H.O.W.
HELP ON THE WAY

Need to know the best way to create a lean warehouse? Gain reverse logistics efficiency? Outsource wind logistics?

HELP IS ON THE WAY!

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

The next three installments appear on the following pages:

You'll also find these articles on our Web site: **inboundlogistics.com/how** and in digital format: **inboundlogistics.com/digital**

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

How to Outsource Wind Logistics

As demand for renewable energy sources grows and green best practices take root, the wind energy industry keeps blowing across the United States. Regardless of whether wind turbine components are sourced globally or domestically, the demands placed on shippers and transportation and logistics service providers are extreme.

Planning, organizing, and executing wind turbine moves requires special care, attention to detail, and oversight. Wind logistics is project logistics to the core. Unwieldy cargo destined to remote and difficult-to-access locations demands partnership with a touch of grit.

AS THE WIND BLOWS...

When looking to engineer a wind logistics move – or any project logistics task – here are six considerations to keep in mind.

EXPERTISE. Moving wind turbine components requires project logistics pedigree. Shippers need to ensure their logistics and transportation service providers have experience marshalling and transporting over-dimensional and specialized cargo. Familiarity and knowledge should include qualified personnel to manage wind logistics projects – in the field and in an operations center – as well as vetted references for crane operators, dray providers, motor freight carriers, and railroads.

EQUIPMENT. Shippers require specialized equipment to move over-sized turbine components via road or track – from removable gooseneck trailers for trucks to flatcars for rail. When developing project timelines and communicating with loading and unloading facilities, consideration should be given to equipment availability in specific geographic locations. Additionally, consignees must account for sufficient lead times to provide equipment at the origin location, to inspect and approve equipment upon arrival, to modify equipment as necessary, and to verify equipment ordered with loading/engineering diagrams.

ROUTING/PLANNING. Transporting wind components requires extensive planning. In general, technical drawings of how components are loaded, secured, and conveyed, and information about origin/destination points, must be submitted to permitting agencies to obtain clearance. Routes are reviewed, for example, to identify bridges that may be too narrow, overpasses too low, bridges and roadways with weight limits, and "curvy" roads that cannot safely accommodate over-dimensional loads. The planned route may include substantial out-of-route miles, which will add time and cost to the project.

DOCUMENTATION/PERMITTING. Most truck permitting is state-issued, which creates challenges as states interpret and apply routing and safety guidelines differently. From a Federal perspective, each carrier and service provider must have the necessary permit and operating authority from the Department of Transportation. Local regulations also come into play as they relate to noise and nuisance ordinances, lane restrictions or closures, and the environmental impact of dunnage removal at an unloading location. By and large, motor freight requires much more permitting than rail.

TRANSPORTATION. Wind logistics projects typically use multiple modes – truck, rail, and barge – to take advantage of cost economies and to reach remote locations and facilities. Sometimes wind component production facilities store components in a "lay down" area (a secured yard or adjacent field) that is not proximate to a rail spur. Cranes may be required to lift components onto flatbed trailers for transport to destination, or transport to a rail loading location. These components generally cannot be warehoused in the traditional sense.

COMMUNICATION. Because of the unique nature of wind components and obvious complexities, communication among all project participants is paramount. A single point of contact (POC) streamlines clearance documentation and routing instructions. A POC can also interface with various parties: origin and destination dray providers, crane operators, stevedores, rail and motor freight carriers, load and ride engineers, permitting offices, and city and local departments. This is also a consideration when authorizing work for subcontractors, then consolidating invoices. The ability to retrieve load status information with one call to the POC is a definite advantage.

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How to Gain Reverse Logistics Efficiency

Forward thinking companies increasingly need to consider reverse. With so much attention, time, and capital spent on exploring ways to move the enterprise in new directions, what's left behind is often overlooked and under-controlled.

Reverse logistics covers a wide array of services – from inspection, repair, and remanufacturing to consumer returns and aftermarket recycling. It can reduce waste and ancillary costs, drive sustainable best practices, or generate new revenue streams. It may include using inbound routing guides and core carrier partners to manage returns or outsourcing product lifecycle management to a 3PL.

Reverse logistics becomes even more important when the bottom line drops, budgets cinch, and sales grow sluggish – when economy and customer service become paramount. Manufacturers are challenged to maintain high cost structures without risking lost sales due to poor customer service. Retailers, too, must focus on outward-looking forecasts to match marketing and sales efforts with demand. Overstock and returns are often unavoidable and they account for considerable expense.

