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H.O.W.

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BEST PRACTICES

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CRITICAL PART:
BRAIN

STATUS:
FROZEN
LOCATION:
ON-SITE
REPAIR:
SAME-DAY



CRITICAL PART:
COURAGE

STATUS:
FAILED
COVERAGE:
VENDOR
CONTRACT
ETA:
24 HRS.



CRITICAL PART:
HEART

STATUS:
BROKEN
REPLACEMENT:
ON ORDER
REPAIR:
TBD...



THE WIZARDRY BEHIND CRITICAL SPARE PARTS

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THE MAGAZINE FOR DEMAND-DRIVEN LOGISTICS

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WCS Tips
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Three Ways a WCS Can Improve Your Operation bit.ly/1wCxfrM

Randy Marble, Director of Software Solutions, Wynright Corp.

Implementing a Warehouse Control System (WCS) helps small and mid-sized operations incorporate automation to stay competitive and fulfill both large and individual shipments. Use these tips to gain control in your warehouse.



Can Intermodal Transportation Meet Evolving Supply Chain Demands? bit.ly/1wr3RVp

Jeff Vielhaber, Vice President Operations, TTS

When rethinking logistics strategies to deal with tightening truck capacity, company executives should consider how intermodal transportation can benefit their business. This column discusses the ways intermodal contributes to a cost-effective supply chain.



The Spot Market—And How Not to Use It bit.ly/1wr4jD4

Tim Taylor, Executive Chairman, Network FOB Inc.

The spot market pays more per mile than most major carrier bid lanes, and it won't be long before these established carriers shift more capacity to spot market prices. Learn how to use the spot market to reduce shipping backlogs and keep costs down.

AIRFREIGHT RESOURCES

Find an Airfreight Forwarder bit.ly/1z17K84

Inbound Logistics' Airfreight Forwarder Decision Support Tool allows you to select the services that match your needs, then generate a list of qualified airfreight forwarders that match your selections. You can also submit an RFP automatically.

Airfreight Request for Proposal bit.ly/1xdIDPL

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The logo features the word "SAIA" in a stylized, white, serif font with a red outline, set against a red background.

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CHECKING IN

Keith Biondo

by Keith Biondo | **Publisher**



Adapting Your Supply Chain For the Future...Now

Supply chain practitioners are adept at identifying and adapting to changes in the real world, both in the long and short term. Two examples: One company is preparing its supply chain process for an anticipated explosion of products that don't exist yet, and many logistics and supply chain practitioners are dealing with satisfying consumer demand for instant delivery gratification because of the new "shipment impatience" phenomenon.

Long-term example first. *Inbound Logistics* recently met with IBC Advanced Alloys, a Vancouver, British Columbia-based rare metals manufacturer and distributor. The company specializes in beryllium and copper alloys, producing products the aerospace and defense industry needs to build all that futuristic sci-fi stuff that will be reality before we know it.

Given IBC's position upstream in the supply chain, it's an indicator of where change driven by the Internet of Things is taking us. Notably, electronics and circuit board manufacturers are locking up rare metal suppliers now, and streamlining supply chain operations for change that won't be a reality for years. Why? Because the expectation is that the Internet of Things will cause an explosion in demand for circuit boards that bring sci-fi reality to life. Machines talking to machines require sophisticated chipsets that sap rare metal reserves, which calls for global speed in delivery.

IBC realizes the world is changing, and is taking steps *now* to fold that change into its supply chain operations. The velocity of change should impact supply chain planning for the future...right now.

The short-term real-world example of a supply chain adapting to change is the fairly recent behavioral phenomenon of consumer shipment impatience. As a consumer, how many times have you made an online buy based on how fast a vendor could deliver, even if the transportation cost was higher? Ever been left dissatisfied when an e-tailer missed your delivery expectations? Today, many businesses exhibit the same consumerish behavior, and don't seem to care that much about geographical limitations on immediate delivery either. Sourcing from the East? I don't care, I need it now. Selling to China? They don't care, they want it now.

That consumer expectation for speed bleeds over into commercial dealings and impacts supply chain operations. Practitioners have been adept at adjusting to this change by using nearsourcing, omni-channel, and expedited solutions.

There's no stopping innovation, nor new customer demands based on change in the world. As a supply chain practitioner, take the time to look into the future, visualize where change might take your operations, and plan accordingly. The future will be here before you know it. Velocity of supply chain change, meet velocity of change. ■

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27 OCT 2014

A Lean and Agile Supply Chain: Not an Option, But a Necessity - bit.ly/1wjOtdj

Michael McConaughy

Collaboration with your suppliers, as well as your customers, is a key element of this strategy. So is eliminating a "silo mentality" in your organization.



You are right on with your Sept. 2014 *Checking In* column [Building Your Driver Friendly Brand - bit.ly/1myTezw]. I hear many of those complaints from my son, who is an owner-operator. There are a lot of shippers and receivers that have no respect for what truck drivers do. Drivers are on the clock, and having to sit and wait disrupts their next scheduled pickup or delivery. It all falls back on management to pay attention to what is happening at their dock door.

Bob Bishal

U.S. Materials Handling Corp.

I just began receiving your print edition and I think you provide a high-quality publication. You offer great insights, and I find the coverage to be very



Inbound Logistics

21 OCT 2014

And you thought our transportation infrastructure problems were due to poor funding.

in-depth. Having spent approximately 25 years in logistics, I value having this magazine to help keep me up-to-date with our industry.

Robert D. Severini

Executive Director, National Logistics Operations, Quest Diagnostics

First, I want to let you know how much I love your magazine. I look forward to

each interesting and informative edition. Second, I would like to change my postal address for future mailing. How do I do that?

Mike, via e-mail

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20 OCT 2014

Shippers Get Creative With Multimodal Solutions - bit.ly/1t5Iigl

QualLog Global LLC @supplylogistics

Washington wants to get trucks off the road and freight onto railroads. Two main reasons: 1. Rail is safer. 2. Railroads are greener.

CenterPoint Properties

@CenterPointProp

19 OCT 2014

Supply chain gone stale? @ILMagazine compiled 163 actionable tips to help revamp your warehousing, 3PL, and trucking operations. bit.ly/1fhxtdM



HOT TOPICS | *IL* articles getting the most impressions on LinkedIn: 10 Tips to Avoid Another Cold Weather Capacity Crunch: bit.ly/1ziSjrU

• Inbound Logistics RFP/RFI: bit.ly/1L-RFP • Intermodal: Too Much of a Good Thing?: bit.ly/1r8NCbT • Incoterms 2010: Speaking the Same Language: bit.ly/1qhgMaL • Eruption Disruption: What's Your Plan? bit.ly/1xFnvOm



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Today's Airfreight Industry: Challenges and Possibilities

By Henk Venema

Global Product Director, Geodis Wilson

Airfreight is a dynamic modality.

If everything goes well, freight is at its destination within three to five days.

That makes it fast and challenging because there is always a play between demand and capacity. There's not a single day in airfreight that's the same day as the day before.

At the same time, it's an old-fashioned industry. We still use the same airplanes we did 20 years ago. We still use a lot of paper, we are still duplicating input in various parts of the supply chain, and we generally lack automation between the shipper, freight forwarder, the ground handler, and the airline.

INDUSTRY CHALLENGES FACED TODAY

The airfreight industry currently faces a number of challenges. These include balancing capacity with the right price and the right lead time, adding value to clients' supply chains via bundled solutions, and managing surcharges going from actual to chargeable weight and the impact on shippers/clients.

At the same time, systems are a challenge. As an industry, we have not worked hard enough to enable the connectivity we need. When clients book with a parcel provider, they can log in with a tracking number and see where the delivery is at every moment of the day and when they can expect the shipment to arrive at their front door. In airfreight, we are still very

dependent on manual input, and in many cases we are picking up the phone to book a shipment with the airline and to receive the most recent tracking information from the various suppliers in the chain.

VISIBILITY TRANSLATES TO BETTER SERVICE

Given this lack of automation, how do we get information fed to a client to inform them there is a delay before the client actually notices that delay? This is still a challenge for most logistics providers, but as technology develops and IT systems are integrated in organizations and processes, we are becoming more agile and better able to respond. For example, Geodis Wilson has implemented a centralized, global freight management system expected to yield double digit productivity improvements within 3 years across the company's global operations. The major benefit lies in how the file data is fully shared and entered once in the system instead of twice and ownership is then transferred from origin to destination seamlessly. This provides massive productivity benefits as well as a leap in the quality of the service and visibility we can provide to clients.

THE GATEWAY STRUCTURE

A gateway structure means we collect freight in one country and bring it to a strategic central point to consolidate it and ship it out. By combining different shipments on the same booking with an airline, the forwarder benefits from increased margins due to volume/density offset while the shipper benefits from better pricing. Lead-time and consistency in service level is also improved as processes and bookings are streamlined over time. Logistics buyers should look into moving their general cargo via this model when seeking cost-effective solutions.

For example, at Geodis Wilson, we offer AIRSAVE, an economy solution for general cargo suitable for loading in consolidations. We have several mature gateway operations in place globally including China/ Hong Kong and the Nordics and we plan to add one gateway in central Europe. We have already identified and are working with gateways in strategic U.S. locations like Atlanta, Chicago, New York, Miami and Los Angeles.

“ The old-fashioned freight forwarder style of buying something, adding a margin, and then selling it again doesn't fly any more, especially with large, global Clients ”

ONE-SIZE-FITS-ALL SOLUTIONS DON'T APPLY TO AIRFREIGHT

A gateway is not always the best solution. For example, this concept cannot be used for goods identified as hazardous, perishable, or which require special handling. For these commodities, freight forwarders should be ready to provide services that meet these unique requirements. Geodis Wilson introduced AIRFLEX to help meet those specific scenarios, designed for commodities that need a customized service (extra urgent, dangerous goods, keep-cool, valuables, aircraft-on-ground). The tailor-made solution features back-to-back or direct service on direct carrier products for all possible commodities and dimensions that can be carried by passenger and freighter aircraft.

BEST PRACTICES FOR BALANCING PRICE, CAPACITY AND LEAD-TIME

By partnering with airlines to promote healthy relationships, freight forwarders strive to help maintain and improve airfreight service levels, capacity, pricing, and lead-time for shippers. At the same time, a gateway model may not be useful to balance these four key areas. We are in a very competitive marketplace. The old-fashioned freight forwarder style of buying something, adding a margin, and then selling it again doesn't fly any more, especially with large, global clients.

ASKING THE RIGHT QUESTIONS

Shippers struggle to find a suitable forwarder that can determine the right service level for their volume, frequency, and overall service requirements. On the forwarder side, it's a challenge to find the right capacity at the right price and to find sustainable capacity – for today's and tomorrow's shipment. One rule of thumb may be obvious to most, but asking the right questions is crucial for identifying the “perfect fit” solution. A standardized product offering might be the solution for some shippers, however, those with specific requirements will still need tailor-made, custom solutions.

WHAT DOES THE FUTURE HOLD FOR THE AIRFREIGHT INDUSTRY?

We are seeing more logistics providers and shippers integrate IT systems to streamline communication and enhance service. Investing in global transportation management systems is key to keeping any global logistics business afloat today. Geodis Wilson is currently revamping their eSolutions applications, which includes Online Booking, Track & Trace systems, Order Management systems and the development of client-specific portals to ease communication in a secure environment.

Overall, we strive to make sure that no matter where a client is in the world, that client knows what he can expect from Geodis Wilson – a transparent process, a simple way of doing business, excellent communication, and superior customer service.

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AIRFLEX™

Focus: Product Specific

Commodity:

- All possible commodities that need a customized service (Extra urgent, Dangerous goods, Keep Cool, Valuables, Aircraft-on-Ground)

Transit Time: Depending on commodity

AIRSAVE™

Focus: Product Specific

Commodity:

- All possible commodities that need a customized service (Extra urgent, Dangerous goods, Keep Cool, Valuables, Aircraft-on-Ground)

Transit Time: Depending on commodity

Geodis Wilson makes customers more competitive by making their supply chain transparent and easy to manage. Geodis Wilson, the Freight Forwarding division of Geodis Group, has more than 9,000 employees in over 61 countries. The Geodis Group is a global logistics provider with 30,900 employees in a network covering the entire globe. Geodis Wilson ships approximately 250 million kilograms of airfreight per and has airfreight organizations in every country where we operate.

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10TIPS

STEP-BY-STEP SOLUTIONS

by Deborah Catalano Ruriani

Reducing Cargo Theft

Cargo theft results in billions of dollars of loss every year in the United States, but taking precautions can minimize the risk. FreightWatch International's Supply Chain Intelligence Center offers the following advice for securing your supply chain, and reducing cargo theft.

1 Conduct thorough background investigations. Driver turnover continues to be an enormous vulnerability in the supply chain, ranging from 90 percent to 130 percent per quarter for the past several years. Shippers should conduct due diligence initiatives when sourcing transportation requirements, as well as conduct thorough background investigations on anyone handling the product during the shipping process.

2 Prepare your facility. Warehouse burglaries are the highest-value incidents due to the large volume of product stored in a single location. Routine inspections will deter complacency and identify emerging vulnerabilities.

3 Conduct security awareness training. Drivers are the first level of defense in the fight against cargo crime, and their awareness is paramount. They must know the threats and the best practices to countermand those threats.

4 Keep current on theft trends, hot spot locations, and the products prevalently stolen. Shippers and carriers must track the trends pertaining to cargo theft, including timing and circadian frequency of cargo theft, seasonal fluctuation, and high threat areas. Supply chain professionals should also tune in to theft trends across commodity in order to make informed decisions during their risk analysis process.

5 Be prepared for the holidays. Historically, cargo theft increases during holiday weekends for transportation companies, shippers, and manufacturers. Shippers should strive to maintain a delivery-without-delay system, and facilities should exercise additional caution during this period by supplementing layers of physical security and auditing current emergency management processes. No time is more vulnerable than an extended holiday weekend.

6 Create an in-transit security policy. Perfect practice makes perfect performance. In-transit security procedures will vary based on commodity, location, and weather. Apply careful analysis to your enterprise's logistics footprint in order to determine the most feasible and applicable in-transit security policy.

7 Reduce the time loads are left unattended. Cargo at rest is cargo at risk. In the past 12 months, almost 90 percent of cargo theft in the United States has occurred at an unsecured or unattended location away from the origin. Truckstops dominate this scene as truckers often leave their loads unattended for hours at a time.

