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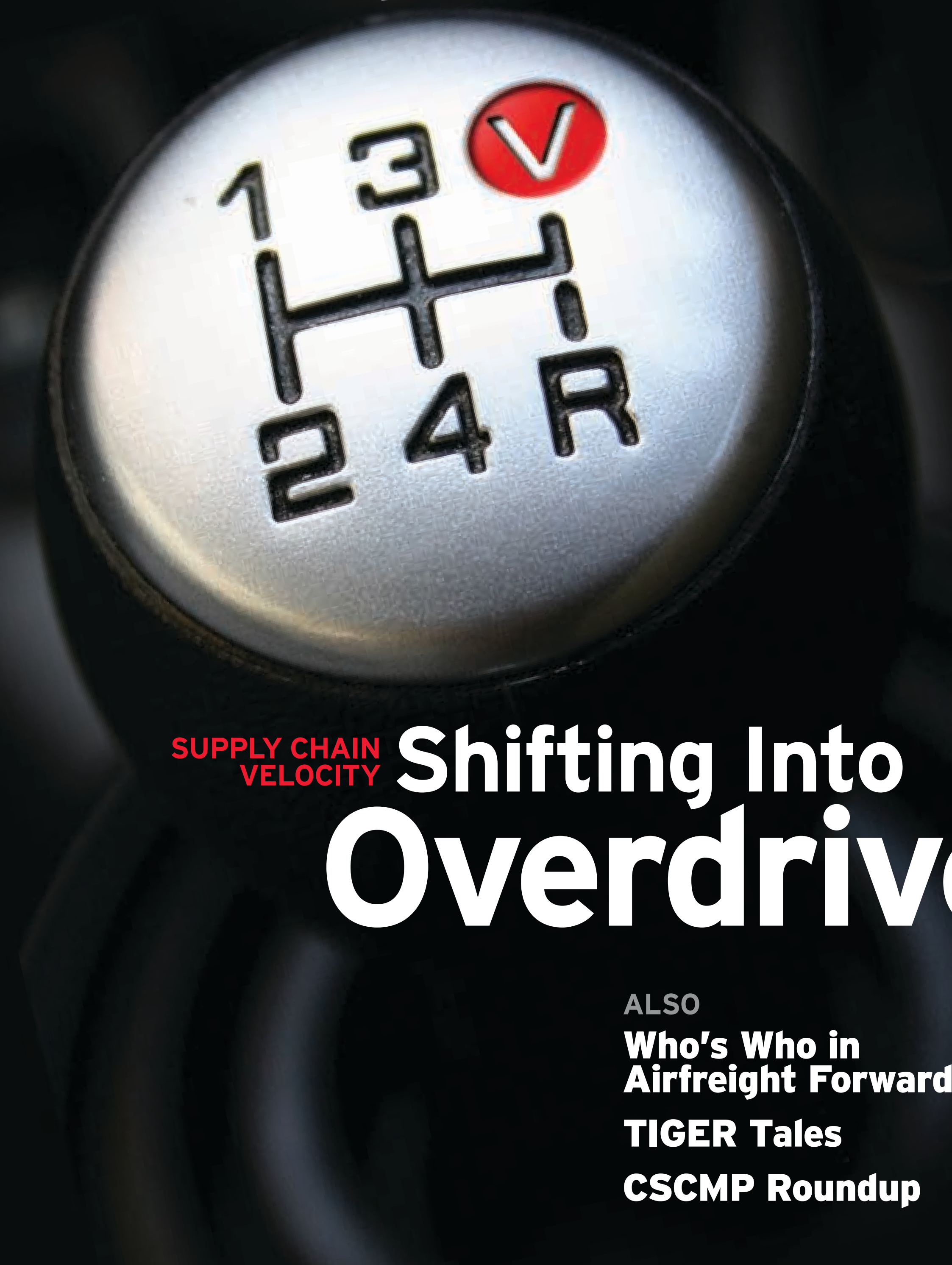
THE MAGAZINE FOR DEMAND-DRIVEN LOGISTICS • NOVEMBER 2010



SUPPLY CHAIN VELOCITY
Shifting Into Overdrive

ALSO
Who's Who in Airfreight Forwarding
TIGER Tales
CSCMP Roundup

DIVIDING TRANSPORT FUNDING
page 38

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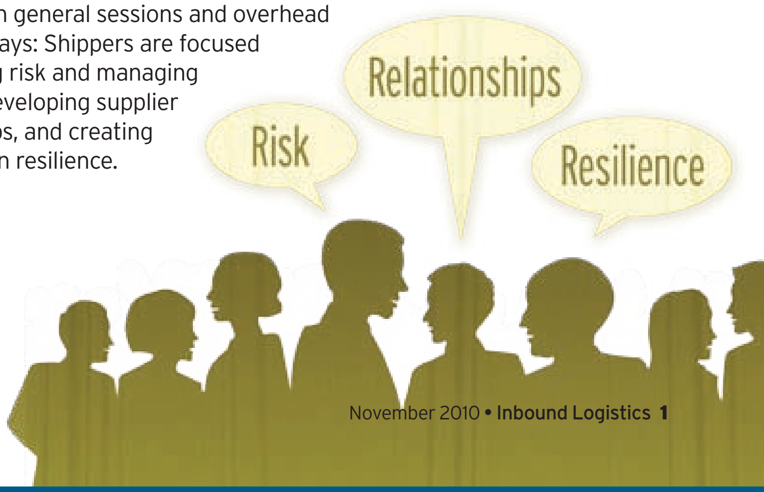
November 2010 • Vol. 30 • No. 11

INSIGHT

INPRACTICE

INDEPTH



November 2010 • Vol. 30 • No. 11

INFO

INFOCUS

INDEPTH

WHO'S WHO IN AIRFREIGHT FORWARDING
page 61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CHECKINGIN

Keith Biondo

by Keith Biondo | **Publisher**

Elephants Chasing TIGERs

It wasn't that long ago that Rajahs in India used elephants to hunt tigers. It seems the hunt is on again. The recent Republican resurgence is hunting for a very specific type of TIGER: Transportation Investment Generating Economic Recovery (TIGER) grants as part of the TARP fund.

The latest round of grants continues the spending bias for passenger and other non-freight initiatives, as you'll read in Joseph O'Reilly's research on page 38. It is clear to some that these projects are not only wasteful, but divert much-needed resources for projects with the widest economic impact–freight infrastructure that touches the lives of millions of businesses, and hundreds of millions of citizens–not a few bikers, hikers, and trolley car riders. It is certainly clear to the new spate of incoming Republican governors.

I can offer anecdotal evidence to bolster the research in Joe's article. One project I ride past daily is the multi-billion-dollar Train to the Plane monorail to Kennedy International Airport. Despite the hype, ridership has not appeared. One reason is that the rail line is not even connected to LaGuardia Airport, which is a few miles up the road. Taxis to both airports thrive.

Another project is the Frank R. Lautenberg Station in Secaucus, N.J., sporting a 20-foot-tall statue of the senator, and largely devoid of rail commuters who were supposed to materialize. Built in the middle of nowhere, the service leads to New York City 15 minutes faster *if* you get off one train and on another. And, Amtrak does not stop there. All this to save a few thousand passengers a few minutes? Lautenberg Station is the billion-dollar poster child of misdirected transportation infrastructure spending, especially given the needs of the port, airport, rail, and road infrastructure affecting millions within a few miles of this pyramid to pork.

The new TIGER grants continue this theme. For example, one $48-million (current cost projection, but you know how these things go) trolley project estimates 3,000 to 4,000 daily riders–$16,000 per person, not counting yearly maintenance costs. As Joe's analysis shows, most of the projects exceeding $1 million go to non-freight infrastructure development.

Here's where the elephants come in. N.J. Governor Chris Christie recently re-evaluated a multi-billion-dollar passenger train tunnel project connecting New Jersey commuters with New York City. The project's original cost estimate has doubled, sticking a state that has recently clawed its way back from bankruptcy for $5 billion-plus. A meeting with the Governor and Transportation Secretary Ray LaHood failed to produce the extra dollars needed to close the gap. Christie closed the gap by closing the project.

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CONTINUED FROM PAGE 4

Another non-freight light rail project connecting Columbus to Cleveland, Ohio, prompted this comment from Governor-elect John Kasich: "Passenger rail is not in Ohio's future. The train is dead." That's $400 million-plus of taxpayer money saved, not counting the overruns and yearly maintenance costs.

In Florida, recent cost estimates for a high-speed rail link connecting Orlando with Tampa have doubled from $1.25 billion to $2.5 billion. At 168 miles, the project will end up costing more than $15 million a mile. Incoming Governor Rick Scott is re-evaluating that project.

Incoming Wisconsin Governor Scott Walker pulled the plug on an $800-million-plus high-speed commuter rail link between Madison and Milwaukee. Examining the demographics in those locales calls into question the value of this project, which will easily top $1 billion if cost overrun history is any guide. The governor wants to redirect that money to "fixing roads and bridges" and will ask the incoming Congress to allow him to do that so he does not lose those TIGER funds. The new Congress likely will concur.

Setting aside current deficit and economic reasons for or against these projects, why the disproportionate emphasis on "transportation infrastructure" that will benefit the few over the many millions who will benefit from real transport infrastructure improvement?

LaHood's now famous "table-top" speech last March at the National Bike Summit in Washington offers some clues. His mission, he explained to raucous applause, is to "get people out of their cars" by steering transport dollars away from highways and bridges toward hiking, biking, and streetcars.

Forget the carbon and productivity costs of congestion. The problem is, Mr. Secretary, that trucks use those roads, too, and that impacts the lives of millions of consumers, workers, and businesses by increasing costs at every supply chain touch.

And what of all those unfunded port, rail, air, and intermodal projects that will secure the future and jobs for the most Americans? A bicycle is not the mode to take us to that future.

What can you do? Send a worthy reminder to those making policy on this issue. Remember what Spock said in *Star Trek II–The Wrath of Khan*: "The needs of the many outweigh the needs of the few." ■

DIALOG

LETTERS TO THE EDITOR

For Your Reference

I read your trucking issue and wondered if there is an electronic version of the Top 100 Motor Carriers (September 2010). This information would prove to be extremely useful.

–Adrian Fung

EDITOR'S REPLY: You'll be glad to know you can download our Top 100 lists – along with digital versions of articles and full issues - from our Web site at www.inboundlogistics.com/digital.

Hard Times

You hit the nail on the head with your September 2010 *Checking In* article about legislation affecting trucking. We're a small, family-owned trucking company with 66 trucks. We are struggling after the last few years of fuel increases and economic recession. My father doesn't see a bright future regarding trucking, trucking regulations, and the current administration's support of small business. We don't know if we'll be able to replace equipment in the future, or if the equipment will even be reliable with all the EPA regulation on the engine manufacturers. It's disheartening, to say the least. It's going to take more than just hard work to keep the trucking companies rolling. It may take more lobbyists and a few rebels to keep freight flowing.

–Erik Olson, MLG Logistics, Transportation, and Warehousing Inc.

A Second Opinion

The September 2010 *Checking In* column "First They Came for Our Trucks" really caught my attention and interest. The Clean Air Act does, of course, allow the state of California to promulgate emissions laws that are more severe than those of the EPA – the only state allowed to do this. Over the years, this provision has allowed for some interesting activities and regulations within the state, many of which just make it more difficult to do business there.

However, our current interest in greenhouse gas regulations and limitations – specifically carbon dioxide, under the guise of "global warming" – only provides an opportunity for unlimited stifling of pure output. Why not formulate similar regulations for heat itself? Not surprising that California has seized upon this avenue for further regulation.

I'm certainly glad to learn from your column that Texas has taken a firm position against this nonsense.

–John Fischer, Palatine, Illinois

Let Us Count the Ways

I loved Keith Biondo's August 2010 *Checking In* column about Walmart taking over its inbound shipments with its own trucks. The benefits can be exponential: backhauls, fuel efficiencies, driver utilization, environmental benefits, elimination of vendors' trucks and/or duplication of using vendors' carriers, efficiencies of inbound scheduling, lower inventories, fewer trucks on the roads, improvements in highway safety, lower insurance rates, less damage to highways and bridges, and ideally lower overall total supply chain costs, while improving service. I always believed the gold was in the inbound...as in *Inbound Logistics*.

–Frank R. Breslin, Institute of Logistical Management

by Deborah Catalano Ruriani

Cutting Costs From Your Logistics Budget

If you want to reduce logistics costs, you have to take the time to review your processes. Nathan Pieri, senior vice president of marketing and product management for Rutherford, N.J.-based Management Dynamics, offers these tips for trimming your logistics budget.

1 **Eliminate supply chain bottlenecks.** By periodically reviewing and analyzing their supply chain networks, companies can pinpoint issues and proactively address them. Strategies to reduce or eliminate bottlenecks include addressing vessel schedule planning, ensuring proper documentation and regulatory compliance for imports and exports, and revamping network design.

2 **Reduce inventory at the port, manufacturing sites, and warehouses.** Companies often stock excess inventory because they lack supply chain visibility. To effectively reduce excess inventory, you have to gain reliable information on future orders. Visibility software can help.

3 **Cut demurrage and detention fines.** While an occasional fine may not seem like much, these costs can add up. Auditing carrier bills and tracking where issues occur in the supply chain can substantially cut fine payments.

4 **Identify opportunities to shift modes.** Without adequate visibility into logistics operations, a company may not realize that an air shipment could move by sea at a much lower cost. Companies that use technology to evaluate modal options typically see a five- to eight-percent cost reduction.

5 **Use postponement strategies to divert inventory at an international gateway.** A successful postponement strategy can dramatically lower forecasting errors as well as improve customer service by reducing out-of-stocks. Companies also can cut transport costs by reducing inventory misallocations and shipping more items in bulk.

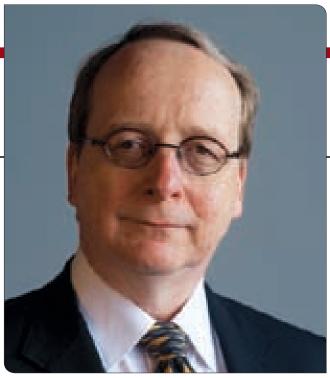
6 **Use preferential trade agreements.** Companies that take advantage of preferential status can save millions in duties and taxes. A software system that automates the qualification process can save time and effort, as well as improve compliance and data accuracy.

7 **Rebalance supply and fulfillment networks by determining tax-efficient sourcing and distribution strategies.** Companies must periodically review their supply chain networks to assess duties and logistics costs, labor costs, regulatory controls, and global political climates. By comparing geographic options, taking into account the costs and regulations of each option, companies can optimize their supply chain.

8 **Become a self-filer.** Using technology to connect electronically with brokers lowers entry filing costs and reduces manual entry errors. It also can enable pre-clearance of goods at borders and reduce the number of staff needed internally to manage logistics operations while boosting productivity.

9 **Control your procurement process.** By implementing a process-based workflow that includes tracking and managing order acceptance, consolidating invoices, creating shipments and generating documents–and by extending that process to trading partners–companies can reduce cycle times, cut supply chain execution costs, and better support compliance initiatives.

10 **Implement performance management metrics and tools.** Companies need a system, data, and tools to benchmark actions and make informed decisions. Developing a performance management process allows companies to manage service providers and critical cycle times to lower costs and continually improve performance. ■



INPERSPECTIVE

BY PERRY A. TRUNICK
Associate Editor, Inbound Logistics
ptrunick@inboundlogistics.com

A Supply Chain PIP Squeak

At the risk of launching yet another industry acronym, efficient supply chains require PIP: people, intelligence, and good processes.

The logistics profession recognizes its own weaknesses and has moved to correct and improve practices that harden supply chains against a variety of hazards and disruptions. That was apparent from a number of presentations and discussions at the recent Council of Supply Chain Management Professionals' annual conference. And, as proof of concept, a terror plot using air cargo was foiled just weeks after the event.

In my September column about conflict minerals, I wrote, "Supply chain management has the tools to monitor much of the inbound logistics chain–from source to consumption, through reuse or disposal. Motivated by cost, quality, and security (and even public perception in some cases), we have hardened the supply chain against many types of threats. Where technology is limited, we have supplemented with process controls."

On matters of security, in particular, neither the private sector nor the public sector can accomplish all that is needed on their own. It takes people, intelligence, and process. Note that I didn't say technology. Technology is one of the enablers, not a surrogate for any of these three elements.

People are a fundamental resource. Talented, intelligent people with sufficient training and motivation drive supply chain performance; people lacking in these qualities impair performance. We're all feeling the impact of the economy and the thinning ranks. Whether for a supply chain's economic security or its freedom from threat, we need to invest not only money but leadership and training to ensure we have the best people resources dedicated to optimizing performance all along the supply chain.

Companies derive intelligence from data and information provided by people engaged in the supply chain, as well as from the data collected and communicated by the technology we employ. The two are complementary. Where it is not feasible to have highly developed information systems, we need intellectual assets.

We especially need strong analytical and problem-solving skills at the points where all this data and information accumulate. Machines can help, but they can't apply reason to a problem. Supplement the people network with a good technology network, and vice versa, then don't ignore the results.

Just as you can't rely on technology to solve or avoid every problem or hazard, you also can't legislate challenges out of existence. Processes must be developed, defined, and flexible. That sounds like a contradiction because a process is based on rules. But even metal is flexible up to the point where it fatigues and breaks. We need to employ continuous process improvement because conditions constantly change–and in security, threats continually evolve.

We define roles for people in our supply chains every day. We continually gather and analyze business intelligence and make rational decisions. And, we establish rules for various processes, and refine and improve those processes in an ongoing effort to maintain the viability and optimize the performance of our supply chains.

In the wake of this increased security threat, I feel compelled to repeat, "We have the tools." We need to be clear that the private sector is working in tandem with the public sector and constantly striving to improve the tools and how we use them.

In the air cargo terror plot, one or more parts may have failed or underperformed, but other efficiencies stepped up and filled the gap. This only reinforces the case for continued effort to improve in all areas. ■

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READER

PROFILE

by Merrill Douglas

All Wired Up

WireCo WorldGroup makes wire as fine as a human hair and wire rope as thick as a human bicep. As WireCo's vice president of supply chain, Todd Stewart delivers those wire products to customers around the world for use in products as diverse as spring mattresses, mining equipment, and the Oakland Bay Bridge.

Since he joined Kansas City-based WireCo 11 years ago, Stewart has worked in just about every phase of the supply chain. Today, he focuses on globalizing logistics and transportation operations in a business that has rapidly expanded its geographic footprint through mergers and acquisitions. WireCo's customers include original equipment manufacturers and distributors that serve customers in construction, heavy industry, mining, and oil and gas exploration.

"Our biggest supply chain challenges are keeping up with our sales organization's accelerated globalization, and getting our product to market," Stewart says.

As WireCo brings local sales executives on board, demand for its products is booming in countries such as India, Russia, and China. Stewart's team needs to calculate freight rates so they can quote customers in these markets.

THE REEL STORY

NAME: **Todd Stewart**

TITLE: Vice president supply chain, since 2008

COMPANY: WireCo WorldGroup, Kansas City, Mo.

PREVIOUS EXPERIENCE: Merchandise manager, JC Penney; product manager, then manager of distribution and customer service, then VP of distribution, transportation and customer service, WireCo WorldGroup

EDUCATION: Missouri Western State University, BSBA in marketing and management, 1992; Benedictine College, Executive MBA, 2001

The Big Questions

What do you do when you're not at work?
Having two grade school-aged kids involved in sports, music, and dance keep me and my wife constantly on the go. I am a member of the Ancient Order of Hibernians, an Irish Catholic group that raises money for education and the local food bank. My wife and I are big supporters of the arts in our community and volunteer whenever possible.

Ideal dinner companion?
Warren Buffet. I am sure he has millions of stories to tell, and maybe I could get some good investment advice. I would also ask him about donating to my community arts foundation.

What's in your backpack?
The essentials for business travel: passport, business cards, ear plugs, and a video cam to conference into business meetings and connect with my family while I'm away.

If you didn't work in supply chain management, what would be your dream job?
Managing a resort in an exotic location, or running a bed and breakfast in a small historical town.

"Part of the challenge is that we have to provide transportation rates into areas we've never shipped to before," Stewart says. "And we have to do it quickly." That means hustling to learn what transportation options the new location offers, and negotiating with new carriers.