Some companies may rewire their internal infrastructure and work with logistics partners to manage the returns process; others completely outsource reverse logistics to reduce fixed costs.

REVERSE ENGINEERING

Here are three examples of how companies can rethink reverse logistics to gain greater supply chain efficiency and economy.

CHALLENGE #1: Following a series of acquisitions, a retailer is managing reverse logistics regionally. Recognizing that a fragmented approach is creating redundancies, inefficiencies, and cost bleeds, it decides to adopt a centralized returns strategy.

SOLUTION: The company uses a demand-supply planning model to substantially reduce inventory by postponing unneeded repairs and focusing repair activity on meeting projected requirements for specific units. Additionally, integrating returns processing and repair operations reduces the return/repair cycle. Leveraging these efficiencies, the company increases control and centralizes returns processing; enables visibility to all inventory throughout the return/repair cycle; and purges unnecessary investment in buildings and systems to manage reverse logistics.

CHALLENGE #2: An e-commerce company expands by selling into brick-and-mortar retail outlets. As its logistics requirements grow, it struggles to efficiently manage warehouse space and labor. Managing fulfillment and returns poses an additional challenge.

SOLUTION: The company sells its warehouse and materials handling equipment, and outsources inbound and outbound distribution to a third-party logistics provider. It reduces its warehouse footprint and labor need by 50 percent, automating processes while improving space utilization. The company then reinvests the capital it recovers from selling the warehouse into growing its business.

CHALLENGE #3: A manufacturer dealing with sensitive, high-value medical parts is hampered by a lack of field inventory visibility. Inexact and non-automated processes for returning parts into its pipeline also create inventory management challenges. Delivering critical service parts to, and managing returns from, more than 1,000 field service technicians is rife with inefficiency.

SOLUTION: The company opts to work with a logistics service provider to manage a national network that includes 20 parts depots and a central distribution hub. Together with its 3PL, the manufacturer identifies key elements of the returns process that need improvement. As a result of these business process changes, the company increases visibility to parts-on-hand for field service technicians, dramatically reduces inventory costs, and centralizes all returns to a single location for better control.

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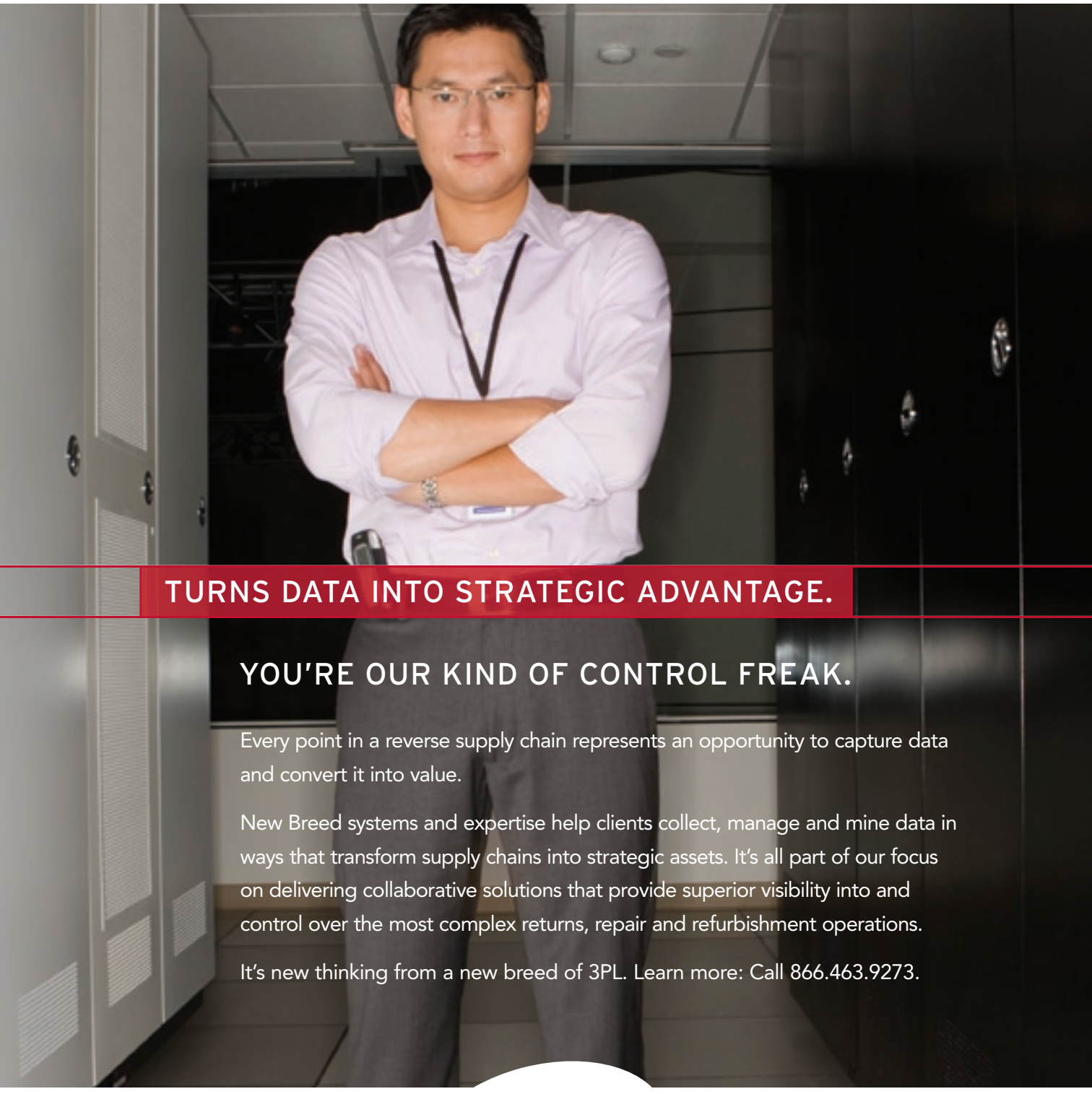

