

SPECIAL REPORT

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GATEWAY TO  
AMERICA,  
PATHWAY TO  
GLOBAL TRADE

# inbound • logistics

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THE MAGAZINE FOR DEMAND-DRIVEN LOGISTICS • AUGUST 2018

# E



PRIORITY MAIL EXPRESS 1-DAY

**SEND IT BACK!**  
How to Manage  
E-Commerce Returns



8092 7294 1036 9827 8573 92

## ALSO IN THIS EDITION

Incentives Drive  
Economic Development

Supply Chain Technology:  
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# info snacks

BITE SIZED SUPPLY CHAIN/LOGISTICS INFORMATION

## Germany

Takes the top spot in the World Bank's biennial ranking of countries' logistics performance for the second report in a row.



## Shifting Into Reverse

E-commerce buyers return purchases 25 to 30 percent of the time; for brick-and-mortar stores, the return rate is just 9 percent.

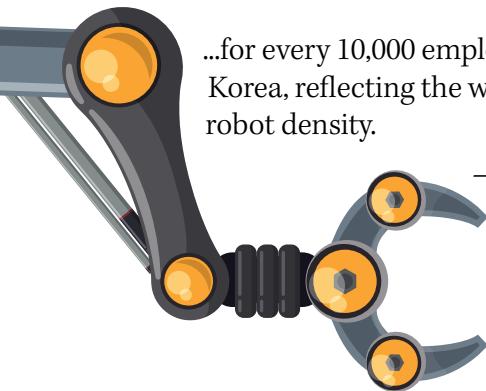
—USPS Office of the Inspector General study

(See *Managing E-Commerce Returns*, p. 48)

## There are 531 industrial robots...

...for every 10,000 employees in South Korea, reflecting the world's highest robot density.

—International Federation of Robotics



## Eight Percent

Portion of IT budget transport companies expect to spend on IoT within 3 years, the highest of any digital transformation technology.

—Inmarsat research  
(See *Trends*, p. 29)

## Freight A La Mode

Freight moving between the U.S. and Canada and Mexico in May 2018

**Most-used mode:** Truck moved \$67.9 billion of freight, up 8.9 percent compared to May 2017

**Second mode:** Rail moved \$15.3 billion of freight, up 0.7 percent compared to May 2017

—Bureau of Transportation Statistics

**Truck Freight: \$67.9 billion**

8.9% ▲

May 2017-2018



**Rail Freight: \$15.3 billion**



0.7% ▲

May 2017-2018



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After Carter's implements a cloud-based platform, inventory management and supply chain visibility become child's play.

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An alarming number of e-commerce purchases don't work out, often triggering a complex series of reverse logistics processes.

**54 Supply Chain Visibility: Can You See Me Now?**

Using technology to gain a clear view into your supply chain can both wipe out costs and pour revenue to your bottom line.

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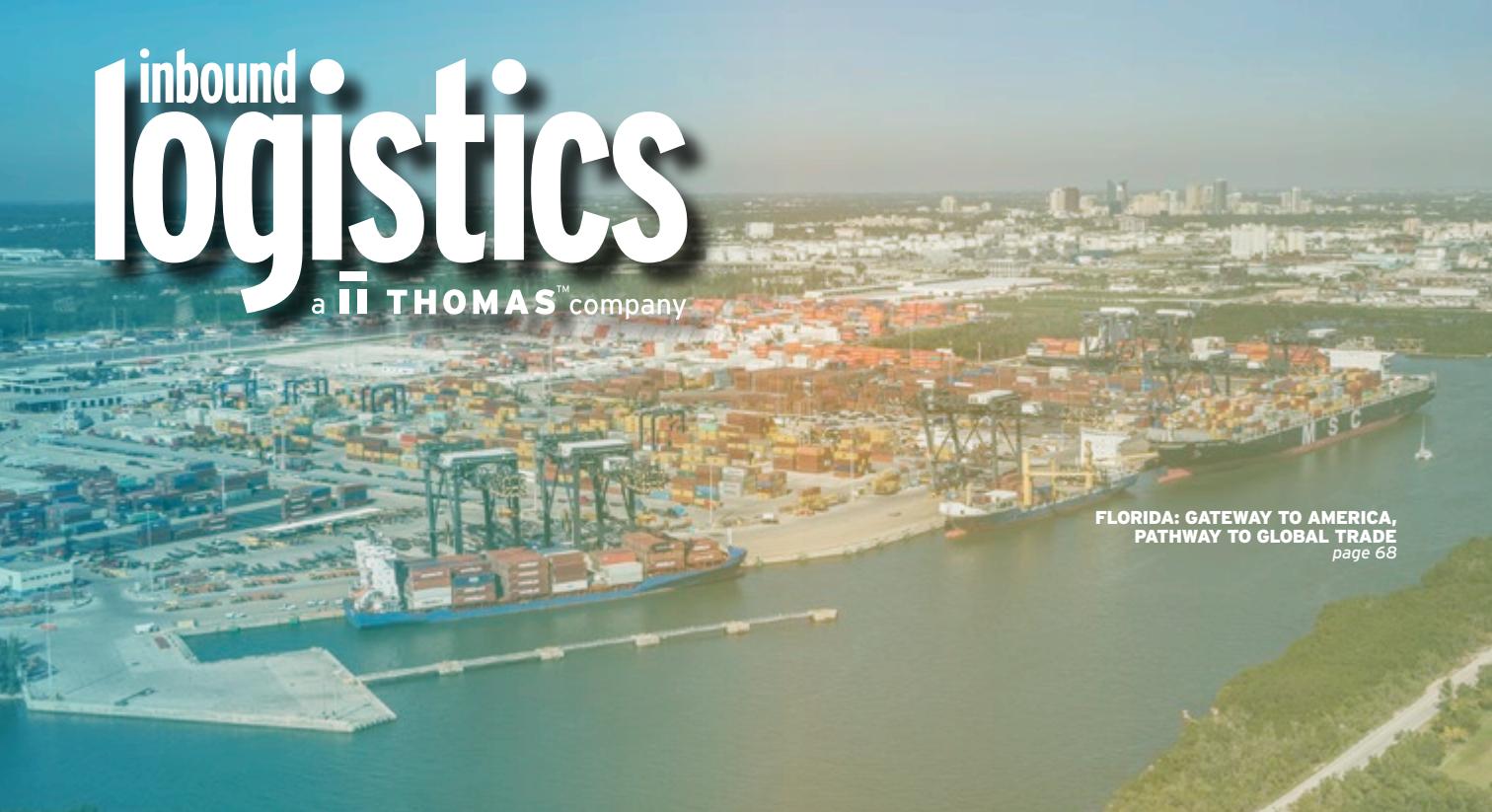
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<sup>1</sup>2017 Mastio & Co. National LTL Carrier Report.

<sup>2</sup>If scheduled delivery time is missed, charges revert to standard rates. Restrictions apply.

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PATHWAY TO GLOBAL TRADE**  
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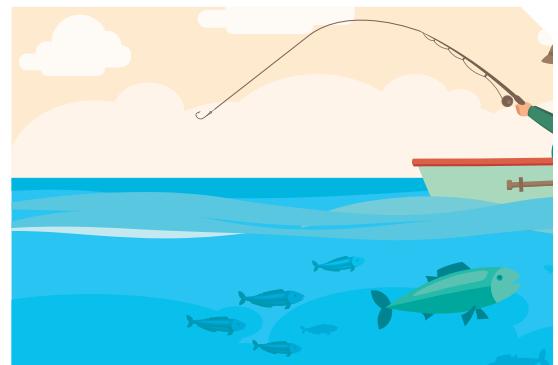
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*UPS surcharge increases will have a significant impact on shippers; Freight NYC aims to modernize New York City's freight distribution system; Home Depot is spending \$1.2 billion to overhaul its supply chain.*
- 31 GLOBAL**  
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Business**  
Economic development partners collaborate to create incentive packages tailored to each company's needs.



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**Florida: Gateway to America, Pathway to Global Trade**  
For logistics and manufacturing companies, the Sunshine State is the place to grow.

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## ONLINE COMMENTARY



### Preparing for the Future Of Digitized Logistics

[bit.ly/PreparingForDigitization](http://bit.ly/PreparingForDigitization)

By 2019, an estimated 224 million digital shoppers in the United States will choose the cheapest form of home delivery. Supply chain professionals must be aware of three trends when preparing for the future of digitized logistics.



### Test Riding to Reduce Carbon Emissions Along the Supply Chain

[bit.ly/BikesAndTrikes](http://bit.ly/BikesAndTrikes)

Today's crop of electric bikes and trikes can help meet last-mile challenges and consumer expectations for both speed and sustainability.



### Driving Your Shipping Business Forward With Analytics

[bit.ly/DrivingForward\\_Analytics](http://bit.ly/DrivingForward_Analytics)

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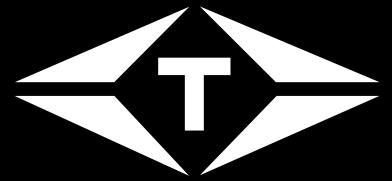
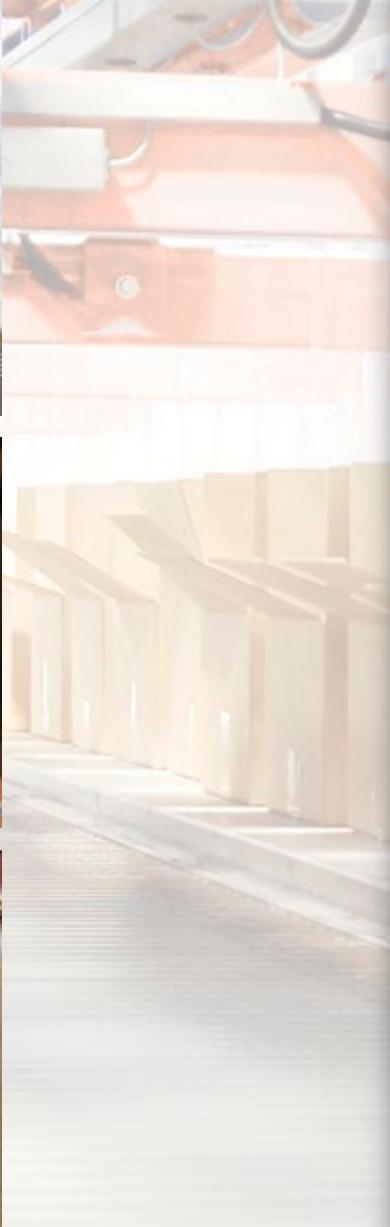
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The Logistics IT Decision Support Tool allows you to select the information technology characteristics that match your needs, then generates a list of companies with those capabilities.

### Logistics IT RFP

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Describe your technology challenge, and select specific companies to receive your RFP. Logistics experts will look at your unique IT challenges and needs, and give you free, no-obligation advice, solutions, and information to meet your request.



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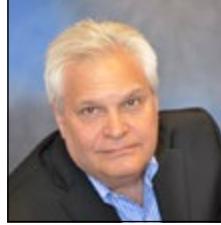
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# CHECKING IN



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## Returning Experience

**T**he war between the retail/e-commerce customer experience and increasing costs is heating up, thanks to the impact that rising transportation prices are having on the retail process. That trend plagues e-commerce players and retailers, both large and small. For example, in July 2018, spot market trucking costs were up 30 percent year-over-year, according to DAT. Increases have been reported every month for the past 18 months, with spot market loads up 105 percent to date in 2018.

And then there is the cost of the actual product and the cost of the product return disposition. High-end retailer Burberry destroyed \$38 million of unsold and return product this year. That totals more than \$400 million over the past five years, according to industry estimates. To protect the brand and limit reverse logistics expenditures, would you burn \$400 million of product?

Recent press reports dinged two other globally known retailers for hole-punching returned product. That product was recycled to the trash. Talk about hole-punching your bottom line, as well as the brand's environmental rankings.

Every year, more consumers bracket-buy more than one of the same item for size, color match, and quality. Shoe returns are three times higher than all other e-commerce purchases, according to industry reports.

E-commerce players will have a tough time changing that consumer behavior given the nature of online shopping because of what numerous surveys show conclusively: Online buyers are loath to shop on sites where returns are difficult and expensive.

Just like bricks retailers (think Home Depot), a liberal returns policy solidifies brand loyalty and additional business that builds over time. For the consumer, it's all about getting unwanted product back, and receiving a refund quickly. In-home inventory may be a thing, but it's not popular.

Omnichannel retailers can motivate e-commerce shoppers to head to the store in the hopes of capturing additional sales, and leveraging the infrastructure as a reverse logistics facility, even though it is typically ill-equipped for that task.

That strategy has some appeal, but it is limited by geography and the time involved to process that return. Some e-commerce enterprises use "returns bars," but time and distance to return an item limit the convenience appeal for some consumers.

A commitment to demand-driven logistics practices certainly will help by limiting product overages, but there is no easy solution to reducing the friction between enhancing the customer experience and cutting ever-increasing returns costs. How are you handling this challenge? Let us know at [editor@inboundlogistics.com](mailto:editor@inboundlogistics.com). ■

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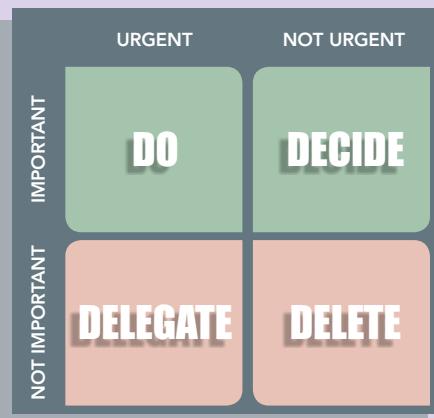
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# Good Question...

READERS WEIGH IN

## What's your best time-management tip?



The Eisenhower Box has had the largest impact on my time management. People have a tendency to put everything in the “urgent/important” bucket, which dilutes their focus. It has helped me more confidently delegate or eliminate tasks altogether.

**Luke Saari**

*Executive Vice President  
GlobalTranz*

1) Turn off notifications and sounds for incoming email. 2) Put email you were copied on in a separate folder from those addressed to you. 3) Make a list of three things you want to achieve the next day. 4) Use a planner to identify the *one thing* you want to get done this week, this month, this year (they should be interrelated).

**James Meads**

*Logistics Procurement Manager  
Sub-Saharan Africa  
Kimberly-Clark*

Transportation managers should examine fleet management processes and identify tactical activities—such as planning delivery routes—that software can do in a fraction of the time. This redirects staff brainpower away from spreadsheet number-crunching and toward initiatives that make significant improvements in cost and service.

**Will Salter**

*CEO, Paragon Software Systems*

Don't lose sight of your organization's top-level goals—make sure your efforts are aligned with your organization's objectives. Prioritize your workload into manageable, meaningful increments to achieve peak productivity.

**McLean Palmer**

*Senior Vice President, Operations  
Ascent Global Logistics*

Find the task on your list that you hate doing and do it first. That way, you won't subconsciously drag your feet on other things to put off what you don't want to do.

**Toni (Wade) Popp**

*Inventory Coordinator  
JOANN Stores*

Spend 10 minutes in planning to save 20 minutes in execution.

**Paul Okonkwo**

*Control Room and Field  
Operations Supervisor  
Shell*

Ensure you take care of yourself. You're setting yourself up for failure if you try to do more than you can realistically. Prioritizing wisely, saying “no” when needed, and delegating are all aspects of this.

**Kristy Knichel**

*CEO/President  
Knichel Logistics*

Make a deliberate effort to plan your day's work. When you have to make adjustments, you've already prioritized your projects.

**Catherine Mallery**

*Pricing Analyst  
Celadon Logistics*

### HAVE A GREAT ANSWER TO A GOOD QUESTION?

Be sure to participate next month.

We want to know:

**Should we lower the age for getting a CDL to 18 as a way to address the truck driver shortage?**

We'll publish some answers.

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Drop us a line:

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## Stopping Cargo Theft in its Tracks

Re. *Four Tips for Cargo Theft Prevention*  
[bit.ly/preventcargotheft](https://bit.ly/preventcargotheft)

Control measures are vulnerable to crafty cargo thieves. Covert GPS shipment tracking devices are a better idea than visible cargo security systems.

Small battery-powered GPS trackers traveling within packages are hard to spot, and it takes time to find and disable them. Coupled with a live monitoring system and live alerts, covert GPS shipment trackers can help detect cargo theft as it happens.

Since time to respond is a crucial factor in the recovery of stolen goods, knowing when to respond or intervene can improve the odds of both preventing cargo theft as well as recovering stolen goods.

Jayshree Makadia, via online

## Not a Supply Chain Afterthought: Office Activities

Re. *The Lean Supply Chain: Don't Let Your Office Go to Waste*  
[bit.ly/dontforgettheoffice](https://bit.ly/dontforgettheoffice)

It's amazing most textbooks and presentations seem to forget that lead time starts when there is a recognition of the need, not when the order is finally made. Thanks for a great article that makes this point.

Barton Jennings  
Professor of Supply Chain Management  
Western Illinois University, via LinkedIn

So true and so often overlooked.

Dot Coull  
Business Development &  
Supply Chain Manager  
Waltham Logistics, via LinkedIn

## Autonomous Trucks? Try Motorized Chassis Instead

Re. *Driverless Trucks: A Different Idea*  
[bit.ly/rethinkdriverless](https://bit.ly/rethinkdriverless)

Some very good ideas here, but cost also has to be considered. A trailer with its own drive train would be very expensive, less than a tractor-trailer combo, but cost would be a factor.

Scott Fry  
Director of Transportation  
Martin Preferred Foods, via LinkedIn



## Military Logistics: Front and Center

Re. *Combat Cargo: The Challenges of Military Logistics*  
[bit.ly/combatacargo](https://bit.ly/combatacargo)

Nothing happens until something moves, and the logisticians make it happen. I have had my share of transportation challenges, and I enjoy the problem solving, and witnessing my efforts bring effects to the battlespace.

Matt Evers, CLTD  
Logistician, U.S. Marine Corps, via LinkedIn

Great article. I appreciate you considering what the reserve component warfighter and logistician bring to current operating environments.

Bill Barthen, via online

Awesome piece. Much respect to our military.  
Sherry Lynn Villegas, via online

# ★ PHARR AHEAD OF THE REST ★



## New Projects/Services Checklist:

- ✓ 2 Northbound Commercial Primary Lanes
- ✓ 2 Northbound Commercial Exit Lanes
- ✓ Gate to Gate/F.A.S.T. Lane
- ✓ Dock Expansion
- ✓ Cold Inspection Facility
- ✓ Regional Ag Training Center & Lab
- ✓ Ag Inspection Overtime Pay
- ✓ New State of the Art Toll System
- ✓ Bridge Building Renovation
- ✓ BridgeConnect Trade Sessions
- ✓ Unified Cargo Processing (UCP)
- ✓ New State of the Art Security Cameras System



## Projects/Services Advantages:

- ★ Improved Safety and Security
- ★ Reduced Border Wait Times
- ★ Increased Capacity
- ★ Process Improvements
- ★ Streamlined Inspections
- ★ Improved Commercial Truck Throughput
- ★ Smart Technologies
- ★ Joint Inspections (U.S. & Mexico)
- ★ Competitive Logistics Network
- ★ Faster Connectivity to Port of Brownsville
- ★ Bi-National Coordination for Expedited Crossings
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# 10 TIPS

STEP-BY-STEP SOLUTIONS

## Moving Cross-border Shipments

As your suppliers and customers become more geographically diverse, more of your supply chain and customer experience depends on moving shipments through Customs accurately and without delay.

### 1 CREATE A DASHBOARD FOR INCOMING ORDERS

A visual tracker of inbound shipments may help simplify the importing process. Tracking where orders and shipments are while in transit, and whether the required paperwork is in place, may help reduce delays. It also may help focus your team on a single objective—fixing problems that are not resolved on the dashboard.

### 4 SET UP ALERTS

Work with your service providers to set up automated email alerts when a shipment is delayed in transit, including at the border. It not only helps you resolve the issues right away, it also helps you know that everything else is flowing smoothly.

### 7 PUT OUTGOING PAPERWORK ON AUTOPILOT

Set up your shipping system and processes to print three copies of the commercial invoice, packing list, and any other needed documentation. Make sure the documents are firmly secured to the package, and, when possible, use digital invoice options.

### 9 FOCUS ON BRIGHT SPOTS

While you focus most of your attention on problem shipments, don't ignore the majority of shipments that arrive seamlessly and without issues. Celebrate those successes and use them as guidance on how to improve your supply chain.

### 2 IMPROVE PRODUCT CLASSIFICATION ACCURACY

Classifying products with the correct codes is an important requirement; it not only determines the duty paid on the product, but also can impact whether there are clearance delays because of inaccurate information associated with your shipment. By accurately classifying your shipments, you can clear them faster to avoid delays.

### 5 SCORE VENDORS ON PAPERWORK ACCURACY

Add paperwork accuracy as an element of your vendor scorecard, and make sure it has meaningful weight. A vendor that consistently causes shipping delays from incorrect paperwork can be costly and may not be the best overall provider.

### 8 STAY INFORMED ON BEST PRACTICES

Subscribe to trade publications and attend professional conferences when possible. Learning from a network of colleagues in your industry can be helpful.

### 10 SUPPORT YOUR COMPANY'S GROWTH IN NEW MARKETS

It can feel daunting when you get orders from countries you've never shipped to before. Reach out to your customs brokerage and transportation providers who can walk you through the shipping requirements. Not only will you be ready for the next order from that country, but it may also help grow revenue for your company.

### 3 USE CORRECT VALUATION AND MARKINGS

Two important issues in reducing delays associated with clearing shipments are incorrect value declarations and insufficient/incorrect markings. Focus on both valuation and markings, especially when working with new products or suppliers. Making sure these are correct can help reduce shipping and clearance delays.

### 6 COMMUNICATE WITH OTHER DEPARTMENTS

The day-to-day flow of your goods may be working seamlessly, but one-offs and new shipments can cause problems. Coordinate with new product development and other departments to make sure you're ready for prototypes and any new product launches.

Source: Alex Fuller, customs brokerage manager, UPS

Back in the brick-and-mortar days, products received about 5 human touches while in route to final destinations.

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## THE OIL & GAS SUPPLY CHAIN

### — AUTOMATION TAKES CENTER STAGE —

Once considered to be merely on the horizon of the oil and gas industry, highly sophisticated technology is now front and center. Key advantages include:

- **Monitoring capabilities.** With automation, oil and gas companies can keep track of their pipes and networks with unprecedented oversight.
- **Reduced operating costs.** Effective use of digital technologies could reduce capital expenditures by up to 20 percent, says McKinsey & Company.
- **Predictive maintenance.** Advanced analytics can now be implemented to detect equipment issues preemptively. By taking these proactive measures, companies can cut maintenance costs by 13 percent.
- **Safety.** With automation, workers no longer have to go out into the field to make risky repairs. They can use augmented reality or operate drones to make needed repairs.
- **Marketing and distribution efficiency.** Advanced analytics provide a better picture of consumer habits and desires, while allowing for optimized pricing models and more efficient supply chain management.

—Conor McGlade, Thomas Insights

### — PUMPING UP DIGITAL SUPPLY CHAINS —

Oil and gas currently lags many industries in leveraging digital technology to support more innovative supply chain models. The Oil & Gas Technology Centre identifies four critical supply chain challenges that require technology investment:

- 1. Supply chain visibility.** Operations and supply chain teams have difficulty understanding the location and quantity of available stock in the supply chain.
- 2. Data exchange—standardization and collaboration.** In the UK, there is currently no standardization of requirements for collecting, maintaining, and distributing data. The inability to share this information across the supply chain dramatically impacts efficiency.
- 3. Integrated planning.** For many operators, the material requirements and lead times associated with a planned activity are poorly maintained, so the supply chain has little ability to effectively plan material movements.
- 4. Vessel sharing.** Vessel time utilization across the industry is low and space utilization is even lower. Collaboration is required to drive further savings.

### — ADDRESSING CAPACITY CONCERNS —

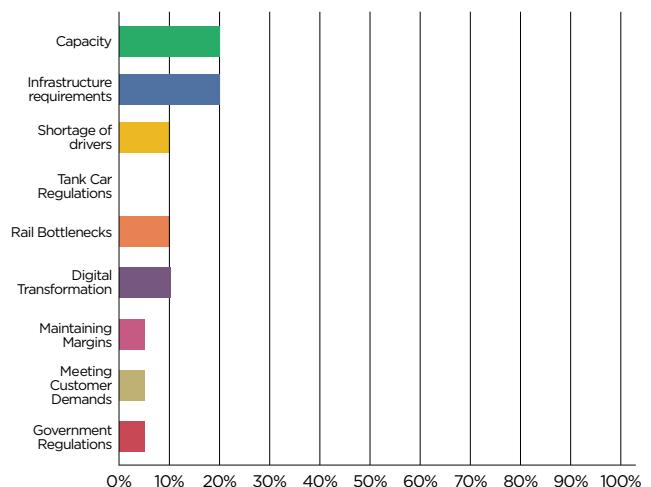
New U.S. chemical and plastics projects are expected to increase petrochemical capacity by more than 55 million tons of new chemical output each year, estimates the American Chemistry Council (ACC). Petrochemicals are obtained from petroleum and natural gas.

This new capacity will result in an additional 1.8 million annual shipments by 2020 across all transportation modes, adding 270,000 railcars, 723,000 full truckloads, and 808,000 marine TEUs each year, according to the *Petrochemical Producer Procurement Spending 2018 Outlook*.

These major capacity additions stand to play a key role in supply chain decisions and investments, notes the report. While the growth is a boom for the petrochemical industry, it highlights the need to address key transportation, storage, infrastructure, and global trade issues that will impact the supply chain and create substantial need for investment in this sector.

Addressing these challenges and an impending driver shortage are key to a successful U.S. supply chain, according to the report, and will require the cooperation of owners, government, shippers, and others to ensure success of the U.S. chemicals renaissance.

What's the biggest challenge you face with regards to supply chain optimization?



SOURCE: Petrochemical Producer Procurement Spending 2018 Outlook

**Capacity is the top concern among petrochemical shippers. The U.S. expects to add nearly 30 million metric tons of natural-gas-derived petrochemical capacity between 2011 and 2020.**

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# LEADERSHIP

*Conversations With  
The Captains of Industry*

By Merrill Douglas

**Jim Barnes**  
CEO, enVista

## Fail Fast, Then Move On

**J**IM BARNES DID NOT HAVE A MENTOR AT the start of his career. “No one taught me how to become a leader,” recalls Barnes, chief executive officer of enVista, an Indianapolis-based supply chain consultancy and software firm.

