TMS	Allows shippers to manage orders; optimize loads; evaluate and select carriers; manifest and tender parcel, less-than-truckload, and truckload shipments; track progress; manage claims; and generate reports.
L	<b>Datex</b> Clearwater, Fla. datexcorp.com	Footprint TMS	Shippers can manage drivers and assign them to routes; view real-time shipment tracking information; export routes to handheld devices; and import route status and customer signatures from handheld devices.
H	<b>Descartes Systems</b> <b>Group</b> Waterloo, Ont. descartes.com	Descartes Transportation Management	Helps logistics managers, shippers, and third parties simultaneously evaluate transportation alternatives to find the most efficient shipping method. Manages contract carriers from shipment planning through execution and settlement.
H	<b>Elemica</b> Exton, Pa. elemica.com	Elemica Logistics Management Suite	Provides an integrated network that connects all logistics service providers regardless of region or mode. Includes carrier booking and visibility, and slot booking and optimization.
H	<b>eShipGlobal</b> Irving, Texas eshipglobal.com	eShipGlobal TMS	Handles every aspect of the transportation lifecycle, including strategic sourcing, rate quotes, transportation execution, freight audit, and payment settlement.
H	<b>Flow Logistics</b> Bend, Ore. flowlogistics.com	eFlow	Provides a real-time application to accurately build, route, optimize, assign, track, and bill shipments. Manages the entire shipment process, regardless of mode-truckload, less-than-truckload, intermodal, rail, air, small parcel, or ocean.
H	<b>Folio Logistics</b> Greenville, S.C. foliologistics.com	Transportation Management System	Lets shippers prepare, plan, rate, shop, book, broker, and track domestic and international shipments across all modes. Features include optimization, reporting, mobile apps, and freight payment system integration.
H	Fortigo Inc. Austin, Texas fortigo.com	On-Demand TMS	Automates, optimizes, and audits logistics processes across the supply chain. Carrier-neutral, Web-based TMS supplies one system of record for logistics across multiples sites, and interfaces with enterprise resource planning and other supply chain management solutions.
H	<b>FreightCenter.com</b> Trinity, Fla. freightcenter.com	FreightCenter.com TMS	Provides an automated rating and booking system with customized, optimized rates and user controls, real-time status updates, and documentation and reporting tools. Offers shippers integrated frontend Web sites customizable to match specific needs.

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	VENDOR	PRODUCT	DESCRIPTION
н	<b>HighJump Software</b> Eden Prairie, Minn. highjump.com	HighJump Transportation Management	Provides multi-modal and international shipment optimization; carrier and rate management; vendor compliance; shipment tracking; and claims and transportation reporting.
H	IES, Ltd. Midland Park, N.J. iesltd.com	IES Supply Chain Suite	Suite of import and export solutions serves freight forwarders, customs house brokers, NVOCCs, and other transportation intermediaries. Manages shipment flow, provides Web visibility with EDI and email status messages, and generates report data.
Ľ	<b>Infor</b> Alpharetta, Ga. infor.com	Infor SCM Transportation Management	Allows shippers to analyze inbound and outbound shipment orders based on origin and destination; consolidate orders into loads; and determine the most cost-effective way to move loads based on constraints.
H	<b>InMotion Global Inc.</b> St. Petersburg, Fla. inmotionglobal.com	InMotion Global TMS	Offers routing and optimization, lane rate management, Web-based load tendering, real-time shipment location/status visibility, reporting, and a shipper/carrier Web portal.
H	JDA Software Scottsdale, Ariz. jda.com	JDA Transportation and Logistics Management	Helps shippers, carriers, and transportation service providers manage multi-modal logistics networks. Covers the entire closed-loop transportation process—from strategic transportation sourcing, planning, and optimization to shipment visibility, payment, and performance analysis.
H	<b>Kewill Inc.</b> Chelmsford, Mass. kewill.com	Kewill Flagship	Manages domestic and international services, carrier compliance, integrated parcel and freight shipment processing, and item-level packing control and visibility.
H	<b>LeanLogistics</b> Holland, Mich. leanlogistics.com	On-Demand TMS	Delivers complete transportation planning, execution, settlement, and procurement, as well as supply chain visibility and business intelligence to improve business processes, increase efficiency, and reduce costs.
H	<b>Logility Inc.</b> Atlanta, Ga. logility.com	Voyager Transportation Planning & Management	Automates multi-modal shipment planning, execution, and freight accounting. Supports automated, unattended operation by monitoring ongoing activities and providing real-time alerts of potential problems. Analyzes productivity using key performance indicators to provide operations reports.
H	<b>LOG-NET Inc.</b> Red Bank, N.J. log-net.com	LOG-NET Transportation Management	Monitors events and status, filtering results to view only shipments deviating from trip plans; generates forwarder and carrier rating and performance reporting; performs appointment scheduling, contract fulfillment, route and rate management, and freight audit.
H	M33 Integrated Solutions Greenville, S.C. m33integrated.com	M33 TMS	Manages the lifecycle of an order, from rate quoting through freight bill payment and reporting. Delivers accurate carrier rating and rate shopping, proper carrier execution for increased cost reduction, and real-time shipment visibility.



