Fifty Years Leading the Industry

JUNE 2011

Peerless MEDIA, LLC

Logistics MANAGEMENT®

WWW.LOGISTICSMGMT.COM

2011 BEST PRACTICES AWARD

ParknPool takes control of costs

Page 22

Corralling air cargo carriers 26

2011 ERP users survey 32

Lift truck maintenance 37

Jason O'Mahony, logistics and operation manager, ParknPool

TOP 50 3PLS SPECIAL REPORT

Getting the balance right

42S

FREE Industry Resources

Logistics MANAGEMENT®

Stay connected between issues.

Peerless® MEDIA, LLC
P.O. Box 1496 • Framingham, MA 01701

If it were easy, everyone would do it.

"No carrier is perfect – but they should be accountable. That's why I use Saia. When Jeff and I review my **Customer Service Indicators**® each month he addresses any issue up front. He explains how it was resolved and we discuss areas for improvements on both sides. I like knowing he's not here to sell me… he doesn't have to."

John Greason
Logistics Manager, Houston, TX

Saia's **Customer Service Indicators** – Six key metrics that help improve the quality of our service to you, month after month.

Jeff Davidson
Saia Account Representative,
Houston, TX

"Saia's **Customer Service Indicators** are powerful tools. They're for shippers who are serious about creating a productive partnership with their carrier. If I'm not using them to help improve John's shipping efficiency, I'm not helping either of us."

Now with our newest measurement – Exception-free Deliveries – we're taking the most comprehensive commitment in the industry a step further.

1.800.765.7242 • www.saia.com

Customer Service Indicators

On-time Pick-up • On-time Delivery • Exception-free Delivery • Claims-free Service • Invoicing Accuracy • Claims Settled within 30 Days

Management UPDATE

AN EXECUTIVE SUMMARY OF INDUSTRY NEWS

Decline in FTR index reflects challenging times for shippers. A recent release of the Shippers' Condition Index (SCI) from FTR Associates reported that the current SCI reading of -11.4 reflects tightening capacity and accelerating transport costs in the form of increasing rates and diesel prices. The firm bases the SCI on "all market influences that affect shippers," with a reading of zero reflecting a solid environment and anything below zero an unfavorable environment. Among the elements representing an unfavorable environment for shippers are tight capacity along with base rates for major modes—and their respective fuel surcharges—on the rise. FTR maintains base rates are expected to continue to increase. "This is the worst SCI reading of this cycle," said Larry Gross, FTR senior consultant. "We are anticipating that going forward over a period of time that it's going to stabilize…at a negative level. It is some comfort to the shipper, but we are not anticipating any improvement."

The Pickens Plan. In a wide-ranging keynote address at the recent Transplace Shipper Symposium in Dallas, T. Boone Pickens, founder and chairman of BP Capital Management, stated that with gas and oil prices back up, America's dependence on foreign oil needs to be eliminated for the greater good of the country. By using natural gas as a transportation fuel and for power generation—the cornerstone of the Pickens Plan—the nation can replace more than one-third of U.S. foreign oil imports in 10 years. He added that the U.S. imports oil from OPEC at a cost of roughly $1 billion per day, and global OPEC revenues from oil purchases this year will be $1 trillion. And of that $1 trillion annual tally, the U.S. is on the hook for 25 percent of that bill on a daily basis. According to Pickens, if the 8 million Class 8 vehicles on the road today in the U.S. switched from diesel to natural gas it would represent a reduction of 2.5 million barrels in imported oil per day.

NITL does not like going slow. Responding to a request for comments from the Federal Maritime Commission on the effect of slow steaming on U.S. ocean liner commerce, most shippers found little or no rate or service benefit. "This was particularly true on the transpacific, where carriers engage in a collective assessment of the rate structure," said Peter Gatti, executive vice president of the National Industrial Transportation League (NITL). "We, of course, agree that there are environmental advantages to slow steaming, but shippers were also counting on a pricing break from the carriers comprising the Transpacific Stabliization Agreement and that hasn't happened." Indeed, added Gatti, one non-conference carrier operating a dedicated shuttle from Shanghai to Long Beach has been operating at normal knot-speed and delivering goods at a competitive price point. "So from a money-saving perspective, slow steaming's advantages are negligible," added Gatti.

The price is not right. The European Commission's investigation of ocean carrier antitrust rules ramped up to a new level in May, as Asian players were also targeted by regulators. "In the old days of conference pricing, this kind of behavior was called 'independent action,'" said Dirk Visser, managing director of the Dutch consultancy Dynamar. "But the government is now becoming much more vigilant where this is concerned." Indeed, the Commission reported that when antitrust officials raided European headquarters, Asian carriers were among the others targeted for investigation. Neptune Orient Lines, OOCL, Evergreen Marine, and Hanjin Shipping are said to be complying with the price-fixing probe. Earlier in the month, EU regulators began searching through the files kept by Maersk, CMA-CGM, and Hapag-Lloyd.

ATA says bright future ahead for trucking. In the recently-released U.S. Freight Transportation Forecast to 2022 by the American Trucking Associations (ATA), IHS Global Insight, and Martin Labbe Associates, the trucking sector's total share of the freight transportation market is expected to bump up to 70 percent by 2022—and its share of freight revenue will rise to 81.4 percent from 81.2 percent. The report adds that

continued, page 2 >>

Management UPDATE

continued

trucking comprised 81 percent of revenue and 67 percent of all tonnage in 2010. It also explains that total freight tonnage is expected to grow by 24 percent in 2022 and revenue for the entire freight transportation sector is expected to rise by 66 percent during the same timeframe.

■ **Seasonal global trade growth pattern in effect.** A seasonal economic growth pattern appears to be shaping up based on the most recent set of data from Panjiva, an online search engine with detailed information on global suppliers and manufacturers. Coming off of a 4 percent gain in U.S.-bound waterborne shipments from January to February, shipments from March to April saw a 7 percent bump with 959,364 shipments, said Panjiva. And the number of global manufacturers shipping to the U.S.—at 139,337—was up 6 percent. Panjiva CEO Josh Green told *LM* that this data is solid and that the hope with these numbers is that global trade is picking up steam. But he cautioned that a few more months of positive data is needed, as there are still clouds on the horizon in the form of a declining Euro, the U.S. reaching its debt ceiling, and consumer spending patterns, which if negative, will have a negative impact on global trade.

■ **Power to the pilots.** While union dockworkers and truckers have long been criticized for making U.S. West Coast ports weaker, another faction of organized labor may pose an even greater threat to the competitiveness of one major ocean cargo gateway. Last month, the California State Board of Pilot Commissioners voted to recommend an increase in the rates and surcharges paid to the pilots who guide cargo ships in and out of the San Francisco Bay. If enacted, shipping through the Port of Oakland will suddenly become more costly. This action by the Board will be forwarded to the state Legislature, which must approve the increases before they become effective.

■ **Softening expectations.** Results from the International Air Transport Association's (IATA) quarterly survey conducted in April point to a significant deterioration in sentiment on the outlook for industry profitability in 2011. The bulk of respondents now expect the level of profitability to fall this year, driven largely by a significant increase in fuel costs. The extent of improvement in reported profitability also moderated during the first quarter of 2011. While 55 percent of respondents reported improved profitability during Q1 2011, almost a third reported poorer results. In March, IATA revised down its forecast for 2011 industry profits to $8.6 billion, a fall of almost half from the estimated $16 billion profits achieved in 2010.

■ **Flatter import volumes around the corner.** Import cargo volume at U.S.-based container ports were forecasted to level off in May through mid-summer, following nearly 18 months of annual gains, with gains resuming thereafter, according to the most recent Port Tracker report by the National Retail Federation and Hackett & Associates. Port Tracker is calling for first half of 2011 volumes to be up 7.1 percent, slightly below its previous 7.4 prediction for the same timeframe and up 4 percent annually. With a projected 0.6 percent annual decline, the report said May would be the first down month annually since November 2009.

■ **TMS market is on the (post-recession) mend.** The market for transportation management systems (TMS) appears to be heating up again, according to data released last month by ARC Advisory Group. The firm said that the TMS market has "bounced back" after the global recession, growing faster than the rate of inflation in 2010, with significant growth forecasted through 2015. Company officials declined to provide specifics on the rate of forecasted growth. ARC Service Director for Supply Chain Management Steve Banker said that TMS multi-tenant solutions that leverage the network remain a key growth driver for the TMS market, explaining that the primary advantages of multi-tenant networking solutions are that the data cleansing issues largely disappear. Banker noted that the three sectors that are leveraging TMS more so than others are third-party logistics (3PL), carriers, and retail.

SafeStack.™ Only from Con-way Freight.
We just gave your freight a complimentary travel upgrade.

With SafeStack, your shipments receive first class treatment all the way. It begins when our SafeStack experts carefully load your freight using the reinforced, heavy-duty decking system permanently installed inside our trailers. Because at every turn, our SafeStack system secures and protects your freight while allowing us to get your shipment to its final destination faster and with less handling. It's just another example of how Con-way Freight works to give you damage-free, on-time and fast delivery service.

To upgrade the way your freight travels today,
visit **www.con-way.com/SafeStack** and learn more.

Con-way® FREIGHT

Wouldn't it be great if your favorite liner services company in the Caribbean Basin was also your logistics partner?

Absolutely – especially since you get Crowley's full suite of logistics capabilities delivered with the same personalized service and attention to detail as you do with our liner services. Get the significant efficiencies and cost effectiveness that come from working with a single-service provider who already knows and largely understands your business. Talk to Crowley about domestic trucking, warehousing, distribution, air freight shipping, freight forwarding, Customs house brokerage and FCL, LCL and breakbulk shipping. We'll design an efficient solution that's personalized and scaled to fit your needs. **Let's talk. We're ready to go. 1-800-CROWLEY or www.crowley.com/partner.**

Scan this QR code for more information on Crowley services.

www.crowley.com

CROWLEY®
People Who Know®

Liner Shipping • Worldwide Logistics • Petroleum & Chemical Transportation • Alaska Fuel Sales & Distribution • Energy Support • Project Management • Ship Assist & Escort • Ship Management • Ocean Towing & Transportation • Salvage & Emergency Response

VOL. 50, NO.6 **JUNE 2011**

Contents

LM EXCLUSIVE

2011 Best Practices Award
ParknPool's LTL cost plunge

Before developing its web-based carrier rating tool, this niche vendor of outdoor furniture was spending 17 percent of its sales on transportation. This year, those costs are going to be about 5 percent of sales—a turnaround that earned the company our 2011 Best Practices Award. **22**

Jason O'Mahony, logistics and operations manager, ParknPool

Jared Soares/Getty Images

Logistics MANAGEMENT®

TRANSPORTATION BEST PRACTICES

Corralling air cargo costs

26 Although the fluctuation of jet fuel surcharges and the supply/demand balance of air cargo capacity are elements that air shippers can't control, there are several steps they can take to better manage the related, volatile costs.

Air cargo 26

SUPPLY CHAIN & LOGISTICS TECHNOLOGY

Putting the spotlight on ERP

32 According to our latest software study, adoption rates and interest in ERP are high. But just how far have logistics professionals gone in putting their ERP to work to solve today's logistics and supply chain challenges?

Spotlight on ERP 32

WAREHOUSE & DC: FLEET MAINTENANCE

Lift truck maintenance: Long-term planning considered

37 Tired of throwing good money after bad, fleet managers are turning to training, technology, and dealer support to better understand when to replace, repair, or retire.