Instead, observation and experience helped Barnes develop his leadership principles. “I’m a stickler about communication, building a culture around trust and conflict resolution, and taking calculated risks,” he says. Failure is fine as long as you fail fast and then move on to succeed. “Progress is not a straight line,” he adds. “Progress is curvy.”

Here are some insights we gained when we spoke with Barnes about his work and his leadership values.

### **IL: What was your first experience in supply chain management?**

While earning my MBA, I worked as a senior process engineer and management trainee at Johnson & Johnson’s Iolab division. We made cataract lenses and provided all the equipment and pharmaceuticals cataract patients needed. I was assigned to a task force charged with streamlining logistics, which were broken. It took us weeks to get a lens to a doctor. Our goal was to become so efficient and effective that a doctor could place an order before 3 pm and have it delivered by 10 am the next day.

After taking a close look at our distribution network and transportation with FedEx, we took weeks out of the supply chain. We could deliver not only our own product the next day, but also product from sister divisions, such as sutures and garments, in what was almost a drop-ship solution. This was a huge request from our CEO; it taught me to believe in creating stretch goals for yourself and your organization.

### **IL: You talk about failing fast and moving on. Did you ever learn a lesson from a failure?**

In my early career, I formed a business partnership that didn’t work out. I failed in picking a partner because I didn’t seek out someone whose core values and moral compass aligned with mine. That failure taught me to focus on building lasting business relationships based on trust.

### **IL: Has a customer ever given you an unexpected assignment?**

We once helped the e-commerce division of a major retailer analyze its inbound freight as a percentage of overall costs. We also helped them select a transportation management system (TMS). Then the senior vice president informed me that enVista would run this operation for his company. I told him we had never run a control tower before. But we had reached a level of trust. He said, “You’ll figure it out.” I agreed to do it for a year or two, under contract, and then turn it over to them. As it turned out, that partnership lasted for nine years.

**IL: What issues keep your customers awake at night?**

They worry about how to produce a unique experience for their own customers. Everything is about creating brand loyalists and brand ambassadors. Also, our customers struggle with how to manage the cost versus service model, because obviously there's no such thing as free shipping. Nobody would pay for Amazon Prime if Amazon didn't keep its promise to deliver in two days. The fee underwrites the cost of that fast delivery. That's what supply chain professionals are trying to understand: What is the balance between time and cost, and then how do you manage it?

**IL: What's your most important quality as a leader?**

It's always doing the right thing for the right reasons, even if it doesn't benefit me. I have a concept within our organization that says my leadership team—including me—eats last. We take care of our customers first, then our associates, and then our leadership.

**IL: Describe a typical week in your work life.**

Here's what I'm doing this week. Monday, I'm getting on a plane to Baltimore to meet with a robotics company. Tuesday, I'm at a customer site to talk about potentially implementing robotics technologies in their distribution center (DC). It's not because robots will work faster than people, but because my customer can't find enough bodies during peak season to support their order volume, and they are trying to reduce the performance variability. On Tuesday night, I take a train to Newark and spend the night in the city, where I'm meeting with a company that's trying to figure out how to help stores at a mall manage last-mile deliveries.

On Wednesday, I fly to Charlotte, where I'll walk through a DC with a retail client that is expanding its facility and network. I'll also meet with its leadership team about an e-commerce strategy. Late Thursday night, I fly to Indianapolis for a Friday profit-and-loss meeting with enVista's leadership. On Friday evening, I fly home to Milwaukee.

**IL: With such a packed schedule, how do you maintain your energy?**

I take my running shoes on the road and run between 10 and 15 miles each week. At enVista, we believe not only in high-level performance for individuals and teams, but also in sustainable performance. It starts with the right mindset, nutrition, movement, and recovery.

I used to think that sleep was overrated, but now I force

myself to get seven hours of sleep every night and drink a lot of water. It allows me to keep the pace that I do every week.

**IL: What's at the top of your agenda these days?**

We continue to build the enabling technology behind our Unified Commerce platform, which we created nearly five years ago. This platform puts retailers on a common data model to manage the end-to-end lifecycle of the customer order.

**IL: Which aspect of your job is most fun?**

When I see people working as a team, rowing together, getting to the finish line, and achieving results for our customers. It's also fun when our customers come back and say, "I want more of that passion, that intensity, that innovation, that creativity." They come back without us having to ask them for their business.

**IL: How do you like to spend time outside of work?**

I try to exercise as much as possible. I love cycling. I love to cook for my family and travel with them. And if I can be in the water—swimming, kite surfing, fishing—I'm happy. There are times when I get burned out, and I have to figure out how to recharge my batteries. To avoid this, rather than taking a longer vacation once a year, I take a mini-vacation every three to four months. I'll run a three-month sprint, take two to three days off, and repeat. ■

## Getting Advice, Paying it Forward

Jim Barnes lacked mentors early in his career, but he gets good advice today, both from peers and from two executive coaches. With one of those coaches in particular, he focuses on organizational behavior and how to create momentum in a company with more than 600 associates.

"I can't be every place at all times, and I can't touch everybody one on one," says Barnes. "So how do we create a mindset where people understand our purpose and shared goals, and how to exceed that purpose consistently?" The key, he says, is to develop standardized processes that remain consistent and promote innovation as the organization grows.

Barnes also enjoys the opportunity to serve as a mentor to others. "I take great pride in seeing the success of other people I've had the chance to influence," he says.



**Erik Snyder is president of North America supply and procurement with Diageo, a leading premium spirits company and producer of brands including Johnnie Walker, Crown Royal, Smirnoff, and Guinness.**

**RESPONSIBILITIES**

Oversee Diageo's end-to-end supply chain and procurement operation in North America, including sourcing raw materials, distillation, manufacturing, packaging, planning, and customer service.

**EXPERIENCE**

Senior vice president, global logistics; vice president manufacturing, Plainfield Illinois; supply director, Australia; vice president, logistics, North America, and other leadership positions with Diageo; senior manager, logistics, Nabisco; regional operations manager, The Pillsbury Company; zone operations manager, Frito Lay.

**EDUCATION**

B.S., business administration, Bloomsburg University of Pennsylvania, 1995

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## Erik Snyder Keeps His Spirits Up

**A**T DIAGEO, WE SELL MORE THAN 200 BRANDS IN 180 countries and operate in 21 geographic markets. To drive efficiencies and process standardization in our global operations, we implemented a new manufacturing management system (MMS) about one year ago.

It involves running “tier one through five” meetings, across all supply operations. Tier one includes frontline employees at our plants and warehouses, and tier five is senior management.

We measure 20 key performance indicators (KPIs) in logistics, manufacturing, customer service, and other functions

across all tiers. Within 30 minutes, we know what’s going on in the business. It puts a sense of discipline and rigor into our business and makes it clear to business owners what they need to do.

As a result, our case fill rate runs at about 98 percent, up from about 95 percent prior to implementing the MMS.

### The Big Questions

**How would you describe your job to a five year old?**

I buy the materials, put all the liquid in a bottle, and get it to our customers at the right time and the right price.

**If you could throw a dinner party for anyone in the world—living or not—who would you invite?**

I would invite Warren Buffett because of the way he has built his business; John F. Kennedy because I think that time in history really changed the world; and Martin Luther King because he fundamentally changed the way we view the world.

**What words do you try to live by?**

Lead through inspiration, support your people, and then get out of their way.

**If you had \$1 million to start any new venture—business or philanthropic—what would you like to do?**

I would start something around education. In my global logistics role, I had the opportunity to travel all over. I saw people who were incredibly bright and had lots of energy, but who lacked the educational opportunities people in the United States have. I'd try to provide education for everyone so they'd have the same opportunities.

That has helped us cut about \$100 million in inventory by turning it more quickly. We also finished our year with zero lost-time accidents.

I gained significant experience when I spent three years with Diageo Australia. My role was similar to what I'm doing in North America, but in a smaller market. It was a huge opportunity to learn how to get things done in a different culture.

First, I had to learn a new distribution system. In Australia, we can sell directly to retailers. In the United States, we're required to go through distributors.

I also learned a lot about working in

diverse cultures. For instance, while Americans and Australians speak the same language, the words can be different, for instance tomato sauce versus ketchup. Or, some words can have separate meanings altogether. It taught me to be more thoughtful when choosing my words.

I learned supply chain from the ground up. I went to college to play basketball and hoped to turn it into a career. When a serious injury permanently sidelined me, I took one year off and worked at the distribution center for Weis Markets, a grocery chain in Pennsylvania. I picked orders, ran forklifts, and loaded trucks. When I went

back to school, I continued to work full time in supply chain.

I'm proud to have worked for Diageo for 17 years. A commitment to reducing our environmental impact led our North America logistics team to partner with the Environmental Protection Agency's SmartWay program to reduce freight-related carbon emissions. Also, we work hard through our Alcohol in Society programs to ensure our products are consumed responsibly.

My job ultimately is to help our organization grow market share by delivering great service, innovation, and cost savings. ■

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# NOTED

THE SUPPLY CHAIN IN BRIEF

## SHOVEL READY



Work is underway on a multipurpose cargo berth project at Florida's **Port Canaveral** that will provide the infrastructure and capabilities to handle a wider range of heavy and oversized cargo, including commercial spacecraft components. Scheduled for completion in mid-2019, North Cargo Berth 8 on the port's north side is designed and engineered as a multimodal/intermodal berth that will provide flexible capacity and capability to accommodate more diverse commerce at the port.

## MILESTONES

► August 2018 marks **Crane Worldwide Logistics'** 10 years of business operations. The logistics firm, launched by Jim Crane in Houston during the 2008 global financial crisis, has grown to be a solutions provider with more than 1,800 employees, with 120 locations in 26 countries.



# m&a



Photo by Sharon Ang, Pixabay

▲ To establish a foothold in Cape Town (*pictured*) and Johannesburg, South Africa, freight forwarding and logistics company **Panalpina** acquired a majority stake in airfreight perishables specialist **Skyservices**. The move enables Panalpina to offer end-to-end solutions for perishables from South Africa to Europe, the Middle East, Far East, and the United States.

To expand its protective packaging solutions and design capabilities, **Sealed Air Corporation** acquired **AFP**, a fabricator of foam, corrugated, molded pulp, and wood packaging solutions. AFP specializes in custom-engineered protective packaging for retail, e-commerce, and direct shipping applications. Acquiring the company allows Sealed Air to better position its fabricated foam products.

► Shipping group **CMA CGM** reached a deal with Container Finance Ltd Oy to acquire container shipping and logistics business **Containerships**, as well as Container Finance's holdings in Multi-Link Terminals Ltd and CD Holding Oy. Containerships specializes in the intra-European market and will strengthen CMA CGM's intra-European offerings.



m&a

**Blujay Solutions**, a provider of supply chain software and services, bought **Grosvenor International Systems**, a provider of customs and compliance solutions to the UK and European markets. With this acquisition, Blujay extends its integrated customs solutions.

**Pilot Freight Services**, a provider of transportation and logistics services, acquired **Manna Freight Systems**, a final-mile logistics provider based in the Minneapolis/St. Paul metro area, to enhance final-mile service for furniture and appliance delivery. Pilot will leverage Manna's network and expertise in final-mile delivery in the heavy and hard-to-handle category.

**GREEN SEEDS**



◀ **Levi Strauss & Co.** set aggressive targets for reducing carbon emissions across its owned-and-operated facilities and global supply chain by 2025.

This includes using 100-percent renewable electricity in company-owned facilities. By 2025, the apparel company aims to cut greenhouse gas emissions by 40 percent in its supply chain.

**UP THE CHAIN**

**Target Corp.** named **Gemma Kubat** senior vice president, supply chain engineering and activation. Kubat leads the design, activation, and ongoing management of assets that support Target's global supply chain and logistics network. She reports to Target's executive vice president and chief supply chain officer.

**Lowe's** appointed former Walmart Inc. executive **Donald E. Frieson** executive vice president of supply chain. Frieson, an executive with more than 30 years of operations and supply chain experience, including 19 years at Walmart, is responsible for Lowe's distribution centers, logistics, global sourcing, transportation and delivery services.

recognition

The Texas Motor Transport Association, a statewide trucking organization, recognized **Dupré Logistics** for its **outstanding achievement in highway safety**, for the Local over 10 Million Mile class, awarded in cooperation with the American Trucking Associations.



◀ **Glenn Combs** was selected by Ruan as its **2017 Driver of the Year** from a pool of more than 4,400 professional drivers, based on length of service, safety performance, and exceptional customer service. Combs, who

operates out of Phoenix, Arizona, and serves Ruan customer Holsum Bakery, has been with Ruan since 1996, logging more than 3.6 million miles during his 36 years as a professional truck driver.

**SEALED DEALS**



**Weis Markets**, a food retailer operating 205 stores in Pennsylvania, Maryland, Delaware, New Jersey, and New York, turned to logistics technology provider **Kuebix** to improve supply chain visibility and control of its process flow, financials, and cost of goods. The retailer uses technology solution *SupplierMAX* to improve supplier behavior and increase warehouse efficiency.

Service provider **Daher** took on warehousing responsibilities for approximately 28,000 handling tools used by **Rolls-Royce** to manufacture jet engines across its UK production network. Daher stocks the support tooling in a 100,000-square-foot warehouse at Doncaster, England, as well as dispatches tools to manufacturing sites.



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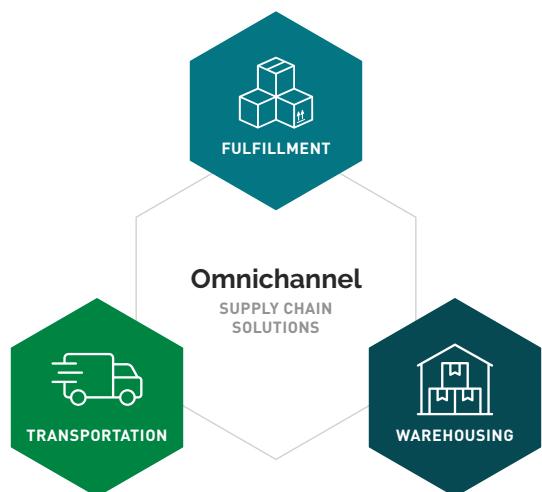
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\*Source: "2017 State of Retailing Online," National Retail Federation



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# 7 Ways to Integrate Demand and Supply

**COMPANIES CAN ACHIEVE** cohesive demand and supply integration (DSI) by following seven fundamental rules, recommends a recent University of Tennessee Global Supply Chain Institute study. The paper, based on the work of Mark Moon, PhD, a UT professor and global supply expert, focuses on 18 companies in a range of sectors with successful DSI as a benchmark.

The seven strategies are:

## 1 Business-led DSI.

When a company’s business leadership incorporates DSI into all functions, the company as a whole thrives, and DSI becomes a central focus. “Benchmark companies said business leadership sponsorship was critical to DSI excellence,” the report notes.

## 2 Continuous improvement culture.

Consistently and continuously assessing the DSI process is necessary in the ever-changing supply and demand environment. When a “multifunctional leadership team” is committed to learning, growing, and overcoming challenges related to the DSI process, a cohesive work environment across all departments forms.

## 3 Demand planning excellence.

The investment in and use of advanced analytics helps transition companies from “chasing forecast accuracy targets” to more accurate, regimented forecasting efforts led by technology, leadership teams, and service providers specializing in analytics.

## 4 Digitally enabled DSI

Advancements, which include machine learning, apps, and applied AI, all contribute to “the improved quality of decision making and the productivity of DSI planners.”

## 5 Sustained DSI mastery.

DSI, along with its evolution and upkeep, must become ingrained in company culture. Empowering the process leaders creates value, and enables them to master DSI through continuous evaluation and assessment.

## 6 Focus on business intelligence.

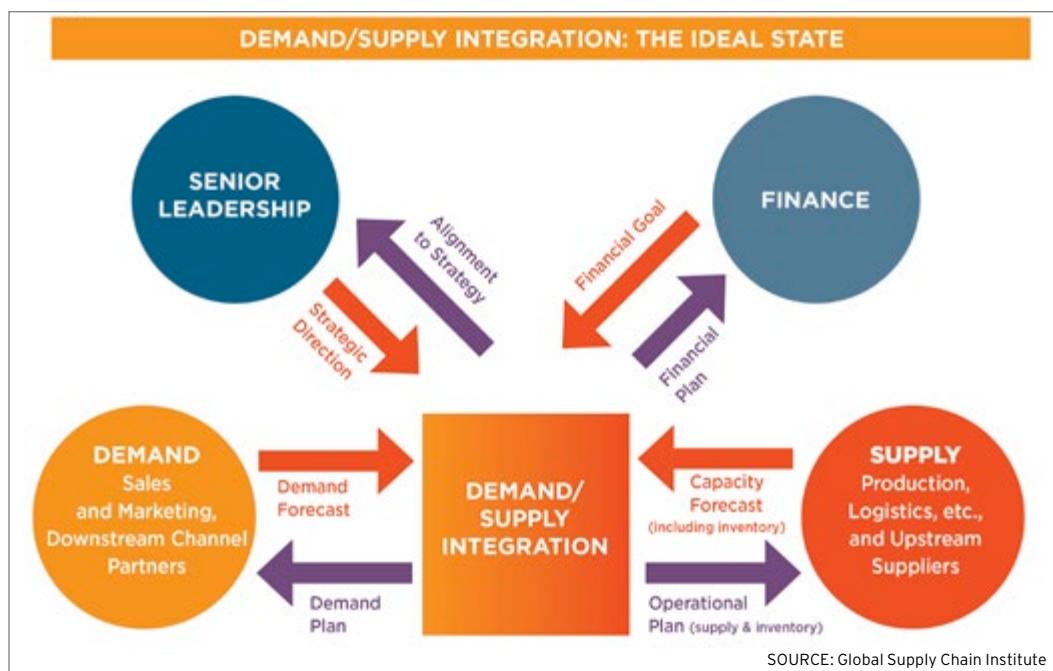
Profit growth is often a direct result of seeing DSI as an important “source of business intelligence.” More than just pinpointing forecasting mishaps to improve upon in the short term, DSI can be used to “improve the quality of future planning and execution” when viewed holistically.

## 7 Supply planning excellence.

Necessary in forecasting, quality, and investment decision-making, a strong supply planning procedure feeds healthy DSI. Supply planners with a background in both general planning and in supply planning performed best, according to the study.

The seven strategies do not follow any particular hierarchy and making them an integral part of the business model proves effective. “If these strategies become a part of a firm’s overall operating DNA, then the supply chain function and the sales and marketing functions no longer become adversaries,” says Dr. Moon. “Rather, they become symbiotic elements of an enterprise, where all functions operate in synch to achieve overall organizational goals.”

–Nicole Slaughter Graham



The circles represent functional areas of the organization, while the rectangle represents the super-process of DSI. The red arrows leading into the DSI process represent inputs to the process, and the purple arrows leading out of DSI represent the process outputs.

# What Do the New UPS Surcharges Mean?

To help shippers understand UPS's recent surcharge increases, Spend Management Experts, a supply chain spend management consultancy, outlines the carrier's new fees and their potential impact.



**THE INCREASES:**

Effective June 4, 2018: The fee for over maximum limits and the oversize pallet handling surcharge increased by \$150 and a new shipping charge correction audit fee was added.

Effective June 11, 2018: The ground fuel surcharge increased by 0.5 percent for all thresholds.

Effective July 8, 2018: The large package surcharge for any U.S. domestic package delivered to a residential address is \$90 and the additional handling surcharge for any U.S. domestic package exceeding 70 pounds in actual weight is \$19.

**WHAT THE RATE INCREASES MEAN:**

On top of the average 4.9-percent annual rate increase, additional surcharges mean even higher costs to shippers. Here are some examples:

- The over maximum charge tends to impact those large, heavy items that really belong in the UPS Freight or other LTL network.
- Oil prices have gone up double-digits since 2017, and to make sure UPS is not negatively impacted by any sudden fluctuation, it has changed its fuel surcharge. Earlier in 2018, UPS changed its international export fuel surcharge for similar reasons.
- Along with the over maximum charge, the large package fees are for those items that exceed 130 inches in girth or with one side greater than 96 inches.

**WHAT SHIPPERS CAN DO:**

To mitigate the impact of these recent increases, it is important for shippers to identify opportunities to optimize their supply chain networks. Recommendations:

- Audit invoices every week.
- Negotiate—almost everything is negotiable.
- Still not happy after negotiations? Be willing to diversify your carrier base. There are other options.

## BIG APPLE POLISHES FREIGHT TRANSPORTATION SYSTEM

New York City plans to overhaul its aging freight distribution systems through strategic investments to modernize maritime and rail assets and create new distribution facilities. Freight NYC is a \$100-million plan with the ultimate goals of creating nearly 5,000 good-paying jobs for New Yorkers and a more sustainable and resilient supply chain network.

New York City depends on crucial but aging marine, rail, and highway infrastructure and relies upon trucks to move nearly 90 percent of freight. As the city's population continues to grow, and consumers increasingly demand near-instant deliveries, local freight volumes will grow an estimated 68 percent by 2045, further choking traffic and impeding commerce.

This challenge is particularly acute in the last mile of distribution, when trucks deliver goods from port facilities and central warehouses, often located in neighboring states such as New Jersey, over city streets and arteries.

In addition to investing in existing maritime and rail assets, the city will work with private partners to build new modern distribution, transload, and warehousing facilities, and to promote and incentivize the use of environmentally friendly green trucks for last-mile delivery. In total, Freight NYC will remove 15,000 vehicles' worth of CO2 per year.

The Freight NYC plan leverages three key strategies to modernize and strengthen the city's freight distribution industry for the 21st-century:

- 1. Investing in multimodal infrastructure.** Working with the Port Authority of NY & NJ, the city will invest in marine terminals and barge operations, and support the modernization and expansion of rail lines and freight facilities, creating approximately 900 jobs.
- 2. Creating new freight distribution hubs.** Through public-private partnerships, the city will develop new distribution, warehousing, and transload facilities to meet increasing demand. This will help ensure New York City can sustain the demands of its growing population, while creating secondary pathways to move goods in the event of adverse climate impact and other major disruptions.
- 3. Promoting the use of clean trucks.** The city, led by the New York City Department of Transportation, will encourage the deployment of cutting-edge and emission-free trucks on city streets for last-mile delivery, which will help advance its goal of reducing 80 percent of gas emissions by 2050.



## Home Depot Builds New Supply Chain

Home Depot will spend \$1.2 billion to overhaul its supply chain to offer faster delivery for consumers and businesses. Walker Sands' 2018 *Future of Retail* report offers the home improvement retailer some advice:



- To compete with Amazon, Home Depot should focus not only on delivery speed, but transparency as well. Only 30 percent of consumers surveyed for the report rate retailers' communication with them about the status of their online order as "excellent," compared to the 42 percent who say the same about Amazon.
- Home Depot should also consider third-party delivery. Twenty-five percent of consumer respondents say they would trust a third-party delivery service to deliver tools and home improvement products they ordered from a retailer.

It's a smart move for Home Depot to meet consumer demand, notes recent data from Astound Commerce:

- Half of shoppers specifically hunt for retailers and brands with free shipping.
- Sixty-three percent of shoppers consider free shipping "highly important" when purchasing online, and 19 percent of shoppers are dissuaded from online purchases when they don't know the shipping time frame.

## IoT Clears the Air for Transportation Companies

The Internet of Things (IoT) is set to help transportation and logistics providers significantly reduce emissions, enabling compliance with clean air targets. It will also improve worker health and safety while maximizing resource efficiency and reducing expenses. That's according to Inmarsat's 2018 research project, which analyzes IoT adoption across the transportation and logistics sector.

The research surveyed 125 of the world's largest transport companies to establish the key trends, challenges, and expected benefits around their current and planned adoption of IoT.

The research finds:

- Transport companies expect to spend eight percent of their IT budget on IoT within three years, the highest of any digital transformation technology.
- Transport companies project revenues to increase by about \$210 million (more than 12 percent) by 2023.
- Reducing emissions is a key factor in transportation, and IoT should improve environmental sustainability by 50 percent.

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## IS ASIA THE NEW BERMUDA TRIANGLE?

Large shipping losses declined by 38 percent globally over the past decade, but losses in Asia rose year-on-year, with incidents in the South China, Indochina, Indonesia, and Philippine maritime regions rising 25 percent. That makes Asia the top area worldwide for major shipping incidents in the past decade, leading it to be dubbed the “new Bermuda Triangle,” according to Allianz Global Corporate & Specialty’s (AGCS) Safety & Shipping Review 2018.

The shipping sector reported 94 total losses in 2017, down 4 percent year-on-year—the second-lowest in 10 years after 2014. Bad weather, including typhoons and storms in Asia and the United States, contributed to the loss of more than 20 vessels, notes the annual review, which analyzes reported shipping losses of more than 100 gross tons.

**Dangerous seas and territorial disputes.** Political tensions around major Asian shipping routes are leading to disruption and possibly heightened collision risk. A key route for east-west trade from China, South Korea, and Japan, and accounting for one-third of global shipping trade, the South China Sea is also the cause of territorial disputes among several countries.

These disputes have resulted in increasing military presence in the South China Sea, with the United States and China conducting naval exercises. 2017 saw two major collisions: The U.S.-guided missile destroyer *USS Fitzgerald* collided with a containership off Japan, while the *USS John S. McCain* struck an oil tanker off Singapore.

Across Asia and Africa, the threat of piracy remains high, with regional waters accounting for 74 percent of all incidents worldwide despite record lows globally. In 2017, incidents in Southeast Asia increased 11 percent (68) while Indonesia continues to be a leading hotspot with 43. Attacks in the Philippines more than doubled from 10 in 2016 to 22 in 2017.

**Emerging risks lead to losses.** The shipping sector faces multiple new risk exposures. Ever-larger containerships pose fire containment and salvage issues. Climate change impacts ice hazards, freeing up new trade routes in some areas but increasing the risk of collisions with ice in others. China plans an “Arctic Silk Road” from new shipping lanes opened up by global warming and will conduct commercial voyages in Arctic waters to build its first polar expedition cruise ship by 2019.

Environmental scrutiny is also growing as the industry seeks to cut emissions, bringing new technical risks and the threat of machinery damage incidents. Other challenges include balancing the benefits and risks of increasing automation on board. NotPetya malware recently caused cargo delays and congestion at nearly 80 ports, underlining the emerging risks that the sector faces.