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	VENDOR	PRODUCT	L Licensed to the user  DESCRIPTION
H	<b>Made4net</b> Paramus, N.J. made4net.com	TransportExpert	Supports and optimizes carrier selection; manages freight rates and carrier contracts; generates shipment documents; electronically communicates transportation needs to carriers; and provides realtime, exception-based shipment status visibility.
L	Magaya Corporation Miami, Fla. magaya.com	Magaya Cargo System	Allows shippers to create import and export consolidations for air, ocean, and ground shipments; query and compare carrier rates; print labels to ID and track all packages; automate tariffs and billing; and receive proof of delivery, online shipment updates, and package tracking data.
H	Management Dynamics Inc. East Rutherford, N.J. managementdynamics.com	International Transportation Management	Manages ocean contracts and air rates; calculates rates with all assessorial fees; evaluates routing decisions and transit times; performs end-to-end freight bill audits; and optimizes carrier selection.
H	<b>Manhattan Associates</b> Atlanta, Ga. manh.com	Transportation Lifecycle Management (TLM)	Provides a global view of transportation across all modes - inbound or outbound - from bidding to billing, to reduce costs, reroute around trouble spots, and coordinate deliveries precisely.
H	MercuryGate International Inc. Cary, N.C. mercurygate.com	MercuryGate TMS	Delivers a multimodal TMS, allowing shippers and logistics providers to plan, execute, and settle loads. Used to consolidate loads, optimize carrier selection, and for process improvement.
H	myFreightWorld Overland Park, Kansas myfreightworld.com	myFreightWorld TMS	Offers rate quotes, shipment tracking and tracing, pick-up and tender requests, client management tools, and shipping/receiving location data. Financial management tools include invoicing, management reports, and credit card payment.
H	NTE LLC Chicago, III. nte.com	NTE Transportation Management	Provides shipment planning, optimization, routing guide execution, financial settlement, track-and-trace capabilities, and alerting and reporting options.
H	<b>Nulogx</b> Mississauga, Ont. nulogx.com	TMS Online (TMSO)	Supports activities necessary to manage and execute the full lifecycle of the transportation process, including order management, financial settlement, and shipment optimization.
H	<b>Oracle</b> Redwood Shores, Calif. oracle.com	Oracle Transportation Management	Offers tools for carrier sourcing and optimization, planning, execution, fleet management, global trade, landed cost, freight payment, claims, visibility, and forwarding to shippers and 3PLs.
H	<b>Precision Software</b> Chicago, III. precisionsoftware.com	Precision Transportation Management	Streamlines transportation planning and execution, manages asset utilization, automates business processes, and handles freight payments. Users can rate, route, produce labels, and manage service levels for any shipment mode.

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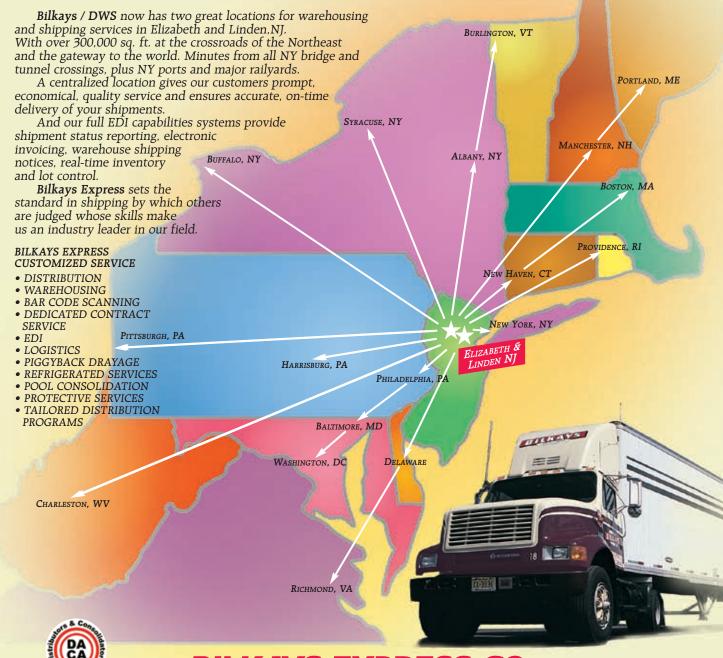
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	VENDOR	PRODUCT	DESCRIPTION
L	Prophesy Transportation Solutions Inc. Bloomfield, Conn. mile.com	Prophesy Trucking Software	Manages inbound and outbound freight; optimizes loads and routes; consolidates and optimizes shipments; and handles crossdocking, pooled loads, split-state weights, stop-off charges, fuel surcharges, and carrier and pallet rating.
H	Railinc Corporation Cary, N.C. railinc.com	RailSight Track and Trace Solution	Receives data from more than 530 railroads to supply real-time railcar and rail shipment tracing. Manages multiple rail fleets and related rail event data, performs historical and demand tracing, and compiles customizable reports.
H	<b>RedPrairie</b> Waukesha, Wisc. redprairie.com	Transportation Management	Supports global planning and execution for all modes, including parcel and fleet. Features freight settlement, client invoicing, event management, and trading partner Web portals.
H	<b>Retalix Ltd.</b> Plano, Texas retalix.com	Retalix TMS	Integrates and manages all aspects of the transportation process, including inbound/outbound optimization, yard management, and dock scheduling.
H	<b>RMI</b> Atlanta, Ga. railcarmgmt.com	ShipperConnect MTM	Handles multimodal transportation planning, execution, terminal operations, carrier settlement, and exception alerts while providing shipment visibility across all carriers and modes.
н	Roadnet Technologies Inc.* Baltimore, Md. upslogisticstech.com	Roadnet Transportation Suite	Manages all aspects of transportation, from planning through execution. Determines optimal routes and loads; collects real-time shipment data; and analyzes results through reporting.  *Formerly UPS Logistics Technologies
C	Royal 4 Systems Long Beach, Calif. royal4.com	Royal 4 TMS Suite	Automates carrier communications, including contract negotiation, load tendering, invoice processing, and payment approvals. Allows shippers to build loads, group orders, and plan routes to maximize asset utilization and manage carrier selection and compliance.
L	<b>SAP</b> Walldorf, Germany sap.com	mySAP Supply Chain Management	Offers transportation planning and shipment completion capabilities, shipment cost calculation and settlement, freight billing, and service agent selection.
H	<b>ShipXpress</b> Jacksonville Beach, Fla. shipxpress.com	RailSync	Tracks rail shipments across multiple carriers; handles local and interline rail activity; manages and reports freight revenue; provides accurate car hire expense summaries; and synchronizes communication among train crews, office staff, and shippers.
H	Shippers Commonwealth Charleston, S.C. shipperscommonwealth.com	Transportation Management System	Controls load consolidation; optimizes mode and carrier selection; links loads; and delivers automated execution for Web or EDI load tendering, shipment tracking, and payment/settlement.