Fleet maintenance 37

Logistics Management® (ISSN 1540-3890) is published monthly by Peerless Media, LLC, a Division of EH Publishing, Inc., 111 Speen St, Ste 200, Framingham, MA 01701. Annual subscription rates for non-qualified subscribers: USA $119, Canada $159, Other International $249. Single copies are available for $20.00. Send all subscription inquiries to Logistics Management, 111 Speen Street, Suite 200, Framingham, MA 01701 USA. Periodicals postage paid at Framingham, MA and additional mailing offices. **POSTMASTER: Send address changes to: Logistics Management, PO Box 1496 Framingham MA 01701-1496.** Reproduction of this magazine in whole or part without written permission of the publisher is prohibited. All rights reserved. ©2011 Peerless Media, LLC.

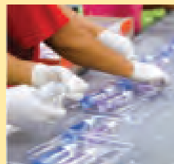
Worth Our Salt

When you want to streamline your supply chain,
we bring creative logistics solutions to the table.

When you're ready for fresh ideas for your supply chain, Saddle Creek can help. We'll leverage our extensive capabilities and expertise to design innovative, integrated logistics solutions that fit your business. The result? You can increase supply chain efficiency, streamline your business, and better manage costs. Now *that* is a good value.

888-878-1177 ■ www.saddlecrk.com

**Integrated Logistics Solutions,
One Provider—*Nationwide***



Warehousing ■ Transportation ■ Contract Packaging ■ Fulfillment

departments

1 Management update
9 Viewpoint
10 Price trends
13 News & analysis
16 Moore on pricing
18 Pearson on excellence
20 Andreoli on oil & fuel
72 Sage advice

Get your daily news fix at logisticsmgmt.com

SPECIAL REPORT

Top 50 3PLs:

Getting the balance right

According to all reports, the third-party logistics industry is surging again, but experts agree that growth will reach a plateau in the coming years due to a number of looming economic uncertainties. Here's an overview of how the market is currently shaping up. **42S**

Serving emerging markets: A survival guide

Since building warehouses and internal fleets from scratch is unrealistic, companies looking to reach new markets will need third-party logistics partners—more than likely, multiple partners. Two guest analysts share three maxims and six tips to help meet these often complicated, global logistics demands. **56S**

Samaritan's Feet: The trials & triumphs of a global non-profit

Moving athletic footwear to some of the most remote corners of the globe is a daunting supply chain challenge. But the humanitarian aid organization Samaritan's Feet has persevered and is working steadily toward its goal of delivering 10 million pairs of shoes to 10 million people in 10 years. The lessons SF has learned along are instructive for any supply chain professional. **62S**

VIRTUAL CONFERENCE

Winning in the global arena

Logistics Management and *Supply Chain Management Review* are joining forces on this virtual conference designed to help companies succeed in the global marketplace. We have put together a great series of educational sessions and speakers to address critical topics like how to work more effectively with your global 3PL providers and how to accurately track shipments through the supply chain. Our expert panelists will also provide practical tips on meeting trade compliance regulations in a timely and cost-efficient manner. They will also discuss innovative approaches to supply chain financing.

"Winning in the global arena" will feature a keynote presentation on managing global supply chain risk. In addition, attendees can visit our "virtual booths" to obtain valuable information on supply chain products and services.

Date: June 29, 11:00 a.m to 4:00 p.m. ET

Register: www.supplychainvirtualevents.com

VIRTUAL CONFERENCE

CSA 2010 Virtual Roundtable: Untangling the Beast

Save this date:
Thursday, June 16, 2011
2:00p.m. ET

Hosted by Michael Levans, Group Editorial Director

www.logisticsmgmt.com/CSA2010

CRST INTERNATIONAL | CRST DEDICATED SERVICES | CRST EXPEDITED | CRST MALONE | CRST LOGISTICS
CRST
CRST EXPEDITED
53'
YOU CAN SEE OUR STRENGTH AT EVERY TURN.
Exceeding customer expectations takes more than new equipment on a highway. It takes a reliable and financially strong company like CRST International, Inc. Being privately owned and debt free, we can make decisions faster … and focus on providing the best transportation solutions for our customers. We work hard to have the necessary employees and equipment available and ready where and when you need them. It's why more and more companies trust CRST. Led by our highly skilled and experienced management team, our customers know we'll deliver on their expectations. www.crst.com
David L. Rusch
President and
Chief Executive Officer
CRST International, Inc.
John M. Smith
Chairman of the Board
CRST International, Inc.
CRST—THE TRANSPORTATION SOLUTION

Logistics MANAGEMENT®

EDITORIAL STAFF

Michael A. Levans
Group Editorial Director

Francis J. Quinn
Editorial Advisor

Patrick Burnson
Executive Editor

Sarah E. Petrie
Managing Editor

Jeff Berman
Group News Editor

John Kerr
Contributing Editor, Global Logistics

Bridget McCrea
Contributing Editor, Technology

Maida Napolitano
Contributing Editor, Warehousing & DC

John D. Schulz
Contributing Editor, Transportation

Mike Roach
Creative Director

Wendy DelCampo
Art Director

COLUMNISTS

Elizabeth Baatz
Price Trends

Mark Pearson
Excellence

Peter Moore
Pricing

John A. Gentle
Wayne Bourne
Sage Advice

PEERLESS MEDIA, LLC
A Division of EH Publishing, Inc.

Kenneth Moyes
President and CEO
EH Publishing, Inc.

Brian Ceraolo
Publisher and Executive
Vice President

EDITORIAL OFFICE
111 Speen Street, Suite 200
Framingham, MA 01701-2000
Phone: 1-800-375-8015

MAGAZINE SUBSCRIPTIONS
Start, renew or update your magazine subscription at www.logisticsmgmt.com/subscribe.
Contact customer service at:
Web: www.logisticsmgmt.com/subscribe
Email: logisticsmgmtsubs@ehpub.com
Phone: 1-800-315-1578
Mail: Peerless Media
P.O. Box 1496
Framingham, MA 01701

ENEWSLETTER SUBSCRIPTIONS
Sign up or manage your FREE eNewsletter subscriptions at www.logisticsmgmt.com/enewsletters.

REPRINTS
For information about reprints, visit us at www.logisticsmgmt.com/info/reprints.

Peerless® MEDIA, LLC

VIEWPOINT

Being there and here

One of the most common concerns we've heard from logistics professionals over the past few years is that they can't get away from their offices to attend educational events like they used to due to the rigors of "doing more with less."

Considering the economic conditions of the time and the weight of the new responsibilities most shippers have shouldered, there's little wonder that attendance at live events suffered over the past couple years. During that time, shippers needed to squeeze the most out of every moment, and that quick trip to a local transportation conference or even a few days at a larger event just a plane ride away had to be scratched.

Over the past few months, however, it appears that many logistics professionals are beginning to put the "live event" back into their personal development strategy. In fact, I just returned from Transport Logistic 2011, by far the world's largest logistics and transportation trade show held in Munich, Germany, every other year.

As I made my way around the massive halls visiting European-based carriers and 3PLs, I found it sometimes nearly impossible to make my way down the congested aisles. As the event unfolded over the four days, more than 51,000 attendees (up 7 percent from the previous show in 2009) from 134 countries filled the halls and conference rooms.

From the moment the event opened, the congestion made it readily apparent that a huge base of European shippers had dusted off their suitcases and made the effort to be there. The air cargo conference sessions I attended were standing room only, and any open discussion around improving Customs clearance times into the U.S. ran over the scheduled time.

And we're getting similar reports about events held here in the U.S. as well. Group News Editor Jeff Berman and Executive Editor Patrick Burnson recently ran panel discussions at two conferences where attendance was up, the level was questioning was intense, and the mood was generally positive.

And while I've been an advocate for "being there" in person, I'm sure that many shippers are feeling as if they're still tethered to their desks—and will be for the foreseeable future. The grim reality remains that when we get good at doing more with less that amplified pace becomes the new reality, keeping many inside a pressure cooker indefinitely.

To these shippers who are itching to get back on the road I say: Take heart. The way to fill your educational void is to achieve a fine balance of what's readily available to you—in print and online. Reading this issue of *LM* is a great start, but if you're looking for that conference session experience you've been lacking, then we have a couple online events happening this month that will work for you.

On June 16, I'll be hosting *CSA 2010: Untangling the beast*, a panel discussion of top transportation analysts that offers shippers and private-fleet operators the ultimate field guide for understanding and managing the complexities surrounding the implementation of CSA 2010, the biggest regulatory change to hit trucking since deregulation. Go to **logisticsmgmt.com/CSA2010** to register.

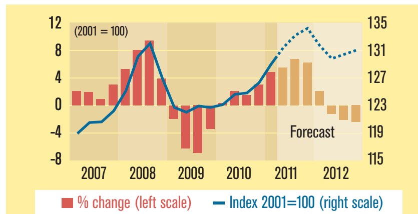
And on June 29, we'll be rolling out *Winning in the Global Arena*, a virtual conference designed to help shippers succeed in the global marketplace. Our edit team has put together a series of educational sessions and speakers to address critical topics like how to work more effectively with your global 3PL providers and how to accurately track shipments through the supply chain. Go to **supplychainvirtualevents.com** to find out more.

Looking to fill that education void: The answer is literally at your fingertips.

Michael A. Levans, Group Editorial Director

Comments? E-mail me at mlevans@ehpub.com

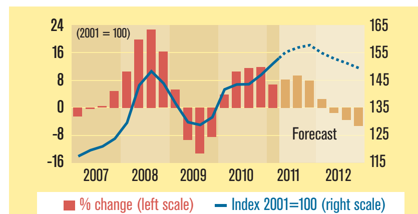
Pricing Across the Transportation Modes



% CHANGE VS.:	1 month ago	6 mos. ago	1 yr. ago
General freight - local	0.0	3.1	2.7
Truckload	1.0	5.7	7.7
Less-than-truckload	-0.4	6.6	7.2
Tanker & other specialized freight	0.0	4.6	5.1

TRUCKING

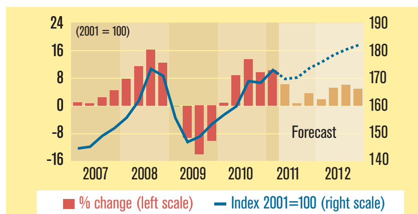
The costs to run a typical trucking business continue to outrace the prices charged to customers. Even worse, the gap between cost and price escalation has been growing wider. From March 2009 to March 2011, average transaction prices in the U.S. trucking industry increased 8.3%, according to U.S. Labor Department's monthly survey of carriers. At the same time, costs to run a trucking company jumped 18.1%. The culprit: fuel costs soared 139.6% since March 2009. Alas, the industry's wages and salaries also escalated at a 4.3% rate for management and 6.9% for drivers and other non-management employees. Our price forecast for the trucking industry still stands at 5.8% for 2011.



% CHANGE VS.:	1 month ago	6 mos. ago	1 yr. ago
Scheduled air freight	2.2	8.7	11.0
Chartered air freight & passenger	9.2	5.9	15.4
Domestic air courier	2.3	13.0	14.1
International air courier	0.6	13.1	16.2

AIR

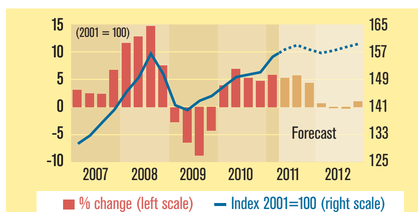
With jet fuel costs still red hot, U.S. airline industry prices have been struggling to keep pace with underlying cost escalation. From March 2009 to March 2011, average airline industry prices escalated at an 18.1% rate as the total costs to run airliners increased at a 23.5% pace. Keeping the lid on labor costs is one way the airline industry has outclassed trucking. Total compensation costs (wages, salaries, and benefits for all employees) increased only 1.6% with worker wages actually declining by 0.3% between March 2009 and March 2011. After rising 9.3% in 2010, prices for flying cargo on scheduled U.S.-owned flights are still on target to fly up 8% in 2011.