**Human error a big issue; data can help.** Fatal accidents persist, with human behavior often a factor. Estimates indicate that 75 to 96 percent of accidents involve human error.

“By analyzing data 24/7, we can gain insights from crew behavior and near-misses that can identify trends,” says Captain Rahul Khanna, global head of marine risk consulting, AGCS. “The shipping industry has learned from losses in the past, but predictive analysis could be the difference between a safe voyage and a disaster.”



## In Iceland, There’s No Place Like Drone



Consumers in Reykjavik, Iceland, will soon just have to walk out their back door to receive their packages.

Drone technology company Flytrex, in partnership with Aha.is—Iceland’s largest online marketplace—launched 13 new routes for an autonomous on-demand urban drone delivery service to serve nearly half of Reykjavik.

The upgraded service also includes an advanced “InAir” wire-drop system that safely lowers packages directly to consumers’ backyards, beginning with a limited number of addresses and expanding pending approval by property owners.

Until recently, Flytrex has operated its drone system along one route, bridging by air two parts of the city separated by a large bay. Following a meticulous regulatory process with the Icelandic Transport Authority and hundreds of successful flights to pre-assigned drop-off points, the system will now be able to reach nearly half the city of Reykjavik.

The drones will operate along a total of 13 routes. Each UAV is approved to fly up to 700 meters off its path to make backyard deliveries in select, approved neighborhoods. Flytrex aims to extend home deliveries to every resident in Reykjavik in the coming months.

In addition to the new routes and delivery areas, the introduction of the wire-drop feature takes consumer convenience to even greater heights. Once consumers arrive at the drop-off point—either on their property or at a designated public location—they can order the drones to gently lower the package to the ground through an easy-to-use app. Once the package touches down, the wire detaches from the drone, which then returns to the drone port.

## Chewing the VAT

**“FILING VAT RETURNS ON TIME** is crucial to your business,” warns Mohammed Fathy, general manager of Al Dhaheri Jones & Clark. “A delay can not only cause a huge amount of stress, but also threaten your entire business should you fail to comply.”

Value-added tax (VAT) is a consumption tax that applies to all goods and services, both physical and digital, bought in the European Union (EU). Every time consumers buy goods or services in the EU, they pay VAT on the spot.

Registered businesses are required to file VAT returns, which are formal statements providing supporting documentation and payment for a specified tax period. These VAT returns are important as they contain the records of the tax users paid in a given period. The formal document provides proof that the registered party has paid its VAT obligation.

While non-compliance can lead to penalties, it also results in backdated payments, investigation by the tax authorities, and black-listing, Fathy notes. It’s important that businesses understand the procedure and deadlines for filing and paying VAT returns to reduce the chances of incurring fines and penalties.

Penalties can be severe. In the United Arab Emirates, for example, the administrative penalty for late registration is \$5,445. Other fines include \$4,084 for failing to display prices inclusive of VAT, \$817 for a first incorrect tax filing, and \$1,361 for incorrect filings thereafter.



**Mohammed Fathy, general manager, Al Dhaheri Jones & Clark, stresses the importance of filing VAT returns correctly and on time.**

## EUROPE STAYS IN THE LOOP

Virgin Hyperloop One will open a \$500-million Advanced Technology Development and Testing Center in Spain, the company’s first European development facility. In return for this investment, Virgin Hyperloop One will receive 126 million euros in public aid through loans and grants to help establish the new center, advance its technology development and testing, and stimulate regional economic growth and job creation.

The Virgin Hyperloop One Advanced Technology Development and Testing Center will be located in the Andalusian region of Spain, which is known globally as an epicenter of transportation and aerospace innovation. The region is home to more than 9,000 transportation and logistics companies, the second-largest aerospace cluster in Spain, and 20,000 research and development employees.

Virgin Hyperloop One estimates it will hire between 200 and 300 high-tech skilled professionals and that the new center will spur job creation over a broad network of partners and suppliers in the region.

Plans call for the 19,000-square-meter center to open by 2020 to begin developing, testing, and certifying components and subsystems that continually improve the safety and reliability of hyperloop systems.

Elon Musk introduced the concept of hyperloop transportation—systems intended to move freight and/or passengers at ultra-fast speeds at a fraction of the cost of air travel—in 2013.



**Los Angeles-based Virgin Hyperloop One expands into Europe with plans to construct a research and development center in the Andalusian region of Spain.**

## DP World Extends Services to Europe with Unifeeder Acquisition

To expand its presence in Europe, Dubai port operator DP World acquired Danish logistics company Unifeeder from Nordic Capital Fund VIII and certain minority shareholders for \$765 million. The aim is for DP World to boost its presence in the global supply chain and broaden its product offering to shipping firms and cargo operators, according to a stock exchange statement. Based in Denmark, Unifeeder operates a container feeder and short sea shipping network in

Europe, with connectivity to approximately 100 ports—serving both deep-sea container hubs and the intra-Europe container freight market. The company, which was founded in 1977, reported revenues of \$591 million in 2017.

The deal to acquire Unifeeder, which will be financed from DP World’s existing balance sheet, is still subject to regulatory approvals and is expected to close in the final quarter of 2018.

Globally, DP World operates 78 marine and inland terminals, with activities including container handling, cargo, and fleet and logistics services.



## TradeLens Caps Blockchain Initiative

In an effort to apply blockchain to the world's global supply chain, Maersk Line and IBM have collaborated to develop TradeLens, a blockchain-enabled shipping solution to promote more efficient and secure global trade, bring together supply chain partners to support information sharing and transparency, and encourage industry-wide innovation.

To date, 94 companies are actively involved or have agreed to participate in the TradeLens early adopter program. Among them are about 20 global port and terminal operators, and approximately 234 marine gateways worldwide. Pacific International Lines joins Maersk and Hamburg Süd as global container carriers participating in the solution.

Freight forwarders, third-party logistics providers including Agility, CEVA Logistics, DAMCO, Kotahi, PLH Trucking Company, Ancotrans and WorldWide Alliance are currently participating, as well as customs authorities in the Netherlands, Saudi Arabia, Singapore, Australia and Peru.

TradeLens uses IBM blockchain technology as the foundation for digital supply chains, empowering multiple trading partners to collaborate by establishing a single, shared view of a transaction without compromising details, privacy, or confidentiality.

Real-time access to shipping data and shipping documents—including IoT and sensor data ranging from temperature control to container weight—enables shippers, shipping lines, freight forwarders, port and terminal operators, inland transportation carriers and customs authorities to interact more efficiently. By using blockchain smart contracts, TradeLens enables digital collaboration across the multiple supply chain partners involved in global trade.



**Maersk and IBM collaborated to introduce TradeLens, a blockchain-enabled shipping solution to promote efficient and secure global trade, bring together various parties to support information sharing and transparency, and spur industry-wide innovation.**

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# Overcoming Omni-channel Challenges in Retail



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*Supply chains should allocate product across today's complex omni-channel networks to fulfill customer demand.*

In today's inbound logistics supply chain, companies, especially retailers, continue to focus on that critical path from purchase order placement to delivered DC and availability for order allocation. Flexible supply chains that can allocate product across today's complex omni-channel networks quickly and accurately are most often the winners in fulfilling customer demand. Allocating that product at the last possible moment to the right channel can be a difficult task.

The exponential growth of omni-channel networks has highlighted the issues retailers face when inventory flow and order management systems may be in separate channels servicing different clients for e-commerce home delivery vs. business to business and store channels.

In order to get product moving across disparate channels downstream, retailers look for that marriage of order item detail to shipping information via third-party networks and systems. Systems that can tie multiple channels of inventory flow, and manage vendors and shipping functions, provide visibility of order item detail.

The ability to have this detail can mean real savings in inventory carrying costs and enhanced revenue. An enabled network allows order allocation on the water or en-route, to the right channel at the right time, reducing cost and delivery time to the ever more complex consumer.

Better inbound planning and tighter ERP product lead times can be achieved. Ultimately, the difference in making the sale or not in many cases is the company's ability to manage this flow.

The solutions via third parties depend on a marriage of technology and 'boots on the ground.' Technology is advancing at a rapid pace but technology alone cannot solve the problem.

Management of vendor ex-factory windows, order/item quantity tolerance and mode selection requires partners with integrated global networks that are also very close to the vendor base.

The software or technology deployed must be a single positioned platform integrated with upstream ordering process and downstream inbound processes. With the logistics industry racing to develop the best technologies, the marriage of technology to these problems will continue to rely on globally connected networks and human capital to extract the most value from today's complex supply chains.

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# LOGISTICS knowledgebase®

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## Cross-Brand Collaborations: X Marks the Spot

**C**ross-brand collaborations seem to be everywhere right now. But why the sudden explosion in collaborations? And why do brands do it? SEKO Logistics teamed up with digital e-commerce agency Red Hot Penny to analyze some likely reasons behind cross-brand collaborations to provide insight and inspiration.

### Open up new markets

A collaboration of two brands in complementary markets will vastly increase your brand reach, as you're talking to two sets of customers, rather than one. This partnership subtly alerts consumers from one brand that the other brand can be trusted.

For example, Red Hot Penny noticed that high-fashion brands are constantly collaborating with high-street brands in an effort to tap into the different customer groups.

While two brands, or sectors, may not initially seem to have a common link on the surface, as they dig deeper, they discover mutual interests. These interests will resonate with the consumer and could possibly lead the customers of one brand to consider the other.

### Understand your customer

Sometimes a collaboration isn't necessarily about accessing new customers, but rather showing your existing customers that you 'get it'—you understand what they want. By taking it to the next level with the development of new products based on popular demand, you put forth the effort to create something that you know your customers are going to love. The ability to connect with the consumer increases your brand value and makes your fans even more dedicated.

### Get noticed

As technology progresses, all sectors of the marketplace are so crowded that brands have to do something extraordinary to be heard. And a collaboration is one way to do just that.

Both big brands and small brands use collaboration to

get ahead and piggy-back on the reputation of their better-known collaborator. Through collaboration, smaller brands gain access to a much bigger audience and larger brands get positioned as a champion. Win - Win.

### Cause awareness

The common thread between two brands may be something as genuine and selfless as bringing awareness to a specific cause or charity. Although this collaboration will likely contain a sales message driving consumer purchases, the effort and participation demonstrate commitment to charitable causes, while also bringing brand awareness to various audiences.

### Brands reborn

Sometimes collaboration can be a great way to dust off an old brand to create a bit of positive buzz and show that it's still relevant. The ability to harness and analyze the effect your brand has on consumers is immeasurable. Whether it be a distinctive smell, a graphic, or a specific color variation, iconic brands that have been around for decades have harnessed the essence of their brand and found ways to re-tap into the market.

Collaborations aren't necessarily long-term deals and that's never more evident than when brands team up with pop culture 'flavors-of-the-month' for short-term collaborations. No doubt they're a great way to quickly boost awareness and align with something hot, but they possibly lack the impact of a collaboration motivated by one of the previous reasons.

Collaborations between brands don't look like they're going to stop any time soon and, with the ever-evolving e-commerce industry, pairing up with a brand, even for a short while, has its benefits.

So, whether it's to open in new markets, reinvigorate a brand, or shine a light on a cause close to your heart, collaboration can lead to increased awareness, positive opinion, and prospective new markets.



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## Use Big Data to Improve Your Supply Chain

The term “big data” has been one of the hottest buzzwords in recent years, which shouldn’t be a surprise. Statistical science and data analytics can help organizations acquire historical measurements and generate actionable information that improves supply chain visibility, drives operational efficiency, and supports growth. But knowing the importance of data is only the first step. Organizations must have the right processes and strategies in place in order to access that data, analyze it, and then make it actionable.

### Set Yourself Up for Success

In order to effectively leverage data and achieve meaningful results, it’s vital to start out on the right foot—which means gathering the right information. Understand precisely what data needs to be captured, tracked, and acted upon. Timely, accurate, and complete data can provide a holistic view of an organization’s operations and boost collaboration—both internally and with supply chain partners.

### Make Data Actionable

The ability to access and analyze the right information is only the beginning. What makes data truly valuable is how an organization uses it. Utilizing Business Intelligence (BI) tools and reporting can help make reacting to operational concerns more actionable in order to drive meaningful change and create an agile supply chain. Here are some key ways to leverage the data you glean within your supply chain operations:

**Advanced Transportation Planning:** Today’s logistics technology helps track important data to improve the flow of goods throughout the supply chain. For example, a transportation management system (TMS) can provide precise inbound and outbound statistics to track shipment frequency, identify endpoint destinations, and more to help organizations anticipate future shipping patterns, secure necessary capacity, and ensure optimal inventory levels.

**Complete End-to-End Visibility:** Tracking and tracing the end-to-end movement of goods is critical to establishing (and maintaining) an efficient supply chain. Data from a TMS can help with continuous move routing and tracking the location of each shipment—and, if unexpected events occur during a multi-stop delivery, real-time load locations can help enable route adjustment to avoid paying late penalties or having a driver run out of hours.

**Enhanced Planning & Forecasting:** Preparing for the future is critical for successful supply chain operations. Using data for advanced planning can help anticipate what may occur in 12 to 18 months and better forecast future impacts and constraints. Conducting “what if” scenarios can help organizations mitigate risk when disruptions arise, such as inclement weather or a capacity shortage.

**Strategic Capacity Planning:** Advanced analytics help create an optimal network during the procurement and bidding process—which can help lower carrier costs and manage variations. In order to obtain the optimal bid results, shippers should create bid packages that contain continuous loops, tours and multi-stop movements. By utilizing advanced planning scenarios, organizations can model the future for carriers to bid against versus static, historical lane data. Look at your organization’s forecast for signals that volumes may increase at specific plants or distribution centers (DCs), then model out the impact for your transportation providers to understand how your network must adapt.

**Better Customer Service:** Data analysis allows for transparency with customers, helping them gain insight into any fluctuations of cost or service. Additionally, using predictive analytics to automate processes allows for improved appointment setting and delivery tracking, ensuring that the end customer receives products on time.

### Make Data Work for You

Data can have a significant impact on an organization’s supply chain. However, accessing the timely, accurate data and then effectively utilizing it is not a simple task. It’s important to have a strategic approach to big data and thoughtfully map out a plan for accessing and using it. This includes establishing key performance indicators (KPIs), implementing specific goals, identifying what needs to be accomplished with the information being gathered, and then comparing final shipping results with initial goals and KPIs and making necessary adjustments moving forward.

Additionally, utilizing the expertise of a 3PL partner can help shippers glean deeper insights into their supply chain. Pairing deep industry expertise and insights regarding capacity, routes, weather conditions and more with big data can better help validate, anticipate, and predict future outcomes. This enables shippers to more effectively leverage the data they have to optimize their transportation strategies, increase efficiency, reduce costs, enhance customer service, and improve carrier relationships.



# LOGISTICS knowledgebase®

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## Getting More Strategic about Transportation Sourcing

**W**hen faced with the logistical dilemma created by the truck driver shortage, increased traffic, and the increase from retail to e-commerce, challenges can't be fixed by doing what's always been done. At Dupré Logistics, we see many organizations continuing to source tactically, based on price or as needed on the brokerage market; changes to that mindset may be required to remain successful going forward.

The truck driver shortage is a problem for the entire supply chain as 70.6 percent of all freight tonnage is moved on the nation's highways, according to the American Trucking Associations. The relatively high average age of the existing workforce of truck drivers is one of the largest factors in the current shortage—and as time passes, that factor will increase. If current trends hold, the driver shortage could swell to over 174,000 by 2026.

Most of America's highway and interstate systems are at full capacity and at a near-breaking point. Statistics show that there is no end in sight to the general traffic on the roads, not to mention the increase in trucking. In fact, in the next 30 years, the population of the United States is expected to grow by 70 million—that's more than the population of New York, Texas, and Florida combined.

As the nation grows, so does the demand for travel. How will infrastructure accommodate 70 million more people and growing amounts of freight? And, due to aging and physical deterioration, some of the busiest roads and infrastructure experience weight restrictions and require emergency repairs with greater frequency, leading to even more congestion on existing or alternate routes—creating even more delays.

To put in perspective the strain and congestion, the average American driver spends about 42 hours a year stuck in congested traffic with the annual cost in fuel consumption due to congestion at \$160 billion per year. The annual cost for truck congestion alone is about \$28 billion.

As the logistical storm continues to brew, organizations that rely on the trucking industry may be forced to consider new solutions for reliable logistics services. The new normal will require a shift in thinking—Dupré Logistics believes that trucking is no longer a nameless, faceless commodity that will always be there as long as a company is willing to pay for it.

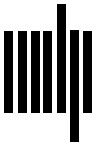
As trucking becomes a scarcer resource, organizations who want better access to the resource will have to be more strategic. The questions are:

- Is access to reliable, qualified truck transportation important to the success of your organization?
- As the scarcity of trucking capacity continues to alter the supply chain landscape, are shippers willing to alter their view of trucking in the supply chain value hierarchy?
- How does an organization figure out how to protect the value of trucking services in their sourcing activities and at their facilities?
- How does an organization become a shipper of choice?

Dupré Logistics suggests that shippers who think strategically and build closer relationships with carriers are in better stead to meet their capacity concerns. Already, signs of commodity-based organizations figuring out how to have more meaningful long-term relationships with logistics companies are strengthening some shippers' relationships with logistics companies.

Dupré Logistics is beginning to witness shippers that have recognized that access to quality truck transportation is important to their success, are now approaching the market with that value in mind. These organizations report that while access to quality trucking capacity remains tight, they consistently find trucks and experience less cost escalation than what is reported by market observers.

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## [ IT MATTERS ]

BY MICHAEL GRAVIER

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# Leveraging Technology: Put Strategy First

**W**ith all the hype about technology's potential, it's easy to lose track of the basic truth that technology enables strategy. Technology applied to an inappropriate strategy will accelerate a firm's demise.

Tech trends enable strategies that are reshaping global supply chains. These new technologies complement each other; used in combination they create synergies far beyond their individual impacts. Here are five key strategies that technologies of the near future will empower:

**1. Synchronicity.** ERP systems are integrating CRM and other data with the help of the cloud and artificial intelligence. The most important advancement is incorporating relationship data.

Relationship data empowers synchronicity. Synchronicity relies on powerful planning processes and linked technology solutions to create outcomes that enable the entire supply chain to sense a deviation or disruption immediately and respond as a coherent unit.

Rather than try to avoid disruptions, synchronized supply chains maximize agility and automatically rebalance priorities to achieve the best possible outcome.

**2. Consequences.** New tools including blockchain and cloud computing provide the opportunity to see where everything comes from

and where it is going. Supply chain mapping has been a dream for most companies. How many truly know who their suppliers' suppliers are?

The impending flood of data has already begun shifts in risk management strategies. Smart companies invest heavily in supply chain transparency, and then use that knowledge to study the consequences of a disruption.

Rather than separate response plans and analyses for a tsunami, strike, or other causes, big data and analytics applied to blockchain and cloud data allow insight into the impacts on inventory, customer service, and other consequences, which empowers creation of flexible and impactful responses. These transparency technologies have already empowered some companies to shift their thinking from sources to consequences to improve resilience.

**3. Accountability.** Social media has only just begun to impact supply chains. The increased transparency from blockchain and other technologies will create an identity crisis across thousands of supply chains. The new insights will provide a

deeper understanding into who your company really does business with, and the results will be similar to political and entertainment news these days: massive interest by activist groups and the public in how goods and services are delivered. Smart companies already engage on social media, sharing details of their operations, issues, and responses.

**4. Conservation.** Managing carbon footprints only go so far in a world where long product development and demand lead times create unnecessary production and distribution. 3D printing, combined with other transparency technologies, allows companies to postpone production until demand is nearly certain.

With the promise of reduced resource use, and less supply chain complexity, 3D printing will infiltrate any part of a supply chain with variable demand, high innovation rates, and risky supply sources.

**5. Empowerment.** New robotics and drones focus on increasing human worker productivity. An unforeseen consequence of doubling productivity will be the empowerment of workers. Expect smart workers to realize that they need training to maintain their value, and to demand more advanced robots in the future.

Companies that have started to develop these strategies are best positioned to leverage the technologies. ■



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## RISKS AND REWARDS

BY DOUG COLLINS

Vice President, Regional Director of Risk Services, Atradius  
Douglas.Collins@atradius.com | 800-822-3223

# 5 Tactics for Managing the Unexpected

**N**o supply chain is immune from risk, and the farther a company's supply chain traverses the globe, the more opportunity for things to go awry.

Companies can take proactive steps to ensure they won't be blindsided by sudden changes to their supply chain. Taking out a credit insurance policy from a credit insurer is just one way to safeguard against political volatility, currency fluctuations, natural disasters, and other supply chain risk factors.

Additional steps include:

**1. Monitor the credit cycle.** Historically, the U.S. credit cycle correlates with uncertainty. During periods of low interest rates and a benign credit environment, global uncertainty also tends to be low. When U.S. interest rates begin to rise—which is the case now—many countries begin to feel stresses on their economies.

For instance, two years ago, when U.S. interest rates were close to zero, everyone invested in emerging markets because of their higher interest yields.

When interest rates begin to creep up again, that money flows back to the United States and other developed markets because the economies there are safer bets. This, in turn, creates higher political risk for the emerging markets.

**2. Understand government policy changes.** Companies should keep tabs on government policy changes but also have the sagacity to hold off making any big decisions until something actually happens, as the actual outcome of policy changes usually doesn't match the rhetoric surrounding the issue.

But that doesn't mean companies shouldn't have contingency plans in place. Especially in times of increased global uncertainty, companies need to get below the headlines to understand the potential impact and think through how to pivot quickly if necessary.

**3. Keep tabs on each supplier's financial condition.** Don't take for granted that your trading partners are financially strong—rising interest rates coincide with an increase in bankruptcy activity. Lately, sectors such as retail and wholesale have been hit particularly hard because of Amazon's dominance in supply and sourcing goods.

To avoid any supply chain hiccups, companies should monitor their suppliers' financial statements and banking information every quarter.

**4. Take advantage of blockchain technology.** Having multiple accounts of trading agreements leaves companies open to mistakes and fraud. Blockchain technology, a shared ledger showing transaction history, can reduce this risk.

Blockchain technology provides a high level of security and an unalterable audit trail so companies can see exactly what was agreed to. The technology is beginning to replace cryptocurrency as a best practice, and is replacing letters of credit in some sectors, including logistics. Using blockchain technology is also more efficient than each company having its own record because intermediaries aren't needed.

**5. Build flexibility into the business plan.** Trade circumstances can evolve quickly, so it's essential for companies to build flexibility into their supply chains and have plans to manage unexpected events.

Take the recent truckers' strike in Brazil, which shut the whole country down for more than one week. Perishables rotted, so any company waiting on those deliveries was forced to come up with an alternate plan.

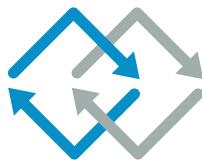
There's no predicting what the future holds, but with some forethought, companies can weather any changing condition. ■

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## VIEWPOINT

BY BEN CONWELL

Senior Managing Director and e-Commerce Advisory Group Leader,  
Cushman & Wakefield  
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# Will Airbnb for Warehouses Take Off?

On-demand services are becoming so much a part of our daily lives that millennials can't imagine a world before Uber or Postmates. Now, on-demand service is becoming a reality in the logistics real estate sector.

Technology platforms such as Flexe and Stord connect organizations that need warehousing space to those that have extra space on hand. How fast and far can Airbnb-type services for warehouses grow?

Similar to any startup, the path to growth, and more importantly, sustaining that growth, isn't clear-cut. These platforms are making a big push to disrupt the traditional warehousing industry, and we can't overlook their recent success in doing so.

Flexe, for example, entered the market around five years ago and currently has more than 500 locations across the country. The company fills a market gap for retailers, distributors, and manufacturers that need only seasonal space. While holiday shopping creates obvious demand for this extra space, businesses that supply other seasonal goods, such as soft drinks or home improvement products, reap the benefits as well.

Similar to other on-demand services, those who need extra distribution space are able to book it through an easy-to-use website.

Next, the technology platform connects the incoming party that needs warehousing space to the host that has the extra space. Sounds straightforward, right?

The difference here is that hosts end up providing inventory management and order fulfillment services as well. It's one thing to make space available in your building, but managing fulfillment is a larger undertaking. Therefore, the ideal incoming party is a business whose inventory has characteristics similar to the host's.

### Success is Building

The idea isn't earth-shattering, but it's seeing success. A few years ago, Flexe's big push was to get available space in the top two to three dozen distribution markets. If the company could offer one-day ground delivery shipping in these markets, people would not only pay, but it could compete with some of the e-commerce giants offering two-day deliveries. Flexe's Next-Day Delivery offering does just that, serving 98 percent of the U.S. population.

There's a natural resistance to most new technologies, and these services are no exception. Some question whether this is just a trend without true growth potential. From a legal and practical standpoint, these services must differentiate their agreements from traditional real estate subleases, which are more complex. Solving that challenge is key.

For an incoming party, there's also the risk of getting caught in a lease without a need for the space. Hosts may think they have a good feel for peak periods and enter into an arrangement based on those times. But what happens if those peak periods change?

The upshot is that these services offer monthly agreements. So, when a business experiences a significant increase or decrease in seasonal demand, a long-term contract won't keep it from adjusting accordingly. I call this "the accordion" feature of scaling size as needed.

The takeaway? Within the next five to 10 years, on-demand warehousing services will become a reasonable alternative to traditional leasing. They will not dominate the industry, but they will grow to fill a gap in the market. Like the impact that Airbnb has had on hotels, the platforms will serve as a disruption, and the traditional industry will have to adapt. ■



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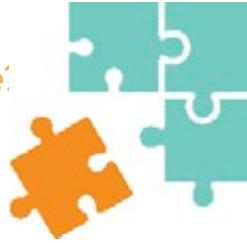
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Supply Chain Challenge:  
**SOLVED!**



# Providing a Custom Logistics Solution for a Shipbuilder

Crane Worldwide Logistics supported a major shipbuilder's production process by delivering critical parts safely and on time.