8 Vary routes and lanes. Organized cargo thieves are smart, methodical, and patient. They invest time in planning, and a key part of their planning is surveillance. Varying your lane and shipping schedule is critical.

9 Use assisted-GPS covert tracking technology embedded in cargo. Electronic Freight Security is a dynamic tool that allows a shipper to maintain full visibility of cargo for the shipment's duration. Immediate response and resolution to non-compliance incidents reduces opportunities for theft.

10 Take a layered approach. A Security-In-Depth or Defense-In-Depth approach is paramount to thwarting cargo theft. The three integral and synchronized pieces are people, procedures, and technology. Supply chain professionals should strive to have an efficient security solution from dock to door. ■

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Andy Yablin is vice president, transportation at Scholastic Inc. in New York. He worked for the children's book publisher from 2002 to 2008 and returned there in 2014 to take on his current role.

RESPONSIBILITIES

All transportation from manufacturing facilities to distribution centers, and from distribution centers to customers.

EXPERIENCE

Several positions, concluding with general manager, petroleum operations, ExxonMobil Corp.; several positions, concluding with director of transportation - North America, Pepsi Bottling Group; vice president, global logistics, Scholastic; vice president of transportation, C&S Wholesale Grocers.

EDUCATION

BS, supply chain management, Northeastern University, 1986; MS, management, Lesley University, 1997.

Andy Yablin Goes Back to School

MY LOGISTICS CAREER STARTED IN HIGH school at a moving company, where I learned to pack freight and load trucks, and the owner sponsored me to get my tractor-trailer license. When it came time for college, I chose Northeastern University because it was one of the first schools in the country to offer a degree in transportation. During college I worked at ExxonMobil as a co-op student and stayed there for almost 14 years.

After working at Scholastic from 2002 to 2008, I came back in 2014. As vice president of transportation, I'm responsible for anything that moves. The core of our business is the Children's Book Publishing and Distribution division, which includes trade distribution, our reading club, and school book fairs.

Scholastic prints 90 percent of its books in the United States. Books for our trade and reading club channels

move via various modes to our large distribution center (DC) in Jefferson City, Mo. UPS delivers book club orders from there to schools. Trade orders move from Jefferson City to booksellers' and distributors' DCs. When we do a major book launch, we might deliver that product directly to stores.

Product for the book fairs moves from manufacturers to our approximately 60 smaller DCs around the country. We use

The Big Questions

What's one big goal you have yet to achieve?

I play a lot of golf. Breaking par is something I have not accomplished, but would like to.

If you could get a do-over on one decision you've made, what would that be?

My family was on Boylston Street when the Boston Marathon bombing occurred in April 2013. We were fine, but I would

definitely choose not to have been there.

If you could go back to school purely for fun, what would you study?

I would learn to be a pilot.

What movie could you watch one million times and not get bored?

Top Gun.

a private fleet to deliver books and display units to schools.

One big challenge we face at Scholastic is the driver shortage, which affects both inbound transportation and our outbound private fleet. Carriers are under pressure to increase drivers' wages, and that's bound to push up freight rates. We also face capacity issues, especially during our peak season in the fall.

So we're trying to figure out how to get more product on the trucks in our private

fleet, and how to maximize the capacity of inbound vehicles we hire. If we move 38,000 pounds on a truck that can haul 45,000 pounds, we want to work with manufacturers to increase our pallet and SKU counts by packaging or loading differently.

On my list of career accomplishments, the one I'm most proud of occurred at Scholastic when I managed the distribution of the fifth, sixth, and seventh Harry Potter books. They all had strict release dates, and many stores were planning parties when

the books went on sale. The chain stores took delivery at their DCs, but we delivered directly to independent bookstores.

Not only did the books need to arrive exactly on time, but we also faced a security challenge. Fans desperately wanted to get their hands on the last page of each book, so we had to lock up waste from the printing plants until the book went on sale.

Thanks to good planning and development, we didn't disappoint a single bookseller—or Harry Potter fan. ■

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NOTED

THE SUPPLY CHAIN IN BRIEF

GOOD WORKS



▲ More than 400,000 **UPS** employees around the globe performed 315,000 hours of community service during the company's Global Volunteer Month. In the United States, employees donated time to initiatives including feeding malnourished children in disaster areas, hosting high school career days, creating care packages for veterans and wounded warriors, and supporting breast cancer awareness.

Houston Food Bank received a donation of a Jungheinrich EJE 120 electric-powered walkie pallet truck from **Mitsubishi Caterpillar Forklift America**. The 4,500-pound

capacity truck helps the food bank transport thousands of boxes of food daily.

South Carolina Ports Authority donated \$15,000 to the **Children's Museum of the Lowcountry** in Charleston, S.C. The grant will be used to provide free field trips to the museum for students from four area schools.

◀ Materials handling equipment provider **Raymond Handling Concepts Corporation** sold a custom pink Raymond Model 102XM walkie hand pallet truck during an online



charity auction, raising \$4,500 for two different breast cancer charities.



▲ Board members and executives from the **Airforwarders Association** joined with **Delta Cargo** employees to rebuild a Seattle home. The **Habitat for Humanity International** project is part of Delta's fall volunteer program in six cities, with 2,300 of the company's employees participating in projects near Delta's U.S. hubs.

SEALED DEALS

Office Depot selected **HighJump Software's Atlas Products** supplier collaboration platform for its European trading operations. The solution allows Office Depot to collaborate with 4,000 suppliers in eight countries.

Chrysler de Mexico chose **Ryder Mexico** to manage a crossdock operation at the Port of Altamira. Ryder is responsible for receiving ocean containers, facilitating customs clearance, and transferring shipments to Chrysler's assembly plant.

Building products manufacturer **Euramax International** picked **UltraShipTMS** to provide a solution for managing its fleet, as well as its inbound and outbound logistics. The solution accommodates Euramax's truckload, less-than-truckload, and parcel movements using a blend of common carriers, dedicated fleet resources, and the company's private fleet.

a2b Fulfillment began providing logistics and customer care services for **Goodbye Malaria**, a non-profit dedicated to increasing awareness and funding malaria eradication programs in Africa.

ma

Third-party logistics (3PL) provider **Rinchem Company** purchased Taiwan-based freight forwarder **Chimei Logistics Corporation** to expand its services in South Korea, Japan, China, Singapore, and Taiwan.

Carrier Lonestar Transportation merged with **Daseke Inc.**, owner of several open deck/specialty carriers. The merger adds 500 tractors and more than 1,500 trailers to the Daseke fleet, and gives the company a more significant presence in Mexico.

3PL **Kane Is Able** purchased the Atlanta, Ga., and Allentown, Pa., regional hubs of **3PL Nexus Distribution Corporation**. The acquisition allows Kane to increase the range and service level of its national distribution coverage.

GREEN SEEDS



▲ **FedEx Trade Networks** opened an 88,000-square-foot business facility in Tonawanda, N.Y., that utilizes multiple sustainability technologies, including solar energy panels; low-flow water consumption; and dedicated bio-beds, which reduce the building's impact on native vegetation by providing underground water retention for storm water management and soil erosion control.

The American Association of Port Authorities recognized **Georgia Ports Authority** with an Environmental Improvement Award for its efforts to address the environmental impact of diesel fuel usage. The port's initiatives include reduced diesel consumption, increased usage of electric-powered equipment, and improved process efficiency.

▼ **Fairmount Santrol** deployed a Railserve LEAF Gen-Set locomotive at its Roff, Okla., resin-coating plants. The locomotive uses 50 percent less diesel fuel and reduces nitrogen oxide emissions by 84 percent.



recognition

Total Quality Logistics (TQL) received an award from the **American Jobs for America's Heroes** campaign for its commitment to hiring veterans and members of the National Guard. TQL also earned the title of "Friendly Employer" from *G.I. Jobs* magazine.



▲ **Ohio Governor John Kasich (third from right)** visited TQL's Cincinnati office to recognize its military hiring efforts.

The Renault-Nissan Alliance chose third-party logistics provider **Yusen Logistics** as the recipient of the **2014 Renault-Nissan Alliance Award for Inbound Logistics Performance**. The honor recognizes excellence in Kaizen achievement in Yusen's Central European operations.

DHL earned a **SmartWay Excellence Award** from the Environmental Protection Agency for its efforts to reduce fuel consumption and CO₂ emissions. DHL's recent efforts include introducing a telematics tool to 1,400 vehicles that improves routing, fuel consumption, driver behavior, and maintenance management.

TheBestSchools.org ranked the supply chain management (SCM) online master's degree at **Portland State University** number eight on a Top 20 list of similar programs. The award comes on the heels of the SCM program's certification by the Institute for Supply Management.

Fritz Missel, international business development manager at Southeastern Freight Lines, received the **2014 Plunkett-Stoioff Award** from the South Carolina International Trade Conference.

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TRENDS

SHAPING THE FUTURE OF LOGISTICS



Railroads and shippers continue to debate the pros and cons of competitive switching, which proposes that certain captive shippers located in terminal areas be granted access to a competing railroad if there is a working interchange within a reasonable distance.

Competitive Switching: Between a Rock and a Railroad

by **Joseph O'Reilly**

Competitive switching – a directive that would require railroads to switch a customer's freight to a competitor's line within a reasonable distance – has been a “third rail” conversation among captive shippers and railroads ever since the threat of re-regulation started ringing through Congressional hallways. More pressing safety and security concerns were overshadowing the issue, until now.

Class I railroads are once again circling the wagons against another lobby from shippers and legislators in the aftermath of 2013's winter rail service meltdown in the upper Midwest. U.S. Senators Tammy Baldwin (D-Wis.) and Al Franken (D-Minn.) have joined forces

with David Vitter (R-La.) to push the Surface Transportation Board (STB) into action.

BNSF's well-publicized capacity logjam in winter 2013 stranded agriculture trains for weeks on end. Shippers were missing boats as a consequence. The railroad blamed it

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on higher-yield bumper crops and harsh weather that handicapped operations.

But some shippers are skeptical, claiming those service delays had as much to do with booming Bakken oil business as it did Mother Nature's caprice. "The railroads have done a heck of a job supplying refineries, but shippers that don't earn them as much money—notably intermodal and agriculture—are taking the hit," Terry Whiteside, chairman of captive shipper lobby the Alliance for Rail Competition (ARC), told *Inbound Logistics* in February 2014.

The issue is rail-to-rail competition. Four Class I railroads with regional authorities (Union Pacific—Northern Plains; BNSF—West; CSX—Northeast; and Norfolk Southern—Southeast) control 95 percent of the business in the United States. Shippers and ARC are lobbying legislators and the STB to enforce competitive switching.

"When the Staggers Act deregulated the rail industry in 1980, Congress was telling the Interstate Commerce Commission (ICC) to stop railroad bankruptcies," explains Whiteside. "The ICC's mandate was to get carriers out of insolvency, and protect captive shippers that were formed by concentrating rail power."

The ICC took care of the insolvency problem and allowed market consolidation to follow at pace. But it never followed through on protecting captive shippers.

"When Congress started looking at the situation again, it found whole regions, states, and industries that were completely captive," Whiteside adds. "That wasn't the vision in 1980. So we began working with Congress and the STB to develop methodologies to mitigate this captivity."

Shippers and railroads agree on one thing—that railroads prefer the status quo. Ed Hamberger, president and CEO of the Association of American Railroads (AAR), has clearly outlined the industry's opposition to the proposed changes. Mandatory competitive switching would require multiple moves at additional costs—and only creates more opportunity for error. He calls it a "solution looking for a problem."

Hamberger reasserted this point at the 2013 RailTrends conference in New York City, citing the economic cost to the rail industry, and the impact of an additional 7.5 million carload switches annually on the network's velocity and efficiency.

"Every carload switch is a lost day, more time in the yard, more yard crews needed—and it's the yards that slow down the network," he said. For shippers, the writing is on the boxcar: Be careful what you wish for if delays are already a problem.

However this current push for regulatory oversight unfolds, lengthy debate among shippers, railroads, lobbyists, and legislators will ensue. Compromise won't come easily.

U.S. shipments arrive within three days of expected delivery dates, compared to seven days in Argentina, and more than two weeks variability in Brazil.

But that edge is dulling, in large part due to the U.S. railroads' inability to accommodate grain production for export. This is especially true in the hinterland, where shippers are held captive.

Historically, a journey from the upper Midwest to the Pacific Northwest took five to six days, with a five- to six-day return trip. In early 2014, the journey increased to eight days in both directions, according to the report. Transit times and reliability are eroding, thanks to bottlenecks in the network.

Minnesota's Subterranean Rail-sick Blues

Taking a page from the city's favorite son, Bob Dylan, Hibbing Taconite is singing the railroad blues. The mining company has begun trucking taconite pellets to Duluth-Superior Harbor thanks to less-than-superior rail service, according to the *Minneapolis Star Tribune*.

Hibbing Taconite plans to use 100 trucks, 24 hours a day, seven days a week during October and November in order to fulfill iron ore demand from its steel manufacturing customers throughout the Great Lakes region. The rush is on to move product before the Great Lakes freeze and the shipping season ends.

Hibbing Taconite's plight is by no means isolated. Minnesota companies have stockpiled two million tons of taconite pellets because of rail delays, noted U.S. Sen. Amy Klobuchar (D-Minn.) at a recent Senate Commerce, Science, and Transportation Committee hearing.

The greater concern is how this domestic impasse bubbles up and impacts U.S. export competitiveness. Consider a recent report commissioned by the U.S. Soybean Export Council and the Soy Transportation Coalition that compares the cost, transit time, and predictability of transporting soybeans from the United States, Brazil, and Argentina—the three primary producers of soybeans worldwide—to nine international destinations.

Despite longer distances to market, the U.S. soybean industry is consistently the most economical and reliable supplier to international customers because of its transportation network. On average,

"What concerns me is that there is no short-term solution," says Whiteside. "Yes, you can put more locomotives on the track, but that just congests the system."

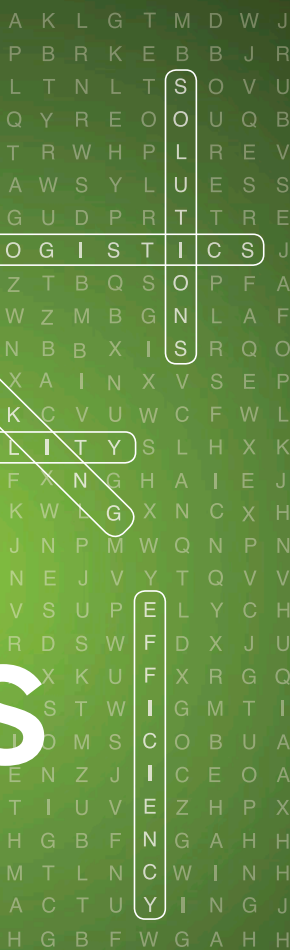
More disconcerting, U.S. transportation modes are inherently linked, each responding to capacity constraints on the other. Clogged hinterland rail capacity only pushes more freight to truck—which is already saturated.