% CHANGE VS.:	1 month ago	6 mos. ago	1 yr. ago
Deep-sea freight	0.7	5.0	12.0
Coastal & intercoastal freight	0.1	3.2	11.9
Grt. Lks.-St. Lawrence Seaway	-1.2	9.1	11.1
Inland water freight	-0.2	3.2	14.1

WATER

Drewry Shipping Consultants report ocean bulk shipping rates decreased 15.3% in April, but U.S.-owned waterborne carriers are not reporting any such significant price cuts. Indeed, the U.S. Labor Department says average prices for all water transportation services continue to increase steadily compared to a year-ago, up 10.3% in the first quarter of 2011 and again up 11.5% in April. Following an 8.1% price hike in 2010, we forecast the U.S. water transportation price index to increase by 5.1% in 2011 and 4.4% in 2012. Some of those price increases make up for the sharp deflation that took place in 2009. By next year, inflation trends in U.S. waterways will be back on autopilot.



% CHANGE VS.:	1 month ago	6 mos. ago	1 yr. ago
Rail freight	1.4	6.7	8.5
Intermodal	2.2	10.2	11.8
Carload	1.3	6.4	8.2

RAIL

Transaction prices reported by rail operators increased again in April with monthly price hikes of 2.2% for intermodal and 1.3% for carload. Despite higher fuel costs, an inflation-induced profit crash isn't likely to endanger the rail transportation sector. Labor Department surveys show average rail transport prices grew 13.3% from March 2009 to March 2001. At the same time, the rail industry's total costs grew at a somewhat slower 12.8% pace, according to the ALERTdata supply chain intelligence cost model. Our forecast for a 5.3% price increase in overall rail prices in 2011 remains unchanged from last month.

Source: Elizabeth Baatz, Thinking Cap Solutions. E-mail: ebaatz@alertdata.com

TurnKey® Delivery Solutions

Want to promote customer satisfaction and enhance brand equity? This all-inclusive solution includes end-to-end logistical support and consistent and dependable customized service from highly trained professionals.

Ready to take control?

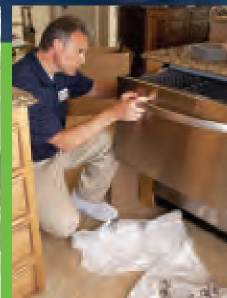
Take Control With White Glove Delivery.

Appointments are made by a polite and professional staff trained to be familiar with your product line and the service expectations of your customers.

- 10,000 employees across 275 service centers
- Service to all of North America
- Dedicated customer service
- Product specific training
- Light assembly and trash removal
- Follow-up satisfaction survey

Are you ready to take control? 888-742-0885 abf.com

Take Control.℠



Only pay for the speed you need...

Dynamic Routing![SM]

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

www.lynden.com

1-888-596-3361

The Lynden Family of Companies

Innovative Transportation Solutions

inside

- Freight interests gear up for 'combat service' on Capitol Hill rush to fund transportation bill
- Report cites strong economic output through rest of 2011

NEWS & ANALYSIS

Fuel forces shippers to adjust budgets to cover increasing costs

New Logistics Management *survey shows nearly 40 percent of shippers plan to increase budgets by 6 percent to 10 percent in light of volatile oil and diesel costs.*

By **Jeff Berman,** Group News Editor

FRAMINGHAM, Mass.—Even with oil prices and the price per gallon of diesel fuel mildly moderating in recent weeks, the days of $4 per gallon diesel and $100 per barrel oil appear to be the norm once again.

And while the current situation may not be as dire as it was during the summer of 2008, when prices hit nearly $5 per gallon and $150 per barrel, shippers are bracing for prolonged pain at the pump, according to the results of a recent *Logistics Management (LM)* reader survey of roughly 250 logistics, supply chain, and transportation management executives.

According to our findings, 25 percent of respondents said that their average fuel surcharges were more than 20 percent above base rates, and another 19 percent say average fuel surcharges were 11 percent to 15 percent above base rates. Another 18 percent reported that average fuel surcharges were in the 16 percent to 20 percent range above base rates, while 16 percent of respondents reported that their sitting at 6 percent to 10 percent above.

With diesel in the $4 per-gallon range on a consistent basis going back to early March—according to data from the Department of Energy's Energy Information Administration (EIA)—the *LM* survey's results found that it's indeed forcing shippers to increase their transportation budgets to varying degrees to cover fuel costs.

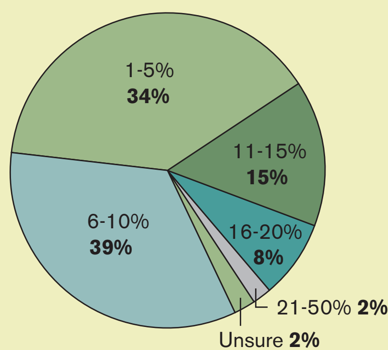
In fact, 39 percent plan to increase their budgets by 6 percent to 10 percent, and 34 percent are looking at a 1 percent to 5 percent hike. Another 15 percent indicated that budgets should rise 11 percent to 15 percent, with 8 percent pointing to a 16 percent to 20 percent gain. Two percent mentioned they're looking at a 21 percent to 50 percent mark-up.

Even through shippers want to adjust budgets in order to offset the increased cost of fuel, it's not always an easy thing to manage.

"In 2008, when fuel prices went up, they then shot right back down," said Eric Morley, director of transportation operations at Best Buy. "It was such a small blip that by the time anybody really reacted to do anything different, it was over. The current rise in fuel costs is slower and more sustained, and everybody is looking at it a little bit differently."

And with these steady gains, the focus from a supply chain management perspective is more on utilization and efficiency by doing things like driving empty miles out of transportation networks, according to Morley.

How much do you plan to increase your transportation budget to cover fuel costs?
(% of respondents)



Source: Peerless Media Reseach Group

However, managing supply chain efficiency in light of higher energy prices is not something that ever truly goes out of style. And based on the EIA's Short-Term Energy Outlook, the forecast is unlikely to change any time soon.

According to the EIA, the average price per barrel for oil will be $102.67 in 2011 and increase 4.2 percent in 2012 to $107.00. As for diesel, the EIA stated the average price per gallon in 2011 of $3.89 will increase 0.8 percent to $3.93 in 2012.

As fuel certainly has the potential to negatively affect shipper budgets, there is clearly concern for carriers, too, even though they're able to pass along the increased costs in the form of higher fuel surcharges.

Derek Leathers, president and

chief operating officer of Werner Enterprises, told *LM* that compared to 2008's run-up, what's happening now is more in front of carriers than it was back then.

"The underlying supply is still there," said Leathers. "You look at reserves here in the U.S, and there does not seem to be a supply-related reason for fuel to be as expensive as it is today. Given that, prices never seem to go down during the summer driving season, so we are not looking for any relief in the summer. But I do feel as though it is probably at a fairly high mark relative to the underlying supply and demand."

Mike Regan, CEO and chairman of the board of freight audit and payment provider TranzAct Technologies, explained that with the rapid rise in the price of diesel, and the reality that carriers are asking for and getting higher rates, many shippers are finding that there are some "unfavorable variances" in their transportation budgets.

"Shippers who budgeted for a 3 percent to 5 percent increase in transportation costs are discovering that their transportation budgets are off," said Regan. "That's why we are strongly recommending that shippers review and revise their transportation budgets to reflect increases of as much as 10 percent to 12 percent. When you look at the increase in the price of diesel and the carrier rate increases that are occurring, it's obvious that for most shippers that 3 percent to 5 percent increases are unrealistic." □

GOVERNMENT

Freight interests gear up for 'combat service' on Capitol Hill rush to fund transportation bill

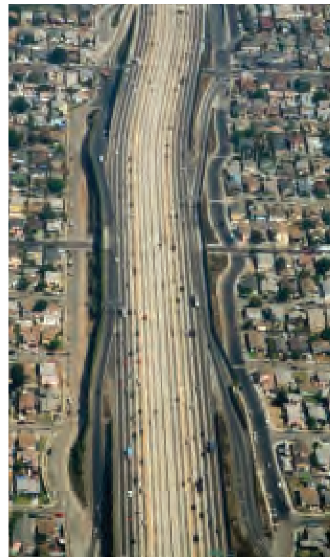
WASHINGTON, D.C.—Freight movement needs a coordinated national strategic plan and a dedicated source of funds in the next surface transportation bill—and major industry players need to be aggressive in selling that message to legislators obsessed with cutting federal transportation spending.

That's the word from the annual conference of Coalition for America's Gateways and Trade Corridors (CAGTC), a 10-year-old Washington coalition of freight interests that includes shippers, builders, ports, intermodal interests, and other stakeholders.

Leslie Blakey, CAGTC's executive director, said her group is still pushing for a "dedicated" freight fund within the upcoming transportation bill to help pay for critical freight multimodal projects of national importance to the freight sector.

A dedicated source for infrastructure funding would help freight projects compete for funding on their merit and would eliminate freight's perennial fight for money that's often diverted to non-highway interests such as bicycle paths, museums, and other uses.

"There are so many critical freight transportation needs for our nation and for our system," Blakey said, adding that the general public does not appreciate freight's importance to their quality of life and economic growth. "I think some people think that when they buy a new TV from a big box store that the store gets refilled by some giant vending machine," said Blakey with a grin. "Very few people associate congestion on the roads and railroads with all the goods they buy inexpensively."



CAGTC Chairman Mort Downey, former deputy Transportation Secretary under President Clinton and veteran Washington transport hand with 53 years of government and industry experience, said he was confident freight interests would get their word out. The group's members met with more than 50 members of Congress during their annual spring meeting.

"This is combat service," Downey quipped of CAGTC's members' recent fly-in on Congress. The next transportation bill could result in a per-year reduction for money spent on freight goods movement unless Congress hears freight's argument.

"We have to make the case that federal interest is freight interest," Downey said. "So many people are worried about jobs and exports. If we want to export anything, we have to have ports and connections. We need more transportation capacity if we are to achieve greater exports."

Downey added that freight interests must be ready to explain how growth of freight movement can improve the nation's economic well-being.

JayEtta Hecker of the Bipartisan Policy Center, a Washington think tank formed by former senators Tom Daschle and Bob Dole, has produced a transportation freight policy program that emphasizes a national freight plan. That report, due out in June, will propose specific reforms scaled to existing revenue. The plan emphasizes economic growth, environmental sustainability, and safety as core national interests for freight transportation.

"We have to align resources with goals," Hecker said. "It's time to face up to the political and economic realities of the fiscal realities. There are no more smoke and mirrors. We have to live within our means."

Hecker's group is proposing a specific recommendation for a new consolidated and expanded freight transportation improvement program funded at about $2.3 billion annually. It's also recommending a plan that more than 80 percent of $40 billion be dedicated to core freight programs focusing on system preservation and metropolitan access.

Currently the nation's ground freight infrastructure needs are being funded by a series of stopgap funding measures at the same level as the $286 billion, five-year surface transportation authorization that expired on Sept. 30, 2009. The latest six-month extension of that law expires this Sept. 30.

—John D. Schulz, Contributing Editor

ECONOMY

Report cites strong economic output through rest of 2011

WASHINGTON, D.C.—With both the Institute for Supply Management's (ISM) Manufacturing Report on Business and Non-Manufacturing Report on Business showing strong growth for 23 and 17 months, respectively, it was not surprising that the ISM's Semiannual Economic Forecast points to continued economic growth throughout the rest of the year.

The report, which was released last month, is based on feedback from U.S.-based purchasing and supply executives.

For manufacturing side, the report said that manufacturing revenues are expected to increase 7.5 percent in 2011, with capital investment heading up 17.9 percent, and capacity utilization up 83.2 percent.

Other notable manufacturing metrics gleaned from the report included: prices are expected to increase 7.4 percent for all of 2011 and an expected 1.3 percent for the remainder of the year; production capacity is predicted to rise by 8.1 percent, and manufacturing employment is slated to rise 2.9 percent through 2011.