## THE CHALLENGE

Crane Worldwide Logistics' client is one of the largest shipbuilders in the world. The challenge centered around moving several extremely large parts around the world that were critical to their production process. The product needed to arrive timely, safely, and in OEM approved shipments. It was also a requirement they be delivered at specific times so the client could adequately staff its warehouse to meet demand. Other challenges included:

- Limited ocean partners to both offload and handle the cargo.
- A U.S. port that had the ability to offload along with State DOT Approval for the inland U.S. transport.
- Meeting specified engineered safety requirements.
- Ability to handle such large cargo.
- A firm date of delivery that could not be changed.
- Replacement of original vessel (client wanted multiple additional options).

## THE SOLUTION

Working within the client's specified constraints, Crane Worldwide Logistics® was able to put together a custom solution that included:

- Booking multiple contingency steamships for consecutive weeks to ensure on-time delivery.
- Working within a fluid client schedule giving multiple transportation options for flexibility and planning.
- Providing proper documentation on all fronts including images of the cargo itself being transported/moved.
- Developing custom supports and brackets for transport, approved by safety engineers.
- Proposing multiple avenues for transport to client engineers over-the-road, rail, ship within 24 hours.
- Helping to work with interstate departments to obtain proper permitting/licensing.

Ultimately, we were able to deliver on-time, in budget with the cargo in the same condition as it was received. Many of our complex



moves require an ability to provide multiple options for time and transport to get the job done.

At Crane Worldwide Logistics® we believe that servicing our clients at all costs is absolutely critical. Our ability to plan for contingencies, solution expertise, and 360 communication and alignment with our clients enables us to deliver successfully. We use our expertise and vast resources to solve client pain points, quickly and with precision.



To learn more about Crane Worldwide Logistics® solutions, visit [www.trycraneww.com](http://www.trycraneww.com).

Supply Chain Challenge:  
**SOLVED!**



# A Consolidated Fulfillment Solution Enables True Global Visibility

SEKO Logistics helped virtualization technology company Sphere 3D Corp. gain global visibility and reduce warehousing and logistics costs.



## THE CHALLENGE

Sphere 3D Corp. delivers virtualization technology and data management products that enable workload-optimized solutions. However, their rapid expansion led them to search for a logistics partner who could offer a consolidated Global service to replace company-owned warehousing facilities.

They needed coverage in the Americas, EMEA and APAC regions, and a single supplier that could provide Global visibility of computer data storage libraries, drives and media inventory, as well as customer shipments.

## THE SOLUTION

Always at the forefront of logistics technology, The SEKO Solution utilizes our in-house developed technology and global footprint to consolidate across three continents. SEKO provides logistics support for the shipment of goods from Sphere 3D's manufacturing facilities to our multi-user warehouses in California and Amsterdam—then out to end consumers and distributors around the world via road, air freight and ocean freight.

SEKO provides fiscal representation in Europe and customs brokerage in all regions; utilizing local knowledge to analyze duties and taxes as Sphere 3D continues their global expansion.

The SEKO Solution has reduced Sphere 3D's logistics and warehousing costs, while also giving them the global visibility

they need. SEKO's distribution model helps Sphere 3D manage spikes of activity, while MySEKO and SEKO WMS portals enable detailed tracking of their global stock.

Sphere 3D now has the ability to validate detailed revenue recognition through accurate reporting—enabling accurate validation of product movement and its associated revenue.

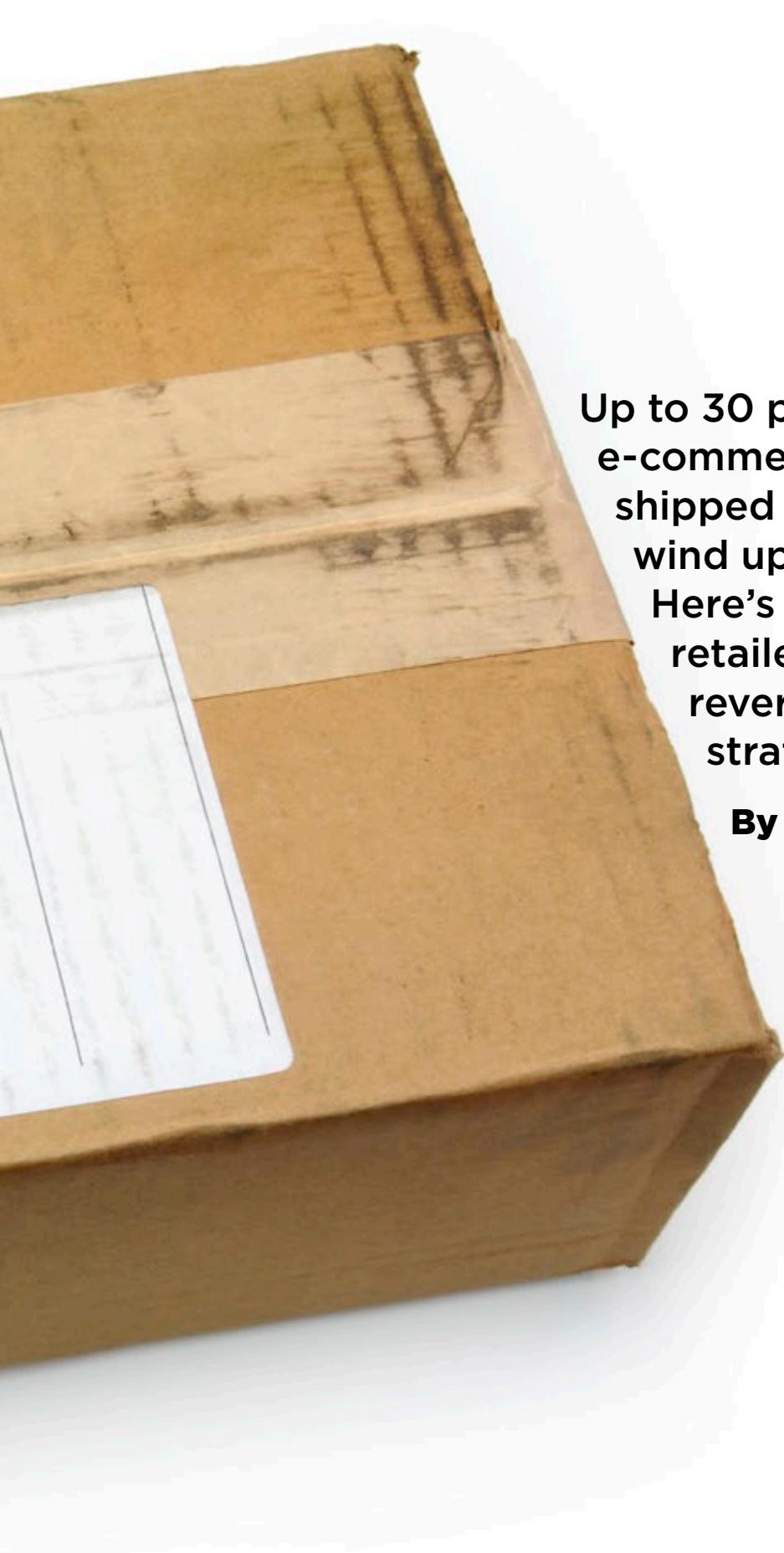


To learn more about The SEKO Solution, call 630-919-4966, email [hello@sekologistics.com](mailto:hello@sekologistics.com), or visit [www.sekologistics.com](http://www.sekologistics.com).

SEND IT  
BACK!

HOW TO MANAGE

**E-COMMERCE RETURNS**



**Up to 30 percent of e-commerce orders shipped to customers wind up coming back. Here's how smart retailers box up their reverse logistics strategies.**

**By Merrill Douglas**

**B**uy something online, and there's more than a one-in-four chance you'll send it back. Consumers who use e-commerce return their purchases 25 to 30 percent of the time, says a study by the Office of the Inspector General (OIG) at the U.S. Postal Service (USPS). For brick-and-mortar stores, the return rate is just 9 percent.

Those figures should come as no surprise. After all, when you buy online you often take a leap of faith, hoping the sweater will look as good on you as on the model, or the headphones will provide rich, natural sound.

Increasingly, online merchants offer simple, free returns to win consumers' trust, says Ian Stanford, a public policy analyst at the USPS OIG and co-author of the study, *Riding the Returns Wave: Reverse Logistics and the U.S. Postal Service*.

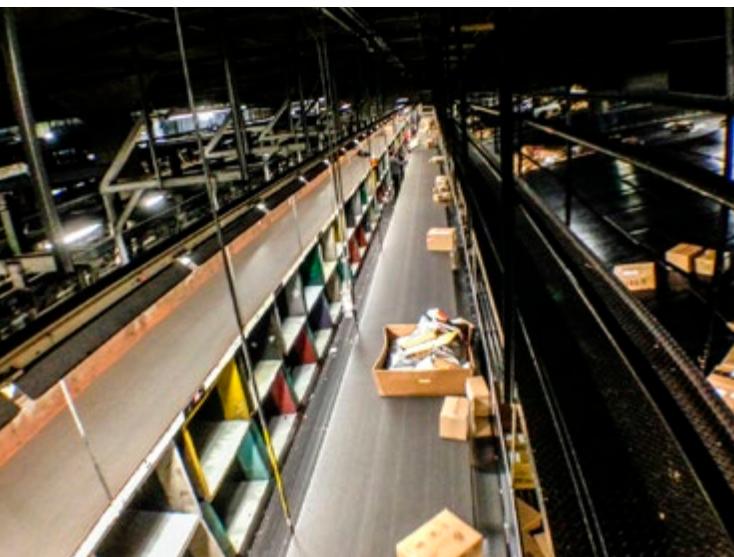
"How a retailer handles returns becomes almost as big a piece of its value to the end consumer as the product and the initial sales experience," says Chris Miller, vice president of logistics at San Francisco-based Narvar, which offers an e-commerce customer service software platform.

As retailers woo customers with friendly policies, returns have gained a greater role in the cost equation for e-commerce retail. "Some of the data we collected says that 20 or 30 years ago, returns were 3 to 4 percent of costs," Stanford says. "Now they're 5 to 8 percent."

### Returning the Product, Preserving the Revenue

Such changes are forcing retailers to develop new strategies for returns and reverse logistics, says Jim Brill, corporate marketing manager, returns and reverse logistics at UPS in Atlanta. Those strategies aim to make the processes more efficient, protect retailers' brands, improve the consumer's experience, and dispose of the merchandise—through resale or liquidation—to preserve as much of the original revenue as possible.

"Unfortunately, dealing with returns comes nowhere near a



**For most retailers, managing returns is far from a core competency. That's why many rely on third-party services, such as those offered by UPS, to handle reverse logistics.**



**Happy Returns establishes Return Bars in malls and other locations where customers can return products bought from certain e-commerce companies.**

core competency," Brill says. So retailers struggle to achieve each of those goals. "Most focus on the consumer experience but are inefficient at the physical process and the disposition activities," he says.

On the customer side, retailers' strategies often emphasize convenience and choice.

"Our brand has been built on our relationship with our customers, and we heard loud and clear from them that they wanted easier options for returns," says Mary Orrell, director of customer experience and operations at Eloquii, a vendor of plus-sized women's fashions, based in Columbus, Ohio, and New York City.

An Eloquii customer who needs to return an item has several options: use a pre-paid shipping label to mail it back for \$7; visit an Eloquii store to return it at no cost; or visit one of the 120 Return Bars currently operated in 18 metro areas by a company called Happy Returns.

### Belly Up to the Return Bar

At a Return Bar, a customer of Eloquii or another participating retailer can bring items back with neither a shipping box nor label. The "Returnista" at the bar asks a few questions, examines the product to make sure it's in returnable condition, and uses an iPad app to complete the transaction. "Within a standard credit card processing time of two or three days, customers will see the refund posted to their account," says David Sobie, co-founder and CEO of Happy Returns in Santa Monica, Calif.

The Returnista seals each item in a plastic bag and scans a quick response (QR) code on the bag to link the transaction data with the physical product. Later, the Returnista puts all the product bound for each merchant in a single box and ships it via UPS to a regional Happy Returns hub for back-end processing.

Happy Returns operates Return Bars in shopping malls,

independent boutiques, and some national chains, including Paper Source stores in Los Angeles and Chicago. The company aims to expand to a total of 220 stores in 35 or 40 metros by the end of 2018, Sobie says.

Besides third parties such as Happy Returns, some retailers and carriers also have introduced new returns options. In some markets, for instance, Amazon customers can drop certain boxed-up returns in the same self-service Amazon Lockers where customers retrieve deliveries. FedEx and UPS also have established neighborhood drop-off locations in chain stores and local businesses.

As much as they value convenient drop-off options, consumers also love fast refunds. “Our statistics show that 69 percent of the end consumers will go back again and again to a company that offers a refund as soon as they return a package,” says Miller at Narvar.

Customers who ship product back may wait days or weeks for the merchant to receive the product, verify its condition, and process the refund. In-person returns offer quicker satisfaction. Eloquii’s customers who use Return Bars or return to a store (where associates also use the Happy Returns app) see their refunds within one business day. “If they mail it back, it takes two to three weeks,” Orrell says.

### Back-End Logistics

While front-end strategies focus on delighting customers, back-end reverse logistics processes focus on increasing efficiency, cutting costs, and optimizing the value of the returned product.

What happens to a product once a customer returns it is a complex question. “In general, goods may: return to inventory; require repair, rework, or repackaging; return to the vendor; be sold on the company or vendor marketplace site as new or ‘like new’ goods; be liquidated to secondary markets; be donated to charity; be destroyed; or be discarded,” says Brill.

As they decide on the disposition of products, one challenge e-commerce companies face stems from the unpredictable nature of returns. “You don’t know how much product is coming back, what’s coming back, or what condition it’s in,” says Stanford. All those factors influence how product flows through the reverse supply chain.

Unpredictable return volumes can cause particular challenges for smaller e-commerce companies. “Because their volume is relatively low, small changes in the volume coming back on any given day can affect their staffing decisions,” says Jacob Thomases, a public policy analyst

## Reverse Logistics Disposition Options

**Restock:** Unopened, undamaged products are available to reenter the forward supply chain.

**Sell for discount by the original retailer:** Retailers may try to sell unopened but undamaged products in the clearance portion of a physical store location.

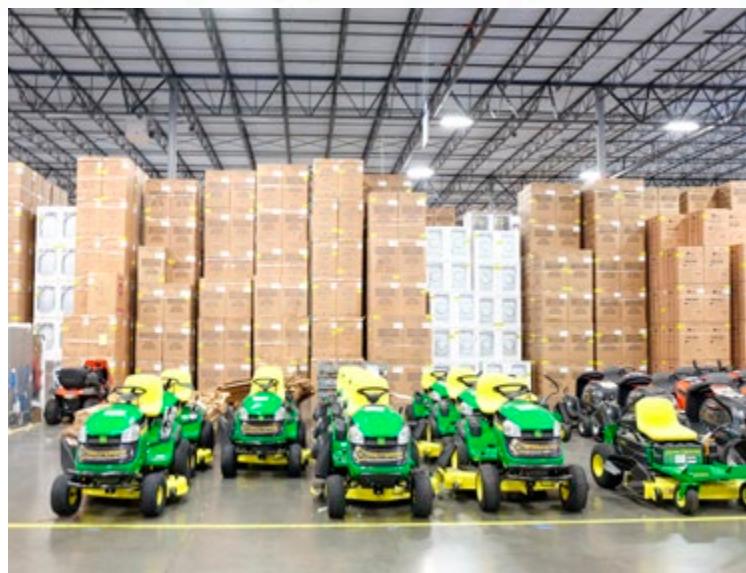
**Repair and restock:** Some returned items might need minor repair to be returned to their original quality before being repackaged and resold at a discount.

**Repair and sell on the secondary market:** If the manufacturer or retailer has a policy of not allowing returned products to be sold by the original retailer, the repaired product may be sold on the secondary market.

**Sell on the secondary market/liquidate:** The secondary market (including outlets such as eBay, TJ Maxx and Big Lots) in the United States and abroad is an option for functioning products.

**Recycle:** Recycling of products may be an option if a company can harvest valuable materials from them, or if it cares about sustainability.

**Landfill:** Returned products with no viable reuse options are destined for a landfill.



Retailers using the B-Stock service don't need to crowd their own facilities with product awaiting liquidation.

and Stanford's co-author on the USPS study. The more data about returns those retailers receive in advance—perhaps from carriers accepting packages from consumers—the more effectively they can staff their facilities, he adds.

The path that returned products follow through the reverse logistics pipeline may vary according to several factors. For instance, if a product is popular and a customer returns it early in the holiday shopping season, the merchant might direct it to a fulfillment center for resale. In January, that same product might go to a third party for liquidation.

### Driving Retailer Efficiencies

Narvar's platform lets a retailer change its business rules as needed. So when a customer goes online to initiate a return, the system prints the right label, sending the package to a fulfillment center, a returns processing center, a third party, or another appropriate facility, depending on the product and season. "This drives efficiencies for the retailers in terms of inventory turns and cash flow," Miller says.

Eloquii puts most of its returned items back into inventory. At the Happy Returns hub, employees return items to pristine condition—perhaps giving them a light steaming or removing stray hairs—and then repackage them and ship them to the merchant's third-party logistics (3PL) provider.

But for many e-commerce merchants, liquidation is the more likely option.

The portion of returns that companies can resell varies

**"How a retailer handles returns becomes almost as big a piece of its value to the end consumer as the product and the initial sales experience."**

— **Chris Miller**, vice president of logistics, Narvar

with company policy, the time of year, the geographic location and other factors, but overall, the percentage is small.

"I'd say that 50 to 90 percent of it doesn't go back for resale," says Eric Moriarty, vice president of marketplaces for B-Stock, a company in Belmont, California, that operates liquidation markets for e-commerce retailers.

B-Stock operates online marketplaces where companies liquidate returned and excess inventory, letting merchants sell directly to buyers, rather than to jobbers or other middlemen. B-Stock's clients include major retailers such as Amazon, Walmart,

Target, Costco, and Macy's.

By cutting out the middleman, and by selling products in category-specific lots—one listing for women's apparel and another for housewares, for instance—B-Stock brings in much more money on liquidation sales than companies could on their own, Moriarty says.

B-Stock offers transportation and warehousing through a partnership with 3PL C.H. Robinson. Retailers that use this service don't need to crowd their own facilities with product awaiting liquidation, Moriarty says. So companies don't feel pressure to liquidate for pennies on the dollar just to free up space.

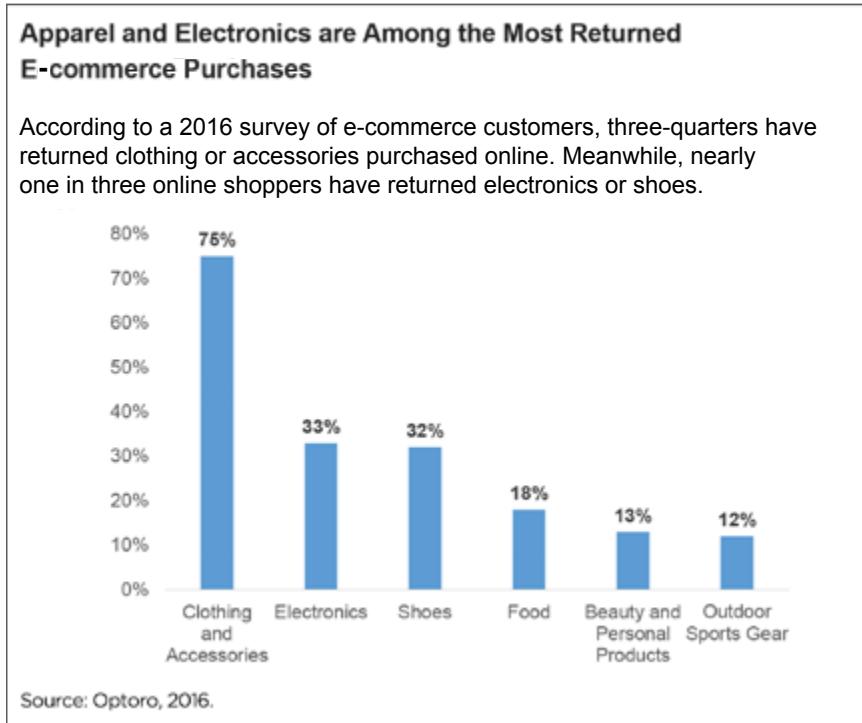
### Mixing It Up

Robert Iaria, director, last mile services at C.H. Robinson in Eden Prairie, Minnesota, points to one B-Stock/Robinson client that puts returned merchandise on mixed pallets almost as soon as it arrives in a return center, then loads the pallets onto trailers the 3PL provides.

"We pull the pallets off the site and bring them to a nearby location, where the truckloads are broken down into various-sized lots," Iaria says. B-Stock works with the retailer to develop lots for sale, and C.H. Robinson builds pallets accordingly.

When the merchandise hits the retailer's marketplace, an application programming interface (API) from C.H. Robinson calculates the transportation cost for each lot, tailored to each bidder's location. Finally, C.H. Robinson manages transportation to the buyer.

These are just a few solutions that retailers and their service partners have devised to help manage a flood of e-returns that is likely to grow even more intense as e-commerce captures even more market share in retail. ■





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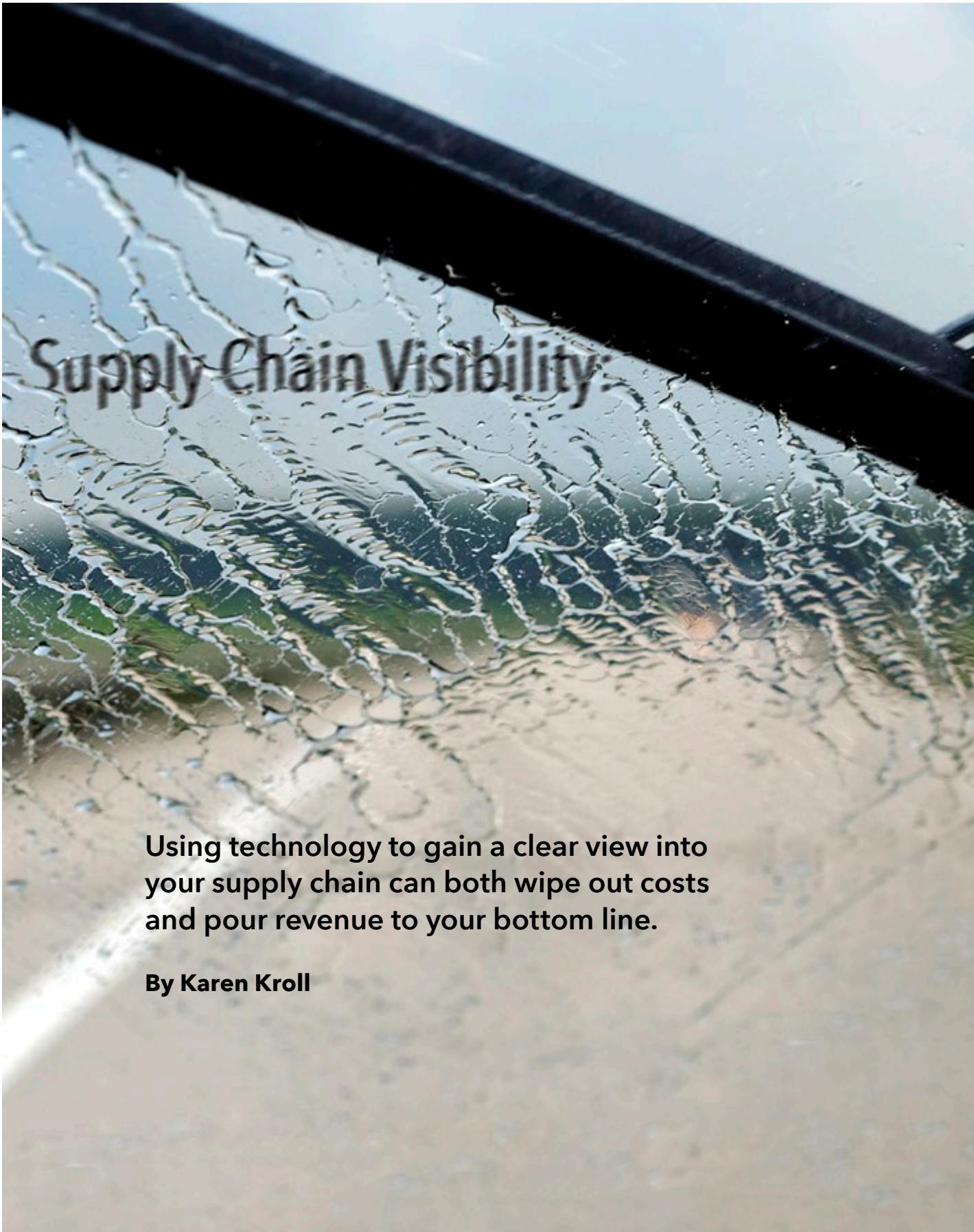


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## Supply Chain Visibility:

Using technology to gain a clear view into your supply chain can both wipe out costs and pour revenue to your bottom line.

By Karen Kroll

A black wiper blade is positioned diagonally across a foggy windshield. The fog is thick and obscures the view of the road ahead. The text "CAN YOU SEE ME NOW?" is printed in large, bold, black capital letters across the middle of the image.

**CAN YOU SEE ME NOW?**

**G**erman firm Merck KGaA, known as EMD Performance Materials Group in the United States, faced a challenge common to many companies. “Our visibility ended when we shipped product out the door,” says Andreas Grimm, supply chain program manager with the global specialty chemicals company.

In addition to visibility to products in transit, EMD wanted greater visibility to materials and products within its plants, some of which span more than five square kilometers (3.1 miles). Finally, EMD ships many of its products in returnable containers and needed to easily track them, both within its campuses and around the world, Grimm adds.

EMD attached trackers—from supply chain visibility solutions provider Tive—to containers to track products being transported, primarily on truck, throughout Europe. (EMD first secured permission from its customers.)

“This gave us insight about what our customers and forwarders are doing,” Grimm says. For instance, EMD was able to tell if it took too long to pack some products, or if products were exposed to the sun for longer than they should have been.

In one case, EMD discovered the air

conditioning in the truck wasn’t working properly. An employee let the driver know the system needed repair. He was able to fix the system and save the products. “If we hadn’t discovered this, we could have lost a complete truck of chemicals,” Grimm says.

To be sure, such instances are rare—Grimm notes that problems occur on less than one percent of shipments—but they can be expensive. Just as important, the chemicals can become dangerous when not properly stored and transported.

EMD doesn’t use Tive in all areas. Some chemicals it works with can’t come into contact with the batteries used in the tracking devices. EMD’s deployment of Tive is limited to areas and shipments where this isn’t a concern.