Finding strategic partners that understand WireCo's business and can handle its product also is a challenge. Much of the material the company ships into its factories, and the product it ships to customers, fits into a standard trailer or intermodal container. But the product doesn't always fit neatly into cartons, and some shipments are just hard to handle. "It's not as easy as calling a local trucker when you're moving a 30-ton reel of wire rope from a manufacturing plant in Missouri to a mining site in the middle of Zambia, Africa," he says.

WireCo manufactures its product in eight U.S. plants, two in Mexico, one in Germany, and one in China. Most of the product made in the United States reaches customers through a network of seven regional distribution centers.

For the past 15 years, most of that domestic freight has traveled by truck. But WireCo recently started using rail again, which has dramatically reduced its domestic transport costs and carbon footprint. "One boxcar on rail costs 50 percent less to ship and takes five trucks off the highways," Stewart says.

Rail looked like a poor choice in the past because the service was less reliable and efficient than highway transportation. "But now we're looking at ways to plan more proactively so that we can utilize rail," Stewart says. With more lead time, the company can take better advantage of rail services.

Efforts like that are getting a lot more emphasis at WireCo these days. "I continually look for cost reductions while maintaining or improving service and delivery to customers," Stewart says. ■

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Duane Sizemore, Executive Vice President of Business Development & Marketing, Total Logistic Control
800-333-5599 • info@totallogistic.com

Gaining Alignment With Your 3PL is Key to Supply Chain Success

When choosing a supply chain partner, it is essential that goals, expectations and strategy are all in alignment. In order to achieve this synergy, open and honest communication between business partners needs to be in place to move the relationship beyond one of simply executing services to one of real collaboration. Measurement, monitoring, and corresponding rewards are the cornerstones of this effort, in concert with establishing Key Performance Indicators (KPIs) and specific program initiatives targeted toward areas of pre-determined efficiencies and improvements. The 3PL should feel comfortable in a risk/reward relationship that is tied to performance-based compensation to ensure alignment with the same end objectives as the client, thereby establishing 'skin in the game' for all parties involved in the given endeavor.

For example, a specific initiative such as a safety program will have goals, performance benchmarks and KPIs associated with it. Establishing a safety performance benchmark that awards incentives for both employees and client partners when goals are reached or exceeded builds a framework toward ensuring alignment. In this case, the incentives naturally work as an accountability platform to achieve the corresponding goals and objectives that are tied to the program-specific KPIs.

At Total Logistic Control (TLC), we typically structure and define our client engagements with programs for employees and our clients that drive specific improvement initiatives or targeted results. In some situations we define the specific initiatives, while in others the client has a pre-determined set of business goals and objectives tied to their expectations. In all cases, the business goals of each client serve as the foundation for the relationship and become the KPIs for TLC (the 3PL) with regards to measuring success and potentially receiving additional compensation. In addition, it is fairly common to establish gain share parameters with clients that are tied to the KPIs and offer significant rewards as a percentage of the annualized savings achieved from those efforts. The net effect to the client is realizing a substantial multiple of the gain share paid through annualized savings in their operations.

A typical engagement begins with targeting efficiency gains that generate savings for both the provider and the client. The collective team from both the provider and the client analyzes potential opportunities and implements programs that are realistic, measurable and attainable. Examples of these types of programs include: developing achievable Engineered Labor Standards, mitigating variable indirect time by focusing on identifying root cause, warehouse layout and design optimization that utilizes zoning by sku movement, optimizing aisle widths and racking type to the corresponding material handling equipment used and optimizing building cube and utilizing application specific racking methodologies to drive productivity within an operation. In concert with these programs, benchmarks are developed that become the KPIs by which measurement and a performance-based award system is created.

Another important and often overlooked element to supply chain success is embracing a culture based on 'thinking like the client' to drive ongoing continuous improvement and fostering an environment that embraces best practices. The notion to 'See the business through the client's eyes' revolves around not what each individual associate would do, but what the client would do and what their customers would expect. By embracing this approach, the focus within a 3PL shifts to its core, which essentially is a service business built around a people centric model. To that extent, TLC truly believes that our people are our single greatest asset and by design, our client-focused culture is what drives our associates to deliver exceptional value to our clients.

The right 3PL partner will have a service set that incorporates the right expertise and experience to add value in multiple areas of a supply chain. These tools may include services in areas such as planning, transportation, distribution, packaging and supply chain technology. As the breadth and depth of the integration of these service offerings expand into a client's supply chain, the natural alignment between performance, goals and rewards expands to create a holistic atmosphere that transcends beyond just execution. When a supply chain partner can create an environment in which they foster a client-centered culture based on alignment of objectives, embrace a shared risk relationship through a performance-based compensation model, and bring forward a passion to drive results through mutual goals and objectives, it truly creates a balanced win-win relationship.


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NOTED

THE SUPPLY CHAIN IN BRIEF

soundbyte

"The world is flat. There is nothing like a global recession to flatten the world."

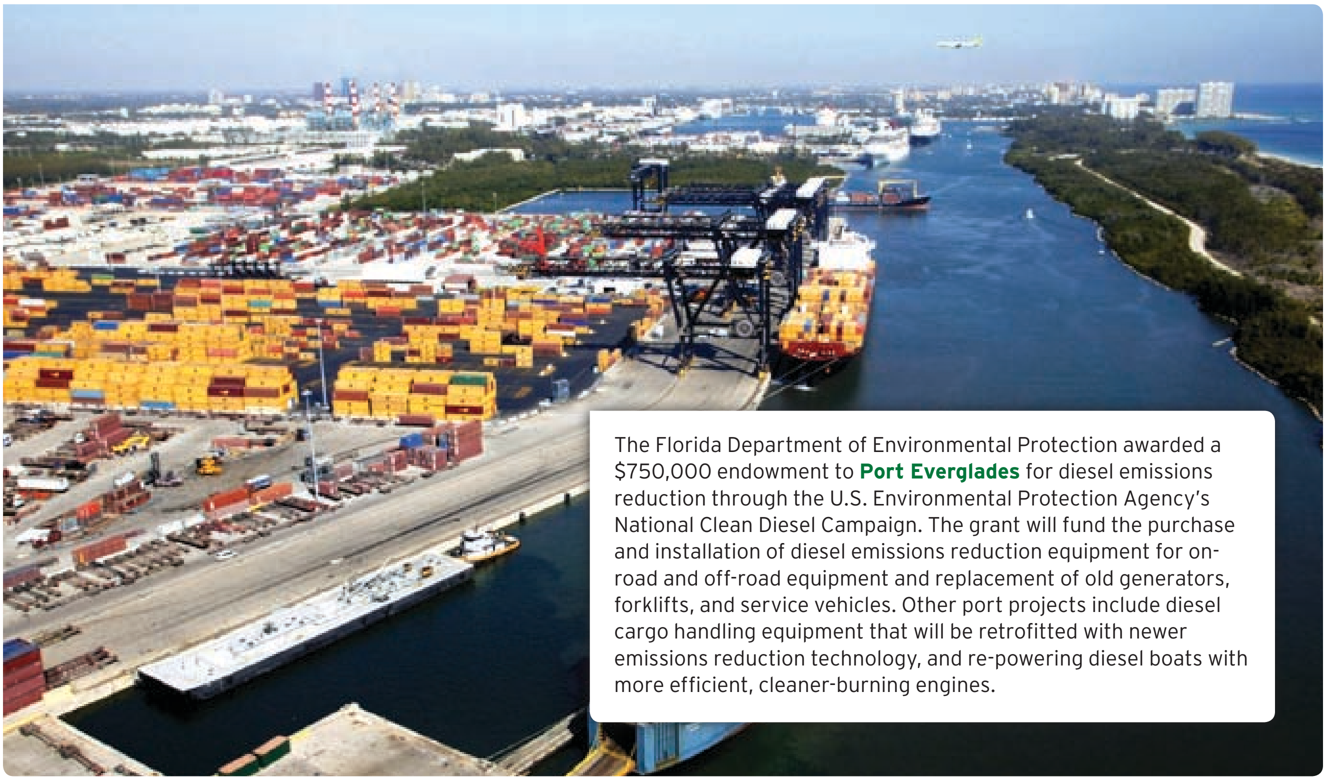
–Dr. Robert Lieb, professor of supply chain management, Northeastern University, referencing the current global economy and *New York Times* columnist Thomas Friedman's 2005 bestselling book at the 2010 Council of Supply Chain Management Professionals annual conference.

GREEN SEEDS

PepsiCo's Frito-Lay North America division is deploying 21 electric trucks by the end of 2010, with an additional 150 units expected to hit the road in 2011. The trucks, designed by **Smith Electric Vehicles**, generate zero tailpipe emissions and operate up to 100 miles on a single charge. Once the electric trucks are deployed, Frito-Lay expects to eliminate 500,000 gallons of fuel annually.

Murphy Warehouse Company is installing homegrown solar panel technology at three of its Minneapolis-St. Paul warehouse buildings, becoming the largest generator of Minnesota-manufactured solar energy in North America. The effort marks the first solar installation of its kind by a private business on a warehouse or big box rooftop in the state.

Crown Equipment has qualified 20 of its electric forklift models to operate with various fuel cells. The company now offers 29 combinations of fuel cell packs and trucks. The qualifications mean that users can match lift truck specifications with preferred fuel cells, allowing them to meet performance, safety, and environmental sustainability goals.



The Florida Department of Environmental Protection awarded a $750,000 endowment to **Port Everglades** for diesel emissions reduction through the U.S. Environmental Protection Agency's National Clean Diesel Campaign. The grant will fund the purchase and installation of diesel emissions reduction equipment for on-road and off-road equipment and replacement of old generators, forklifts, and service vehicles. Other port projects include diesel cargo handling equipment that will be retrofitted with newer emissions reduction technology, and re-powering diesel boats with more efficient, cleaner-burning engines.

SEALED DEALS

Sears selected **STI** to support its nationwide store modernization program, including Kmart locations. The logistics service provider developed a comprehensive solution to ensure all components such as vendors, internal buyers, and transportation are coordinated. Sears' unique logistics needs required a blend of STI's services including vendor management, packaging and crating development, Web-based visibility tools, and transport optimization to ensure the project was on time and used fewer trucks than originally planned.

Fashion and housewares store **Matalan** has upgraded its supply chain technology platform with a multi-site rollout of **Manhattan Associates'** warehouse management system. The upgrade involves the retailer's three UK distribution centers–spanning more than one million square feet–and provides Matalan with flexibility to support its store expansion program and multi-channel retail plans.

UP THE CHAIN

Brian Alderete was named vice president of supply and transportation for **RKA Petroleum Companies**. He is responsible for delivering fuel to commercial, government, and retail customers and oversees all aspects of RKA's transportation division. Most recently, Alderete held the post of vice president of supply and logistics for Fleet Card Fuels and Nikolaus Tank Lines.

Dow Corning named **Allison Ashbrook** global distribution manager for its solar business, which provides silicon-based solutions throughout the entire photovoltaic value chain. She will be responsible for developing and implementing Dow Corning's global distribution strategy, overseeing supply of the company's solar products and services to customers around the world.

Zep, an Atlanta-based cleaning and maintenance solutions provider, appointed **Jeffrey L. Fleck** vice president, chief supply chain officer. Fleck previously held supply chain operations positions at Cargill, American Home Products' Cyanamid Division, and most recently as senior director of international supply chain at Clorox.

Zale Corporation appointed **John Legg** as its new senior vice president, supply chain, responsible for managing warehousing, purchasing, and logistics functions. He joins the diamond jewelry company with more than 25 years of experience in retail supply chain.

GE Aviation Supply Chain named **Colleen Athans** vice president of assembly, test, and overhaul. She previously was general manager of Aviation's CF6 Commercial Engines and Services, plant leader of the Durham Engine Facility, and general manager of Rotating Parts Center of Excellence.

Kevin Baudhuin has been promoted to president of global protective packaging for **Pregis**, a leading manufacturer of protective packaging products and specialty solutions. He joined the company in December 2007 as president of its North American business.

recognition

▲ **APL** has been named **2010 Ocean Carrier of the Year** by international consumer electronics retailer Best Buy. The shipping line topped all other ocean carriers in schedule reliability and equipment capacity. APL began transporting Best Buy cargo in 2008 from the Chinese ports of Shanghai, Xiamen, Fuzhou, and Yantian.

Charles F. Myers, director of international business development at England Logistics, has been named to the **International Refrigerated Transportation Association's 2010 Board of Directors**. At England Logistics, Myers is responsible for developing dry and cold chain logistics markets in countries outside of North America, with current emphasis on cold chain transportation in China.

Averitt Express earned the **Clean Diesel Leadership Award** from the Tennessee Trucking Association for the second straight year. The recognition honors organizations within the transportation industry that have made significant and measurable improvements in air quality through developing and implementing clean diesel actions. These criteria range from educating drivers on fuel efficiency and equipping tractors with auxiliary power units to using alternative fuels.

The Kellogg Company has honored **Gordon Trucking** as its **2009 Regional Carrier of the Year**. The award measures service, EDI compliance, billing accuracy, and safety. The regional carrier group comprises deliveries made directly to Kellogg customers.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A Break in the Chain: Solving the Port Chassis Problem

by Joseph O'Reilly

When the Federal Motor Carrier Safety Administration (FMCSA) started enforcing its discursive Requirements for Intermodal Equipment Providers and for Motor Carriers and Drivers Operating Intermodal Equipment rule in December 2009, there weren't enough containers flowing through U.S. ports to cause immediate alarm. Shippers and trucking companies were more concerned with finding boxes to move than the wheels to move them. Now that focus is shifting.

With so much discussion of a looming, yet-to-be realized capacity crunch for available trucks, a more compelling obstacle is the impact the FMCSA's "Roadability Rule" will have on the supply and ownership of chassis at U.S. ports–and the trickle-down consequences for both port users and shippers.

In October 2010, both Maersk Line and Yang Ming announced they would no longer provide chassis for cargo container units at select U.S. ports, directing drayage companies to adopt new lease arrangements with third-party services. The carriers joined a growing roster of steamship lines including CMA CGM, OOCL, NYK Line, and Evergreen, among others.

The FMCSA's mandate applies to intermodal equipment (i.e., ocean carrier chassis) interchanges for the purpose of repositioning and transporting containers over public highways in interstate commerce. Essentially, the rule specifies an additional inspection requirement for trucking companies. Before drivers prepare to move intermodal equipment over the road, they must comply with a list of pre-determined safety checks.

The new inspection requirements provided a spark for ocean carriers to divest a non-core part of their business–acting as an intermodal equipment supplier. But in a tepid trade environment, with demand and operational costs arcing in opposite directions, there was no shortage of motives.

As U.S. ports present a stage for this unfolding drama, and ocean carriers and local truckers assume their new positions and roles, they are collectively playing to a captive audience of shippers and consignees who have a considerable stake in its outcome.

To address the circumstances behind the current port chassis impasse, the consequences for shippers, and how industry as a whole is exploring long-term solutions to resolve imminent problems, *Inbound Logistics* caught up with David Bennett, vice president of Schneider Logistics, a third-party logistics provider based in Green Bay, Wisc.

IL: Was the decision that ocean liners would stop providing chassis equipment a consequence of the FMCSA's Roadability Rule that went into effect in December 2009?

BENNETT: The FMCSA ruling had an impact, but it was likely an additional factor in the steamship lines' decisions. This change was primarily a result of 2009 world trade volumes, the idling of merchant vessels along with containers and chassis, and subsequent initiatives by ocean carriers to drive out costs.

Chassis management is a great expense. Apart from the overall number of units needed to move containers, maintenance and repair is a significant issue. At the end of 2009, many chassis were placed into inactive stacks at the ports. When volumes increased and they were suddenly needed again, equipment had to be made roadworthy. Technicians were hired to perform this work and a lot of money went into accomplishing that.

One of the most important aspects of getting out of the chassis business is that steamship lines were held accountable for ensuring adequate, roadworthy chassis. If 30 containers needed to be delivered to a customer, carriers had the direct responsibility for supplying 'the wheels' to do that. This might require shipping chassis into markets where there were shortages, or having maintenance and repair teams work overtime to ensure containers had a corresponding set of wheels.

Boeing Signals New SC Direction

Beset by difficulties managing quality control among suppliers ever since it outlined plans to produce the 787 Dreamliner, Boeing is now addressing the problem head-on in hopes of getting the first composite-plastic airliner off the ground without much further delay.

The aircraft manufacturer recently appointed Mo Yahyavi as its new vice president of supply chain management. Yahyavi, who was formerly Boeing's 747 program chief, is tasked with assessing and enhancing supplier rate readiness, manufacturing and quality discipline, and management systems–initially focusing on Rome, Italy-based Alenia Aeronautica, which has been partly blamed for the three-year lag in delivering the Dreamliner jet.

In August 2010, Boeing re-inspected its fleet of Dreamliners after discovering flaws in horizontal stabilizers made by Alenia. This followed an earlier production stoppage due to concerns with the Italian supplier's composite-fuselage sections.

Over the past few years, Boeing has run into a series of problems with the supplier-driven production system that was specifically created to build the jet. The plane-maker relies on partners around the world to build complete sections of the aircraft, which are then flown to Boeing's factory in Everett, Wash., for assemblage.

Boeing has appointed a new vice president of supply chain management to help address Dreamliner 787 workmanship issues with a major Italian supplier.

If there were shortages, the customer would go directly to the steamship line. In turn, the liner would be responsible for finding a solution. At the same time, port authorities would complain to carriers about chassis availability and 'roadability.' A lot of cost was tied up in accountability.

In the future, steamship lines will not have to deal with this. If 30 containers need to be delivered on a given day, but only 20 chassis are available from vendors, the shipper is now directed to the trucker to find a solution. This major paradigm shift is not being broadcast very loudly by the steamship lines. And it raises a number of questions.

If a drayage partner can't find a serviceable chassis in Savannah to transport a shipper's container, does that mean the customer will expect it to send a truck to Jacksonville, find a chassis, and return to Savannah to complete a five-mile haul to a local distribution facility? Who will pay for this sojourn?

Some vendors offer chassis rentals, but they don't have to meet customer obligations or specific service expectations for ensuring equipment is locally available.

IL: As the liability and responsibility for securing and inspecting chassis shifts from ocean carriers to trucking companies, how are shippers impacted?

BENNETT: Many shippers already expect their overall costs won't be reduced any time soon. So if a trucking company has to add a chassis rental expense, beneficial cargo owners will begin thinking ahead about future ocean contracts and making sure chassis costs are removed from their international shipping rates.

Most drayage companies have already begun submitting letters to customers detailing an extra charge to the base rate for the chassis lease/rental. Shippers understand and accept the basis of the request–knowing that it was not initiated by trucking companies.

The real concern is not the chassis shortage, but the **responsibility for rectifying the situation** and bearing the additional costs.

–**David Bennett,** vice president, Schneider Logistics

IL: Is there concern that a chassis shortage could impede port flows in the near term?

BENNETT: It depends on the definition of near term. The issue will only manifest itself during peak seasons when chassis availability is tight. The real concern is not the shortage, but the responsibility for rectifying the situation and bearing the additional costs.

IL: Some ports have already developed chassis pool services that drayage companies can use to move ocean containers. Moving forward, will chassis pooling become the model for industry?

BENNETT: The neutral chassis is an industry benefit. Still, the change has effectively doubled the amount of information that truckers must track and trace. It's almost like introducing a second business process into the system to ensure all chassis vendor invoices are valid, all chassis are turned in exactly when the customer stops using them, and all billing for maintenance and repair is traceable to the appropriate party. Execution will be challenging.

For example, if a customer in Atlanta offloads a container and chassis on Wednesday at 1 p.m., the 'clock' for chassis charges would end that day. A drayage truck, returning from Atlanta, cannot get to the chassis vendor in Savannah before it closes on Wednesday afternoon. So the hauler returns the container Thursday morning and now has to pay one extra day for a chassis rental that the customer won't cover. Agreements can be worked out with each shipping customer, but exception management and documentation become dominant processes.

IL: Any other plausible solutions?

BENNETT: Some customers have studied the impact of these changes and concluded that the trucker partnership–as the responsible party for chassis procurement and peak season availability–is too fragile a business model to ensure uninterrupted product flow.

Shippers may begin to pursue their own contracts with chassis providers, then direct drayage companies to use equipment provided by those vendors to manage their shipments. The customer is likely to ask for volume agreements at a lower per-unit cost. The chassis vendor, knowing it will have continuous equipment utilization for a certain number of days, will probably agree to such an arrangement.

No one is really talking about this as a future outcome. But if peak seasons come and go, and truckers are not able to solve the chassis availability needs for desperate customers, such a model might be more widely adopted.