"The story continues with manufacturing in the form of continued growth and four months of 60-plus PMI [the index used by the ISM to measure the manufacturing sector; an index over 50 indicates growth is occurring]," said Norbert J. Ore, chair of the ISM Manufacturing Business Survey Committee, in an interview.

"This forecast solidifies how manufacturing is doing well and should continue to see significant growth for the balance of the year," added Ore. "I am not sure it will be as great as the growth we've seen in the first four months of the year, but that is a level that is very difficult to maintain."

Ore said the predicted 8.1 percent gain in production capacity indicates that manufacturers are willing to expand and do some things that are positive through productivity gains, with the operating rate moving from 72.8 percent in April 2010 to 83.2 percent today, which Ore described as a very large jump.

The ISM's 83.2 operating rate is equivalent to the Federal Government's 75 percent reading, said Ore. Other encouraging signs include projected increases in capital expenditures, which he said reflects confidence in the business sector and gains in overall growth through capital expenditures.

The primary negative aspect in the manufacturing sector is related to pricing pressure, according to Ore, as sellers have a lot of pricing power in tandem with high operating levels and sufficient demand.

On the non-manufacturing side, revenues are projected to increase 2.1 percent in 2011, with capital investment and capacity utilization pegged at 1.4 percent and 83.7 percent, respectively.

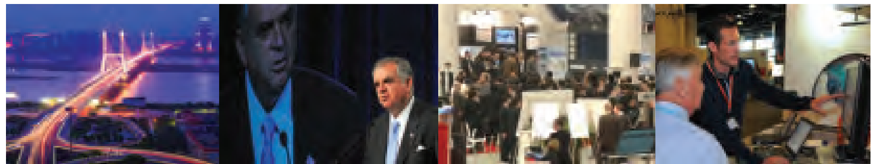
—Jeff Berman, Group News Editor

REGISTRATION OPEN!

Scan this code for a chance to win. For more information, visit www.itsworldcongress.org

OCTOBER 16-20, 2011

Orange County Convention Center
Orlando, Florida



EXPERIENCE HOW SMART TECHNOLOGIES ARE TRANSFORMING LOGISTICS AT THE LARGEST ITS EVENT IN THE WORLD!

Participate in the most comprehensive exhibition of transportation technologies, services and solutions

Hear from leading policymakers and innovators about ITS solutions that will revolutionize transportation

Make business connections with transportation professionals from the U.S. and across the globe

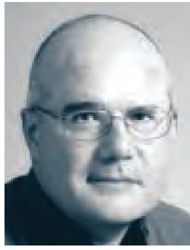
Choose from 250+ policy, technical and educational sessions and earn professional development credits

Catch a glimpse of what's possible at the Technology Showcase, the most interactive and innovative test site for advancing transportation technologies

Co-Hosted By:

PRICING

Moore on



Time to understand air freight

AIR FREIGHT PRICING, LIKE THE PRICING for other modes, is calculated based on distance, direction, cube, and weight. A significant difference between air freight and surface modes is "cost per unit of weight." When discussing highway, water, and rail we talk in terms of cost per ton or cost per hundred pounds, but in air freight we speak in terms of cost per kilogram.

Like other modes , fuel, labor, and equipment make up the majority of operator expenses. In air freight, however, fuel can represent one-half of the aircraft operating cost and is an expense that is largely outside of the operator's direct control. Indeed, this can make air-freight optimization seem a daunting task.

Perhaps more so than with some other modes, air freight operators have capacity constraints and regulatory barriers to entry that enable them to enjoy limited competition in certain geographies and thus enhance their ability to pass through expenses, such as fuel, aggressively. While it appears that there are lots of provider choices for the air shipper, the number of underlying carriers in the lanes you may want to use could be limited to one or two by treaty.

As shippers, we need to understand this complex market and our role in the carrier's attempts to optimize their flows and margins. We may be lucky and connect with someone with a need to fill some backhaul space; however, it's prudent to do some analysis before tendering freight into this dynamic market. Here are six areas in which to take action.

The first consideration for the shipper is time to destination. There may indeed be no alternative to air freight when we're given a very short window for delivery. In this situation, there has to be enough margin in the product sale to allow for the premium transport cost. Air freight is priced in tiers of time performance to provide a measure of flexibility for the shipper and the carrier in planning movements. Talk with your customer/supplier about lead times. In this case, time is money.

Another element to consider is improving your own organization's sales and operations planning. By taking this step, your firm can often add a day or two to the overall transit time and benefit dramatically by allowing the carrier more flexibility in scheduling your move. Adding a few more days lead-time allowance and intermodal (a ground/air combination) will reduce rates even further.

Many shippers are tendering small quantities and can take advantage of increased cargo density through the use of a consolidator who can assemble full pallets or containers from multiple shippers. Keep in mind that there are some big consolidation players that cover the spectrum of shipments, but there are also a number of smaller, niche players that understand special needs such as security and temperature monitoring. Like planning for any move, you need to do your research. Find a consolidator that is operating from your origin city and can provide leverage in your specific market.

Fuel can represent one-half of the aircraft operating cost and is an expense that is largely outside of the operator's direct control. Indeed this can make air-freight optimization seem a daunting task.

A fifth strategy is the use of a forwarder. These third-party providers are sometimes also consolidators but offer more services that focus on combining pickup, ground, and air services with customs clearance. Shippers who add up the prices of various services they need may well find that forwarders offer real value in a one-stop shopping experience.

But most importantly, you may want to work on your network modeling. Understand, in detail, how and why air freight fits into your supply and distribution value chain. With higher air transport costs coming your way, the cost of inventory nearer to customers that is supplied by surface modes may no longer be so onerous. In fact, the customers might feel relieved to have stocks nearby.

Given the recent upheavals in supply chains due to natural disasters, it may well be time for a fresh look at where you locate, how you move materials, and the role of air carrier in the modal mix. ☐

Peter Moore is a program faculty member at the University of Tennessee Center for Executive Education, adjunct professor at The University of South Carolina-Beaufort, and vice president of Celerant Consulting, a supply chain advisory firm. Peter can be reached at peter.moore@celerantconsulting.com.

It has ETDs and ETAs down to a T.

Sprint's mobile fleet management applications are the next best thing to driving the entire fleet yourself. With a long list of indispensable tools like GPS tracking, fuel-efficiency reports and wireless time cards, you'll be able to manage your fleet every step of the way. And you'll be able to make time-saving adjustments right there on the spot. Only on the Now Network.™

sprint.com/transportation 1-800-SPRINT-1 (1-800-777-4681)

The Now Network™

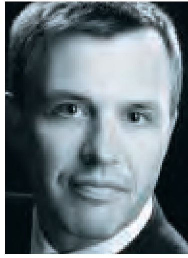
BlackBerry® Bold™ 9650 smartphone

*"Sprint showed the biggest improvement in customer experience across 14 industries."
–Forrester Research Report: Customer Experience Index 2010*

The Sprint 3G Network reaches over 271 million people. ©2011 Sprint. Sprint and the logo are trademarks of Sprint.

EXCELLENCE

Pearson on



Beefing up cargo security

MANY PARTS OF THE WORLD ARE DANGEROUS and unstable, which is why cargo security is—or should be—a growing concern for most international companies. However, threats such as terrorism, piracy, and political upheaval aren't the only good reasons to ramp up protection.

In fact, a stronger motivator could be the level of risk inherent in today's global business models. Consider, for example, that geographically extended supply chains invariably diminish control and visibility, which makes it difficult to resolve distant disruptions.

In a similar vein, just-in-time inventory and other supply chain optimization strategies may keep costs low, but they can worsen the consequences of a disruption. Or take innovative supplier relationship management programs: These may limit the number of suppliers a company uses but potentially increase the severity of a supply breach.

A two-part approach could help enhance cargo security. The first part—inspection and prevention—aims to reduce the likelihood of a disruption. The second—resiliency—seeks to minimize the impact of a disruption.

INSPECTION AND PREVENTION

Programs focused on inspection are often deployed in layers:

- **Screening** involves a review of information about a container's contents—including manifest or entry documentation. The review may be visual or automated, and seeks to determine the presence of mis-declared, restricted, or prohibited items, and assess the level of threat posed by such cargo.
- **Scanning** means using technology to examine the container's interior without opening it. This involves imaging equipment, radiation detection equipment, or both.
- **Searching** requires the most effort—an intrusive examination with containers opened and contents visually inspected.

Mark Pearson is the managing director of the Accenture's Supply Chain Management practice. He has worked in supply chain for more than 20 years and has extensive international experience, particularly in Europe, Asia, and Russia. Based in Munich, Mark can be reached at mark.h.pearson@accenture.com

Unfortunately, comprehensive inspections are seldom feasible for all cargo. In the U.S., 100 percent of truck, rail, and passenger plane cargo is screened before entering the country. Full ocean scanning has been postponed indefinitely, with the industry focusing instead on screening initiatives.

In the prevention realm, several technologies are available for protecting cargo in transit. One example is "doors-only seals"—mechanical barriers based on the traditional seal employed for years by shippers, carriers, and governments. One step up is "doors-plus seals." A doors-only seal becomes doors-plus when it provides more than just a mechanical barrier to entry. These seals are electronic and communicate seal integrity via RFID, cellular, or GPS technology. They also communicate container and shipment information to enhance in-transit visibility.

Smart containers are the most advanced option. Even the most basic smart container includes GPS and satellite communication capabilities that allow the shipper to track it. Some report activity each time their doors are opened or touched. They may also maintain oversight of the internal environment and report whether the box has deviated from its planned itinerary. Not surprisingly, these containers are quite expensive and returning them for reloading can be problematic.

RESILIENCE

In a recent article, Stephen Flynn, PhD, president of the Center for National Policy and a homeland security expert, noted that achieving resilience is often the result of a sustained commitment to four factors: robustness (the ability to keep operating no matter what the disruption); resourcefulness (skillfully managing a disruption once it occurs); rapid recovery (getting things back to normal as quickly as possible); and learning from experience and avoiding repetitive mistakes. Dr. Flynn also profiled a six-step resilience life cycle:

1. Accept the inevitability of some disruption at some point.
2. Identify and categorize risks to operations.
3. Emphasize situational awareness to detect threats and issue alerts.
4. Invest in measures that help you withstand foreseeable risks.

5. Be prepared to respond and recover.
6. Adapt by measuring performance and continually improving.

RISK VERSUS REWARD

The Manufacturing Institute at Stanford University recently identified a variety of benefits —beyond improved security—that manufacturers may derive from their cargo-protection investments.

These include lower inventory levels—the result of less theft, damage, and fraud. Many companies have also found that information about the location and condition of their goods was enhanced. In effect, better security resulted in more timely and accurate supply chain data.

Those companies also noted that automated product handling increased, culminating in higher levels of efficiency, increased process compliance and predictability, simplified processes, fewer process deviations, and shorter cycle times. Many companies were even able to reduce personnel.

The above-mentioned benefits may not offset a major investment in enhanced security. However, the biggest incentive ought to be motivation enough: the potentially huge financial ramifications associated with a security breach and subsequent supply chain disruption. In other words, companies have much to gain by enacting better protections, but they could have a lot more to lose if they don't. ☐

One key to better cargo security is collaboration across and among modalities

	Ocean	Air	Rail	Truck
Freight carriers	• Ocean carriers	• Cargo integrators	• Railroads	• Truckload
		• Passenger airlines		• Less than truckload
				• Drayage
Freight infrastructure Providers	• Ports	• Airports	• Railroads	• Government (roads)
	• Marine terminal operators	• Leasing companies	• Leasing companies	
	• Vessel charters			

"The Business of America is Business."
Calvin Coolidge

The Business of Alliance Shippers, Inc. is . . .
"To Manage Our Customers' Business."®

ALLIANCE shippers inc.

The Perfect Shipment®
Our Commitment To You.