As EMD’s experience shows, supply chain professionals who know the location of each piece of inventory or

material, whether in transit or within their facilities, and who can act on the data, can make more intelligent decisions. They can reduce safety stocks and cut costs. They also can cut out-of-stocks, boosting revenue. Visibility also facilitates the almost instantaneous delivery times many customers now expect.

Yet, true supply chain visibility remains more a goal than a reality for many organizations. Nearly two-thirds of more than 500 procurement leaders responding to the 2018 Deloitte *Global Chief Procurement Officer Survey* say they have limited or no visibility beyond their tier-one suppliers (see chart, page 58).

This is slowly changing. “Over the past five years, the ability to harness data, and do something meaningful with it, has grown exponentially,” says Bill Kammerer, principal on supply chain visibility with Deloitte.

Among the technologies enabling supply chain visibility are improvements in radio frequency identification (RFID), new cloud-based software solutions, Internet of Things (IoT), and data analytics. While not all are new technologies, many have advanced even as their prices have dropped. Here’s a look at those improvements.

**Asset-based transportation company Panamex implemented the cloud-based FleetLocate system to gain 24/7 visibility into the location of its vehicles.**



## RFID

Radio frequency identification (RFID) is one technology that has been around a while, and yet continues to improve and is finding applications within several retail sectors, including apparel, footwear, and cosmetics. RFID can provide the supply chain visibility that can reduce apparel out-of-stocks. In addition, today's RFID technology can read 600 tags per second from several feet away.

The inventory accuracy in stores using manual inventory counting systems tends to be about 55 to 75 percent, due to "cascading error," says Dean Frew, chief technology officer and senior vice president of RFID solutions, with SML Group, an RFID developer. That is, inventory mistakes at the factory and distribution center are compounded as products move through the supply chain. In contrast, RFID inventory counts can hit 98-percent accuracy.

Out-of-stocks can drop, even as sales improve. In a typical RFID implementation, sales increase between 2 and 9 percent, and the retailer can take between 5 and 12 percent of its inventory out of the supply chain, Frew says.

One word of caution: an RFID application can be disruptive, Frew says. It

may integrate with four or five other software solutions, including retail management and ERP systems, and a product catalog. And, rather than once per year, stores might do a cycle count every week.

## INTERNET OF THINGS

The Internet of Things (IoT)—everyday objects that are connected to the internet and able to identify themselves to other devices—also can boost supply chain visibility.

Kammerer provides an example: a distributor of fresh produce affixes to a bag of lettuce a sensor that pulls information on its condition. The sensor lets the distributor know that fluctuations in temperature and moisture within the delivery truck cut the time period the lettuce will remain fresh.

Armed with this information, the distributor may decide that it will keep the lettuce in California, where it was grown, rather than transporting it to the East Coast as planned. The distributor reduces the likelihood of price reductions on the lettuce to get it to sell before its updated expiration date, as well as its need for expediting and other more expensive transportation options.

## GPS AND SOFTWARE

As GPS (global positioning system) capabilities have advanced, and as software has moved to the cloud, asset-tracking systems can provide greater visibility, even as their costs have dropped.

Pan American Express Inc. (Panamex) is an asset-based carrier with about 750 trailers serving customers in North America. Panamex also operates a fleet of trucks from independent owner-operators and brokerage trucks.

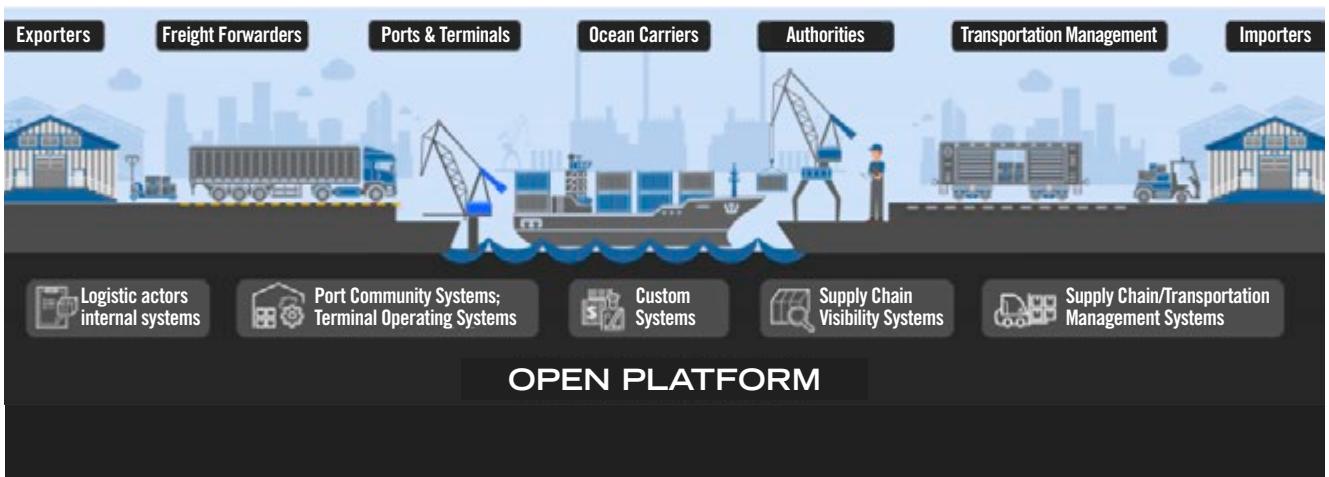
Previously, the company used a manual system to track these assets. This "took a lot of time and required us to have a surplus of empty trailers at any given time," says Ric Guardado, owner and chief executive officer.

Four years ago, Panamex implemented FleetLocate, a cloud-based solution from Spireon, a vehicle intelligence company. With FleetLocate's GPS and software, Panamex can more easily locate its trailer pools and determine their status.

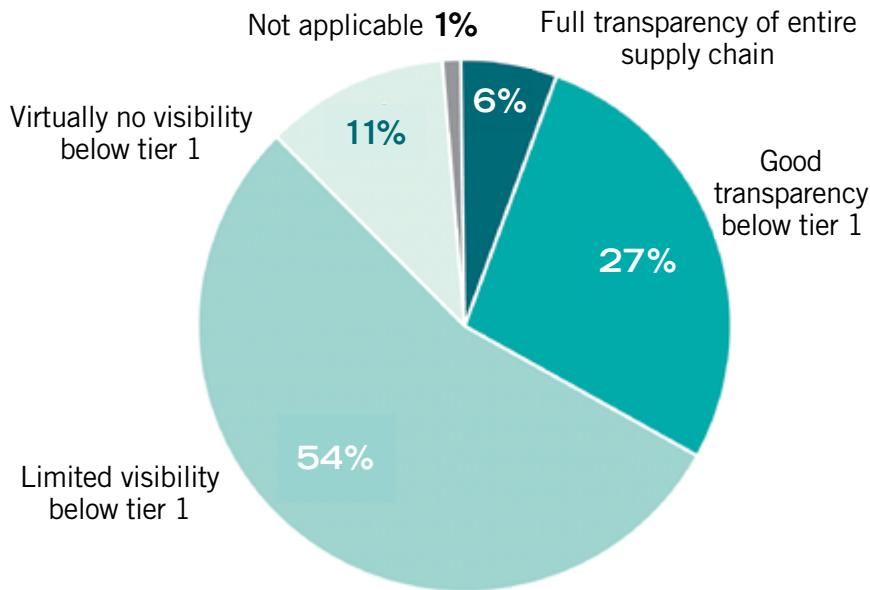
"The program helps us optimize trailer pools and saves time for our fleet managers and drivers," Guardado says. In addition, because the solution let Panamex better leverage the trailers it already had, the company avoided millions in new equipment purchases.

## Maersk/IBM Bank on Blockchain to Boost Visibility

Maersk and IBM are collaborating on a containerized shipping trade platform that will help manage and track tens of millions of shipping containers globally by digitizing the supply chain process from end to end. The goal is to reduce global trade barriers and increase efficiency across international supply chains. The platform is being built on an open technology stack and is underpinned by blockchain technology. When it launches, it will address two main capabilities: visibility and documentation changes.



## Current Level of Supply Chain Transparency



**A surprising and somewhat worrying finding from Deloitte's 2018 Global Chief Procurement Officers survey is that 65 percent of procurement leaders say they have limited or no visibility beyond their tier 1 suppliers. This has major implications for organizations across all industries, particularly for meeting regulatory and corporate social responsibility requirements and for identifying and mitigating supply chain risks. In addition, greater visibility lends itself to greater innovation and improved total cost of ownership. High performers are two-and-a-half times more likely than their peers to have full supply chain transparency.**

Another benefit: customers can log in to the dashboard and check the status of their deliveries; they no longer need to call Panamex. This saves time for both the customer and Panamex.

### BLOCKCHAIN

The promise of blockchain in the supply chain space appears great. In January 2018, IBM and Maersk announced a joint venture that would use blockchain technology to provide more efficient and secure methods for conducting global trade (*see chart, page 57*).

In a release, the two companies note that as “a distributed ledger technology, blockchain establishes a shared, immutable record of all the transactions that take place within a network and then enables permissioned parties access to trusted data in real time.”

All supply chain professionals should

monitor this initiative. “If successful, it could dramatically increase supply chain visibility,” says Josh Green, chief executive officer with Panjiva, S&P Global Market Intelligence. “And no matter what, we all learn a lot from their efforts.”

The benefits of greater supply chain visibility are so compelling, implementing the tools and technology that would provide them seems like a no-brainer. Several obstacles can get in the way, however.

One is the difficulty of engaging multiple parties. “You’re looking left and right, at partners and customers,” says Brian Higgins, principal in KPMG’s Advisory Services practice, which is focused on strategy and operations management consulting. That’s in addition to engaging employees. Gaining support from everyone for the changes required takes time and attention, including from management.

## 3 Guidelines for Implementing Visibility Tech

Before implementing tools to improve supply chain visibility, consider these guidelines:

1. “Clearly define what you’re looking to achieve now and in the future,” says Will Salter, president and CEO, Paragon Software. Visibility for visibility’s sake won’t provide value. For instance, do you want to cut errors, or improve customer service? Will functions outside supply chain, such as quality control, benefit from the system? The answers should guide the implementation.

2. “Share the data you uncover openly with business partners,” says Andreas Grimm, supply chain program manager at Merck KGaA (EMD Performance Materials Group in the United States). By reviewing the findings together, you can improve joint processes.

3. “If you’re not ready to change your process, don’t spend money on technology,” says Josh Green, CEO, Panjiva S&P Global Market Intelligence. Technology will only make a difference if your organization does things differently once you deploy it.

True supply chain visibility can require a multi-year effort, Higgins adds. Most organizations must balance multiple competing priorities, some of which—say, getting to a global or regional ERP system—also are mission critical.

In addition, a supply chain visibility initiative will be data intensive, Higgins says. The data, as well as its format and hierarchy, among other attributes, need to be scrubbed and accurate. Similarly, the system architecture needs to be on target, or the costs can easily get out of hand.

“There’s no magic bullet,” he adds. ■

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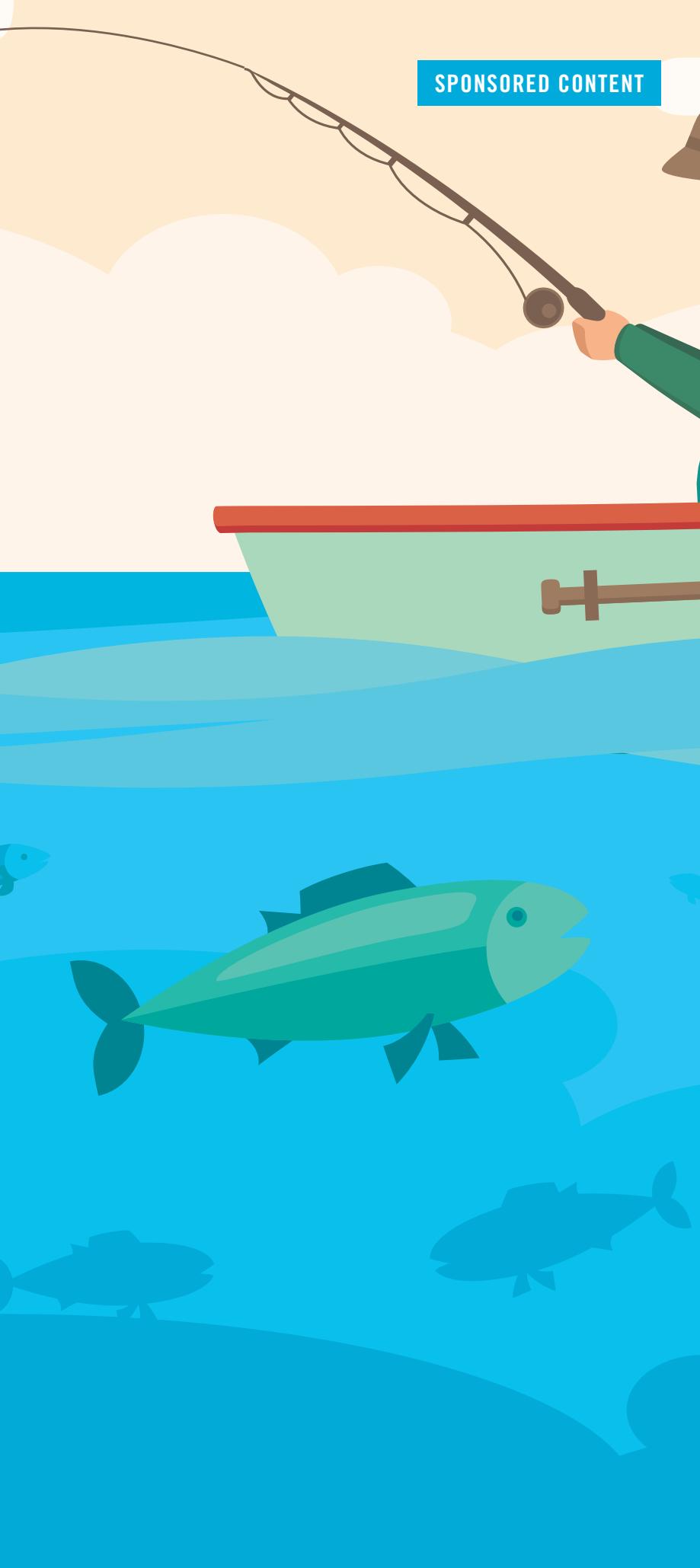
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*Economic Development*

# USING INCENTIVES TO LURE NEW BUSINESS

**Economic development partners collaborate to create incentive packages tailored to each company's needs.**



**W**hen a company considers opening a new site in the region he represents, Matt Hall, executive vice president of One Southern Indiana, the lead economic development organization and chamber of commerce for Indiana's Clark and Floyd Counties, knows the business will weigh a range of factors. Among them are regulatory climate, local and state taxes, infrastructure, land availability, land, utility and logistics costs, and workforce. Another crucial component is the availability of tax, energy, and land incentives that can boost the company's bottom line and improve its chances for success at a new site.

Incentives play an essential role in economic development, though they should be kept in perspective. In particular, incentives should never be the most important factor in discussions between companies and communities about potential new sites. Other assets play a more integral part in a company finding long-term success at a site and providing sustainable economic benefits to a community, Hall says.

### Critical Piece of the Puzzle

However, when a region meets other essential priorities for a company seeking a site, the incentive package becomes a critical piece of the puzzle—an ingredient that can make or break a locality's chances of landing a project.

"Incentives are a crucial component of the entire package," Hall says. "They serve an important purpose for both companies and communities."

Incentives typically help offset costs in a

project's early years, giving a new site help establishing itself. Incentives' role in a project's critical initial phase—when its success is far from guaranteed—is essential, notes Brenda Daniels, manager of economic development for ElectriCities of North Carolina, a membership organization that includes public power communities in North Carolina, South Carolina, and Virginia. It provides management services to North Carolina's two municipal power agencies.

Incentives are typically important most often for larger projects in the site selection process, she adds, particularly for companies with call centers, IT services, and operation centers.

"Depending upon the scope and size of a project, start-up costs can make the difference between getting a project off the ground and seeing it fail," Daniels says. "Costs continue to accumulate even after the project opens. Tax incentives can lift that burden off every phase of a company's budget."

### A Team Effort

Economic development is a team sport, Hall says. In order for a region to thrive, multiple parties need to work together to create conditions, such as incentive packages, that support success.

"It's never just one organization or individual doing this work; it's a meeting of the minds of many organizations and people who share the same goal," Hall says. "Utility partners, local governments, colleges, universities, and schools all have a role to play in successful economic development."

Similarly, ElectriCities works "hand-in-hand with our

municipalities across the state to provide a package that works for both the muni and the company," Daniels says.

Among the entities that collaborate closely with One Southern Indiana on economic development efforts is Hoosier Energy, a generation and transmission cooperative that provides wholesale electric power and services to 18 member distribution cooperatives in central and southern Indiana and southeastern Illinois. Hoosier's economic development team assists businesses locating or expanding in its service territory, offering support such as cost-of-doing-business estimates and analysis, infrastructure financing, and special electric rates.

"Hoosier works hard to make sure that each site is served and gets electric power as soon as possible," Hall says. "Hoosier works with companies to make sure that they are as energy efficient as possible, which can save them a tremendous amount of money over time. Hoosier is flexible, easy to work with, and user-friendly for businesses."

The collaborations across entities all point to helping businesses excel in their new homes from the outset.

"Both at the local and state level, we are hardwired to get a company up and operational—and profitable—as soon as possible," Hall says. "That's an important incentive. We understand that if a company is not open for business, then it is not making money. We make sure to work hand in hand with state and local parties to make sure that happens."

Sometimes the sense of collaboration can cut across regional interests. For example, the One Southern Indiana region is located just across the Ohio River from Louisville, Kentucky. The proximity of the two areas and their respective

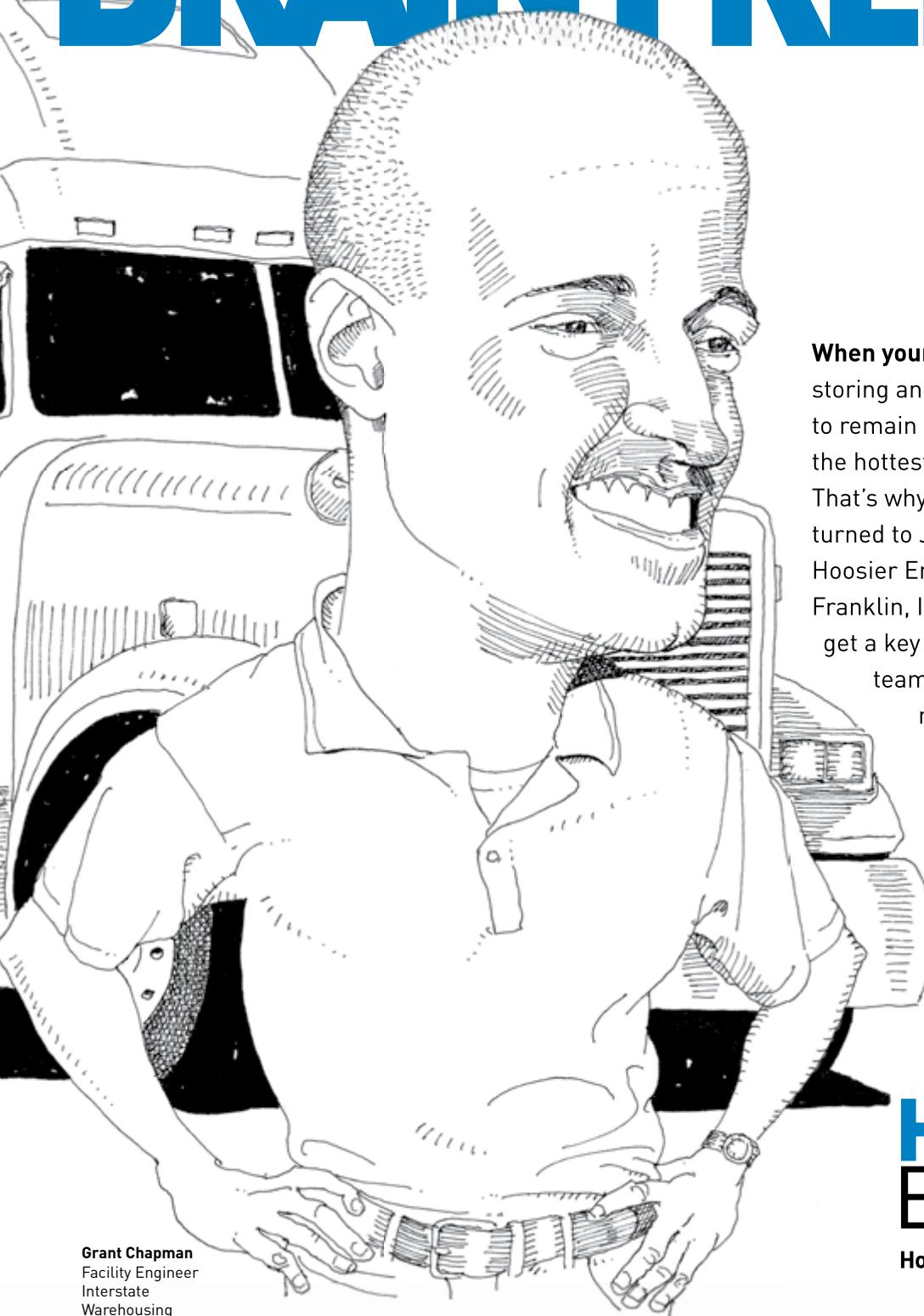
PHOTO: One Southern Indiana



When distiller Sazerac Company purchased a former manufacturing facility in New Albany, Indiana, for its new bottling facility, it worked with One Southern Indiana to secure tax credits and training grants based on its job-creation plans.

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strengths can help each other when attracting businesses. They occasionally join forces to leverage the assets on both sides of the river.

“We’re starting to see the benefits of working in tandem,” Hall says. “We know that if the mouth of the funnel is larger, then we will have more projects feeding into that funnel.”

The key to a successful incentive package is that there are no losers—“it has to be a win-win for both parties,” Daniels says. The incentives should be designed to ensure that they both help a company excel and provide the local community with a subsequent boost.

Incentive packages need to be able “to stand up to public scrutiny,” Hall says. “There has to be a return-on-investment for the taxpayer.”

### Investing in the Community

Investment is an important word. Incentives do not amount to a giveaway, he says, but instead are an investment in a company and its potential value to a community. When communities keep an investment mindset, they create productive incentives.

“Every community should take a close look at the incentives that they use to attract or expand businesses,” Hall says. “Is it a good investment? Will the taxpayer see a return?”

For instance, beginning Jan. 1, 2019, Hoosier Energy will offer a new economic development rider to businesses that locate in its service territory. Eligibility criteria is tied to a company providing sufficient returns for the community. The rider offers a savings of up to 30 percent on a company’s electric bill in its first year at the site and an average savings of approximately 16 percent per year over the first six years of power service.

In exchange for Hoosier Energy’s discounts, a company must have a minimum monthly electric power service demand and either create 25 full-time equivalent employees and make a capital investment of at least \$8 million, or create 10 full-time equivalent employees and make a minimum capital investment of \$1 million.

Tom Stringer, corporate real estate advisory managing director, site selection and incentives for BDO, which provides accounting, tax, audit, and consulting services, says incentives have evolved so that most follow a pay-for-performance model that means companies receive the benefits of the incentives only as they meet certain benchmarks. “The majority of programs in the country now operate this way,” Stringer notes.

## Proper Place for Incentives

Matt Hall, executive vice president of One Southern Indiana, questions whether a project will be a good fit for his organization’s communities if company representatives start pressing on incentives while still gathering basic information about the Southern Indiana region.

“When a company calls and asks, ‘What are you going to give me?’ that’s a red flag,” Hall says. “My immediate response is, ‘Well, what are the taxpayers going to get? What’s the community going to get?’”

Gregory Burkart, managing director and practice leader of site selection and incentive advisory services at Duff & Phelps, agrees. Incentives should be reserved for later in the decision-making process, he says. In best practice, incentives tend to separate localities with comparable other advantages.

“They should never lead the discussion, and I’m leery of companies whose first question is, ‘Where can I get the most money?’ That suggests their priorities aren’t in the right place,” Burkart says.

Although the examination of incentives should come later in the decision-making process, that does not diminish their ultimate value, Hall says. They can prove to be the final boost across the finish line.

“When you get down to those final few sites, incentives can become increasingly important among the critical factors that will help push a decision one way or another,” Hall says.

Burkart says no one wants a bad match between a community and company, and there is no reason to develop creative, tailored incentives to try to overcome a poor fit. Incentives should be reserved for companies that seem poised to excel at a site.

“It’s difficult for economic development incentives to make up for a bad site selection decision,” Burkart says. “If you try to smooth out the rough edges with incentives, it’s important to remember that those incentives only last a finite period of time. When they wear off, you’re left with a suboptimal location.”



PHOTO: Gastonia Technology Park

**At the Gastonia, North Carolina, home of Lanxess, a Germany-based specialty chemicals company, free backup generation restores power within 30 seconds of off-site utility power loss.**

“That’s good public policy,” he adds. “That’s how an incentive becomes an investment and that’s how it should be.”

Every company is different, as is every community. For that reason, experts say incentives should be created to fit each unique situation.

“Good incentive packages are tailored to a project’s specific needs,” says Gregory Burkart, managing director and practice leader of site selection and incentive advisory services at Duff & Phelps, a global advisory firm.

Stringer agrees. He says the types of incentives pegged to a project, including when they take effect, “should change all the time, based on the types of projects, companies, and investments that municipalities want.

“Some locations want to be service-oriented, some want to be industrial, some want to work with newer technologies,” Stringer says. “All those companies need something different to be successful, so locations need to tailor their incentives to enhance their competitive advantage.”

Designing unique incentive packages for each project “is the only way we work; there is no one-size-fits-all approach,” Daniels says. “Each project is different and each has its advantages and disadvantages.”

A utility company, for instance, has a mix of incentive types that it can bring to the table, depending on the scope, needs, and other characteristics of a particular project. “The incentives that a utility can offer could be a variety of items: reduced utility

rates over a five-year period, underground service at no cost to the company,” she says. “Sometimes, generation plays a factor in the decision the utility company makes.”