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	VENDOR	PRODUCT	L Licensed to the user  DESCRIPTION
H	Sterling Commerce, an IBM Company Dublin, Ohio sterlingcommerce.com	IBM Sterling TMS	Enables shippers and suppliers to collaborate, optimize, and execute inbound transportation. Provides visibility into order and shipment processes.
13	TECSYS New York, N.Y. tecsys.com	TECSYS TMS	Integrates into a company's business flow, providing shipping automation with optimized rating, routing, manifesting, tracking, and post-shipment analysis for small-package and less-than-truckload shipments.
L	<b>TMW Systems</b> Beachwood, Ohio tmwsystems.com	Transportation Management Software	Automates contract rating for least-cost carrier assignments across multiple shipping locations. Includes carrier management, cost tracking and allocation, shipment visibility, national rating index, and load optimization tools.
L	<b>Transite Technology</b> Raleigh, N.C. transite.com	Jaguar Transportation Management Suite	Integrates the transportation process with internal systems such as enterprise resource planning, order management, warehousing, and other transportation systems. Automates mode and carrier selection, least-cost rating, financial reporting, and tracking information.
H	<b>TransportGistics Inc.</b> Bohemia, N.Y. transportgistics.com	FreightTracing, InsourceAudit, RoutingGuides	Manages and controls carrier pricing and performance, freight invoices, and payment information. Tracks and traces shipments; and produces, maintains, and distributes routing guides.
H	<b>Transwide</b> New York, N.Y. transwide.com	Transwide TMS	Sources, plans, executes, settles, and analyzes transportation with global deployment, systems integration, and a multi-lingual interface.  Users can access real-time shipment data such as non-conformity reservations, loading and unloading times, and estimated arrival times.
H	<b>TransWorks</b> Fort Wayne, Ind. trnswrks.com	TMS/Supply Chain Execution	Ensures that transportation plans are executed as designed, automates communications with carriers, sends alerts when exceptions occur, and delivers scorecards and visibility.
H	<b>UltraShipTMS</b> Wilmington, Del. ultrashiptms.com	UltraShipTMS	Gives logistics managers total network visibility and control over inbound and outbound transportation, ensuring proper coordination, optimal planning, and consistent execution.
	<b>USTC Live Logistics</b> Baltimore, Md. ustclive.com	On-Demand TMS	Provides all available carrier rates and terminal information, creates and stores bills of lading, and maintains carrier invoice records.  Reports can be scheduled to run at pre-determined times.
H	<b>Web Freight Pro</b> Fort Mill, S.C. webfreightpro.com	Web Freight Pro	Allows use of a core shipment entry and tracking system with optional add-on modules such as document imaging, warehouse management, and intelligent rate shopping.

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by Ken Johnson

President and CEO, Shippers Warehouse, Inc.

There is a tremendous amount of marketing and advertising emphasis these days directed at the "new" concept of collaborative distribution. Countless 3PL service providers tout their abilities to provide this benefit to current and prospective customers, and WMS suppliers scramble to prove to supply chain decision makers that their software possesses the most economical and efficient answer to the question of how these programs are organized and administered. So how did this incredibly innovative concept escape the attention of the many supply chain practitioners and academicians who have made it their life's work to provide logistics solutions until now?

The answer is that it didn't escape their attention. The term "collaborative distribution" is the re-branding of a concept that is as old as the practice of moving goods from various sources to one common destination. Ancient civilizations did the same thing on carts and wagons, the European explorers accomplished it with the use of sailing ships, and at the dawn of the 20th century draymen and commercial warehouses did it utilizing the first generation of gas-powered trucks. In the recent past, it has been referred to in logistics literature as "LTL Consolidation" or MVC (multi-vendor consolidation).

So what does collaborative distribution, LTL Consolidation, and MVC consist of? Put simply, it is the process of combining onto one truck the many shipments of various vendors for the purpose of accomplishing a truckload charge from the transportation provider rather than have each individual shipment rated separately. This results in a lower pro-rata cost per shipment – which in turn saves substantial dollars for each individual shipper on the load by reducing the cost paid by the consolidator (or collaborator), thus allowing them to charge less.

There are a million different ways to advertise, promote, price, administrate, and sell this service. But just as there are hundreds of automobile models, each model is still an automobile. If you were to build a new car that had four wheels, an engine, a steering wheel, and was designed to move people from one point to another – can you really turn it into a new product simply by changing its name? Could an extensive marketing campaign turn that automobile into a "human transportation conveyance"?

This is precisely the case with the term collaborative distribution. There is no magic to the service that this term has come to define. It is a service that has been provided by carriers and suppliers of supply chain services

(warehouseman, physical distribution managers, logisticians – lots of terms for us, too) for many years. Shippers Warehouse has been providing this service to our extensive client listing of CPG customers for over 40 years.

That being said, how does collaborative distribution, LTL Consolidation, or MVC stack up in today's supply chain? With the continuing consolidation of brands under a single corporate entity, more and more vendors are doing their own collaborative distribution by adding volume to their customer's order with additional brands. Once the size of their order crosses a weight and/or volume level, that shipment is assigned a truckload rate; because the use of the applicable LTL rate would result in a charge that exceeds the truckload rate. The lesser charge applies. But even though the cost for the shipment has now been reduced significantly, has the actual maximum savings that could be applied to this (now larger) shipment been achieved?

The answer is most often "no" and corporate transportation personnel frequently misunderstand this concept. The fact is, many shipments that have surpassed the size necessary to receive a truckload designation (for the purpose of assessing charges) do not completely fill up the trailer that arrives at the

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#### Collaborative Distribution: Is It Really a New Concept?

distribution center or truck terminal to pick it up. As many as 8 to 10 pallet positions may remain once the order has been loaded. These empty pallet positions represent a tremendous opportunity for additional savings.

At Shippers Warehouse, our transportation subsidiary (Grocery Direct Consolidated Transportation, Inc.) considers a trailer to be full when there are no remaining empty pallet positions on an outbound trailer. The tremendous volume of CPG customers in our network virtually always allows us to find a shipment (or multiple shipments) within our TMS that will fill those empty positions. This allows us to gain very significant additional savings on each individual outbound load and pass on those savings to our customers.