For more information about all of our services, visit us at: **www.alliance.com**

® denotes a registered trademark of Alliance Shippers, Inc.

OIL+FUEL

Andreoli on

The fundamental problem with oil prices

IT HAS BEEN A TUMULTUOUS MONTH when it comes to oil and fuel markets. As of the writing of my last column, which was submitted on the April 15, WTI (the crude stream traded on the NYMEX) was at $109.66 per barrel, up 19.8 percent from $91.55 where it sat at the beginning of the year. Meanwhile, the spot price for Brent Blend, the benchmark crude stream traded on the European Intercontinental Exchange (ICE), had climbed 30.1 percent from $95.82 on January 3 to $124.63 by April 15.

My warning in the last column was that refiners' costs were better reflected in the price for Brent, and that supply chain and logistics professionals following the WTI price were going to get caught short as the refiner average acquisition cost had diverged from a historical average of $2 per barrel to $4 per barrel *below* the WTI spot price to $4 per barrel *above* the WTI spot price.

Since that column, the prices for a barrel of both WTI and Brent Blend have gone on a roller coaster ride. The spot price for Brent climbed as high as $126.64 by May 2 before falling by nearly 12 percent over the next three days alone. Meanwhile, the front month WTI futures price reached a peak of $113.93 on April 29 before falling by more than 16 percent to a low of $95.33 by May 12.

Of course, volatility is precisely what should be expected when oil markets are tight, as they have been since the onset of the recovery. Despite living up to expectations, however, the recent volatility has led some to conclude that the prices simply don't reflect the underlying fundamentals of supply and demand, but such a conclusion is not supported by sober analysis.

The majority of recent news regarding the supply side of the equation strongly indicates a further tightening of oil and fuel supplies. Rather than taking my word for it, I present below a review and brief interpretation of recent news on supply coming from the largest oil producing countries.

Russia and Saudi Arabia are the world's largest oil producers. They are also the world's largest oil exporters, and from the perspective of a net oil importer like the U.S., oil exports matter far more than oil production. On this front, there is a critical difference between Russia and Saudi Arabia. Russia has continued to increase oil exports each and every year. Oil exports from Saudi Arabia, on the other hand, peaked in 2005.

Another important difference is that Russia, like nearly every other oil producing nation, does not *claim* to have any surplus production capacity. By contrast, Saudi Arabia is one of *only* four nations to claim that they have the ability to increase production at a moment's notice. Saudi Arabia is, in fact, the only nation to claim significant surplus production capacity (3.15 million barrels per day), thus Saudi Arabia is the world's swing producer.

Russia has continued to increase oil exports each and every year. Oil exports from Saudi Arabia, on the other hand, peaked in 2005.

Of course Saudi claims of surplus production capacity are not backed by transparent and verifiable information, so market observers are left to interpret Saudi Arabia's actions in addition to their words. On this front, Saudi oil officials recently met with Halliburton to discuss plans to boost their oil rig count by roughly 30 percent—an action that suggests that Saudi Arabia is looking to increase surplus production capacity.

The fact that there exists a strong inverse relationship between the amount of surplus production capacity and oil prices leaves the market observer wondering why on earth Saudi Arabia would make such a large investment to increase production capacity if their claims of having more than 3 million barrels per day of surplus production capacity reflect reality. Do they think the price is too high, and look forward to earning less per barrel of exported oil? Obviously not.

Alternatively, could it be that they are worried that rising internal demand will quickly erode their production cushion unless they make a significant investment? This seems much more likely, but there is yet another plausible explanation. The Saudi claim of 12.5 million barrels of capacity in place may simply be an overstatement.

Perhaps their words will shed light on their actions. According to a Saudi oil official interviewed by *Reuters*, the investment in new drilling rigs "is not to expand

Derik Andreoli, Ph.D.c. is the Senior Analyst at Mercator International, LLC. He welcomes any comments or questions, and can be contacted at dandreoli@mercatorintl.com.

capacity. It's to sustain current capacity on new fields and old fields that have been bottled up." This news on its own should be troubling as it infers that the Kingdom is facing significant declines on currently producing fields.

Even more troubling is the recent statement by another senior Saudi oil official that the Kingdom "expects oil production to hold steady at an average of 8.7 million barrels per day to 2015." These statements made in regard to Saudi production call into question the Saudi willingness and ability to increase *exports*, which is tacitly understood to be the responsibility of the world's only pivot producer. Moreover, these statements should come as a warning. If the Kingdom holds production flat, exports will decline by the rate of growth of internal demand, and Saudi domestic consumption has been growing at just under 10 percent per year.

Turning to Russia, I am equally concerned by the news reported by Dmitri Zaks (Yahoo! News) that "Russia decided on Thursday [April 28] to halt premium petrol exports and switch the flow to the home market to fight shortages and a price rise that is coinciding with growing voter discontent." Apparently, fuel demand in Russia is climbing faster than the rate of supply, and exports are by default put into jeopardy, just as they are in Saudi Arabia and many other oil exporting nations.

But Russia is not alone when it comes to enacting export restrictions. The *Financial Times* reported on May 10 that "Beijing has put strong pressure on its state-owned oil companies to halt overseas sales of petrol." Then on May 13, the *Financial Times* reported that "Beijing has suspended exports of diesel fuel indefinitely to help meet domestic energy demand ahead of the peak summer season, prompting concerns about knock-on effects across Asia." In addition to battling inflation, China, like Russia, is facing fuel supply shortages.

When it comes to inflation, China is not alone. In an effort to battle inflation in Brazil, leaders there have called on state-owned oil producer, Petrobras, to lower fuel prices by 10 percent. Doing so would, of course, provide a perverse incentive to Brazilian consumers to increase consumption.

Even more importantly, lowering fuel prices would cause further problems for Brazil's unregulated and privately owned ethanol producers who are already suffering from skyrocketing input prices as they compete with food producers for sugarcane. Perhaps this is why Petrobras was also recently ordered to triple its share of the nation's ethanol production, and why there have been calls within the nation to begin regulating the sugar and ethanol industries.

Turning North to Venezuela we learn from the *Wall Street Journal* that, "the South American nation is swapping out its old system of royalties and will instead charge a higher levy of 80 percent or 90 percent on revenue above $70 and $100 a barrel, respectively." As investment advisor and energy expert Jim Hansen points out, "The taxes will be directed to social programs and not into the poorly performing Venezuelan oil industry. About all this is going to guarantee is continued pressure on declining oil production from Venezuela and continued domestic economic difficulties."

Given that 80 percent to 90 percent of revenues will be funneled away from Venezuelan oil producers, it will be difficult for Petroleos de Venezuela (Venezuela's state-owned oil company) to continue investing in new production. And the Venezuelan government is not unique in levying what might be called a "political premium" on top of production costs.

According to a study by the Institute of International Finance, a global banker's trade group, the increase in Saudi federal spending in response to the unrest in the Middle East and North Africa has ensured that Saudi Arabia will need to sell its oil at an average of $88 per barrel in 2011 just to break even. Bearing in mind that Saudi oil, which is both heavy and high in sulfur content, sells at a discount to Brent, it is clear that even Saudi Arabia requires high prices moving forward.

Perhaps these challenges that I've outlined explain why the majority of the 550 financial executives of global energy companies polled in KPMG's annual energy survey believe that the price for a barrel of oil will average more than $121 this year. To quote *Downstream Online*: "Thirty-two percent think 2011 U.S. crude oil prices will peak between $121 and $130 per barrel. One-third of executives see even higher prices, with 17 percent of those predicting between $131 and $140 per barrel; 9 percent between $141 and $150; and 6 percent expecting crude prices to exceed $151 per barrel before year end."

The majority of the 550 financial executives of global energy companies polled in KPMG's annual energy survey believe that the price for a barrel of oil will average more than $121 this year.

Of course this analysis is one-sided in that it ignores demand. If demand falls as the result of lower than expected economic performance of the global economy, tightening supplies will be somewhat mitigated just as they were in late 2008/early 2009. And it bears mentioning that rapidly rising oil and fuel prices played an important role in the economic collapse in 2008. ☐

LM EXCLUSIVE

2011 Best Practices Award

ParknPool's LTL cost plunge

Before developing its web-based carrier rating tool, this niche vendor of outdoor furniture was spending 17 percent of its sales on transportation. This year, those costs are going to be about 5 percent of sales—a turnaround that earned the company our 2011 Best Practices Award.

BY **JOHN D. SCHULZ**, CONTRIBUTING EDITOR

Jason O'Mahony, logistics and operation manager, ParknPool

Jared Soares/Getty Images

Following the downturn of 2007 through 2009, less-than-truckload (LTL) carriers are making up for lost ground wherever they can with steadily higher rate increases. With driver pay and fuel costs soaring, and the cost of equipment rising at the same time, few can blame the LTLs for trying to compensate through higher rates.

So what's a logistics manager to do?

Maybe a few savvy shippers can tear a page out of the transportation-planning book of ParknPool Corp., an online, business-to-business vendor of outdoor furniture that spends 90 percent of its transportation budget on LTL.

The Lexington, Va.-based company achieved better control over its LTL costs through the development of a dynamic carrier rating tool that cost very little to build, but is largely responsible for ParknPool having achieved significant savings in its transportation budget.

How significant? Before starting this system two years ago, ParknPool was spending 17 percent of its sales on transportation. This year, those costs are going to be about 5 percent of sales—a mark that earned the company *Logistics Management*'s 2011 Best Practices Award.

How did ParknPool achieve those impressive savings and win this year's honor? Let's take a dive into how ParknPool took control of its LTL costs and executed this impressive logistics turnaround.

TOE IN WATER

ParknPool's strength is as a sales, marketing, and distribution company that sells mostly to government installations and large corporations. Less than 5 percent of its sales goes directly to the public. It is lean—just 23 employees—with a simple B2B plan that keeps costs as low as possible.

"We focus on marketing and distribution, those are our core competencies," says the company's logistics and operation manager and the force behind the recent change, Jason O'Mahony. A former sales executive with a background in the trucking industry, O'Mahony is responsible for logistics planning from more than 50 of ParknPool's suppliers.

When he arrived at the company four years ago after working at Henderson Transportation Co., which operates a fleet of thousands of school buses on Long Island, O'Mahony was struck by one line on ParknPool's balance sheet—transportation spend was 17 percent of total sales.

"That's awful," says O'Mahony. "Up until then we worked with our suppliers who simply quoted us shipping and handling costs and we passed that along to our clients. That hurt us when we got into competitive pricing situations, but we had no other options on transportation. Whenever there was a rate increase, we just had to absorb the hit."

This was in 2008. The following year, O'Mahony began plans to create an internal logistics unit within ParknPool. The goal was to create a department that could negotiate directly with carriers on rates, take advantage of the competitive situation in the LTL industry, and ultimately drive down rates.

However, he immediately faced two obstacles. First, individual rate negotiations with LTL carriers were not easy. "It's fraught with difficulty," says O'Mahony. "We had some success, but we found that shippers that were much, much larger than us were not able to secure competitive rates either."

The second obstacle was dealing with ParknPool's suppliers and informing them that it no longer would be accepting transportation costs as part of its overall negotiations—that, says O'Mahony, may have been the toughest step.

"We're in a small, niche market," he says. "All our suppliers and competitors are like a small family, and we all know what's going on. But our suppliers had been using transportation as a profit center, so they certainly weren't comfortable with what we were proposing. But we were dead set on it, and we stuck to our guns."

The process of dealing with suppliers was not so much painful as painstaking, O'Mahony says. That's because he wanted to reassure those suppliers that nothing much had changed except the shipping and logistics end of their relationship with ParknPool. He contacted each one individually to ease their fears. That began at the end of 2008, but didn't reach full implementation until late 2009 and early 2010.