Consequently, more shippers are looking at intermodal solutions to allay these concerns. But to swap modes, shippers and service providers need access to rail interchanges to shift product around. In the U.S. heartland, that remains a real problem.

Eleventh-hour holiday shoppers learned their lesson in 2013 after UPS and FedEx dropped the ball trying to meet an unexpected rush of last-minute deliveries. Nearly half of U.S. consumers responding to Pitney Bowes' Holiday Shipping Survey plan to buy gifts online earlier this year. The majority of respondents (63 percent) indicate they are doing so to ensure packages arrive on time.

FedEx predicts it will move more than 290 million shipments between Black Friday and Christmas Eve, an 8.8-percent increase in overall year-over-year peak seasonal volumes.

Overall, 70 percent of Americans consider shipping options to be an important factor in their gift-purchasing experience, compared to 66 percent in 2013. Also, 33 percent say they plan to pay more



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attention to shipping in 2014 compared to last year.

“To help capture holiday sales this year, and meet customer expectations, retailers should prepare well in advance for the unexpected, and provide real-time visibility to shipping packages as well as reliable delivery estimates,” cautions Stehmann.

Among other survey findings:

■ Seventy-seven percent of shoppers

track packages shipped to them, versus 68 percent in 2013. More telling, 33 percent track items once or twice; 21 percent track packages three to five times; and 23 percent check tracking six or more times.

■ Eighty-two percent of shoppers find free shipping—where the product arrives in five to seven days—more attractive than fast shipping (17 percent) where product arrives in one to two business days for a fee.

■ Consequently, retailers should consider offering free shipping as a delivery option well in advance of the holidays because consumers plan on shopping earlier.

■ On average, shoppers who find fast shipping more attractive than free shipping are willing to pay \$8.50 for the package to arrive within two business days. Fewer (19 percent) would be willing to pay more than \$10 for fast shipping.

Shippers on the Hook as Trucking Costs Rise

Carriers are paying more per mile to keep drivers in their seats and freight moving down the road, confirm results from the American Transportation Research Institute's (ATRI) annual Operational Costs of Trucking study. Consequently, shippers will continue to ride shotgun while capacity drives the market.

Trucking companies operate in a competitive space with thin profit margins, so they have to pay specific attention to costs. Accordingly, the average marginal cost per mile in 2013 was \$1.68 (see chart below), an increase from \$1.63 in 2012.

After the recession and a sharp decline in fuel prices resulted in decreased industry costs between 2008 and 2009, costs steadily rose through 2010 and 2011, with a slight decline in 2012. The increase in average operating costs in 2013 is

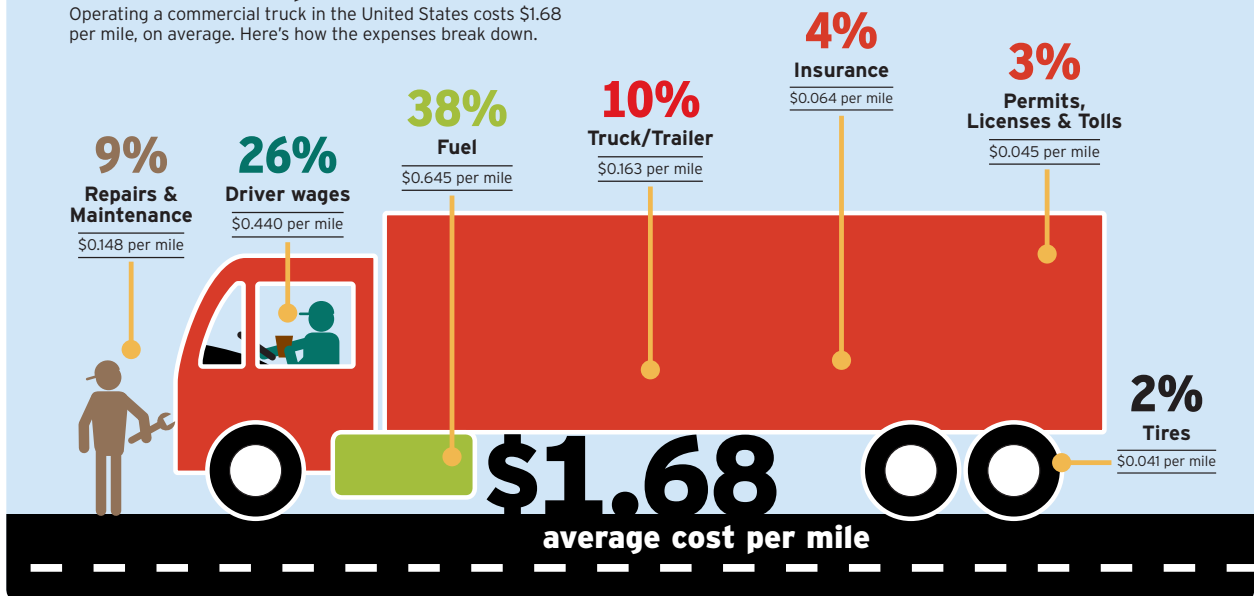
attributed to the ongoing driver shortage and the resulting wage increases by motor carriers to ensure retention of qualified drivers.

“Carriers have experienced significant increases in equipment and labor costs, as well as second-level line items such as tolls and healthcare benefits,” explains Andrew Boyle, executive vice president of Boyle Transportation and a member of ATRI's Research Advisory Committee.

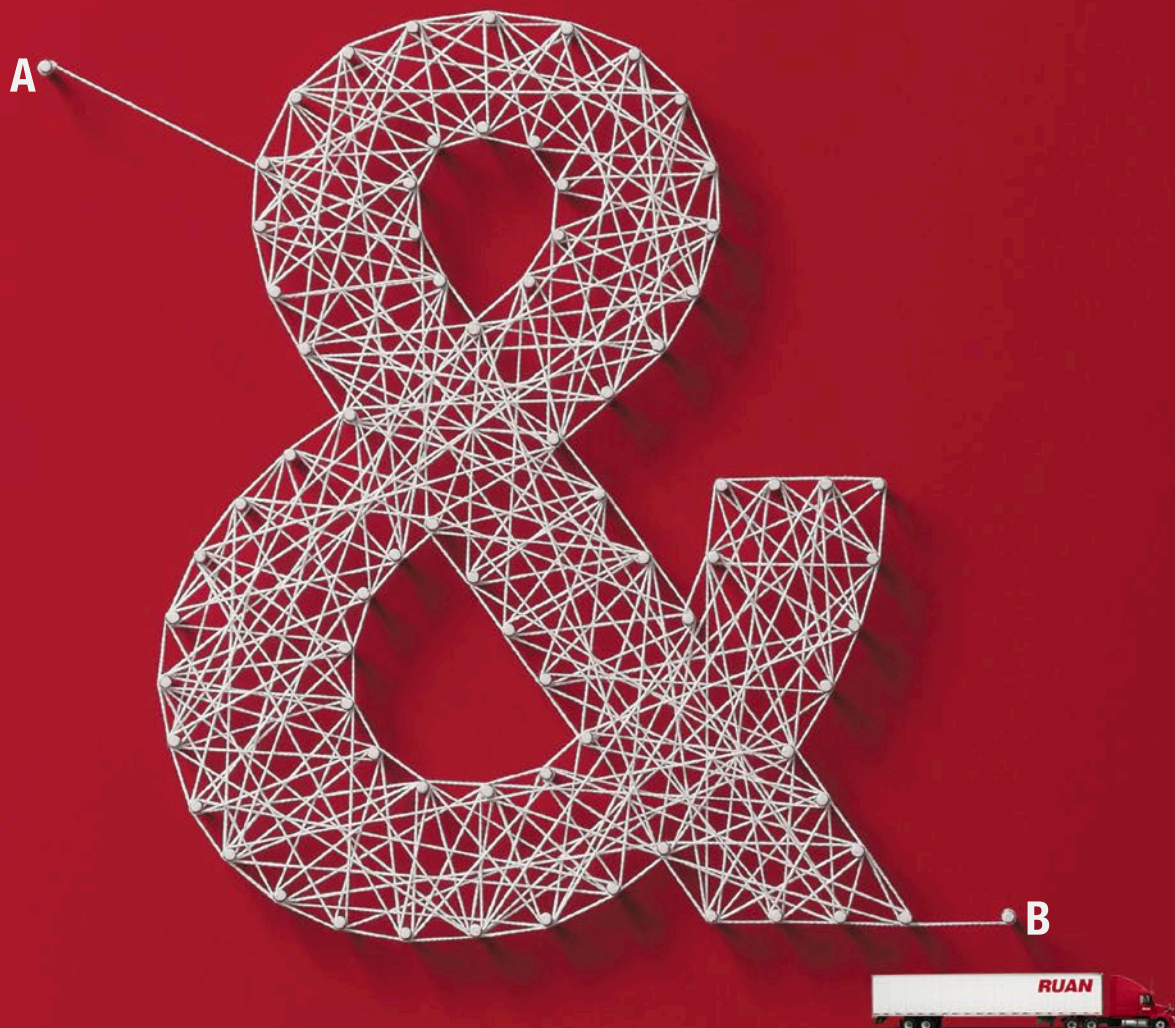
In terms of share, fuel costs and driver wages represent the majority of costs for trucking companies (64 percent in 2013, a slight decrease from 65 percent in 2012). Increasing freight demand, new government regulations, and an aging workforce will continue to intensify numerous line-item costs in trucking.

Cost Centers per Mile

Operating a commercial truck in the United States costs \$1.68 per mile, on average. Here's how the expenses break down.



SOURCE: American Transportation Research Institute



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GLOBAL

THE WORLD AT A GLANCE

by Joseph O'Reilly



As Etihad and other Middle East airlines invest heavily in new aircraft and airport infrastructure, development needs to grow as well.

Middle East Airfreight Ascent: Mecca or Mirage?

It wasn't long ago that media and markets alike were ready to anoint the Middle East as the world's next airfreight hub. Gulf carriers and airports, once the exclusive backdrop for oil business, have experienced their own boom over the past several years thanks to continued investment in assets and infrastructure, and industry differentiation. Dubai World Central, "the world's first purpose-built aerotropolis," is symbolic of the Middle East's ascent. Dubai, Doha, and Abu Dhabi all feature among the world's top 30 airports in cargo tonnage.

By contrast, established European hubs have encountered inertia, underscored by

recession and sluggish economic recovery, as well as regulatory constraints including night flight restrictions, labor laws, and environmental mandates. Middle East airports are ideally positioned along the Asia-Europe trade routes, with few constraints to growth. Night flights, cheaper fuel, and preferential landing and parking fees have quickly eroded total landed costs and long-held affinities for European hubs. This consensus has been building for some time.

But Middle East interests are faced with some sobering news. Hyper investment and growth is creating congestion in Persian Gulf airspace. Long-term success

is dependent on alleviating this looming concern, according to a recent Wall Street Journal (WSJ) article. No less important, as war in Iraq smolders, and tensions in Israel and elsewhere remain unsettled, airspace security is similarly compromised.

In 2013, the United Arab Emirates commissioned Airbus to study the problem, according to the WSJ. The French airplane manufacturer reported that within two years the region's major airlines would regularly see delays if countries and airlines did not work toward a regional solution.

The ramifications for high-value, time-sensitive air freight are considerable. And while European airports may be

constrained by capacity, quality and service remain intact. For shippers paying a premium on transportation, timeliness is paramount.

Airbus made several recommendations in its report, according to the WSJ. Introducing air traffic flow management technology to manage lead times between flights, as well as regional Gulf air-traffic management governance, similar to Europe’s Eurocontrol, are top priorities.

Part of the problem is the control Gulf governments have over airports and airlines, which creates inherent bureaucratic obstacles when trying to find areas for collaboration and compromise. Equally important, as airlines such as Emirates, Etihad, and Qatar Airways make huge investments in new aircraft, airport infrastructure development needs to keep pace.

Global Supply Chain Data: Synchronize or Swim

GS1 has reached a new high-water mark, surpassing 15 million product items within its GS1 Global Registry, the world’s most widely used supply chain standards system. In concert with GS1’s Global Data Synchronization Network (GDSN), the registry helps global trading partners synchronize standardized product data.

In the 10 years since it established the GDSN, Brussels, Belgium-based GS1 has expanded from a handful of companies sharing data on 74,000 items across 13 countries to more than 25,000 companies and 15 million items in 150 countries.

As data saturates the supply chain, companies have even more incentive to find synergies. Demand is growing in verticals such as retail, food service, and healthcare.

For example, GS1 has seen an uptick in medical devices joining the registry, which parallels a recent push by the U.S. Food and Drug Administration to create a Unique Device Identification rule.

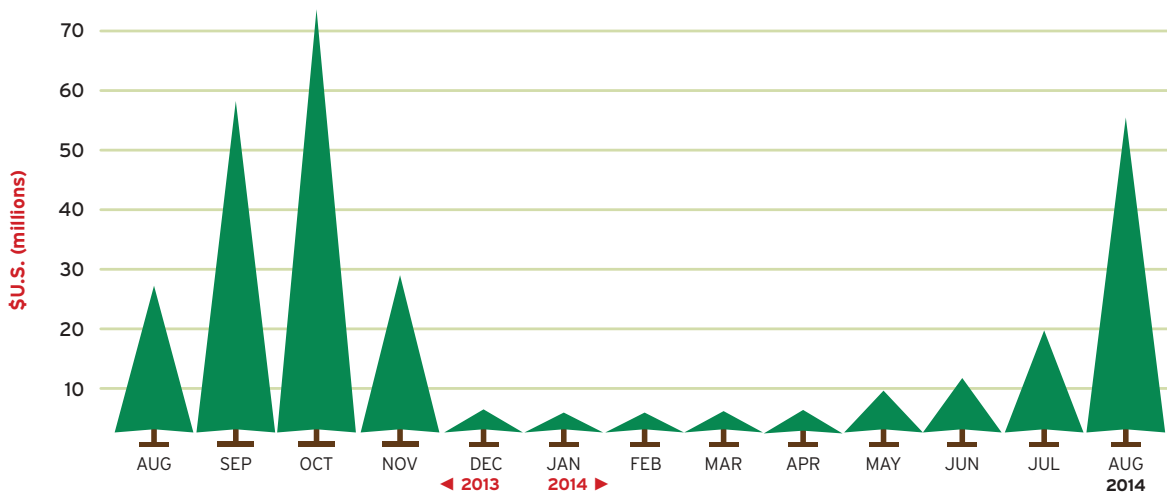
With more accurate data, companies can create greater efficiencies and economies, reduce supply chain disruptions, and improve on-shelf availability.

