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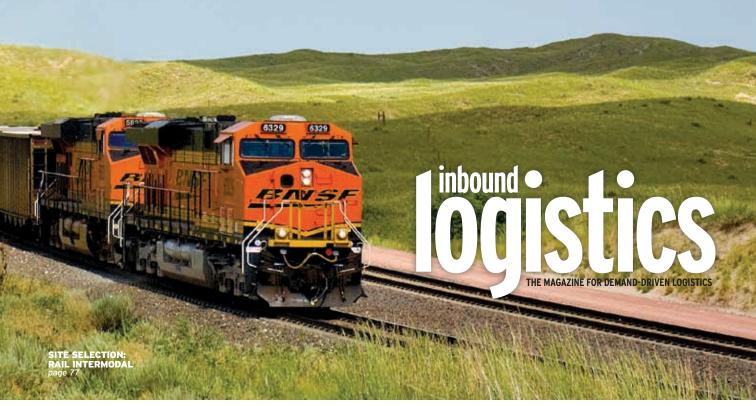
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CHECKINGIN

Kith Boud



We Need Jobs...Let's Raise Taxes?

B alancing a budget is an exercise in best judgment. Add politics to the equation, and logic flies right out the window. One example: the Minnesota legislature is finalizing its \$38-billion state

budget, which includes a 6.5-percent sales tax on warehouse services. A wide-ranging tax hike on warehouses will have far-reaching implications. None good.

A warehouse tax will likely push distribution activity and jobs out of state. Ironically, some of that tax revenue will subsidize economic incentives to keep businesses in state. It's a circle of contradictions that leaves many bewildered.

Richard Murphy, CEO of Murphy Warehouse Company, a Minnesota-based 3PL, has been working the phones the past few weeks, seeking answers. But instead of answers, he's fielding questions from the very legislators who crafted the bill.

"What's most confusing is that no one knows what this bill entails, or how it will be applied," he says. "They don't have any idea what a modern warehouse does."

There's some consensus that the warehousing tax is aimed at product "storage" – perhaps targeting the state's mining industry, which has experienced a boon over the past few years. If true, why not exempt service providers that are "moving" inventory, adding value, facilitating B2B growth, and creating jobs?

No House Republicans voted for the measure. Republican Rep. Tim Kelly expressed concern that a tax on warehousing could prompt a manufacturer in his district, Red Wing Shoes, to move operations to Missouri. "If Red Wing puts their warehouse in Missouri, where do they expand their business? Where do they make more shoes?" he said. And where do they make more jobs?

The broader concern for our economy, however, is that Minnesota's misunderstanding of modern logistics processes kills economic growth by compounding cost increases at every supply chain touch – and that this idea will spread to other states.

But, we've traveled down this road before. In 2007, the Michigan state legislature passed a six-percent service tax including warehousing. *Inbound Logistics* wrote about it here: http://bit.ly/MI_Fail

At the time, the state's unemployment rate was the highest in the country. Ohio was laying out the red carpet to disenfranchised Michigan businesses. Fortunately, sanity prevailed and the bill was repealed within weeks after being signed by Democrat Governor Jennifer Granholm.

Yet Minnesota and other state lawmakers continuously craft stultifying new taxes directly impacting the ability of your 3PLs and warehouses to serve you.

There's no shortage of challenges facing the distribution and logistics sector without governments seeking to transform every transaction, and every inventory touch into cash that they can wisely spend on all those important government programs.

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Forward March

I read Dr. Jennifer Batchelor's article about logistics jobs in the December 2012 issue (*Logistics: It's Where the Jobs Are*). I am an Army LTC currently stationed at Ft. Hood, Texas, working as a Deputy Brigade Commander for a logistics/sustainment unit.

I have 23 years of combined National Guard, Reserves, and active duty experience as an army logistician and have also worked in the corporate arena as a pharmaceutical sales rep prior to returning to active duty.

I am very interested in returning to the civilian workforce in the logistics field. My education includes a bachelor's degree in political science; a master's in management from American Public University System; and a certificate in Supply Chain Management from St. Louis University.

Would my military experience and talent transfer to companies such as UPS, FedEx, or 3PL providers? How would I begin my search for employment?

> - **Dean A. Huard,** LG, LTC, Deputy Brigade Commander, 4SB

Editor's Response: You're well-positioned for a private sector supply chain role. Many transportation and logistics providers have launched veteran hiring programs; for example, UPS recently committed to hire 25,000 veterans within the next five years. Check out our article *Battlefields and Boardrooms: The Military-Private Sector Connection (June 2012)* for more information, and look for more in-depth coverage of this important topic in our July 2013 issue.

See for Yourself

I read the article 6 *Secrets to Finding the Right 3PL* (*April 2013*) with interest, because I do 3PL consulting and write blogs on this subject.

I especially appreciated the first point, "Choose carefully," as I did not know the surety bond price is going to \$75,000 effective this summer. The other points are excellent, too.

I would add the following advice:

Always visit the chosen 3PL before signing a contract to see if they actually do meet all of your requirements, and ensure your chemistry with key 3PL personnel is good.

You can also discuss topics such as service level agreements with key performance indicators; price negotiations; WMS/TMS/YMS/EDI system availability, integration, customization and costs; contract review; cancellation/modification clauses; Lean initiatives; OSHA; Six Sigma; Gemba; Kanban; Kaizen; safety; cleanliness; and teamwork.

While a visit to the chosen 3PL is

critical, it's also wise to have back-up or failsafe alternate 3PL choices.

- Chuck Intrieri, 3PL Consultant and TransCert Account Executive



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by Deborah Catalano Ruriani

Assessing Your Provider's Financial Stability

here's nothing worse than hiring a logistics provider or carrier, then having it file for bankruptcy or close shop the day before you have a huge shipment planned for a new customer. Danny Monson, president and CFO of States Logistics Services Inc., offers these tips for verifying a service provider is financially stable – before you start a relationship.

Research the company's credit history. The simplest way to assess a potential partner is getting its Dun & Bradstreet number, then running a credit report. This could help you better understand the provider's payment history with other vendors, and gives you an opportunity to mention any details that concern you. Credit reports are not always blackand-white, but they do give you insight into the company and enable you to ask relevant questions.

Call references. Don't just ask for references – take the time to actually speak to someone. It's not enough to just send an information sheet. You'll get more details from a personal phone call.

B Request and review a financial statement. Many companies are privately held and do not generally

release financial information, or do not have a statement prepared by their accountant. Depending on your situation, this may not be a big deal—for example, if it's a small vendor, and you're moving low volumes, the risk may be low. But if the vendor is more strategic to your business, you should press further to get this information.

Verify bank information. Get the provider's bank information, and find out how long it has had the account. Using several banks and switching frequently is not a good sign.

5 Find out if the provider has a revolving line of credit. If the provider's bank has extended a line of credit, that could affirm its credit worthiness. If the company does have a revolving line of credit, find out how often it is used. Is the provider carrying a sizeable debt, or does it use the credit line occasionally for cash flow purposes? Is the provider's business supporting its cash flow needs, or is the company increasing its debt – and maybe having some financial issues?

Assess how leveraged the company is. If the provider has a number of liens or UCC filings, they will appear on a credit report. This information can help you determine the company's secured creditors, and provide further insight into any "off balance sheet" transactions the vendor may have entered into.

Inquire about the provider's federal tax ID number. Determine how long the company has had the number. A short time in business, or switching its corporate make-up frequently, are red flags. If you still want to pursue the partnership, you definitely need references.

Review the company's insurance coverage. Low coverage or lack of coverage (no umbrella or employee theft coverage, for example) could indicate a financial concern.

Assess the impact your business volume will have on the vendor. Thoroughly review the provider's current business. Will your volume help grow the company—or stretch it too far?

10 Understand the provider's business growth plan. Partner with a company that continues to invest in its business—for example, developing new products and services.



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R E A D E R PROFILE



Larry Montreuil has been director of supply chain management at JetBlue Airways in New York since 2003.

RESPONSIBILITIES

Strategic sourcing, contracts and purchasing.

EXPERIENCE

Supervisor, materials management, New York Air; manager, logistical planning and provisioning, Continental Airlines; director of purchasing, Trump Shuttle; director of purchasing, Queens Surface Corp.

EDUCATION

B.S., aeronautical industrial technology, Arizona State University, 1981.

Larry Montreuil: True Blue

DIDN'T ORIGINALLY PLAN TO WORK IN SUPPLY chain management. I started as a reliability analyst with New York Air, but quickly moved to managing the repair cycle for airplane components. I grew interested in the complexity of the business-to-business transactions that happen behind the scenes, and the opportunity to take costs out of those thousands of transactions.

I also enjoyed planning, forecasting, and collaborating with peers, as well as sourcing, negotiating, and managing suppliers. All my jobs since then have involved sourcing and procurement.

At JetBlue, I manage the teams in charge of strategic sourcing, contracts, and purchasing.

The strategic sourcing group focuses on the larger spending areas across the company. We work with the business units to determine their needs, then help them source those requirements.

After the company awards the business, the contracts team develops a contract and

conducts negotiations. We also maintain JetBlue's contracts database.

The purchasing team handles buying all items other than aircraft parts – everything from onboard snacks for passengers to office equipment and supplies.

One of the biggest deals my team negotiated is a contract for engine maintenance. We bundled all the engine work we might need into a single cost-perflight-hour. That way, our costs vary with the opportunity to generate revenue with each airplane.

Following a highly competitive bidding process, we formed a strategic relationship

The Big Questions

What was your scariest career decision?

Going to work for the Trump Shuttle when it was just getting started. It was a great challenge, and it was fun to help build a startup into a viable air carrier.

When you're not working, what do you most enjoy doing?

My responsibilities at home keep me busy, but I enjoy biking and kayaking. I also serve on the board of trustees for the village of New Hyde Park, N.Y., where I am the deputy mayor.

What would be your alter ego dream job?

Captain of a shrimp boat on the Gulf of Mexico.

If you were stranded on a deserted island, which three artists' music would you want with you?

The Rolling Stones, the Allman Brothers, and Muddy Waters.



that worked out well for both JetBlue and the maintenance supplier. Our costs are predictable, because engine hours are based on our flight schedule. That makes the supplier's revenue stream predictable, too.

Because airlines are extremely competitive, and margins are small, we operate under intense cost pressures—while never compromising safety. And the pace of work is very quick.

Trying to hit budget targets, and staying mindful of the calendar to make sure we lock in deals on time, creates tremendous pressure. We also support projects with specific deadlines, whether we're starting service in a new city or getting seats delivered for a new aircraft. It's a dynamic, but exciting, environment.

The biggest project my team is currently engaged in is overhauling the supply chain group. Historically, JetBlue's procurement has been decentralized. As the company matures, we're trying to give procurement policies and processes more structure.

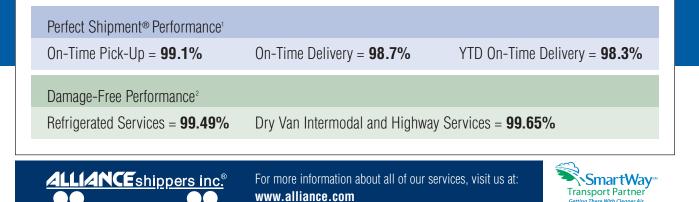
Among other changes, we want the business units to use our contracts database more consistently. Using the procurement system provides better documentation and more discipline. And the rigor of a competitive process yields better deals.

Even without the database, when our supply chain team asks suppliers for quotes, we get a different response than when a business unit approaches suppliers on its own. When suppliers see a procurement request come through, they realize there will be competition.

Running transactions through an e-procurement system will drive more of that kind of response from the supply bases, and create greater savings in the long run.

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FACING LOGISTICS CHALLENGES? USE IL'S 3PL EXPERTS AND



SEALED DEALS

Detroit, Mich.-based beverage company Leonard's Syrup chose HighJump Software to manage its direct-to-store delivery operations. HighJump's Route Administrator controls inventory and sales management, route planning, and delivery and driver reconciliation.

Air Works India, a provider of aviation maintenance, repair, and overhaul services, contracted with third-party logistics provider SDV to move all avionics, rotables, and consumables from the United States and France to Air Works facilities in New Delhi, Mumbai, and Bangalore.

California-based **Hines Growers**, an operator of commercial plant nurseries and distributor of plants to retailers, adopted InMotion Global's Enterprise TMS to manage its logistics, trucking, and distribution operations. The new TMS replaces an older InMotion Global version, and

adds more features including cross-browser and mobile device compatibility, and order management functions.

South Mill, a mushroom grower, packer, and distributor, implemented GreenRoad's in-vehicle and smartphone driver performance management tools across its tractor/trailer fleet. The software improves idling time, which reduces fuel consumption and collision risk.

Food and beverage packaging manufacturer Rice Packaging Solutions selected Epicor's AVP, a management software for packaging operations. AVP replaces a 30-year-old system that was unable to keep up with modern equipment and graphic design programs.

WIA

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GOOD WORKS

NACCO Materials Handling Group, a subsidiary of Hyster-Yale Materials Handling and a sponsor of East Carolina University (ECU) Athletics, donated \$22,300 to the United Way after pledging \$100 for each three-point shot made by ECU's basketball team during the 2012-2013 season.

Iveco, the truck division of Fiat, extended its service contract with freight forwarder Kuehne+Nagel for three years. Kuehne+Nagel manages five regional spare parts distribution centers for lveco in Italy, Germany, Spain, France, and the UK.

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GREEN SEEDS

The Volvo Group partnered with the U.S. Department of Energy's "Better Buildings, Better Plants" program and pledged to reduce its energy intensity by 25 percent over the next 10 years. Volvo designated eight of its U.S. manufacturing facilities to participate in the program.

United Airlines launched a sustainable supply chain initiative to evaluate its suppliers' products and their impacts on the environment. The move underscores United's commitment to environmental sustainability.



Canadian transportation and logistics solutions provider **Manitoulin Transport** acquired Edmonton, Alberta-based **Matco Transportation Systems**. The acquisition gives Manitoulin greater coverage in Canada's northwest, while giving Matco's customers access to Manitoulin's suite of services Sidney, Ohio-based refrigerated logistics company **Continental Express** bought Fort Worth, Texas-based **Ranger Refrigerated Express Corporation**. The expansion allows Continental Express to increase its reach in Texas and the southwest United States.

UP THE CHAIN

Chris Tyas was appointed head of supply chain for **Nestlé**. The promotion follows his success as supply chain head for Nestlé in Europe. In his new position, Tyas heads up Nestlé's supply chain function globally.

California restaurant chain **EI Pollo Loco** hired **Richard Pineda** as vice president, supply chain management. Pineda manages logistics and distribution for food products, supplies, uniforms, and natural gas.



David Bain was named supply chain manager for Gator Cases, a manufacturer of bags and cases for professional audio/visual equipment and musical instruments. In this position, Bain oversees inventory management for Gator's production factories and shipping warehouses.

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recognition

▶ Brookshire Grocery Company (BGC) honored FoodSource, a C.H. Robinson company, with its Vendor Partner Collaboration Award, BGC cited FoodSource's ability to provide innovative new items, and consistent quality and pricing for fruits and vegetables from around the world.

Canadian National (CN) Railway Company earned the National Achievement Award from Transportation



Community Awareness and Emergency Response. The award recognizes CN's ongoing work to help communities understand hazardous materials movement, and what is required in the event of transportation incidents.

Home improvement retailer Lowe's awarded **TST Overland Express** with its **Gold Service Award** in recognition of excellent less-than-truckload service in Canada. This is the fourth consecutive year that the carrier received the award.

Toyota Logistics Services recognized **Crowley Maritime Services** with its 11th consecutive **Logistics Excellence Award** in honor of Crowley's ongoing efforts to safely and efficiently transport Toyota vehicles from the United States to Puerto Rico.

The National Shippers Strategic Transportation Council (NASSTRAC) named **Old Dominion Freight Line** as its **2013 Carrier of the Year**. Old Dominion was recognized as a transportation provider that demonstrates excellence in performance and results.

The International Warehouse Logistics Association (IWLA) presented its **2013 Distinguished Services and Leadership Award** to **Jere Van Puffelen**, president of PRISM Team Services, for outstanding service to the IWLA and the third-party logistics sector.

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SHAPING THE FUTURE OF LOGISTICS



Garden State Gets Greener

N ew Jersey and sustainable development are perfect together. Industrial real estate developer Prologis recently broke ground on a new, 880,000-square-foot distribution facility on the Hackensack River in Jersey City, N.J. The Prologis Pulaski Distribution Center, a 50-acre former landfill, is located four miles from the Port of Elizabeth and three miles from New York City. Any new development of this size in the capacity-choked environs of the Big Apple is remarkable in itself. But the Prologis Pulaski DC is unique to the core.

"This project will transform a former waste disposal Superfund site into a functional property with usable green land in the most dynamic and land-constrained infill area in the United States," said Jay Cornforth, president of the east region of Prologis, and emcee of the groundbreaking ceremony. "Not in my back yard" is a recurring echo in the world of port industrial development, as public and private sectors wage war over land use. But the Pulaski project pushed even that paradigm. When Prologis acquired what was intended to be a graveyard from the Archdiocese of Newark in 2005, the objective

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by Joseph O'Reilly



was clear: breathe life back into an old, polluted industrial site. To hear N.J. state officials talk about the efforts involved in cleaning up and remediating the property, it was the ultimate resurrection.

"When I first saw this site, it struck me as surreal, almost otherworldly: partially exposed buried drums; intense fires burning below ground; smoke billowing from another issue erupted. We had a dump on top of a dump. The property had no value, provided no jobs, and because it was owned by the Archdiocese, contributed no tax revenue. Now it has turned into something positive."

Following the acquisition, Prologis hit a number of starts and stops as community opposition, environmental due diligence,

The Prologis Pulaski facility, which will create 800 new jobs at full occupancy, offers a shining example of how **sustainable DC development** can reverse an

urban area's fortunes.

cracks and fissures in the earth; entire trees and sections of road constructed on site collapsing, disappearing into the earth," said Ken Kloo, director of the N.J. Department of Environmental Protection Site Remediation Program.

"Conditions were so unique at the time that the Department of Environmental Protection hired a firm from Texas that fought oil field fires to come in and extinguish the underground fires," he added. "That was 28 years ago. Now everything has changed."