One advantage of re-branding an existing concept is that it allows you to establish self-serving parameters that previously were not in place. Many transportation and supply chain providers who have marketed this "new" concept to the logistics industry have done this very thing. Typically, companies who utilize the term collaborative distribution require customers to move their inventories into a single distribution facility or campus environment. What if the space for a potential or existing customer's inventory doesn't exist within this limited area? Does that mean that they are not able to utilize collaborative distribution? What if your inventory is already stored within the collaborative distribution area and your provider is able to establish a new customer relationship with a company that will allow that provider to make higher margins than they do on your inventory? Are you now forced to move your inventory elsewhere? Will they provide collaborative distribution

services in the facility that you are forced to move your inventory to?

At Shippers Warehouse, we've never had that requirement (by the way, we still call this service LTL Consolidation). Shipments originating from any of the 8 facilities that we operate in the Dallas/Ft. Worth area may be consolidated from any facility to any facility, dependent upon the most advantageous cost savings to our customers. Shipments are moved to the facility with the predominant volume of freight to be included on each consolidated trailer by our company trucks.



Something that
has been in use for
all my lifetime-LTL
consolidation-is actually
good for us and our
environment. Shocking.

Obviously there is a cost to us to move these goods, but having the volume of CPG customers that we enjoy and the 40+ years of experience at putting together LTL consolidations allows us to overcome that challenge. Our customers tell us that the savings they realize using Grocery Direct Consolidated Transportation (GDCT) exceed those that they receive from providers in markets not served by Shippers Warehouse or GDCT.

There is, of course, a marketing angle that has not existed throughout the many years that LTL consolidation (collaborative distribution) has been utilized. It is a valid, very positive, by-product of this process. I am referring to the fact that

the efficient consolidation of multiple LTL shipments onto one truck quite obviously reduces the use of fossil fuels in the supply chain. How could anyone not like that? Unlike many business practices, something that has been in use for all my lifetime actually is good for us and our environment. Shocking.

It occurs to me that Shippers Warehouse should probably join the crowd and begin to put a great deal of effort into marketing "innovation." Some of my initial thoughts involve "new" services such as "commodity enveloping," "vessel unburdening," or "stowage conveyance" (we currently refer to these services as packaging, container stripping, and trucking – but those terms are so mundane).

All kidding aside, it is imperative that our industry continues to look forward and anticipate the needs of customers before the future becomes today. In that quest to add value to our customer's supply chain, we must be diligent in our approach to problem solving, analyze and be open to all forms of potential innovation and improvement, and never lose the absolute dedication to real service enhancement that has driven the growth of the 3PL marketplace. In addition to Shippers Warehouse and GDCT, numerous exceptional organizations in our industry have experienced significant growth and success based upon hard work, innovation, and cost containment - not by re-branding a service that has been in use for ages. Let us hope that the development of truly new ideas is what carries us forward into the future.







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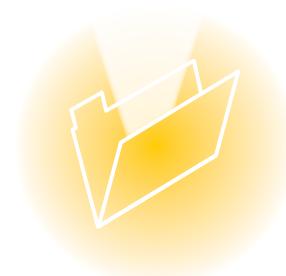




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## Casebook by Perry A. Trunick

#### LOGISTICS MANAGEMENT

### **Colgate Logistics Delivers Smiles**

rad Blizzard, director of U.S. logistics for Colgate-Palmolive Company, is a self-described "worried man." He sweats the details. But he also keeps a close eye on big-picture issues. Perhaps that's why his group can initiate internal change that delivers benefits at many levels, and look for external opportunities that keep the momentum going.

Among the internal pressures Blizzard faces is managing Colgate's vast volume and variety of SKUs and special packs. The company's product portfolio is balanced between Hill's Pet Nutrition, oral care, personal care, and home care products. The more than 200-year-old company has also evolved into a significant global enterprise. North America, its home market, accounts for 23 percent of sales, outstripped only slightly by Latin America at 25 percent.

In any given week, 65 ocean containers, 3,800 U.S. truckload shipments, 1,700 U.S. less-than-truckload shipments, and 15,000 pet food direct-store-delivery shipments move through

Colgate's supply chain network.

Add to that complexity a constant undercurrent of change. Distribution channels are continuously shifting and evolving, and Internet sales are growing. Meanwhile, the company has migrated away from doing its own manufacturing toward a blend of contract manufacturing and Colgate-operated plants. To that end, it has trimmed its 157 manufacturing plants to 80 sites.

Prior to 2006, Colgate plants in every country operated self-sufficiently. In the United States, 80 percent of what Colgate sold was produced in a Colgate-owned-and-operated manufacturing facility. That percentage

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has dropped by about 20 percent, with contract manufacturers and co-packers picking up much of the work.

Colgate also faced more distribution center space constraints, along with changes in customer order weights and increasing lengths of haul.

That's more than enough to hold the attention of a "worried man."

But those challenges were only the internal picture. Blizzard never took his eye off the larger events that affected Colgate and its markets. Even before the Sept. 11 attacks, he was tracking global issues on his radar. Add environmental, legislative, economic, and political concerns to volatile fuel prices and questions about future transportation capacity, and the challenges sound overwhelming. But Blizzard fell back on the advice of a former colleague: "Put your strategies and processes together, and control what you can control."

#### **TAKING CONTROL**

"Colgate has morphed into a global supply chain, encompassing more outsourcing to contract manufacturers and an environment that's more push than pull," says Blizzard. "So, as soon as product is manufactured, we have to find a home for it."

The changes in its network forced Colgate to increase its length of haul by more than 100 percent. In 2000, says Blizzard, average length of haul for cases of Colgate product moving from one of its plants to the customer's distribution center was 935 miles; that had grown to 1,506 miles. Coupled with volatile diesel prices, transport costs were skyrocketing.

In addition, customer order weights had been fluctuating, which spells less equipment utilization. "We were shipping a lot of air," Blizzard notes. Part of the root cause was the sale of Colgate's detergent business, which comprised heavy freight that helped fill some of that capacity.

Among his priorities, Blizzard counts providing the best baseline service to Colgate's consumer products companies. "Our job was to fill customer orders and

deliver them on time," he says. "That's entry into the game; all companies provide that. And our customers were penalizing us if we didn't perform."