Is chassis availability at ports a concern for your company? What are you doing to address this pending problem? Inbound Logistics *would like to know. Please email: editor@inboundlogistics.com.*

Outsourcing Contracts Up For Grabs

Companies that outsource technology and business processes are getting antsy about their existing contracts, according to TPI, a Houston-based sourcing advisory firm. There has been a sharp increase in the frequency of contract restructurings over the last fiscal period, but a delay in the outsourcing market's gradual recovery due to continued weakness and uncertainty in the global economy.

The third quarter 2010 Global TPI Index, which measures commercial outsourcing contracts valued at $25 million or more, recorded total contract value (TCV) of about $14 billion, down more than 20 percent from both the previous quarter and the same period last year.

Restructuring activity, which includes renegotiations, renewals, and extensions of existing contracts, totaled $6.8 billion during the third quarter, or 48 percent of the global market. Year to date, restructurings have accounted for 34 percent of overall TCV, compared with typical 20 percent turnover during the past three years.

TPI attributes the uptick in restructuring activity to three market factors: economic conditions that have caused companies to be tentative about new outsourcing adoption; existing outsourcers that are increasingly attracted to quicker returns and lower risk promised by restructurings; and longer-term contracts now coming up for renewal.

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GLOBAL

THE WORLD AT A GLANCE

by Joseph O'Reilly

Photo: Michael Murphy

Heineken Tests Beer Float

Heineken's business is all about flow—from the brewery to the beer tap, and all logistics touches in between. Thanks to the new Alpherium inland container terminal in Alphen aan den Rijn, Netherlands, the beverage manufacturer's supply chain flows a whole lot smoother.

Heineken now ships export containers from its Zoeterwoude brewery to the United States via barge service between Alpherium and the Port of Rotterdam. The company expects to eliminate 100,000 truck moves annually by transporting about 200 containers a day by barge.

Prior to using the inland water system, Heineken would truck 70 percent of its shipments to Rotterdam, with the remainder going to Antwerp. Since the introduction of the Alpherium intermodal connection, road haulage distances between the brewery and Rotterdam have been cut in half. Moving forward, water transportation will replace 95 percent of road movements.

As energy costs and road congestion threaten transport efficiency and economy in heavily trafficked corridors surrounding Europe's low country ports, freight routings through a well-developed inland water system are a welcome option. Apart from adding capacity to the system, Heineken expects to cut CO_2 emissions by 35 percent, and barge transport is roughly three times more energy efficient than motor freight.

Fighting Piracy on the High Seas

Like a tale out of the golden age of piracy, merchant traders are circling their ships to defend against rampaging buccaneers and protect their treasures. The world's three largest container shipping companies are rallying to fight against Somali pirates terrorizing the Gulf of Aden and the Indian Ocean. CMA CGM, MSC, and Maersk Line have agreed to share information on safety measures, piracy policies, and procedures in areas where Somali pirates continue to attack and hijack vessels.

"The aim of our partnership is to have a consensus on the issue of piracy and to be able to trade without special protection as we do in most parts of the world," says CMA CGM spokesperson Catherine des Arcis in an interview with *Inbound Logistics*.

"We share individual procedures and policies, but do not hold the same opinion on all measures–for example, the use of armed guards in connection with piracy. But this does not stand in the way of us sharing knowledge about security measures or raising awareness about the piracy challenges we face as an industry," she says.

CMA CGM and the other carriers are also engaging governments to fight piracy by establishing a naval presence in the Gulf of Aden and pursuing appropriate legal frameworks to ensure pirates are prosecuted and held responsible for their crimes.

"The root causes of this problem cannot be addressed overnight," explains des Arcis. "Therefore, it is imperative that the naval forces have a strong and dynamic mandate to match the constantly changing situation in the area. It is also vital that acts of piracy do not go unpunished, which is why appropriate legal frameworks for prosecuting pirates are necessary."

PepsiCo Grows Sustainable Spuds

FRIED GREEN POTATOES. **PepsiCo plans to use sustainable potatoes in its Walkers Sensations chips.**

Amid recent news that Walmart and H&M are exploring efforts to green their supply chains at the point of origin, PepsiCo UK and Ireland announced plans to cut carbon emissions and water usage among British and Irish farm suppliers by 50 percent over the next five years.

PepsiCo is a major buyer of potatoes, oats, and fruit. Since switching to 100 percent British-grown potatoes in 2007 for use in its Walkers potato chips brand, PepsiCo has become the largest purchaser of spuds in the region.

Under the initiative, local farmers will have access to i-crop precision farming technology. This new Web-based crop management tool, developed in conjunction with Cambridge University, allows growers to track harvest inputs and outputs, and accurately calculate water use and carbon emissions. The company is also piloting low-carbon fertilizers with Spearhead Farms–one of Walkers' largest suppliers–and plans to replace more than 75 percent of its current potato stock with varieties that will significantly improve farmers' yields and reduce waste by 2015.

Potato farmers will also be able to use The Cool Farm Tool, a computerized carbon calculator that shows how much CO_2 is emitted during each part of the agricultural cycle to help growers understand how much carbon results from different practices.

Coronating Emirates' Logistics Corridor

The United Arab Emirates has a reputation for architectural grandeur, and its transportation and logistics infrastructure is no less awe-inspiring. Emirate officials recently cut the ribbon on the Dubai Logistics Corridor, a transportation gateway that links ocean, air, and land modes over an area spanning 77 square miles—roughly the size of Cleveland.

The corridor includes Jebel Ali Port, the sixth-largest container port in the world; Jebel Ali Free Zone, host to more than 6,500 companies; and Dubai World Central, home to Al Maktoum International Airport, which will be the world's largest airport when completed.

The debut of the Emirates' premier transportation and logistics portal cements the Middle East region's status as a global distribution hub. The logistics corridor brings together all the components necessary to create a multimodal logistics platform, facilitating increased and more efficient trade flows into and through the region.

One key to the corridor's success is the improvement of sea-to-air cargo flows by eliminating the processes of exit and entry from one zone to another, including double customs inspections. Officials expect the corridor's opening to attract even further foreign investment and economic development, which already represents more than 25 percent of Dubai's GDP.

The Dubai Logistics Corridor links sea, land, and air modes over 77 square miles. The gateway will facilitate efficient trade flows, enhancing the area's economic competitiveness.

Land of the Rising Yen

Japanese manufacturing confidence has held steady over the past few months. But as companies contend with the yen's surge, expectations will likely deteriorate, according to a new Reuters poll.

Still, Japan's economy shows some signs of realignment as it gradually diversifies beyond core industries such as automotive. Toyota reportedly is looking to push more production offshore; Mexico is a likely expansion target. This comes after the company scaled manufacturing capacity in the United States during the auto industry meltdown and brought more production back to Japan.

More telling, robust air cargo volumes between Japan and Europe reflect shifts in demand from the country's manufacturing industry. For example, Lufthansa Cargo recently expanded services to and from Japan, boosting flights to 12 times a week, doubling its existing frequencies. The electronics, entertainment, automotive, and optical and photographic industries produce the majority of goods flown to Europe. But the volume of solar technology products and components transported by air has also increased.

Taiwan Targets Logistics

Taiwan is set to become an Asia-Pacific logistics hub, thanks to a US $3.27-billion global logistics development plan recently approved under the joint auspices of the Council for Economic Planning and Development, Ministry of Economic Affairs, Ministry of Finance, and Ministry of Transportation and Communications.

Beginning in 2010, the three-year project aims to sharpen the country's economic competitiveness by upgrading airport and harbor infrastructure, boosting Customs clearance efficiency, and promoting cross-border cooperation.

Opportunities brought about by the Economic Cooperation Framework Agreement with China and expanding cross-strait links make strengthening logistics services a must for Taiwanese companies looking to carve a niche in the global market. The development plan also aims to help Taiwan move up in the World Bank's Logistics Performance Index. In 2010, Taiwan ranked 20th out of 155 economies. [ ]

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GREEN LANDSCAPE

SUSTAINABILITY IN THE SUPPLY CHAIN

by Hillary Femal

Pallet-Sharing Programs: Better for the Planet

When evaluating a pallet program against your operational criteria–including environmental concerns–the best result comes from looking at the issue in two parts: the pallet itself, and the pallet program.

The pallet's source material, production method, size and specifications, and impact on transportation efficiencies has received much attention and discussion. But the pallet program–the way in which pallets will be delivered to production and retrieved after final sale–can have an even greater impact on the environment.

For shipping and receiving, there are three basic types of pallet programs:

1. Single-use or one-way programs. In single-use pallet programs, new, lightweight pallets–typically made from cardboard or thin wood–are delivered to production facilities for use in shipping "one way"–downstream to a retailer or final customer. Once a retailer finishes using the pallet, it is disposed of, which results in landfill waste. And because a new pallet is required every time, more natural resources are consumed.

Of the three programs, one-way programs are the least environmentally friendly. The material waste, combined with the expense of purchasing new disposable pallets for every shipment, is why one-way programs comprise only a small percentage of the market.

2. Extended-use or buy/sell programs. Buy/sell programs utilize extended-use or reusable wood stringer pallets, which are sold to manufacturers then repurchased back from retailers by a local pallet-management facility prior to being either repaired and reissued or recycled. Local repair and reuse of wood stringer pallets minimizes transportation, fuel use, and emissions, offering sustainability advantages over pallet leasing.

Because of this pallet management companies network, the extended-use whitewood pallet exists in an "open pool." Thousands of pallet recyclers buy/sell pallets and independently integrate to create the most comprehensive retrieval network in the world, continuously recycling and reusing the pallets.

This model blends attributes of both pooled and single-use pallet models: it capitalizes on extended reuse like leased pools, but at the same time features a change in ownership of the pallet like single-use models. For these reasons, the reusable stringer pallet model reduces both costs and environmental impact.

If, after repurchase from a retailer, a pallet cannot be repaired and reused, its components are recycled for use in repairing other pallets, or the wood is ground for use as mulch, animal bedding, or wood-stove pellets.

3. Leasing or rental programs. In pallet leasing or rental programs, pooled plastic, metal, and wood pallets are leased to customers. After use, pallets that have not been lost are transported to a central depot for storage until they can be redeployed to another customer elsewhere in the country. This travel across long distances increases fuel consumption and greenhouse gas emissions.

Due to their heavier construction, pooled pallets require a more expensive and less environmentally friendly repair and disposition process. This is because component-level repair is not always feasible, particularly with plastic and steel pallets, thus the replacement of damaged pallets equates to unit-level replacements. More repairs mean greater expense and more resources used.

Pallets are an integral part of nearly every supply chain, and the programs through which they are obtained and retrieved can have significant impact on our environmental footprint. ■

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3PLLINE

by Charlie Jacobs

Lean: The Next Best Thing to 'Clip-and-Save'

Everyone respects the cost-cutting power of a good coupon. It's simple to use, easy to grasp, and highly effective for easing pain at the cash register. The logistics sector has an equivalent that saves far more than just a few pennies. It's called Lean.

This popular quality-improvement process leads to documented savings that you can attain with little of the pain, suffering, and inconvenience that often accompany dramatic economies.

Want proof? Here are just a few examples taken directly from shippers' recent Lean projects.

■ **The Case of the Sub-optimized Warehouse.** When one consumer packaged goods facility analyzed its space utilization during a four-week Lean project, it discovered thousands of square feet that could accommodate most of the inventory being stored at overflow facilities. The solutions included proactive replenishment to the forward pick areas, double stacking on the top level of racks, and using dock space in front of unused doors.

Other facilities serving this shipper replicated this project, ultimately allowing the company to eliminate many of its overflow facility requirements and shave nearly $1 million off its warehousing costs.

■ **The Case of the Superior Sequel.** Sometimes, the best ideas for Lean projects are born out of the work done for previous projects. Just ask the Lean team working with a security products account in one of the country's largest metropolitan areas.

After successfully completing a three-week project to improve the lines per labor hour for that account's packing and shipping process, team members realized they could achieve considerably more savings by changing the layout of the conveyor and work stations.

They focused on making these changes during a subsequent two-week project. The result was more than $1.5 million in savings, 73 percent of which came from the second effort.

■ **The Case of the Better-Packed Pallets.** Warehouse space isn't the only thing that can be optimized for hundreds of thousands of dollars in savings, as a Lean team working on a consumer packaged goods account discovered when it decided its next initiative would focus on pallet reduction.

By the end of this three-week project, team members had found a way to increase the average number of cases shipped per pallet not only at their facility but at three others that were performing similar services. Thanks to this new packing process, the facility now uses far fewer pallets–and has shaved nearly $500,000 off its pallet expenses.

WHAT ARE YOU WAITING FOR?

These mini case studies are by no means representative of everything shippers can do to Lean their warehousing operations–or what your company can achieve at your distribution centers if you decide to embrace Lean.

But they all share three important elements: Each was implemented by the same type of personnel and talent your company probably has working in its supply chain operations. None required so much of any one resource's time that it interfered with their ongoing job responsibilities. And no one misses the waste and inefficiency they ultimately eliminated.

Which begs the question: If you haven't tried Lean or a similar process improvement, what are you waiting for? Unlike a coupon, it may not fit in your wallet. But it can easily fit into the way you do business. ■

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ECODEV

ISSUES AFFECTING | ECONOMIC DEVELOPMENT

by Jeremy Woods, CCIM, SIOR

Tapping Into the Power of Supply Chain Integration

In 4 B.C., Greek philosopher Plato said necessity is the mother of invention. That statement is as true today as it was then. During the past few years, it became a necessity for companies to find cost savings and run their businesses more efficiently to survive tough economic times.

In addition to network rationalization, inventory optimization, warehouse auditing, and other efficiencies, companies also grew increasingly focused on energy consumption and sought to lower their carbon footprint through reducing utilities costs, optimizing equipment operation, and improving process flow.

Occupancy and facility costs increasingly show up on companies' radar screens. Depending on the location, current lease payments on your distribution space may be well above prevailing market rates. There has been a renewed focus on taking advantage of a soft real estate market by renegotiating facility leases to further reduce costs.

It's accepted practice to approach each area of supply chain, energy use, and real estate with the requisite due diligence each deserves–many companies see these areas as separate and unrelated tasks. Focus on each individually and you can achieve good results but lose potential valuable synergies.

Integrating and focusing on these three areas as part of an orchestrated strategy is key to gaining the additional leverage you need to maximize each. It's like taking three smooth, round pieces of metal and adding teeth, creating gears that drive one another.

For example, say your 400,000-square-foot distribution center is coming off a 15-year lease signed in 1996. You rode out the storm, but now have a new account in process and may need an additional 50,000 square feet. Your company has a separate initiative to reduce its carbon footprint.

You have three seemingly separate problems–a lease coming up, a need for more space, and a desire to become more green. How might you wrap these issues together to maximize your result?

Here's a potential plan: After conducting a warehouse audit of your existing facility, you determine that by reconfiguring your racking and increasing pick face density, you can free up enough space for your potential new account and accommodate projected growth for another five years. Now you can negotiate a matching renewal term with confidence. You prepare a detailed request for proposal, outlining what it will take to reconfigure your space, and include these costs in your request (including the cost of the study itself). In addition, you will require your 400,000-square-foot space to be retrofitted with new high-efficiency T5 lighting to replace the costly metal halide fixtures.

Done in proper sequential order, this orchestrated process enables you to leverage each issue to create an overall benefit. Adding it all up looks like this:

1. Warehouse audit $25,000
2. Inventory optimization measures (racking reconfiguration) $225,000
3. T5 lighting retrofit $150,000
4. Tenant allowance from landlord on 5-year renewal......... $400,000
5. Utilities cost savings with new lighting: 15 cents per SF/year $60,000
6. Rental savings on the 50,000 SF no longer needed $200,000

Total savings over 5 years $1,700,000

By organizing your issues into a cohesive strategy you are able to realize the power–the necessity–of integrating your supply chain, energy use, and real estate. ■

TRANSPORT FUNDING

Who Gets the Big Piece of Pie?

The U.S. Department of Transportation's second round of stimulus funding for infrastructure development exposes a widening gap between U.S. roads, rails, and bridges and government special interests.

by Joseph O'Reilly

Atlanta's downtown streetcar project pulled away as the big winner in the U.S. Department of Transportation's (DOT) second round of the Transportation Investment Generating Economic Recovery (TIGER) sweepstakes announced in October 2010. The new commuter system, which will operate four trolleys and 12 stations in connection with the existing Metropolitan Atlanta Rapid Transit Authority light rail system, received $47.7 million in grant money.

In Fort Worth, Texas, the Tower 55 Multimodal Improvement proposal ($34 million), aimed at alleviating freight bottlenecks at an intersection between the Union Pacific and Burlington Northern Santa Fe railroads, finished a distant second–and the disparity in funding reveals a much broader chasm in government's ability to practice fiscal discretion.

The DOT awarded nearly $600 million in grants to 42 capital construction projects and 33 planning projects from a pool of 1,000 applications valued at $19 billion. When transportation officials introduced TIGER subsidies almost two years ago–as legislated by the American Recovery and Reinvestment Act of 2009–they rolled out 51 grants worth $1.5 billion.

Roughly 29 percent of the TIGER II funds were approved for road projects, 26 percent for transit, 20 percent for rail, 16 percent for ports, five percent for planning projects, and four percent for bicycle and pedestrian right of ways, according to the DOT.

But whatever the perceived balance in terms of transport allowances across modes, officials have made it clear that public-facing commuter facelifts–when job growth and unemployment are arcing in opposite directions–take priority over much-needed freight infrastructure development.

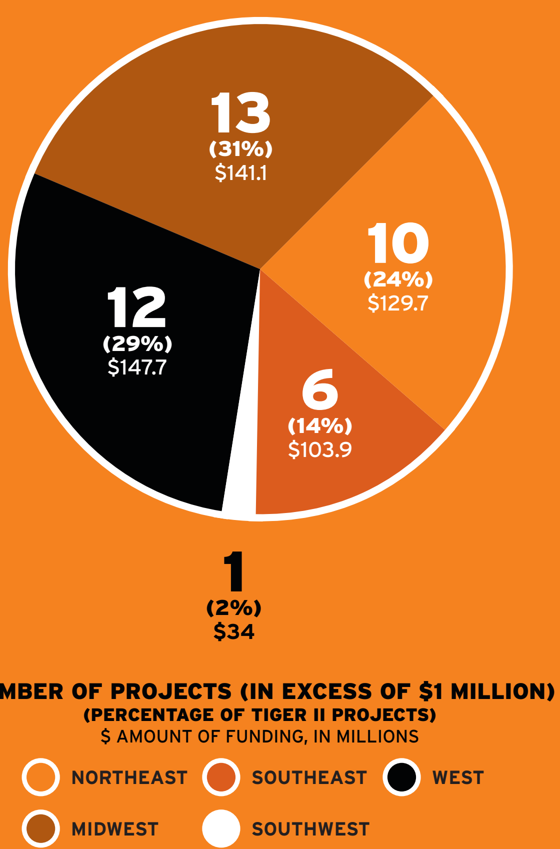
Of the 42 capital projects awarded grants, 20 (48 percent) are purposed for passenger transport, 14 (33 percent) for freight projects, and eight (19 percent) for dual use (any project that contributes to both freight and passenger improvements). In terms of funding, freight proposals received $194.7 million in direct aid, passenger initiatives were allotted $248.4 million, and $113.6 million was spent on shared initiatives.

This distribution of funds is not an anomaly. The initial TIGER dispersal in February 2010 reveals the same imbalance. Nearly three times as much money was doled out, but of the 51 grants, 25 passenger-oriented projects raked in $691.7 million, 13 freight projects received $494.8 million, and 13 dual-purpose proposals accounted for $311.7 million.

One positive footnote is that the two grants in excess of $100 million were both directed toward freight infrastructure efforts–the CREATE Program Projects in Chicago and the Crescent Corridor Intermodal Freight Rail Project in Tennessee and Alabama.

Mapping the Money

Not only is there a discrepancy between government funding for public-facing commuter facelifts and freight infrastructure development, there's a regional discrepancy as well. The Midwest and West get the lion's share of TIGER II funding, followed by the Northeast and Southeast. The Southwest gets far less funding than any other region.



Source: U.S. Department of Transportation

FREIGHT DOESN'T RATE

The imbalance in freight transportation spend, as dictated by the DOT, will only stoke wildfire debate about the dire condition of U.S. roads, bridges, rails, airports, ports, and their surrounding infrastructure. In October 2010, the U.S. Chamber of Commerce's first-ever nationwide and state-by-state Transportation Performance Indexes revealed a significant decline in how the country's transportation network is serving the needs of the economy.