“Our main reasons for adopting global data synchronization were to increase speed to market, improve accuracy, and create a more efficient supply chain,” explains Roman Coba, chief information officer at McCain Foods. “GS1 also gives us the data quality we’re looking for.”

GS1 expects regulatory pressures and consumer demand will drive even greater

Faking it: U.S. Imports of Artificial Christmas Trees

The United States imported nearly \$190 million worth of fake Christmas trees in 2013, and that number could grow even higher in 2014. U.S. imports of artificial trees were almost \$30 million more in August 2014 than in August 2013. If this trend continues into the holiday season, Americans could be putting presents under more plastic Christmas trees than ever before.



Source: Zepol Corporation, www.zepol.com

need for data that specifies how a product is delivered to market, including handling instructions, traceability attributes, nutrition information, compliance, and classification.

What's All the Hubbub in Puerto Rico?

As the Panama Canal's 2016 grand re-opening nears, Caribbean chatter is picking up. Jamaica made waves in 2013 with talk about developing a new logistics hub to take advantage of growing transshipment activity in the region. China is investing in upgrades to Cuba's ports. Panama has a stake in continuing to grow its Atlantic Ocean Port of Colon, already one of Latin America's busiest container facilities.

Now another Caribbean competitor is making a play. Puerto Rican officials are seeking a port operator to develop the under-construction Port of the Americas, located in Ponce, on the island's southern coast. The proposed site sits on more than 300 acres, five miles from Mercedita Airport.

"The development of this port is another step in our larger economic plan focused on long-term strategic growth," says Alberto Bacó-Bagué, secretary of Puerto Rico's Department of Economic Development and Commerce. "Infrastructure investments create valuable jobs and are pivotal to our sustained success."

The port is strategically located along the Mona Passage—a key shipping route between the Atlantic Ocean and the Panama Canal—and is equipped to serve Panamax and Post-Panamax vessels. Puerto Rico's government has invested \$285 million in port upgrades over the past few years.

The country is striving to develop infrastructure beyond the docks—improving the island's power production capabilities and expanding island-wide broadband Internet service—to make Puerto Rico an attractive place to do business.

Britain Looks to Stamp Out 'Supply Chain Slavery'

In a move that echoes California's 2012 Business Supply Chain Transparency on Trafficking and Slavery Act, a new bill circulating the UK Parliament would require large companies in Britain to declare actions they are taking to protect their supply chains from human trafficking.

The Modern Slavery Bill is in response to a Salvation Army report stating that, for the first time in Britain, the number of cases of human trafficking for forced labor has surpassed the number involving sexual exploitation. The UK government is seeking counsel to discern what businesses will be affected by the new disclosure rules, and produce statutory guidelines to help firms comply. It expects Parliament will pass the bill, which consolidates slavery and trafficking offenses in one wide-ranging law, before the next general election in 2015.

By comparison, California's supply chain transparency legislation applies only to retailers and manufacturers doing business in California. Under its provisions, all companies with global revenue surpassing \$100 million that are required to file annual reports with the Securities and Exchange Commission have to similarly disclose what measures they are taking to identify and address human rights abuses.

In June 2014, a complementary bill – the Federal Business Supply Chain Transparency on Trafficking and Slavery Bill (H.R. 4842) – was introduced into the U.S. Congress. The bill would present a "market-based solution" to curbing human trafficking at a national level.

North and South Korea Go for the Coal

Trade might be a key enabler to unlocking better relations between North and South Korea. The Republic's leading steelmaker, POSCO, is exploring the possibility of importing Russian coal through its northern neighbor's port in Rajin.

As part of a pilot project, Hyundai Merchant Marine will charter a bulk carrier to transport 35,000 tons of coal from Rajin, on the Russian border, 420 miles south to Pohang, South Korea. The steel manufacturer, which annually imports two million tons of coal from Russia, is using the move to consider the viability of routing shipments through North Korea.

The agreement is part of a broader Rajin-Khasan logistics project, which aims to link the North Korean port city

to Russia's Trans-Siberian railway. Russia has invited South Korean rail operator KORAIL, POSCO, and Hyundai Merchant Marine to join the project as indirect investors.

North Korea and Russia recently reopened a 34-mile stretch of railroad track linking the Russian city of Khasan to the port after a five-year renovation. A new dock at Rajin is capable of handling four million tons of coal annually.

South Korea's gambit is part of President Park Guen-hye's "Eurasian Initiative," a vision that calls for building more infrastructure and opening up trade between Eurasian nations. The long-term objective is to create a single market that mirrors the European Union. **[I]**



Flexibility Key to Success in Liquor Logistics

The next time you settle down after a hard day with a glass of wine or a mixed drink to help you unwind, take a moment to understand how that alcoholic beverage came to fill your glass. A lot depends on which country you are drinking it in and the many tariffs designed to protect that country's own liquor production, export and importation. Even more depends on where the grapes were grown or where the liquor originated and was distilled.

To say the logistics of moving alcoholic beverages around the world is "fluid" is more than just a bad pun. It's an absolutely correct assessment! You have to be prepared to react to constant change in the way you manage logistics for these products.

Think about all of the points in between your drink's point of origin and the glass in your hand. Was it bottled at the source or shipped in bulk to be bottled in your country or region?

Bulk shipping has become more popular as vintners look to cut shipping costs. This involves using special flexibags inside of 20-foot containers filled with 6,340 gallons (24,000 liters) of wine — a food grade liquid with an expiry date that is unstable and very heavy, weighing in at over 59,000 pounds (over 26 metric tonnes) per container.

In addition, just within the USA and Canada, there are myriad import and export laws and tariffs — known as the Three Tier System — governing the cross-border movement of alcohol that have been in existence since the days of Prohibition. Not only that, but there are laws governing the importation and exportation of alcohol across state and provincial lines as well.

Economic growth, stagnation or contraction in every wine and alcohol producing country around the world also contributes to the cost of importing and selling liquor in those countries. Recent

middle class growth in China, for example, led to the meteoric rise in demand for high-end wine and alcohol in that country until the central government clamped down on imports.

Each country has its own laws regarding the importation and duties applied to wine and alcoholic beverages. Add to this, factors affecting the production of wine, such as climate, labor unrest, poor harvest or excess production and oversupply, and you can see why the precise craft of liquor logistics needs to be very flexible.

Navigating the ocean of this alcohol supply chain is fraught with challenges. Every time someone touches the product, the final consumer price goes up to cover that cost. With every duty charged on the importation of those alcoholic beverages, the price goes up again. Factor in charges for transportation, handling and marketing, and you quickly realize why that bottle of French Bordeaux is so expensive.

That's why liquor and wine companies are constantly trying to shave costs in the methods they use to deliver their products to consumers. As a provider of logistics services to producers, you have to be flexible and ready for anything. You have to understand when a company has a poor yield of grapes and help them find the most economical means of managing and transporting their product to the hands of their distributors and customers.

You have to be strategic in your thinking when their CFO tells his logistics team to cut transportation costs by 10 percent. You have to be flexible in the options you recommend, possibly suggesting less costly ocean conveyance in bulk containers. Flexibility is always the key to a successful partnership where liquor logistics are concerned.

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[IT MATTERS]

BY MIKE MARIS

Senior Director, Transportation, Distribution, and Logistics, Motorola Solutions
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Why BYOD Can Actually Cost You Money

Millions of people have fallen in love with the same object—their smartphone. Many users build their personal lives around mobile devices, but smartphones have made their mark in the professional world as well. The transportation and logistics sectors are no exception.

The bring your own device (BYOD) movement has been a major consequence of the popularity of mobile devices. BYOD sounded like a good idea—in theory. Let workers use their own smart devices for work, and save money. Many companies even purchased devices for workers. But in harsh environments such as warehouses and distribution centers, it doesn't always work.

Benefits of Enterprise-Grade Devices

Forward-looking shippers and logistics companies are once again turning to purpose-built, enterprise-grade devices to support delivery, picking, or other mobile operations. But why the sudden resurgence?

The simple answer is that enterprise-grade devices have emulated the easy-to-use interfaces that people like on their smartphones. More often than not, newer rugged devices use open, standards-based operating systems (Windows, Android, Mac OS), rather than proprietary systems of the past,

leaving businesses free to take advantage of innovative new business applications.

Smarter and Stronger

Durability can be a major issue, especially in yards or temperature-controlled facilities. Consumer-grade smartphones and tablets are not built to withstand bad weather or extreme temperatures. Buying these devices is cheaper initially, but costs more in the long run.

Consumer-grade mobile devices may also have issues in both voice and data performance that cause them to be considerably less cost-effective than new rugged, enterprise-grade smart devices. Supporting enterprise mobile applications with consumer-grade devices can end up costing companies up to 51 percent more over time.

Here's how some of these added costs break down.

■ **Device replacement.** Non-rugged consumer devices fail up to five times more than rugged devices in industrial or field applications such as warehousing, yard, or trucking operations, according to VDC Research.

■ **Increased downtime.** Replacing devices sends both hardware and downtime costs soaring. Also, many consumer-grade devices do not have enough battery power to last a full shift. Purpose-built devices support longer battery life and often allow batteries to be swapped out.

■ **Decreased productivity.** Consumer-grade devices may not support functions needed by mobile workers, such as bar-code scanning. A sled that encases the consumer device must be purchased. Sleds add to the overall price, and can be slower at performing tasks than enterprise devices.

■ **Poor performance.** In most transportation or logistics operations, devices can be exposed to excessive vibration, extreme temperature, or noise. This causes a safety concern. Without noise-cancelling technology, drivers or forklift operators might be distracted by picking up the handset to hear better.

Cost-efficient Coexistence

Many companies are opting for a peaceful coexistence—using low-cost consumer-grade devices in offices and enterprise-grade mobile devices in the warehouse, the truck, or the field. For transportation and logistics operations, the bottom line is to create a mobile device strategy that plays to the strengths of both types. ■



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BY JOSE LUIS CARRAZCO VELAZQUEZ

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3PL Partnerships Can Ease Burden on LATAM Manufacturers

Latin America is fast becoming the destination of choice for companies looking to expand their global footprint. The significant increase in companies establishing manufacturing facilities and distribution centers there over the past several years showcases the impact the region is having on the global economy.

Many Latin American governments have orchestrated multiple free trade agreements, and placed significant emphasis on improving education to encourage investments that result in societal stabilization, job creation, and reduced poverty levels. A vibrant economy is important, considering Latin America's proximity to the United States, the world's largest consumer market.

Local governments recognize the advantages of identifying the skills manufacturers are looking for. They are working with educational institutions to create programs that produce a large, eager, and well-trained workforce.

3PLs Help Carry the Load

Latin American expansion creates a growing need for service providers in areas such as warehousing and transportation. With third-party logistics (3PL) providers managing the supply chain, manufacturers can focus on production and sales.

In the wake of rapid economic

development, existing Latin American manufacturers find themselves with a supply chain infrastructure that hasn't kept pace. A 3PL utilizing Lean principles can target continuous supply chain improvement, while constantly streamlining and expediting operations. Enhanced overall visibility of inbound parts creates outbound efficiencies, reducing inventory and costs while increasing productivity.

3PLs can also help with customs regulations compliance, which can vary from country to country. For example, Brazil's complex customs processes require in-depth expertise to manage. A seasoned 3PL can navigate these regulations, avoiding unnecessary delays and costs, or violations and penalties.

Highway Infrastructure And Security

Infrastructure improvements, especially in larger countries, continue at an unprecedented rate. Governments are investing in the needs of manufacturers.

Even with some distance to go, the commitment by governments serves to reassure investors. 3PLs can contribute to this reassurance by supplying updated information and solutions based on continuous research and focused attention in the region.

Even areas where security is of concern can be attractive to businesses that want to expand into Latin America. Through established, effective security protocols, using up-to-date technology to track and monitor shipments for safety and security, 3PLs can also help manufacturers keep their shipments safe.

No Signs of Stopping

The interest in investing and manufacturing in Latin America will not be short-lived. Reforms, trade agreements, and improvements currently in progress are expected to pay sizeable dividends.

Led by governments such as Brazil, Mexico, Chile, and Peru, the region's tremendous economic potential is finally being recognized. Latin America's economic development will be the highest of all global regions for 2014, according to the U.N. Economic Commission on Latin America. 3PLs with knowledge and regional expertise will remain valuable partners as manufacturers continue driving the economic boom. ■



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[VIEWPOINT]

BY POL SWEENEY

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Why Retailers Put Their Sleighbells on in May

The sun is shining and the weather is warm, yet the world's top retailers are humming holiday tunes and preparing for the busy season ahead. Retailers often prep for holiday delivery logistics months in advance, but 2014 saw them beginning preparations earlier than ever—in May.

And who could blame them? We all remember last year's scathing headlines when millions of packages failed to reach shoppers in time for Christmas morning. December 2013 was a hard-knocks lesson – even a small percentage of missed delivery windows can severely damage brand reputation and strain customer loyalty.

As online and mobile shopping become increasingly common, consumer expectations for the perfect order are on the rise. Regardless of how easy the online order process, the part of the transaction the customer remembers is the delivery. Was it on time? In perfect condition?

Keeping All Your Elves in a Row

A well-run distribution center (DC) is the first line of defense in ensuring order accuracy. The rise of two-day and overnight shipping requests, compounded by spikes in holiday shipping volumes, make DC flexibility a top competitive differentiator for all retailers.

As a result, companies such as Amazon and Walmart are using localized solutions, such as pop-up distribution centers, to improve flexibility and help meet increased volumes. Many companies are testing locker models through which customers can pick up online purchases from secure, convenient locations near their work or home.

The downside is that every additional DC or pickup location adds another touch. And localized DC models are just the beginning of increased holiday complexity. Additional challenges include:

■ **Seasonal staffing.** Hundreds of thousands of seasonal workers staff warehouses, distribution centers, and company fleets each year. While essential, coordinating and keeping tabs on the millions of orders that cross those fingertips is no small feat.