Jersey City Mayor Jerremiah Healy painted a more concise picture: "There were underground burning dumps. Then re-zoning, and the recession impeded progress. Now that construction has begun, the LEED-designated facility is expected to be complete and operational by 2014. And it already has two tenants – food retailer Ahold USA's online grocery unit Peapod; and Imperial Bag & Paper Co., which provides paper plates, plastic cutlery, and other basic supplies to retailers, restaurants, and food service companies.

Imperial Bag & Paper's business has grown 250 percent over the past five years, and it needed a location to consolidate three existing facilities, including its headquarters in nearby Bayonne.

The company was aggressively courted

by New York to site a new DC, but chose Pulaski due to its proximity to the port, major highways, and New York City-where 30 percent of its customer base is located.

"We help our customers by delivering product quickly and as often as needed—six times a week for some clients," says Robert Tillis, CEO, Imperial Bag & Paper. "Instead of using space for storage, a retailer can use that same square footage to sell products, or a restaurant can set up another table for diners.

"To meet this delivery schedule, we need direct access to major highways and to be close to Manhattan and other boroughs," he adds. "Quick and easy access to the port also benefits us by eliminating delays in receiving merchandise from overseas."

No less important, the new DC is still local for the company's 400 employees, so they expect little turnover when the transition is complete.

The Prologis Pulaski facility, which will create 800 new jobs at full occupancy, offers a shining example of how sustainable DC development can reverse an urban area's fortunes.

"Site remediation is much more than eliminating threats to public health and the environment," said Kloo. "It's about turning environmental liabilities into assets, creating economic opportunities, and revitalizing communities."

Going for Broker

majority of trucking companies (62 percent) are using fewer brokers than six months ago, according to Transport Capital Partners' (TCP) first quarter 2013 *Business Expectations Survey.* The percentage of carriers reporting an increase in brokered freight services doubled between August 2012 and February 2013, from 16 percent to 35 percent, a reflection of seasonal freight fluctuations.

Brokerage spot market freight still accounts for less than five percent of volumes for almost 50 percent of carriers – about the same as February 2012, traditionally one of the highest quarters for the use of broker services.

"The first quarter has lower freight demand; this leads

to idle trucks chasing scarcer loads, with spot market rates represented by brokers declining," says Richard Mikes, a TCP partner.

Smaller carriers rely on brokers more often than larger carriers because they have lower lane density and fewer marketing staff, according to TCP. The increase in the number of carriers reporting the use of broker services could also be tied to overall optimism for volume and rate increases.

"Carrier optimism, along with their drive to balance freight networks, builds interest in acquisitions," adds Mikes. "Gaining customers and capacity in key lanes will improve carrier profitability."



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Voice Technology: Can You Hear Me Now?

while voice technology has been widely used in many different supply chain applications, industry has yet to fully reap its benefits, according to Voice Information Associates' 2013 Voice Technology in the Supply Chain (VSC) market report.

The Acton, Mass.-based speech technology research company projects 22.6-percent compound annual growth in the VSC market for 2012 through 2017. A growing recognition among adopters that ROI payback periods are extremely short, based on improvements in productivity and accuracy, is driving that forecast. Still, voice penetration in distribution centers is approximately eight percent, says the report.

The research reflects how voice-directed applications are gaining traction across distribution centers and industries.

"In the past, voice was a picking-centric technology," notes Bruce Stubbs, industry marketing director for distribution center operations at Everett, Wash.-based technology solutions provider Intermec. "Typically, 60 percent of labor in a DC is involved in picking, so it was easy to sell voice technology into those situations.

"Today, however, companies are trying to

enhance their initial investment, and take advantage of the efficiencies, ergonomics, and safety that voice enables – expanding the use of voice in fork and packing applications, and inventory control," he says.

Any repetitive function can benefit from having both hands and eyes free. Voice technology is also crossing over industry verticals, reaching a tipping point, suggests Tom Singer, principal for Raleigh, N.C.-based materials handling integrator and supply chain consultant Tompkins International.

"We've installed voice-picking solutions

Healthcare SC Needs Shot in the Arm

ealthcare providers could benefit from a dose of retail supply chain therapy, according to a new University of Arkansas study.

"The retail industry has a long history of adopting automation, complemented by scientific and mathematical models, to improve supply chain operations," explains Ed Pohl, associate professor, Department of Industrial Engineering, University of Arkansas.

"Conversely, healthcare has been relatively slow to adopt these methods," he adds. "The healthcare supply chain might gain efficiencies by adopting best practices from the retail supply chain."

Pohl and his colleagues surveyed healthcare and retail managers to better understand the gaps between the two supply chains, and to learn how each might benefit from sharing best practices.

The retail supply chain has done a better job in the critical area of collaborative planning, forecasting, and replenishment, which involves suppliers and retailers working together to adopt order forecasting and inventory planning to create an integrated supply chain network.

Healthcare is struggling to keep pace with retail in another critical area: scanning and tracking applications, as well as professional training and education – specifically the skills associated with materials management, purchasing, and warehousing. Higher-revenue

respondents-large

retail stores and hospitals-are more likely to have implemented best practices.

Across both industries, 80 percent of respondents say the identified best practices had a significant or very significant business impact.

A minority (40 percent) of retail respondents perceive implementation of best practices to be easy or very easy. Surprisingly, most healthcare respondents also find implementation easy-and the costs to adopt best practices cheaper and with a lower minimum rate of return. Overall, retailers lead in implementing best practices, despite their perception that it is difficult and expensive. The healthcare industry is underestimating the investment necessary to achieve the full benefits of some best practices, University of Arkansas researchers conclude.



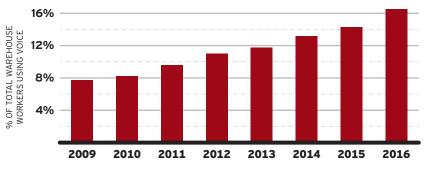
for years, but they tended to be a one-off application, restricted to particular industry verticals—companies in the grocery industry, for example, that had the foresight or a specific need," he says.

Voice solutions have become more flexible and affordable, and many WMS vendors provide necessary integration. While picking has always been a focal point, companies are now expanding its application to receiving, putaway, and quality control.

The use of voice-enabled hardware and software solutions also dovetails with the need for greater mobility in the warehouse. Companies are moving away from rigid layouts. They want flexibility, whether it's in managing multi-channel fulfillment or mediating seasonal demand and inventory fluctuations. This changing dynamic plays well with Intermec's business.

"Companies are looking at multi-purpose

Voice Technology in the Supply Chain Grows Louder



Source: Voice Information Associates report

devices," says Stubbs. "Businesses that deploy a voice-enabled mobile computer or vehicle mount can use that mobile computer in all warehouse processes: receiving inventory; performing scans and image captures for quality control and load condition purposes; putting it on a belt and picking with it; putting it in a docking station on a forklift and using it for putaways and replenishment.

"They can also turn around and pack or load with it," he adds.

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by Joseph O'Reilly



Did Hong Kong Strike Out?

While Hong Kong's season of labor discontent may augur an unsettling trend as Asia's middle class continues to grow—along with discord concerning workers' rights and compensation—the near-term implications serve as yet another reminder of the daily vagaries threatening supply chains.

A lingering, month-long dockworker strike (as of press time) over wages at the Hongkong International Terminals has contributed to a 20-fold increase in vessel berthing times at the world's third-largest container port, reports the *South China Post*. As a result, Evergreen Marine Corp. and Mitsui OSK Lines are diverting ships rather than face lengthy delays. But the impact may be far greater as ports in the region jostle for market share and Hong Kong's reputation as an efficient distribution hub hangs in the balance.

Volumes were down about five percent in 2012, while most of its competitor hub ports seem to be growing. "That would



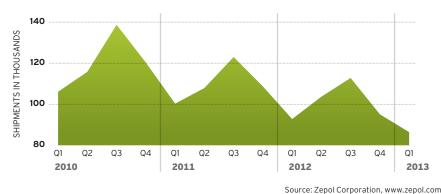
suggest Hong Kong is under some degree of pressure already," explains Timothy Ross, head of transport research, Asia Pacific, for Credit Suisse, in a recent BBC interview.

The five major Pearl River Delta ports have been growing at Hong Kong's expense over the past several years—and are all in a position to handle diverted cargo, Ross suggests. For shipping companies, it's a question of incorporating these ports into new shipping call cycles, making sure berths are available, and paying the extra duties attached to discharging cargo into China versus Hong Kong.

While Hong Kong presents a costlier transport connection to Chinese production and consumption centers, it has always been a favorable hub for U.S. companies given its legacy first as an English colony, then as a global financial center, and its fast-fading status as one of the

U.S. Imports from Hong Kong

Port strikes in Hong Kong contributed to a drop-off in U.S. imports during Q1 2013.



world's most efficient ports. That cost differential is now in jeopardy.

More telling, if the lockout extends into the beginning of peak season shipping, U.S. supply chains may feel some of that pinch – especially as steamship lines continue to micromanage an overabundance of supply.

Texas Pushes for Mexican Produce Trucks to Put on Weight

New legislation on the docket in Texas would allow Mexican produce carriers to haul heavier loads across the border in lieu of paying a fine or dropping shipments to make weight, says the *Texas Tribune*.

The measure, pitched by Texas State Representative Sergio Muñoz Jr., comes in response to a growing number of trucks forced to make costly detours to unload produce before they enter the United States. Mexico's truck weight limits are considerably higher than the U.S. standard of 80,000 pounds.

Muñoz proposed charging trucks an \$80 flat fee in exchange for crossing the border over the weight limit—a move he says will facilitate refrigerated cargo movements and serve as an economic boon for the area.

Mexico is in the process of completing the Mazatlán-Matamoros Corridor, a highway that will provide a direct route between the country's growing western regions and South Texas. The road is expected to accelerate a shift of Mexican produce trucks entering the United States to Hidalgo County, Texas, from Nogales, Ariz., for quicker access to East Coast markets.

The proposed bill would direct money collected through the \$80 fee to road maintenance related to damage from the

> heavier trucks. The Texas Department of Transportation already oversees three corridors for overweight trucks in other parts of the state; this new one would be the first to apply only to produce trucks. Arizona has a similar system for overweight trucks crossing the border near Nogales.

> While some cite safety concerns, officials note that produce arriving from Mexico is generally redistributed at U.S. DCs just over the border. The new legislation will address the "first few miles" in the United States.

New legislation would allow Mexican produce truckers to pay a fee in exchange for crossing the border overweight.



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Gaining Ground Through Inbound

United Arab Emirates aluminum smelter Dubai Aluminium (DUBAL) set a goal to be among the world's top five aluminum producers by 2015. How does it get there? By taking control of inbound transportation.

To help support this growth trajectory, the Jebel Ali-based company—which produces one million metric tons of molten aluminum annually—implemented SAP's inbound logistics solution. The technology—a meld of the ERP vendor's *Logistics Execution* and *Traders and Schedulers Workbench* modules—is integrated electronically with key freight forwarders, thus automating inbound shipment tracking, expediting, and costing. This, in turn, enhances transparency, control, and efficiency throughout the process.

"The net result is access to real-time status for all DUBAL inbound shipments, enabling efficient and accurate tracking," explains Ahmad Almulla, vice president for information technology at Dubai Aluminium.

"This will help DUBAL maintain optimal inventory levels and result in cost savings," he says. "It will also contribute to faster turnaround times for the procurement and logistics cycle, leading to higher ROI; and will improve data reliability, and reporting and analysis quality."

An inbound logistics IT system automates all processes from purchase order to receipt of goods in the DUBAL warehouse.



NAFTA Trade Grows, Safety a Concern

NAFTA trade is heating up at just the right time. Nearly 20 vears after the North American Free Trade Agreement was first ratified in 1994, commercial truck crossings into the United States from Mexico and Canada are steadily climbing, reaching 10.7 million in 2012, a 3.6-percent increase over 2011, according to the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS). This follows a 1.7 percent rise between 2010 and 2011 (see chart).

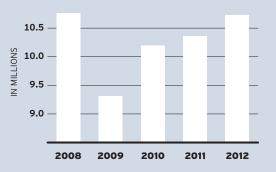
Contributing to this increase in cross-border moves is the 2011 resolution between the United States and Mexico allowing Mexican long-haul truckers unimpeded passage into the U.S. hinterland, if they meet certain guidelines.

The cross-border pilot program was re-launched in October 2011 to comply with a NAFTA provision, and to stop \$2.4 billion in annual retaliatory tariffs imposed on U.S. goods by Mexico. The program is scheduled to last three years.

The BTS report comes as The U.S. Court of Appeals for the District of Columbia Circuit rejected appeals leveled by the Owner-Operator Independent Drivers Association and the Teamsters union claiming that Mexican commercial driver licenses are invalid in the United States, and that substandard medical requirements in Mexico present a safety concern for operators crossing the border. driver's license-an effort intended to improve safety.

Commercial drivers with a history of serious medical conditions will be issued a Code W, or Class D license, in accordance with the Canada/U.S. Medical Reciprocity Agreement. U.S. commercial drivers are similarly issued a Code V license restricting them from driving

Number of Trucks Entering the U.S. From Canada and Mexico



SOURCE: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, based on data from the Department of Homeland Security, U.S. Customs and Border Protection, Office of Field Operations

At the Canadian border, meanwhile, the Ministry of Transportation has advised nearly 47,000 commercial truck drivers across the province that a special medical restriction banning them from driving in the United States will now appear on their north of the border. But as many as 41,000 of these drivers had their licenses downgraded simply because they failed to file their medical reports on time, Canada's ministry reports. Truckers are required to update their records every three to five years.

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BY JOHN HABER Founder/CEO, Spend Management Experts jhaber@spendmanagementexperts.com | 404-840-2010

8 Ways to Strengthen Online Retailer Supply Chains

ost online retailers are well aware that effective supply chain execution is the strategic heart of their business. Here are eight ways to keep online retail supply chains running smoothly and cost-effectively.

1. Invest in people. Make sure your supply chain managers have adequate experience and knowledge. The right skill set can't be learned on the run; it's important to invest in and nurture your supply chain team. This can provide you with a competitive advantage, and play a big role in your company's long-term success.

2. Monitor shipping costs. For online retailers, shipping can be more expensive than the product being shipped. So it's always important to move goods from Point A to Point B as quickly and costeffectively as possible. A wide array of shipping services and carriers is available. Make sure you are exploring all the available options.

3. Commit to delivery dates. If you can't live up to a delivery date, many customers will lose faith. Amazon and Walmart have introduced same-day delivery service in several test cities. Other Internet retailers will have to offer faster delivery to compete. The seven-day delivery window is just not acceptable anymore.

4. Prepare for disruptions of global operations. Map out different strategies and what-if scenarios so you are prepared when disaster strikes. The 2011 earthquake and tsunami in Japan and volcanic eruption in Iceland wreaked havoc on U.S. import supply chains for months.

In Asia, some semiconductor companies shut down for six weeks. In Europe, when the volcano halted air traffic, companies were still able to ship products to the coast via rail or truck, but once they arrived, they had to wait in line. Although ocean freight lead times are generally six weeks from Europe to the United States, ocean liners did not have enough capacity.

5. Create contingency plans for domestic operations. You also need back-up plans for when your U.S. supply chain gets disrupted. For instance, a Midwest retailer should have operations in the Southeast and West in case its primary location goes down.

If you've outsourced your shipping to a third-party logistics (3PL) provider, you should have a contingency plan written into your contract. If your distribution center is already underwater, it's too late to negotiate the best rates.

VIEWPOINT

6. Evaluate all available resources. Outsourced supply chain services are every bit as important as outsourced investment, tax, and bookkeeping services. Decide if it is more effective to develop internal shipping capabilities or to hire a 3PL. For many companies, shipping is not core to their business, and outsourcing to a 3PL makes the most sense.

7. Identify your weaknesses. An online retailer may be expert at moving goods, but not at managing contracts with transportation providers. Negotiating contracts to get the best terms can be tough.

Hiring expert contract negotiators or spend management providers brings in a whole new skill set. Most take a riskfree financial approach, in which they do an analysis and create a report card. There's no cost to the retailer until the savings are delivered.

8. Monitor your contracts. The logistics marketplace is dynamic, so review service provider contracts regularly. Outsourcing logistics spend management guarantees you have an advocate during this process.



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BY MICHAEL BREEN Senior Director of International Department, JAXUSA Partnership mbreen@jaxusa.org | 904-366-6682

Northeast Florida: America's Logistics Center Drives Global Business

hanks to its strong transportation infrastructure system, the Northeast Florida region is on a solid trajectory for increased international trade, as well as logistics and supply chain management investments and employment.

Dubbed "America's Logistics Center," Northeast Florida is one of the only centrally located East Coast regions offering all four pillars of logistics: rail, air, maritime, and highway. Three major railroads—CSX, Norfolk Southern, and Florida East Coast Railway—use Jacksonville as a railroad hub/interchange, and three major interstates—I-95, I-10, and I-75—connect the area with every part of the country.

As the gateway to Florida and the Southeastern United States, Northeast Florida's seven-county region is attractive to logistics and supply chain companies. One major factor is that the entire Southeastern market—with more than 50 million consumers—is accessible within an eight-hour drive.

The area's efficient utilities and state-of-the-art telecommunications infrastructure with competitive operating costs appeal to businesses, as do its skilled workforce and available land.

One of the biggest drivers of the area's increased manufacturing, logistics, and distribution growth is Jacksonville's port, JAXPORT. An on-dock rail facility was recently completed at the Dames Point terminal, enabling containers loaded directly to rail to be delivered to major distribution points quickly.

JAXPORT will pursue dredging the St. Johns River to 47 feet to allow larger containerships to pass through, and to make the port more competitive for deep-water and Asian cargo business. Deepening the river will allow the port to increase its opportunities for additional market distribution by becoming a "first inbound, last outbound" port. Preliminary analysis shows this improvement could lead to 8,113 new jobs by 2020.

Transport Spending Delivers ROI

Northeast Florida is fortunate to have government, public, and private sector leaders who realize transportation infrastructure upgrades must occur to keep the area operational and competitive in the logistics sector. Transportation spending delivers tangible economic benefits and a high return on investment in the form of jobs and economic impact for the region.

As a result, more manufacturers are choosing Northeast Florida for their operations. More than 50 major logistics companies operate in the area, and a supply chain management IT presence is growing.

Moving the Region Forward

Northeast Florida is on the right logistics path for a bright future. The business community is united with economic development and local governments to help move the region forward by cooperating on appropriate investments to infrastructure assets that will benefit the area.

The private sector also has a voice on transportation initiatives and policies through the newly formed Northeast Florida Transportation Alliance, comprised solely of private-sector leadership to focus on strategic solutions for critical regional transportation investments.