From an economic development perspective, a well-developed system for moving cargo is the dangling carrot that entices investment, attracts manufacturing, and creates jobs–this, in turn, stimulates consumer spending for automobiles, walking shoes, and bicycles. Allocating nearly $50 million for a downtown trolley system exposes a severe lack of transportation leadership at the federal level and the need for a national transportation policy that can provide governance for distributing transportation funding such as TIGER.

While the DOT reports that only four percent of the 2010 grants will be directed toward bicycle and pedestrian projects, in fact, 15 of the 42 winning proposals (36 percent) have provisions for bicycle and pedestrian enhancements. The 47-page press documentation publicizing the TIGER II recipients contains 45 references to "pedestrian," 41 to "freight," 37 to "bicycles/bikes," and three to "cargo."

Observers need look no further than the fine print to gauge the government's priorities.

Even more telling, $20 million has been set aside for California's Crenshaw/LAX Light Rail TIFIA Subsidy in Los Angeles; $10.2 million appropriated for the East Bay Pedestrian and Bicycle Network in Alameda and Contra Costa counties; and $10 million for the San Bernardino Airport Access plan. All three projects, totaling more than $40 million, are primarily dedicated to public transit improvements. Only the airport initiative will have a measurable impact on alleviating freight network congestion in the area.

The fourth TIGER II recipient from California, the Port of Los Angeles' West Basin Railyard development ($16 million), will have a direct impact on cargo movement, connecting on-dock railyards to the Alameda Corridor.

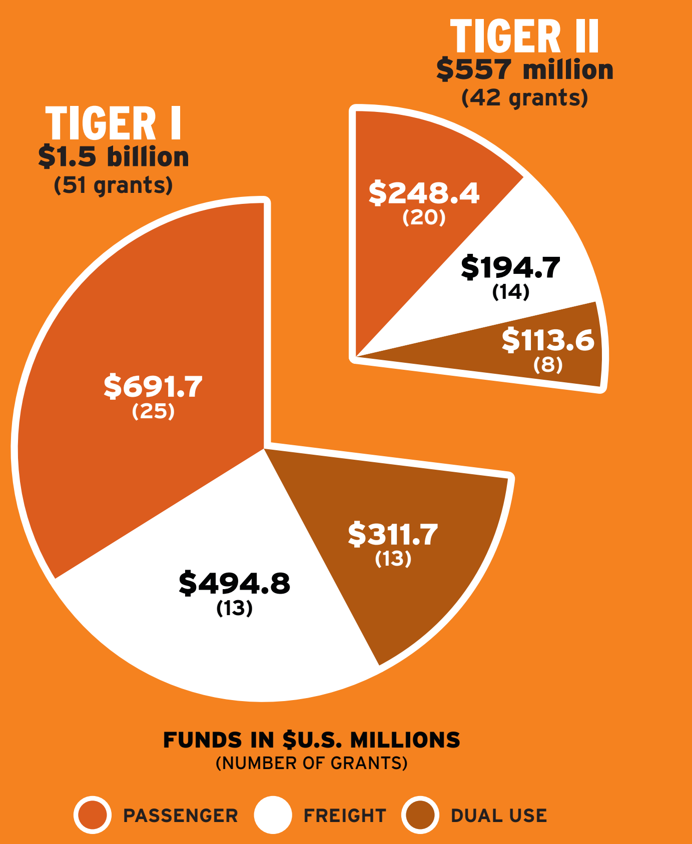
With the first TIGER pass, two of California's four winning applications–the Alameda Corridor and the Green Trade Corridor/Marine Highway–were specifically directed at cargo improvements. So the success of California's earlier considerations and priorities may have swayed the state's most recent transportation funding targets and the DOT's decision-making.

Still, California ranks among the worst states in terms of transportation performance as it relates to economic value, says the U.S. Chamber of Commerce. Light rail systems, pedestrian walkways, bike paths, and better access to a regional airport are cosmetic fixes that do little to resolve fundamental infrastructure problems beyond helping travelers avoid traffic.

In Illinois, priorities are similarly slanted. The grant awarded to the Warehouse District Complete Streets project in Peoria allows city officials to "pursue plans to revitalize the area through mixed-used development, combining housing with shopping and work destinations," according to the DOT. As far as transportation investment, money will go toward enhancing the local road system "to encourage walking trips through sidewalk and streetscape improvements." Among the project's highlights? It will bring dilapidated and non-existent sidewalks into a state of good repair.

Keeping an Eye on the TIGER

In two rounds of transportation infrastructure stimulus spending, the U.S. Department of Transportation has distributed more than $2 billion across nearly 100 capital improvement projects. Given the economic climate and the condition of U.S. rails and roads, the disparity between funding for public transport and freight transport is remarkable. To date, two-thirds of TIGER funds have been directed toward passenger transportation interests.



Source: U.S. Department of Transportation

RURAL VS. URBAN

The criteria the DOT used in vetting these recent grant applications remain largely unchanged from the first TIGER-go-round. Officials made one concession to set aside $140 million for rural infrastructure development, but approvals were based on shovel-ready projects, return of investment, innovation, and partnership.

The DOT's rationale for prioritizing rural development also raises a few questions–for one, how it defines rural. Seventeen of the grants awarded in TIGER II were designated accordingly, including Oregon's statewide Electric Vehicle Corridor, which will build 42 electric-charging locations along Interstate 5. Many of these sites will be concentrated in Portland, Eugene, Salem, and Corvallis. Another rural project is Moscow, Idaho's proposed Transit Center. Moscow is a city with a population of 23,000 people.

Less-populated areas generally have fewer congestion problems and possess better transportation resources simply because they have to in order to remain competitive. Modal accessibility and efficiency are necessary incentives for businesses locating industrial facilities farther away from demand centers. It's why North and South Dakota, Nebraska, and Montana are the top four performing states according to the U.S. Chamber of Commerce's transportation index.

Densely populated areas, by contrast, often have the greatest transportation infrastructure needs in terms of moving freight and people. So improving commuter services in a major port city–thereby helping to alleviate traffic congestion–would better serve the interests of the greater national good than a new light rail transit system in a "rural city" where a growing percentage of the populace drives electric cars.

Why make a distinction between rural and urban transportation requirements? If there is an immediate and

The Good, the Bad, and the Fads

At the turn of the 20th century, streetcars and bicycles were common in fast-growing urban areas all across the United States. In fact, the widespread popularity of cycling literally paved the way for U.S. road development.

Now, as century-old bridge, rail, and road infrastructure lies waiting for much-needed investment, this pair of transportation fads from the past is making a comeback.

Two of the top four grant recipients in the second round of TIGER funding, totaling $73.7 million, are for streetcar projects in Atlanta and Salt Lake City. More telling, 15 of the 42 winning proposals have provisions for bicycle and pedestrian enhancements, while only 13 are dedicated specifically to freight transportation.

To provide a better picture of how U.S. tax dollars are being put to work, here's the DOT's rundown of notable transportation projects that received TIGER II funding.

THE GOOD

Port of Miami Rail Access

PROJECT COST: **$46.9 million** TIGER FUNDING: **$22.8 million**

The grant will help establish intermodal container rail service to the Port of Miami by building an intermodal yard and making necessary rail and bridge improvements. Specifically, the project will upgrade track, signals, and switching between the Florida East Coast Railroad Hialeah railyard and the port.

Port of Los Angeles: West Basin Railyard

PROJECT COST: **$125.8 million** TIGER FUNDING: **$16 million**

The West Basin Railyard project will construct an intermodal yard, including staging and storage tracks that connect on-dock railyards with the Alameda Corridor. It will also include a railyard for the short-line railroad serving Union Pacific, Burlington Northern Santa Fe (BNSF), the Port of Los Angeles, and the Port of Long Beach.

Tower 55 Multimodal Improvement Project (Fort Worth, Texas)

PROJECT COST: **$91.2 million** TIGER FUNDING: **$34 million**

Tower 55, a major rail and traffic bottleneck, is an intersection in downtown Fort Worth where Union Pacific and BNSF railroad lines cross. The project will improve the flow of train traffic through this intersection by adding a north-south track and installing new signals and a new interlocking system.

◀ Coos Bay Rail Line Rehabilitation (Oregon)

PROJECT COST: **$14.6 million** TIGER FUNDING: **$13.6 million**

The Port of Coos Bay project will rehabilitate the track structure of the 133-mile Coos Bay Rail Link, which closed in 2007 as a result of deferred maintenance.

deserving need, it should be met.

The DOT's TIGER II allocations are likely to spread further unease among transportation and logistics industry constituents–but one positive trend emerges among the 2010 grant recipients. Seven of the 42 requests were awarded to port authorities, totaling nearly $95 million, or 17 percent of the available funds. The American Association of Port Authorities' goal was 25 percent.

In this regard, the TIGER II distributions reflect a considerable progression from the first round of awards, when port-related infrastructure projects received only eight percent of the $1.5-billion kitty. Other sectors, such as transit, highway/bridges, and pedestrian/bicycle, collected nearly 67 percent of the pie.

With port capacity, congestion, and labor shortages latent concerns in the United States, investing in and developing rail/intermodal infrastructure is one critical step in expediting cargo throughput, moving freight off heavily trafficked roadways, and working toward a greener business environment.

For now, however, this most recent round of TIGER funding, and the lion's share of investment directed toward special interests that have little bearing on the country's best interests, will do little to elicit a roar from an economy that is otherwise whimpering. ■

THE BAD

Dilworth Plaza and Concourse Improvements (Philadelphia) ▶

PROJECT COST: **$55 million**
TIGER FUNDING: **$15 million**

The Dilworth Plaza and concourse improvements project will upgrade the deteriorated public plaza adjacent to Philadelphia's City Hall into a major gateway for public rail, bus, and trolley transportation. The project will also create more green space and incorporate features facilitating compliance with the Americans with Disabilities Act. The project enjoys substantial support from surrounding offices and hotels.

Warehouse District Complete Streets Project (Peoria, Ill.)

PROJECT COST: **$37.4 million** TIGER FUNDING: **$10 million**

The money will help the City of Peoria pursue plans to revitalize its downtown area through mixed-used development, combining housing with shopping and work destinations. The project will improve the local road system to encourage walking trips through sidewalk and streetscape enhancements in support of mixed-use development on the 185-acre site.

New Haven Downtown Crossing

PROJECT COST: **$31.7 million** TIGER FUNDING: **$16 million**

The New Haven Downtown Crossing project will convert Connecticut State Route 34 from a limited access highway to urban boulevards with road, streetscape, bicycle, and pedestrian enhancements, as well as reconfigure local street connections.

THE FADS

Atlanta Streetcar

PROJECT COST: **$72.2 million** TIGER FUNDING: **$47.7 million**

The project, which connects to the existing MARTA light rail system, will operate 2.7 miles of track and four streetcars in a loop between 12 stations.

East Bay Pedestrian and Bicycle Network (Contra Costa and Alameda Counties, Calif.)

PROJECT COST: **$43.3 million** TIGER FUNDING: **$10.2 million**

The East Bay Pedestrian and Bicycle Network will close several gaps in the nearly 200-mile bicycle and pedestrian trail system serving the 2.5 million residents of Contra Costa and Alameda counties in California. The project will separate bicycle and pedestrian traffic from automobile traffic, and connect to transit facilities.

Sugar House Streetcar (Salt Lake City) ▲

PROJECT COST: **$55.6 million** TIGER FUNDING: **$26 million**

The Sugar House Streetcar project will include a two-mile streetcar line between an urban arterial route and Interstate 80, connecting the regional commercial center and redevelopment area to the TRAX light rail system. When the project opens in 2013, daily ridership is estimated to be approximately 3,000, and is projected to rise to 4,000 by 2030. The Salt Lake City metro area has a population of 1.1 million people.

Source: U.S. Department of Transportation

CSCMP ANNUAL CONFERENCE

CAN WE TALK?

Discussed in general sessions and overhead in the hallways: Shippers are focused on reducing risk and managing volatility, developing supplier relationships, and creating supply chain resilience.

by Perry A. Trunick

For an event the size of the Council of Supply Chain Management Professional's (CSCMP) annual global conference, held Sept. 26-29, 2010 in San Diego, the view depended on where you stood. But wherever you went, attendees were talking supply chain risk, volatility, disruption, and visibility.

That's not surprising, given the events of the past few years. Major disruptions have occurred as a result of both natural disasters and human error. These disruptions taught companies how little they actually knew about what was happening in their supply chains, and they realized an enterprise focus is not the same as an end-to-end view of the supply chain. These visibility gaps have renewed a corporate emphasis on connecting more of the supply chain with improved processes, practices, and technologies.

CSCMP attendees were also discussing supplier relationship management, and IT types were talking cloud computing.

Technology such as cloud computing, however, is only one enabler. Companies are giving more attention to building relationships and trust all along the supply chain to arm themselves with a resilient and responsive weapon against the uncertainty that will dominate a volatile economic recovery.

The following highlights from the CSCMP conference convey the tone of attendees and offer some insight into what supply chain management practitioners and philosophers predict for the future.

Conversation at the CSCMP annual conference revolved around supply chain risk, volatility, disruption, and visibility.

TRANSACTION VS. TRANSFORMATION

Who among us isn't guilty of sometimes chasing a shiny new technology without fully considering whether it has value or contributes substantially to a better lifestyle or personal well-being? If you're considering the latest smart phone, the consequences of a wrong choice are minimal. But if your technology decision is part of your company's strategy to achieve market advantage, stop and reconsider.

"Technology has a tremendous allure. Everybody wants it, and they want it to change the way they do business," says Dr. Stanley Fawcett of the Marriott School of Management at Brigham Young University, Provo, Utah.

And, while collaborative planning, forecasting, and replenishment (CPFR) has helped information replace inventory, allowing companies to increase sales while reducing inventory and taking time out of the supply chain, many companies are stuck on the transactional side. They miss out on the true transformation that technology can enable.

"The goal of many companies has been to reengineer processes and focus on customers and collaboration, but they aren't looking at what technology can do for them," Fawcett notes. "Instead, many companies are taking a defensive approach to adopting technology, and focusing on what it can protect them from rather than what it can actually do."

Why is this happening? In part, because companies tend to hold two views of technology: first that it is the answer to all problems; second that it merely enables us to do certain things better–a small part of a broader solution.

Many firms consider technology a solution rather than an enabler. When technology fails to make a problem disappear, they are likely to blame the implementation for being over budget and under-performing. From there, they often go back and criticize the technology supplier for over-promising and under-delivering.

"We won't enable better solutions until we think about technology as 'information sharing' rather than 'information systems,'" says Fawcett. "To achieve this we need an investment in technology and a willingness to share."

Many companies are reluctant to share information, however, because they believe transparency makes them more vulnerable. But the two critical dimensions of technology–connectivity and willingness to share–are complementary. Some firms with a strong attitude about sharing information have been able to improve with very little technology. Others have experienced some improvement as a result of adopting technology in an increasingly open environment. When connectivity and willingness to share information happen together, the company outperforms its competition.

It comes down to a matter of corporate culture, explains Fawcett. "Companies must develop a culture that recognizes investing in technology to collect and disseminate information is necessary to achieve collaboration. That all depends on a willingness to share," he says.

The technology needs to be mapped to capabilities you are trying to build, not simply used to improve efficiency. Instead, "use technology to transform processes and improve relationships," Fawcett recommends.

RELATIONSHIPS: People Power

Humberto Florez, president of aerospace and technology for global third-party logistics provider Exel, Westerville, Ohio, supports the CSCMP discussion thread about the importance of relationship management in logistics and supply chain operations. Some companies in the technology space don't have many actual practitioners; instead, they have people who manage relationships with vendors and third-party logistics providers. "We are their practitioners," Florez notes.

When logistics managers hear the name of a 3PL company, they don't necessarily think "practitioner," even though the scale of what the 3PL does for its customers includes many of logistics and supply chain management's tactical elements, adds Fred Takavitz, senior vice president of business development for Exel's Retail Sector-Americas.

Given the importance of relationships in supply chain management, Florez expresses concern that some companies view a logistics contract the same way they do a contract for parts, components, or manufacturing materials. "You can't buy supply chain execution like any other service," Florez says, "because you must consider some inherent risks."

Many companies share a misconception about what outsourcing means. "Some companies think if they pay a third party to perform a service, they no longer bear any of the risks, but that's not true," says Florez. "The company may not be the negligent party–the one that causes a supply chain failure–but it is responsible for at least some of the risk."

Here's an example: selecting an airline for travel. Travelers can review a carrier's rules governing lost or damaged baggage. The active choice of a carrier includes the amount of risk the travelers will bear on a baggage claim versus what risk they expect the carrier to assume.

Another issue that many procurement people don't fully understand is consequential damage. Florez cites a photographic film maker who sets a clear limit on damages for each product, and states the manufacturer is responsible for replacing the film if it fails. It won't, however, replace your Hawaiian vacation so you can go back and shoot the photos again. The film manufacturer limits its responsibility to the things it controls, similar to what logistics service providers seek to do. For instance, a third-party provider can't deliver parts on time if the parts aren't available because of a sourcing arrangement executed by the customer.

RISK: Playing the Odds

Risk has become a recurring and dominant theme at supply chain management events, and the CSCMP conference was no exception. Concern over supply chain disruptions runs high.

Consider what happened to Wichita, Kansas-based Hawker Beechcraft Corporation, a leading manufacturer of business, special-mission, and trainer aircraft. The company went quickly from having a three-year backlog on orders to fighting for position as orders for general aviation aircraft were cancelled or postponed when the economic downturn hit.

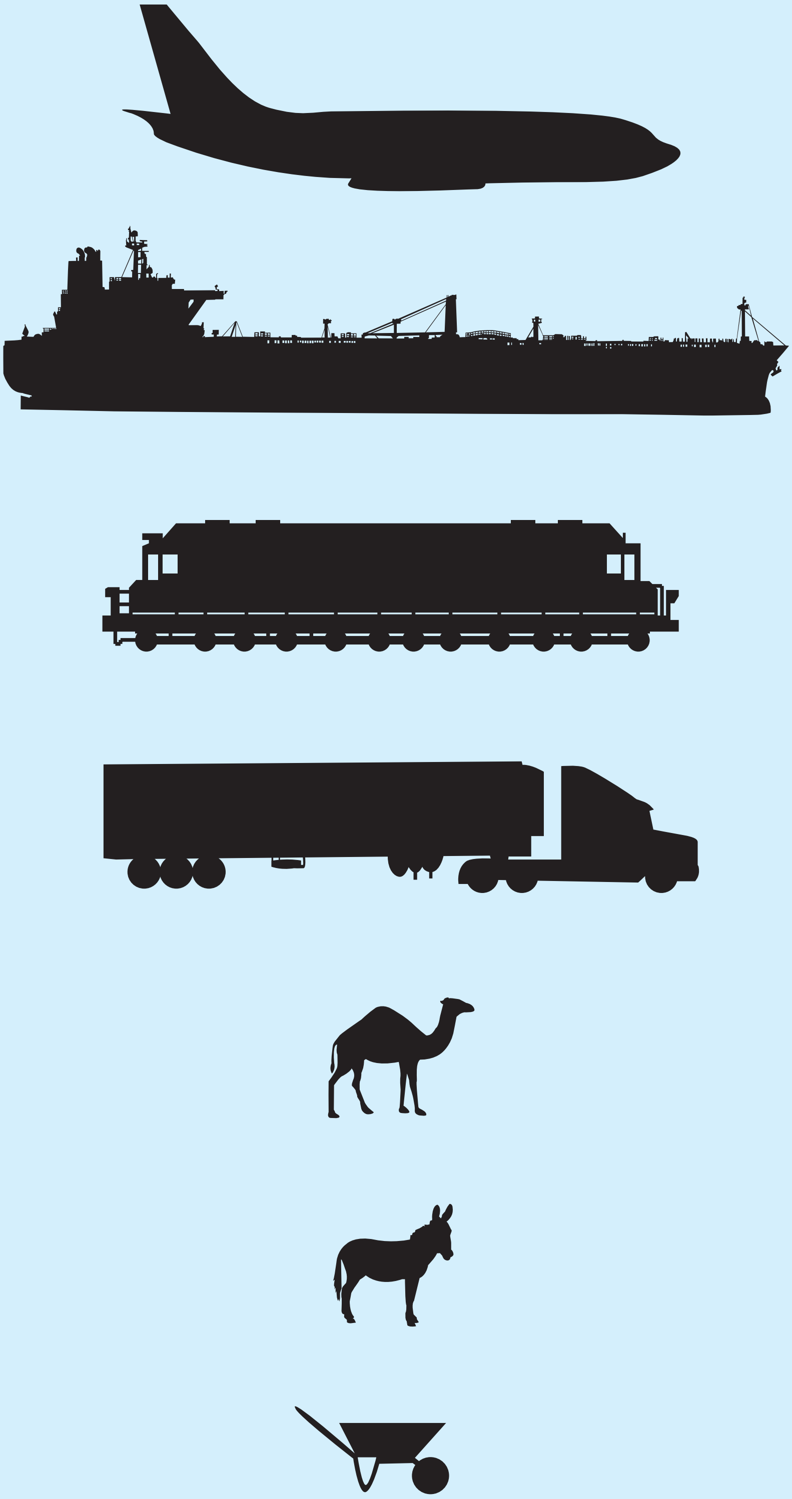
"Relationships are the key to surviving not only the downturn, but also the recovery," notes Brent Edmisten, vice president of supply chain operations for Hawker Beechcraft.