■ **Manual order tracking and inventory systems.** Paper-based or spreadsheet-based order planning and tracking systems are still standard tools for many organizations. Manually

tracking orders, capturing signatures, and reconciling returns on a paper manifest is wasteful, inaccurate, and archaic in today's tech-savvy workforce.

■ **Third-party providers and capacity constraints.** Today's trucking industry faces a shortage of nearly 30,000 drivers, contributing to a rise in industry-wide reliance on third-party logistics providers. Even beyond the holidays, the concept of a private company fleet that handles 100 percent of its own orders is just about extinct.

Planning for the Holidays

No matter what this holiday season brings, every logistics operation should abide by three rules of thumb:

1. Be transparent and communicative with customers throughout the delivery process.

2. Proactively establish two-way communication with internal and third-party personnel.

3. Aim to achieve a perfect order 99.9 percent of the time for a customer experience that delights.

By planning ahead and taking extra care to oversee the entire logistics process when operations are at their busiest, companies can celebrate this holiday season with the gift of customer retention and brand loyalty. ■



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CRITICAL SHIPMENTS

If I Only Had a Part

— by Merrill Douglas —

A twister hits. Someone drops a house on critical equipment. A service parts logistics manager must be a Wiz of a Wiz to balance time, location, and cost and fix whatever needs fixing – wickedly fast.

Bad things happen when systems break down. Flights get canceled. Production lines stop. Wireless devices can't connect.

It usually takes more than a service engineer to get operations running again; it also takes hardware. "Between 50 and 70 percent of on-site service calls require a part," says Vele Galovski, vice president of research and field services for the Technology Services Industry Association. "Spare parts availability is the single biggest reason why companies can't hit their first time fix rate numbers."

Critical spare parts logistics is a discipline all its own. Like logistics for just-in-time manufacturing, critical spare parts logistics demands both precision and speed. But companies that manage critical replacement parts also wrestle with unpredictability. While it's possible to forecast demand, you never know what will break next.

The nature of service contracts also complicates spare parts logistics. A product's service level agreement (SLA) might demand a repair in 24 hours, four hours, or sooner. And a contract might stipulate different SLAs for different products.

Cost factors complicate service logistics, too. When calculating inventory needs, it makes a difference whether the parts in question are \$20 keyboards or \$20,000 industrial

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components. Service organizations must constantly balance the urgency of repairs against inventory and transportation costs.

A fourth complicating factor is the need for reverse logistics. When a technician replaces a part, the failed unit often needs to be shipped to a facility to be repaired and redeployed, or scrapped.

Challenges that service organizations face, and strategies for meeting them, vary greatly. Here are some of the many scenarios.

LIONS AND TIGERS AND SPARES, OH MY!

A “critical spare part” might mean a computer motherboard, or it might mean a heart valve to Network Global Logistics (NGL), a Broomfield, Colo.-based third-party logistics provider offering mission-critical transportation and logistics services for a range of service

a part across town in one or two hours, 24 hours a day.” NGL can also put a part on a commercial airline, or tender it to a package carrier.

One big challenge in critical parts logistics is developing inventory strategy. “The goal is to optimize and balance the cost of providing the service with compliance to the end customer’s expectations,” says Paul Gettings, senior vice president, sales and marketing at NGL. If the contract requires a fix in four hours, field engineers in multiple geographies must be able to get their hands on parts fast enough to meet that deadline.

One factor in determining the optimal strategy is the value of the replacement part. “Replicating a low-cost part across 150 sites is not a big deal,” Riddle says. But if the part costs \$1 million, that’s another

cost of inventory and service level of that part,” Riddle says.

Transportation obstacles also pose challenges. “Logistics can be interrupted by events as trivial as heavy traffic, to those as rare as a terrorist attack or major hurricane,” says Gettings.

It’s not unusual for weather to shut down an airport that NGL was relying on to move a part. Then the company must find an alternative. “We’ve faced circumstances where we were bringing parts into areas affected by hurricanes, and we were traveling in the wrong direction—right into the hurricane—because we had to deliver a critical part to keep a generator running,” Gettings says.

THERE’S NO PLACE LIKE HOME

On one occasion, NGL nearly booked an employee on a commercial flight from Los Angeles to Munich to hand-deliver a replacement device for a customer. “Just as we were about to put him on the plane, the customer in Germany found another solution,” recalls Al Morris, director, global supply chain at TERiX in Sunnyvale, Calif. Nothing in NGL’s contract required that level of service, he adds.

An independent hardware support company, TERiX repairs and maintains electronics made by IBM, Cisco, HP, Dell, and other manufacturers. Its customers are large and mid-sized companies in industries such as telecommunications, banking, and healthcare. TERiX currently uses NGL’s services in the United States and Singapore; it works with DHL in India.

TERiX offers 20 service levels, but most of its SLAs stipulate a four-hour response. The company aims to have technicians arrive at customers’ sites with the correct part in hand more than 95 percent of the time. “We are currently between 96 and 98 percent,” Morris says.

When TERiX started working with NGL seven years ago, it stored parts in just two of the 3PL’s locations. Since then, TERiX has expanded its forward stocking strategy. It currently maintains 54 regional stocking locations, including 39 with NGL in the United States, and one in Singapore, six in India with DHL, several in Canada and Europe with other 3PLs, and three TERiX-owned facilities in Japan.

That extended forward stocking strategy



Network Global Logistics, which provides mission-critical transportation and service/spare parts logistics, maintains company-owned regional distribution centers, as well as more than 500 multi-client forward stocking locations around the world.

operations. NGL maintains more than 500 multi-client stocking facilities worldwide, including about 300 in the United States.

Along with providing storage in distribution centers and forward stocking locations (FSLs), NGL operates its own transportation between storage locations and repair sites. “Operating our own transportation enables us to provide same-day courier moves,” says Scott Riddle, NGL president and chief executive officer. “We can drive

story. “We have to balance the desire to have every part exactly where it may be needed when a failure occurs against the cost of the part,” he adds.

If the million-dollar part rarely breaks, the customer might decide to store it in just a few locations and then, if it’s needed in another market, expedite it. It costs less to occasionally use air service than to keep 150 million-dollar parts in stock. “The customer is optimizing for the combination of

has vastly reduced the need to ship parts from one city to another when field engineers require them. It has yielded other benefits as well. “An extended forward stocking strategy got us away from on-site stocking locations at customer facilities. It got us away from trunk inventory—the inventory that engineers hold on to. And it got us into more controlled growth,” Morris says.

One big supply chain challenge that TERiX faces is staying on top of new products as computer manufacturers roll them out, or TERiX adds them to its service contracts. To make sure TERiX’s buyers understand the parts involved, when field engineers get trained on new products, buyers take those classes, too.

When determining how many of which parts to keep in each stocking location, Morris’s team considers the replacement parts and the geographies covered by each of its contracts. It also considers the age of each machine the contract covers.

Say, for example, a computer has been in service for 15 years. “Most of the parts will be difficult to locate,” Morris explains. “But we also know that drives, memory, and power supplies will cover about 73 to 75 percent of all failures, because of the usage and the mechanical movement or heat of those parts.” Such knowledge helps the supply chain team estimate how many spares it needs to keep in easy reach of those machines.

IF I ONLY HAD A PLANE

Choice Logistics and its customers also put great effort into weighing inventory and transportation costs against service requirements. “The inventory plan is based on the service level agreements and looking at how much of the service is two-hour, four-hour, same-day, or next-day,” says James Adams, the company’s senior vice president, global sales and client services.

Based in New York, Choice provides 3PL solutions, including help with global trade, for service operations run by high-tech original equipment manufacturers (OEMs) and third-party providers. For some clients, Choice coordinates and manages the activities of multiple service providers.

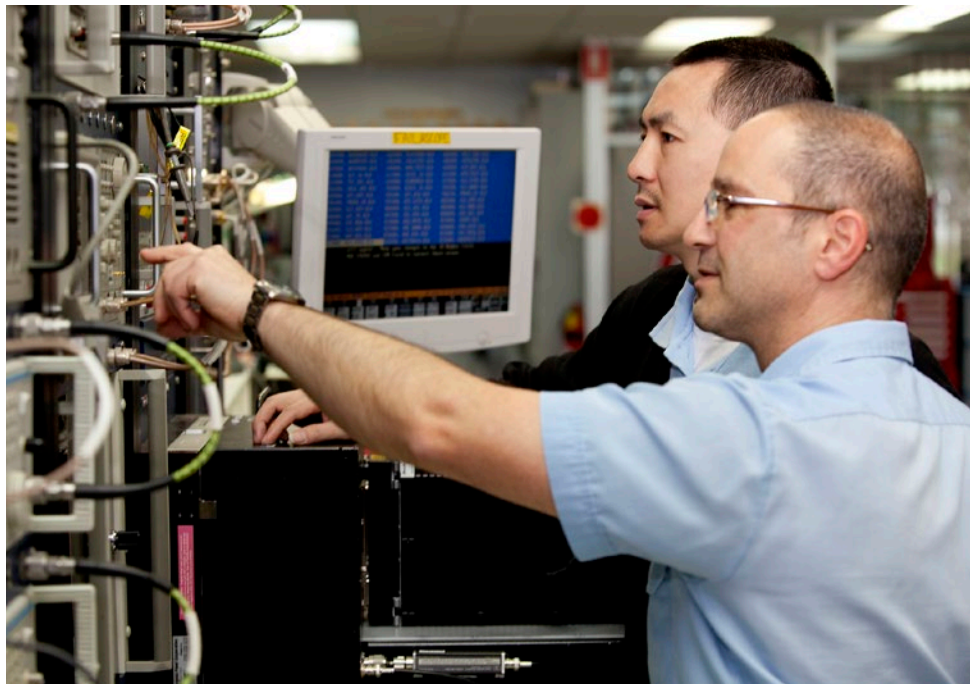
The inventory plan is never perfect, Adams says. That’s because a company

that promised to fulfill its SLAs 100 percent of the time would have to tie up a great deal of money in inventory for every stocking location. “To go from 99 percent to 100 percent might double the cost,” he says. “It comes down to what level of service the client is willing to pay for.”

When deciding where to store parts,

Adams recalls a situation when a service organization couldn’t find a mission-critical replacement part in storage near a particular oil rig in Canada. “We knew we had one part in Edmonton,” Adams says. “So we had to scramble a jet and get it going. We got the part there in six hours.”

Companies that maintain IT equipment



Aviation manufacturer Rockwell Collins maintains an extensive inventory of parts and spares, delivered through a global support network, to maximize availability for customers.

Choice and its clients also consider all available transportation modes. “We look at the tradeoff between how much we are paying for the linehaul to get the part into the field, how much we are paying for local delivery, and how those costs compare to a same-day or next-flight-out delivery,” Adams says.

For example, a company might decide to keep a certain kind of part in Chicago, then fly it to any location in North America that needs it. “The question to ask is: How does the next flight out compare to less-than-truckload or truckload moves to service that SLA?” Adams says.

Choice and its clients don’t usually make those decisions case-by-case. Rather, they build the transportation strategy into the logistics plan. But if demand for a certain part suddenly spikes, and there aren’t enough units in local storage, the plan might not work. “That’s when you shift into scramble mode,” Adams notes.

see fewer parts emergencies these days, because so much computing occurs in the cloud, or in data centers with full redundancy at other locations. “When a system goes down, it doesn’t really go down,” Adams notes. “It just pops up somewhere else.” With those safety nets to ensure business continuity, many SLAs have switched from same-day to next-day service.

For many service customers of aviation manufacturer Rockwell Collins, proximity guarantees speed. Some customers keep crucial spare parts on their own premises. “As soon as a part fails, they replace it with a spare unit, then send the part to a service center,” says Thierry Tosi, the company’s vice president and general manager of service solutions. Once the failed part is fixed, it goes back into the customer’s inventory of spares.

Because a spare is generally available immediately, Rockwell Collins doesn’t need to worry about same-day or four-hour

Military aircraft manufacturer Lockheed Martin manages inventories of high-tech spares, and provides logistics support for day-to-day replacement parts.



repairs. Most contracts give the company 10 to 14 days to fix a part and return it to inventory.

Rather than keeping spares on site, other customers contract with Rockwell Collins for access to a pool of Rockwell-owned spares. When they return failed parts, the vendor fixes those units and sends them back to the pool.

The Rockwell Collins Service Solutions division repairs Rockwell products, provides new Rockwell components to customers that do their own repairs, and sells used parts for products made by Rockwell and other manufacturers. Customers worldwide include aircraft manufacturers, commercial airlines, business jet operators, and military agencies. Rockwell Collins stores and repairs parts at one dozen service centers located around the globe.

The ratio of customers that want to keep their own spares on site to those that prefer pools has changed in recent years. In the past, about 60 percent of contracts called for customers to buy and store their own spare parts. “That trend is shifting the other way around,” Tosi says. “Forty percent of customers still like to buy everything, and 60 percent prefer to subcontract all the maintenance.”

Because those maintenance contracts are long-term relationships, Rockwell

Collins often finds it easier today to forecast parts requirements, Tosi adds.

One function that’s not so easy is managing logistics for replacement parts after Rockwell Collins modifies a component. The company might make such a change to correct a flaw or to meet a new customer requirement. If the part in question is already in service in the field, and aircraft OEMs are also using it on production lines, that puts a great deal of pressure on the logistics organization.

“We have to manage the logistics on both sides—satisfying the aircraft manufacturer so it can still have a high production rate, and satisfying the customer that flies the unit and might need a quick repair,” Tosi says.

The change triggers a spike in demand for that component, surpassing the original forecast. Then, not only Rockwell Collins, but its own suppliers as well, must step up production.

FOLLOW THE YELLOW BRICK ROAD

While Rockwell Collins provides repairs and parts replacement services, some of the manufacturers that use its components run substantial repair and maintenance businesses of their own. One example is the

Logistics and Sustainment organization of Lockheed Martin. It provides a range of post-production support services for U.S. and foreign military agencies that buy the company’s aircraft, missiles, and other aerospace and defense systems.

Those systems are crucial to customers’ national security, and most of their replacement parts come with a high price tag. “The demand forecast is exceptionally important,” says Lou Kratz, vice president, logistics and sustainment, corporate engineering, technology, and operations at Lockheed Martin in Bethesda, Md.

In some cases, a military agency uses its own engineers to make repairs. In others, Lockheed Martin provides the technicians.

To maintain optimal parts inventories, Lockheed Martin works closely with its customers, who generally own their replacement parts. “They will buy ahead, consistent with the demand forecast,” Kratz says. “Then we place the material in a government or commercial warehouse, depending on their request.”