By capitalizing on the region's infrastructure, Northeast Florida is poised for more economic development growth. A unified commitment to transportation infrastructure enhancements shows Northeast Florida is able and ready to competitively operate in the logistics arena for the long term.

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IT MATTERS

BY JOHN STERLING CEO, Foxfire Software john.sterling@foxfiresoftware.com | 864-868-5243

What Happens When Your Warehouse Is Unplugged?

n warehouses, business as usual relies on steady and stable conditions—but these are not guaranteed. Numerous situations can disrupt productivity: A hurricane or ice storm comes through and knocks the power out for several days. You outgrow your warehouse and have to shut down while you move to a larger facility. The server finally crashes, and you have a total hard-drive failure.

It's not a question of *if*, but *when* your warehouse experiences a power outage. In such a situation, what happens to your warehouse management system (WMS)? Is it accessible during an extended power outage? Will you be able to immediately resume managing your inventory when the power returns? What do you do in the interim?

The following three technology management approaches can affect your warehouse operations' connectivity during and after a power outage.

1. On-site WMS hosting. WMS is an invaluable tool to help manage warehouse inventory and increase ROI. But as with any IT investment, businesses must make careful decisions about infrastructure and data hosting. One option is purchasing a WMS and hosting it on-site in the warehouse. This solution works well for businesses that already have the required IT capacity, and prefer to keep their data within the walls of their warehouse. But a major downside to on-site hosting is that when the power goes out, the WMS goes down, unless the facility operates a backup generator. Downtime in a warehouse can mean a big hit to revenue. In this scenario, would your facility be able to pick and ship?

2. Software-as-a-Service (SaaS). One popular option – particularly among small and mid-sized companies—is a SaaS solution, which allows business owners to subscribe to a WMS for a monthly fee. This flexible solution tailors the service to each company's needs, and avoids upfront investments such as software licenses and technical infrastructure.

The SaaS model allows a WMS to be hosted through the technology provider. This third-party cloud offers the same data security and performance as a WMS hosted on-site, but because the infrastructure is hosted elsewhere, the software is unaffected by local power outages. When the power fails, employees can work wirelessly through a virtual private network, which means you can provide information to customers and keep tabs on your inventory without losing a beat.

3. Cloud storage. A third option is purchasing a WMS and hosting the IT infrastructure on a virtualized cloud system. Cloud storage saves the cost of upgrading on-site infrastructure—such as servers and telephone equipment—and the energy associated with local hosting. It provides a turnkey, fully operational and restorable infrastructure in the event of an extended power loss due to natural disaster. Even if one warehouse in your network is not operational, the WMS application is still available and all employees can access the applications as needed.

Keeping Steady

There is no one-size-fits-all approach to selecting a WMS. But business owners must be confident about their system's backup capability and operational availability during a major power failure.

Your data and the software that runs your business is your operation's lifeblood. Don't risk it with a premise-based system that is only as secure as the environment it's sitting in.



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Shoring up Sourcing Strategies

Q: What factors are driving reshoring/nearsourcing consideration?

A: A balance in labor rates between China and North America is warranting a second look at sourcing and manufacturing closer to demand. Mexico may be a first choice because of its labor cost differential, but the United States, with the promise of cheaper energy, presents another opportunity. There is also a matter of disaster preparedness and recovery. Following the Japan earthquake and tsunami, companies quickly recognized that single-sourcing production and supply was fraught with risk. These factors are driving manufacturers to consider bringing back some production to North America.

On a micro level, speed to market and the ability to react to the dynamic nature of customer demand

Vice President & General Manager Ryder Supply Chain Solutions

are other important considerations for near-sourcing. Retailers used to want product with little differentiation. Now, retailers need to offer product with different configurations in order to compete against each other. This adds even more complexity and cost to longer supply chains.

Q: How does supply chain strategy factor into this shift?

A: As one example, in the past 18 months we've seen growing demand from customers to implement postponement strategies that bring more value-added activities closer to demand. Companies are still manufacturing the end component offshore, but they are moving specific retailer configuration to the United States.

There are a few reasons for this approach. Companies can reduce the total supply chain cost by shipping bulk quantities to the United States versus pre-packaging product with a lot of air, corrugate, or plastic wrap. Then that inventory can be built to a specific retailer's requirement on demand. This reduces obsolescence if there is a change in consumer demand or order quantity. Companies can also react more quickly to demand changes if they have a U.S. footprint rather than single-sourcing from the Far East. No less important, elimination of CO₂ emissions is inherent in cost reduction.

Q: Within this near-sourcing context, how are U.S. companies flexing their sourcing and selling strategies?

A: Some of our customers shifted manufacturing to Asia years ago, but never left the United States entirely. They kept a domestic footprint in case they ever needed to flip the switch. So they are able to capitalize on that presence, hire more people, turn up the volume, and manufacture in the United States. More companies will follow this example.

But the trend will be toward regional manufacturing. Consider the automotive industry. There was a time when cars were made in Asia and shipped to the United States. Now those automotive manufacturers have based production closer to demand to reduce transportation costs and react faster to changing market conditions.

We've also seen the reverse situation: a customer that has sourced components globally and manufactured domestically (because of intellectual property concerns) to serve Asian consumer demand, now taking a more regional production approach closer to the markets it serves.

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Why Mid-market Shippers Should Leverage TMS

Q: Mid-sized firms are often stretched for resources. How can they better manage transportation?

A: Many mid-market shippers manage transportation "by avoidance." They know they could be doing it better, but don't have the time or resources to focus on it. There's always a fire somewhere, and if product is getting out the door and to customers without too many complaints, they will go fight the fire and let transportation take care of itself.

But like anything else in business, transportation does not really take care of itself. Surprises can eat into margins. Shippers experience delays in manufacturing or shipping because they don't know where their inbound materials are. They get hit with customer chargebacks because, for example, someone at the warehouse quit and nobody else knew they were supposed to use a specific carrier in a certain lane. Transportation issues now demand more time and attention.

Mid-market shippers should consider Software-asa-Service (SaaS) transportation management systems (TMS) that can improve visibility, provide reporting, and enable EDI carrier integrations while automating the transportation cycle. Ideally, shippers can align with providers who not only bring technology that can be quickly deployed, but also have internal resources to leverage the resulting data, and provide procurement best practices and, potentially, even outsourced operations.

Q: What does it take to implement a TMS?

A: TMS is a proven solution, but getting a system up and running, even on SaaS platforms, can be daunting. It takes time to gather requirements, select a provider, configure and integrate the system, train staff, and drive the behavioral change required to adopt the technology.

Finding the necessary IT resources is frequently the pinch point in the TMS acquisition process, and it often goes beyond the mid-market. Shippers should work with TMS solutions and service providers who can demonstrate proven tools and processes to reliably integrate a TMS, including providing ongoing user support and analytical services that help interpret the data that

RICHARD G.

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President 3PLogic LLC can now be captured for continuous improvement. You don't usually get analytics or the expertise to interpret transportation network data from software providers; this is where software and managed services models converge to extract more value from the system and deliver more value faster to the shipper.

Q: What is the best way to get the benefits of a TMS?

A: There are at least two good ways, and which direction you go depends on many factors, including your corporate strategy, culture, and investment priorities.

A true provider partnership approach can be very effective, particularly at the upper end of the spend range. In a co-managed model, the transportation management firm acts as an extension of the shipper, providing a suite of services that enables access to technology, while providing savings and enhancing control.

The second, more traditional model can also be effective if it fits the shipper's strategy. Fully managed logistics services are a proven way to obtain the benefits of a TMS. In this case, an experienced transportation management provider delivers access to leading-edge systems and operational best practices to manage your transportation.

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FACING LOGISTICS CHALLENGES? USE IL'S 3PL EXPERTS AND

E-FULFILIVER THE GOODS

By adding speed and visibility to their logistics operations, retailers delight online customers, and keep them coming back for more. By Merrill Douglas

f you have any doubts about the strength of e-commerce, a look at some figures will set you straight. Worldwide business-to-consumer (B2C) e-commerce sales passed \$1 trillion in 2012, and they're set to grow by another 18.3 percent in 2013, according to research firm eMarketer. If you leave out food, gas, and auto sales, e-commerce retail spending in the United States accounted for 10 percent of all retail in this country in 2012, say researchers at comScore Inc.

Many retailers are still figuring out how to fit online sales into their business models. "One out of 10 retailers are confidently implementing an e-commerce or omni-channel strategy; six out of 10 are still studying it," says Kristian Bjorson, international director at Jones Lang LaSalle, a Chicago-based commercial real estate services firm.

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The other three have outsourced their e-commerce to an industry giant such as GSI Commerce or Amazon, or haven't yet tackled the issue at all, he says.

As e-commerce explodes, the pressure is on for companies to delight online customers, and tempt new ones to fill electronic shopping carts. Much of a merchant's success will depend on whether it develops a fulfillment operation that delivers exactly what customers want.

Make it Flawless

And what do customers want? "Flawless execution," says Robert Toner, senior vice president and chief operating officer at Innotrac, an Atlanta-based third-party fulfillment services provider.

"It's important to customers that they get what they ordered, when they ordered it, and how they ordered it," he notes.

"How they ordered it" often means "fast." Amazon has been raising the bar on speed with recent talk about offering same-day delivery. Shoppers are programmed for that sort of instant gratification.

"I'm used to walking into a store and walking out with a product, so why can't I order it on the Internet and immediately have it?" asks Chris Arnold, vice president of operations at Intelligrated, a vendor of automated materials handling solutions based in Mason, Ohio.

Not every customer insists on same-day, or even next-day, delivery. Some simply want to receive an order when the merchant promises it, even if that's two or three days away, Toner says.

Delivery commitments grow especially crucial when consumers place orders for the year-end holidays. "Now that next-day and second-day air services are less expensive than they used to be, people are waiting longer to shop," says David Hauptman, vice president of marketing and product management at third-party logistics services provider OHL, Brentwood, Tenn.

As the holiday shopping peak moves closer to Christmas, merchants face greater pressure to deliver as promised.

However long the shipment takes, customers should find its arrival enjoyable and convenient. "It's important that customers be able to open the package easily," says Larry Kuhn, co-president of overstock.com: Speed, Information, and Happy Returns

ne of the most important things a merchant must do to delight customers is deliver orders quickly. "It's all about speed to customer," says David Nielsen, co-president of e-commerce merchant Overstock.com.

While maintaining stringent delivery standards is tough for any fulfillment operation, Overstock.com's business model gives the challenge an extra twist: Its network of supplier-partners drop-ships approximately 85 percent of orders.

Based in Salt Lake City, Overstock.com sells a wide variety of discounted items, including furniture, rugs, bedding, apparel, electronics, jewelry, cars, and fair-trade crafts. Its two fulfillment facilities – one in Salt Lake City, and a new one in Hebron, Ky, that opened in March 2013 – handle all returns and ship about 15 percent of its merchandise. Some of that 15 percent consists of "opportunity buys" – products that Overstock.com snaps up in bulk at a great price. The rest consists of



By opening a second fulfillment facility, Overstock.com can speed orders to customers, and cut the return cycle by about three days.

replenishment goods and returned products that are restockable.

Until recently,

Overstock.com required supplier-partners to ship product within 48 hours after a customer placed an order. As of May 2013, the company plans to announce faster ship-out requirements that will make order fulfillment even faster.

Beyond speed, another crucial aspect of an excellent customer experience is information. Because customers need to know where their packages are at all times, Overstock.com, its vendors, and its carriers monitor

shipment status at every step. "Order-tracking information is communicated to the customer, and we track it internally," Nielsen says.

Careful monitoring comes in handy particularly when forces of nature threaten deliveries. "Because we're a large customer of the major carriers, we know when routes are delayed due to bad weather," Nielsen says. "In some cases, we filled additional trailers and rerouted them in different directions to bypass a storm and still deliver on time."

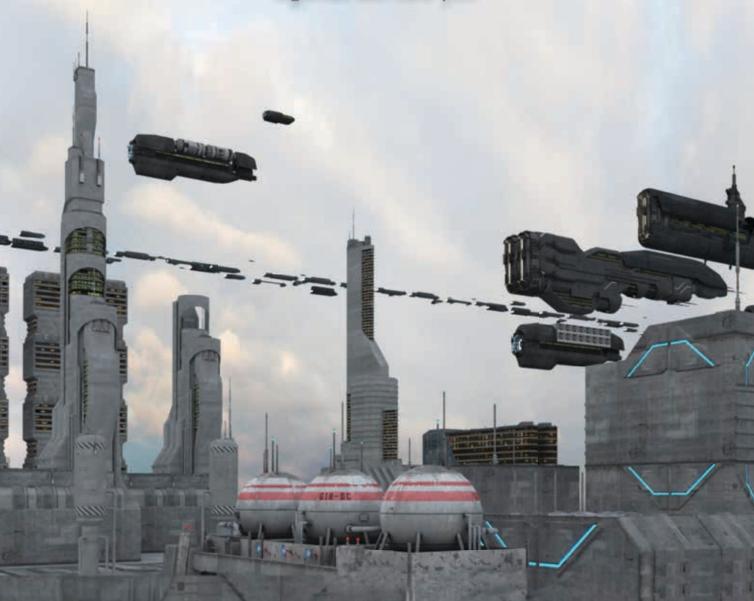
A customer who needs to return a product starts the transaction through the Overstock.com Web site, or by talking to a customer care agent. The package then moves to one of the Overstock.com fulfillment centers.

"Opening the second distribution and returns facility in Hebron shaved about three days off our return cycle for 60 to 65 percent of returns," says Nielsen. Customers east of the Mississippi now send returns to Hebron, rather than to Salt Lake City, so they get faster service.

"When customers can get their money back three days sooner than they would have otherwise," he says, "that's good news."



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Invata Intralogistics, Conshohocken, Pa., which provides consulting, design, and integration services—plus software—for distribution and fulfillment centers.

The package shouldn't be stuffed with environmentally harmful materials. "It's also important that the container be easily reusable, and that the return process flows seamlessly," Kuhn adds.

To some extent, online shoppers want to replicate the in-store experience. "When online customers open a package, they get the wrapping, the colors, and the feel as if the merchant had boxed it up in the store," says Phillip Corwin, vice president of retail, apparel, and e-commerce logistics at OHL.

To reproduce the sense that an obliging cashier is handing you a package, many online merchants offer value-added services. Gift wrapping, for example, is one of the more popular services that customers demand.

Some retailers ask OHL to handwrite personal messages on greeting cards that customers send with gifts. One candle manufacturer asked the fulfillment center to apply sealing wax to its packages. "I've even seen a requirement to tune a guitar before it ships out," says Corwin.

Customers like to earn rewards, and just as stores offer discounts and freebies to shoppers who join loyalty programs or use private-label credit cards, some merchants offer VIP treatment to top online shoppers.

"Maybe they tuck a little gift in for these highly frequent, very valuable customers, and the wrapping paper is just a little nicer," says Corwin. A top customer might also get free-shipping upgrades, or find a special catalog in the shipping carton.

Returning the Favor

Despite all these touches, a sale sometimes doesn't work out. To make returns agreeable, merchants must offer convenience, visibility, and speed.

Providing correct instructions and a return label, and letting online shoppers return products to brick-and-mortar stores if they choose, help with convenience. Visibility means letting customers know that the returned product has arrived at the fulfillment center and the merchant is processing the credit transaction. Speed also means issuing that credit as soon as possible. "Customers don't want a credit to take two or three weeks," Hauptman says.

Finally, customers today demand flexibility. As retailers blur the lines between sales channels, customers are coming to regard multiple options as the norm.

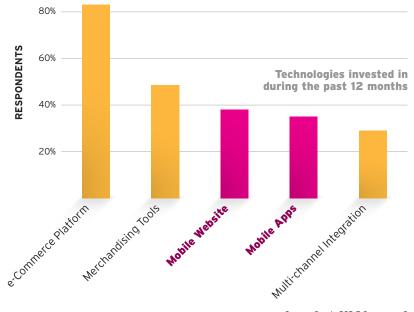
"We're seeing a truly magnificent change in the retail industry, led by the consumer's expectation that you can buy an item strategies for delivering superior service involve staffing.

A typical e-commerce facility needs three times as many employees as a traditional regional distribution center. "You can only automate so much," says Bjorson. "Then you need the density of people to package individual orders versus shipping cases or pallets to a store."

To accommodate more employees, companies establishing dedicated e-commerce

Mobile Investment on the Move

B2B e-commerce organizations don't seem to have thrown significant budget at technology to support mobile yet, according to an Oracle survey of IT professionals. The survey predicts heavier investment in mobile technologies in the coming months.



Source: Oracle B2B E-Commerce Survey

online or in a store, you can return it anywhere, and you can pay for it either with a credit card in the store, though a mobile app, or online," says Corwin.

All the large retailers that use Innotrac's fulfillment centers want to offer omnichannel services. "Whether we are the primary location they choose from, whether their retail stores are a location they fulfill from, whether customers return products to the retail stores or return them to us—retailers want the best service they can provide to the customer," says Toner.

Some of the simplest e-commerce

centers look for properties with plenty of parking. E-commerce facilities also need more electrical, heating, and cooling infrastructure than traditional DCs to power automated systems and keep large workforces comfortable and safe.

Because it's so important to ship orders correctly, e-commerce center employees must be especially careful in their work. "No matter how robust the system you build, and no matter how generic and easy to follow the system is, you still need people to pay attention to the details," says Toner.



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Innotrac also seeks employees who tend to stick with a job for a long time. "Turnover is one of the most expensive elements of fulfillment," Toner notes.

A company opening an e-commerce fulfillment center must also choose the right location. Like a regular DC, a fulfillment center needs to be close to as many customers as possible. Because direct-tocustomer fulfillment generally relies on package carriers, it's best to locate in an area that offers good service from UPS, FedEx, and the U.S. Postal Service – or all three.

And if retailers want to offer extra-fast and flexible delivery, they might locate that fulfillment center near a carrier's primary hub.

"We have a location in Memphis, home of the FedEx 'SuperHub,' so we're able to offer late cutoff times for particular customers," says Hauptman. Shoppers can place orders later in the evening, and still expect their packages to get moving the same day.

Height of Fashion

Along with location, warehouse design can make a crucial difference for an e-commerce fulfillment center. "Companies continue to push for a higher than traditional clear height," says Bjorson. "Today it's 32-foot clear, but there's a push across the country for a 36-foot clear."