The company quickly began scheduling regular conference calls between its CEO and its suppliers' senior management. "In the aerospace industry, suppliers are critical and not easily replaced," Edmisten says. "It was important for us to maintain those relationships and help ensure the viability of our suppliers during the difficult times so they are still a vital part of the supply chain when markets recover."

As the economy rebounds, Hawker Beechcraft is boosting supplier relationship management, according to Edmisten. The pricing paradigm has changed, and Hawker Beechcraft is trying to avoid a margin squeeze, relying on its global footprint and technology, and sizing the business to what it expects demand will be in the post-recovery market. That means becoming a smaller, leaner company, he says.

"We had a good handle on risk," says Edmisten. "Of the 300 suppliers that account for 95 percent of our spend, only one company went under in the past few years." Others in the industry saw suppliers fail every week, he adds.

The contracts Hawker Beechcraft had weren't supporting the new conditions in a smaller market, so it went back to its suppliers



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and renegotiated conditions that were beneficial both to the company and its supply base. Relationship management was key to managing the risk, according to Edmisten. It took communication and a collaborative approach to build trust.

A collaborative approach is also important in other areas of risk, including security. Judy Whipple, Michigan State University, cites research on food supply chain risk that highlighted communication, process management, infrastructure management, and relationships with customers and suppliers as among the top security competencies. "Risk is any unintended consequence or outcome," Whipple explains. "Levels of risk range from minor to catastrophic, but perhaps the hardest part of risk management is determining the likelihood of any given hazard occurring."

Consequences may be easier to predict based on actual history. Dan Burges, director of consultancy and intelligence for FreightWatch International, a logistics security solutions provider based in Austin, Texas, addresses one catastrophic scenario in which a major pharmaceutical company incurred a $76-million theft loss. The total loss to the company was four or five times that number, including a drop in the company's stock price.

But while the consequences can be quantified, the probability of any given scenario occurring is infinitesimal. "With no additional security, the risk of your cargo being stolen is 0.024 percent," Burges notes.

That's an overall number, he points out, and the actual risk will rise or fall based on the type of product, its current market, and its value. Thieves are stealing what consumers want to buy, Burges says, so the latest Apple iPhone, for example, carries a high theft risk.

Regional factors also come into play with theft risk. In Mexico, cargo theft is almost always a violent crime, while in the United States, less than two percent of cargo thefts are violent crimes. But the value of cargo stolen in the United States is $500,000, and closer to $10,000 per theft in Mexico. The United Kingdom and Western Europe also experience a higher rate of theft, but the value is smaller still—€3,000 to €4,000, says Burges. "Those crimes tend to be slash-and-grab thefts from curtain-sided vehicles or pilferage from distribution centers or at ports," he adds.

With lean supply chains, disruptions of any sort can have a greater consequence. Weighing risks and determining which countermeasures to put in place, and at what cost, is a difficult decision. If you reduce risk by spending on countermeasures, you reduce shareholder value and operate at a higher cost than a competitor

Finding the Information Black Holes

CSCMP attendees were focused on supply chain visibility, and their concerns are well-founded. Respondents to a recent Sterling Commerce/IBM survey cite real-time demand as the most prominent information "black hole" among companies, followed by supplier issues and problems.

Real-Time Demand	39%
Supplier Issues/Problems	34%
Marketing/Promotions Visibility	26%
Manufacturing Schedule Changes	25%
Available-to-Promise Information on Inventory and Schedules	21%
Intra-Company Communications (plant-to-plant, division-to-division)	14%
Supply Chain Financial Data	14%
Emerging Trade Risk	13%
In-Transit Shipment Status	9%

Source: *Manufacturing & Logistics Industry Survey: Supply Chain Volatility*, Sterling Commerce/IBM who does not, according to Walter Zinn, professor of logistics at Ohio State University.

"If you don't spend on countermeasures and a catastrophic event happens, you will be judged on the quality of that decision–after the fact," he adds.

RESILIENCE: Contending With Volatility

Responding to channel volatility that is a result of market conditions, not a hazard, carries equal significance for supply chain management. Among the priorities for companies seeking better control are shorter order cycle times, faster new product introductions, improved demand management, and the ability to accelerate globalization, says Richard Douglass, global director, industry marketing for manufacturing and logistics/distribution, at IT solutions firm Sterling Commerce, Dublin, Ohio.

While collaboration is an important strategy, it is more often manual or ad-hoc than it is automated, Douglass notes.

Transactional areas such as shipment status, inventory, and delivery information are likely to be automated, and larger companies with higher revenues are typically more automated. The amount of turbulence still affecting the economy is causing significant concern for supply risk, Douglass points out, and is leading companies to move from sole sourcing to multiple suppliers.

It is increasingly important to have the analytics that enable better decision-making, says Douglass. But an area where supply chain managers need to improve is scenario planning–assessing different alternatives based on risks.

"It's like having different playbooks with different response profiles for different contingencies," Douglass explains.

According to a recent Sterling Commerce/IBM survey, companies have already cut costs and inventories and will begin to focus on agility and visibility. Visibility of real-time demand data and supplier risk information are "black holes" topping the list of concerns expressed by many executives who responded to the survey *(see chart, page 50)*.

The emphasis on supplier relationship management and other priorities indicates that external processes are the greatest source of volatility risk, says the survey. That came across at many sessions and discussions during CSCMP's conference. Reducing risk and managing volatility in the supply chain has become more than an enterprise approach, and efforts may finally be shifting to the supply chain–from end to end. ■


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SUPPLY CHAIN VELOCITY:

SHIFTING INTO OVERDRIVE

When expediting shipments, visibility, communication, and customer service get into gear.

by Joseph O'Reilly

The contrast between speed and velocity is as recognizable in the supply chain world as it is in the physics lab. Velocity is a measurement of the rate and direction of change in an object's position. Speed is a subset of this quantity, defined as an object's distance traveled per unit time. Simply, velocity is speed with direction–it's intelligent urgency.

In the supply chain, speed for speed's sake, without considering variables that may alter changes in a shipment's position, can have unintended consequences such as poor service and extra expense. In best-case scenarios, such a failure may warrant expediting a replacement part, or finding a misdirected shipment already in the system, then rerouting it with make-up speed and cost. At worst, it's a missed sale or lost business.

When shippers decide to expedite freight–whether it's standard product protocol or transportation management by exception–speed is a constant variable. What happens before and after shipments accelerate through the supply chain is considerably more flux, yet equally important.

"Pressures often come from dynamic changes in customer demands as they try to capitalize on getting products to market," says Adrian Wood, executive vice president, business development, Pegasus Logistics Group, a specialty logistics provider based in Coppell, Texas. "These can include last-minute changes in delivery requirements and the rush to meet industry cut-off times, or having to rapidly investigate alternate shipping methods to address cargo capacity constraints."

Every shipper-customer relationship comprises unique characteristics that shade the importance of how products move, domestically and globally, by ground or air, and at what cost. Given expedited freight's high value and demand-sensitive disposition, collaboration, visibility, and communication intrinsically feed the need for speed.

ON A WING AND BY GROUND

H&K, a Dublin, Ireland-based global supplier of stainless steel kitchen equipment to the food service industry, has a reputation for quality products and precision manufacturing. Starting out in Canada in 1975, H&K has grown to become a key supplier to McDonald's and other notable chains, establishing manufacturing operations at strategic global locations. Ensuring customers have equipment necessary to get restaurants up and running often means transporting shipments within tight time windows and service constraints.

Since 2002, H&K has been working with Pegasus to provide customized solutions for its high-volume, major project rollouts throughout the United States. Pegasus is the winged concierge for all the kitchen supplier's white-glove transportation needs, including a dedicated in-house project manager; end-to-end planning and execution for customer projects; expedited shipments; and reverse logistics.

Pegasus primarily serves H&K's domestic needs. Shipments leave the supplier's Dallas facility and are typically transported by truck to customer facilities. Occasionally, as demand dictates, cargo moves via air freight to meet immediate delivery requirements.

"McDonald's is our largest customer. We custom-fabricate product that needs to be installed at its restaurants on a timely basis," says Mark Hogan, vice president of logistics, H&K. "Plumbers and electricians have to be on-site to help with installations, so we have to schedule deliveries accordingly. If we don't, McDonald's has to pay to have workers wait for shipments to arrive."

When working within these kinds of delivery specifications, failure isn't an option. Pegasus works with H&K and its customers to anticipate needs and offer multiple solutions to reduce expedited spend. This effort includes reviewing outbound shipments daily and evaluating carrier cut-off times to ensure that it can move freight by ground expedited instead of air when possible.

"We will also split a delivery to expedite only the quantity that is actually needed," says Wood. "The total order amount often is not the true quantity necessary to meet the immediate demand, which is driving the spend."

When food equipment supplier H&K delivers to its largest customer, McDonald's, failure to meet shipping deadlines is not an option. Pegasus Logistics Group works closely with H&K to anticipate McDonald's' needs and offer solutions to reduce expedited costs.

"In addition, we routinely work with companies to help prioritize their specific production schedules to maximize load capacities and available transit times," says Wood. "This effort greatly reduces the need for last-minute loads."

STRETCHING THE SUPPLY CHAIN

For Birmingham, Ala.-based Stretchy Shapes, fast growth required finding a swift logistics partner to meet customer demand. The company, famous for its children's bracelets, couldn't keep up with demand when co-founders April Mraz and Cherie Stine started operations in preparation for the 2009 holiday season.

Watching their children and classmates embrace the Silly Bandz phenomenon sweeping through U.S. elementary schools, the entrepreneurs struck out on their own and opened two retail locations in Birmingham to sell the novel product for the holidays. When suppliers were unable to

meet their expectations and demands, they chose to custom-design their own "stretchy" product, sourced from China.

"Within three weeks we were in production with a factory in China to manufacture our Stretchy Shapes," says Mraz. The first shipments arrived on December 8, 2009. "We thought we had ordered the mother load of inventory and weren't sure if it would ever sell."

It did. By the end of the year the company was outselling competitors five to one until it ran out of product. Then Mraz and Stine shut down the business.

"We called it a day, and agreed this was the craziest thing we had ever done and we were glad it was over," recalls Mraz. They sold one location to an investor and shut down the other one. Then a funny thing happened.

"We started seeing our product sell on eBay and Amazon for much more than the manufacturer's suggested retail price," Mraz says. "People began calling from all over the country looking for Stretchy Shapes."

So the two owners designed six new packs, traveled to the American International Toy Fair in New York City in February 2010, and sold out of all its products by the end of the show. Sales reps started calling to court their new Stretchy Shapes designs and the company found itself in need of a distribution strategy–fast.

The company was producing its own product with a primary factory in China. The plant was predominantly manufacturing goods for domestic consumption, which was an important consideration given the brand's newness and potential for counterfeiting. In short time, Stretchy Shapes brought on more capacity with the addition of three factories–still centrally managed by its original manufacturing partner.

As far as importing product into the United States, Stretchy Shapes bounced around among a number of transportation carriers. But its Chinese factory was dictating how shipments moved.

"Our factory told us what forwarder to use," recalls Mraz. "They called the shots, which was fine with us, because we didn't have time to deal with it."

STUCK BETWEEN SUPPLY AND DEMAND

Stretchy Shapes' explosive growth placed it in an odd position. Chinese suppliers were dictating how it transported product in response to increasing U.S. demand, and working through an offshore forwarding agent added unnecessary time and expense.

After the initial post-holiday rush of success, Mraz and Stine were able to slow down and re-think their strategy for bringing product into the United States. Instead of enabling suppliers to push supply to demand, they decided to control inbound transportation themselves. DHL Express' international service turned out to be the best way to execute this new approach.

"DHL provided the one-on-one experience we needed and it coordinated directly with our factories in China," says Mraz. "Beyond that, it acted as a liaison with our primary supplier in China. It worked with the factory to cut out the forwarder so DHL could pick up product at the door."

DHL helped speed overseas deliveries from as many as 12 days to three simply by circumventing the freight forwarder. The majority of Stretchy Shapes' packages are transported in larger shipments–upwards of 150 units per move. As soon as airfreight shipments from China arrive at DHL's Cincinnati hub, they are sorted onto a flight to Atlanta, then trucked to Birmingham. Stretchy Shapes sends shipments from Birmingham to select U.S. retail customers such as Nordstrom, Hallmark, and Learning Express via other transportation carriers.

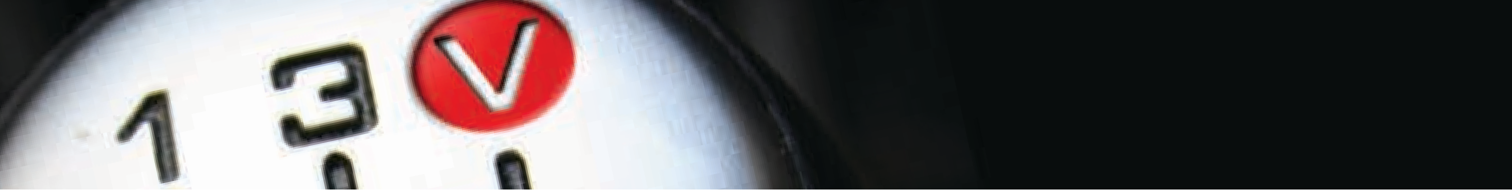
"We work with our Chinese counterparts to let them know when a large number of shipments will be moving on a particular day, then make sure we have enough capacity to run them through our Hong Kong gateway," says Paul Brady, area sales manager, DHL. "Once a shipment arrives at the Cincinnati hub, we make the local station aware of what's going on, then contact Stretchy Shapes so they are prepared to receive 150 boxes at once."

During the entire process, from China to Birmingham, in aircraft and on trucks, there is continuous product scanning and visibility to track shipment location at any moment.

Demand sensitivity has been a good problem for Stretchy Shapes, but it took the company some time to

"It used to be about getting product out. Now, it's about getting the right product out."

–**Cherie Stine,** co-founder Stretchy Shapes



properly align sales with available supply. During the spring and summer of 2010, Stretchy Shapes had a two-month waiting list for customer orders. The company would stage boxes affixed with labels and packing slips so when shipments arrived in Alabama, workers could tear open inbound cartons, repack boxes, and send them out fast.

"We started managing inventory using Excel. Soon we were juggling 15 spreadsheets with thousands of lines of orders with different quantities," says Stine. "We recently acquired some inventory management software that helps us better forecast orders. We're not just waiting at the door for DHL."

While nothing has been normal about Stretchy Shapes' remarkable one-year growth, the company reached some semblance of routine toward the end of summer 2010. Because of its factory ties and DHL's expedited service, it currently ships products within 48 hours of order. This gives Mraz and Stine flexibility to produce enough product to support existing demand, while thinking strategically about creating more holiday designs.

"It used to be about getting product out," says Stine. "Now, it's about getting the right product out."

Stretchy Shapes' predicament is common for many small businesses. But in the expedited supply chain, the real pressure to deliver on a timely basis often comes from the end user.

DHL helped Stretchy Shapes cut overseas delivery time from 12 days to three by working directly with the children's bracelet maker's Chinese factories.

For H&K's restaurant customers, expedient delivery is the only priority. "Our top challenge is on-time performance," says Hogan. "We're always looking for competitive pricing, but if you choose the lowest-cost service provider, you get what you pay for. It costs more in the long run in terms of managing exceptions and rectifying problems."

In these circumstances, the white glove/managed delivery process starts from the moment a project plan is developed – way in advance of any actual shipments, explains Wood.

"The project plan always includes an audit of the client and its customer's needs, extensive data analysis, simulated scenario planning, site survey/profiling and preparation, and partner evaluation," he says.

Serving the restaurant space often takes Pegasus well beyond typical responsibilities, at its customer's behest. "For some white glove services, Pegasus drops shipments off outside, unpacks, removes trash, takes product inside, and installs," adds Hogan. "It has even placed installations in pre-set spaces, taken measurements, and prepared units for use."

Performing product placement and startup diagnostics to ensure that onboard electronics are intact and working is part of the expedited service package that Pegasus delivers for H&K. Pegasus also trains H&K on how to properly maintain the equipment.

Handling this function necessitates even more planning. Some of H&K's customers are in remote areas, which requires strategies and contingencies for moving and staging inventory at reasonable costs.

"The products we move for H&K are uniquely configured oversized items that are often high value," says Wood. "That adds to the challenge of developing a 'perfect plan' because we know expedited shipments will be costly."

Hiccups in installation also inflate spend, so Pegasus completes a pre-delivery process that details requirements for each location. For example, a location with no freight elevators or loading docks, and limited hours of operation, must be given extra consideration when planning a massive rollout within an expedited time frame.

And because restaurants are focal consumer locations, the timing of deliveries has to be exact. "For example, we manage 'after hours' shipments carefully to avoid additional expense," says Wood. "We also have to consider the importance of meeting the deadline of a new store opening, which carries additional costs and risks."

MANAGING THE MINUTIAE

When it comes to expedited shipping, there are limits to how fast something can realistically move. But there are fewer restrictions on how quickly companies can respond to shifts in demand. That's why having transportation and logistics partners that understand the minutiae necessary to execute successful deliveries is a critical denominator.

For Stretchy Shapes, finding a global expediter was necessary to accommodate rapid growth. When it was rushing production in China and accelerating shipments to catch up with rising demand, DHL was the one-stop-shop that could engage suppliers, bypass forwarders, and provide a seamless pipeline for importing product. Now the partnership is expanding in new directions as quickly as it began.

DHL's global network offers Stretchy Shapes the capabilities to sell into new offshore markets. The company already has a presence in Australia and the Middle East, and is working on a contract for Scandinavian distribution, among other places. Currently these products are imported to Stretchy Shapes' Alabama facility, then re-exported by DHL. But the company is already looking at opportunities to transport product direct from its Chinese factories to other foreign markets.

Pegasus also shares with H&K the intimate role of fulfilling orders for fast-food restaurant customers that demand timely service. Pegasus' ability to integrate with its client's systems, facilitate rapid response, and expedite requests, is key to the partnership's success.

"There are so many factors involved in deliveries and installations that customer service really trumps price," says Hogan.

Being able to track and trace shipments in transit is particularly important for H&K, given the cost involved in installing kitchen equipment. But total visibility into its supply chain is equally significant in terms of understanding how shifts in demand and supply signals impact transportation. Wood sees this aspect as a new direction for Pegasus and H&K to explore.

"Upstream and downstream visibility into our clients' orders provides the ideal awareness of due dates and delivery schedules," he says. "We can match this information with carrier capabilities to execute timely deliveries. Managing the suppliers' order release process is one example where we can improve efficiency."

Whenever there's a sense of urgency, speed is a given. But customer service–the phone call or email alert–is imperative. Visibility and communication are critical elements that ensure shipments arrive intact and on time, transforming transportation speed into supply chain velocity. ■

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◯ DCC	806
◯ Economic Development/Sites	807
◯ Education – Training	808
◯ Emergency Ground/Air	809
◯ Expedited	810
◯ Food Logistics	840
◯ Forklifts	839
◯ Freight Forwarders	811
◯ Freight Matching	812
◯ Freight Payment Services	813
◯ Insurance	842
◯ Intermodal	814
◯ Logistics IT – SCE, ERP, CRM	816
◯ Logistics IT – WMS, TMS	815
◯ LTL	817
◯ Materials Handling Equipment	818
◯ Materials Handling Systems	819
◯ Mexico	841
◯ Ocean Shipping	820
◯ Organizations – Logistics	821
◯ Ports	822
◯ Rail	823
◯ Real Estate Logistics/Construction	824
◯ Reverse Logistics/Returns	825
◯ RFID	834
◯ Security Equipment/Systems	826
◯ Temp-Controlled Services	827
◯ Trucking Equipment–Tractors	830
◯ Truckload	829
◯ Trucks – Lease/Fleet	828
◯ Warehousing/DCs	831
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- F ◯ Third Party Services (3PL), Contract Logistics
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- N ◯ Corporate Management
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Timely service remains one of the constants in supply chain management, and nowhere does it play a more vital role than in airfreight forwarding. When missed delivery times simply aren't an option, companies need airfreight forwarders they can depend on.