How, then, do you protect that baseline requirement, then notch it up while looking for a way to reduce overall miles by at least 10 percent? "It takes an end-to-end mindset," says Blizzard.

The steps Colgate took were to redesign its distribution network, improve its transportation management system, update its logistics efficiency program, and develop customer cost-to-serve data.

Colgate's former distribution network comprised eight facilities and used one port: Elizabeth, N.J. Five of its distribution centers were essentially Colgate operations and three were "special pack" locations operated by third-party logistics (3PL) companies on Colgate's behalf.

"We quickly recognized three areas of opportunity," says Blizzard. "First, Colgate product was traveling many miles from the Rancho Cucamonga, Calif., facility to customers in the Pacific Northwest, so we opened a small distribution center in Portland, Ore."

It may sound counter-intuitive to add a facility to the network when you're trying to cut costs, but just by opening that one small distribution center—which ships about six percent of Colgate's domestic volume—the company was able to take about 1.5 million miles out of the network, Blizzard notes. That move also saved millions of dollars in linehaul and fuel costs.

Next, Blizzard addressed the Southeast, where Colgate operated three different distribution operations within 300 to 400 miles of each other.

"We opened a mega-mixing center in Atlanta and moved all the special pack operations there," Blizzard explains. Colgate owns the lease on the building, and two 3PLs in the facility handle the company's special pack and distribution operations. Opening the new facility removed even more miles and inefficiencies from the network.

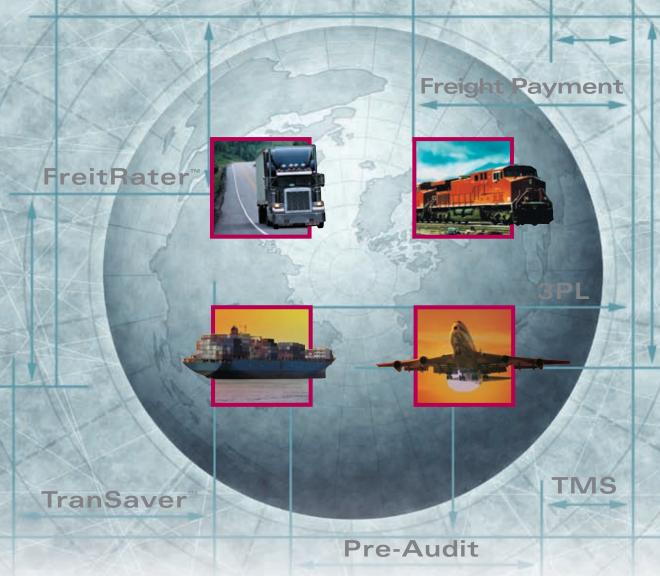
The third step included establishing





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a West Coast import site—the Port of Long Beach, Calif.—to serve those distribution operations, including Dallas. On the East Coast, Colgate also made a change, moving from Elizabeth, N.J., to the Port of Savannah, Ga. The Georgia port was much closer to the Atlanta mixing center where special packs and floor stands were being handled. That move also reduced transportation miles.

#### **FILLING INFORMATION GAPS**

Another step Colgate took was to implement a transportation management system (TMS) from Transplace, a 3PL and technology company based in Dallas, Texas. The TMS filled some information gaps in shipment consolidation, tracking and tracing, and reporting.

Previously, Colgate handled consolidation opportunistically, because customer shipment weights had been dropping, and Blizzard and Colgate wanted to bring equipment

utilization back up. The TMS helps, but Blizzard says he is constantly promoting opportunities internally to use more of that remaining capacity.

With better data, Colgate could not only identify opportunities, but also improve carrier relationships. "We met with our core carriers at the end of every month, and debated the data for 30 minutes," says Blizzard.

The carriers had to shore up their data and processes, and the visibility provided by improved data allowed improvements and avoided debates over whose data were more accurate.

Consolidating shipments helped Colgate take more than \$250,000 off the street, and "that's only capturing slightly more than two-thirds of the opportunity," suggests Blizzard. "Working with customers to shift some morning and afternoon deliveries creates even more opportunities."

Going forward, Colgate wants to

work with customers to find opportunities for improving costs and efficiencies. If Colgate can work with customers to shift some morning deliveries to the afternoon, or consolidate shipments with another company, "They will want to share in those savings, and we're fine with that," Blizzard says. "We're all about efficiency and taking trucks off the street."

Colgate has also developed a cost-toserve model that helps track statistics such as warehouse costs by customer and by customer ship-to location. The model evaluates the percentage of cases, layers, and pallets a customer orders, along with value-added costs for labeling or other special requests.

Colgate also tracks freight information, such as linehaul costs and fuel to ship to a particular customer. These reports identify returns and refused shipments, as well as accessorial charges, trade damage, unsaleables, and compliance fees Colgate

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might be charged by some customers.

Accumulating all this data has had a substantial impact on customer load weights, and Colgate has been able to build back up beyond the earlier levels that had included the piece of detergent business it no longer handles.

When combined with root-cause analysis, the customer cost-to-serve report is a useful tool for driving efficiencies and providing opportunities to foster closer collaboration with customers. Colgate sanitizes the information so customers don't see competitor names, but they do see a report that shows where they stand within their segment. With Colgate's open attitude on sharing savings, it is mutually beneficial for customers to collaborate on improvements.

### AN ATMOSPHERE OF SUCCESS

All the efficiency improvements, better customer service, and lower costs reap another benefit. More than 1.8 million miles of linehaul taken out of the system equates to roughly 300,000 gallons of diesel (based on six miles per gallon). From both a freight cost and fuel perspective, that's impressive. With fuel prices spiking again, those mileage

reductions appreciate in value.

But Colgate doesn't stop at the cost and service numbers; it also looks at the 3,000 tons of carbon emissions these initiatives have eliminated through distribution center network improvements alone.

Factor in the improvements in Colgate's imports, shipment consoli-

market, many companies—as well as customers—operate facilities in roughly the same places. Blizzard sees co-shipping, logistics campus types of operations, and other collaborative efforts paying big dividends.