Daniels points to the Gastonia Technology Park in Gastonia, North Carolina, as a success story that illustrates the type of support utility companies can offer. Electricities

provides on-site backup generation of 12 megawatts to customers locating within the 422-acre park, which is known as a Prime Power Park. With the backup generation, tenants can protect their plant operations from power outage disruptions without the cost of buying and maintaining their own redundant power systems. The emergency generation is designed to restore power to the park within 30 seconds after loss of off-site utility power.

Electricities offers the backup generation at no cost to the park’s tenants. Several large companies have located to the park, including four foreign firms. Only one shell building remains available.

In the One Southern Indiana region, working with entities such as Hoosier Energy, flexibility is paramount to serving projects effectively.

“Some projects have more infrastructure needs than others, and some require more skilled training,” Hall says. “How do we help those companies? How

do we customize our incentives to provide the tools they need to be successful? It’s about looking at the needs of each individual company.” ■

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# Integrated TMS Platform Provides Supply Chain Benefits

**Q:** *What are the benefits of IT integration for shippers and customers?*

**A:** Customers are looking for the fastest, most accurate, economical, and timely way to quote freight for their own customers. They want a system that is simple to use and doesn't require making calls, visiting other websites, or getting inaccurate information. With an integrated TMS platform, customers can feel confident that they will get a variety of shipping options and correct pricing based on where they are shipping to.

An integrated platform also offers ease of use, with the shipper merely clicking a button to enter their shipment details and obtain a quote. They can feel confident that their quote will be accurate and their pricing locked in when they are ready to ship. All of this combines to save the customer time and money, and to help ensure their peace of mind.

**Q:** *How does spending time designing an integrated system help logistics companies?*

**A:** The return on investment is demonstrated in the automated orders received through the platform. As customers use the platform, they gain confidence in the system and use it more often. Through customer support of the platform, you will increase your reputation in the industry, not simply as a freight provider, but as a total freight service provider.

**Q:** *Have you partnered to create an integrated platform?*

**A:** One large integration project that we had great success with is Hotlines, an online auto parts inventory platform. We designed a system that seamlessly incorporates their ordering platform into our TMS to generate shipping quotes at the push of a button.

Participants in the program like the ease of use, timely pickups and deliveries, competitive rates, and options provided. Overall they have seen a 12-percent freight reduction since implementation nearly a year ago. Our customers also like personalized support that their customers receive from our staff.

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# Returns in the E-Commerce Retail Supply Chain

In recent years, a rise in e-commerce sales has led to an increase in the amount of items returned. This increase in returns creates a challenging situation for retailers and an opportunity for their 3PL providers.

**Q:** *How does the reverse logistics process work?*

**A:** 3PL providers engineer returns solutions that are specific to their customers, keeping their brand and supply chain needs top of mind.

## Retail vs. E-Tail

Retailers who sell their products online, known as e-tailers, require a different returns process than that of brick-and-mortar stores. Typically, e-tailers are not the ones returning product to the DC; it is their customer, the end consumer.

## Customer Driven

3PLs work with their customers to define 'return rules' for their product when and if it is returned to the warehouse. Once these rules are defined, returns can be accepted at the DC.

## Accounting for Returned Items

The returns process is initiated by the customer notifying the retailer they wish to return an item. The retailer then generates a Returned Merchandise Authorization (RMA), informing the 3PL that a return is on its way to the warehouse. All returns must be received into the warehouse management system (WMS), allowing the product to physically and systemically be accounted for.

## Reconciling to the RMA

Upon receipt, the 3PL provider acknowledges the return has arrived

at the warehouse and reconciles it to the RMA. The 3PL is then able to determine if a replacement product or part is needed. Timely action during this stage results in a satisfying customer experience.

**Q:** *What are the parameters for assigning product disposition?*

**A:** Product is inspected based on 'return rules' and is dispositioned accordingly. 3PLs work with their customers to define parameters for assigning product disposition guidelines specific to both product and brand. Additionally, some product categories must follow federal return guidelines.

## Return to Stock

Typically, 'return to stock' product is classified as 'B level' and separated both physically and systemically in the warehouse and WMS, ensuring the correct version of product is picked based on the type of order.

## Reverse Kit

In some circumstances, product components are recovered once a return arrives at the warehouse and saved for later use. This is referred to as component reclamation. These parts are normally stored in the warehouse for further use as a replacement part or used to complete an incomplete product.

## Scrap

While some products can be returned to stock or refurbished, many cannot and must be disposed of accordingly. 3PL providers work with their customers to further define parameters for careful product destruction, many times identifying hazardous materials that must follow a strict disposal protocol.



**John Sell**

Vice President  
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# FLORIDA



PHOTO: Port Everglades

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## Recite the first words that come to mind when you think of Florida. Sun? Fun? Relaxation? Retirement? All good. But if you don't think transportation and logistics, you miss the mark.

Florida's geographic location makes it one of the primary logistics sites for any business seeking to access either the East Coast or Gulf Coast of the United States. Florida is the only state with seaport access in both the Gulf of Mexico and the Atlantic Ocean. In addition, Florida's location allows for cost-efficient access to the Caribbean and South America.

Florida also is the country's third-largest state, with almost 21 million residents. With nearly 120 million visitors annually, Florida is one of the largest consumer markets in the United States. Florida seaports provide the most cost-efficient means to access this and other discretionary markets in the

United States and Latin America.

Florida seaports, along with their federal and state partners, have invested more than \$2 billion in seaport infrastructure to ensure cargo and passengers can move efficiently in and out of the state and to their final destinations. These investments include infrastructure and capacity to handle larger post-Panamax cargo vessels transiting through the expanded Panama Canal and the Suez Canal.

### Building Economic Strength

On land, on sea, and in the air—Florida's airports are skyways to the world—the Sunshine State provides the perfect pathways to business success. And Florida's leaders are continually

focused on attracting new businesses and enhancing those already in place.

"We should invest in our people." That was the message earlier in 2018 from Dr. Jerry Parrish, chief economist and director of research for the Florida Chamber Foundation. There is no doubt that Florida has followed precisely that directive.

Florida's Gross Domestic Product topped \$1 trillion in 2018. The state also is on track to add 180,200 new jobs this year, accounting for one in every 14 new jobs created nationwide.

This is good—no, great—news not only for those who live in Florida but for logistics professionals and everyone else who does business in the state where jobs are nearly as plentiful as oranges. No wonder Florida is viewed as a prime site for manufacturing and distribution facilities.

Florida accounts for 5 percent of the U.S. economy, but creates 10 percent of the nation's new jobs. With an estimated 898 people per day moving into Florida, the Chamber Foundation's



As the world's largest gateway to Latin America and the Caribbean, Miami International Airport handles 83 percent of all air imports and 79 percent of all exports to/from the region. The airport offers service to more than 160 cities on four continents, as well as dedicated freighter service to 106 global destinations.



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## CARGO TONNAGE CONTINUES TO RISE

■ Florida's waterborne international and domestic cargo in fiscal 2016/2017 increased 3.2 percent, from 107.4 million to 110.8 million tons.

■ Container cargo tonnage grew 7.1 percent and 20-foot equivalent units grew by 5 percent. Dry bulk grew by 7.5 percent.

■ Domestic tonnage, at 57.8 million tons, overtook international trade in 2017, and now exceeds it by 4.7 million tons.

■ Import tonnage is twice that of export tonnage, with a 67:33 split. The long-term trend shows rising waterborne imports and falling exports, although in 2017, exports rose 8.3 percent and imports fell nominally.

Source: Florida Ports Council



Florida 2030 research initiative predicts the state's population will grow to 26 million by 2030.

"Population growth will continue to drive Florida's economy," the Chamber Foundation says in its report. Tourism continues to generate solid economic gains—more tourists visited Florida in 2017 than any other year—so it is not surprising that tourism-related commerce continues to fuel job growth. But tourism is just one chapter in the story of the state's prosperity.

### Ports and Progress

Navigating the Sunshine State's seaport resources is the Florida Ports Council (FPC), a nonprofit corporation that serves as the professional association for Florida's 15 public seaports and their management.

"The Florida Ports Council partners with our seaports to communicate that Florida offers definitive advantages to consumers and producers by delivering state-of-the-art infrastructure, services, and connectivity to move freight and passengers with ever-increasing speed and efficiency," says Doug Wheeler, the FPC's president and CEO.

To prepare for new growth, improve efficiency, and minimize costs to port

users over the long term, Florida's seaports have identified \$3.3 billion in capital improvements over the next five years. In general, these projects will automate processes, decrease costs, add capacity, attract cargo, and expedite movement, with an emphasis on using as few resources as possible, Wheeler says.

Capital projects vary substantially by port and by year. Here are several examples:

**Port Canaveral** is focused on replacing its Cruise Terminal 3, currently used for single-day port calls, with an expanded facility to serve multi-day vessels with up to 8,000 passengers.

**Port Everglades** is also enhancing cruise capacity, upgrading Cruise Terminal 25 just in time to welcome the futuristic *Celebrity Edge* in December 2018. On the cargo side, the port is modernizing Petroleum Slip 1, working with petroleum partners that are developing improved offloading infrastructure.

Northeast Florida's **Port of Fernandina** is one of several ports focused on distribution and logistics centers. A logistics center situated at the 200-acre Crawford Diamond Industrial Park will help Northeast Florida capture a portion of the discretionary

cargo currently moving through out-of-state ports.

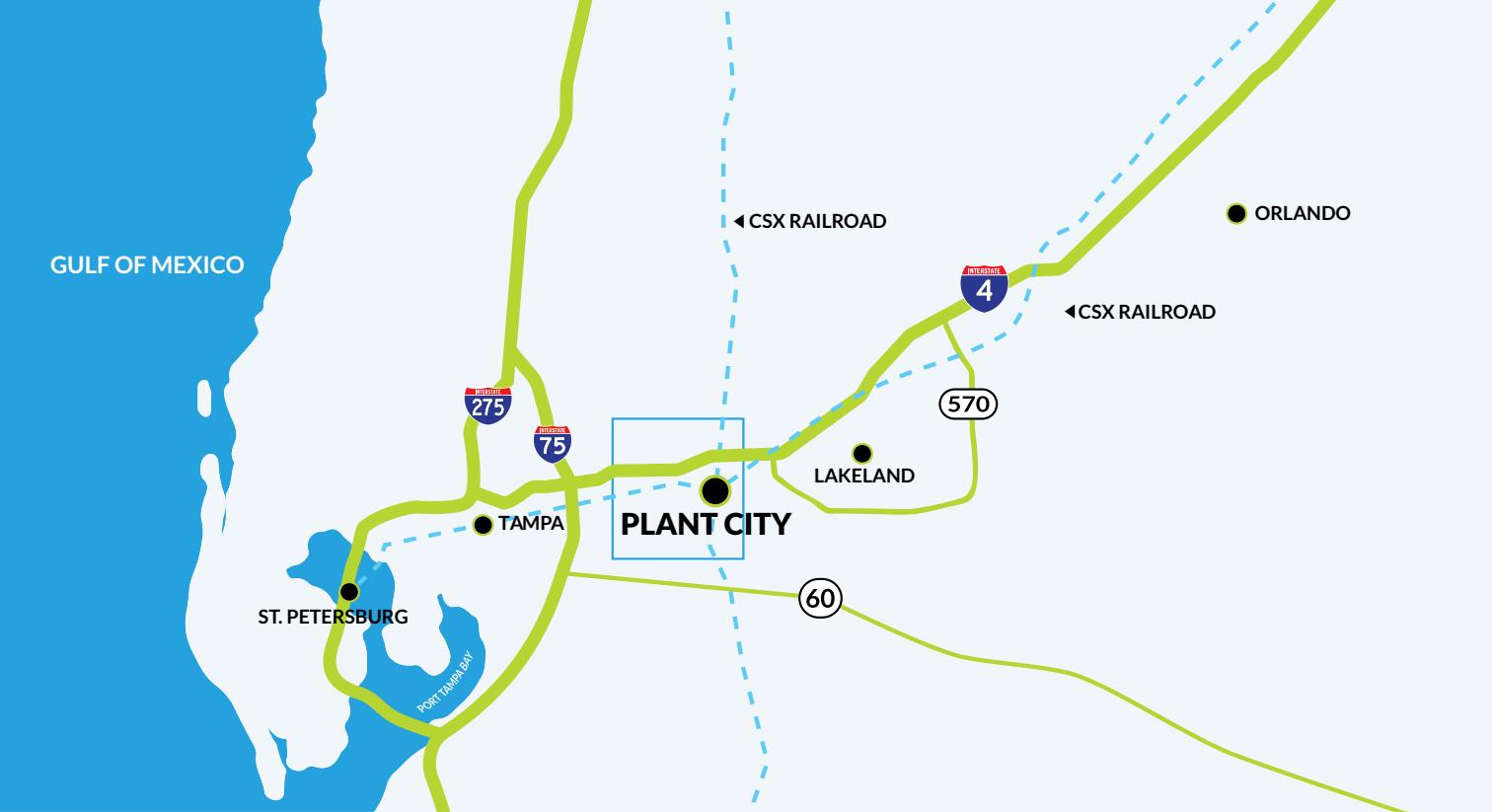
Deepening the harbor at **JAXPORT** sets up the region for massive growth. A 47-foot channel will accommodate more cargo aboard the largest ships. Forecasts are for up to two million new 20-foot equivalent units (TEUs).

And, along with a wide range of ongoing infrastructure upgrades at the Blount Island and Talleyrand terminals, the port is constructing a new automobile processing terminal at Dame's Point to increase vehicle-handling capacity by 25 percent.

The **Port of Key West** has finished fine-tuning its Mallory Square Pier with a mooring dolphin upgrade. A 33-acre urban park, being developed by the city nearby, will serve cruise passengers.

**Port Manatee** has a broad slate of capital projects, including expansion of cold storage, gate upgrades, and inner-harbor dredging.

**Port Miami** is planning for cruise and cargo terminal expansion, additional intermodal and parking facilities, ferry terminals, an additional cargo laydown area, warehouse consolidation, roadway realignments, a new modern gate system, inland terminal area, bulkhead improvements, and other upgrades.



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# FLORIDA: Gateway to America, Pathway to Global Trade

In addition to redeveloping Berth 1 and Berth 17, and expanding on-port intermodal rail, the **Port of Palm Beach** will redevelop 3.5 acres as a refrigerated container laydown area with a 140-percent increase in reefer plugs over the current installation.

**Port Panama City** is increasing capacity at its wood pellet terminal and constructing a modern forest products terminal. It has plans to deepen its east channel, too.

In a non-traditional use of port facilities that will stimulate private sector job growth, the **Port of Pensacola** is modifying Warehouse #1 to give it a “high hat” bay to support overhead bridge and low bay cranes. It is also rehabilitating Berth 6, and expects to complete new ferry docks in 2018.

**Port Tampa Bay** has multi-phased developments underway at its Channelside properties, East Port, Port Redwing, and Hooker’s Point to address rapid consumption growth in West Central Florida. In addition to

new tenants, acreage, cargo yards, and cranes, it has completed the Berth 150 finger pier and is putting in place new on-dock cold storage.

Among emerging ports, the **Port of Fort Pierce** is moving forward on plans to rehabilitate Fisherman’s Wharf and the Black Pearl Boat Ramp. It has almost completed reconstruction of the primary port entrance, and is considering development options on numerous parcels, including Harbour Pointe.

The **Port of Port St. Joe** and a private partner, The St. Joe Company, are aligning capital projects with demand. The port is improving roadworks and rail connections, developing dredging projects for the ship turning basin and the shipping channel, and planning for a new dry dock.

The **Port St. Pete’s** marine science/research niche is dictating investment, which includes a wharf renovation to better serve visiting vessels and an educationally focused partnership initiative, “Port Discovery.”

Florida’s deep-water seaport officials are well versed in not only the advantages the ports provide, but also in the rich overall environment the state offers for those seeking to locate or expand their presence in this logistics mecca.

“Florida’s seaports can handle almost any type of cargo or business that is out there,” says Jim Pyburn, director of business development for Port Everglades. “Florida also has access to a diverse, well-educated workforce as the South Florida area grows in both logistics and the technology sector.”

## Charting a Course

Access also is key to the state’s success. “South Florida has great highway connections between major regions of the state as well as rail connections, including the new Brightline commuter rail that continues to link the major workforce hubs of Florida,” Pyburn points out.

Indeed, the state’s enviable location goes well beyond U.S. borders.



County Line Commerce Center in Plant City, Florida, is a 28-acre mixed-use development that includes a 100,000-square-foot speculative building, three other buildings totaling 165,000 square feet, and two parcels for retail or restaurant use.

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# FLORIDA: Gateway to America, Pathway to Global Trade

“Proximity to the Latin American and Caribbean markets is a huge logistics advantage,” Pyburn says. “We see manufacturing moving away from rising wages in Far East labor markets into Latin America and the Caribbean. Florida—in particular, Port Everglades—has the most direct ship-line services to these Latin American and Caribbean markets.

“These markets require services to transport raw materials and finished goods to and from manufacturing facilities,” he adds. “Because Port Everglades has the best connections and most frequent services to these markets, companies will look to our Foreign Trade Zone (No. 25), the third-largest in the United States, and other distribution facilities to supplement their logistics networks.”

Domestically, Port Everglades boasts a premier near-port rail service with the Florida East Coast Railroad Intermodal Container Transfer Facility, which can quickly and efficiently transport goods to and from the U.S. hinterland.

Enterprise Florida, the official economic development organization for the state, provides support to local businesses. It also helps them develop

business abroad through trade missions all over the world.

In addition, to develop and promote business, Port Everglades works closely with the Greater Fort Lauderdale Alliance, Port Everglades Association, the Office of Economic and Small Business Development, Florida Customs Brokers & Forwarders Association, and other local and state organizations. The port also collaborates with the Florida East Coast Railroad (FECR) to maintain an efficient and cost-effective way of transporting goods.

## One-Stop Shop

In short, Port Everglades is a one-stop shop for logistics professionals. “We are the number-one port in the state of Florida for perishable/refrigerated cargo volume, and number five in the United States,” Pyburn notes. “We are one of the biggest ports in the country for trade between Latin America and the Caribbean, handling more than 15 percent of all U.S. trade with Latin America.

“We are the administrators for Foreign Trade Zone No. 25, which allows companies to do business locally and more

cost effectively,” Pyburn says. “It also potentially can reduce tariffs—depending upon a particular product’s portion of U.S.-made components—which is becoming increasingly important in world trade in light of new government policies.”

With all its current assets, Port Everglades is hardly floating on idle. Among other enhancements, the port embarked on a project to extend the Southport Turning Notch from 900 to 2,400 feet, with the potential to add five berths. Additional projects include widening/deepening the major shipping channel, acquiring up to six new super post-Panamax cranes, improving crane rail and terminals, and relocating and constructing a new FTZ facility.

Providing easy and efficient access to central Florida, the 10th-largest market in the United States, is Port Canaveral.

“Port Canaveral’s deep-water container and multi-purpose cargo berths provide an economical and convenient ocean gateway into Central Florida and beyond,” says Capt. John Murray, chief executive officer of the Canaveral Port Authority.

“The port is ideally suited for short



PHOTO: Port Everglades

**Florida seaports, along with their federal and state partners, have invested more than \$2 billion in infrastructure to ensure cargo and passengers can move efficiently in and out of the state and to their final destinations.**



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# FLORIDA: Gateway to America, Pathway to Global Trade

PHOTO: Canaveral Port Authority



At Port Canaveral, 1,800 feet of berthing space is equipped with two ship-to-shore cranes able to move 30-40 containers per hour.

sea shipping with its location directly on the main shipping lanes along the East Coast of Florida,” he says. “Port Canaveral’s harbor is just one hour from sea buoy to dock, and an easy, deep draft and unencumbered transit for carriers, which allows for highly efficient routing and reduced vessel costs.”

## Going Non-stop

The port’s location offers uncongested non-stop highway connections that allow all types of cargo to reach high-demand consumer markets such as the Greater Orlando area, as well as the southeastern United States. There is just one stoplight to State Route 528 (Beachline Expressway) as well as I-4 and I-95, Murray notes.

“Port Canaveral makes it easy for domestic and international shippers to take full advantage of the port’s strategic location to reach the fast-growing Central Florida market,” he adds.

Another logistics asset is the Port Canaveral Logistics Center, located about 15 miles from Port Canaveral in Titusville, near the Kennedy Space Center. The logistics center is a 246,240-square-foot facility next to the Space Coast Regional Airport and 37 miles from Orlando International Airport. From the site, transit times are 121 miles to Tampa, 144 miles to Jacksonville, 208 miles to Miami, and 482 miles to Atlanta.

Port Canaveral leverages its location assets with more than 370,000 square feet of enclosed, dry and secure dockside warehousing, plus 280,000 square feet of refrigerated warehouse space. Port Canaveral is the grantee for FTZ 136, administered by American Cruise-Aid Logistics, which operates a 15,000-square-foot warehouse at the port.

Meanwhile, SeaPort Canaveral, an operator within the FTZ, supplies a

significant amount of transportation fuel for Central Florida, as well as jet fuel for international flights from four Florida airports: Orlando International, Orlando Sanford International, Orlando Melbourne International, and Daytona International.

Port Canaveral recently signed a contract to purchase a mobile harbor crane with an 18-container reach. “The crane will be able to handle oversized cargo and heavy space components,” Murray says. The \$5.8-million Liebherr crane is expected to be delivered in early 2019.

## Giving Berth

In addition, work is underway on a multi-purpose cargo berth that will accommodate facilities for diverse cargo operations including the commercial space industry. Scheduled for completion in mid-2019, North Cargo Berth 8 on Port Canaveral’s north side will provide the infrastructure and capabilities

*continued on pg. 82*



## PARTNERSHIP PROVIDES QUICK PERISHABLES ROUTE

Logistics decision-makers in Florida and elsewhere are turning to a new cost- and time-efficient solution for perishable products traveling to and from Mexico. TransGulf, a niche expedited container service calling on Tampa and Tuxpan, Mexico, was launched in January 2017 as a partnership created in response to trucking regulations that slowed door-to-door service for cross-border shipping of products including limes, avocados, fresh citrus juices, and concentrates.

“We can help anyone who has transport needs out of Mexico,” says Alejandro Lasheras, a TransGulf board member. The TransGulf intermodal solution utilizes trucking, a dedicated ocean vessel, and rail carriers on both sides of the trade. The company offers cross-dock and refrigerated services to and from Tampa, reaching cities throughout Florida, the Southeast, Midwest, and all along the East Coast. It also offers service to Canada.

In Florida, the TransGulf service uses Port Tampa Bay, located in the eastern Gulf of Mexico, as its hub for access to backhaul motor and rail carriers that connect Tampa to the rest of North America.

Transporting portable ISO tanks designed to safely carry liquids in bulk, TransGulf augments the Sunshine State’s own citrus production year-round, solving the limitations of an otherwise seasonal and unpredictable industry. “Florida is critical for us,” Lasheras says.

TransGulf has vessel and ground assets in Tampa, as well as Tuxpan on the banks of the Tuxpan River in the Mexican state of Veracruz. The Tuxpan River reaches the Gulf of Mexico in about 11 kilometers, or just under seven miles. As the nearest port to Mexico City, Tuxpan serves as a vital link for Mexican imports and exports.

The TransGulf partnership enables door-to-door transit times from points well within the Mexican interior that are comparable to over-the-road delivery times. TransGulf ensures that customers receive their perishables in pristine condition, Lasheras adds.

Transit time from Tuxpan to Tampa is just two and a half days on the water. On its weekly service, TransGulf deploys the 700-TEU cargo vessel *M/V EMILIA*, recently chartered from German interests. The northbound and southbound voyage schedule is available on the TransGulf website: [www.transgulfship.com](http://www.transgulfship.com).

Refrigerated ocean containers carry up to 25



**Using portable ISO tanks designed to safely carry liquids in bulk (top) and refrigerated ocean containers to transport perishables (bottom), TransGulf ensures supply chain efficiency.**

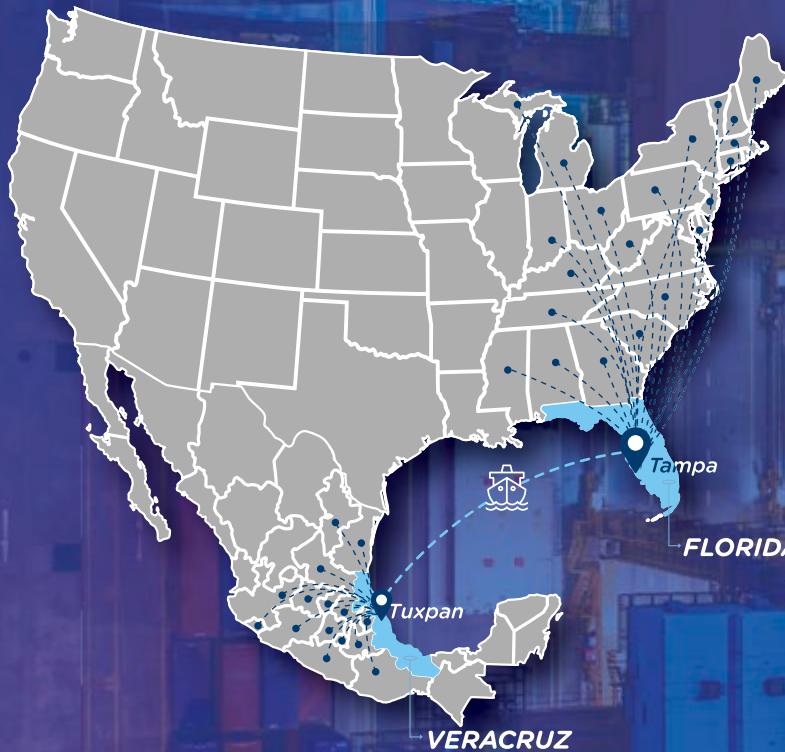
metric ton of cargo or 20 pallets of fresh produce. Refrigerated and dry warehouses on either side of the Gulf allow both refrigerated and dry goods shippers and third-party logistics (3PL) providers to manage their inventories in real time, while also offering an array of delivery, packing, storage, and customized loadout options—all from within secured locations at the company’s port facilities.

“We can assist cargo owners and 3PLs who currently have cross-border cargo or situations where continued trucking constraints are affecting their supply chain efficiency,” Lasheras says.

TransGulf is looking to add vessel capacity and develop additional cargo and port pair offerings in the near future, he adds.