To give airfreight buyers a better understanding of forwarders that can meet their expedited demands, we invited a "who's who" of eligible companies to submit their credentials for our annual directory.

From small, non-asset-based forwarders with niche operational areas to global integrators, *Inbound Logistics'* annual Who's Who presents an informational anchor for shippers to explore solutions and solutions providers that meet their unique airfreight requirements.

Turn the page and find out what's what among our Who's Who in Airfreight Forwarding.

To get your search for an airfreight forwarder off the ground, check out this list of leading players.

COMPANY NAME / WEB ADDRESS	PHONE	ASSET- OR NON-ASSET-BASED*	AIR FREIGHT SERVICES: CUSTOMS CLEARANCE	COMPLIANCE *	HEAVY FREIGHT	HAZMAT	DOOR-TO-DOOR	PERISHABLE	OVERNIGHT	NEXT FLIGHT OUT	CHARTER	HIGH VALUE	OTHER SERVICES: NVOCC	OCEAN	CUSTOMS BROKER	CONSOLIDATOR	LOGISTICS
A.N. Deringer www.anderinger.com	888-612-6239	N	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Agility Logistics www.agilitylogistics.com	714-617-6300	B	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
AIT Worldwide Logistics www.aitworldwide.com	800-323-6649	N	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Alaska Airlines Air Cargo www.alaskaair.com/cargo	800-252-2752	A	✓	✓	✓	✓		✓	✓	✓	✓	✓				✓	✓
BDP International www.bdpinternational.com	732-572-2248	N	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bellair Expediting www.bellair.com	847-928-2500	N	✓	✓	✓		✓		✓	✓	✓			✓		✓	✓
Concert Group Logistics www.cglship.com	630-795-1300	N		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓
Damco www.damco.com	973-514-5126	N	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
DB Schenker www.dbschenkerusa.com	800-225-5229	N	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
DHL Global Forwarding www.dhl-dgf.com	800-426-5962	N	✓	✓	✓	✓		✓	✓	✓	✓		✓		✓	✓	✓
Distribution By Air www.dbaco.com	800-272-1379	N	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓		✓	✓
EA Logistics www.ealogistics.com	800-863-5948	N	✓	✓	✓		✓		✓	✓	✓	✓	✓				✓
Expeditors www.expeditors.com	206-674-3400	N	✓	✓	✓	✓	✓				✓	✓	✓	✓	✓	✓	✓
FedEx www.fedex.com	800-463-3339	B	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hassett Air Express www.hassettair.com	800-323-9422	B	✓	✓	✓		✓		✓	✓	✓	✓		✓	✓		
IJS Global www.ijsglobal.com	203-504-9760	N	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kuehne + Nagel www.kuehne-nagel.com	201-413-5500	N	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓

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Shipments comply with government, security, and trade regulations

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	WEB SERVICES				
VALUE-ADDED SERVICES AND SPECIALTIES	RATE QUOTES	REAL-TIME TRACKING	DOCUMENTS *	OTHER WEB SERVICES	CERTIFICATIONS
Purchase order management		✈	✈	Purchase order management	C-TPAT, IATA, Hazmat
Chemicals, project logistics, fairs and events		✈	✈	e-government solutions, origin cargo management	
In-home, pharmaceuticals, government, automotive, energy, oil and gas	✈	✈	✈	EDI, PO and inventory management	IATA, SmartWay, C-TPAT, Hazmat
Live animal shipment services	✈	✈	✈	Booking requests	Cool chain certification
All services relating to international air freight	✈	✈	✈	Global reporting system	ISO 9001:2000, C-TPAT, DGAC, Six Sigma, ACC Responsible Care
Hand carry, deferred	✈	✈	✈	POD tracking	
Time-critical, hotshot, LTL, FTL, asset recovery, trade show	✈	✈	✈	Shipper's letter of instruction	
Cargo insurance, supply chain management and development, green logistics, refrigerated logistics, warehousing and distribution		✈		E-mail alerts, GPS tracking	ISO, C-TPAT, IATA, SmartWay, Six Sigma, Hazmat
Logistics management, warehousing, European rail, ground	✈	✈	✈	Shipment scheduling and booking	ISO 9001, SmartWay
Free trade zone, project cargo, border crossing, transload/crossdock, defense/government, consolidation and distribution		✈		Customized reporting, EDI	ISO 9001:2000, C-TPAT, Cargo 2000 Phase 2
Trade show and conventions, vehicles, film and broadcast industry	✈	✈		e-Billing	
Oversize shipment logistics, trade show services, rollout, warehousing	✈	✈	✈		IATA, SmartWay
Distribution, insurance, order management, project cargo		✈	✈	Quote monitor, shipment booking	ISO 9000
Time-definite, expedited services	✈	✈	✈	Pickup scheduling, POD capture, claims, reporting	
Full ground options	✈	✈		Online pickup requests, custom tracking and report detail, EDI	ISO 9001
Trade consulting services, project cargo and management	✈	✈	✈	Online reporting, purchase order management	ISO 9000:2000
Temperature-sensitive cargo, insurance, just-in-time delivery, emergency and relief logistics	✈	✈	✈	Order management integration	ISO, IATA, C-TPAT, Lean, Hazmat, Cargo 2000, Envirotainer QEP

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Lynden www.lynden.com	888-596-3361	B	✈	✈	✈	✈	✈		✈	✈	✈	✈	✈	✈	✈	✈	✈
Mach 1 Global Services www.mach1global.com	480-921-3900	N	✈	✈	✈		✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈
MIQ Logistics www.miq.com	877-232-1845	N	✈	✈	✈	✈	✈		✈	✈	✈	✈	✈	✈	✈	✈	✈
Panalpina www.panalpina.com	973-683-9000	N	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈		✈
Panther Expedited Services www.pantherexpedite.com	866-347-2101	N	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈
Pan World Trans www.epanworld.com	817-545-5950	N	✈		✈	✈	✈					✈		✈	✈	✈	✈
Pegasus Logistics Group www.plg.cc	469-671-0300	N	✈	✈	✈	✈	✈		✈	✈	✈	✈		✈	✈	✈	✈
Pilot Freight Services www.pilotdelivers.com	610-891-8100	N	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈
Priority Worldwide Services www.priorityworldwide.com	800-727-1085	N	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈
Radiant Logistics† www.radiantdelivers.com	425-462-1094	N	✈		✈	✈	✈	✈	✈	✈	✈	✈	✈		✈		✈
RIM Logistics www.rimlogistics.com	630-595-0610	N	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈
SEKO Worldwide www.sekologistics.com	800-342-0598	N	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈
Service By Air www.servicebyair.com	888-GO-MY-SBA	A	✈	✈	✈		✈		✈	✈	✈	✈	✈	✈	✈	✈	✈
Team Worldwide www.teamww.com	800-527-1168	B	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈
TransGroup Worldwide Logistics www.transgroup.com	800-444-0294	N	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈	✈		✈
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US Express Freight Systems www.usexpressfreight.com	800-328-8000	B	✈		✈	✈	✈		✈	✈	✈	✈		✈	✈	✈	✈
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VALUE-ADDED SERVICES AND SPECIALTIES	WEB SERVICES: RATE QUOTES	REAL-TIME TRACKING	DOCUMENTS *	OTHER WEB SERVICES	CERTIFICATIONS
Supply chain management, scheduled Alaska service, trade show, home delivery		✈	✈	Reporting, invoicing	ISO, IATA, C-TPAT, Hazmat, FMC, CHB, NVOCC
Warehousing, total supply chain management, pool distribution, expedited services	✈	✈	✈		ISO, IATA, C-TPAT, SmartWay, Lean, Six Sigma, WBENC
Project logistics, transportation management, truckload brokerage, contract logistics, warehousing, fulfillment, DC bypass	✈	✈			IATA, SmartWay, C-TPAT, Hazmat
End-to-end supply chain management solutions and intercontinental air/ocean freight	✈	✈		EDI	ISO, IATA, SmartWay, C-TPAT, Hazmat
Expedited ground, elite services	✈	✈	✈		ISO 9001:2008, IATA, SmartWay, C-TPAT, Hazmat, FMC, NVOCC
Domestic air, rail, and truck services; container unloading/loading; packing and crating; warehousing and distribution					
Warehousing, white glove service, global routing center		✈		Shipment scheduling, reporting	ISO, SmartWay
Government and automotive services, home delivery, inbound logistics, merge and deliver	✈	✈	✈	E-mail alerts, EDI	ISO 9001:2000, C-TPAT, TAPA, SmartWay
Export licensing, packing, crating, bonded warehousing, purchasing	✈	✈	✈	Online invoices, statements, inventory services	
Warehousing and distribution, transborder services, finished goods distribution	✈	✈	✈		ISO, IATA, C-TPAT, SmartWay, Hazmat
Warehousing and distribution, cargo insurance, consolidation		✈			IATA, C-TPAT, Hazmat
Import compliance consulting, customs audit reviews, C-TPAT certification/validation assistance, duty drawback and reconciliation	✈	✈	✈	MySEKO booking, interactive shipment calendar	ISO, IATA, SmartWay, C-TPAT, Six Sigma, Hazmat
Ground shipping services, trade show, health care, furniture, CPG, white glove	✈	✈	✈	Shipment booking, management reports	IATA, C-TPAT, SmartWay
Trade show services, project management, assembly and distribution services	✈	✈			ISO, C-TPAT, SmartWay, Hazmat, TEAMQ Internal Processes Certification
Full-service domestic and international transportation and logistics solutions	✈	✈	✈	Pickup scheduling, tracking, POD and inventory management, EDI	ISO 9001:2008, SmartWay
Consolidation, transload/crossdock, DC bypass, hand carry, rail intermodal, ground freight	✈	✈	✈	Pickup scheduling, e-Billing, reports	ISO, C-TPAT
Trade show services	✈	✈	✈		IATA
Warehouse management, specialty freight		✈			ISO, IATA, C-TPAT, SmartWay, Lean, Six Sigma, Hazmat


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HOW

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Managing transportation and logistics details in an increasingly complex world is no small task. So *Inbound Logistics* is here to show you HOW. Over the past four years, we have paired reader feedback and industry expertise to provide practical and instructive "how-to" guides that address tactical and strategic supply chain fundamentals. We are incrementally building a library of industry best practices to help readers turn interrogatives into imperatives.

The next nine installments appear on the following pages:

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What specific "how-to" would you like us to cover? Let us know: **editor@inboundlogistics.com.**

How to Ship to Alaska

Alaska can be a challenging place to move freight. The state's vast and varied terrain, harsh and unpredictable weather, and distance from the rest of the United States present unique challenges for shippers. Whether the task is transporting consumer goods to cities in southeastern Alaska, supplying the mining industry in central and western Alaska, sending products to major retail chain stores in Anchorage, or servicing northern Alaska's thriving oil industry, knowing what to expect is half the battle.

Geography: At about 663,000 square miles, Alaska is the largest of all U.S. states. Topographic conditions range from frozen tundra to rocky coastline to volcanoes – all of which can be challenging to traverse.

Infrastructure: Alaska's highway system is not robust, so many shipments must move via air or sea, and the lack of rail service from the lower 48 states or from Canada to Alaska means railcars must move on barges. Also, some rural areas lack approved runways for commercial airlines, so freight must be flown on turboprop aircraft. Shippers must also consider seasonality. A winter delivery of pipe bound for oil drilling in Prudhoe Bay, for instance, can be sent via truck over temporary ice roads, but that same delivery in the spring must move via air.

Weather: Alaska's weather is unpredictable and extreme. A shipment that normally takes seven or eight days could extend into a 10- or 12-day trip due to snowstorms, rough seas, avalanches, even road washouts – which can impact both the timeliness and cost of freight delivery. In addition, Alaska's harsh cold makes temperature-controlled shipping imperative. Temperature-sensitive goods such as some electronics can be damaged if not protected from the weather while in transit.

The extreme winter also means that business booms during milder seasons. Shippers need to be prepared for the crunch in construction, tourism, and commerce to ensure they can find the capacity they need to get goods to Alaska during the warmer months.

Cost: Alaska is far removed from the rest of the United States so shipping costs are understandably higher. Finding alternatives to help reduce costs is key. By building a few extra days into their supply chains, shippers can make the costs more bearable. Instead of stocking Alaskan stores via air or truck transport, for example, a shipper could choose to put goods on a ship or barge from Seattle to Alaska. Mode selection may increase transit time but the savings of these alternative routes can reduce costs substantially.

Though Alaska presents many shipping challenges, they are not insurmountable. Overnight air delivery is available from just about anywhere, and truck service via the Alaska Highway is available from several cities in the United States and Canada to locations in Alaska on the limited highway system. Locations off the highway system, such as Southeast Alaska, have frequent ferry and twice-weekly barge service. Even more remote locations, such as in Western Alaska, may have only seasonal barge service as a surface option.

FINDING THE RIGHT PARTNER

The key to successful shipping in Alaska is to partner with a transportation provider that knows how to manage Alaska's many obstacles. Look for the following capabilities when selecting a provider to move your freight:

- Years of experience transporting goods in Alaska.
- Office locations dispersed across the state, ideally in major points including Prudhoe Bay, the southeast coast ports, and interior cities such as Fairbanks.
- Access to a wide array of modes covering air, ground, and sea transportation options.
- Specialized equipment to deal with Alaska's extreme conditions.
- Communications technology such as on-board tracking on trucks and barges.
- An established online program to allow shippers to track and trace shipments electronically.

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With shipping costs on the rise it only makes sense to match your time requirements to the mode. Lynden's exclusive Dynamic Routing℠ makes it easy to change routing between modes to meet your delivery requirements. If your vendor is behind schedule we can make up time and keep your business running smoothly. If your vendor is early we can save you money and hassle by slowing down the delivery to arrive just as it is needed. Call a Lynden professional and let us design a Dynamic Routing℠ plan to meet your supply chain needs.

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Innovative Transportation Solutions

How to Select Expedited Services

Expedited delivery is a necessity for all companies, whether they are meeting unexpected seasonal demand or managing shipments by exception. They use expedited service to move parcel and temperature-sensitive packages, specially packaged product, oversized equipment–and everything in between. Cost is secondary to timeliness and service, but shippers have to consider multiple factors when they work with service providers to move expedited freight.

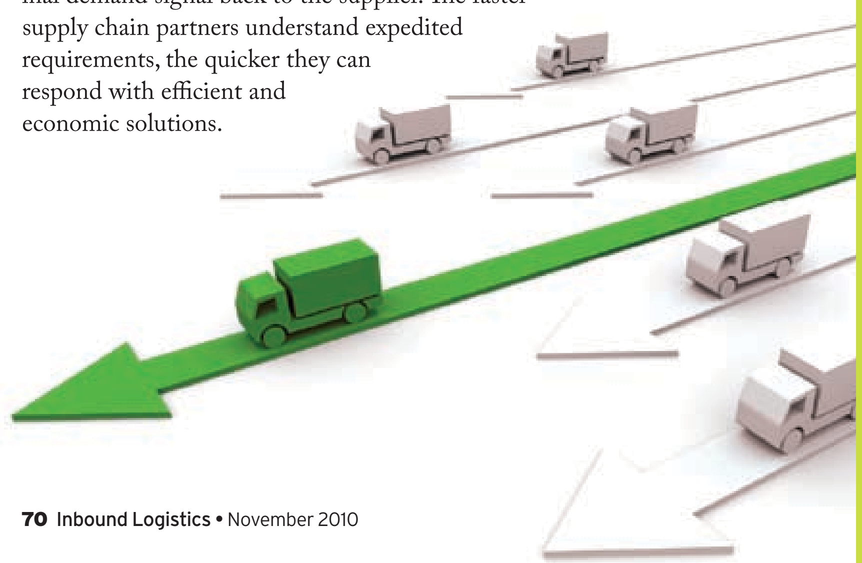
Cargo often simply needs to move fast in response to a plant shutdown, or to meet the requirements of a critical part, high-value, or emergency shipment. Whatever the reason, shippers and service providers need to immediately consider potential options and settle on a viable solution.

The urgency or geographic scope of a move dictates whether a shipment travels by air or ground. But customers are generally less concerned with how a critical shipment is delivered, as long as it arrives intact and on time.

Alternatively, there are complicated scenarios where shipments need to be recovered and rerouted via multiple modes. For example, if a company transports a product by truck and an order deviation occurs, that cargo needs to be located, quickly brought out of the system, then re-expedited. This requires a great deal of communication among the shipper, consignee, and transportation partners to identify urgency and work together to explore and execute appropriate resolutions.

Sometimes an additional level of white-glove service is necessary to ensure a shipment is delivered beyond the loading dock. Inbound and outbound, a time-sensitive order might have to be picked up from or delivered to an agent or inside a facility to meet customer safety and security needs.

In these situations, supply chain partners have to maintain visibility throughout the entire transportation process. This may entail real-time information and communication between a shipper and consignee in a point-to-point move; or it may require end-to-end visibility from the original demand signal back to the supplier. The faster supply chain partners understand expedited requirements, the quicker they can respond with efficient and economic solutions.



5 Steps to Expediency, Efficiency, Economy

1. DEFINE "REAL" TIME REQUIREMENTS. Sometimes shippers allow for "just in case" time when coordinating transportation to customers. But not all expedited deliveries are critical, so understanding the consignee's actual demand requirements is important. If it's really a priority, communicate that urgency. Alternatively, shippers should coordinate with customers to determine potential allowances–whether a shipment can move quickly (second-day ground), but not super fast (same-day air). Waiting a few hours for delivery can often save everyone a considerable amount of money.

2. COMMUNICATE DETAILS. Shippers need to give extra attention and care to communicating cargo vitals for timely deliveries. This includes specifying shipment weight, dimensions, and absolute time requirements.

3. CONSIDER TRANSPORTATION AND LOGISTICS OPTIONS. Carriers and expediters are often limited by pick-up and drop-off deadlines. Third-party logistics providers and forwarders are less constrained by time of day and mode, and can create new avenues for moving freight. Working within their own network of transport partners, they can help reduce expedited costs, while meeting last-minute time specifications.

4. PLAN AHEAD. Managing exceptions should be an expectation. Shippers need to have contingencies in place before they happen. There is nothing more costly than having to make an expedited transportation decision on the fly without easily available supporting information. Moreover, when shippers find service providers that capably manage expedited needs, they should consider opportunities to grow that relationship. If a transportation partner can succeed under pressure, perhaps it deserves a bigger role within the enterprise.

5. DON'T CHEAT ON COST. Expedited service comes at an expense. Failure to provide timely delivery can create additional costs in terms of production stoppage, missed customer commitments, and lost business.

Emergencies and delays happen, and air freight and expedited shipping solutions are a necessity for the survival of any company. As a one-stop solution for all your shipping needs, BNSF Logistics is dedicated to finding the right service for you. Our cost-effective domestic air freight service offers multiple transportation options to get your product delivered on time, no matter the situation.

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How to Select a Transportation Management Solution

SELECTING A NEW TRANSPORTATION MANAGEMENT SOLUTION (TMS), WHETHER FULLY OUTSOURCED, HOSTED, OR INTERNALLY INSTALLED, REQUIRES MUCH DUE DILIGENCE TO PAIR FUNCTIONAL NEED WITH STRATEGIC VISION. Shippers can get the most out of their TMS solution and service provider by following five progressions.

1. Know what you need before you look for what you want. Identify current resources and capabilities, then look for TMS providers whose capabilities complement existing strengths and long-term strategies. Understanding existing operational gaps allows buyers to define future objectives and select a TMS deployment that best suits their need. Developing a shared vision, clarifying strengths and weaknesses, and understanding what an organization needs in a TMS provider are initial considerations that dictate future success.

2. Define project scope and expectations. Without a roadmap for steering new TMS deployments, shippers set themselves up for failure. Detailing requirements in advance, and confirming that service providers are in agreement with expectations and how services will be measured, ensures success.

3. Engage change management and obtain buy-in. Appointing a cross-functional team of internal stakeholders helps establish objectives and steer new TMS implementations in the right direction. This approach not only strengthens the change management process, but also ensures a future process design anchored by shared expectations and procedures across key functional areas. Getting senior leadership buy-in is equally important given transportation's enterprise-wide impact on cost and efficiency.