That's not just talk. Colgate has started a joint effort with Sunny Delight in the Los Angeles area to share dedi-

## Colgate cut 1.8 million miles of linehaul from its system, which equates to 300,000 gallons of diesel and 3,000 tons of carbon emissions.

dation, and proprietary Excellence in Driving Growth through Efficiencies (EDGE) program, and the totals climb to four million miles, 700,000 gallons of diesel, and more than 7,000 tons of carbon emissions.

Despite these substantial improvements, Blizzard feels Colgate has only scratched the surface. He is an active campaigner for collaboration, and is open to co-shipping product with other manufacturers, even competitors.

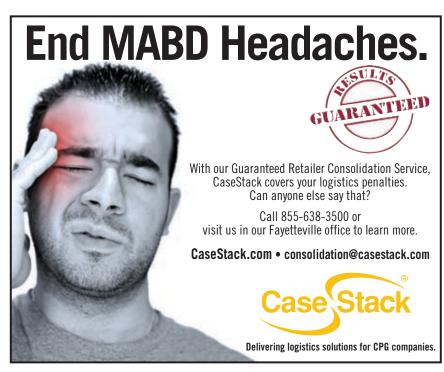
In the consumer packaged goods

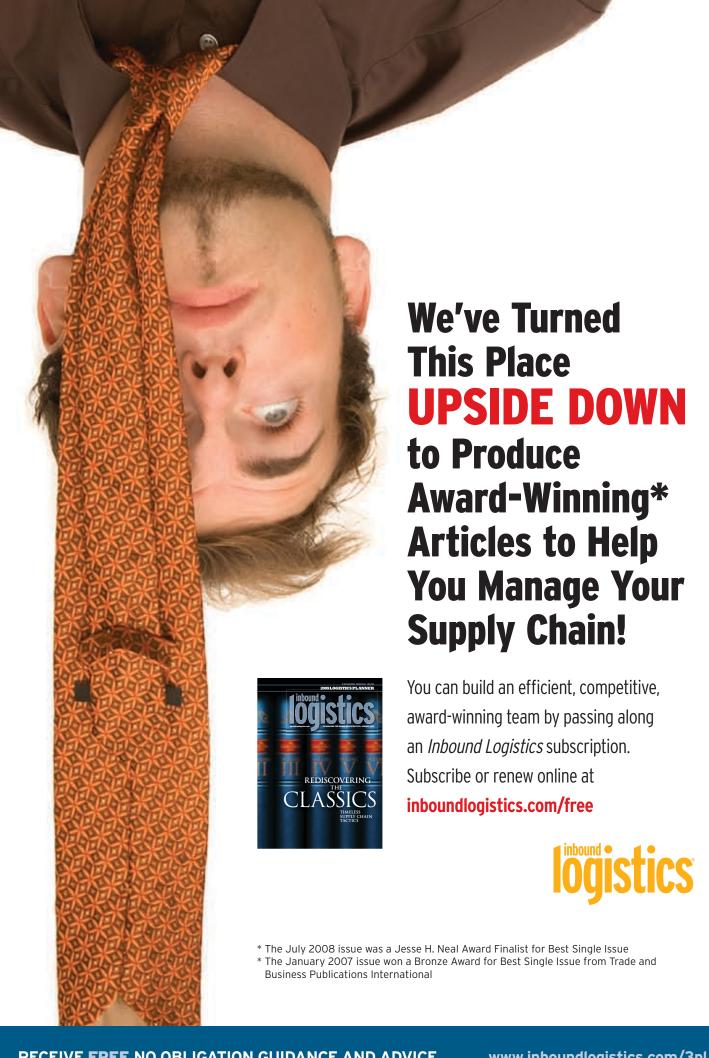
cated fleet resources. That initiative is in its early stages, but it demonstrates Colgate's openness to improvements that are mutually beneficial for the company, its customers, its suppliers, and the environment.

Customers ship Colgate's product together with competitors' products and store them together. "Competitors will not be in my warehouse looking at what I'm doing," Blizzard notes.

Though all these improvements—and the hard numbers—focus on what Colgate has been able to accomplish from a transportation management perspective, the company didn't achieve the results solely within the transportation discipline. As Blizzard points out, a key to the success of the network redesign and the initiatives that followed was adopting an end-to-end mindset that extended from suppliers to Colgate and from Colgate to customers' distribution centers. The benefits accrued to other disciplines within Colgate, as they did for customers.

Colgate's stated goal may have been to remove miles from the network, but the broader supply chain context and openness to internal and external collaboration opens the door for continued success. Colgate took more than four million miles out of its network while handling five percent more cases of product. When all of that trickles down to the year-to-year financial results, it's bound to bring a smile to investors' faces.







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**LENGTH:** 9 pages

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TITLE: Warehouse Management Solutions: Embedded or Best-of-Breed? LENGTH: 12 pages

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TITLE: "I Need to Add an NVOCC to the Mix"

LENGTH: 3 pages

**DOWNLOAD:** www.laufer.com/laufersite/pdf/LGI058\_whitepaper.pdf

**SUMMARY:** Many carrier-direct shippers say they want to add a Non-Vessel-Operating

Common Carrier (NVOCC) to their service provider mix in order to obtain pricing and space in an uncertain market. Laufer Group International, however, believes that adding an NVOCC will simply add another layer to a process that is already broken. In this whitepaper, Laufer challenges shippers to think differently; to take a step back and look at what the capacity crisis of last year revealed about their supply chain in order to

forge ahead and prevent a similar outcome.



TITLE: Mobility in the Manufacturing Workplace: 8 Must-have Mobile
Application Qualities to Increase Operational Efficiency

LENGTH: 7 pages

**DOWNLOAD:** http://info.iqms.com/mobile-whitepaper-request

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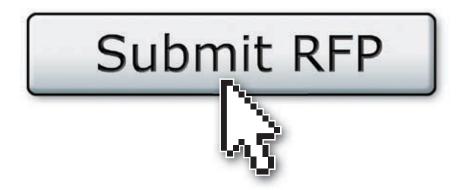
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Whether you need to outsource your entire logistics operation, or just one segment of it, choosing the right third-party logistics partner can be a complex challenge. In response to reader requests, *Inbound Logistics* offers an online 3PL RFP tool to help simplify your selection process.