The suppliers all eventually understood. In turn, carriers began to recognize there was a new relationship with ParknPool as well. Rates, suddenly, were highly negotiable. The heart of the program was the development of a web-based rating tool that's able to rate each shipment on a case-by-case basis to select the best cost from a variety of LTL carriers. This has helped insulate ParknPool from damaging price increases and has caused its carriers to enter a near constant state of bidding to attempt to get a leg up on the competition.

Development of the rating tool was accomplished by ParknPool's Marc Viret, the company's resident programmer. "With Marc, we have a real asset in house," says O'Mahony. "He was able to code a complicated piece of software that would interact with the different systems the carriers use and translate the data into simple terms any working person can readily understand."

For example, if one carrier chooses to increase rates dramatically on a certain lane, ParknPool has the ability with a few keystrokes to reduce its volume with that carrier and shift freight to carriers that might have excess capacity on that lane and is more competitively priced.

According to O'Mahony, timing of the new program was essential as well. When it began in 2009, there was excess capacity in the LTL industry, but that certainly didn't last long. In 2010,

ParknPool: Shipper as 3PL

When word got out that ParknPool was taking its logistics operation in house and negotiating rates individually with carriers, several of its competitors in the recreational furniture business soon caught wind of it.

"Word got out pretty quick when we hit the ground running," recalls Jason O'Mahony, the ParknPool manager charged with overseeing logistics. "Our suppliers were calling us. All our cards were on the table. We had some information on how much they were paying for freight and how much they were making off us."

As a result, ParknPool's logistics program has been used as the foundation for a new company, Centurion Logistics. ParknPool registered Centurion at the Department of Transportation with its own motor carrier operating authority, and it's currently fine-tuning its transportation management system (TMS) to handle other companies' business.

In addition to having the ability to build shipments and create bills of lading, Centurion can provide updates to any shipment, track and trace, and create Electronic Data Interchange (EDI) connections to carriers for automatic invoicing.

"It's going to allow some of our suppliers to access it, similar to a 3PL," says O'Mahony. "We're not looking to pick up unfair margins, but if there are companies that want to take advantage of it, maybe we can all achieve reduced rates."

O'Mahony made clear Centurion doesn't exist to make money, although it will receive a small percentage of cost of each shipment tendered by other shippers. Costs are minimal because the system is totally automated, with just one employee, former ParknPool executive George Barrett.

—John D. Schulz, Contributing Editor

ParknPool quickly discovered that carriers were looking to take healthy rate increases.

"We saw that FedEx and Con-way were out to kill YRC Worldwide," he says. "But when that didn't work out, they took rate increases. We got in during that competitive time, but when they did hit us with rate increases they saw volume drop off immediately—and soon after they took it back off."

TAKING THE PLUNGE

O'Mahony credits the rating tool, which is based on a model used by most third party logistics providers (3PLs), with keeping carriers on their toes through honest competition. The idea was to diversify ParknPool's carrier selection and create a base of several core carriers both in its long-haul and regional lanes.

"We saw across the board that all of our LTL carriers made use of API technology," O'Mahony explained. "We can see all the carriers' rates per our tariff and it gives us the bottom line rate for each shipment."

All this is done by entering four pieces of information for every shipment—shipper ZIP code, consignee ZIP code, weight, and classification. Enter that information, push a button, and specific rate quotes with individual tariffs are given nearly instantaneously from every carrier along with transit times on a shipment-by-shipment basis.

While the main goal was to be able to select the best carrier on a shipment-by-shipment basis, O'Mahony found several unforeseen benefits including:

• **Maximized lane efficiency.** While O'Mahony found some carriers were not able to provide competitive rates on one lane, others could step in and provide that service with far better rates.

• **A climate of constant competition.** "One of the benefits is that our carriers know we're doing this," he says. "It turns the negotiation table into more of a math equation. I like all my transportation sales reps; but if they don't get a shipment it's not because I don't like them. It's because their company is not giving me the best rate on a particular lane."

• **Insulation from cost increases.** If one carrier chooses to raise rates, there are options. He's found that some LTLs have stayed with rate hikes, but others can see that they've reduced business with them and then reduced their tariffs as a result.

"It's not perfect," O'Mahony says. "But compared to where we were, we likely would have had to absorb many of those price increases."

It turns out that the rating tool has proven to be a boon to sales as well. Prior to installation of the tool, whenever a ParknPool account manager fielded a call the person had to rely on the supplier to provide an estimate of the cost of transportation. This required a secondary call to the supplier, which meant the customer could not receive a final quote until later in the day. Usually, that took at least another hour. Sometimes, during that interim, sales were lost.

"Now, as soon as a customer calls, the account manager can receive a final estimate on cost nearly instantaneously while on the phone. We have that pre-programmed in and it literally takes about two or three seconds to pull that information."

—Jason O'Mahony

Now, as soon as a customer calls, the account manager can receive a final estimate on cost nearly instantaneously while on the phone. "We have that pre-programmed in and it literally takes about two or three seconds to pull that information," O'Mahony says. "Before when we quoted shipping, it was roughly $1,700. Now it's like $500. Customers are surprised rather than offended at our shipping rates."

O'Mahony says ParknPool ships "for a lot less" than its competitors. "But we've made a lot more money as a result of this logistics move," he says. "Our sales are faster and more efficient with this tool in place."

DEEP DIVE

At a time when fuel surcharges are rising in double-digits and carriers are trying to take rate increases in the 5 percent to 6 percent annual range, ParknPool has seen its transport costs drop from 17 percent of sales to what O'Mahony estimates will be about 5 percent of its sales this year.

ParknPool currently uses three large national LTL carriers—YRC, FedEx, and ABF Freight System—that O'Mahony says are "all very close on rates." It utilizes about a half dozen regional LTL carriers, including Southeastern, Roadrunner, Holland, and Reimer in Canada.

As far as the carriers go, they seem pleased that ParknPool is so engaged with them. Recently, ParknPool honored YRC Worldwide with its carrier of the year award for excellent service.

Michael Driscoll, the YRC senior sales executive charged with the ParknPool account, says it's a "good account for YRC. We value their business." When asked about ParknPool's rating system of carriers, Driscoll says YRC is comfortable with the arrangement. "It lets their employees see a side-by-side price and service comparison on each order shipment," he says. "This allows ParknPool to choose the best carrier for each shipment."

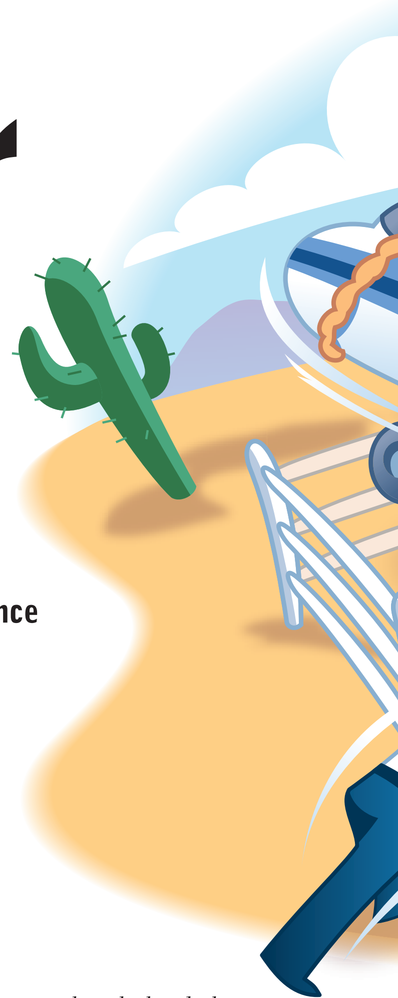
Driscoll adds that such transportation management systems "are definitely a trend" in the industry. Some companies are bringing them in through contracting with 3PLs and others are purchasing software and integrating them directly into their existing systems. "I definitely understand the need to determine actual shipping costs and trying to reduce transportation expenses in general," says Driscoll.

For his part, O'Mahony says the new in-house transportation management system has brought his company out of the Dark Ages of transportation and onto the cutting edge of relationships with ParknPool's carrier base.

"It's changing the dynamic between shipper and carrier," he says. "It's one of the biggest benefits of this tool." □

John D. Schulz is a Contributing Editor for Logistics Management

Corralling air cargo costs



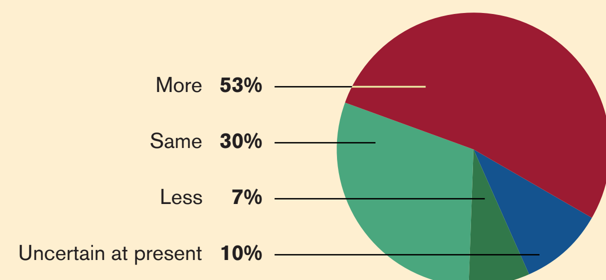
Although the fluctuation of jet fuel surcharges and the supply/demand balance of air cargo capacity are elements that air shippers can't control, there are several steps they can take to better manage the related, volatile costs.

BY **KAREN E. THUERMER,** CONTRIBUTING EDITOR

The global economic downturn that hit markets hard in 2009 has had an enormous impact on the international freight business. But perhaps nowhere has it been felt as much as in the air cargo segment. Here, as most logistics managers are well aware, losses were huge.

However, the uptick in the global economy, led by South America and Asia, and a slow but steady rebound across North America and Europe in 2010 has helped the sector recover some of those losses. Lower and stable fuel costs throughout last year also enabled carriers to post solid gains against 2009.

2011 vs. 2010: Spending on international freight



Source: Peerless Media Research Group

"But the carriers and airfreight forwarders, quite honestly, took a beating as shippers had no freight to move and demanded lower rates to move what they had," says Greg Andrews, EMIL managing director, Georgia Institute of Technology Supply Chain and Logistics Institute.

While shippers took advantage of the market dynamics in 2009 and 2010 and jumped on some of the cheapest rates they had seen in decades, carriers and forwarders learned who their good customers were.

"Most important, carriers and forwarders learned the value of capacity management," says Andrews. Even as freight demand began to grow again, carriers managed capacity by being slow to return parked planes into service. "And now, instead of capacity chasing rates and freight, freight and rates are chasing capacity," Andrews adds.

Brandon Fried, executive director of the Airforwarders Association (AFA), points out that while freight companies are now seeing increased volume, low margins continue to be a significant obstacle to their growth and expansion.

"Consequently, rates have doubled and, in some lanes, tripled over the last year—quickly returning them to pre-recession levels," he says.

Add to this skyrocketing fuel costs that are passed along to the shipper as fuel surcharges. "The most significant driver of rate pressure today is certainly the rising cost of fuel," remarks Fried. "Airlines and forwarders face a continuing uphill battle in covering constantly changing fuel costs. Incorrect planning or erroneous assumptions could spell economic disaster for carriers trying to solve this issue."

Consequently, shippers find themselves facing an influx of changeable rates and hidden surcharges, inefficient shipping routes, missed delivery-to-transit commitments, lengthy timelines, capacity constraints along with size and weight factors, and safety and security issues.

"It's enough to keep transportation and logistics managers awake at night trying to find ways to hold off air freight increases," says Andrews.