Extra height lets a company implement a three-level mezzanine picking system, getting three times as much storage and

activity into its footprint as it could on one level. "Extra height utilizes the cubic space in much different ways in markets such as New Jersey or Los Angeles, where real estate is more expensive," Bjorson says.

By keeping square footage to a minimum, the vertical strategy lets a company save on real estate costs while locating in a region with access to a large population.

E-commerce merchants can also use active pick locations to speed the flow of orders to customers. Rather than sending workers all over the warehouse to retrieve orders, a company can store a few units of each product in one spot, replenishing as needed. Order pickers take items from this active location, increasing the number of orders they can fill while keeping travel time to a minimum.

Workers might pick complete orders, or different individuals might pick different portions of the same order and put them on a sorter for consolidation. Which process a company chooses depends, in part, on the number of stockkeeping units (SKUs) in the facility.



To ensure e-fulfillment success, warehouses must be equipped with the right materials handling systems.

"A company picking from 60,000 different SKUs probably wants a consolidation process," Toner says. That allows individuals to specialize in picking specific products from specific parts of the pick module.

"Workers get familiar with the SKUs and the area they work in, and they become more efficient in the process," he adds.

A sorter is just one of many automated systems a company might install in a fulfillment center. The approach a company takes—whether low-tech and labor intensive, highly automated, or somewhere in between – depends in part on how much product flows through the facility.

A company that ships 1,000 orders a day probably can't justify a heavy investment in machinery. "But a company shipping 100,000 orders per day needs a very high level of automation," says Kuhn.

A system that integrates the functions of a warehouse management system (WMS) with a warehouse control system (WCS) can also add efficiencies that improve customer service. For one thing, an integrated WMS/WCS helps a company

> optimize labor assignments as needed, keeping orders flowing as smoothly as possible. The system can also forecast the need for labor and materials as order patterns change.

> "If a specific item is becoming a bestseller, the retailer can move that item to an area where it can optimize labor, perhaps eliminating many touches in the process to enhance the shipping experience," says Arnold.

> Other tips for giving online customers a terrific experience include:

> Segregate single-piece orders. Picking several items to send to one customer requires more labor or automation than filling an order for a single product. "As orders come in, they have to be organized so they will be in optimal groupings for fulfillment," says Kuhn.

An order management system might direct all one-piece orders to one group of employees, allowing another group to specialize in multi-piece orders,

and a third in orders that require special handling—maybe because they're fragile or temperature-sensitive. This keeps orders flowing efficiently.

Segregate the bulkiest items. One merchant's offerings might encompass everything from fishing lures to kayaks, or napkin rings to bedroom suites. During the peak shopping season, some companies that run their own fulfillment centers move the largest, hardest-to-ship products elsewhere.

"Core operations for peak season can



scale phenomenally higher with smaller items, and maintain service levels," says Corwin. "Retailers leverage partners such as third-party logistics companies to concentrate those non-conveyables into one or two facilities, as opposed to all their regional distribution centers."

Use pop-up space. Many e-commerce fulfillment centers have plenty of capacity for most of the year. Then holiday season rolls around, and order volume explodes.

To relieve that pressure, a merchant might move some of its inventory into a 3PL's warehouse for just a few months, then pull it back after the holidays.

Pay attention to cartons. Because

carriers charge by volume as well as weight, it's smart to ship an order in the smallest carton possible. Cartonization software analyzes each order as it's received to assign it to a particular size and type of carton.

"At the end of the picking process, the software directs the material—either in an automated way, or in an instruction to the picker—to particular pack stations set up to handle that shipment size," says Kuhn. If one item in the order could damage another, the software might also determine that the shipment needs two cartons.

"Cartonization impacts the end user's experience, and can have a significant effect on shipping costs," Kuhn says. Make cartons to order. Instead of stocking a large range of cartons to accommodate shipments in every conceivable size and shape, some e-commerce merchants implement automated systems that make custom cartons on the fly from rolled corrugate. "Making cartons to order helps minimize the wasted cube and amount of dunnage in the carton," says Arnold.

When employed in the right way, labor, facility and network design, automation, software, and other aspects of supply chain strategy combine to make e-commerce fulfillment efficient, correct, and fast. That's delightful for the customer, and for the online retailer as well.

оп the FastTrak

ike consumers, businesses that place orders online value speed. And speed is a major imperative for ShopJimmy.com, a Burnsville, Minn.-based online vendor of used televisions, TV components, and digital light processing lamps.

ShopJimmy's main business is selling components – primarily circuit boards – to companies that fix TVs covered by extended warranties, as well as to other repair shops and some individuals. For a business, getting a part quickly might make the difference between winning a repair job or seeing it go to a competitor, says Nic Ludens, ShopJimmy's finance and data analyst.

ShopJimmy buys non-sellable TVs from retailers. If employees in its 270,000-square-foot fulfillment center find that a unit works, they list it for sale online. If it's broken, they tear it down, recycle the plastic and metal, and put usable boards into inventory. The company also buys some new boards from manufacturers.

To help get product to customers faster, ShopJimmy recently began implementing the *FastTrak* software suite from Invata Intralogistics, Conshohocken, Pa. *FastTrak* integrates the features of a warehouse management system, warehouse control system, transportation management system, and order management system into one package.

When the implementation is complete, *FastTrak* will help ShopJimmy use a new racking system to organize inventory based on popularity, size, and the number of units on hand. Fast-selling components will stay close to the stations where employees pack outgoing orders.

Along with organization, getting orders out the door quickly requires good visibility. "We need to know exactly where product is and what stage it's in-still being



A new inventory racking system enables ShopJimmy to track and provide visibility to components so employees can get orders for refurbished TVs out the door faster.

torn down, on the shelf, or inspected," Ludens says.

Invata's software will track components by SKU and serial number. "We will know which vendor we bought each part from," he says. "And if a part is defective, we can notify that vendor that parts are breaking during transit."

Once the system starts tracking inventory, ShopJimmy's Web site also will provide better information on items that are in stock. Today, a customer who wants a component that's not on the shelf completes an online form asking to be notified when that part comes in. In the future, components will appear as available inventory as soon as a TV arrives, even before it goes through teardown. If a customer wants to buy a component that's still inside a TV, ShopJimmy will process that order and report on its status.

"We'll tell customers exactly when their orders are ready to be filled," Ludens says.

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Changing consumer expectations and demand for greater efficiency, economy, and productivity present new twists and turns in warehouse automation.

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arehouses today are abuzz with the sounds of automation and innovation. E-commerce is driving much of this change; so, too, are retail demand for more frequent store replenishment, and consumer expectations for faster fulfillment. As companies variabilize their brick-and-mortar footprints and optimize their on-hand inventory, the distribution center becomes an extension of the store

shelf—and must respond in kind. As inventory navigates new demand twists and supply turns at breakneck speed, DCs are evolving. Companies have countless options, from implementing warehouse, labor, and order management systems to investing in mobile hardware, voice-based applications, and materials handling equipment. But as businesses explore the bells and whistles, they also have to consider the nuts and bolts.

"Cross-belt sortation has advanced over the past several years, providing the higher throughputs, accuracy, and smaller footprints required in today's modern DC," says John Sarinick, chief sales officer for BEUMER Corporation, a German conveyor and sortation company with U.S. headquarters in Franklin Lakes, N.J. "But tilt tray sortation remains a viable, cost-effective solution for many parcel handling and receiving and shipping operations."

The type of operation influences materials handling equipment decisions. "Due to relatively small order size—typically three items per order—e-commerce and retail replenishment orders often lend themselves to using bags, as opposed to cartons, as the packaging material," Sarinick says. "Handling bags instead of cartons often requires a different conveying and sorting solution."

Even if companies aren't selling product in a virtual marketplace, e-commerce expectations are transcendent because consumers are more attuned to cost, service, and speed. As a result, retailers, wholesalers, and suppliers are held to these emerging standards down the line. These demands—internally and externally driven—are compelling companies to look inside their DCs, and at their materials handling infrastructure, with an eye toward the future.

A Vintage Approach

Ashland, Va.-based The Country Vintner faced this organizational challenge six years ago. The wine and spirits importer and wholesaler, which is part of the larger Vintner Group company, serves a Mid-Atlantic region stretching from Delaware to West Virginia to South Carolina. Sixty percent of its product is imported from Europe, South America, South Africa, Australia, and Japan. The rest is domestically sourced.

Country Vintner serves two primary channels: restaurants and wine shops; and its retail division, which delivers to chain stores. In the Mid-Atlantic region, it delivers direct to customers with a fleet of approximately 90 temperature-controlled trucks. A distribution partner coordinates transportation for product shipped nationwide.

In 2007, the company decided to relocate from its existing Louisa, Va., facility to a new site in Ashland. The company wanted closer access to the I-95 corridor, which is the main north-south artery for the markets the business serves. But Country Vintner also needed a greenfield site to develop a state-of-the-art distribution facility under the guidance of W&H Systems, a Carlstadt, N.J.-based systems integrator.

"Although our previous facility had a warehouse management system (WMS) and RFID, operations were manual; we used pallet jacks and hand-picking," recalls Rick Gliot, senior vice president, Country Vintner. "It was prone to error, and was not the most efficient solution." Retrofitting the Louisa facility was out of the question because of its low ceilings, minimal racking, and lack of conveyors. "Our WMS worked well, but our technology and processes were outdated," Gliot says. "If we kept going with those systems, we couldn't have grown as much and shipped as far as we do now."

Planning for Growth

Country Vintner's transition was timely, given the looming recession. But the market has changed considerably over the past five years. In the wake of the economic downturn, many companies placed their automation projects on hold as they prioritized cost-cutting measures and tabled capital investments. Now those tables are turning.

"Coming out of a recession, the general trend is to plan for future growth," explains Sarinick. "Return-on-investment calculations are more frequently based on building the DC infrastructure to support strong growth over the next five years."

W&H Systems generally works with companies to plan out three-, five-, eight-, and 10-year benchmarks to make sure a project falls in line with where the business expects to grow.

"You may start off with one worker and a pick module, then add a second or third over time," says Paul Laman, vice president of sales at W&H Systems. "If you have two loading doors, you might add another. It may require some additional investment, but you make sure the system is reasonable for today and expandable down the road. You don't want to lock yourself in."

When W&H gets involved with a full system installation, it considers the customer's existing business as well as its planned growth trajectory. While retrofits can sometimes be completed in six months, bigger projects can take three times as long.

"You have to establish how many SKUs a facility is handling—and will handle at different volumes—to determine its velocity profile and curve," Laman says. "You also have to consider how a company moves product to market. Is it shipping via pallets, or floor-loading on a truck? Is it crossdocking product or shipping directly to a big retailer? Does it need a software system that allows the facility to pick in waves rather than order by order?"



Investing in high-speed, low-maintenance, energy-efficient sortation and distribution equipment can help keep warehouse operations moving right along.

No two integration projects are alike. Countless variables outside the enterprise push and pull decisions. Different industries warrant different strategies. But even in the wine and spirits space, a sliding scale of automation complexity exists.

"A wine and spirits distributor in an expensive metro area with union labor, high volumes, and high service demand levels presents a different dynamic than a rural wine company in a franchise market with an old warehouse that's already paid off," explains Laman. "In more expensive labor markets and higher volumes, the needs are more involved and sophisticated."

More Wine, More Whirs

In the wine and spirits industry, every conveyor system has three major components: a means to efficiently pick product; machinery and capacity to process it; and the right loading capacity. W&H usually begins new projects by taking an inventory profile.

"We identify any trends to be concerned about," says Laman. "We extrapolate that inventory out over the number of years and the expected growth rate. Then we look at the best storage density patterns, whether it's some form of racking or bulk stacking on the floor. We've even put in some automated storage and retrieval systems – but they are expensive, and not common yet in the wine and spirits industry."

After identifying the appropriate storage density, W&H also considers capital-associated requirements—for example, narrow-aisle racking or turret trucks for vertical storage. High-volume items are generally placed the shortest distance from storage to the picking environment, often floor stacked. Slow-moving inventory is stored in a building's extremities, where the least amount of activity occurs.

As a wine importer and distributor, Country Vintner's primary challenge is matching consumer tastes with changing vintages.

"Slotting is very important to maintain productivity," says Gliot. "We have to put the fastest-moving sellers in primary DC real estate in order to achieve our targets. We experience a lot of changes from year to year."

In terms of conveyance options, companies can choose from 18- or 24-inch-wide conveyors with two-inch roll centers, depending on the size of products and



boxes. For high-volume operations, warehouses generally use a sliding shoe sorter. Country Vintner opted to go with a medium-range sorter.

Warehouses often employ photo eye sensors rather than traditional mechanical sensors on the accumulation conveyors to keep boxes accumulating, and alleviate line pressure. As suppliers continue to reduce the quality of corrugated packaging and inserts, it's important to keep cases from having too much back pressure because of the risk of damage.

Country Vintner currently operates two full case pick modules configured with case and pallet flow pick positions, and a bottle room that employs a two-level mezzanine system with case flow downstairs and bottle shelving upstairs. This set up helps the distributor drive greater efficiency for faster-moving SKUs.

"The conveyor system operates within each of the picking modules, bringing product to a central location on a shipping platform," explains Gliot. "It allows the product to flow through based on our shipping criteria—whether its waves or routes.

"Product then moves through a scan tunnel that matches the bar code on the case, which is either from the manufacturer or applied by us with our shipping label," he continues. "If the bar codes do not match, the system kicks it out to a jackpot lane, which indicates a pick error."

Since the wine distributor moved to its automated DC, order-picking accuracy has improved significantly—which is important from both customer service and cost perspectives.

"The accuracy rate was around 93 percent at our Louisa facility," Gliot notes. "Now it's 99.96 percent in Ashland. Quality has improved significantly. When you consider how much it costs to process a return –W&H calculated \$50 per return – that is a huge savings."

Building Flexible Automation

Flexibility is critical when it comes to automation. With so much change in the marketplace – and especially as e-commerce continues to shape new trajectories for technology and infrastructure integration within DCs – companies have to be able to adapt.

"Companies and suppliers are constantly

improving automation processes," says Sarinick. "The challenge is working together to drive higher throughputs, more accurately, in less footprint for less cost. One key is flexible automation—for example, leveraging a unit sorter to handle both e-commerce and retail replenishment in a DC, thus sharing inventory."

Country Vintner and W&H took flexibility to a macro level when they engineered the Ashland DC. Since going live in 2008, they have made few changes to the automation footprint, apart from some tweaks to conveyor systems and storage media—which speaks to the planning invested at the onset of the project.

Country Vintner put in direct truck loading by extending conveyors to the dock. Voice picking was also integrated within the new DC. The company plans to explore the potential of extending voice to cycle counting and some other non-paper functions within its facility.

"We worked with W&H to build for the future," says Gliot. "We have picking areas that are completely expandable, with both mezzanine and additional ground space. We can virtually double our picking space quickly. We can also expand a few down lines in our sortation lanes."

Shifting to Meet Demand

The wine and spirits industry serves as a microcosm for the way automation is changing the distribution space. In some cases, companies are retrofitting existing facilities to meet new demand. In others, as Country Vintner's success demonstrates, it's a complete materials handling makeover.

Given the countless directions companies can take, every automation project is unique. Some may adopt an incremental approach: invest in a WMS or automated conveyor system on their own, then retrofit the racking to push inventory vertical. Others start from scratch with a new facility and convert manual order-based picking operations to a fully automated wave picking footprint. Whether turnkey or piece-meal, there's no standard manual for how companies approach automation—with one caveat.

"Companies need a vision of the big picture so they don't back themselves into a corner," says Laman.

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FACING LOGISTICS CHALLENGES? USE IL'S 3PL EXPERTS AND

INBOUND FREIGHT MANAGEMENT:



(and how to get around them)

Managing inbound freight effectively can be challenging, but the obstacles don't have to deter you from the benefits. Our experts map out detours to help you reach your goal.

by Amy Roach Partridge

ALL TOO OFTEN, SHIPPERS DO NOT MAKE INBOUND FREIGHT A SUPPLY chain priority. Managing and controlling inbound effectively is a difficult process, and one that can pit various departments within an organization against each other. In addition, tweaking inbound freight flows can sometimes upset delicate transportation agreements for the shipper, receiver, or both.

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But the upside – the opportunity to take costs out of the supply chain, improve predictability and reliability, and boost service and operational excellence – makes pursuing an inbound freight management plan worthwhile. The changes can be as simple as collaborating with suppliers to gain a more accurate picture of inbound freight spend, or as complex as changing freight terms with all trading partners so you pay for – and control – all inbound shipments.

Either way, as transportation continues to be the leading cost element in supply chain management, now is as good a time as any to take another look at inbound freight. Here, five transportation veterans (see *Meet the Experts* for details) share their insights on the top five roadblocks that prevent companies from effectively managing inbound freight—and how shippers can find a detour to drive transportation management efficiencies.



Inbound freight management is not a high priority.

MIKE REGAN, TRANZACT TECHNOLOGIES: In the real-

ity of everyday corporate activity, companies devote resources to issues deemed to be most important, and inbound freight doesn't crack that list.

Companies often have other, more pressing issues to attend to. They say, "We don't have problems with inbound shipments getting to us, so why worry about it?"

There is also an ownership issue-many companies believe it

is better to allow vendors to be responsible for the freight, regardless of their performance. And, they don't grasp what is at stake. If companies truly understood the extent to which a seamless, fully effective and functioning inbound transportation system could help their supply chain, they would elevate inbound freight management to a must-address issue.

RENE YATES, INSTITUTE FOR SUPPLY MANAGEMENT: Procurement is busy focusing on driving down costs in the top 80 percent of spend. Typically, inbound logistics is not on the procurement radar, because it doesn't fall into the 80 percent that is actively managed.

Detour: Because inbound freight is generally a concern that falls to the logistics, transportation, or supply chain departments, those managers must be the ones to drive home to the rest of the organization the importance of more closely examining inbound freight. Getting C-level

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MEET THE EXPERTS

Brooks Bentz

is managing director in Boston for Accenture, a global management consulting, technology services, and outsourcing company.

Dave Castro and Rene Yates

are senior executives, onsite education, at the Institute for Supply Management, a Tempe, Ariz.-based not-for-profit educational association.

Robert E. Murray is chairman of Princeton, N.J.-based consulting firm REM Associates.

Mike Regan

is chief of relationship development for freight spend management and technology solutions provider TranzAct Technologies, Elmhurst, III.

executives to understand the benefits that can be gained from an inbound freight management plan is key.

"You need to bring internal stakeholders on board, and be able to successfully sell the business plan around controlling inbound freight," says Dave Castro, Institute for Supply Management.