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## INBRIEF

## **NEW SERVICES & SOLUTIONS**



## **▼** Materials Handling: Seegrid

The unmanned GT10 tow tractor automates the movement of flatbed cars, trains, or carts with vision-guided technology. Capable of towing 10,000 pounds, the tractor travels without a worker, does not require wires, tapes, or lasers to operate, and can perform multiple routes.

www.seegrid.com

877-SEEGRID



## 3PLs

## 3PL Worldwide

Located in Rancho Cucamonga, Calif., 3PL Worldwide's new facility increases capacity for the company's West Coast operations, doubling dock capacity and more than tripling facility throughput and capacity. The expansion includes technology and operational upgrades such as order picking, packing, and shipping automation; a new warehouse management system; and enhancements to the current order management system.

www.3plworldwide.com

888-456-1940

## D.W. Morgan Company

D.W. Morgan relocated its San Jose, Calif., warehouse to Fremont, located 20 miles north. The new building is strategically placed on the I-880 Corridor, centrally located between the three major Bay Area airports. The new 52,000-squarefoot building features 11 dock doors, plus one roll-up door. The facility expands overall capacity and provides centralized fulfillment operations.

www.dwmorgan.com

800-628-1321

## **EDUCATION**

## **University of Tennessee, Knoxville**

UT-Knoxville's College of Business
Administration launched the Global Supply
Chain Institute, offering four global and
domestic industry forums, currently
affiliated with more than 50 sponsoring
organizations and partner universities in
Europe, Latin America, and Asia; a oneyear Global Supply Chain Executive MBA
program, launching in 2013; supply chainfocused non-degree short courses and
certifications; undergraduate, MBA, and

Ph.D. supply chain areas of educational focus; worldwide industry partnerships; and cutting-edge supply chain research.

globalsupplychaininstitute.utk.edu 865-974-9413

## **SOFTWARE**

## **Agentrics**

A new collaboration exchange platform, offered in a hosted Software-as-a-Service format, helps retailers and manufacturers manage their supply chains to achieve more balanced stock levels, better

customer service, and a more sustainable supply chain.

www.agentrics.com

703-234-5100

## **Pitney Bowes**

The SendSuite Live Web-based global logistics management solution provides enterprise shippers, and small and medium-sized businesses access to a range of global parcel and freight carrier rates and services; origin-point shipping for international transit and cross-border rating and consolidation; and the ability

to optimize routing and streamline the logistics process with carrier and vendor compliance, and effectively manage regulatory compliance concerns.

www.pb.com

203-356-5000

## PARTNERSHIPS

SMC<sup>3</sup> and FreightCenter.com

Freight transportation software developer SMC<sup>3</sup> and transportation management system provider FreightCenter.com announced a partnership to create an all-

## ADVERTISEMENT PRODUCT SHOWCASE

Our mission is simple: To be the low-cost supplier of innovative, cost reducing pallets and related transport packaging products that meet our customers' changing needs and provide service that exceeds their expectations.

Through its Molded Products Group, Litco International is the exclusive North American source for the Inca® Presswood pallet. These environmentally-friendly products are molded from wood fiber and are commonly used for domestic and export transport packaging for military and commercial shipping.

All of Litco's Inca presswood products are Cradle to CradlesM Certified at the silver tier through McDonough Braungart Design Chemistry (MBDC) for their ingredients, recyclability and design principles. They are also Export Compliant per IPPC-ISPM 15.

One key advantage is that Inca Presswood pallets are nestable, saving handling costs and freeing up valuable warehousing and manufacturing space for production.

Inca pallets are **free of TBP, TCP and TCA chemicals** that are a concern to food, produce and pharmaceutical manufacturers. Inca



pallets will not promote the growth of mold, making them suitable for the most demanding shipping applications.

Inca pallets are a complement to corporate sustainability initiatives. With a commitment to avoid sending product

to landfills, Litco offers the removal of truckload lots of spent presswood pallets. Inca pallets can be upcycled into a variety of uses at the end of their life

To meet the needs of shippers with smaller products or less-than-full pallet load quantities, Litco has launched "half size" presswood pallets. These half-size pallets offer the same performance and sustainability benefits as full size pallets while increasing handling efficiencies and reducing costs for shippers of less than full pallet loads.



Litco International, Inc. Molded Products Group
One Litco Drive, PO Box 150 • Vienna, Ohio 44473-0150
Phone: 330-539-5433 • Toll Free: 877-504-7954 • Fax: 330-539-5388
info@litco.com • www.litco.com







**<b>《** CONTINUED FROM PAGE 121

inclusive TMS solution. The alliance marks the integration of the SMC<sup>3</sup> RateWare XL rating solution, with CarrierConnect carrier data, into the FreightCenter.com TMS product. RateWare XL combines carrier-specific rates with CarrierConnect points of service and transit times to provide a complete view of LTL rating and pricing across an enterprise. The FreightCenter.com TMS offers complete back-end technology that includes custom rates; automated quoting, booking, scheduling, and tracking; a built-in CRM

system, security controls, and extensive reporting.

www.smc3.com	800-845-8090			
www.freightcenter.com	800-716-7608			

## RAIL CN

Efficiency enhancements to CN's scheduled potash service minimize delays, expedite shipments, and provide supply chain balance between placing empty hopper cars and picking up loads. The

changes cut cycle times for hopper cars from mine to destination and return by 25 percent.

www.cn.ca

888-668-4626

## **Watco Transportation Services**

Watco launched the Autauga Northern Railroad (AUT), running from Maplesville, Ala., to Autauga Creek, Ala. The AUT handles approximately 9,000 annual carloads and operates six days a week. Watco plans to upgrade the track to Class II standards.

www.watcocompanies.com

620-231-2230



## Container and Pooling Solutions (CAPS)

A new facility in Jesup, Iowa, allows CAPS to support companies shipping and receiving liquid product in the Midwest. The facility offers full-service cleaning, repair, and storage services for liquid shipping containers, ensuring compliance with all food and beverage industry guidelines.