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# FLORIDA: Gateway to America, Pathway to Global Trade

continued from pg. 78

to handle a growing portfolio of heavy and oversized cargo, including commercial spacecraft components. The berth is designed and engineered as a multimodal/intermodal berth that will provide flexible capacity and capability to accommodate more diverse commerce at the port.

“With the port experiencing unprecedented demand for bulkhead space, coupled with rapid economic growth in central Florida and a growing commercial space industry on the Space Coast, North Cargo Berth 8 will ensure we have the ability to meet the increased demand for diversified cargo-handling capabilities,” Murray says.

Crews from Orion Marine Group of Tampa are currently installing 413 concrete relieving piles, each about 90 feet long. Once the piles have been placed, construction will start on a seawall with a concrete cap. The 900-foot seawall and planned 100-foot pier extension will be capable of handling an 850-foot ship.

## Connecting the Dots

With all its logistics assets, along with economic advantages that include a favorable tax climate, business-friendly government policies, and competitive costs, Florida clearly makes a strong case to win business. Still, locating or relocating a business remains an exhaustive and research-intensive process. But the state’s welcoming environment translates into plentiful resources designed to help ease that process, and to offer continued assistance throughout the journey to success.

“Our job is to ensure that we present the big picture and drill down when necessary,” says Jake Austin, CEO of the Plant City Economic Development Corporation. Plant City’s location in the heart of the I-4 Corridor connecting Tampa to Daytona makes it a magnet for business. The EDC exists to make sure all resources are engaged to maximum benefit.

“Sometimes, whether it be new or

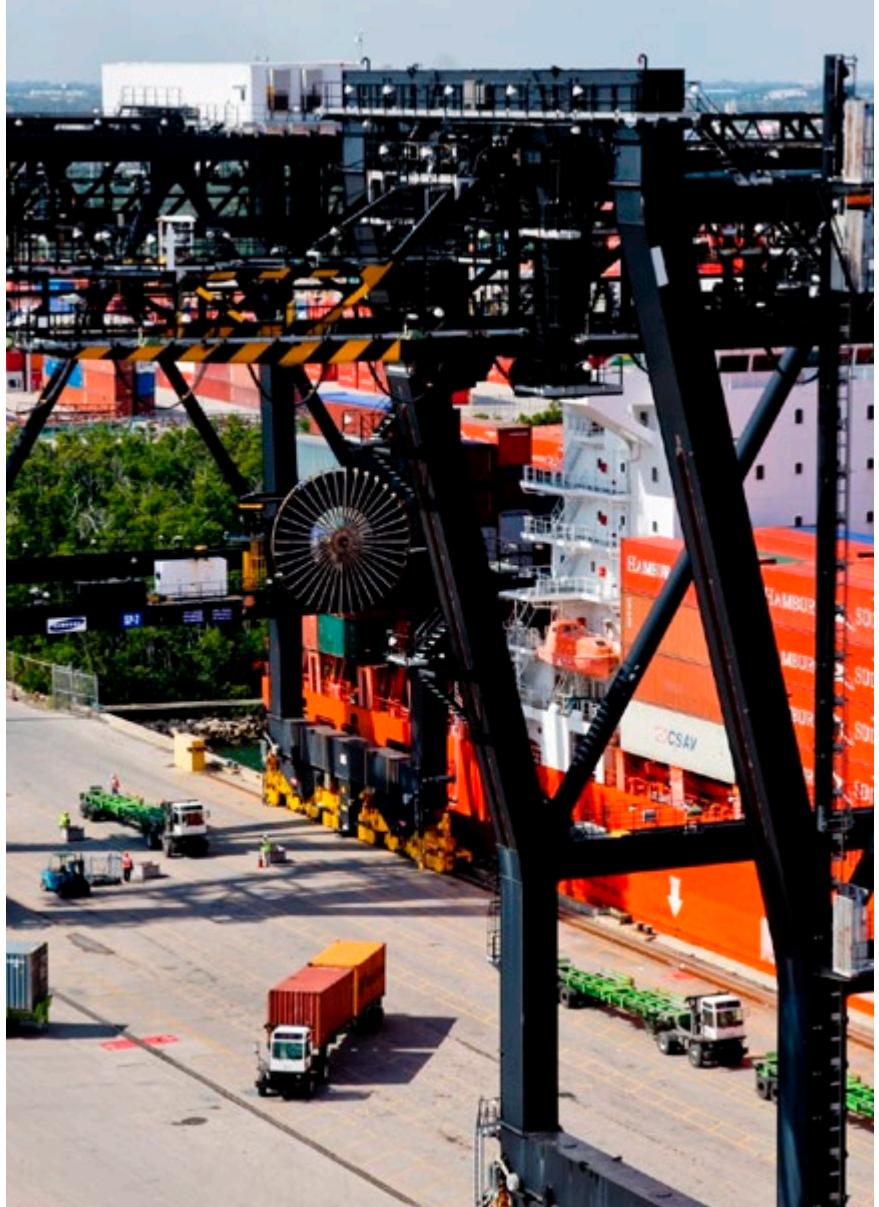


Photo: Port Everglades

**In fiscal 2017, Port Everglades exceeded one million TEUs for the third consecutive year. Handling that level of volume helps maintain its status as Florida’s number-one container port and the 10th leading container port in the United States, serving more than 150 ports and 70 countries.**

established companies, employers may not know that they qualify for certain financial incentives that are used to attract jobs and capital investment to our community,” Austin says. “We make sure we present all the relevant information—no detail is too big or too small.”

It’s all about connecting the dots. “The Plant City EDC has excellent working relationships with our regional airports, rail lines, utility providers,

schools and, most importantly, our city government,” Austin says. “We work to ensure that businesses within our community have the information they need to make well-informed decisions regarding their businesses and future growth.”

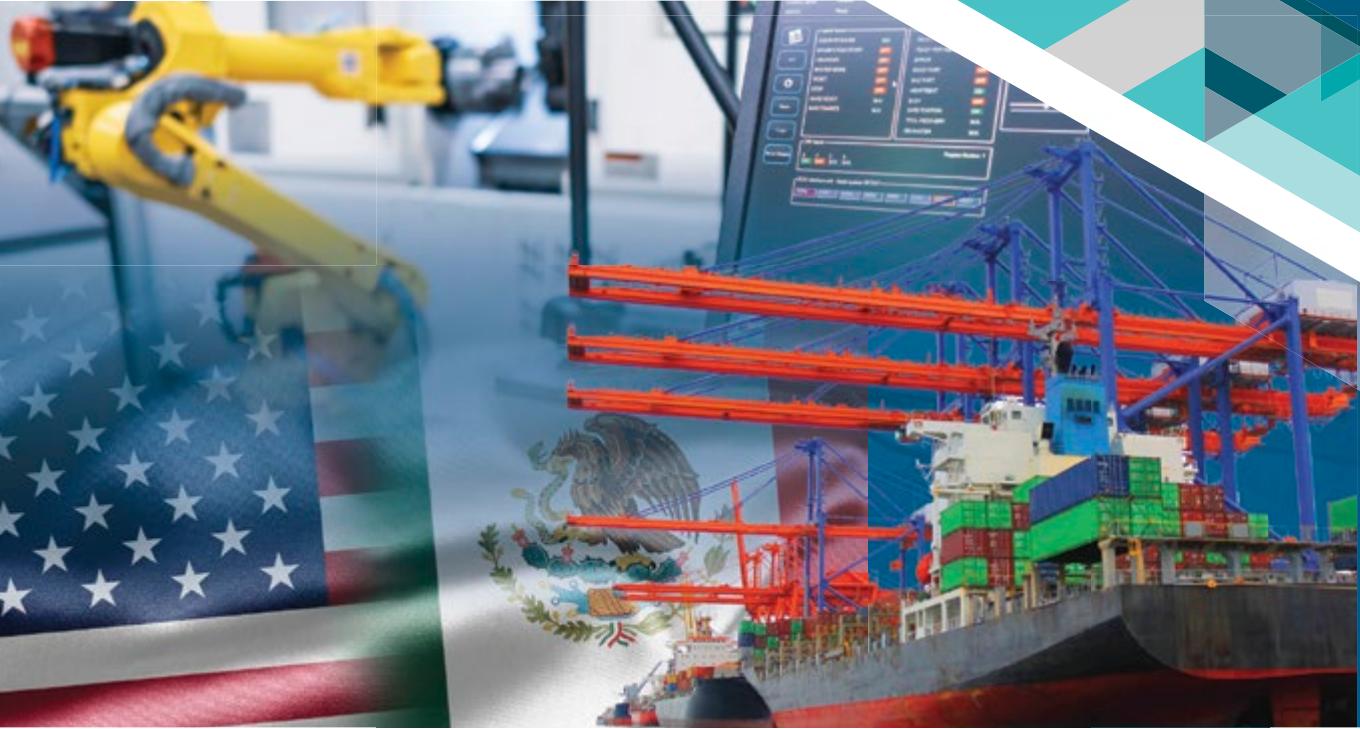
Plant City’s location allows logistics service providers such as Star Distribution Systems and Patterson Companies to guarantee next-day



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# FLORIDA: Gateway to America, Pathway to Global Trade

PHOTO: Canaveral Port Authority



**As Port Canaveral's first inland port facility, the Titusville Logistics Center supports economic growth through road, rail, and sea supply chain connections.**

delivery anywhere in the state. Access to two international airports—Tampa and Orlando—as well as Port Tampa Bay increase Plant City's appeal.

Moreover, the region's transportation infrastructure includes extensive rail and highway systems. "These are incredible assets for both logistics and manufacturing companies that are in the business of producing and/or moving product quickly and efficiently," Austin says.

## Advocates for Business

The EDC aggressively markets Plant City and, in turn, promotes the businesses that thrive there. "We do so by engaging with real estate brokers and developers in our region and abroad," Austin says. "We also attend trade shows and conferences that convene corporate decisionmakers in the logistics and manufacturing industries. The goal is to plant the seed for Plant City.

"We strive to be a single point of contact for any matter related to locating or expanding your business in our region," he adds. "That remains true for a brand new business or a rapidly expanding

one. We help navigate local government processes and become advocates for your specific needs."

It helps that local government is focused on economic development. "Fortunately, we have an engaged and proactive city commission that fully supports our mission," Austin says. "The city's approach to business is to be welcoming and efficient and provide all the necessary tools to foster growth, rather than being looked at as a barrier to entry."

What developments are on the horizon? There has been "increasing talk," Austin says, of a privately funded high-speed rail along I-4 that would connect Tampa and Orlando, and then eventually link into Brightline, which is already operating in South Florida. "An interconnected rail line opens up opportunities for tourism and business travelers and reduces stress along congested highways," he explains.

Meanwhile, downtown Water Street Tampa is another project that will benefit Plant City. With more than 50 acres to be developed, the space will include residential, retail, hotel, and

entertainment facilities. "This change in landscape will add selling features for both residents and businesses, providing a host of easily accessible features all within 30 minutes of Plant City," Austin says.

## Looking Up

In a very real sense, the sky is the limit for Florida business. In addition to its shipping ports, extensive highway and rail networks, and multiple hubs that allow for high-speed data transmission from around the United States to Europe, Latin America, and Africa, Florida features numerous international airports offering commercial and cargo service to points around the globe.

"Florida continues to grow in international trade and commerce," says Chris Mangos, director of marketing for Miami International Airport. Mangos cites the high-tech, biomedical, agriculture, international banking, and finance sectors as fields that are particularly soaring across the state.

His perspective is from America's third-busiest airport for international

passengers. Miami International Airport, also known as MIA and historically as Wilcox Field, is the primary airport serving the Miami area.

Located on 3,230 acres of land near downtown Miami, MIA is operated by the Miami-Dade Aviation Department and is the property of Miami-Dade County government. Founded in 1928, the airport offers more flights to Latin America and the Caribbean than any other U.S. airport. It boasts a lineup of more than 100 air carriers and is the top U.S. airport for international freight.

MIA also is the leading economic engine for Miami-Dade County and the state of Florida, generating business revenue of \$30.9 billion annually and approximately 60 percent of all international visitors to Florida.

Mangos says MIA's vision is to grow from a recognized hemispheric hub to a global airport of choice that offers customers a world-class experience and an expanded route network with direct cargo and passenger access to all world regions.

The airport and related aviation industries contribute 270,681 jobs directly and indirectly to the local economy. That equates to one out of 4.1 jobs.

MIA, one of 19 commercial airports in the state, is an International

totaling \$3.7 billion in 2017. In February 2018, MIA gained final approval from the U.S. Department of Commerce to designate the airport as a Foreign Trade Zone magnet site. "The FTZ will create new synergies for on-airport businesses," Mangos says.

In addition, the airport's Ocean-to-Air Transshipment Program saves cargo shippers time and money through expedited air transport of perishable products. The program permits perishables to arrive from Latin America by sea, and then to be flown from MIA to international markets.

Meanwhile, the airport is implementing the Cargo, Optimization, Redevelopment, and Expansion Program. This comprehensive, long-term initiative will maximize existing cargo operations and double capacity by optimizing current use of facilities, demolishing and replacing aged and costly structures, and developing new cargo facilities for the future.

MIA recently tweeted: "When everything feels like an uphill struggle, just think of the view from the top." It is this view

that business leaders throughout Florida have enjoyed—and will continue to enjoy for the foreseeable future. ■

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The Florida Ports Council (FPC) is a nonprofit corporation that serves as the professional association for Florida's 15 public seaports and their management. The FPC provides advocacy, leadership, and information on seaport-related issues before the legislative and executive branches of state and federal government. The FPC believes a strong, strategic, public/private partnership between Florida's ports and state and local government will enable the diverse seaports to continue their vast economic contributions to every region of the state.

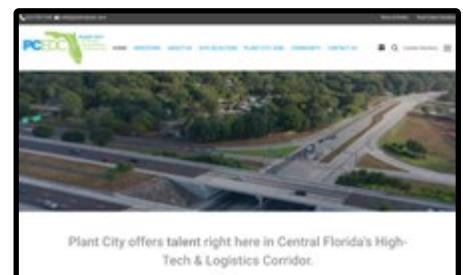


**Miami International Airport • [www.miami-airport.com](http://www.miami-airport.com)**

The top U.S. airport for international freight, Miami International Airport (MIA), located on 3,230 acres of land near downtown Miami, is operated by the Miami-Dade Aviation Department and is the property of Miami-Dade County government. MIA is also the leading economic engine for Miami-Dade County and the state of Florida, generating business revenue of \$33.7 billion annually. Despite the decline of economies in many key Latin American and European markets, MIA held its ground as one of the world's top 10 air cargo hubs in 2015, with 1.9 million tons of international freight and 256,891 tons of domestic shipments.

**Plant City EDC • [www.plantcityedc.com](http://www.plantcityedc.com)**

Situated 25 miles east of Tampa, Plant City is the second-largest municipality in Hillsborough County, with a distinct community well positioned for growth. The small-town atmosphere features an agricultural and industrial culture distinctive from the more urbanized areas of Hillsborough County, making it a great place for businesses in manufacturing, food processing, distribution and logistics, and agribusiness. Key businesses in the Plant City limits include James Hardie, Dart Container, Toufayan Bakeries, Plastipak Holdings, Gordon Food Services, Santa Sweets, and Highland Packaging Solutions.





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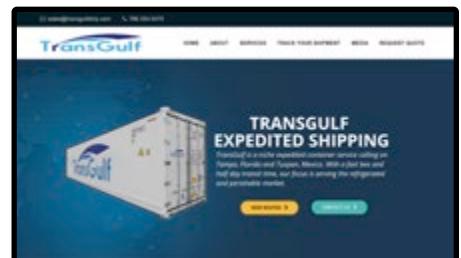


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**TransGulf • [www.transgulfship.com](http://www.transgulfship.com)**

TransGulf is a niche expedited container service calling on Tampa, Florida, and Tuxpan, Mexico. TransGulf's structure was built on the trust of its clients to complete every shipment with fast transit times from start to final destination. This leaves clients with the peace of mind that their shipment is built on personal service, trust, and quality. TransGulf offers expedited shipping with advanced support; a refrigerated container fleet; and high-quality vessel operations. It is the nearest nearest port to both Mexico City, Mexico, and Orlando, Florida.





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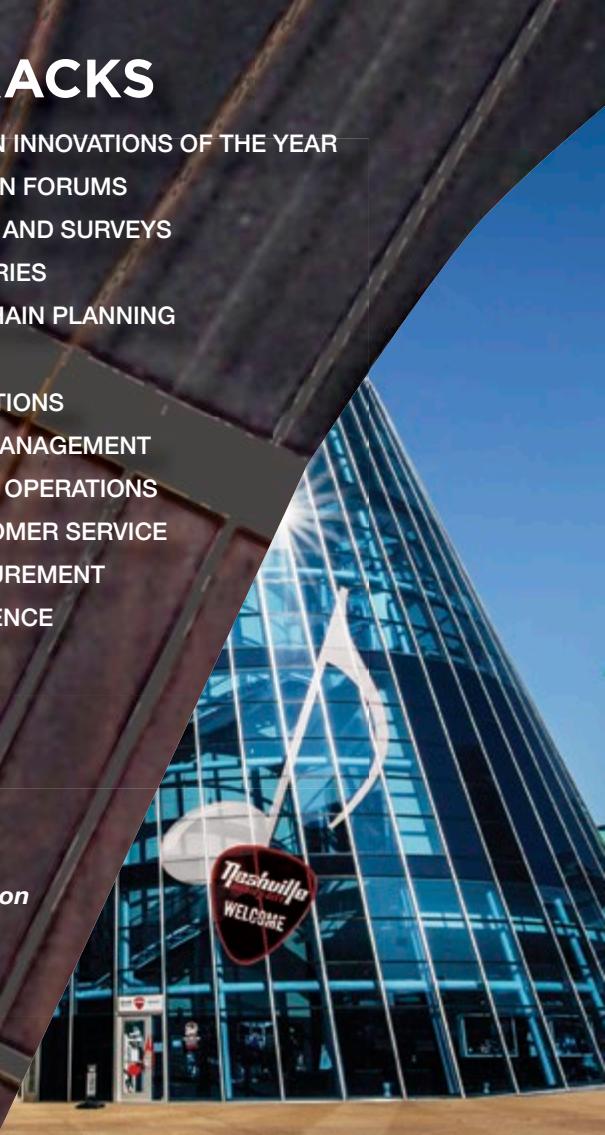
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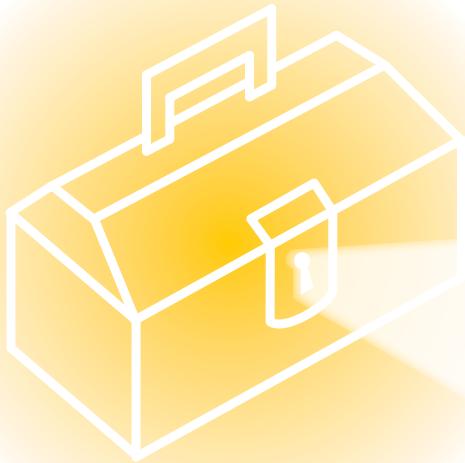
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## IT Toolkit | by Tom Gresham

### Inventory System Makes Mama and Data Proud

**D**espite continued sales success, Carter's, the largest branded marketer of young children's apparel in North America, faced challenges managing its sprawling, complex supply chain system. In particular, the company's outdated inventory management system wasn't sufficient to tackle the immense task of providing effective data processing and inventory visibility.

In response, Carter's turned to Anaplan, a San Francisco-based company that provides a cloud-based business planning and performance management platform based on a single hub where business users can create and utilize models. Carter's and Anaplan collaborated to implement a solution that would improve the accuracy and flexibility of Carter's inventory management, and support more informed supply chain decision-making.

Carter's includes children's apparel brands Carter's and OshKosh B'gosh, among others, and features a sales mix of 60 percent retail and 40 percent wholesale. In addition to operating

800 branded retail stores, Carter's sells its apparel through large retailers such as Sears, Kohl's, and Macy's.

With more than \$1 billion in retail and e-commerce sales annually, the company has enjoyed 29 consecutive years of sales growth, using a multichannel business model with broad distribution. Carter's runs 120 factories that produce more than 700 million units annually, including more than 250,000 unique SKUs—with multiple routes and distribution centers for the same SKUs.

In the past, Carter's used a spreadsheet/database model that took one week to process and merge all the data intersections between

After Carter's implements a cloud-based platform, inventory management and supply chain visibility become child's play.



its customers, SKUs, and origin and destination points.

“It’s never good when it takes one week to gather and process data, and render an answer,” says Peter Smith, executive vice president of global supply chain for Carter’s. “Sometimes, by the time you get the answer, the problem has changed.”

### ABCs of Complexity

The growing challenge of servicing multichannel distribution of branded products across geographies and customer types, including Carter’s direct-to-consumer business, was putting severe strain on the system.

“The complexity of managing and balancing it all had grown beyond the capabilities of the tool set we had,” Smith says. “We needed a new solution.”

Carter’s considered several software applications, but the options they explored were too slow and inflexible for the job, prompting the company to search for a cloud-based solution.

“We live in a competitive market space and we work on thin margins,” says Smith. “If you’re not creative in your solutions, and have a desire to lean forward and build a better mousetrap, you’ll get crushed.”

Carter’s eventually found Anaplan’s cloud-based planning platform with supply chain solutions that excited its team from the outset, particularly for its agility and robust computing power. Carter’s tried a conference room pro bono pilot of the Anaplan platform, and was pleased with the results.

“We knew we had found a solution that was viable for our complexity,” says Smith. “And, we recognized the potential of the Anaplan platform.”

### Building Blocks

Carter’s and Anaplan sought a quick implementation relative to traditional supply chain systems, and used a build-as-you-go approach. Anaplan suggested bringing in a third party for the initial implementation, so Carter’s tapped

Deloitte Consulting, an Anaplan partner, to aid in the process.

Thanks to the work of a small, core project team with members from Carter’s, Anaplan, and Deloitte, the new application was implemented in 14 weeks, on schedule, in fall 2016. By the end of the implementation, Carter’s team members were taking the lead on development, ensuring the company could be self-sustaining once the system was up and running.

Carter’s satisfied the business case for the new solution with quantifiable results within four weeks after implementation. The speed of the implementation, and the immediacy with which it began to pay financial benefits, distinguished it from a typical new system application.

“We went through the 14-week implementation process season one, and began to earn a return on the investment we made,” Smith says. “That’s radically different from other implementations.”



Carter’s international growth led to more than 250,000 unique product SKUs. Most products have a short lifecycle and turn over in three to six months. The retailer needed a new solution to keep up with the number of products and quick turn time.

Eric Lange, product marketing manager for supply chain at Anaplan, had recently joined the company when he was assigned to the Carter's implementation.

"My first implementation with Anaplan was an eye-opening experience," Lange says. "It got me excited about what we're doing within Anaplan, and what the solution can do for customers. Carter's has been a great partner to work with. To hear a customer excited about software is a software person's dream."

### Ready, Set, Grow

In adopting the Anaplan solution, Carter's was focused on maintaining its service levels, reducing working capital, and cutting the working days of supply within the network—in addition to improving its factory capacity management.

Carter's not only maintained service levels, it actually improved them through the system implementation. Adopting the Anaplan software removed eight working days of inventory from the supply chain and created smoother capacity management while improving accuracy and flexibility.

Carter's estimates that approximately \$25 million of working capital returned to its cash flow from the project. The company now enjoys visibility of all its products at one time. It also can edit master data on the fly, receiving multiple updates throughout the day.

"We are able to maximize our capacity within our network, which ultimately reduces costs and complexity," says Smith. "There is less opportunity for failure because we work with more high-quality vendors and fewer secondary or tertiary vendors."

The days of waiting one week for data processing are in the past, Smith says, and the differences from the previous approach are stark.

"The new Anaplan model juggles 30 billion points of data to create an

**"It's never good when it takes one week to gather and process data, and render an answer. Sometimes, by the time you get that answer, the problem has changed."**

**—Peter Smith,**  
executive vice president of  
global supply chain, Carter's.

optimal plan to meet our business needs," Smith says. "That was more than any spreadsheet or database was ever going to do."

In addition, Carter's now can perform scenario modeling. "For instance, what's the implication if there's a four-day strike in Dhaka, Bangladesh, and our product can't get out of there?" says Smith.

"Not only are we radically faster with fewer manpower hours attached to it,

we're also able to run these scenarios that were only a twinkle in our eye in the past," Smith says.

Carter's has embraced Anaplan and demonstrated vision in the way that it has uncovered a range of benefits from the new solution.

### Cradling the Partnership

Today, Carter's continues to refine the Anaplan supply chain tool, and the platform allows the retailer to build and expand as needed, adapting calculations and processes as the business evolves.

In addition, Carter's has implemented Anaplan's assortment planning and financial planning applications and is currently moving toward a fourth application focused on the connected enterprise. More applications potentially are on the horizon.