Managing inbound freight is hard work.

BROOKS BENTZ, ACCENTURE: Though it sounds simple, inbound freight is a complicated issue. Think about how difficult it can be just to gather all the data on inbound

freight spend. A large retailer, for instance, could have 5,000 trading partners shipping goods to its facilities.

Determining the financial impact of taking over inbound freight is also challenging. If a company uses a supplier with multiple facilities around the country, it may make sense to control the inbound freight in some areas, but not in others, because the economics are different.

In addition, consider these operational issues if a company decides to pick up goods at a supplier's facility: What are the hours of operation? How many dock doors are available? Are pickup appointments required? Does the company use a drop trailer program?

You need to make sure your equipment aligns with the supplier's facility, too. For instance, if you operate a fleet with hydraulic lift gates on the trailers, you have to make sure the pickup point does not have dock locks.

> Another consideration with private and dedicated fleets is that they often are picking up at the same locations they deliver to—with pallets, totes, returns, and dunnage—and may not have sufficient capacity on the truck for inbound freight.

> It is gritty, hard work to sort through all these factors. Then, once you figure it out, the vendor pool may change. You may use one supplier now, but if the purchasing department gets a better deal from a different vendor, you will have to go through the entire inbound freight analysis again with a new vendor. **ROBERT E. MURRAY, REM ASSOCIATES:** Drilling down on all the equipment specifics can be challenging. Say a company wants to take over inbound shipments so it can execute backhauls with its private fleet, but the nature of the product it hauls outbound prevents it from picking up inbound. It could be that the body type of the truck needed for the outbound shipment doesn't



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match what is needed for the inbound shipment. Or maybe the vehicle needs to be completely cleaned once a load has been delivered, so the company can't just turn around and pick up a new shipment from a supplier.

CASTRO: Organizations often focus on outbound shipments because they are easier to execute. You can consolidate outbound shipments as long as you have demand in similar places. Trying to consolidate inbound shipments requires much more planning.

Also, in some instances, companies don't have an accurate picture of who is involved in bringing in their inbound freight—they might be working with multiple freight forwarders, customs brokers, and third-party logistics (3PL) providers. Because it is so complicated, companies have a tendency to just look the other way.

Detour: Managing inbound freight is hard work, but it can pay off big time. Attack it by starting with basic analytics to obtain a fact-based understanding of your transportation operations.

"The first step is to identify your vendor base and gain visibility to who is hauling your inbound freight and how much it costs today," Bentz says. "Ask your vendors to break out freight costs from product costs on their invoices so you can easily determine what you are paying."

Then you can start to perform the internal analysis necessary to decide if changing freight terms and controlling all—or some—inbound shipments makes sense.

But don't overlook the details. "Make sure to qualify the scope of the challenge," Regan explains. "Companies need to address what it takes to satisfactorily implement an inbound transportation management program: Will they be able to set up a Web-based routing guide? How will they put chargebacks into effect? How will they ensure vendor compliance? How should they source their carrier base?

"If the project is too overwhelming, but still makes financial sense, consider outsourcing to a third party that specializes in freight management," he adds.



Businesses lack visibility to inbound freight costs.

CASTRO: Companies often have no visibility to their inbound freight spend. When creat-

ing a purchase order, for example, company requisitioners merely estimate the tax and shipping—say 10 percent of the cost of goods sold—as one line item on the purchase order. To determine what inbound freight actually ends up costing, employees have to go back and review the invoices.

BENTZ: The price of inbound freight is often built into the cost of the product being shipped. The shipper pays for it, so the procurement and supply chain managers at the receiving company frequently have no idea what it really costs. In many companies moving high-value product, freight is a small percentage of cost of goods sold, which is a typical objection to managing inbound. Freight may, however, be a significant percentage of the margin, which is a question asked much less frequently. **MURRAY:** Many companies are starting to mandate that the procurement process identify transportation as a key element. They are asking vendors to identify the freight that is required to move product from point of origin to the recipient. Historically, visibility has been limited in this regard.

REGAN: Because of this lack of visibility, companies have a hard time quantifying how much they actually spend on inbound transportation.

Take a company that purchases \$500 million annually from its supply base. If you ask for its inbound freight spend, managers will likely cite the \$2 million that shows up in the general ledger. But do they really think that freight is being delivered for less than half of one percent of their total raw material purchases? That is not logical. The rest of that freight spend is unaccounted for because it is coming in on a delivered cost or pre-paid basis.

Detour: The only way to gain the visibility needed to improve inbound freight management is to make it a requirement of your supply base. "Companies must collaborate with suppliers, and communicate the importance of understanding freight costs," says Bentz. "Then, task suppliers with breaking out freight costs on every invoice."

"Also ensure that inbound freight becomes an essential part of the purchasing and negotiation process going forward," adds Murray.



Companies are operating in silos.

BENTZ: Often, inbound product is purchased and controlled by the procurement department—not the supply chain department—so inbound freight lacks collaboration.

Inbound can be a politically charged issue internally. The buyers don't want logistics playing around in their territory. They are focused on getting products to the store shelf on time, and if inbound freight is only a small percentage of the cost, they might think, 'Don't tinker with it, you will damage the service by trying to save a nickel here and there.'

The fact is, managing the process intensively improves supply chain performance from both a cost and service standpoint. **YATES:** The way procurement professionals operate and are evaluated is not necessarily in line with the goals of transportation and logistics. Procurement professionals are often measured on purchase price variance—the difference between the current price and historical/standard price—so they are focused solely on trying to reduce prices on the items or commodities they are responsible for.

Also, they may be given a cost reduction/containment goal of, say, six percent. Once they reach that goal, they have no incentive to search for further reductions.

So procurement is not at all focused on freight costs. There is often a disconnect when it comes to understanding the overall value proposition of focusing on inbound freight spend.

REGAN: If the procurement department and the logistics/transportation group are not in sync, you will not have a good inbound transportation program. Disciplines and methodologies in the



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transportation and logistics department are needed in the procurement department, and the procurement department is operating in ways that the logistics team needs to address. With a siloed approach, you can easily sub-optimize your inbound program. It should be all for one, and one for all.

MURRAY: It is important for transportation and supply chain departments to work collaboratively with buyers to identify transportation as part of product costs so they can determine if they are paying too much for freight, and could cut costs by dealing with it differently. This is starting to happen in some companies, but historically it has not been the case.

Detour: Breaking down silos is an important part of almost all company transformations – and inbound freight management is no exception. This is easier said than done, but promoting a corporate environment where logistics, procurement, finance, sales, and marketing all come together on these issues goes a long way toward bringing about meaningful change. "A coordinated process between the transportation and purchasing functions enables successful inbound freight management," Murray says.

Starting small is a good move. "Start cross-functional work on inbound freight management with simple things," suggests Bentz. "If procurement is bringing on a new vendor, for instance, they should include someone from the supply chain/logistics group in the meeting so inbound freight issues and requirements are discussed." This should be a standard part of the process at all times.



Trading partners don't want you to manage inbound freight.

MURRAY: Inbound freight is a two-sided coin; your inbound delivery is your trading part-

ner's outbound shipment. Whether your suppliers operate their own fleet, or use contract carriers to deliver these shipments, they have their own freight experience, and they may not want to give up control.

A shipper might say to the receiver, "If we let you manage this freight, we lose leverage. We have a national contract with Carrier X, and your shipments make up 25 percent of our outbound freight. If you take that away, it limits our ability to negotiate a good price on our remaining 75 percent."

In these cases, both the receiver and the supplier may believe they have the ability to get the lowest freight costs. It can be an even tougher negotiation if a supplier has a private fleet and backhaul commitments centered around the receiver's shipments. If the receiving company takes over that freight, it upsets the supplier's transport flows. It can become a tug of war.

BENTZ: Sometimes, it's as simple as suppliers not wanting to give control of freight to the receiving companies because the suppliers are making money off it.

REGAN: Most companies are blissfully unaware of the extent to which their suppliers use freight as a profit-generator. But it comes

back to the question of who is paying for the freight. The party paying the freight—the receiving company—should have the opportunity to determine its destiny.

Detour: Collaboration is the name of the game. Unless you are willing and able to take a hard line, and demand control of all inbound freight from vendors, it's a good idea to simply discuss when and where making changes to inbound shipments makes sense for both partners.

"Come up with a plan that works best for all the trading partners involved," Murray recommends.

The process is part art and part science. "You might sit down with suppliers and find out that you are using the same carriers," Bentz notes. "You can decide who should haul the freight based simply on the economics."

Beyond the Roadblocks

What is the reward for detouring around these five roadblocks and finding a way to improve your inbound freight program? The benefits include significant supply chain cost reductions, improved transportation efficiency, better control over incoming goods, a boost in customer service, reduction in cycle time—and even freedom from legal headaches.

MURRAY: Cost is what everyone goes after first, and improving inbound freight management yields a significant opportunity to reduce costs. Companies also see service improvement. If a manufacturer or distributor has its own fleet, and can pick up goods instead of waiting for delivery from the supplier, it can often speed transportation operations.

BENTZ: Managing inbound freight is not about being the big guy in town and controlling everything. Rather, it is a key driver of improving supply chain performance, and a way to reduce costs. Gaining visibility around inbound freight helps companies understand the available service and cost tradeoffs, which allows them to make more cost-effective decisions. If you can impact your order management process, for example, to get the optimal modal choice—i.e., using ocean instead of air for imports—you can potentially save a lot of money.

Another benefit is matching freight flows collaboratively across your supplier network. It's good for carriers because they get more loaded miles, and can haul freight in two directions instead of one. It is also better for shippers and receivers because they achieve a more efficient operation, which translates into lower costs and better service. And, by improving overall supply chain performance, companies can avoid having to carry larger amounts of safety stock in distribution centers or on store shelves.

REGAN: Another key benefit of effective inbound freight management is better control over the flow of material into your facility. Companies yearn for a Lean operation, and a great Lean program cannot happen without that inbound control.

Managing inbound freight also helps you avoid potential legal battles. When you allow companies to select your inbound carriers, you are saying that you trust that company's ability to protect your interests. If an accident or a problem occurs, you are often at their mercy. Proactively managing inbound freight frees you of that worry.



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Transportation management systems (TMS) offer tremendous benefits for shipment management, trading partner collaboration, and freight payment. But with so many products on the market, finding the right solution can be daunting. Shippers choosing a TMS must consider numerous options, from cloud-based applications to traditional on-site installations, targeted to freight moving over the road or by rail, in containers or as parcel shipments.

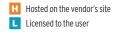
To help you select the best option for your transportation management needs, *Inbound Logistics*' TMS Buyer's Guide offers a best-ofbreed shortlist of some leading TMS providers and solutions.

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	VENDOR	PRODUCT	DESCRIPTION
H	3Gtms Shelton, CT 3gtms.com	3G Transportation Management System	Provides contract and pricing management; rate quotes from multiple carriers across modes; optimization; and automated shipment execution.t
H	Accellos Colorado Springs, CO accellos.com	Accellos One Transport, Prophesy Transportation Software	Builds loads, plans routes, monitors in-transit progress, and executes initial and settlement paperwork.
	Acuitive Solutions Charlotte, NC acuitivesolutions.com	Acuitive TMS	Facilitates end-to-end collaboration during procurement negotiations and after the process with auditing capabilities. Manages, analyzes, and interprets key metrics including rates and rate history, routing patterns, audited invoices, contract terms, Sarbanes-Oxley compliance, and shipment details.
H	Agile Network Chesterfield, MO agile-network.com	Agile Elite Suite	Evaluates multiple carrier options for accurate delivery time, date commitments, and delivery charge information; automates medium- to high-volume multi-carrier shipment processing from multiple locations.
H	Agistix, Inc. Redwood City, CA agistix.com	Agistix	Provides real-time rating, bidding, routing, custom document creation, booking, and tracking for all modes of transportation, all carriers, international/domestic, and inbound/outbound/third-party shipments.
	Aljex Software Middlesex, NJ 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.
Ľ	Amber Road East Rutherford, NJ amberroad.com	Global Logistics Management	Automates key transportation processes such as carrier selection and booking, contract and rate management, data quality management, freight audit, order and shipment visibility, and performance management reporting.
H	BestTransport Columbus, OH 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.
	CargoSmart Limited San Jose, CA cargosmart.com	CargoSmart Contract and Performance Management	Automates ocean contract management, including rate search, rate comparisons, and routing guides. Integrated with transit times and booking. Performance management aids contract negotiation.
H	Cerasis Eagan, MN cerasis.com	Cerasis Rater	Offers multi-modal rating, quoting, tracking, and online access to consolidated freight invoicing and reporting functionality.
	Cheetah Software Systems Westlake Village, CA cheetah.com	Cheetah Freight, Cheetah Delivery	Provides optimized routing, dynamic dispatch, and real-time tracking information to LTL companies. Modular, integrated system. GPS-enabled supply chain visibility. Instant proof of delivery.
	Cirrus Palm Harbor, FL cirrustms.com	Cirrus TMS	Streamlines freight operations for Fortune 500 companies and businesses of all sizes. Delivers real-time rating and shipping information, accounting software integration, paperwork generation (such as bills of lading), and performance analytics.





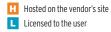
	VENDOR	PRODUCT	DESCRIPTION
H	Cloud Logistics West Palm Beach, FL gocloudlogistics.com	Cloud Logistics TMS	Tracks shipments with global visibility and event management across flexible workflows between shippers, receivers, and logistics service providers. Manages carrier contracts, books loads, schedules dock appointments, and auto-pays freight.
H	Codeworks Columbus, OH 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, OH ctlogistics.com	FreitRater SQL	Provides rate quotes from multiple carriers in all modes; automated shipment execution; real-time status information; reporting, searching, and data mining.
H	CTSI-Global Memphis, TN ctsi-global.com	CTSI-Global Transportation Management System	Manages transportation networks to control orders, optimize loads, select carriers for all modes, tender shipments, track progress, manage claims, pay invoices, and report results.
٦	Datex Clearwater, FL datexcorp.com	Express 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	Descartes Waterloo, ON 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	Elemica Exton, PA elemica.com	Elemica Logistics Management	Supports complete process of order-to-shipment planning, booking, execution and settlement, visibility, monitoring, alerts, exception management, connectivity, and collaboration.
	eShip Global Irving, TX eshipglobal.com	eShipGlobal TMS	Handles every aspect of the transportation lifecycle, including strategic sourcing, rate quotes, transportation execution, freight audit, and payment settlement.
H	Folio Logistics Greenville, SC foliologistics.com	Transportation Management System	Optimizes inbound and outbound loads across business units, locations, and customers; optimizes carbon footprint, real-time information and reporting; and models impact of changes to transportation plans.
H	Fortigo Austin, TX fortigo.com	On-Demand TMS	Automates, optimizes, and audits logistics processes across the supply chain. Supplies one system of record for logistics across multiple sites, and interfaces with enterprise resource planning and other supply chain management solutions.
	Freight Management Glendale Heights, IL gofmi.com	Jaguar TMS	Acts as a virtual shipping portal for quoting, booking, and tracking all modes of freight. Easily integrates with ERP, WMS, and other operating systems. Accommodates freight forwarders, shippers, and inbound programs of all sizes.
	GT Nexus Oakland, CA gtnexus.com	GT Nexus Transportation Management	Capabilities include real-time shipment/item-level visibility; ocean, air, and truck spend management; freight audit; shipment planning; consolidation management; and shipment execution.

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	VENDOR	PRODUCT	DESCRIPTION
	HighJump Software Minneapolis, MN highjump.com	Transportation Management	Provides international multimodal shipment optimization, carrier and rate management, vendor compliance, vendor tracking, proof-of-delivery, and claims and reporting.
H	IBM Armonk, NY ibm.com	IBM Sterling TMS	Enables shippers and suppliers to collaborate; provides load planning, tendering, shipment execution and tracking, freight payment, and advanced analytics.
H	InMotion Global St. Petersburg, FL thefreetms.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	INSIGHT Inc. Manassas, VA insightoutsmart.com	Shipcons II	Routes orders by determining what combination of modes, carriers, and vehicles provides the lowest overall transportation cost.
	Int'l Asset Systems (IAS) Oakland, CA interasset.com	IAS Dispatch	Manages drayage assignments, appointment times, amendments, invoicing, visibility, rates, optimization, and business intelligence.
H	JDA Software Group Scottsdale, AZ jda.com	JDA Transportation Manager	Covers the entire closed loop transportation process – from strategic transportation sourcing, planning, and optimization to shipment visibility, payment, and performance analysis.
H	LeanLogistics Holland, MI leanlogistics.com	LeanTMS	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	LOG-NET Red Bank, NJ 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	Logility 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 to potential problems. Analyzes productivity using key performance indicators to provide operations reports.
Η	Logistics Management Solutions (LMS) St. Louis, MO Imslogistics.com	TOTAL	Supplies complete transportation management, including rating, freight optimization, load tendering, shipment tracking, and business intelligence.
H	M33 Integrated Solutions Greenville, SC m33integrated.com	Blackbeard	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.
	Made4net Paramus, NJ 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 real-time, exception-based shipment status visibility.





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	Magaya Corporation Miami, FL magaya.com	Magaya Cargo System	Creates import and export consolidations for air, ocean, and ground shipments; queries and compares carrier rates; prints labels to ID and track all packages; automates tariffs and billing; and receives proof of delivery, online shipment updates, and package tracking data.
H	Manhattan Associates Atlanta, GA manh.com	Transportation Lifecycle Management	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.
٦	McLeod Software Birmingham, AL mcleodsoftware.com	Freight Management Solutions	Provides tools for bid procurement, less-than-truckload/truckload mode optimization, and load execution.
	MercuryGate International Cary, NC mercurygate.com	MercuryGate TMS	Delivers integrated multimodal TMS, allowing global shippers and service providers to optimize and execute loads. Analytics and a workflow engine automate processes for maximum efficiency.
	Navegate Eagan, MN navegate.com	Navegate	Manages contracts, rate quoting, carrier status updates, and ad hoc reporting.
	NTE Oakbrook Terrace, IL nte.com	NTE Transportation Management	Provides shipment planning, optimization, routing guide execution, financial settlement, track-and-trace capabilities, and alerting and reporting options.
E	Nulogx Inc. Mississauga, ON nulogx.com	Transportation Manager & Optimizer	Supports all activities necessary to manage the full lifecycle of the transportation process, including load optimization, carrier communication, and freight bill audit, payment, and analytics.
	Odyssey Logistics & Tech. Danbury, CT odysseylogistics.com	Web Integrated Network	Controls procurement and supplier relationships; automates freight management; captures, organizes, and reports shipping data; and provides a portal to a global carrier network.
Ľ	Oracle Redwood Shores, CA oracle.com	Oracle Transportation Management	Provides carrier rate bidding and management, shipment planning and execution, freight billing and claims, visibility, and key performance indicators.
Ľ	Precision Software Chicago, IL 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.
	RateLinx Madison, WI ratelinx.com	ShipLinx	Provides rates and shipment execution using multiple carriers and rate bases for all modes; tracks real-time key performance indicators; generates reports and status updates.
	Retalix Plano, TX retalix.com	Transportation Optimization & Management	Integrates and manages all aspects of the transportation process, including inbound/outbound optimization, yard management, and dock scheduling.