Lockheed Martin also shares forecasts with its own suppliers, enabling them to buy materials and plan their production two or three years in advance. “That helps us shrink lead times and be more responsive to the customer,” Kratz says.

One strategy Lockheed Martin uses to



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produce accurate forecasts is to station employees at customer sites, where they monitor system performance. Lockheed Martin also equips systems with sensors that continually measure their health to help technicians predict failures.

“The data is downloaded after the system is used, then fed back through a fleet management system,” says Kratz. If a part is starting to deteriorate, the fleet management system provides an early warning.

Lockheed Martin takes those alerts into account when producing demand forecasts, giving suppliers an integrated demand signal for parts used in both production and replacement.

While it manages inventories of high-tech spares, Lockheed Martin also provides logistics support for day-to-day replacement items. For instance, as part of a contract between the company’s Global Supply Chain Services Group and the U.S. Defense Logistics Agency (DLA), Lockheed Martin supplies Michelin tires for every aircraft owned by the U.S. Navy.

Within five years of taking over the contract, Lockheed Martin boosted the tire supply chain’s efficiency. “We increased supply availability from 81 percent to 98 percent,” Kratz says. “We reduced inventory on hand from 365 days to 90 days. And we reduced delivery time to the ultimate user from 60 days to an average of 58 hours, anywhere in the world.”

Under another contract with the DLA, Lockheed Martin also provides consumable materials—such as nuts, bolts, fasteners, and lubricants—to all motor pools in the Army, Navy, Air Force, and Marine Corps.

When it put the contract out to bid, the DLA had asked vendors to consider using three regional warehouses in the United States. Lockheed Martin improved on that plan. “By using our network simulation capability, and the demand patterns the DLA supplied to us, we were able to show that we improved service and reduced capital cost by using two warehouses instead of three, placed regionally in the United States,” Kratz says.

Whether the goal is to keep a fighter plane in the air or simply to keep a laser printer in service, people who manage service parts must keep time, location, and cost in equilibrium to stay ready for whatever needs fixing. ■

SOMEWHERE OVER THE RAINBOW:

The Future of Spare Parts Logistics

The business of servicing high-tech products is evolving in ways that will make logistics more important than ever, according to Vele Galovski, vice president, research, field services at the Technology Services Industry Association (TSIA).

Based in San Diego, TSIA is a membership organization that conducts research, sponsors conferences, and provides other services to technology companies. As head of the field service discipline, Galovski observes that some member companies no longer send technicians to customers’ sites for repairs.

“For many of our members, the Holy Grail is to understand which parts of the equipment will fail, and turn those into customer-replaceable units,” Galovski says. The customer removes the failed part, ships it to the service company, and receives a replacement. That scenario places increased emphasis on reverse logistics.

Some companies have gone one step further. “They have remote monitoring, where they can do diagnostics, and even become predictive on a failure,” Galovski says. “The equipment phones home and says, ‘I’m about to fail.’”

The call creates a service request and triggers the shipment of a replacement part. “Customers are able to do the installation themselves, then they have a return merchandise authorization (RMA) that sends the defective part to a depot for repair,” he adds.

For some companies, customer self-service is already the norm. “For some members in the telecommunications field, upward of 90 percent of what they do does not require a technician,” Galovski says.

Another trend with implications for logistics is the move toward outcome-based services.

Historically, technology companies have sold hardware – computers, networking equipment – plus services to maintain and fix those systems. Today, some companies offer a broader range of services to help customers gain more value from their technology. For example, a medical device manufacturer that sells hardware for the operating room might help educate users about new tools, techniques, and enhancements to help them use the hardware more effectively, and in more situations.

For vendors that adopt this strategy, part of the package they sell is a guarantee that the equipment will stay up and running. “So the pressure increases for spare parts to be available quickly,” Galovski says. The pressure comes not from the customer asking for parts to arrive in one day or sooner, but from the extremely high levels of uptime in the new service level agreements.

Among other things, this model creates pressure to get failed parts to repair depots quickly. It’s simply too expensive to stock enough new parts to guarantee that the right part will be available wherever and whenever needed. “Companies are getting to the point where anywhere from 30 to 50 percent of their spare parts inventory comes from remanufactured product,” says Galovski.



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WHO'S WHO IN AIRFREIGHT FORWARDING

The air cargo industry has weathered its share of cloudy skies over the past few years, but the future seems brighter. A recovering global economy has resulted in a slow but steady increase in air cargo volumes through 2014.

International freight volumes are expected to continue their growth at a rate of 4.1 percent through 2018, according to the International Air Transport Association. As technology advances, freight forwarders are no longer just scheduling cargo for shipment. Many are becoming full-service logistics providers in their own right, as they provide shippers with multi-modal transportation options, new technologies, and solutions to streamline supply chains.

But regulatory challenges continue to plague the industry, and forwarders are fighting to make sure they are appropriately represented when new rules are formed. For example, the U.S. Customs and Border Protection's Air Cargo Advance Screening pilot program, which applies a risk rating to U.S.-bound cargo based on foreign screenings before transport, has small and mid-sized forwarders making a lot of noise to ensure they are represented as the program moves from pilot to policy.

Meanwhile, across the pond, air cargo providers are still having trouble finding independent validators to inspect cargo as they struggle to remain compliant with the European

Union's ACC3 regulations for incoming cargo. Six-month extensions granted to companies for compliance run out at the end of 2014.

Competitiveness with other modes has also become an issue. With ocean carriers stepping up their game with larger, more technologically advanced vessels in advance of the Panama Canal expansion, air carriers and forwarders have struggled to keep pace.

There has also been a shift of cargo to rail, as shippers sacrifice a few days to save a few dollars. Air cargo's response includes alliances between airlines, movement toward electronic documentation, and shifting more cargo to passenger flights in order to remain competitive.

And, of course, sustainability remains high on the industry's priority list, as global cooperation between providers and governments continues to succeed in reducing harmful emissions.

With regulations shifting, and new technology constantly changing the industry, it can be tough to keep the major players straight. *Inbound Logistics'* annual Who's Who in Airfreight Forwarding provides a comprehensive listing of some major intermediaries, both large and small. Use this guide to help assess and engage partners that can meet your unique airfreight needs.

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Crane Worldwide Logistics

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Dachser Transport of America

www.dachser.us

678-302-9111

Damco USA

www.damco.com

305-546-9427

DB Schenker

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DHL Global Forwarding

www.dhl-dgf.com

800-426-5962

Estes Forwarding Worldwide

www.efwnow.com

855-433-9669

Expeditors

www.expeditors.com

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FedEx

www.fedex.com

800-463-3339

Freight Solution Providers

www.shipfsp.com

800-562-9915

Geodis Wilson

www.geodiswilson.com

732-362-0600

Hassett Express

www.hassettexpress.com

630-530-6515

Hellmann Worldwide Logistics

www.hellmann.net

305-406-4500

International Bridge

www.myib.com

801-735-6922

YRS. PROVIDING FORWARDING SVCS.	ASSET OR NON-ASSET BASED	AIR FREIGHT SERVICES										OTHER SERVICES				WEB SERVICES			CERTIFICATIONS							
		CUSTOMS CLEARANCE	COMPLIANCE	HEAVY FREIGHT	HAZMAT	DOOR-TO-DOOR	PERISHABLE	OVERNIGHT	NEXT FLIGHT OUT	CHARTER	HIGH-VALUE	OCEAN	CUSTOMS BROKER	CONSOLIDATOR	LOGISTICS	RATE QUOTES	REAL-TIME TRACKING	DOCUMENTS	IAC	TAPA	BASC	ISO	IATA	SMARTWAY	C-TPAT	HAZMAT
95	N	●	●	●	●				●		●	●	●	●	●	●	●	●							●	
50	N	●	●	●	●	●	●	●	●	●	●	●	●		●		●			●		●	●		●	●
35	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●					●	●	●	●
56	B	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●						●	●	●	●
47	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●				●	●		●	●
24	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●						●	●	●	●
30	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●			●		●	●		●	●
6	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●		●	●	●		●	●	●	●
80	B	●	●	●	●	●				●	●	●	●	●	●		●					●	●		●	●
110	N	●	●							●		●	●	●	●		●								●	
142	N	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●				●	●	●	●	●
14	B	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●						●			
11	N	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●						●	●	●	●
35	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●		●	●	●	●	●
43	B	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●								
25	N	●	●	●		●		●	●	●	●				●	●	●		●	●			●	●	●	
40	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●	●		●	●
34	B	●		●		●		●	●	●	●		●	●	●	●	●		●			●	●	●		
143	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●				●	●		●	●
14	N	●				●											●						●		●	

WHO'S WHO AIRFREIGHT FORWARDING

KEY:

Asset- or Non-Asset-Based:
A = Asset-based;
N = Non-asset-based;
B = Both

Compliance:
Shipments comply with government, security, and trade regulations

Documents:
Shippers can book/create customs or import/export documents online

Kuehne + Nagel www.kuehne-nagel.com	201-413-5500
Landstar www.landstar.com	877-696-4507
Lynden International www.lynden.com/lint	800-926-5703
Mach 1 Global Services www.mach1global.com	800-553-7774
MIQ Logistics www.miq.com	866-972-9272
OIA Global www.oiaglobal.com	855-744-7642
Panalpina www.panalpina.com	973-683-9000
Panther Global Forwarding www.pantherexpedite.com	800-685-0657
Pilot Freight Services www.pilotdelivers.com	610-891-8100
Priority Worldwide Services www.priorityworldwide.com	800-727-1085
Quick International Courier www.quick.aero	800-488-4400
Radiant Logistics www.radiantdelivers.com	800-843-4784
RCS Logistics www.rcslogistics.com	201-867-1222
SDV www.sdv.com	847-228-1625
SEKO Logistics www.sekologistics.com	630-919-4966
TransGroup Worldwide Logistics www.transgroup.com	800-444-0294
Trinity Logistics USA www.tliworldus.com	516-455-8897
UPS www.ups.com	800-742-5877
US Express Freight Worldwide www.usexpressfreight.com	800-328-8000
UTi Worldwide www.go2uti.com	562-552-9412

		AIR FREIGHT SERVICES										OTHER SERVICES				WEB SERVICES			CERTIFICATIONS							
YRS. PROVIDING FORWARDING SVCS. ASSET OR NON-ASSET BASED		CUSTOMS CLEARANCE	COMPLIANCE	HEAVY FREIGHT	HAZMAT	DOOR-TO-DOOR	PERISHABLE	OVERNIGHT	NEXT FLIGHT OUT	CHARTER	HIGH-VALUE	OCEAN	CUSTOMS BROKER	CONSOLIDATOR	LOGISTICS	RATE QUOTES	REAL-TIME TRACKING	DOCUMENTS	IAC	TAPA	BASC	ISO	IATA	SMARTWAY	C-TPAT	HAZMAT
124	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
19	N	●	●	●	●	●		●	●	●	●	●	●		●				●			●	●	●	●	●
66	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●					●		●	●
26	B	●	●	●	●	●		●	●	●	●	●	●	●	●				●		●	●	●	●	●	
12	N	●	●	●	●	●		●	●	●	●	●	●	●	●				●		●			●	●	●
26	N	●	●	●	●	●		●	●		●	●	●	●	●	●	●	●				●	●		●	●
126	N	●	●		●	●	●	●	●	●	●	●	●	●	●			●				●	●	●	●	●
22	N	●	●	●		●	●	●	●	●	●	●	●		●	●	●					●	●	●	●	●
74	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●	●
30	B	●	●	●	●	●	●	●	●	●	●	●	●		●		●		●				●		●	●
34	B	●	●	●	●	●		●	●	●	●		●	●	●			●	●	●		●	●		●	●
27	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●				●	●	●	●
30	N		●	●	●	●	●	●		●	●	●	●	●	●			●	●	●			●		●	●
49	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●							●	●		●	●
38	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●				●	●	●	●	●
28	N	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●				●	●	●	●
7	N	●	●	●		●		●	●	●		●		●	●			●					●		●	
107	B	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
34	B	●	●	●		●	●	●	●	●	●	●	●		●		●	●	●	●			●			●
60	N	●	●	●	●	●	●	●	●	●		●	●	●	●		●				●	●	●	●	●	●

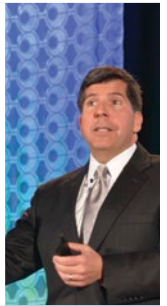
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Matching supply to demand in today's volatile global environment requires tactical collaboration and strategic partnership to execute efficiently and cost effectively. *Inbound Logistics* is here to help guide you in the right direction. Over the past several years, we have solicited reader input and industry expertise to provide practical and instructive how-to guides that address fundamental transportation and logistics challenges. We are incrementally building a library of industry best practices to help readers turn interrogatives into imperatives.

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installments in
the H.O.W. library
appear on the
following pages:

52



**How to Use
Real-Time Ground
Conditions**

54



**How to Prepare for
the Food Safety
Modernization Act**

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How to Use Real-Time Ground Conditions

SPEED, SAFETY, AND RELIABILITY ARE PARAMOUNT IN TODAY'S supply chain, and shippers and consignees want an optimal balance between all three. But it's a difficult task as companies continue to optimize their networks, enhancing responsiveness but often increasing their risk exposure.

Better demand forecasting and visibility can go a long way toward smoothing out variability. But the risk of unforeseen exceptions—weather-

or human-related—can have a marked impact on service, safety, and cost. The 2013–2014 Polar Vortex, which incapacitated shippers across the United States, is a good example of this volatility.

One way shippers can better prepare for these types of events is to tap into real-time road and weather data as delivered by Helios™ from Exelis, Inc. While fleet dispatch has become acclimated with GPS satellite communications, shippers can also integrate environmental intelligence into their data streams to provide a more complete picture of over-the-road conditions. A wealth of information is available—from National Weather Service alerts to Department of Transportation camera feeds—that can help shippers

make better informed decisions about assets on the road.

This kind of hyperlocal information can be used in other ways as well. A fleet manager can regularly, and visually, record and evaluate different routes, then pick the one that is best. Shippers moving over-dimensional cargo can simulate routes and identify possible infrastructure problems along the way. Or companies can simply use “geographical bread crumbs” to analyze past performance in the case of exceptions or accidents, and can use recorded data for archiving incidents or for training purposes.

A more accurate assessment of real-time ground conditions allows dispatch and operations centers to proactively identify problems and adjust routes, thereby improving efficiencies and keeping drivers safe.