4. Implement a successful program. Regardless of implementation speed, process change does not happen overnight. Shippers can help guide successful roll-outs by: creating a detailed roadmap that addresses headcount reduction, information technology integration, process redesign, and newly defined performance measures; identifying what the transformed organization will look like; executing all the necessary steps for a successful transformation (this may include configuring transportation management tools with existing technology infrastructure, training, and a conversion plan for reconciling potential overlaps between old and new processes); monitoring the transformation and comparing results to project goals; and incorporating an exit strategy.

5. Ensure ongoing success. The TMS service provider often becomes an extension of the enterprise–and should be treated as such. Evaluate ongoing performance with prioritized metrics and encourage further participation from project owners, evaluators, and implementers. Scorecarding productivity, quality, systems, performance, and overall customer service helps drive continuous improvement.

THE TMS REVOLUTION

The past 20 years have seen a seismic shift in the sophistication of TMS solutions. Here's a look at transportation management systems' evolution and trends, past limitations and future potential.

BUILD VS. BUY:

- Tied up internal resources on non-core or non-revenue-generating projects
- High potential for scope and cost creep
- No commitment to ongoing development or R&D
- No immediate or sustained ROI

TRADITIONAL INSTALL & DEPLOY:

- Large capital investment and lengthy deployment
- Resource intensive
- Initial and ongoing ROI proved challenging
- Lack of integration across supply chain partners

SOFTWARE AS A SERVICE:

- Minimal capital investment
- Faster deployment, easier to demonstrate initial ROI
- IT and business resources required, but less intensive
- Increased visibility and tighter integration of supply chain partners
- Resources still focused on tactical operation of TMS vs. strategic projects
- Emergence of shipper and carrier community (via the cloud)
- Long term ROI and full utilization of TMS capabilities still questionable

SOFTWARE PLUS MANAGED SERVICE:

- No or low initial investment
- Faster and non-disruptive implementation
- Less resource intensive
- Increased visibility and tighter integration of supply chain partners
- Immediate and documented hard ROI
- Resources shift from tactical to strategic projects
- Creation of virtual Think Tank
- Long term ROI, sustained savings

Inbound Logistics

Single Source

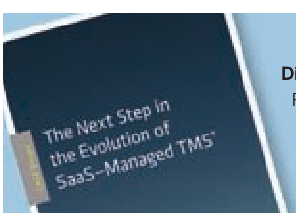
Lead Logistics

Managed TMS®

COLLABORATIVE OUTSOURCING™

MANAGED TMS® *DOES* DRIVE DOWN COSTS. WANT PROOF?

TMS solutions often leave shippers feeling disappointed. They get excited by the possibilities, but end up frustrated when the results fall short. So why is our Managed TMS® solution changing minds and winning fans? Because we understand that the key to a successful TMS deployment isn't in the software. It's in our foolproof formula of success: Process Engineers + TMS Technology + Power Users. You maintain control over your entire transportation network while we manage the day-to-day operations. Contact us for examples of how our best practices are driving better-than-expected ROI and sustained cost savings.



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C.H. ROBINSON WORLDWIDE, INC.

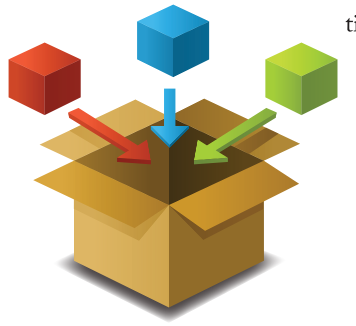
How to Drive Collaborative Distribution

In the retail space, competition among small and medium manufacturers is fierce. But many are missing out on significant cost savings by failing to recognize and execute shared strategies that consolidate shipments in the interests of all supply chain stakeholders.

The collaborative distribution concept leverages freight consolidation as a supply chain strategy, not just a transportation tactic. It means merging different loads destined for the same end point to maximize trucking efficiency. But it begins farther upstream in the supply chain.

In practice, manufacturers warehouse their goods with a view to consolidating deliveries with other shipments going to the same final destinations. Then deliveries from different suppliers along shared routes are built into full truckloads. 3PLs act as matchmakers to make it all work smoothly.

This model is ideal for small consumer product goods (CPG) manufacturers that supply diverse retailers. Many CPG companies use private warehouses or 3PLs to supply retail DCs or stores as demand dictates. However, there is rarely enough volume for a full truckload, so manufacturers are resigned to costly LTL options.



In a collaborative distribution scenario, competition among CPG manufacturers begins and ends at the shelf. They share truck and warehouse space where like loads are destined for the same store or retailer warehouse. As a result, everyone saves time and money. Shippers and carriers rationalize transportation moves and costs, end customers can better allocate labor for unloading full truckloads, and the energy, pollution, and congestion generated by transport is substantially reduced.

Opportunities are ripe for businesses to capitalize on this distribution model, and low hanging efficiencies—from transportation savings and fewer stockouts to reduced road congestion and carbon footprints—are within reach. But to make it happen, businesses need to shift their mindsets and reorganize their supply chains in order to collaborate with competitors.

Collaborative distribution requires active participation among manufacturers, 3PLs, and retailers—but it's the latter that holds the key to unlocking myriad efficiencies and economies. As retailers trend toward controlling inbound transportation to reduce freight costs and employ leaner, greener distribution methods, there is growing incentive to insist suppliers work together more collaboratively.

PLAYING THE PART

Collaborative distribution works because there is a shared vision among supply chain stakeholders—from retailers through transportation, logistics, and warehousing partners to contract manufacturers and suppliers. Every touchpoint in a product's lifecycle has a role to play. Here are some ways supply chain partners can work toward building a collaborative distribution network.

Manufacturers should examine their supply chains and identify opportunities to create efficiency through collaboration or sharing infrastructure by co-locating inventory with other companies shipping to the same retail customers. As a first step, they can engage cross-functional teams within the enterprise to discuss the benefits of working together. Then they can step outside the organization and discuss areas where supply chain partners can collaborate and consolidate. Manufacturers may have to be more flexible in working with retailers to identify consolidation opportunities.

Retailers need to ensure that logistics functions are communicating with each other. Are purchasing and transportation working together to coordinate inbound moves? Communication among different retailer buying groups for different commodities can lead to a consolidation of orders for different commodities, creating shipping and receiving efficiencies. Retailers may find a surprising amount of grass roots support for change, especially if they invite employees to be the catalysts for these discussions.

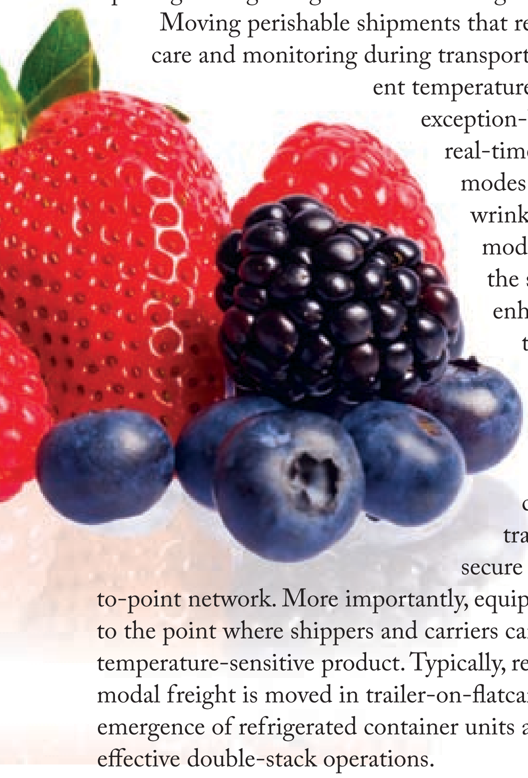
3PLs are in the best position to recognize where collaboration can occur. And steering customers toward collaborative distribution can uncover considerable savings and efficiencies, while enhancing the value of outsourcing. But it requires a change to pricing and compensation approaches. 3PLs need to share the savings gained from collaboration, and make those savings clear and specific up front.

How to Leverage Rail/Intermodal For Refrigerated Freight

Rail/intermodal solutions are fast gaining traction among shippers looking for additional capacity, exploring more cost-effective transportation options, and seeking means to reduce their impact on the environment. While there has always been a captive rail audience among bulk commodity and dry goods shippers, more specialized freight, including refrigerated and perishable foods, has always been a difficult sell. But resistance is thawing.

Past hurdles such as container equipment availability, rail ramp access, visibility, and timeliness have been greatly reduced by greater coordination and collaboration among third-party logistics providers, railroads, and motor freight carriers. And current economic pressures to reduce costs have made the switch to the tracks much more plausible. The price differential of moving long-haul freight via rail is considerable. Fuel spend, insurance rates, and the devaluation of used tractors all contribute to increased pricing among refrigerated motor freight carriers.

Moving perishable shipments that require extra care and monitoring during transport—from ambient temperature readings and exception-based alerts to real-time tracking across modes—adds another wrinkle to standard intermodal requirements. At the same time, it also enhances the appeal of the railroad.



With food products, quality and safety are paramount concerns—and rail transport provides a secure and fixed point-to-point network. More importantly, equipment has evolved to the point where shippers and carriers can properly care for temperature-sensitive product. Typically, refrigerated intermodal freight is moved in trailer-on-flatcar operations. But the emergence of refrigerated container units allows for more cost-effective double-stack operations.

Reporting technology and capabilities are also much more comprehensive. Shippers and consignees can not only have real-time visibility to a shipment's location, they can also track data such as fuel levels and use, temperature inside the container in several areas, and whether a load has shifted.

Transitioning refrigerated freight to the railroad also makes sense from a supply chain perspective. Given the frozen nature of the cargo, and the care and attention paid to maintaining proper temperatures, shippers can generally accommodate extra lag time in their distribution network to capitalize on a more economical transportation option.

A REFRIGERATED CASE

Here is an example of how a shipper can work with its transportation and logistics partner to devise an intermodal solution for moving perishable goods.

THE CHALLENGE. Responding to market demand for its product, an ice cream manufacturer decides to increase supply and test the efficacy of moving volume across the country via refrigerated rail containers. Given the sensitive nature of its product, the cardinal challenge is maintaining a consistent temperature to prevent spoilage and shrinkage.

THE SOLUTION. The shipper opts to partner with a transportation and logistics provider that possesses its own refrigerated intermodal containers, has established relationships with Class I railroads, can coordinate first-mile and final-mile truck transportation, and provide total visibility during the entire length of haul.

During the move, each container is monitored by the 3PL through an installed alarm device that provides inside and outside ambient temperature, fuel level, and global positioning information. The shipments arrive on time and intact during the three-day transit from the Midwest to the West Coast. The 3PL uses its own trucks to complete the pickup and delivery at the point of arrival, while working with contracted drayage partners during the first-mile leg. Using an intermodal bridge, the shipper greatly reduces fuel use, carbon footprint, and total transport costs without sacrificing service at a minimal increase in transport time.

Now the most difficult refrigerated and frozen foods can be shipped via intermodal worry-free.

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Containers are designed, constructed and tested in accordance with Association of American Railroads specifications AAR-M930-98.

NFI INTERMODAL

How to Develop a Direct-to-Store Delivery Model

Speed is the name of the game in today's retail landscape. How quickly products are purchased from store shelves depends on a myriad of factors: consumer preference, special promotions, and brand recognition, to name just a few. The real trick to gaining speed and increasing your inventory turns is to ensure you have a successful and cost-efficient replenishment system.

Over the last few years, many consumer goods manufacturers are increasingly using a Direct-to-Store Delivery (DSD) delivery model as an alternative to traditional wholesaler and distributor networks. A DSD model establishes a "closed loop" network from the consumer good manufacturer's warehouse to various retail outlets, making multiple stops before returning to the point of origin.

Below are a few tips for setting up a Direct-to-Store Delivery model for your business:

Create the Demand Profile. Perhaps the most critical element to setting up a DSD model is understanding who your retailers are, and what their demand (i.e., order volume) looks like.

Routing Deliveries. Once the right mechanisms are in place to capture the daily demand profile, the optimal route for each day's delivery can be mapped. The route plan should take into consideration such variables as traffic patterns, speed limits, distance and time calculations, and driver Hours of Service.

Loss Prevention. Because DSD involves multiple stops at retailer locations, building in processes to prevent and monitor product theft is a very important consideration. In addition to GPS and security cameras, training drivers on how to identify suspicious behavior is paramount.

Capturing Proof of Delivery. A variety of new technologies enable electronic proof of delivery, primarily using handheld devices. This has an incredible impact on Order-to-Cash cycle time, reducing it to a matter of hours.

Continuous Improvement. Using information captured through the demand profile, route designs, and delivery information, you can set a baseline for performance. With the baseline as your starting point, you can measure the effectiveness of incremental and ongoing improvements to the network, through cost savings and increases in efficiency.

IS A DIRECT-TO-STORE DELIVERY MODEL RIGHT FOR YOU?

If your products and supply chain have the following requirements, you may be a good candidate for this model:

- Control of the deliveries is very important. For example, delivery windows are tight or limited to certain times of the day.
- A large portion of your customer base consists of small retailers, like convenience stores, where store rooms are typically small, cannot store excess inventory, and require frequent replenishment.
- Direct contact with retailers is a critical element to customer satisfaction, and therefore, drivers making the delivery broker the retailer relationship.
- If goods are not on shelves, you lose a sale and, consequently, market share. Using the example of soft drinks, if one soft drink brand's products are not on retailer shelves but the competitive brands are, then the consumer will buy the competitive brand as his/her second choice.
- Security or product theft is an issue, especially in the case of high-value goods such as tobacco, alcohol, and jewelry.

How to Ship Air Freight in Alaska

SPANNING 570,374 SQUARE MILES OF LAND MASS—MORE THAN TWICE THAT OF TEXAS—ALASKA HAS THE THIRD-LOWEST POPULATION IN THE UNITED STATES AND THE LOWEST POPULATION DENSITY AT APPROXIMATELY ONE PERSON PER SQUARE MILE. North to south, the state covers 1,400 miles, compared to 2,700 miles side to side.

Despite this magnitude, there are only 1,082 miles of highway in Alaska, most of which form a rough triangle between Fairbanks, Anchorage, and Tok, an area that represents one-fifth the size of the state.

The state's sheer size and remoteness make flying any type of freight to any populated place in most weather conditions an indispensable necessity. What might be a simple truck shipment elsewhere in the United States is likely to involve either a plane or a boat or both in Alaska. But that's just the tip of the glacier among challenges air cargo shippers regularly face. Several other factors complicate transportation and logistics:

Weather. With seasonal temperatures that can oscillate from 100 degrees in the summer to -78 degrees in the winter, shippers and air cargo companies often require favorable weather forecasts for fuel stops or contingency landings, especially when flying on the Aleutian chain.

Lack of infrastructure. Most of the state is only accessible by air or sea with three-quarters of the ocean frozen seven months of the year. Many remote destinations in the Alaska supply chain have relatively basic airport infrastructure to work with.

Types of cargo. Freight can include small cars, snowmobiles, furniture, food, mail, dynamite for mining, construction materials, as well as turbines and pipe for the oil and gas industry. Uncommon freight has ranged from a walrus, eagles, and otters to blue Astroturf for a village high school football team.

Service frequencies. Some communities are solely accessible by air and have between 100 and 500 residents, so air cargo is a life-line for receiving essential goods. Most of these villages are serviced directly or through a nearby hub.

Seasonality. The summer season is the busiest with construction, tourism, and fishing as the main drivers for the upswing in air cargo services; however, flying in winter is also critical to ensure remote communities receive goods during the harshest time of year.

4 AIR FREIGHT TAKEAWAYS

Moving cargo by air in one of the most dynamic geographic regions of the world offers a crash course in transportation and logistics management. Here are four key takeaways that any shipper can learn from:

1. **OUT-OF-THE-BOX INNOVATION.** Alaskan freight forwarders and carriers are often pressed to create special solutions for moving cargo. Custom boxes have been built to accommodate a complete dog team for air transportation. Exemptions have been made for transporting life-saving oxygen on aircraft. Special permits have been established to transport high explosives to remote mines and villages for construction. When shipping by air in Alaska, convention flies right out the door.

2. **PLANNING.** Air transportation is conceptually the same everywhere. But in Alaska, shippers are especially attuned to the logistics and challenges they face in terms of weather and unforeseen circumstances. When flying is a way of life, so is planning.

3. **WORKING ACROSS MODES.** Given the nature of freight movement in Alaska, shipments are intermodal. Truck, ship, ferry, plane, snow machine, sled... you name it. It can be any or all of these modes. Even in the air there are complexities. Beyond major Bush hubs, shippers often use secondary carriers with fewer capabilities, so coordinating size and time of shipments can be critical. Different aircraft may be in different locations at different times.

4. **CUSTOMER SERVICE IS AT A PREMIUM.** Because many small communities rely on Alaskan airfreight companies for everything from food to mail, customer relationships are just as important as the service.

How to Find the Best EDI Solution For Your Operations

In today's supply chain, change is a constant. Businesses have to gather and communicate information in real time to manage variability and efficiently match supply to demand. Flexibility and scalability are important. But with new sets of transactional requirements and data elements emerging, integrating and mapping this information to existing business systems and rules is a recurring challenge.

Electronic data interchange (EDI) technology and infrastructure is adapting to help businesses more quickly and accurately share information within the corporation and across the supply chain.

For many companies EDI is a critical enabler, not a competitive differentiator. But with the rapid growth of Software-as-a-Service (SaaS) delivery platforms, businesses are reconsidering how they electronically integrate with external trading partners. Combining existing EDI connectivity with SaaS functionality and pay-as-you-go convenience shifts the pressure of how technology is delivered and the risk and return of investment from the end user to the service provider.

The new EDI model is scalable and accommodates diverse needs. For a small or medium-sized business with no EDI functionality, a cloud-based solution is preferable to investing money in a hard system install. It's also advantageous for companies with existing and aged EDI hardware that are looking to upgrade with new peripherals.

As companies strive to stay lean and reduce costs, SaaS EDI solutions are proving their worth. Technology buyers gain operational latitude and economy by plugging new customers, service providers, and vendors into an adaptable solution with flexibility to grow.

7 RULES TO FINDING THE BEST EDI SOLUTION

Shippers and service providers have three options when they shop for EDI solutions: a traditional hardware platform and software license; a hosted solution and singly managed service; or a multi-tenant SaaS solution, where the vendor hosts and manages the service. When considering SaaS EDI suitors, make sure solutions meet these seven criteria:

1. **SUPPORT ALL TRANSACTIONS, DATA FORMATS, LABEL REQUIREMENTS, AND WORKFLOW.** IT vendors should be able to perform all of the tasks of a targeted operation to maximize the solution's efficiency. This includes required tasks (purchase orders, advanced shipping notices, invoices, UCC-128 labels, branded packing slips) and specific workflow scenarios that require shipment to DCs or vendor managed inventory.

2. **PROVIDE A COMPREHENSIVE OUTSOURCED SOLUTION.** A SaaS EDI service must be able to secure data conversion into and out of the EDI system; map data, business rules, and workflow unique to each customer and trading partner; connect the software/network for transporting data between suppliers and partners; and integrate ERP and/or accounting software for importing and exporting.

3. **USE MULTI-TENANT APPLICATION ARCHITECTURE.** The most important feature of SaaS EDI is its strategy of reusing maps. This is critical to providing superior reliability at a lower cost than in-house approaches.

4. **ENSURE SERVICES ARE EASY TO ACCESS AND INTEGRATE.** To be efficient, EDI services must integrate easily into existing workflows. For example, Internet access allows users to perform tasks regardless of whether they are in the company's or partner's facility, or a foreign country.

5. **OFFER ROLE-BASED, SECURE USER ACCOUNTS.** EDI users want data that informs them where their product is in the chain of supply. Enabling suppliers to create sub-accounts and distribute their use to third-party partners gives customers greater visibility to shipments in transit.

6. **ALLOW MIGRATIONS WITHOUT INTERRUPTING EXISTING SYSTEMS.** A solution is only as good as its capacity to accommodate a user's unique scenario. Practical EDI solutions provide the necessary tools and are built to make transitions among partners painless and seamless.

7. **OFFER RELATED TRADING PARTNER PRODUCTS.** Not all solutions are created equal. Many offer the same functionalities, but some recognize the value of EDI transaction data to other processes and offer services to help suppliers improve processes such as electronic cataloging and item synchronization.