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	VENDOR	PRODUCT	DESCRIPTION
	RMI Atlanta, GA rmiondemand.com	ShipperConnect	Handles multimodal transportation planning, execution, terminal operations, carrier settlement, and exception alerts while providing shipment visibility across all carriers and modes.
	Roadnet Technologies Towson, MD roadnet.com	Roadnet, Territory Planner, and MobileCast	Enables organizations with fleets and mobile resources to develop optimal route plans and track them in real time, then use this information to compare actual vs. planned data.
8	Royal 4 Systems Long Beach, CA royal4.com	Royal 4 TMS Suite	Automates carrier communications, including contract negotiation, load tendering, invoice processing, and payment approvals. Builds loads, groups orders, and plans routes to maximize asset utilization, and manages carrier selection and compliance.
۵	SAP Newton Square, PA 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	Supply Vision Chicago, IL supply-vision.com	Supply Vision TMS	Offers customizable shipper and logistics provider visibility tools with integrated warehouse management, document imaging, and intelligent rate shopping.
E	TECSYS Inc. New York, NY tecsys.com	TECSYS TMS	Automates and optimizes small package and LTL shipment rating, routing, manifesting, tracking, and post-shipment analysis.
Ľ	TMW Systems, Inc. Beachwood, OH tmwsystems.com	TMWSuite	Offers domestic asset- and non-asset-based transportation businesses running multiple or complex operations with comprehensive tactical and strategic features to improve efficiency and drive profitability.
Ľ	TransportGistics Bohemia, NY transportgistics.com	TGI TMS	Features shipment rating, bidding, planning, execution and visibility, tariff management, inbound and outbound, multimodal management, freight audit and payment, analysis and data mining.
	TransWorks Fort Wayne, IN trnswrks.com	Intermodal & Drayage Transportation Management Solutions	Automates communication between drayage and rail providers; optimizes drayage movements; and ensures efficient equipment use.
	UltraShipTMS Fair Lawn, NJ ultrashiptms.com	UltraShipTMS	Gives logistics managers total network visibility and control over inbound and outbound transportation, ensuring optimal procurement, execution, and reporting.
٥	USTC Live Logistics 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.
	Wolters Kluwer Transport New York, NY transwide.com	Transwide	Offers full-cycle transportation management, including carrier selection, fleet planning and optimization, load tendering, appointment scheduling, event notification, freight bill settlement, KPI reporting, and integration services.





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THE 3PL ALTERNATIVE

Shippers may be able to gain access to transportation management system functions through their third-party logistics (3PL) provider. Here's a sample of some 3PLs offering TMS, either as a standalone option or part of the outsourced transportation service.

3PL	PRODUCT	DESCRIPTION
BlueGrace Logistics Riverview, FL mybluegrace.com	BlueShip TMS	Allows users to customize their transportation process, providing functions such as rating, routing, tracking, and reporting.
Cardinal Hosted Logistics Concord, NC cardlog.com	Cardinal Activity Tracker	Enables order and shipment management from order creation to final mile delivery. Features dynamic workflow at point of delivery, including scanning, electronic proof of delivery, exception codes, and real-time visibility.
Echo Global Logistics Chicago, IL echo.com	ETM	Offers routing guide management, automated load entry, tendering and acceptance, load visibility, customized reporting, and analytics.
Exel Westerville, OH exel.com	Transportation Management System	Configured and deployed to customer specifications to manage transportation processes.
Jacobson Companies Des Moines, IA jacobsonco.com	Logistics Integrated Network Collaboration System	Offers access to shipment information to enhance order visibility and product flow throughout the supply chain.
LeSaint Logistics Romeoville, IL lesaint.com	TransTech TMS	Gives shippers visibility to shipping costs and activities.
Menlo Worldwide Logistics San Mateo, CA con-way.com	Logistics Management Solutions Suite	Executes a full menu of transactional transportation functions across all modes.
SEKO Itasca, IL sekologistics.com	SEKO Transportation Management System	Automatically audits invoices, reports exceptions, and generates real-time track-and-trace information for international and domestic shipments.
TMC, a division of C.H. Robinson Chicago, IL mytmc.com	Managed TMS	Features procurement software, mode/route optimization, shipment tender, rate assignment, freight payment, yard and dock management, appointment scheduling, business intelligence, and global language/currency capabilities.
Transplace Frisco, TX transplace.com	Transplace Transportation Management System	Automates order management, shipment optimization, shipment tracking, and overall performance. Enables route and mode selection, load consolidation, asset utilization, and reporting.
Weber Logistics Santa Fe Springs, CA weberlogistics.com	Weber Web Portal	Provides shippers access to shipment visibility, reporting, and custom business rule setup.
Werner Enterprises Omaha, NE werner.com	SMART	Delivers shipment validation, visibility, and optimization, and facilitates comprehensive data collection.





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When it comes to choosing the best pallet for your shipments, the smart money is on a strategic approach that anticipates future needs.

Pallets are fundamental materials handling building blocks. Combining function and form, they present a variety of choices: wood, plastic, or aluminum; storage or shipping; two-sided stringer or four-sided block; leased or owned; back and forth or one-way.

How shippers decide on a specific type of pallet depends on a number of factors. In the past, cost was a primary consideration. But in today's market, shippers are taking a calculated and strategic approach to managing and maintaining shipping platforms.

A number of trends are shaping how companies approach pallet procurement. Cost reduction in a post-recession environment remains paramount. Companies are equally bound by sustainability requirements and safety mandates. But the greatest impact is automation.

E-commerce expectations drive the need for greater distribution center productivity, responsiveness, and efficiency. Automation requires considerable strategy and investment, but pallet management is often lost in the shuffle.

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In a fast-changing warehouse environment, companies need to look at their shipping platforms with an eye toward the future. "We see ourselves more as a solutions provider than a pallet seller," explains Curt Most, global sales manager for ORBIS Corporation. Based in Oconomowoc, Wis., ORBIS offers a variety of rackable, stackable, and nestable plastic pallets in different sizes and composites to meet the diverse needs of its customers.

"We help businesses sort through 250 to 300 different pallet styles and options to select the one or two that best meet their needs," Most adds.

Take Your Pick

Companies have many pallet choices. Wood vs. plastic and lease vs. buy are the obvious options. When companies choose plastic pallets, "it's no longer a commodity, it's an investment," says Most. "Instead of an \$8 wood pallet, they own a \$50 plastic pallet. But it will last for several years, as opposed to several trips."

In certain industries – such as food and pharmaceuticals – pallet type carries greater importance because of the emphasis on cleanliness, consistency, and safety. Elsewhere, union shops may dictate certain weight restrictions. The type of product being shipped – dry, liquid, or refrigerated – and whether it is stored stacked on the floor or in racks, can similarly impact decision-making.

Automation can throw a wrench into the equation because of the complexity and costs involved. When ORBIS works with companies that are trending in this direction, the provider usually takes a twofold approach.

"I ask companies where they see their operations in five, seven, and 10 years," explains Most. "They may be just floor loading now, so they are looking for a nestable product. But what does the future hold? The nestable pallet a company is considering today may not be conducive to a future new conveyor system or edgeracking application."

The second factor is identifying how a new pallet fits into the automation setup. As companies sink capital into new materials handling infrastructure and technologies, they need to consider the entire set-up. Automating a system to specific



Offering rackable, stackable, and nestable plastic pallets in a variety of sizes and materials, ORBIS works with shippers to build pallet strategies that suit their needs.

requirements, then upgrading pallets to meet those specs, may incur unwarranted costs.

"We may offer a 40-inch by 48-inch pallet that works great on conveyors, is easy to clean, and is exactly what the customer wants," says Most. "We advise companies to build their automation around that base, and let the pallet dictate where the turns are and what kind of rollers are used."

The Network Sell

PECO Pallet, headquartered in Yonkers, N.Y., presents a similar strategic sell as a North American pallet-leasing company. The business maintains a large pool of reusable, four-way, wood block pallets that are leased to manufacturers and retailers throughout North America.

PECO customers ship to other network

participants. A company notifies PECO when pallets are ready to be picked up; a carrier then returns them to the depot to be cleaned, inspected, and repaired as needed.

"It's not just the rental we're selling," says Adrian Potgieter, vice president of sales for PECO Pallet. "We're selling the North American network as much as we are the pallet."

PECO's North American network is unique. It provides consistent product and service across the United States, Mexico, and Canada, which enables the company and its customers to maintain a tightly controlled flow of moving inventory. Its product is neutral in design, apart from necessary heat treatment required for wood pallets crossing the U.S.-Mexico border. Where other programs have different designs for Canada, for example, PECO's





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platforms flow readily and without restriction across the continent.

"With so much of Canada's production centered in the Montreal-to-Ontario corridor, the natural tendency is for product to ship west," says Potgieter. "Because we recover, repair, and reissue pallets, we can flow them into the paper industry in Washington and Oregon, then they move out across North America."

Balance plays a big part in the equation for PECO and its customers. Companies tend to produce in areas that are less expensive and less populated. So PECO is challenged with maintaining inventory and optimizing flows. Its Red Link online pallet management system allows users to keep account of pallets' condition and status at customer locations and PECO depots throughout the network.

When shippers manage their pallet solution as part of a network, it allows them to leverage PECO's services more strategically. The rigidity of block pallets gives users greater density in floor storage and drive-in rack environments, which can alter a facility's layout. Warehouse workers can load and unload trucks using pallet jacks rather than lift trucks.

Shippers may find their pallet choice influenced by customer specifications.



PECO's rigid block pallets give users greater density in floor storage and drive-in rack environments, creating flexibility in warehouse layouts.

Some companies, such as Costco, will only accept block pallets because of the efficiencies they bring to the crossdock—for example, the ease of spinning pallets for four-way vs. two-way entry.

Sometimes strategy is more sophisticated. "One large manufacturer electronically sends us production forecasts for 60 locations," explains Potgieter. "We handle its vendor-managed inventory program so it can maintain certain safety stock levels at a plant. This way, just-in-time pallet flows match production."

With greater visibility to demand and pallets in the system, PECO is constantly optimizing flows, finding continuous moves, and eliminating costly product repositioning. Shippers also seek pallet inventory balance, so they don't have to allocate prime dock space for storage.

"In some cases, we use a drop-and-hook operation in which customers bring a load

POOLING POWER

BettAway Logistics and Pallet Systems introduced its pallet pooling process 25 years ago. The South Plainfield, N.J.-based company, which also offers logistics and transportation services, provides centralized access to its pallet depot network of more than 400 locations in the United States and eastern Canada to ensure the most effective supply options based on inventories, price, and proximity to the end user.

By analyzing customer usage, BettAway offers complete supply chain visibility to help identify and implement more efficient pallet strategies.

One example is its costper-trip solution. Rather than purchase the pallet outright, shippers only pay for the use of the pallet, which BettAway retrieves at the end of the trip.

BettAway also guides its customers in their materials handling automation decisions.

"Historically, materials handling systems and pallets have not interfaced very well," says Steve Mazza, vice president of supply chain management, BettAway Pallet Systems. "In an effort to increase automation, engineers often design materials handling systems with very tight tolerances that cannot accommodate pallets consistently.

"When buying a materials handling system, companies must ensure the machinery can accommodate pallets of varying quality, otherwise the cost savings in automation will be offset by having to use more expensive pallets," he says.

Using the BettAway pallet network allows shippers to fine-tune their resources using customized reporting with Web access to ordering and facility usage trends.

"Technology and tools drive costs out of the supply chain," says Mazza. "When combined with a solid pallet management program and an experienced provider, shippers can maintain flexibility in their pallet inventory, and react quickly to changes in market demand or supply chain infrastructure."





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of pallets in on their equipment, drop it, and hook up a load of finished goods," Potgieter says. "This reduces driver idle time, eliminates irregular routes, and prevents shippers from paying for pallets they don't need. Managing those flows tightly brings efficiencies to the table."

Demand-driven Compliance

Pallet companies such as ORBIS and PECO are giving shippers reason to reconsider how they procure and manage shipping platforms. So, too, are customers.

Many big box retailers such as Costco and Walmart specify that partners participate in a leased-pallet pool. To get their products into these stores, manufacturers and suppliers must use four-way block style pallets.

"Some manufacturers still treat pallets as a commodity," says Potgieter. "But they tend to be commodity producers themselves. For example, a produce grower selling lettuce to wholesalers needs a pallet only from point of harvest to wholesale. But somebody in that supply chain may want to sell the lettuce to Costco—which won't take a poor quality pallet because of safety issues and in-store product presentation."

In the grocery industry, where big box retailers have made reusable block pallets a requirement, companies are recognizing the efficacy of adopting pallet pool programs for their own purposes.

Similar opportunities beyond closedloop networks exist for plastic pallets. "I talk to our customers about a controlled loop—for example, a bread company that receives a daily truckload delivery of flour from a supplier," Most says. "It's in those loops—where a company has done business with a partner for a long time—that plastic can make a difference."

When there's a repetitive stream of back and forth moves, supply chain partners can benefit by amortizing the additional upfront cost of investing in plastic pallets over the long term. Shippers can similarly take advantage of rationalizing a pallet's use. When a company's product is sitting on leased pallets, the clock is ticking.

Taking product off one pallet and putting it on another requires an extra touch. Companies need to explore that cost, and determine whether there is value in making that move. With plastic pallets, the key is keeping inventory captive. When opportunities arise to develop these types of controlled loops, companies stand to gain marked cost savings and efficiency.

Moving Forward

The pace of automation inside DCs will likely continue to force shippers to reconsider their pallet management programs – ideally, before rather than after making capital investments in new equipment. Greater attention to safety and security throughout the supply chain will similarly place pallets in the crosshairs for companies that are shipping food and temperature-sensitive products.

Taking a more proactive approach to procurement also brings economies. When manufacturers and suppliers see their retail customers making pallet compliance a requirement—and understand the value in doing so—it opens the doors for other supply chain partners to see the pallet as part of a solution rather than just another commodity.







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ail intermodal—transporting ocean shipping containers and truck trailers on railroad flatcars—has been the fastest-growing segment of the U.S. freight railroad industry for years, according to the Association of American Railroads (AAR). Intermodal accounted for 21 percent of revenue for major U.S. railroads in 2011, second only to coal among all rail traffic segments.

Exports and imports account for about 55 percent of U.S. rail intermodal traffic, with purely domestic movements making up the remainder, the AAR reports. The domestic share of total U.S. rail intermodal traffic has grown in recent years, with much of the increase consisting of freight that used to move solely by truck, but has converted to a combination of truck and rail movements.

U.S. rail intermodal volume rose from three million containers and trailers in 1980 to more than 12 million in 2006 and 2007, according to the AAR. After a recession-driven drop in 2008 and 2009, intermodal volume rebounded to 11.9 million units in 2011.

Clearly, logistics professionals recognize that in order to traverse the miles safely and efficiently, it is wise to climb aboard the railroads. As a result, outstanding rail intermodal sites—where the nation's Class I railways and numerous regional rail lines connect with major highways and ports—have emerged.

Creating the Perfect Spot

Combining as many logistics advantages as possible to create the perfect mix of resources helps companies get product to market in the shortest time possible. Seldom do all the factors align as a pure act of nature and geography. Great logistics sites are constructed as much as they evolve organically.

Such is the case with the I-57 Logistics Center in Marion, Ill., a modern, 1.1-million-square-foot distribution center located just off the interstate. Industrial architect McGregor designed

the facility, built in 2000 by IDI and now owned by Dalfen America Corp., a private equity firm specializing in real estate and real estate-related investments. The firm acquires, develops, owns, and manages millions of square feet of premier commercial properties throughout the United States and Canada through its Canadian arm, Dalfen's Limited.

Among the numerous logistics advantages of Dalfen's

I-57 Logistics Center is its location across the street from the Williamson County Airport.

"Shippers who need air freight as a component of their transportation program will benefit from the proximity," says Steven Kohn, senior vice president of Colliers International, the real estate firm marketing the site for Dalfen.

The site also has the benefit of dual rail access to both of the area's Class I railroads, BNSF and Union Pacific. Dual rail access provides a distinct competitive edge.

"Site selection teams want flexibility, and leveraging the power of rail provides it," Kohn explains. "Sites that have the flexibility of dual rail will get leased first.

"The I-57 location fits into most distribution networks," he adds. "That's the number one reason the facility was sited there. More than 120 million people live within a 12-hour drive of the site."

The facility's network includes the key cities of St. Louis, Nashville, Memphis, Louisville, Indianapolis, and Chicago.



Offering more than one million square feet of distribution center space, the I-57 Logistics Center in Marion, III., gives shippers access to rail service by both BNSF and Union Pacific, as well as ample trailer parking and staging areas.

"Location is vital for intermodal," Kohn notes. "Being in the center of a large population puts you close to the end user."

The I-57 Logistics Center lets site selection teams check off all the boxes on their logistics wishlist. The facility features a 35-foot clear ceiling height; high-output T-5 lighting with motion sensors; 200 existing trailer parking spaces, expandable to more than 400; a fully fenced site with secured perimeter and guard stations; and



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Companies choosing to operate from the I-57 Logistics Center's location in Marion's business-friendly environment benefit from low real estate taxes with available economic incentives and potential tax abatements; wage-offsetting programs; job-creation tax credits; and training incentives.

The Marion community also offers a highly qualified, educated, low-cost labor market. And, there's the potential of gaining Foreign Trade Zone status.

Service Providers as Partners

Intermodal transportation and geographic resources are immaterial without the services that enable companies to take advantage of the location.

Consider, for example, the role of Hoosier Energy in the sprawling region it calls home.