ROUNDING UP RATES

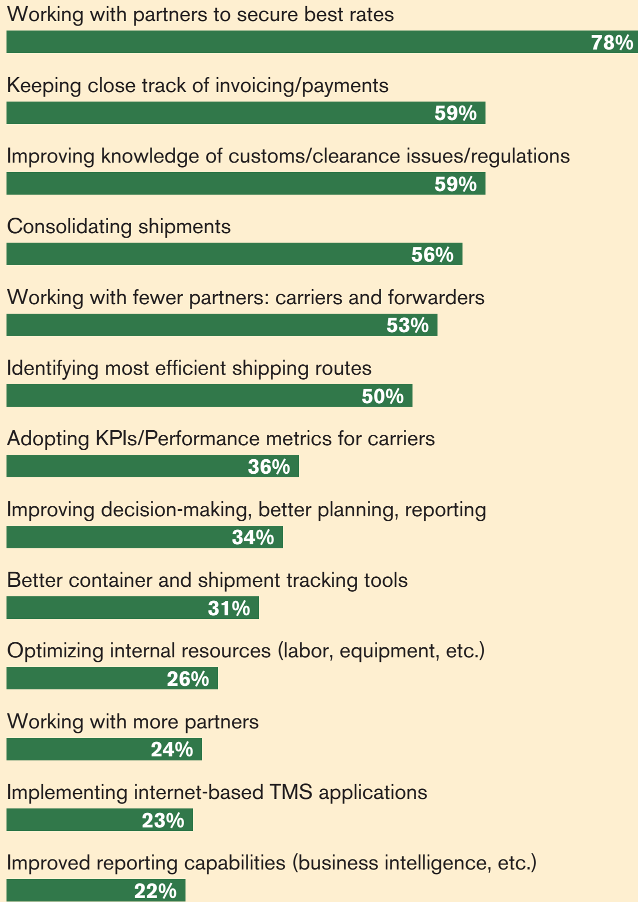
A recent survey conducted by *Logistics Management* on behalf of Management Dynamics revealed that nearly one out of four companies spends in excess of 15 percent of their overall revenues on international and domestic freight services. Most notably, the survey found, one out of four organizations spent upwards of $50 million on shipping in 2010. For 2011, all indications lean towards an increase in spending on international freight.

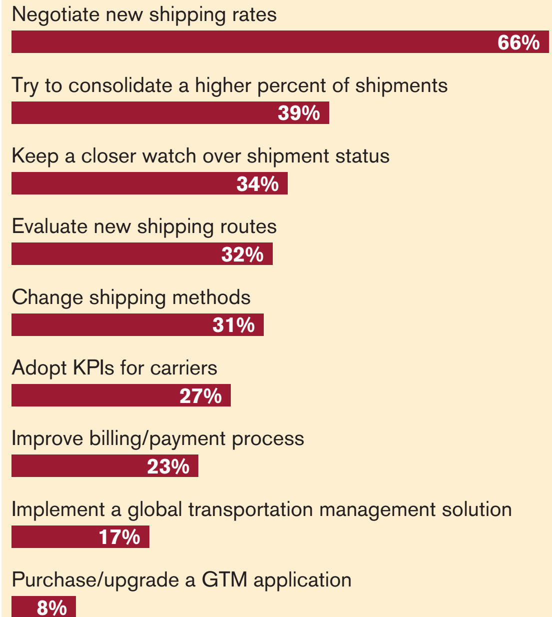
While the survey discovered that shippers acknowledge that they need enhanced methods for securing better rates and routes, few reported that they are now running highly developed solutions to achieve those objectives. Some 66 percent of the shippers surveyed also indicated that over the next 12 months to 18 months, rate negotiations would be the predominant action they will undertake to control their global freight costs.

Although the fluctuation of jet fuel surcharges and the supply/demand balance of air cargo capacity are elements that they can't control, shippers can take a few steps when negotiating rates.

The first, says Dr. Paul Dittman, director of the Office of Corporate Partnership at the University of Tennessee, is to come to the table with your carriers armed specifically with your air freight needs. Shippers can do this by closely examining their company's business supply chain model and understanding why they use air freight. He suggests implementing a

ILLUSTRATION BY DAVE JOLY





forecasting tool or matrix to understand supply chain trends and when air freight demand changes might occur.

"This way companies can understand when air cargo offers the optimal use so they don't have to suddenly react," Ditmann says.

Another step forward, says Andrews, is to focus on your company's market strategy: Is it to be the first on the shelf or is it seasonal? Is your product high value, build-to-order, with short lead times? "Once you answer these questions, then you need to work with your carrier or forwarder to flat-line your rate impact," he says. "This may be a two-tiered rate program, one where rates are lower out of season and higher in peak demand; but known for the duration of the year, budgeted, planned, and passed along in the price of your product."

Also, according to Fried, air shippers need to discuss specific needs with a freight forwarder. "For example, the forwarder may be interested in shipments destined for specific geographic areas and, therefore, may offer lower prices for those consignments," he says.

According to Brian Clancy, managing director of Logistics Capital & Strategy, LLC, an advisory firm serving management, private equity, and key stakeholders in the global transportation and logistics industries, such seasonal capacity purchasing, or forward purchasing of block space, can save up to 10 percent to 15 percent on airport-to-airport shipment costs. Moreover, agreeing to specific costs beforehand such as document preparation, freight rates, and fuel surcharges also helps avoid costly surprises in the long run.

THINK OUTSIDE THE CORRAL

Whereas many carriers use spoke and wheel networks where their aircraft fly to a central hub location, some are finding that direct routings that use the appropriate aircraft for the service needed are more cost effective. For example, Clancy suggests flying Shanghai to Port Columbus International Airport via Louisville International Airport using UPS instead of using main carriers via Chicago O'Hare (ORD). "In this routing, a 10 percent to 15 percent savings can be realized airport-to-airport," Clancy says.

The best source for determining the most cost effective routings is the air freight forwarder. Through his or her carrier relationships and knowledge of the market, the forwarder can also marry air cargo with ground services.

For the ground portion of the air shipment, Clancy recommends using private, dedicated contract carriers (DCC) capacity versus forwarder or airline controlled road feeder services (RFS). "This can save as much as 10 percent to 60 percent on RFS delivery costs, depending on the empty capacity available," says Clancy.

If a shipment is not time critical, there's also the option to switch to two-or three-day air-freight delivery versus next day. "While next-day serves as the cornerstone of the air freight shipping business, customers should continuously evaluate

MEET YOUR SHIPMATES.

©2011 Southwest Airlines Co.

Southwest Airlines® Cargo offers expedited service to over 90 destinations. With fast and friendly service, we can ship your items from point A to point B in the same day. Trust our Shipmates to handle your shipping needs. Visit swacargo.com to apply for a Cargo account or contact Cargo Customer Care at (800) 533-1222 for more information.

its needs versus more economical air transportation alternatives," Fried suggests. "These options often save significant costs while delivering similar value."

A more drastic alternative: Challenge the reason for being in a specific geography. Are you there to serve the local market, or are you there for what used to be cheap labor? "Pull out the total landed costs models and crunch through them again, with higher labor and soaring fuel costs," Andrews recommends. "You might be surprised at the bottom line answer. Perhaps Mexico, Canada, or the U.S. makes better sense."

By near scouring products, companies are also able to enable surface modal substation options such as intermodal. And if certain global markets are critical, then alternative transportation modes might be a solution.

"Get off the plane and onto a ship, truck, or train," says Andrews. Sea/air services in specific lanes can often strike a balance between price and total transit time. In fact, according to Clancy, savings here can result in 50 percent to 60 percent over airport-to-airport shipments.

An example might be shipping by ocean from China to Seattle, then air freight to Chicago. Even better, Clancy suggests, is expedited less-than container load (LCL) sea freight options like APL/Conway ocean guaranteed for shipments that are less urgent, but still need time-definite delivery. "Expedited LCL sea freight offers 65 percent to 75 percent savings," Clancy estimates.

GAIN VISIBILITY

If the corporate business model dictates that shipments must move by air, it's critical that all variables be removed within your network to save on air freight costs, Andrews insists.

"Improve your forecast accuracy," says Andrews, "and hold your planning department accountable. Schedule exactly what space you'll need, when you will need it, and hit the target," he says. "Your carrier and forwarder will reward you with stable rates; and, in some cases, may even lower rates."

"You can find a treasure chest of market intelligence buried in the reams of freight invoices these guys pay on behalf of their clients."

—Greg Andrews, Georgia Institute of Technology Supply Chain and Logistics Institute

Additionally, says Andrews, pay that transport provider on time. "Get creative and pay ahead of time. Cash flow is equally important for the carrier and forwarder."

Another important consideration might be benchmarking with your third party freight payment company. By finding out how your air cargo service rates stack up against others will provide a wealth of ammunition for negotiating rates.

"You can find a treasure chest of market intelligence buried in the reams of freight invoices these guys pay on behalf of their clients," Andrews says. "Obviously, they do not give out confidential client rate information, but they are smart enough to offer this as a value add service—and the costs certainly are worth the investment."

In doing so, shippers can at least determine if they are above or below their industry curve in vertical and specific lanes.

Karen E. Thuermer is a frequent contributor to Logistics Management

Not to be overlooked: Packaging, product design

If turning every stone to find cost savings in air freight is your mantra, don't forget packaging and product design.

Dr. Paul Dittman, director of the Office of Corporate Partnership at the University of Tennessee, recommends keeping the variety and number of product stock keeping units (SKUs) to a minimum, especially for international shipments.

"Most companies have more SKUs than they need," says Dittman. "For every company, 20 percent do not sell."

Proper packaging is also essential to saving air freight charges because rates are based not only on weight, but volume as well. That's because boxes containing air inside are usually charged for their cubic displacement or the amount of space they'll occupy on the aircraft.

"Simply put, a box of lampshades could actually cost more to ship than a smaller box of heavier books," says Brandon Fried, executive director of the Airforwarders Association (AFA).

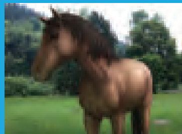
Therefore, it's always wise to use conservative packing practices; and when in doubt, ask for advice from your airfreight forwarder.

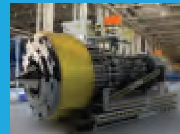
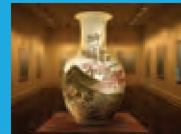
Finally, with the air cargo security landscape constantly changing, shippers should be prepared for new requirements that may include furnishing essential and significant shipment information before departure and increased screening.

"Because most of the new security laws are unfunded mandates, the industry is responsible for its own cost recovery, so expect to pay more for screening on your shipments," Fried remarks.

One way to decrease such costs, he suggests, is to screen goods as they are packed in boxes. "Shippers can get certified to perform such screening by simply joining TSA's Certified Cargo Screening Program," adds Fried. "The initiative was started in response to the 100 percent screening mandate here in the U.S. and has so far been tremendously successful in increasing cargo security and saving shippers a significant amount of money."

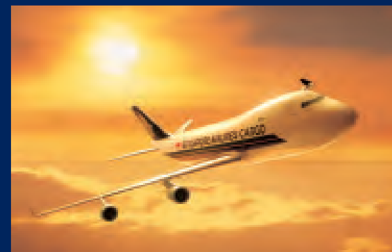
—*Karen E. Thuermer*



Because we know that your cargo is important.

The global network of Singapore Airlines Cargo continues to offer worldwide services. Whatever you are forwarding, our hassle-free services cover almost every type of cargo. Which means we've got the expertise to deliver virtually anything to anywhere. Our global network now covers more cities, with over 600 flights scheduled every week, making us a leader in the airfreight industry.



For bookings or to find out more about our services, visit www.siacargo.com

Putting the spotlight on ERP

BY **BRIDGET MCCREA**, CONTRIBUTING EDITOR

According to our latest ERP usage study, adoption rates and interest are both high. But just how far have logistics professionals gone in putting their ERP to work to solve today's logistics and supply chain challenges?

With the goal of digging deeper into the supply chain software space to find out how logistic professionals are currently using enterprise resource planning (ERP) systems as part of their strategy, Peerless Media's Research Group decided to peel back the layers of this complicated segment in a survey that yielded 225 manufacturers, retailers, and distributors back in April.

Conducted on behalf of *Logistics Management* and *Supply Chain Management Review,* the *Adoption of Enterprise Resource Planning (ERP) Systems and Applications* survey was conducted to provide a better understanding of the adoption of ERP platforms and their solutions for supply chain and logistics applications.

Spun out from the manufacturing resources planning (MRP) systems that gained popularity in the 1980s, today's ERPs span numerous areas of an organization including manufacturing, engineering, finance, customer service, project management, human resources, and accounting.