How to Enable a Proactive Supply Chain

TOMORROW'S SUPPLY CHAINS WILL BE INTERTWINED SUPPLY NETWORKS PREDICATED ON RESPONDING TO SUPPLY AND DEMAND CHANGES AS THEY HAPPEN, NOT AFTER THE FACT. Transaction and shipment exceptions are common, so businesses must be able to account for these variables by enabling a proactive supply chain. When problems occur, the earlier and faster information is communicated to partners, the better they can work toward finding an efficient and economical resolution.

Every transaction involves at least two parties–buyer and seller. But many others have a stake in its success, including raw materials suppliers, contract manufacturers, 3PLs, carriers, and freight forwarders, among others. Changes can come from either direction and from any partner: a spike in sales demand can trigger an inventory shortage; a fire in a supplier's warehouse can shut down a production line; over-production and slack sales can create overstocks. When supply and demand fall out of sync, companies and their supply chain partners have to make quick, informed decisions to resolve the problem.

In a proactive supply chain, the end user is in a position to immediately address supply and demand shifts before they become critical.

5 STEPS TO SUPPLY CHAIN EMPOWERMENT

1. ANALYZE THE ENTIRE SUPPLY CHAIN. Many companies often look at operations exclusively within their own enterprise, while the extended network remains a black box. They don't know what's going on in the offshore factory, or who is coordinating with the freight forwarder to move a shipment. Retailers, for example, are so focused on consumer-facing technologies and needs that back-end systems have become neglected. Companies need to analyze their weakest links and they can't stop at the four walls. They must look at every process that touches a transaction from source to shelf.

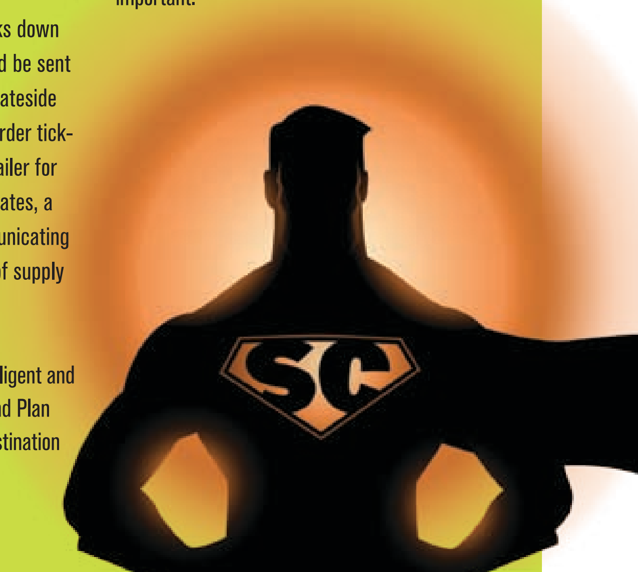
2. CONNECT ELECTRONICALLY. If all parties are electronically connected to a common set of data, transactional information is communicated to everyone. If there is an exception, changes can be broadcast to appropriate parties across the extended enterprise. When applied to supply chain, social networking and cloud computing capabilities greatly facilitate this data collection and sharing. Pre-set alerts immediately trigger need-to-know parties and there is a central repository of information for partners to tap into.

3. ANTICIPATE ISSUES. The majority of transactions do not go smoothly. Businesses will encounter hiccups, so they need to be able to manage process and change by exception. Early warning signs and alerts should be in place so that if something happens outside the norm–in accordance with a set of pre-determined parameters–necessary parties are notified. To identify exceptions before they become emergencies, companies must have logic that determines tolerances–yellow, orange, red flag triggers–as well as an escalation procedure that scales response according to urgency and alerts appropriate people.

For example, if a ticket printer breaks down in an Asian factory, the first alert should be sent to the facility's management, not the stateside retailer. The supplier might be able to order tickets from another source, or ask the retailer for a delay. If the problem persists or escalates, a procedure should be in place for communicating information across a broader network of supply chain partners.

4. SET UP ALTERNATIVE PLANS. Intelligent and proactive supply chains have a Plan B and Plan C. It's important to set up alternative destination paths and integrate these into standard operating procedures. These contingency plans should be put in place with the expectation and understanding that they will happen.

5. MANAGE BY EXCEPTION. Companies can be so overwhelmed by day-to-day operations that when exceptions occur they are not prepared to make fast and informed decisions. Instead they make rushed and rash decisions because they do not have a bird's eye view of the situation. Exception-based protocols focus on what is most important.



THIRD-PARTY LOGISTICS

Logistics Outsourcing: An Active Culture at Dannon

Partnering with a 3PL keeps Dannon's supply chain light and fit.

People started eating yogurt in what is now Eastern Europe more than 5,000 years ago. Today, yogurt has become one of the fastest-growing categories in the U.S. food industry. As the worldwide leader in yogurt production and one of the top two producers in the United States, The Dannon Company's growth rate is even higher than the industry average.

U.S. production takes place at three facilities located in Ohio, Texas, and West Jordan, Utah, near Salt Lake City. The West Jordan plant is 13 years old, occupies approximately 300,000 square feet, employs 200 people, and draws from 130 to 150 SKUs to output its products.

As Dannon's second-largest U.S. facility, West Jordan produces a variety of formats and sizes, ranging from 3.1-ounce drinks to 32-ounce yogurt containers. The facility produces the Danimals, Dan-o-nino, Activia, Dannon Blended, and Light & Fit brands.

West Jordan is the primary source plant serving the western states of Arizona, California, Colorado, Nevada, Utah, and the Pacific Northwest. "We've designed our network to maximize service to customers and consumers," says John P. Sczerba, Dannon's director of western region operations. "Our plant and distribution centers are strategically located so we can reach more than 90 percent of our customers within 24 hours."

Dannon's network design provides flexibility and speed to serve customers quickly, reduces transport time and costs, and delivers on the company's sustainability initiatives, while ensuring product freshness.

"We are very fortunate to be in such a rapidly growing category within the food industry," says Michael J. Neuwirth, senior director of public relations for The Dannon Company and Danone Waters of America. "However, as our production needs continue to grow, spatial constraints in the manufacturing plants are a huge issue. That's the main reason we pursued an outsourcing initiative for the Utah plant."

A TASTE FOR OUTSOURCING

About two years ago, Dannon contracted with Aspen Logistics, a Temecula, Calif.-based third-party logistics company providing warehousing, distribution, transportation, and value-added supply chain services. Aspen is a woman-owned business with revenues of approximately $60 million, employing more than 600 workers. Over the past several years, Aspen has grown considerably and now serves the food, confectionery, pharmaceutical, and pet products industries.

"Dannon has been proactively involved in logistics outsourcing for at least 20 years," Sczerba notes. "One of our core strengths is that we have established a standard, formal process not only for our partnership with Aspen, but for all the initiatives we've undertaken with outside vendors and suppliers."

Prior to partnering with Aspen, Dannon stored and managed materials on site at the West Jordan plant. But as the business expanded and continued to add production capacity, floor space became a premium.

"Outsourcing to Aspen allowed us to alleviate spatial constraints and materials handling complexities at the plant," Sczerba says. "The relationship also provides better control and visibility across a wide range of ingredients and materials. And it enables us to capitalize on Aspen's inventory management and materials handling expertise."

In short, outsourcing the management of many materials and ingredients to Aspen has freed Dannon's time and resources to focus on its core strength: making quality yogurt products.

Aspen Logistics first came to Dannon's attention due to its reputation as a quality 3PL in the western U.S. region and close proximity to the West Jordan plant.

Dannon's manufacturing facility in West Jordan, Utah *(above)* is the second-largest of the company's three U.S. plants, producing Light & Fit, Activia, and Danimals, among other yogurt products.

One of Aspen's facilities is only 15 miles from the Dannon plant. In the Salt Lake City area, Aspen operates four warehouses totaling approximately 500,000 square feet. About 350,000 square feet are temperature-controlled at 65 degrees, 15,000 square feet are refrigerated at 38 to 40 degrees, and the balance comprises ambient storage or office space. Aspen also operates four warehouses in California and one in Columbus, Ohio.

ON TIME, JUST IN TIME

The working partnership between Dannon and Aspen evolved over time, says Jim Emmerling, Aspen's executive vice president. "We first started providing Dannon with warehousing and transportation of dry ingredients and packaging material," he says. "Dannon advised its carriers to deliver shipments to Aspen's Salt Lake City facility. Dannon's suppliers arrange the transportation from point of origin to delivery to our warehouse, and choose the delivery date and time. Aspen accepts appointments to take custody, control, and care of the materials."

Typically Aspen receives orders from Dannon 24 hours in advance, specifying which products the yogurt company wants delivered the next day within a specified time window. Overnight, the 3PL picks orders and stages them for loading on an Aspen truck first thing in the morning. If, for example, the specified delivery time to Dannon is 8 a.m., Aspen can deliver within a one-hour window, as early as 7:30 a.m. or as late as 8:30 a.m., but it must fall within that window.

"In the past two years, not a single delivery has been outside of an appointment time, " Emmerling claims.

Dannon is currently using Aspen's warehouse to manage various raw materials and ingredients kept under temperature-controlled conditions, as well as more than one dozen kinds of fruit totes (fruit and fruit flavoring storage vessels that must be kept refrigerated between 38 and 40 degrees).

"We are now able to place replenishment orders six to 10 hours in advance of our plant production runs, and use Aspen's transport capabilities to bring product back into the plant," says Sczerba.

Fresh milk, the primary commodity in making yogurt, is delivered directly to the West Jordan plant via refrigerated tanker trucks. Aspen delivers the dry dairy ingredients used in many yogurt products. Dannon retains inventory management of plastic roll stock used to mold yogurt cups and cup label wraps, metallized rolls used to make lids, and corrugated cardboard for cartons.

Dannon uses Aspen Logistics' Salt Lake City warehouse to manage raw materials, yogurt ingredients, and fruit totes.

Production lines are loaded with overhead robotic cranes. In a fully automated, ultra-high-speed process, roll sheet plastic is fed into a packaging machine, where it is thermo-molded into cups that are immediately filled with product. Lids are then affixed to seal the container.

Dannon maintains its roll stock and corrugated materials on site to meet special handling requirements and provide fast response time to the production floor.

"The West Jordan facility employs one of the most modern packing designs to be developed over the past few years," Sczerba says. "Today we're working with all our suppliers to reduce the amount of inventory we store or maintain at the plant. And we are going to engage them more in our just-in-time inventory strategy."

DANNON'S VENDOR SELECTION PROCESS

Dannon employs a "tried-and-true vendor qualification process," according to Sczerba. "We dedicate time to formulate a strategy, define the specific goals and objectives of the outsourcing program, and ensure that it aligns with our business mission and vision."

After providers are qualified, Dannon defines its expectations of how the third party may be able to help support the strategy. Through an internal collaboration process, Dannon selects viable vendors that meet the established criteria. In the case of West Jordan, a vendor that could provide ambient and cold storage was paramount in the selection criteria.

After prospective service providers were identified, the West Jordan facility worked closely with another Dannon department, Sourcing and Supplier Development (SSD).

SSD prepared a formal RFP to obtain information and pricing from the vendors that West Jordan was interested in partnering with. "Once the vendors answered the RFP, our internal team worked with SSD to evaluate responses," says Sczerba. "We looked to see if the vendors answered all our questions, met our criteria, and delivered quality charters and emission statements so we could be sure the partnership would align."

SETTING ITS SITES

After it selected the finalists, the Dannon team conducted formal site visits. "Site visits are very important," Sczerba says. "They give us the opportunity to observe the facility for quality and appearance, and to meet face-to-face with the management team and support staff who may become our partners and the shepherds of our business.

"Developing the human relationship is extremely important to us," he adds. "Dannon places a high value on our employees, and we truly view our outside service providers as part of our team."

According to Sczerba, Aspen Logistics won the Dannon contract for five reasons:

1. Proximity and location, warehouse capacity, and workforce criteria.

2. A positive, proactive approach to understanding and embracing Dannon's business needs.

3. The professionalism of the management team and front line staff, and their flexibility and attention to details during the RFP and assessment process.

4. The results of an interview process with Aspen customers that provided insight into the 3PL's abilities and gauged customer satisfaction.

5. Aspen's system and process excellence.

Systems design and integration

with the capability of delivering a seamless, flawless implementation were critical to the Dannon-Aspen relationship.

"We use two systems to manage Dannon's operations," Emmerling explains. "One is Aspen's radio frequency, bar-coded, task-directed warehouse management system. We also use equipment provided by Dannon to scan product into its Enterprise Resource Planning (ERP) system so procurement personnel can see if they have sufficient quantities on hand, or if they have reached a re-order point."

As product arrives at Aspen's receiving dock, it is first scanned into Dannon's ERP system to confirm that the shipment matches an order. Aspen applies a license plate to each pallet, which is scanned into the WMS to designate the best location in the zoning strategy for storage, inventory control, and lot rotation.

"Expanding and integrating new partners into your systems can become complex," notes Sczerba. "The Dannon and Aspen business information and technology teams worked long and hard to perform the testing in advance of the go-live.

"What we seek in our relationships with vendors is absolute system capabilities and the ability to conduct repeated tests before we go live with an application," he adds. "Then, when we do go live, systems shortfalls are not part of our concern."

"Since the partnership began, the dry portion of the business has expanded," Emmerling notes. "More providers are shipping product to us rather than to Dannon, so we are now delivering larger loads more frequently.

"Approximately six months ago, Dannon asked us to establish a refrigerated storage area for fruit totes," Emmerling adds. "Now we are handling perishable products that we hold between 38 to 40 degrees and deliver to Dannon on a refrigerated trailer."

A 3PL WIN-WIN

In March 2010, Dannon opened a new customer distribution center in Salt Lake City with another 3PL, Exel Logistics. Based on the new site's proximity to Aspen, Dannon was able to leverage the Aspen fleet. After Aspen delivers a load of raw ingredients to West Jordan, the truck is reloaded with finished goods and delivered to Exel.

"The partnership with Exel and Aspen Logistics has been a win-win for Dannon as well as for our participating vendors," says Sczerba. "It provides excellent synergies and allows us to control costs, reduce emissions, and alleviate parking lot and dock congestion.

"In the future, we plan to challenge ourselves to apply even more synergies," he says. "We anticipate pursuing opportunities with both valuable third-party logistics partners as we continue to grow." ■

3PLs

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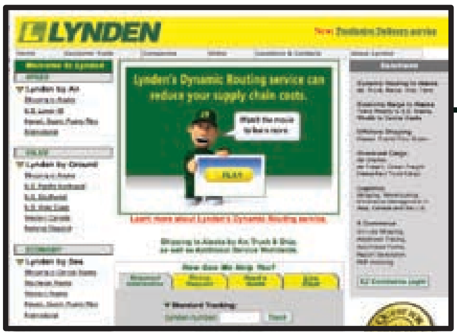

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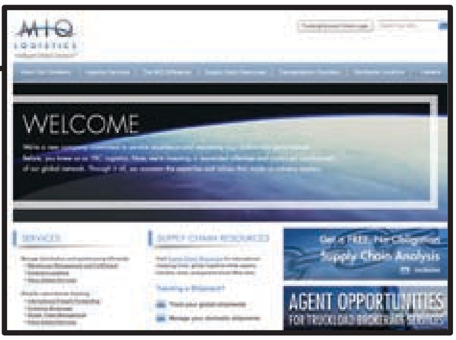

MIQ Logistics • www.miq.com

Started in 2002, MIQ Logistics has locations in Asia, Europe, North America, and South America. Along with its global network partners, MIQ Logistics provides services in and between more than 80 countries supported by more than 5,000 in-country logistics professionals. Its broad portfolio of global, transportation, and distribution services makes it possible to offer global end-to-end supply chain solutions supported by the visibility of Web-native technology. If your business is seeking supply chain improvements, let MIQ Logistics add value to your business.

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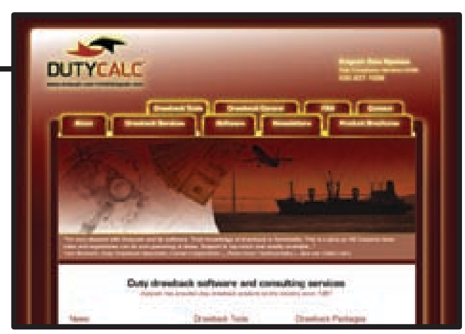

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JOB BOARDS

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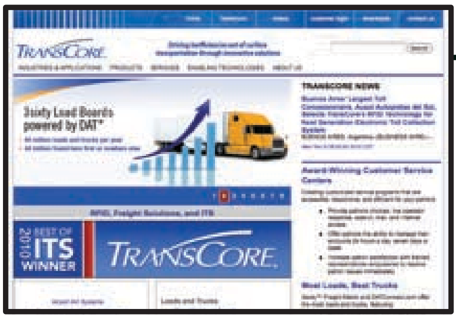
LOGISTICS IT



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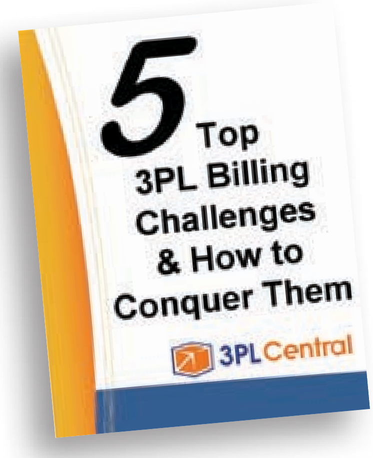

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LMS

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

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www.ptgt.net	866-775-5120

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www.europeandatacomm.com	864-271-9123

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The Portable In-Transit Tracking Unit (PITU), a device about the size of a digital video recorder, continuously monitors shipment location and condition. The device connects communications among RFID units, GPS location and SatCom systems, global cellular networks, and sensors that detect environmental and security changes. PITU is designed to improve the safety and security of high-value or sensitive shipments – including medical supplies, hazardous materials, and ammunition – by minimizing the high cost of correcting unplanned events such as delays and misroutes or critical system failures.

www.savi.com	888-994-SAVI

TRUCKING

Greatwide Logistics Services

New software tools streamlined Greatwide's network and increased the operations capacity and capabilities of its 24/7 Transportation Operations Center (TOC) in Dallas. The newly expanded TOC is responsible for transportation management of a large part of Greatwide's 5,000-truck fleet, allowing the contract carriage provider to centrally dispatch and optimize capacity between shippers and local operating centers. Greatwide manages all transportation functions out of the TOC, including procurement, planning, dispatch, execution, and distribution, as well as back-office functions such as billing, settlements, and accounts.

www.greatwide.com	972-228-7300

OCEAN

Old Dominion Freight Line

Offered by OD-Global, a division of Old Dominion Freight Line, the Pacific Promise service provides standard guaranteed transit times and simplified rates from China to the United States.

CONTINUED FROM PAGE 97

The service recently expanded to include seven additional ports: Dalian, Fuzhou, Guangzhou, Ningbo, Qingdao, Xiamen, and Xingang. Shippers can check rates, create bookings, and track shipments on Old Dominion's Web site.

www.odfl.com 800-432-6335

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Career Development/Education

- **Lion Technology** pg. 98
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- **Rinchem Company Inc.** pg. 59
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Events

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- **Interlog Winter** pg. 31
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- **SPS Commerce** pg. 83
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- **Sprint** pg. 11
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Real Estate Logistics/Site Selection

- **Hoosier Energy** pg. 89
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Trucking

- **YRC Worldwide** pg. 47
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INDEX

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THE LAST MILE

A Container That Really Shines

German cargo container manufacturer Jettainer and Listros, a nonprofit organization, recently introduced an airfreight container refitted as a mobile compact workshop unit to help train the next generation of children shoe-shiners in the African country of Ethiopia.

The unique container was part of the *Change in Perspective* exhibition in Berlin, which also featured paintings, sculptures, and photography about Ethiopia and its tradition of children shoe-shiners (Listros literally translates to "make it shine").

German and Ethiopian cultural relations have long been tied by academic research between the two economically opposed countries. The *Change in Perspective* exposition similarly seeks to share vocational training and innovation. The unique "shoebox" container was designed in cooperation with students from Berlin and Listros to support young people in Ethiopia by providing educational opportunities and a brighter future.

Near the end of 2010, Jettainer and Listros will debut a design competition for students to build "mobile business units" into serviceable ULD airfreight containers. Functionalities can cover anything from trade to medical services, information or education.

German President Christian Wilhelm Walter Wulff (left) with Dawit Shanko, founder of the Listros Association, at the *Change in Perspective* exhibit in Berlin