"Hoosier Energy serves a wide swath of the central U.S. Midwest, stretching from near St. Louis to the Cincinnati suburbs," says Jeff Quyle, economic development coordinator for the electricity provider. "Its service area is approximately 250 miles wide, which puts more than 20 major markets within a one-day drive."

Three Class I railroads serve the area. In addition, three major airfreight hubs–UPS, FedEx, and DHL–are located in the region, and six interstates run through it. If that were not enough, inland ports on the Ohio River are models of efficiency.

When it comes to intermodal service, the region has it all-and its advantages are fully exploited.

"Indianapolis and Louisville have established reputations for concentrated logistics investments and labor forces," says Quyle. "It all adds up to an existing and growing logistics focus."

The Hoosier Energy Power Network – which provides electricity to developed sites and industrial parks along the I-70, I-65, I-64, and I-74 corridors – plays an active part in that focus.

"Hoosier Energy's approach to logistics sites is to partner with communities and property owners to help add value to their sites," says Quyle. "We can do everything from taking aerial photography and assisting with geotech work to providing electric power reliability reports or co-marketing the site.

"The local economic development community knows the area's strengths already, and they can call on us to fill in the missing pieces," he adds.

Hoosier Energy is regularly cited as one of the most effective economic development utilities in the nation. It's all about establishing successful partnerships.

"Morgan County has rail-served sites located near major highways with infrastructure in place or nearby," says Joy McCarthy Sessing, executive director of Morgan County Economic Development Corp., based in Mooresville, Ind. "One of these sites is on a four-lane, divided highway that provides quick and easy access to I-70 and I-465."



Three Class I railroads speed freight to Hoosier Energy's central Midwest service area, where six interstates connect shippers to 20 major markets within a one-day drive. The region's three airfreight hubs enhance its intermodal transport potential.



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Hoosier Energy is a major reason. "Hoosier Energy has been a longtime leader in certifying industrial sites as shovelready," says Steve Witt, president of Terre Haute Economic Development Corporation.

"One example is the 195-acre Indiana Economic Development Corporation shovel-ready certified site in the Vigo County Industrial Park," Witt says. "This site is one of dozens of shovelready certified sites served by Hoosier Energy that stand ready to engage in commerce created by existing rail intermodal infrastructure in south central Indiana."

Powering Through

Like Hoosier Energy's partners, businesses researching intermodal sites in North Carolina also benefit from services related to electricity providers. As easily as flipping a switch, site-selection professionals can order a detailed report on sites in the state that precisely match their specifications. Within 48 hours, ElectriCities of North Carolina will send profiles of locations that meet the company's requirements.

ElectriCities serves more than one million customers, including members in South Carolina and Virginia. The not-for-profit government service organization represents cities and towns that own electric distribution systems within the state.

The agency knows well the capabilities of its 90-plus member communities, from site availability and intermodal infrastructure to quality of life and number of golf courses.

Using ElectriCities as an introduction to North Carolina, site search managers have a turnkey or "flip-switch" information source. "They find all the information they need in one place," says Brenda Daniels, the organization's economic development manager.

ElectriCities developed two industrial parks it dubs "Prime Power Parks" in the cities of Albemarle, located in the Piedmont region's lake country, and in Gastonia, located 15 miles from Charlotte, just off I-85.

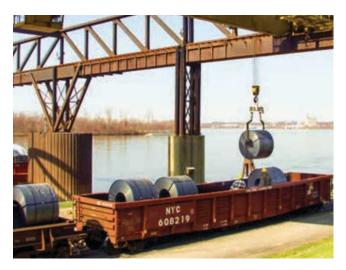
The Albemarle park has direct rail access from Charlotte/Douglas International Airport, making the area a prime rail intermodal site. In addition to a flexible electric rate structure and pro-business climate, the location provides easy access to eastern U.S. markets.

The industrial parks are North Carolina Certified Sites with four megawatts of on-site backup power generation. "If a company has a critical operation that can't risk a power outage, they have a backup available, so they don't have to purchase a generator," Daniels notes.

The backup, like the rate-lowering services to all ElectriCities' customers, provides an ongoing incentive for companies looking for an ideal logistics location. It is not surprising that ElectriCities has generated increasing interest from companies seeking a great place to call home.

"We've seen a measurable uptick in interest and activity over the past 18 months," says Daniels.

ElectriCities remains a partner through the entire site-selection process, helping companies with utility-related issues by arranging site visits and facilitating contact with local, county, and state officials.



Rail-served inland ports on the Ohio River provide shippers an additional intermodal transport option.

But the most important factor in the area's growth is the availability, reliability, and affordability of public power.

"It's no coincidence that some of the state's most dynamic growth has occurred in our public power communities," says Daniels. "Advanced manufacturing, food processing, metalworking, plastics—any power-intensive industry finds significant advantages here."

Companies based in ElectriCities member communities recognize the cost efficiencies and superior customer service public power provides. Municipal utilities don't have to pay dividends to shareholders, and those savings can be passed on to the utilities' customers. Both ElectriCities and the member utilities work closely with companies to help them manage their power usage and keep costs down.

A mixture of high capacity and low cost remains the driving force in logistics. And rail intermodal sites that complement their geographical advantages with outstanding and cost-effective services lead the pack.

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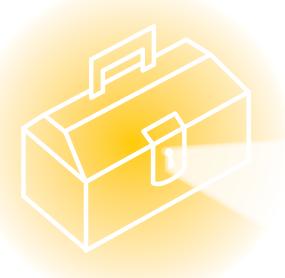
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I.T. TOOIkit by Marty Weil

Inventory Optimization: A Natural Fit

rea, Calif.-based Nature's Best, the largest privately owned wholesaler/distributor of health and natural food products in the natural products industry, built a successful business around keeping customers healthy. But an outdated inventory and purchasing system threatened the company's own well-being.

In January 2011, the company – which provides certified organic, natural, and specialty products to retail stores throughout the south, central, and western United States, Alaska, Hawaii, and Asia – decided to provide procurement staff with automated support.

"We depended on our category and purchasing experts to buy successfully, and that inherently put us at great risk," recalls Russell Parker, senior vice president of marketing, brand management, and inbound logistics at Nature's Best. The company's buyers had 10 to 20 years of experience in the natural products industry, knew the company's product categories, and had an instinctual and seasonal knowledge of the inventory. Operating under the yoke of an outdated legacy system, however, became problematic.

The existing procurement system didn't allow Nature's Best to move forward in a number of areas. It couldn't add staff, respond to turnover, or handle additional distribution centers. At the

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A new inventory management system nurses Nature's Best's fulfillment operations back to health.



time, Nature's Best was handling a whopping 25,000 stockkeeping units (SKUs) from more than 1,600 vendors.

"We realized we needed leading edge software, and so we began a review process that led us to *Inventory Optimization*," says Parker.

The software suite from Atlanta-based supply chain solutions provider Manhattan Associates is designed to handle complex retail, wholesale, and multi-channel inventory management challenges, such as balancing capital investment constraints or objectives and service-level goals over a large assortment of SKUs, while taking into to design and set in advance all key procurement parameters," says Parker. "We took all the manual functions our buyers performed, and leveraged the software to make decisions and calculations for them."

A good example of this process is a grocery store aisle stocked with two seasonal favorites: eggnog and lemonade.

While customers may seem maddeningly fickle, some of their buying patterns are highly predictable. As Thanksgiving approaches, shoppers preparing for the long holiday season expect to see their local grocer's dairy case fully stocked with eggnog. Six months later, when the tem-



account demand and supply volatility.

"Inventory Optimization enables Nature's Best to set channel-specific service levels so that Web, call center, and store orders can each be filled from the source, and at specific times," says Rodney R. Daugherty, senior director, product strategy, Manhattan Associates.

By implementing the *Inventory Optimization* software, Nature's Best was able to add a second distribution center without hiring additional buyers. "We doubled the workload, but didn't need to add staff because of the software's ability

An automated inventory optimization system improved Nature's Best's inventory accuracy by 14 percent, and increased on-time deliveries by 11 percent.

perature rises, shoppers return to the cooler looking for lemonade — but only through the hot summer months.

Both eggnog and lemonade are perishable items and present a challenge for the wholesale distributor: maintaining proper inventories to maximize profitability.

"We'll get orders for two or three cases of eggnog in the first two weeks of November," says Parker. "That number will escalate to six cases, then to 40 cases, then to 80 to 200 cases. That's a significant ramp up for any kind of product."

Demand for eggnog stays strong until Christmas Eve, then it wanes. By Jan. 2, demand plummets, and retailers don't want to tie up valuable shelf space. Even though Nature's Best's buyers were very good at knowing what inventory they needed to make available during specific weeks, and when demand would cease, the "human factor" could sometimes result in less-than-accurate inventory.

"Our buyers used to make these decisions by the seat of their pants," says Parker. "But on Dec. 23, when they're still selling 80 cases, but they've only got 40 cases on hand, their inclination is to buy 40 more cases because they know customers will yell if they're out of stock. As buyers, they have an inclination to not let go."

From an inventory perspective, buying the 40 cases is a fatal flaw. More often than not, the anticipated demand never materializes, and weeks later the unsold inventory goes out of code. Historically, because most of the eggnog was bought for a negotiated discount that was passed on to the customer, Nature's Best's gross margin eroded significantly.

"The 40 cases they threw out completely wiped out the gross margin dollars they made on the previous 400 cases," says Parker. "So they did all that for nothing, except making a few straggling customers happy."

Forecasting Demand

That was then. Now, on Nov. 1, *Inventory Optimization* recognizes it is eggnog season, so it delivers a forecast. The system determines the pricing, the minimums, and whether or not there's a deal involved in the purchase, then recommends an order of 20 cases.

Further, it has calculated the shelf life, so those 20 cases it initially buys will not go out of code before customers start to purchase during November.

Moreover, because of previous years' histories, the system sees the huge demand spikes in November, and five to



seven days later, it indicates that Nature's Best should place an order for 100 cases.

"No buyer in their right mind would order 100 cases; but with Inventory Optimization, the data and the sales forecast set you free," notes Parker. "It's just as important to make the sale in the beginning as it is to cease the order at the end. On Dec. 23, the system looks forward, sees sales historically dropped down to two cases, and no longer recommends an order.

"The impulse to continue buying is set aside, and margins are maintained," he adds.

Key Factors

From Nature's Best's perspective, *Inventory Optimization* offers three key advantages: Customer focus combined with financial responsibility, automated decision making, and demanddriven execution

"One of the program's key parameters is a desired service level," explains Parker. So, for instance, if Nature's Best wants a 97-percent in-stock position, the software calculates what is needed for that level or better. It then asks if it is



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recommends optimum frequency. It also accounts for the needs of sales and financial functions. For inbound logistics,

Inventory Optimization maximizes efficient truckload shipping in competitive lanes.

Automated decision-making is also important. In the past, deciding to buy just one SKU took a buyer anywhere from two to seven minutes. Today, *Inventory Optimization* makes multiple rote buying decisions in a few seconds.

"This intensely algorithmic system thinks like the buyers have for several decades, but does it in one-sixteenth of a second," says Parker. That frees buyers and category managers to focus their time on managing vendor relationships and developing new product offerings.

"The software does all the heavy lifting," continues Parker. "It does the thinking. It does the analysis. It updates itself. It reviews and discards outlying data. It makes recommendations—and recommends changes — for everything from forecasts to order frequency."

Improving demand

a financially sound decision to achieve this stock level requirement.

In that way, the software ensures that it doesn't buy beyond a set shelf life, goods are sourced in the most efficient way, and opportunity buys are maximized. It also allows labor and warehouse costs to be factored in.

"For example, the system compares the costs associated with ordering a pallet of juice once a day versus once a week," says Parker. The software calculates and forecast accuracy was also an essential requirement for Nature's Best. By more accurately estimating the quantity of a product that consumers will purchase, Nature's Best replaced educated guesses with quantitative methods. For instance, it

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started using historical sales data to make better decisions and assess future capacity requirements. The Manhattan Associates system is demand-driven; it is designed to execute based on how products really sell, which includes factors such as seasonality, promotions, and special deals.

"Nature's Best required the ability to balance the cost of carrying inventory against the cost of acquiring inventory," says Manhattan's Daugherty. Many buyers order on a fixed schedule, simply because that is the way they've done it for years. This habit can lead to unforeseen imbalances.

Instead, an *Inventory Optimization* feature called Order Frequency Simulation balances the cost of carrying inventory versus the cost of acquiring inventory. This feature finds the most profitable days of supply for a given vendor line (a supplier and the group of products bought from that supplier) on which Nature's Best should always order to maintain desired service levels and just enough inventory.

"Every time an order is placed, *Inventory Optimization* records and retains the reason that suggested order quantity was purchased: *x* amount covers safety stock based on demand and lead-time deviation; *x* amount covers lead time; and *x* amount covers the order cycle and days of supply," says Daugherty.

Garbage In, Garbage Out

A crucial factor in maintaining accuracy is maintenance. The system makes weekly recommendations to buyers to ensure the integrity of data being used.

"It's the oldest story in the software business: garbage in, garbage out," says Parker. "So the focus of the buyers' time is spent on maintenance: ensuring that how we adjust is based on course corrections the system recommends. This procedure guarantees high-level decision-making." The entire implementation cycle took fewer than 90 days. Return-on-investment of the software purchase occurred within a few weeks of system start-up. In the month after implementation, Nature's Best reduced its out-of-stock conditions by 23 percent over the prior year. The second distribution center was added within six months of the software system going live, without the need to hire more personnel. The company's top-line sales were increased through better seasonal forecast accuracy.

"The success of the software was demonstrated through receiving consistency, better fleet utilization, more consistent onboarding patterns with vendors, and better in-stock positions due to not overor under-reacting to spikes in demand," says Parker.

Today, the inventory management software continues to deliver a bumper crop of benefits to Nature's Best.





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ElectriCities of North Carolina • www.electricities.com

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Vendor Compliance • Warehousing



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Metro Park Warehouses is a full-service 3PL offering 2 million square feet in Kansas City of modern food-grade warehousing space, including medical temperature-controlled space, ATF and national pharmaceutical licensed distribution, AIB Superior ratings, and 5 rail facilities, all open to reciprocal switching. Our in-house value-added services include end-to-end call center, shipping, invoicing, credit card payment; retail display building; heat-tunnel packaging and shrink-wrapping; and a dedicated local and regional trucking fleet. We have been in business for more than 40 years, specializing in award-winning service for food and household products, medical supplies, pharmaceuticals, alcoholic beverages, appliances, roll paper, and packaging. Contact Metro Park to gain the competitive edge for your Midwest logistics and distribution requirements.





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ModusLink is a trusted provider of comprehensive supply chain and logistics services to the world's leading companies in consumer electronics, communications, computing, medical devices, software, luxury goods, and retail. The company's operating infrastructure annually supports more than \$80 billion of its clients' revenue and manages approximately 451 million product shipments through more than 25 sites across North America, Europe, and the Asia/Pacific region.

NFI • www.nfiindustries.com

NFI is a fully integrated supply chain management provider offering logistics, distribution, warehousing, intermodal, global, commercial real estate, consulting, transportation brokerage, and solar services across the U.S. and Canada. NFI owns facilities nationwide and globally, more than 2,000 tractors, and more than 7,000 trailers. Privately held by one family since its inception in 1932, NFI operates more than 21 million square feet of contract and public warehouse and distribution space, and generates \$1 billion in revenue annually. NFI is an EPA Smartway Transport and WasteWise Partner and is dedicated to increasing energy efficiency and reducing the impact of the freight industry upon the environment.



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Penske Logistics • www.penskelogistics.com

Penske Logistics is an award-winning logistics services provider with operations in North America, South America, Europe and Asia. Our innovative solutions, engineering, and advanced technology help leading companies drive down supply chain and logistics costs, and boost operational efficiency. Penske Logistics offers dedicated contract carriage, distribution center management, transportation management, lead logistics, supply chain consulting, freight brokerage, and fully customizable solutions. Call Penske Logistics at 1-800-529-6531 to learn more.

ProTrans International • www.protrans.com

For nearly two decades, ProTrans International has been dedicated to providing supply chain management solutions that optimize our customers' time, money, and resources. ProTrans recognizes that every customer's inventory needs and requirements are unique, so we offer a variety of inventory and fulfillment solutions that can be tailored to fit your specific situation.





Saddle Creek Logistics • www.sclogistics.com

Saddle Creek Logistics Services is a third-party logistics company. We leverage our broad array of capabilities-including warehousing, transportation, packaging and fulfillment-to provide integrated solutions that support our customers' business objectives. For more information, visit sclogistics.com.

Sunland Distribution • www.sunlanddistribution.com

Partnering with Sunland in the Southeast gives you access to a prime location close to both Atlanta and Charlotte, putting you in the perfect position to reach the entire Southeast. The Greenville/Spartanburg transportation hub gives Sunland access to all major LTL carriers, and two major rail lines. Sunland provides overnight delivery to the entire Southeast via truck, rail, and intermodal with international access to the Port of Charleston. Sunland is a full-service contract and public warehousing provider with 2 million square feet of space in the Southeast, providing custom solutions to meet your unique needs. Let Sunland give you the freedom to focus on your strengths, while it handles your warehousing and distribution.





IN THIS SECTION: Warehousing • WMS

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Trinity Logistics, Inc. • www.trinitylogistics.com

Trinity Logistics, Inc. is a third-party logistics company that offers a full range of logistics services including full truckload, LTL, intermodal, and freight management. Additionally, we provide web-based technology that assists with cost control, enhances visibility, and introduces customized reporting. We specialize in creating a consultative relationship in order to deliver solutions to meet your unique needs.

WB Warehousing & Logistics, Inc. • www.wbwarehousing.com

An integrated group of warehouse, material management, and distribution services, WB Warehousing & Logistics is dedicated to enhancing each customer's competitive advantage. Our state-of-the-art EDI/ASN capabilities, online inventory, stock locator and rotation systems, lot and serial number control, and bar coding enable WB Warehousing & Logistics to guarantee accurate supply chain inventory management. Individual programs are available to meet specific customer needs.





Weber Logistics • www.weberlogistics.com

Weber provides warehouse services throughout the Western U.S., with 6.5 million square feet of space across 19 modern distribution centers in California, Arizona, Nevada, and Utah. Warehouse services include dedicated contract warehousing, shared warehousing, temperature-controlled storage, eCommerce fulfillment, crossdock services, and a wide range of value-added services, such as product postponement, kitting services, and hazardous material storage.