DO YOU NEED ENVIRONMENTAL INTELLIGENCE?

Here are four questions shippers can answer to better understand their spatial and temporal shipping requirements.

- 1. IS A REGULAR WEATHER FORECAST ENOUGH?** Consider whether a regional National Weather Service alert or Accuweather report provides enough information to ensure that your assets on the road are properly prepared. If you need a more accurate assessment of road conditions over varied geography—mountains, for example—hyperlocal data will be more useful.
- 2. DO YOU NEED MORE FREQUENT UPDATES?** If you're shipping time-sensitive, high-value freight, an hourly broadcast over the radio may not be enough. When delays can have dire consequences, it's important to have a more timely assessment of ground conditions.
- 3. HOW DO YOU WANT INFORMATION DELIVERED?** Determine whether you want to be a passive weather spectator—reliant on radio or cable news for critical information—or a proactive participant who wants to integrate critical data feeds into your system.
- 4. DO YOU WANT TO USE THIS DATA FOR OTHER PURPOSES?** Shippers can use environmental intelligence beyond real time. Recorded data can be analyzed to optimize routes, and even facilitate driver training. A company may similarly leverage such documentation for insurance and liability reasons.



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Get your inventory and drivers there **safely and on time...every time.**

Imagine your operations center could automatically be updated across the U.S. when ground conditions change. With Helios4Enterprise™, your system may be configured to receive real-time updates. This enables your team to respond quickly to changing circumstances, keeping your operations running smoothly and your drivers safe.

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How to Prepare for the Food Safety Modernization Act

WHEN PRESIDENT OBAMA SIGNED the U.S. Food and Drug Administration's (FDA) Food Safety Modernization Act (FSMA) in January 2011, it marked the first time in more than 70 years that the U.S. government introduced any significant legislative change to the food industry. The motive was clear: Educate and instruct public and private sectors on how to better protect the food supply chain, then react and respond when product recalls occur.

The bill covers three primary aspects of food safety:

Prevention. The premise behind the Food Safety Modernization Act is to prevent food-borne illness outbreaks and other anomalies before they happen. Accordingly, the legislation mandates all companies involved in food production, distribution, handling, and selling to evaluate potential hazards in their operations, implement measures to prevent

contamination, and have corrective actions in place in the event of an outbreak.

Inspection and Compliance. FSMA holds the FDA accountable for ensuring there is proper infrastructure and governance in place to inspect food products in the supply chain. The FDA is expected to meet this directive by applying its inspection resources in a risk-based manner.

Imports. FSMA gives the FDA more oversight over food imports to the United States. The legislation requires importers to verify suppliers as safe; authorizes the FDA to refuse imported food if the foreign facility or country is non-compliant with code; allows the FDA to require certification, based on risk criteria, that food imports are compliant with safety requirements; and provides incentive for importers to take further safety measures to expedite the FDA reviews.



3 TIPS TO PREPARE FOR FSMA

Even before the final rulemaking is published and enforced, food shippers should take a proactive approach to make sure supply chains are compliant. Here are three steps to consider.

● **TALK WITH YOUR SUPPLY CHAIN PARTNERS.** One of the best ways to collect information is to ask questions of carriers, third-party logistics providers, and suppliers. Ask your suppliers: Where did you get product? What did you do with it in your facility? Where did you send it? They should be able to provide proof of forward and backward lot traceability. Food regulations change state to state, so it is

important to also consider what your carriers have to say. They have a valuable perspective and insight.

● **LISTEN TO YOUR CUSTOMERS.** If there is a pattern of complaints, take heed. Make sure you identify where the problem is occurring within the production and distribution cycle, as well as the context of the problem. Is it packaging integrity? Temperature or time sensitivity? The more

details you glean from your customers, the easier it is to direct corrective action.

● **USE TECHNOLOGY.** What kind of functionality does your transportation management or warehouse management system have? Is it enough? A wealth of solutions are available – from lot and barcode tracking to RFID – that can facilitate information sharing among multiple supply chain partners. Find them, and use them.

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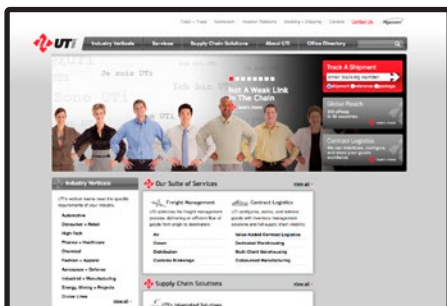
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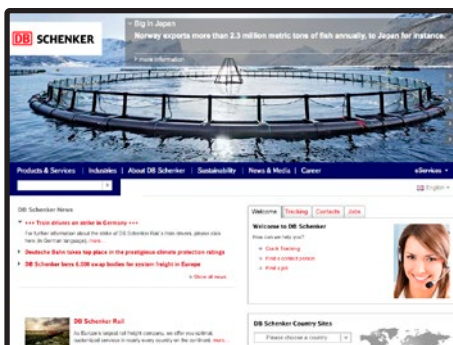
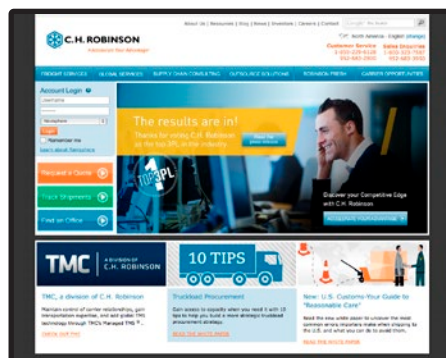
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IN THIS SECTION:

Air Cargo - Expedited Air



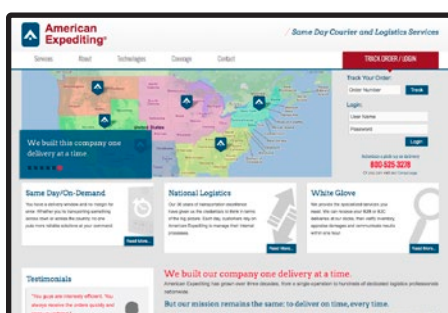
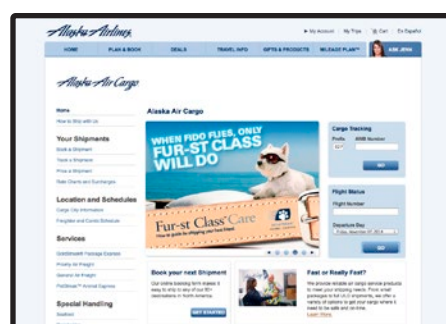
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SEKO prides itself on a commitment to customer service, whether it's a 2 a.m. pickup for a critical industrial part for a plant that is 4,000 miles away, or the cost savings achieved from proactive communication with your vendors overseas. SEKO offices have the knowledge and expertise to expedite or to consolidate, depending on your need. From Hong Kong to Amsterdam, SEKO knows how to serve its clients. As a non-asset-based third-party logistics provider, SEKO has the flexibility to meet your supply chain needs using a variety of modes and carriers.

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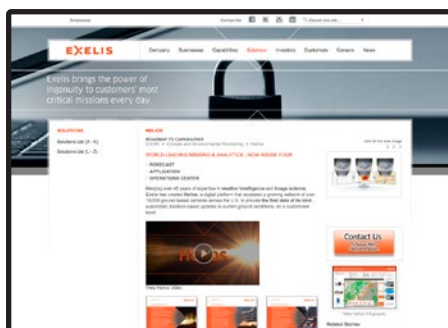
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LOGISTICS IT

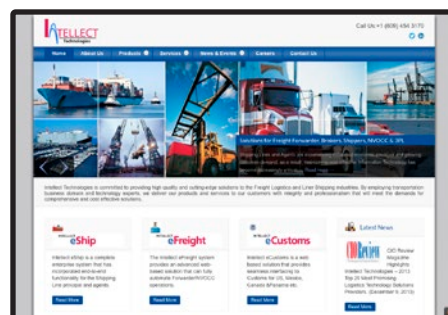


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IN THIS SECTION:

Logistics IT - Trucking-TL



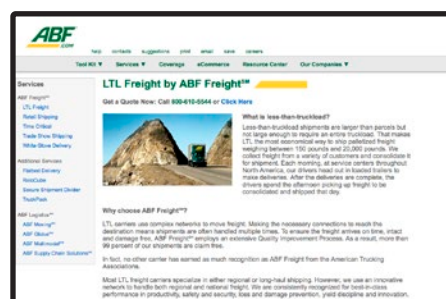
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WhitePaperDigest

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



CTSI Global

TITLE: *The Economics of Transportation Management Systems*

DOWNLOAD: bit.ly/1thL2oR

SUMMARY: Transportation is one of the biggest expenses for companies, and costs continue to increase. Learn about current industry conditions, factors contributing to these cost increases, and the benefits a Transportation Management System (TMS) can provide. This whitepaper will answer all your questions—from the TMS options available to the return on investment.

Apriso Products

TITLE: *Convert Manufacturing Data into Actionable Intelligence*

DOWNLOAD: bit.ly/1wDXhMi

SUMMARY: Today's manufacturers are standardizing production processes across factory networks to improve visibility, coordination, and orchestration across operations, enabling more efficiency on a global scale. This whitepaper identifies the steps you can take to leverage operational intelligence for process improvement, and reveals research findings on how today's digital transformations are accelerating adoption of a global shop floor, as well as impacting the factory of the future, the relentless pursuit of cost reduction, and the importance of real-time visibility to ensure business productivity and continuity.

enVista

TITLE: *Don't Let the Dirty Little Secrets of Freight Payment Impact You*

DOWNLOAD: bit.ly/1thL6oz

SUMMARY: Carriers make money from retailers in many not-so-obvious ways. The key is learning insider secrets to save big on transportation spend. With freight costs and transportation complexity increasing, comprehensive and accurate visibility to shipping spend remains of paramount importance. This whitepaper reveals the secrets.





NFI

TITLE: *Building Environmentally Responsible Supply Chains*

DOWNLOAD: bit.ly/1thL7ZQ

SUMMARY: A company's environmental and sustainability policies strongly influence consumer perception. Environmentally responsible supply chains not only have the potential to sway brand loyalty, but they can simultaneously reduce carbon footprint and bottom-line costs through improved efficiency. Download NFI's whitepaper to learn how sustainable technological improvements and management best practices can help you in transportation and freight management, warehousing and distribution, and property design and construction.

Contact Solutions

TITLE: *Mobile Shopping Cliffhanger: Consumers Identify Big Gaps In Retail Shopping Apps*

DOWNLOAD: bit.ly/1thMjfQ

SUMMARY: New research reveals that consumers are adopting mobile shopping at an impressive rate, but a looming problem exists. A surprising percentage of consumers report struggling with mobile shopping apps. When consumers struggle, 51 percent abandon the shopping cart and leave the app; 20 percent leave the app entirely and never return. Don't leave your mobile shopping customers hanging. Read this free report and find out how you can increase revenue, reduce operating costs, and elevate net promoter scores.



Weber Logistics

TITLE: *Choosing a 3PL for Food Product Distribution: 5 Critical Areas to Evaluate*

DOWNLOAD: bit.ly/1thMjfB

SUMMARY: You know the perils of food logistics. Let your guard down, and a truckload of perishables turns into an unsellable mess. Or you get stuck with racks full of canned goods nearing their sell-by date. The right third-party logistics provider (3PL) can help you avoid those pitfalls, while cutting costs and keeping you compliant with relevant government regulations. How do you know which 3PL to trust with your food shipments? Download this free whitepaper to discover the five essential questions every food shipper should ask.

Oliver Wyman

TITLE: *Disruptive Logistics: The New Frontier for e-Commerce*

DOWNLOAD: bit.ly/1thMjwh

SUMMARY: E-tailers of all sizes are looking to "disruptive logistics"—a combination of delivery speed and innovation—as a way to add value, separate themselves from the pack, and keep the customer under their banner throughout the entire shopping process. This whitepaper analyzes how formerly well-defined borders between e-tailing and logistics are dissolving, and presents strategies for e-tail giants, small and mid-sized companies, and third-party logistics providers.

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//Services//

Yusen Logistics expanded in China with a warehouse in Guangzhou. The 172,448-square-foot facility provides services including sorting, labeling, packing, and inspection for the consumer goods and automotive industries.

Third-party logistics (3PL) company **Suddath Global Logistics** received approval to operate a Foreign Trade Zone (FTZ) in North Florida. The nearly 500,000-square-foot FTZ provides importers and exporters with opportunities to utilize reduced or delayed duty payment programs.

Dayton Freight Lines, a less-than-truckload carrier, completed the expansion of its service center in Louisville, Ky. Improvements include an increase from 29 to 68 dock doors, and a large, gated parking lot.

American Airlines and **US Airways** successfully combined 154 cargo facilities and harmonized their product offerings, fully integrating their cargo operations. The merged operation can move more than one billion pounds of freight and mail annually.

3PL **SCI Logistics** expanded its facility in Calgary, Alberta. The 16,000-square-foot expansion enables SCI to provide contract logistics, same-day courier services,



Specialized carrier **Cory Home Delivery** opened a new distribution center in North Bergen, N.J. The new facility supports in-home delivery services in the New York City metro area.

and post-sales logistics services to western Canada, and increases SCI's direct coverage to include 75 percent of the country.

Temperature-controlled warehousing and services provider **Americold** opened a new facility in Heyburn, Idaho. The 160,000-square-foot building has capacity for more than 17,000 pallets.

Trade compliance software developer **ARTEMUS Transportation Solutions** launched its own customs brokerage

division. The new service helps shippers calculate and facilitate customs payments, provides single or continuous bonds, and assists with paperwork required by government agencies.

Logistics provider **Five Star Transportation** began operating a fulfillment center in Kapolei, Hawaii. Services provided from the new location include pick and pack; shipping via major parcel carriers such as UPS, FedEx, and USPS; warehousing; local delivery; and kitting.

Cagney Global Logistics added a distribution center in Perris, Calif. The new facility extends the 3PL's range in the western United States, and increases its ability to ship product on the same day it is received.

Global logistics provider **Dachser** expanded in the Benelux region with a new logistics center in Willebroek, Belgium. The new location includes a 75,000-square-foot transit terminal, and

is located between Brussels and the Port of Antwerp.

//Transportation//

Ocean shipping line **MOL (America)** added Philadelphia to the port rotation of its America's Coast West service. The new call provides direct weekly coverage between the western coast of

South America and the U.S. East Coast for seasonal refrigerated cargo.