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How to Create a Lean Warehouse Culture

There are three core parts to orchestrating lean tactics in a warehouse: tools, methods, and culture. Most companies have the equipment and processes to embrace lean. Culture, however, is often missing. Crafting an organizational culture that empowers lean concepts is a recurring challenge for companies, yet it yields the greatest return on investment. It doesn't happen overnight. It requires a paradigm shift. Here are six steps to making lean best practices a reality:

1. Mutual Trust and Respect. Lean requires candor about long-term goals and short-term progress. Employee ideas must be given serious consideration. Lean is a journey that requires every person in the organization to be trained in problem solving and to feel like a highly valued company asset.

2. Freedom from Fear. If employees sense they will be punished for making a mistake, the lean journey will fail. Practitioners need to take risks and learn from mistakes. The goal of lean logistics is to challenge existing processes and look for ways to reduce waste. Lean is not about eliminating jobs, it's about becoming so valuable that job security actually increases.

3. Communication. Senior executives and operational managers need to communicate their lean vision and a reason for change. They need to address why employees should be doing things differently than in the past. Many companies fail with lean because success isn't immediate. As the journey begins, institutional problems become visible. Apprehensions and expectations must be communicated as part of an ongoing dialog. Solving these challenges can be very rewarding.

4. Measure What's Important. Many companies use various metrics to evaluate their lean progression. But the most important benchmark is employee morale. If employees are excited and engaged, enjoy problem solving and eliminating waste, other metrics will reflect the true reality.

5. Celebrating Success. Along the lean journey, every accomplishment, however small, should be recognized and celebrated. Small wins build over time and show progress. Acknowledging and rewarding performance goes a long way toward building a world class championship team.

6. Leaders as Teachers. Managers who tutor staff in lean best practices lead by example. It's important to be visible and to take a proactive role in the learning curve so that employees recognize corporate commitment.

LEAN IN PRINCIPLE

Lean and just-in-time (JIT) are sometimes confused as being one in the same. People involvement, by comparison, is an oft-forgotten pillar of lean. Both are important foundations for the following five principles that drive lean process improvement.

- **PEOPLE INVOLVEMENT**: People at all levels of the organization must feel like they are important members of the company. They are well trained and feel empowered to make decisions about how their job is performed and to be held accountable for decisions.
- **CONTINUOUS IMPROVEMENT**: Every aspect of the business is constantly challenged to get better. What was considered good yesterday needs to be improved to be acceptable for today.
- **SHORT LEAD TIME**: Reducing the time it takes to complete a task is a strong competitive advantage in today's environment. Look for ways to eliminate non-value added activity and waste from every step in the process.
- **BUILT-IN QUALITY**: Do it right the first time. Build quality control into your work processes to eliminate the high cost of rework and the need for downstream quality inspections.
- **STANDARDIZATION**: Document your work processes based on best practices. Use standard operating procedures to help train new employees and use standardized work as a baseline for continuous improvement activities.

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