WMS

Magaya Logistics Software Solutions • www.magaya.com

Magaya's logistics software is designed specifically for freight forwarders, NVOCCs, logistics providers, warehousing and distribution centers, importers, exporters, and others in the logistics industry. Our software is a complete package that integrates logistics, communication, and accounting features built on the award-winning Magaya Network. Companies can exchange documents for shipping, and more, with their customers and agents worldwide via the Network and give them real-time tracking.



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White Paper Digest

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



Weber Loaistics

TITLE: Reduce Transportation Costs With Intermodal

DOWNLOAD: http://bit.ly/181rRUp

summary: Too slow, Unreliable, Risk of damage, These were some of the reasons transportation managers once gave for avoiding rail for freight transport. This Weber INSIGHT paper discusses why many companies are now making intermodal a key element of their strategies to reduce transportation costs and carbon emissions. Download this whitepaper to learn how to make intermodal work for your company.

CoolTrax

TITLE: The Role of Reefer and Refrigerated Telematics In Measuring and Monitoring the Cold Chain

SUMMARY:

DOWNLOAD: http://cooltrax.com/resources/whitepapers While the main function of telematics technology is to provide proactive monitoring and management tools for food safety, it can also help transportation companies learn about what goes on inside reefer units and refrigerated boxes while trucks are on the road. When researching telematics solutions for your company, look for those that extract as much data as possible through alerts, fault codes, temperature set points, door open/close statuses, and geo-zone tracking. The data can serve as the ultimate proof of your company's ability to properly care for food and adhere to regulations. For more information on how telematics technology can assist your company in monitoring and managing food in transit, download this free whitepaper.

Share your whitepaper with IL readers!

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

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White Paper Digest



Mitsubishi Caterpillar Forklift America

TITLE: Determining the Right Lift Truck Navigation System For Your Very Narrow Aisle (VNA) Warehouse

DOWNLOAD: http://bit.ly/12iqzhS

SUMMARY: This new whitepaper from Mitsubishi Caterpillar Forklift America Inc., a leading provider of Jungheinrich lift trucks and narrow aisle products, is aimed at educating warehouse managers on recent advancements in lift truck navigation technology. It discusses the three lift truck navigation technologies available today – manual, fully automated, and hybrid – and the key factors for warehouse managers to consider when evaluating these systems. The whitepaper also explains several industry best practices for improving warehouse productivity and order picking accuracy, in addition to reducing overall logistics costs.

3PL Central

TITLE:	Growing Your 3PL by Supporting Multi-Channel Warehousing
DOWNLOAD:	http://www.3plcentral.com/multi_channel_growth_webinar
SUMMARY:	The fast-growing trend toward multi-channel distribution could provide
	your 3PL with one of its largest growth opportunities in years. To learn
	what your 3PL must do to prosper in this new environment, watch
	3PL Central's webinar, Growing Your 3PL by Supporting Multi-Channel
	Warehousing, today.

Geodis Wilson

TITLE: Navigating Uncertain Times: Three Challenges Facing Shippers Today and How to Mitigate Them

DOWNLOAD: http://bit.ly/101h2vg SUMMARY: This whitepaper examines three data disparity challenges facing shippers today in their transportation flows, warehouse management, visibility, and cross-border trade – while exploring ways they can mitigate these challenges and simultaneously prepare themselves for a better tomorrow.

C3 Solutions

TITLE: The Underestimated Value of Dock Scheduling

DOWNLOAD: http://info.c3solutions.com/dock-scheduling-white-paper

SUMMARY: There are underestimated benefits to implementing a dock scheduling solution, primarily because they are overshadowed by the planning, scheduling, and communication features of the application. These benefits, derived from the reports and dashboards that capture the key performance metrics related to your dock activities, provide management the right data to make the right decisions at the right time. This whitepaper addresses the following questions:

- How can you measure your scheduler's efficiency?
- How can you audit chargebacks and demurrage fees?
- What is measurable and how is it useful?
- Who in your organization could benefit from reports and dashboards?





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NEW SERVICES & SOLUTIONS



//Transportation //

Bahri, the national shipping company of Saudi Arabia, added the Port of Jacksonville to its regular liner service schedule. The addition connects the United States with Saudi Arabia and the Arabian Gulf ports.

By adding new routes, **DHL Express** improved transit times among its intra-Asian and U.S.-Asian networks. The changes include non-stop service from DHL's Americas Hub in Cincinnati to Japan, increased freighter frequency to Australia, and the addition of an air freighter route between Taipei, Taiwan; Incheon, South Korea; and Nagoya, Japan.

Schneider National Bulk Carriers, a

provider of liquid chemical and energy transportation services, launched a bulk intermodal service utilizing a 40-foot tank container that can be used on rail or over the road to haul liquid bulk chemicals across the United States.

Cargolux Airlines International, a

European cargo airline, now offers twice-weekly flights connecting Dallas/ Fort Worth International Airport (DFW) and Luxembourg. The service takes an around-the-world path flown by 747-8 freighters, which are routed from

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Luxembourg to Baku, Azerbaijan; to Hong Kong; then to DFW.

The U.S. division of **Hellmann**

Logistics Worldwide added a lessthan-containerload (LCL) service to its sea freight shipping options. The new LCL service includes shipment documentation support, technologyenabled visibility, and more than 242 port pair direct sailings.

Lift'n'Buddy's Model LNB-350 combines the features of a two-wheel hand truck with those of a small powered stacker, reducing the need for two separate pieces of equipment when repositioning items in a warehouse or distribution center. Model LNB-350 lifts a maximum weight of 350 pounds up to 36 inches.



//Technology//

Baltimore-based fleet and mobile management software company **Roadnet Technologies** released *MobileCast On Track*, a tracking tool that enables organizations to track and manage mobile employees to increase accountability and improve customer service. The application is available for use on Android, Apple, Windows, and Java-enabled phones.

Interstate Logistics Group launched QuoteMyTruckload.com to give small and mid-market shippers access to rates and capacity estimates for truckload shipments.

Wasp Barcode Technologies

updated InventoryControl, an inventory tracking solution for small and medium-sized businesses. The software's QuickBooks connector module option reconciles inventory and accounting systems to allow users to effectively plan, execute, and optimize their operations.

PortXpert, a new app from **Sydel Corporation**, offers port operations professionals and logistics managers port and tugboat contact information, harbor characteristics, entrance restrictions, water depth, and quarantine alerts for ports worldwide.

Produce Pro Software released the *PPro Driver* mobile app to help shippers optimize their delivery fleets. The app provides electronic signature capture, real-time updates, turn-by-turn navigation, task lists, and cash-on-delivery support, and operates in conjunction with Produce Pro's software solution.

Montreal-based Freightopolis

introduced Freightopolis.com, a freight matching service that automatically generates bills of lading, proof of delivery, tracking numbers, and invoices. The site is free to use for both shippers and carriers.

Epicor Software Corporation's

Mobile Business Analyzer supports executive level decision-making for wholesale distributors. The business intelligence iPad app works with Epicor's Prophet 21 enterprise resource planning software, allowing users to access business metrics about customers, and receive proactive alerts before problems arise.

Speedy Route launched a free route planning Web site at www.speedyroute.com. The site is designed for truckers and other transportation professionals who need to find the shortest route between multiple destinations.

//Services//

Kuehne + Nagel and Coastal Logistics formed an alliance to provide supply chain solutions for shippers in the automotive, aerospace, industrial, and oil industries. The two companies combine Kuehne + Nagel's global freight forwarding, air, sea, road, and contract logistics capabilities with Coastal Logistics' production support services.

ASF Intermodal opened a new intermodal drayage facility in Norfolk, Va., to provide drayage service in and out of the port and rail facilities, while expanding the company's service area throughout the southeastern United States.





The TREQ-VMx mobile data terminal from **Beijer Electronics** allows shippers and manufacturers to manage delivery vehicles and truck fleets. Features include a seven-inch LED touch screen, five USB ports, one-hour active life lithium power battery, 3G connectivity, and a version that can be removed from the cab for short excursions from the vehicle.

Grand Rapids, Mich.-based **Supply Chain Solutions** leased a 38,500-square-foot warehouse in Lafayette, Ind. The facility features 24 dock doors, two drive-in doors, and 28-foot ceilings to handle functions including distribution, kitting, assembly, inspections, deconsolidation, cross-docking, and forward-positioned inventory.

Third-party logistics provider **Wheels Group** opened three new offices in Los Angeles; Halifax, Nova Scotia; and Moncton, New Brunswick. The Los Angeles office strengthens Wheels Group's presence in California, while the Halifax and Moncton offices expand the 3PL's ability to provide



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Virgin Atlantic Cargo increased the number of U.S. cities it serves by relaunching its seasonal daily flights to Chicago from London's Heathrow Airport. The daily services operate throughout the summer until Oct. 26, 2013.



single-source and multi-mode supply chain solutions in eastern Canada.

INBRIEF

Scott Logistics, a Rome, Ga.-based logistics brokerage company, opened a new facility in Jacksonville, Fla., to expand the intermodal services it offers Florida shippers.

To increase its service base in Europe's Benelux region, **SBS Worldwide** added Dutch logistics company **OTX Solutions** to its network of partners. As part of the new alliance, SBS launched fixed-day airfreight services between New York City's John F. Kennedy Airport and Schiphol Airport in Amsterdam.

Veterans Distribution of Chicago

broke ground on a new headquarters and distribution center in Hillside, III. The new facility, located near O'Hare and Midway airports, will feature highspeed sortation, 60,000 square feet of temperature-controlled warehousing, more than 50 dock doors, and pick-tolight technology.

Warehousing and distribution company **Port Jersey Logistics** completed a 50,000-square-foot expansion of its warehouse facility in Dayton, N.J. The addition houses services including product packaging and kitting, labeling, banding, barcoding, display assembly, and reverse logistics. Freight transportation provider **Estes** converted its Rockford, III., terminal into a hub to enhance Midwest service. The facility consolidates freight coming in from 19 terminals to build full loads for specific geographical regions, while increasing opportunities for next-day delivery to Minnesota, Iowa, Wisconsin, and Illinois.

// Products //

Powered Skid Lifters from **Presto Lifts** act as a combined lift table and pallet truck, allowing an operator to pick up a load, transport it to a workstation, and lift it to a comfortable working height. The lifters come in 20- and 27-inch-wide configurations and feature a 2,200pound lift capacity.

Newcastle Systems' NB Series Mobile Powered Workstations operate 24 hours a day without a recharging break. The stations can run computers, printers, scales, testers, or bar-code scanners without extension cords or ceiling drops.

CAS Dataloggers' new EL-GFX-1 Graphic Temperature Data Logger features a high-contrast graphic LCD screen that shows real-time readings, graphs, and current status. The data logger's design allows for use in monitoring applications, including cold chain transportation and storage, medical refrigerator monitoring, and HVAC projects.

The SR61XR handheld bar-code scanner from **Intermec** can read multiple symbol types, omni-directionally, at distances from six inches to more than 50 feet. The scanner is suited for inventory management, picking, shipping and receiving, crossdocking, and pallet tracking applications.



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CALENDAR

August 11-13, 2013, SCOPE Fall, Phoenix,

Ariz. The Supply Chain Operations Private Exposition delivers a mix of strategic presentations and panels from industry thought leaders; shipper-led case studies; targeted research meetings with leading solutions providers; and networking opportunities with high-profile industry peers. Speakers include executives from Brinker International, Aberdeen Group, Neovia, IBM, MIT Center for Transportation and Logistics, and NVIDIA.

> 502-261-7204 www.scopefall.com

August 25-28, 2013, ASCE PORTS '13, Ports Success Through Diversification, Seattle, Wash. At this American Society of Civil Engineers conference, port, harbor, waterway, and marine professionals share their knowledge and learn from the experiences of others. The papers and presentations cover a broad spectrum of issues facing the ports and harbors community.

800-548-2723 bit.ly/PORTS2013

September 17-19, 2013, LogiPharma 2013, Princeton, N.J. LogiPharma 2013 is a supply chain management conference for the biotech, pharmaceutical, and medical device sectors. The sessions will focus on supply chain integrity, visibility and risk management, supply chain segmentation, emerging markets, global network design, and the future of the supply chain.

888-482-6012 www.logipharma.com

September 24-26, 2013, Transportation and Distribution Planning and Management, Savannah, Ga. This course, sponsored by Georgia Tech, is for executives and managers who want to learn about designing and operating transportation and distribution solutions for their supply chains. The course develops the principles, practices, and tools required to address major issues and tradeoffs in domestic and international transportation, including key financial and performance indicators for designing supply chains that minimize transportation and distribution costs.

855-812-5309 bit.ly/GATechTDPM

September 29-October 1, 2013, APICS Annual Conference, Orlando, Fla. At the Association for Operations Management's annual conference, educational sessions focus on finding solutions to the challenges supply chain and operations management professionals face today—and will face in the years to come. The educational paths offered focus on business analytics, collaboration, innovation, operational efficiency, professional development, responsiveness, risk and resiliency, and sustainability.

> 800-444-2724 www.apics.org

October 7-9, 2013, PARCEL Forum '13, Chicago, III. This conference provides parcel shipping, logistics, distribution, and warehousing professionals with the information they need to ship more packages, more frequently, and more cost-effectively. With six tracks and more than 50 individual sessions, workshops, panel discussions, and all-day tutorials, attendees will find content geared to their specific job requirements.

> 203-378-4991 www.parcelforum.com

October 19-22, 2013, ATA Management Conference and Exhibition, Orlando, Fla.

The American Trucking Associations (ATA) annual conference features keynote speakers including ATA President Bill Graves, former Governor Jeb Bush, and FOX News' Stuart Varney. General sessions focus on the economy, the state of the trucking sector, logistics, driver issues, and transportation infrastructure funding. The conference also features an exhibition of the latest trucking equipment and related products.

703-838-1755 mce.trucking.org October 20-23, 2013, CSCMP Annual Global Conference, Denver, Colo. The Council for Supply Chain Management Professionals' (CSCMP) Annual Global Conference offers supply chain management practitioners the opportunity to learn ways to cut supply chain costs, improve the bottom line, discover new and innovative ideas to keep supply chains competitive, and find solutions to improve supply chain efficiency.

> 630-574-0985 www.cscmpconference.org

November 4-6, 2013, SCMChem 2013, Phoenix, Ariz. Addressing the supply chain concerns of chemical manufacturers, this Worldwide Business Research conference provides the insight and strategies necessary to maximize resiliency and security within the entire value chain. In addition, roundtable discussions, panel debates, and case studies deliver opportunities for peer-to-peer benchmarking and customized learning.

> 888-482-6012 www.scmchemical.com

November 17-19, 2013, IANA Intermodal Expo, Houston, Texas. The Intermodal Association of North America's 31st annual trade show highlights the latest products and services for freight transportation and distribution operations. Attendees include senior executives from all sectors of the intermodal industry.

> 301-982-3400 www.intermodal.org

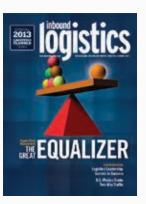
February 23-26, 2014, Retail Supply Chain Conference – Logistics 2014, San Diego, Calif. Retail is becoming more and more multi-channel. It is imperative that supply chains provide seamless transitions, whether customers purchase online, in the store, or over the phone. This RILA conference addresses the most current and relevant issues facing the retail industry.

> 703-600-2040 www.retailsupplychain.org



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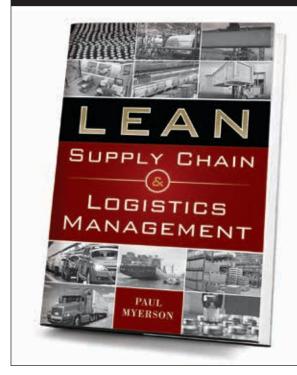


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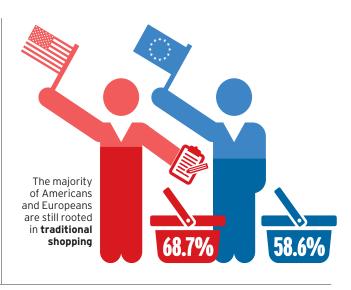
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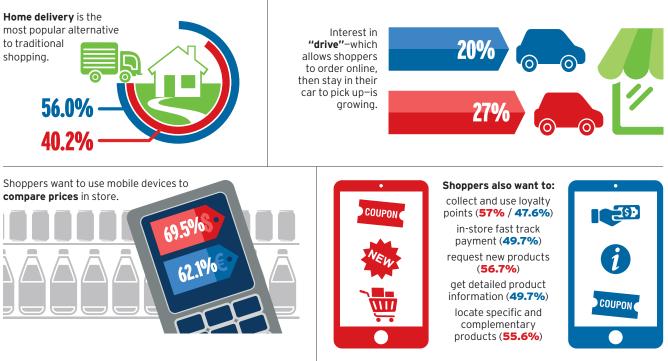
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THE LAST MILE

Mobile Goes Global

Both Americans and Europeans are eager for mobile interactions as part of their overall shopping experience. A recent consumer poll identifies three key shopping trends: personalization, mobile services, and mobile shopping. Bottom line for retailers: it will become increasingly important to tailor logistics operations and e-fulfillment strategies to meet the needs of mobile shoppers.

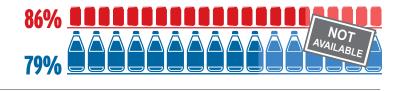




Being **recognized as a regular shopper** is important for:

54.0%

Shoppers want feedback on stock and products a retailer doesn't have.



SOURCE: Symphony EYC, www.eyc.com **METHODOLOGY:** Conducted by Vision Critical on behalf of Symphony EYC, the survey included 1,000 U.S. shoppers and 3,130 European shoppers in France, Germany, and the United Kingdom during two weeks over the holiday shopping season.





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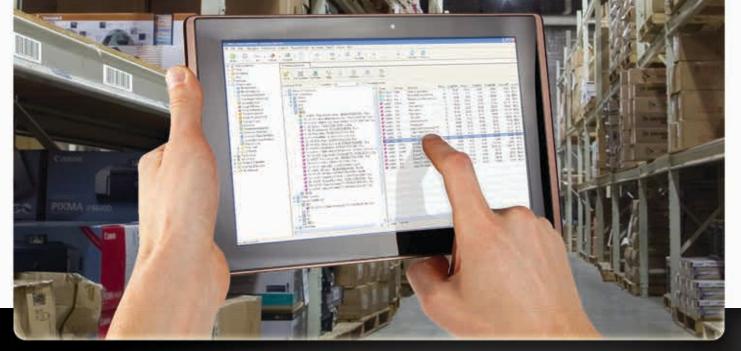
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