Freight airline **Lufthansa Cargo** continues to expand its global network, recently adding Tunis, Tunisia, and Lagos, Nigeria as destinations in Africa, and Bogotá, Colombia, in South America. A strategic partnership with All Nippon Airways also adds routes between Japan and Europe starting at the end of 2014.

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ICC=inventory carrying costs C=capital T=taxes I=insurance W=warehouse costs X=shrinkage S=scrap O=obsolescence costs R=recovery



IAG Cargo, the cargo airline created by a British Airways World Cargo and Iberia Cargo merger, increased its flights between Madrid, Spain, and Santiago, Chile. The additional flights boost freight capacity by more than 123 tons weekly.

Parcel delivery specialist **Newgistics** expanded its services to include international destinations. The company's International Solution provides e-commerce shippers with cross-border returns management and parcel delivery to markets including Europe, Asia, Australia, Russia, China, and South America.

Shipping lines **Crowley Maritime** and **Seaboard Marine** entered into a new vessel-sharing agreement, providing shippers with weekly service between Port Everglades and Haina, Dominican Republic.

//Technology//

Transportation software provider **Transplace** released *Optimize Prime*, a platform that designs, analyzes, and optimizes transportation distribution networks by eliminating waste and

reducing costs. The system is highly customizable, allowing shippers to tailor the features to their needs.

Boeing Company subsidiaries **Miro Technologies** and **Tapestry Solutions** expanded the *GOLDesp* product suite, incorporating load planning, terminal management, transportation management, resource planning and scheduling, and network optimization capabilities with current maintenance and supply functionality.

LateShipment helps shippers get refunds that may be due to them from large parcel carriers, saving as much as 12 percent of shipping costs. The automated tool is available at www.lateshipment.com.

Supply chain management company **SDV** launched *LINK*, a web and mobile tracking solution that provides shippers with visibility and control over their shipments. The solution

is scalable, allowing users options varying from generic tracking to direct management of each step in the supply chain.

Inventory management software provider **RedLine Solutions** has enhanced its *RedLine Cooler* offering with directed put-away capability. In addition to its previous picking, reserving, and shipping functionalities, the software now analyzes optimal storage locations and directs forklift drivers to the area to place bins or pallets.

Document management and delivery solutions provider **Pegasus TransTec's TRANSFLO On-Demand** gives drivers the ability to print, fax, or email documents in order to expedite critical paperwork. Documents can be sent via kiosks at participating truckstops.

//Products//

New thin-film flexible solar panels from **Carrier Transicold** continuously charge transport refrigeration unit batteries, ensuring ample power for system starts and avoiding dead batteries. The panels can be installed on trailers, truck bodies, and refrigerated rail cars using Carrier Transicold's refrigeration units.

The **BEUMER** Fillpac can fill multiple bag types, boasts a capacity range of 300 to 6,000 bags per hour, and can be integrated into most existing packaging lines. Features include automatic bag weight adjustment, an ergonomic control terminal, and flexibility to adapt to customer specifications.

Protective packaging specialist **Storopack's Loose Fill** automated solution analyzes a package and

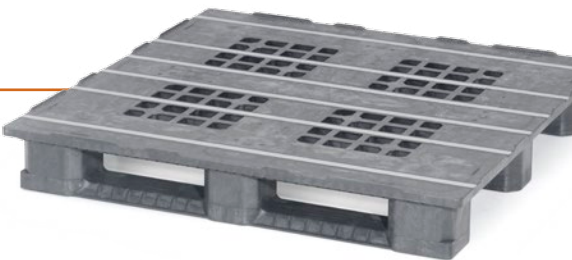
calculates the required fill, then dispenses the appropriate amount of packing peanuts into the box. The system can fill up to 20 packages per minute.

Motorola Solutions' TC70 touch computer uses the Android *KitKat* operating system, making operation similar to a smartphone. The handheld device supports more than 50 certified applications including price and

inventory checks, line busting, assisted selling, workforce management, and inventory management for the retail, wholesale, and manufacturing industries.

Packaging equipment manufacturer **Combi Packaging Systems** expanded its line of case sealers with the TBS 100 H. The packaging solution provides extra security by securely taping both the top and the bottom of cases.

The Tractor AeroKit from **FlowBelow** consists of four wheel covers and four fairings that fill the gaps behind a semi tractor's wheels. All components combine to reduce aerodynamic drag and save fuel by guiding airflow along the side and past the rear wheels of the truck.



Sustainable pallet manufacturer **Cabka-IPS's** Endur S7 and C7.2 plastic pallets feature a square size, high-impact resistance, and a load capacity of more than 2,700 pounds. The C7.2 is sized for use in containers, while the S7 features a larger footprint more suitable for the warehouse. Both pallets are available with three or six runners, depending on operational needs.



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FOCUS: Materials handling and logistics innovations and their applications, ergonomics, worker safety, supply chain visibility, materials handling exhibition

APR 8-9, 2015 Atlanta, Ga.

Terrapinn

Home Delivery World 2015

www.terrapinn.com/homedelivery

AUDIENCE: Supply chain, transportation, fulfillment, logistics, e-commerce, information technology, and warehousing professionals

FOCUS: Delivering goods faster and more reliably, optimizing reverse logistics and asset recovery programs, reducing domestic and international shipping costs, improving forecasting with big data, implementing a ship-from-store delivery program, crowdsourcing

MAY 3-6, 2015 Orlando, Fla.

Warehousing Education and Research Council

WERC 2015

www.werc.org

AUDIENCE: Warehousing, distribution, fulfillment, and logistics professionals

FOCUS: Facility tours, warehousing industry trends, warehousing technology and products exposition

CONFERENCES

JAN 19-21, 2015 Atlanta, Ga.

SMC³

JumpStart 2015

www.smc3jumpstart.com

AUDIENCE: Supply chain, logistics, transportation, and procurement professionals

FOCUS: Challenges shaping today's transportation climate; transportation technology developments; using technology for better, faster, supply chain management

JAN 28-29, 2015 Vancouver, B.C.

Informa Canada

www.cargologisticscanada.com

AUDIENCE: Supply chain and logistics professionals at companies trading with or operating in Canada

FOCUS: Distribution center tours, intermodal supply chains, global trade impacts and trends, creating a mature supply chain, impact of Suez Canal and Panama Canal upgrades on supply chains

FEB 11-13, 2015 Orlando, Fla.

Worldwide Business Research

ProcureCon Indirect East

procureconeast.wbresearch.com

AUDIENCE: Corporate procurement and purchasing executives, supply chain management professionals

FOCUS: Redefining procurement's role in today's enterprise, consolidating global procurement operations, connecting silos across the enterprise, managing complex supply chains

FEB 22-25, 2015 Orlando, Fla.

Retail Industry Leaders Association (RILA)

Retail Supply Chain Conference 2015

www.retailsupplychain.org

AUDIENCE: Stakeholders in the retail supply chain; logistics, supply chain, and distribution professionals

FOCUS: Case studies on execution strategies; supply chain education; general and breakout sessions on supply chain management, leadership, and development

MAR 31-APR 2, 2015 Orlando, Fla.

Smithers Pira

SUSTPACK 2015

www.sustpack.com

AUDIENCE: Sustainability and packaging professionals and stakeholders

FOCUS: Getting consumers interested in sustainability, strategic views around recyclability and recovery, changing the status quo through sustainability, exploring collaborative and confrontational sustainability models, short-term and long-term circular economies, introduction to sustainable materials management

MAR 31-APR 1, 2015 Atlanta, Ga.

Center of Innovation for Logistics

2015 Georgia Logistics Summit

www.georgialogistics.com/logistics-summit

AUDIENCE: Supply chain and logistics professionals

FOCUS: International logistics, the logistics of manufacturing, growth and expansion in Georgia, enabling logistics for rapid growth

SEMINARS & WORKSHOPS

JAN 8, 2015 Las Vegas, Nev.

Reverse Logistics Association

Reverse Logistics Workshops: 2015 International CES

rltshows.com/ces15_pre_ws.php

AUDIENCE: Logistics and supply chain professionals

FOCUS: Reverse logistics trends, reverse logistics sustainability, lean repair best practices, successful reverse logistics outsourcing

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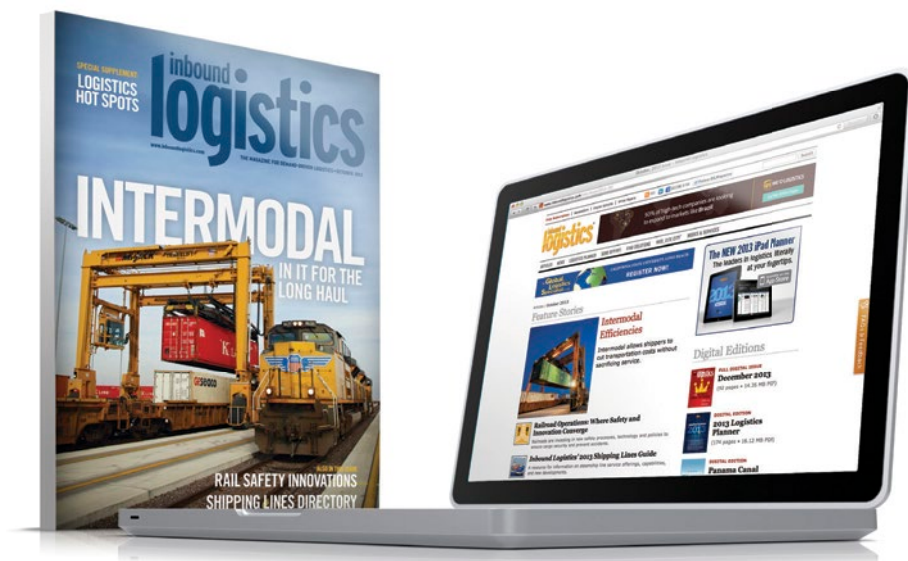
Supply Chain Strategy and Management

executive.mit.edu

AUDIENCE: Logistics and supply chain professionals

FOCUS: Assimilating sustainability into supply chain strategy, how to better structure a supply chain, integrating e-business and technology into supply chain strategy

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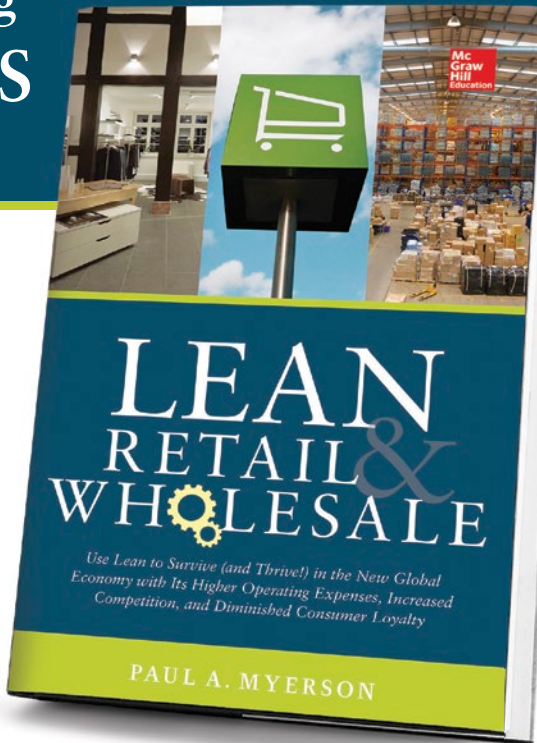
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K ☐ 250-499 L ☐ 500-999

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9 ☐ Other: _____

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Talking Turkey

The Logistics of Your Thanksgiving Dinner

The average food item travels at least 1,500 miles before it hits your plate.

Cranberries

WI MA CAN

Cranberry consumption in the United States is going wild, and outstripping in-country production. Wisconsin is America's top cranberry producer, followed by Massachusetts; Wisconsin cranberries are grown in marshes, which are flooded at harvest so the berries can "float" for easier collection. Canada is another major source of America's cranberries.

Bread & Stuffing

ND KS MT

Feeling stuffed? One-third of the country's wheat crop - the primary ingredient in breads, stuffing, and pie crust - is grown in North Dakota, Kansas, and Montana.

Turkey

MN NC AK

Talk about global gobbling: The United States is the world leader in turkey exports. The top turkey-producing states are Minnesota, North Carolina, and Arkansas. **In 2013, 240 million turkeys were reared in the United States, and turkey production was 7.28 billion pounds.** The country exported approximately \$591 million worth of turkey in 2012.

Sweet Potatoes

NC MS LA

Yam it up! Sweet potato production is centered in the southern United States, namely, North Carolina, Mississippi, and Louisiana. **In 2012, the U.S. sweet potato crop totaled a record 1,190 tons and was valued at a new high of \$478.3 million**, up 12.9 percent from 2009. Consumption per person in 2012 was 6.3 pounds, also up from 2009.

Green Beans

WI

It isn't Thanksgiving without green bean casserole. Wisconsin ranks first in the nation in snap (green) bean production.

There's always room for dessert...

Pumpkin Pie. Great pumpkins rose in America's top producing patches in Illinois (547.6 million pounds), California (194.7 million pounds), and Ohio (100.4 million pounds), according to the USDA's 2013 figures. Retail prices for pumpkins dropped more than 20 percent this year compared to last.

Nuts for pecan pie?

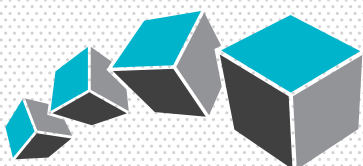
Those pecans likely came from top producers Texas and Georgia.





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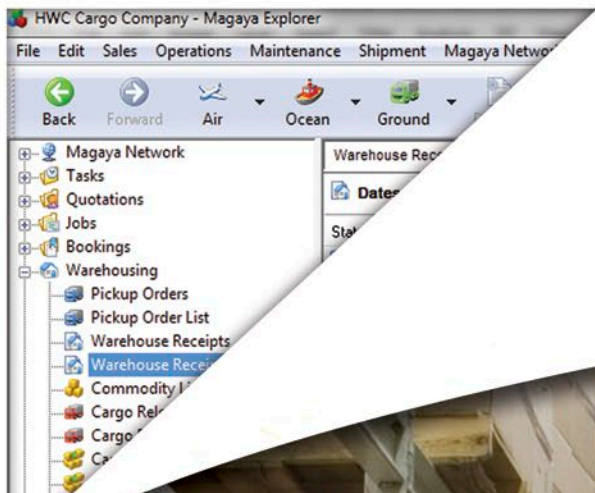
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