"Carter's has implemented three enterprise-grade applications in a multi-billion-dollar corporation," says Smith. "And we believe it is the most powerful, fastest, and compelling use of our dollars that we can find in the marketplace." ■

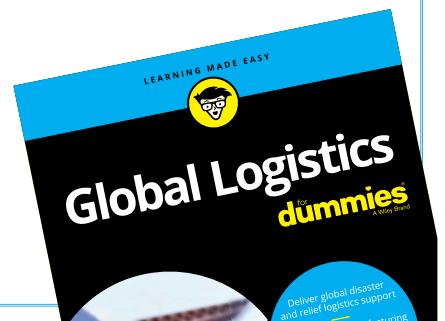
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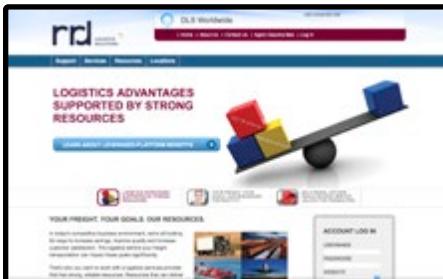
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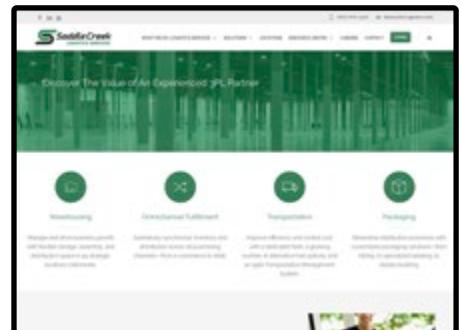
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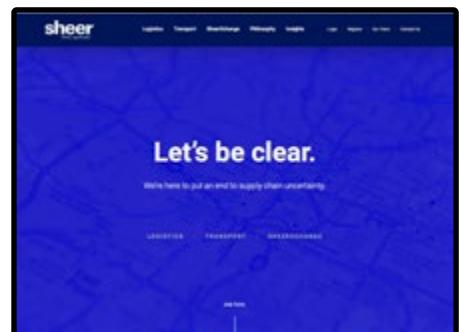


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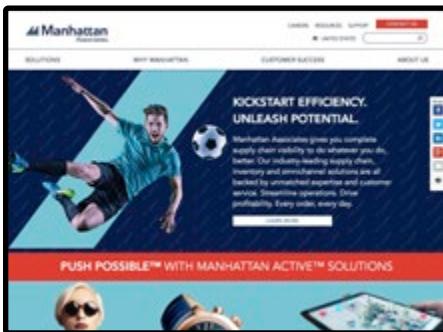
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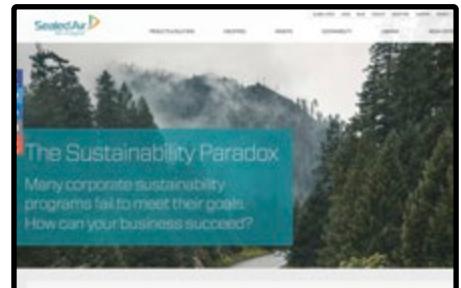
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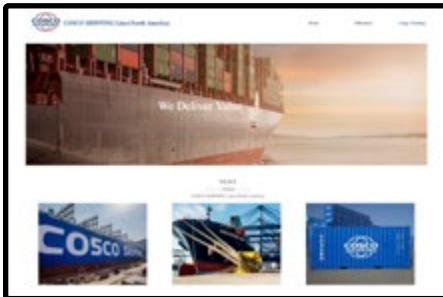
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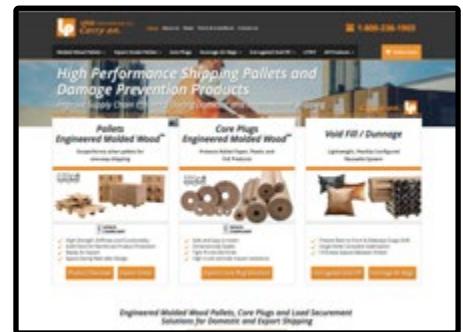
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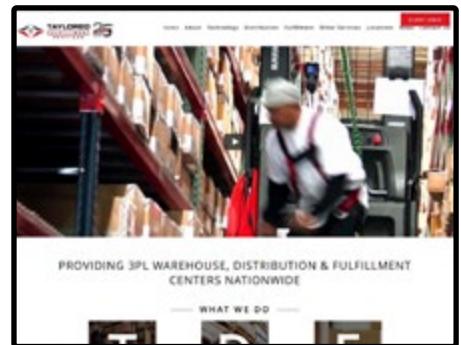


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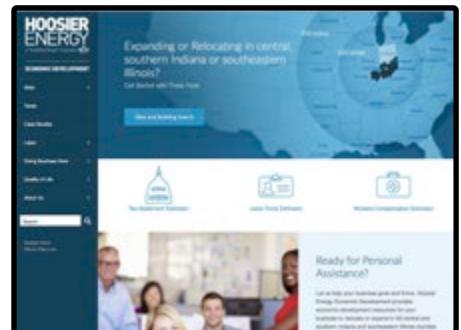


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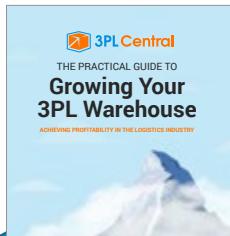
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# Supply Chain Insights

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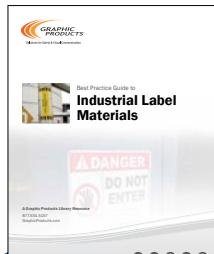
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## podcast



Andrew Cheung

### Visibility: Will Digital Solutions Help You See the Big Picture for your Supply Chain?

GUEST: ANDREW CHEUNG

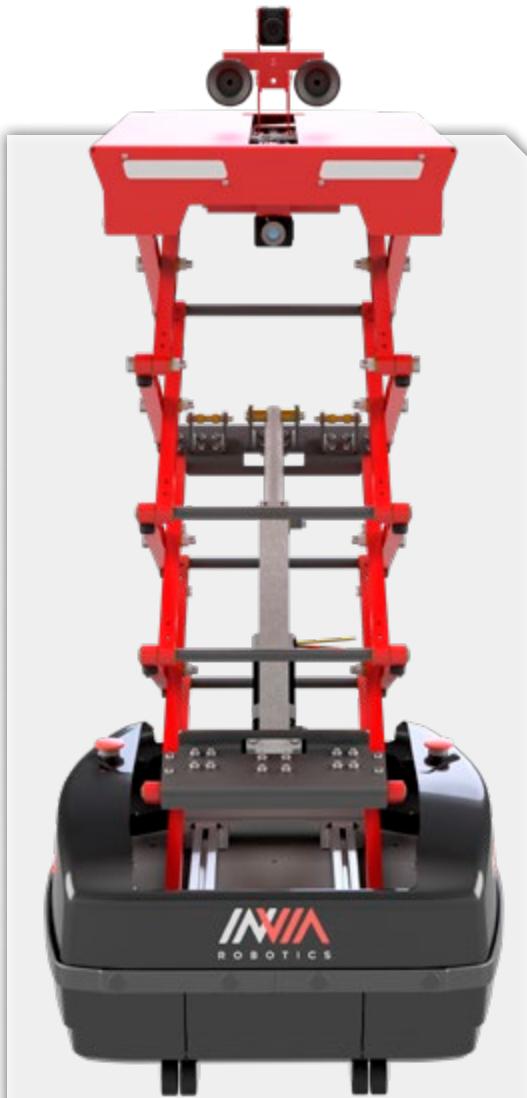
Vice President, Amber Road

Your supply chain is susceptible to everything from natural disasters to geopolitics, but the biggest concern that keeps logistics executives up at night is simply tracking shipments globally to ensure on-time delivery to customers. Andrew Cheung of Amber Road discusses how digital solutions and data-driven decisions can help increase supply chain visibility, and maybe even help supply chain execs get some sleep.



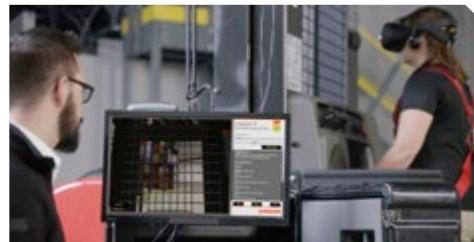
# PRODUCT SPOTLIGHT

## MATERIALS HANDLING INNOVATIONS



**inVia Picker:** Picking items as small as a pack of gum or as bulky as a case of soda, this robot provides a solution for e-commerce fulfillment centers through a Robots-as-a-Service platform. Pickers operate as an automated storage and retrieval solution, picking totes, bins, and boxes weighing less than 40 pounds from warehouse shelves. The robots can run on their own or work collaboratively with human operators.

**Crown FC Series:** This redesigned forklift has a near-zero turning radius and allows for a larger battery, providing longer runtime than similar trucks with up to 40 percent more loads per battery charge. Dual-drive motors let the FC Series forklift easily move larger loads. The forklift also provides operators with more headroom and leg clearance as well as low-effort steering and a full-suspension seat.



**The Raymond Virtual Reality Simulator:** Lift truck operators get hands-on instruction with this simulated-reality learning tool. Workers enter a simulated warehousing

environment using an existing Raymond forklift by plugging into Raymond's sPort, or Simulation Port. After the vehicle is no longer needed for instruction, the sPort can be disconnected, and the forklift can be placed back into operation in the warehouse.

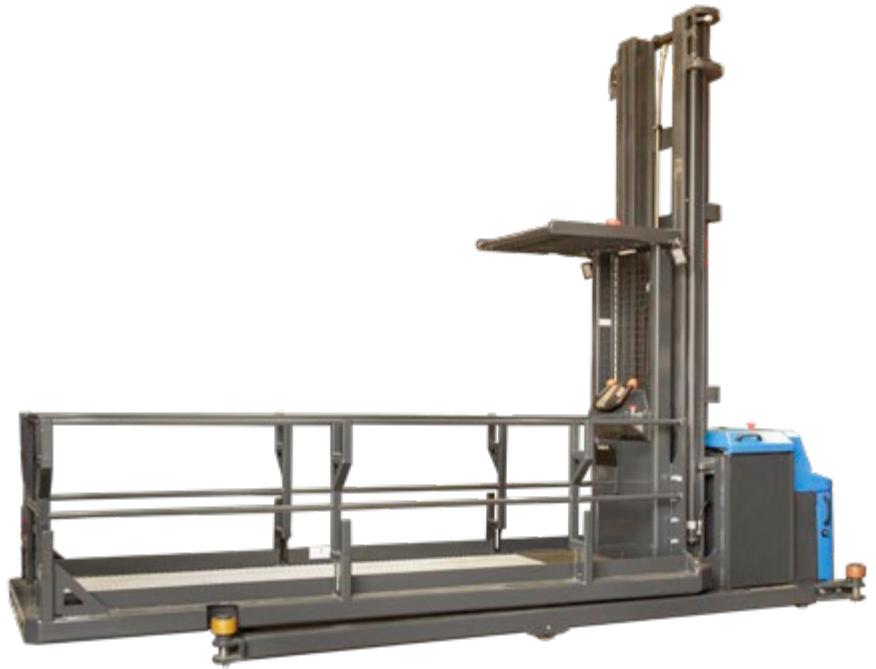
**Venture Research Forklift Reader:** This forklift RFID reader autonomously manages a pick, drop, stack, and move operation using an array of RFID and IoT sensors. With a swappable rechargeable Li-ion battery, the reader can be installed to full operation in five minutes on a standard type 2 or type 3 carriage forklift. Built-in location tracking provides positional awareness of the forklift in real time.



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**Combi-OP Order Picker:** This materials handling solution from Combilift is designed to handle long products. Previously, shippers had to modify traditional order pickers to cope with the demands of long loads. This purpose-built order picker features a long platform to enable the operator to access long products stored at height. Guide rollers allow it to operate in existing guided narrow aisles.

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**ELOshield Forklift Anti-Collision System:** Automatically detecting when a person or forklift gets too close to another vehicle, this ultra-wideband warning system helps prevent accidents in the warehouse. A fixed-site version monitors accident-prone areas, such as high-traffic aisle intersections. A mobile version monitors zones of up to 50 feet around moving vehicles. ELOshield warns both the pedestrian and the driver with a combination of audible, visual, and vibration alerts.

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Photo © Julia Malcher

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**QubeVu PalletPro 4x4:** Shippers can optimize stacking in LTL orders and automatically measure irregularly shaped shipments using this high-speed, certified-accurate dimensioning solution for palletized freight. The PalletPro 4x4 is accurate on any parcel or pallet shape, up to 4x4x6 feet, including cubes, tubes, polybags, and bundled or stacked items. It provides dimensions without requiring object alignment.

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**Delta 1.5kW Onboard Charger:** This charging system from Delta Electronics is designed for electric materials handling equipment, accommodating larger or more energy-intensive vehicles. Its die-cast chassis can bear the shock and vibration of industrial machinery. It is 100-percent convection cooled and will store information on the past 1,000 charges, which can be accessed through a data port.

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**BBC Chartering** launched a new service between the Persian Gulf, India, and Australia. With fixed monthly eastbound sailings, the new connection offers project and heavy lift cargo shippers a transport option to Australia, utilizing multipurpose and heavy-lift vessels.



### //Transportation//

Airfreight shippers can now take advantage of joint venture routes from **Delta Air Lines Cargo** and **Korean Air Cargo**, including more than 290 destinations in the Americas and more than 80 in Asia. Customers can work with either carrier to transport shipments across their trans-Pacific network.

**FedEx Express** added a new route from Noi Bai International Airport in Hanoi, Vietnam, and Baiyun International Airport in Guangzhou, China. The new route reduces overall transit time between Japan and Vietnam, utilizing a Boeing 757 freighter four times per week.

**OOCL** introduced a direct call to the port of Umm Qasr, Iraq, in its Middle East Service 4 (ME4). The new ME4 port rotation now covers Shanghai, Ningbo, Taipei, Shekou, Tanjung Pelepas, Port Kelang, Jebel Ali, Umm Qasr, Jebel Ali, and Hong Kong.

**AirBridgeCargo Airlines** (ABC) launched a freighter service to Ho Chi Minh City, Vietnam, increasing dedicated capacity to and from one of Asia's major manufacturing hotspots. The Boeing 747 freighter flight links customers from Singapore and Ho Chi Minh City with other destinations in ABC's international network through its cargo hub in Moscow to guarantee 48-hour delivery times.

## //Technology//

To provide visibility into parcel shipments, logistics and transportation network **project44** introduced an international and domestic parcel tracking and address validation solution. The new offering gives retailers, suppliers, and logistics providers real-time location information and ETAs for their shipments.

Supply chain data aggregation company **GateHouse Logistics** and 3PL technology provider **Cargo Chief** joined forces to reduce the number of empty runs on North American highways. By integrating GateHouse Logistics' *ghTrack* technology into Cargo Chief's data streams, the partnership gives brokers and transport companies real-time information about trucks in specific areas and pairs them with available loads.

## ADVERTISEMENT PRODUCT SHOWCASE

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- They reduce the distribution cost of packaging materials.



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◀ **Merchandise Warehouse** opened a cold storage facility in Pendleton, Indiana. The new location features 160,000 square feet of temperature-controlled storage and two convertible rooms with the capacity to reach minus 20 degrees Fahrenheit to store frozen products such as ice cream.

Airfreight shippers can instantly look up contracted rates, assess capacity, and book cargo on specific flights in real time using an online air cargo booking solution from cargo platform **Freightos WebCargo** and **Lufthansa Cargo**. The new e-booking solution will be expanded globally in the coming months, beginning with a rollout in major European markets.

**Ambrosus**, a blockchain and IoT platform for quality assurance in food and pharmaceutical supply chains, launched its mainnet, **AMB-NET 1.0**, which lets companies record public and private supply chain data on the Ambrosus blockchain. Creating a universally verifiable ecosystem, the platform ensures the safety and origins of products in real time.

## //Products//

E-commerce retailers can more easily ship from store to fulfill and distribute online orders using the iQ3 custom box-making machine from on-demand packaging solutions provider **Packsize**. The portable iQ3 lets e-tailers ship 250 to 500 cartons daily, and offers a box-sealing device.

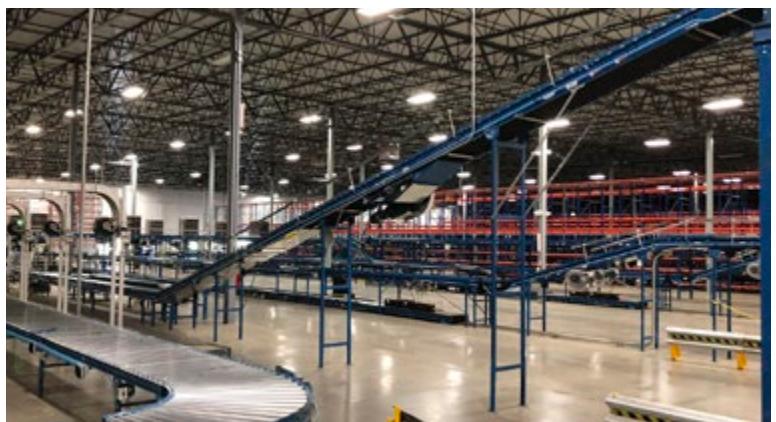
**PeopleNet**, a Trimble Company and provider of fleet mobility technology, debuted the *PeopleNet Display.5*, an Android-powered fixed-mount display that helps truckers comply with the ELD mandate. The display also supports applications such as navigation and in-cab scanning, and provides drivers with remote assistance.

Mobile computing solutions provider **Panasonic** unveiled two rugged handheld devices, the Toughbook T1 and L1, designed to increase worker productivity from the front of the store to the warehouse. Both devices have integrated, high-volume barcode scanning, long-lasting batteries, and high-speed connectivity for retail, warehousing, and transportation and logistics applications.

## //Services//

**RateLinx**, a supply chain data services and consulting company, introduced a supply chain service called Logistics in 3D: Diagnose, Develop, Deploy. The offering integrates multiple data streams in real time, and helps companies develop and deploy strategies to solve supply chain challenges.

▶ **ODW Logistics** opened a logistics center near Columbus, Ohio, to optimize e-commerce fulfillment, offering integrated technology that can be fully customized for e-commerce shippers. Within a 10-hour drive to nearly 50 percent of the U.S. population and one-third of Canada, the 200,000-square-foot facility is set up for zone pick and pass with high- and low-velocity zones and has very narrow aisle dense racking and storage.



**SEKO Logistics** opened an airfreight and omni-parcel services facility close to London Heathrow to support cross-border demand for British and global brands. The new 22,000-square-foot facility in Egham supports fast-growing international shipment volumes, including e-tailer business from the UK to Australia, New Zealand, and the United States.

Shippers within the Southern California region can expect expanded services and faster response times from a new facility in Chino, California, built by supply chain solutions provider **Seldat Distribution**. The new location offers 323,030 square feet for warehousing and 61 loading docks.



▲ Virginia's **Norfolk International Terminals (NIT)** took delivery of the first group of rail-mounted gantry cranes (RMGs), the centerpieces of a \$375-million capacity expansion project underway at the terminal. Expected to be completed by mid-2020, the work will expand NIT's annual throughput capacity by 400,000 container units and include 60 new RMGs in total.



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(CSCMP)

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cscmpedge.org | Nashville, Tenn. | SEPT 30 - OCT 3, 2018

**AUDIENCE:** Supply chain management professionals  
**FOCUS:** Strategies to maximize and transform supply chains; global supply chain best practices; increasing visibility; integrated business planning

**OCT 16-18** Toronto, Canada  
Clarion Events/Urban Expositions  
**Multimodal Americas**  
multimodalamericas.com

**AUDIENCE:** Stakeholders in the North American supply chain, logistics, and transportation sector  
**FOCUS:** How blockchain will deliver smart and secure supply chains; how warehouse robotics have changed the face of retail and how retailers can adapt; exploring the possibility of a fifth industrial revolution

### CONFERENCES

**SEPT 11-12** New Orleans, La.  
IWLA

#### IWLA Technology & Operations Solutions for Warehousing Conference

bit.ly/IWLAtech

**AUDIENCE:** Warehouse IT and operational professionals  
**FOCUS:** Addressing operational challenges in the warehouse; increasing productivity and efficiency in the warehouse; measuring and improving return on investment and tracking new efficiencies

**SEPT 11-12** New Orleans, La.  
IWLA

#### IWLA Safety & Risk Conference

bit.ly/IWLAafety

**AUDIENCE:** Warehouse managers, safety managers, and operations personnel with risk responsibility  
**FOCUS:** Best practices and strategies to minimize on-the-job risks and improve the bottom line; assessing the strengths and weaknesses of your company's protocols; HR trends and challenges; creating a culture of safety; OSHA updates

**SEPT 16-18** Long Beach, Calif.  
Intermodal Association of North America  
**Intermodal Expo 2018**  
intermodalexpo.com

**AUDIENCE:** Intermodal freight stakeholders  
**FOCUS:** The future of intermodal terminals; dealing with tight trucking capacity; intermodal network capacity in the face of unpredictable demand; what brokerage means for intermodal; the intermodal implications of next-gen smart equipment

**SEPT 24-26** Chicago, Ill.  
PARCEL

#### PARCEL Forum 18

parcelforum.com

**AUDIENCE:** Supply chain professionals  
**FOCUS:** Evaluating distribution center efficiencies; the labor market and its impact on DC site selection; how e-commerce companies can succeed in fulfillment; parcel optimization for small- and mid-sized companies; effective analytics for controlling your spend

**SEPT 24-27** Philadelphia, Pa.  
International Quality & Productivity Center  
**Cold Chain Global Forum 2018**  
coldchainglobalforum.com

**AUDIENCE:** Cold chain professionals  
**FOCUS:** Adapting cold chain processes and increasing collaboration to satisfy new user and regulatory requirements; building an agile and flexible supply chain that can harness customer data while minimizing risk; creating supply chain synergy across the global marketplace

**SEPT 30 - OCT 2** Chicago, Ill.  
American Production and Inventory Control Society

#### APICS 2018

apics.org/annual-conference

**AUDIENCE:** Supply chain, operations, and logistics management professionals  
**FOCUS:** Best practices to drive supply chain innovation; key strategies to create more sustainable, strategic, and value-driven supply chains; optimization in complex manufacturing operations; how customer demands are reshaping last-mile delivery; top supply chain sourcing trends in 2018 and beyond

**OCT 22-24** Nashville, Tenn.  
Worldwide Business Research  
**Consumer Returns**  
consumerreturns.wbresearch.com

**AUDIENCE:** Reverse logistics and returns management professionals  
**FOCUS:** Return reduction strategies and optimizing the reverse supply chain; partnering pre-sale to reduce returns; tackling the omnichannel retailing challenge; managing online purchases and returns through the physical store

**NOV 6-7** Princeton, N.J.  
Worldwide Business Research  
**LogiChem 2018**  
logichemus.wbresearch.com

**AUDIENCE:** Supply chain, logistics, and transportation management executives in the chemical manufacturing sector  
**FOCUS:** Chemical industry trends; chemical logistics, transportation, and distribution challenges; accelerating the digitalization of the chemical supply chain; how to optimize planning, forecasting, and risk mitigation strategies

### SEMINARS & WORKSHOPS

**NOV 15-16** Cambridge, Mass.  
MIT Sloan Executive Education  
**Supply Chain Strategy and Management**  
bit.ly/MITsupplychainstrategy

**AUDIENCE:** Logistics and supply chain professionals  
**FOCUS:** The next big trend in supply chain strategy and the key skills required to be successful; guidelines for making strategic sourcing and make-buy decisions; integrating e-business thinking into supply chain strategy and management

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# BACK-TO-SCHOOL ~~SUPPLIES~~ SUPPLY CHAIN

The second-busiest shopping season (after the holidays) gets ports bustling, retailers scrambling, and consumers wallet-busting.

**36 HOURS**

Length of Amazon Prime Day in 2018, which took place on July 16-17, up from 30 hours in 2017

**91%**

of those shopping on Prime Day indicated they were going to do some back-to-school shopping

**89%**

Percent of retailers who say they believe there is more competition for the attention of back-to-school shoppers than ever before

**2018**

back-to-school spending is expected to be one of the three highest years on record

**\$82.8 BILLION**

Total spending on school shopping by school- and college-age families in 2018, nearly as high as last year's \$83.6 billion

**\$55.3 BILLION**

Total spending on back-to-college shopping by families and college and graduate students purchasing for themselves. That's an all-time high, up from 2017's previous record of \$54.1 billion

**ONLINE RETAILERS ACCOUNT FOR A GROWING SHARE OF BACK-TO-SCHOOL/COLLEGE SHOPPING**

**55%** of back-to-school consumers will shop online

**49%** of back-to-college consumers will shop online

Amazon launched new Back-to-School and Off-to-College online stores. A new option lets



teens ages 13 through 17 shop on their own, with parents setting spending limits or approving purchases.

Walmart kicked off a 3D shopping feature and a "buy the room" option, curating nine rooms with different style accessories, to make it easier for dorm-room accessory buyers.



**1.88 MILLION TEUs**

Estimated cargo volume at major U.S. ports in July, up 4.4 percent year-over-year, as retailers stock shelves with back-to-school imported products

Families with children in elementary through high school plan to spend an average

**\$684.79**

That breaks down to:

**\$236.90**  
ON APPAREL

**\$187.10**  
ON ELECTRONICS  
such as computers, calculators, or phones

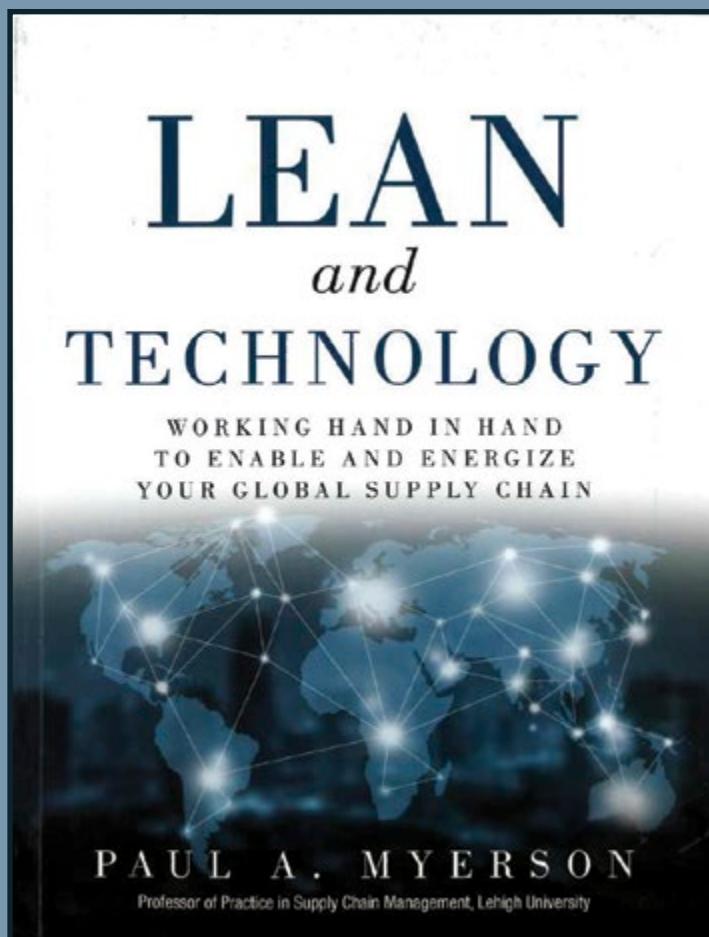
**\$138.66**  
ON SHOES

**\$122.13**  
ON SUPPLIES  
such as notebooks, pencils, backpacks, and lunchboxes

Sources: National Retail Federation and Prosper Insights and Analytics annual survey; monthly Global Port Tracker report released by the National Retail Federation and Hackett Associates; RetailMeNot survey

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