www.usecaps.com

888-873-2277



The Damo Super Guard protects pallet racks in warehouses from forklift damage. Wrapping fully around the rack upright, the guard features five anchor bolts with high shearing capacity to help prevent damage from the most common impacts in warehouse environments.

www.damotech.com

877-990-DAMO

## Comb

The SW-10 Stretchwrapper semiautomatic pallet wrapper is designed and manufactured with a manual mechanical core braking film tensioning system that simplifies film threading. The simple control panel and photo eye offer soft start and fix stop for precise control.

www.combi.com

800-521-9072



## ▲ 3PLs: Kuehne + Nagel

A new logistics center near Chicago provides 128,500 square feet of cargohandling space. The warehouse features bonded Container Freight Station space; consolidation and de-consolidation services; customs brokerage; hazardous-materials handling; and TSA security screening. The facility is TAPA A certified for security and includes an access-control system, closed-circuit TV, and on-site security personnel. It also features a secure cage for high-value cargo, and a 500-square-foot perishables cooler to accommodate pharmaceutical industry requirements. The facility's materials handling equipment includes a mobile gantry crane for moving oversized cargo.

www.kuehne-nagel.com 201-413-5500



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www.oakh.com

800-858-8815

## OCEAN APL

APL's North Asia Philippines feeder service now includes two weekly calls to Manila from Kaohsiung, Taiwan. Three 1,100-TEU vessels serve the route, which calls Ningbo, Shanghai, Hong Kong, and Cagayan.

www.apl.com

800-999-7733

## ▲ Mobile Devices & Apps: CipherLab

The CipherLab CP40 series industrial mobile computers provide GPS route navigation and wireless wide area network data communication, as well as a touchscreen to capture signatures and generate invoices through a wireless personal area network. A built-in scanner, camera and phone, and Internet access accelerate the device's productivity and boost efficiency for logistics applications.

www.cipherlab.com

888-300-9779

## MOL

MOL upgraded its Singapore-Nhava Sheva-Karachi service with two new loops to better serve India's growing inland markets. One links China and Nhava Sheva; the other connects Singapore with Papavav and Karachi.

www.molpower.com

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## CALENDAR

## YOUR LOGISTICS DATEBOOK

July 18, 2011, Making B-Markets Feel Like A-Markets, Toronto, Canada. This workshop, sponsored by the Reverse Logistics Association, addresses elements of a successful reverse logistics outsourcing process, including preparing and evaluating requests for qualifications, contracts, and statements of work.

866-801-6332 http://rltshows.com

July 25-27, 2011, Performance-Based Logistics (PBL), Alexandria, Va. Suitable for both logistics-focused military personnel and military equipment manufacturers, this logistics conference provides an understanding of performance-based logistics and offers insights on next-generation lifecycle product support assessment and implementation.

Discussions cover topics such as the evolution of PBL product support.

888-482-6012 www.wbresearch.com/pblusa

August 24-26, 2011, The Lean Enterprise and the Supply Chain, Knoxville, Tenn.

This course, sponsored by the University of Tennesee's Center for Executive Education, explains the role of ratebased planning and lean manufacturing methods in an integrated supply chain. Attendees will learn the principles governing flow in manufacturing processes; rate-based planning techniques for coordinating operations across companies; and methods for evaluating suppliers' abilities to function in an integrated supply chain. Participants perform hands-on tasks such as evaluating a supplier's

planning and scheduling processes and manufacturing capabilities.

865-974-5001 http://thecenter.utk.edu

September 11-15, 2011, American Association of Port Authorities 100th Annual Convention, Seattle, Wash.

Through technical and policy committee meetings, business sessions, and networking opportunities, port professionals and others in the marine transportation industry explore the latest global economy trends and expectations, the need for infrastructure investment, and how shippers, carriers, service providers, and the local community can help green the cargo supply chain.

877-795-2481 www.aapa2011.org





For additional information and to discuss the **University of Denver ITI Executive Masters Program**, please contact the following:

**George C. Woodward** - *ITI Board President* ITI Board of Directors • 215.247.2162 qeorge.c.woodward@verizon.net

Cathryne C. Johnson - ITI Executive Director ITI Office • 303.871.4702 catiohn@du.edu

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Don't miss this year's keynote speaker, Peter R. Williams, Vice President, Product Supply, Central and Eastern Europe, the Middle East, and Africa (CEEMEA), Procter & Gamble, who will draw upon his company's experience in emerging markets to discuss how you can make the difference between winning and losing through your approach to supply chain management.

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## A Stamp of Great Import

The latest bulk freight shipment from Korea to hit the Port of Savannah's docks is likely to leave a notable impression on U.S. automotive manufacturing and Georgia job growth.

The first piece of major machinery bound for Kia Motors' West Point, Ga., manufacturing plant expansion—a 5,400-ton transfer press that will stamp steel into 17 different types of vehicle body panels, including hoods, doors, and fenders—arrived in the United States recently when the *M/V Chongming Voyage 90* coasted into the Port of Savannah.

The shipment left Pyeongtaek, Korea, then navigated across the Pacific Ocean, through the Panama Canal, around the Gulf of Mexico, and up the coast to the Port of Savannah–arriving 34 days later. The equipment was unloaded from the ship, and transported 300 miles from the Port of Savannah to Kia Motors Manufacturing Georgia (KMMG).

The expansion at KMMG is necessary to deliver increased volume. Since the 2011 Sorento model hit the market, it has led Kia's U.S. sales. In March 2011, the automaker reported record sales of more than 44,000 units—a 44.7-percent increase from March 2010. This result beat Kia's previous best by 10 percent.

More importantly, Kia expects to add 1,000 more jobs as it increases build-out capacity at the facility through 2011. That's sure to earn a big stamp of approval from Georgia economic development authorities.





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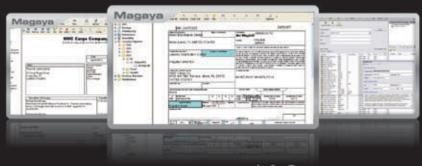
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