ERP also reaches outside of the traditional corporate boundaries to include supplier and customer systems. When this occurs, ERPs get pushed out into the supply chain—a place where giants like Oracle, PeopleSoft, and SAP have been moving toward over the last few years.

Also over the last number of years, more of those solutions have been pushed into the "cloud," a place where users access their software online via a subscription format. The survey addressed this trend as well, focusing on whether or not logistics and supply chain professionals are moving in that direction along with their ERP vendors.

The survey also addressed the adoption of ERP systems and applications; benefits and barriers to an ERP implementation; and user satisfaction with current ERP implementations and their ERP vendors, among other key points. All respondents were involved in the evaluation and purchase decision process for IT systems, solutions and/or applications relating to supply chain and/or logistics operations.

Over the next few pages we'll discuss the survey results with a few of the top supply chain software analysts. They'll also give us a look at some of their own research and help us to predict the future for ERP in serving the logistics and transportation sectors.

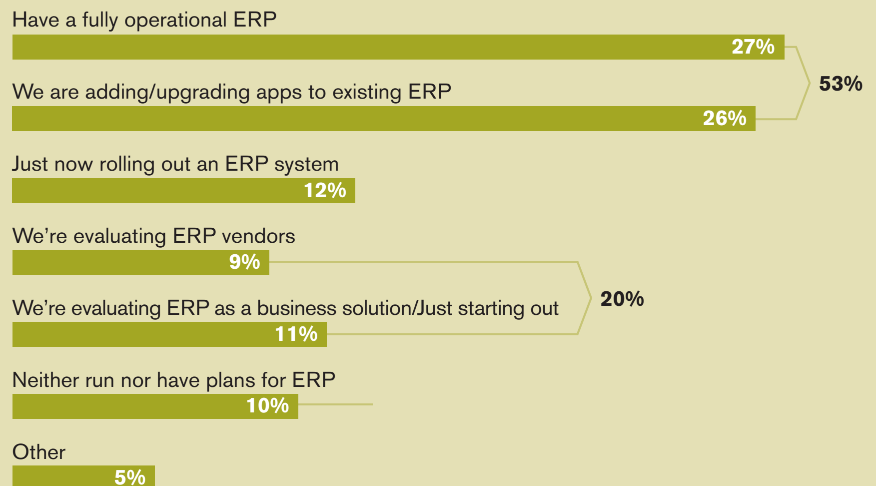
ADOPTERS AND INNOVATORS

According to our findings, adoption rates for and interest in ERP are high. In fact, very few companies are completely untouched by the all-encompassing systems. Twenty-seven percent of shippers have a fully operational ERP in place, and another 26 percent are adding/upgrading apps to an existing system (for a total of 53 percent adoption).

With more than half of responding companies already using an ERP, another 12 percent are just now rolling out such systems, and a final segment (20 percent) are either evaluating vendors, or the solutions themselves, to figure out if the IT solution will be a valuable addition to their company operations.

But not all logistics professionals are so enamored by ERP. According to the survey, key reasons for not implementing an ERP include high capital investment; inability to visualize the benefit; and a prevailing "if it ain't broke, don't fix it" mentality. Other barriers to implementation include limited/overworked IT resources and concern over integration with legacy applications.

Of the supply chain applications currently in use or planning to run through our respondents ERP platforms, the top were warehouse management systems (WMS) (59 percent); supply chain planning (SCP) (42 percent); and



Source: Peerless Media LLC Research Group

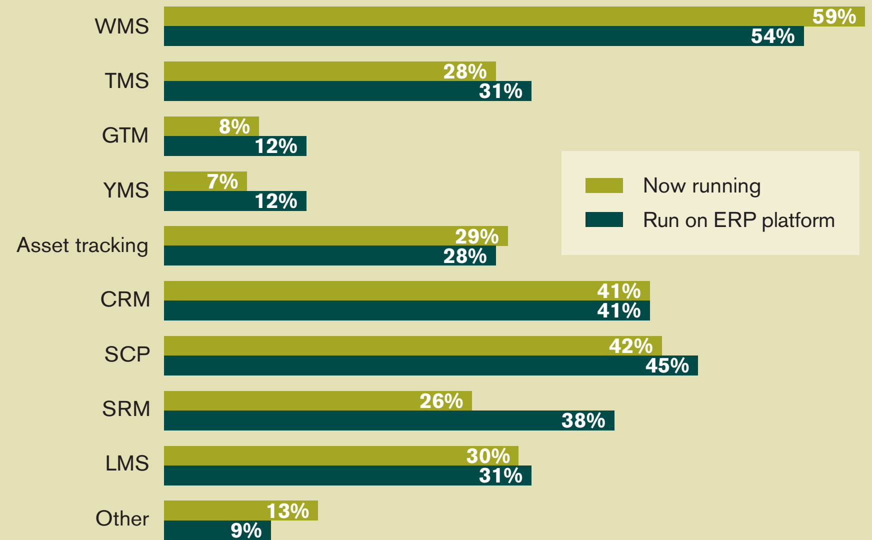
transportation management systems (TMS) (28 percent). Over the next two years, 40 percent of respondents plan to add a WMS to their ERP, 31 percent plan to add SCP, and 25 percent will plug in a TMS.

Companies that have adopted ERP report that they're seeing benefits like improved warehouse management, better customer service, inventory reductions, and enhanced demand forecasting. Shippers voiced further benefits that depended on whether they selected a single ERP vendor, a best-of-breed, or a hybrid approach. Those working with a single vendor, for example, cited easier implementations, less confusion and an initial, cost-effective investment.

Best of breed ERP users said flexibility and an "out of the box" integration process were among the top benefits, while hybrid users cited easy integration, ease of use, and an ability to adapt quickly to agile companies as the biggest benefits. Integration was by far the most important aspect of any ERP implementation, "but ease of use and cost efficiency also comes into play," said one respondent.

Of the companies surveyed, 39 percent of shippers using a single ERP provider were extremely satisfied with their choice, while 28 percent were somewhat satisfied, and 13 percent were not satisfied at all. Of the best-of-breed users, 46 percent were extremely satisfied; 43 percent somewhat satisfied; and 11 percent unsatisfied. For the hybrid users, 36 percent were extremely satisfied, 55 percent somewhat, and 9 percent not at all.

When asked what their vendors could be doing better, ERP users provided direct comments like: "Have better knowledge of what the system can do;" "allow more time to integrate with other systems;" and "provide more user-friendly reporting tools."



CLOUDY SKIES AHEAD?

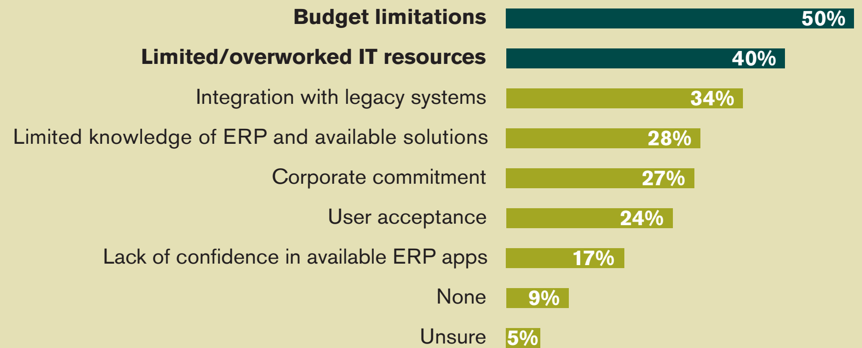
When asked about using a cloud/on-demand platform for ERP, 5 percent of respondents said they've adopted SaaS software, while another 25 percent are evaluating the possibilities. The remaining companies were unsure of how an on-demand strategy could fit into their ERP platform.

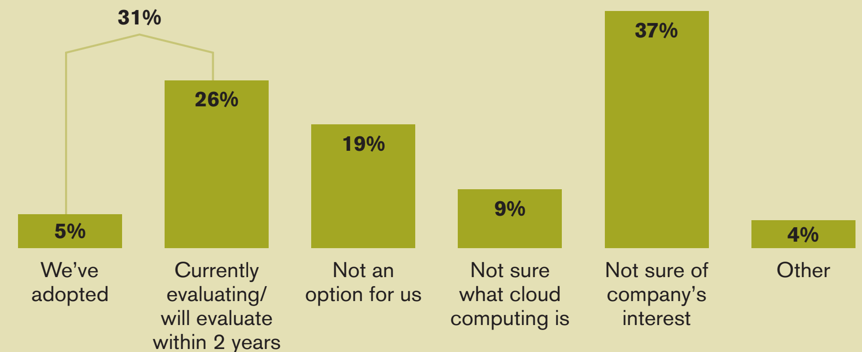
Reasons for going with a SaaS solution included the desire to run a leaner operation; greater utilization of resources; scalability; greater communication with customers and vendors; and the cost structure. Shippers cited the potential drawbacks to a cloud-based ERP as security concerns, system reliability, and system performance.

The analysts we spoke with about the survey weren't surprised at the low interest in, and adoption levels for, on-demand ERP solutions. "TMS is the only application where we're seeing high SaaS adoption," says Steve Banker,

director of supply chain solutions for ARC Advisory Group. "For the rest of the [applications], companies aren't really interested in the cloud computing environment."

Dwight Klappich, research vice president for Gartner, Inc., in Stamford, Conn., says that adoption of SaaS solutions is growing across the supply chain space, albeit in a "targeted" manner that doesn't necessarily include the multifaceted ERP space. "For example, a company may use Salesforce.com for sales force automation and another vendor for an on-demand TMS, but still use Oracle for ERP," says Klappich. "We expect that kind of targeted SaaS use to continue, particularly among smaller shippers."





ASSESSING THE NUMBERS

When asked to compare their own research and numbers with the ERP adoption rates uncovered in the April survey, all analysts said the results were in line with what they're seeing in the market overall.

Klappich says the survey numbers are particularly relevant for the manufacturing and wholesale distribution sectors, where just over half of companies have adopted an ERP.

Ben Pivar, vice president and North American Supply Chain Lead for Capgemini, says that if firms with $1 billion+ in revenues were surveyed, the deployment numbers for ERP packages would be even higher. Holding some of the smaller shippers back, he says, are the implementation and maintenance costs associated with ERPs.

To address those issues, Pivar says some of the larger ERP vendors are releasing "slimmed down" or less sophisticated versions of their solutions, with an eye on hitting those shippers that don't need the full package. "The economics of installing a TMS package on a client server, for example, doesn't really work until you have nearly $100 million in freight spend," says Pivar. "That's why on-demand is so popular in that space."

Banker says that he was surprised that WMS stood as the top application currently running on respondents' ERP platforms. He also says that the high percentage of shippers that are currently evaluating new modules or ERP solutions for purchase within two years are probably being overly optimistic.

"When you ask people what applications they're planning to install or upgrade within the next 24 months, the numbers are always much bigger than what really happens," says Banker. "They may want to do it, but getting through the budgetary approval and [integration] process is always much tougher than people think."

MORE TO COME?

Klappich added that other barriers for logistics professionals include the total cost of ownership, and the complexities that come along with rolling out enterprise-wide IT solutions.

He pointed to SAP, Red Prairie, and Oracle as three large providers whose solutions include "very sophisticated, IT-centric tools" that help users get through the latter challenge.

"At the same time, the applications themselves have become increasingly complex, which often results in a third challenge: dealing with the complexities of the ERP systems themselves," says Klappich, who like the other analysts interviewed for this article, feels that ERP's future is bright, particularly in the "hybrid" category.

"The days of cobbling together full best-of-breed ERP solutions are gone, and in most cases the new implementations are some form of hybrid, with shippers putting as much as they can on their ERPs and supplementing as needed," says Klappich. "That's what we'll continue to see going forward." ☐

Bridget McCrea is a Contributing Editor to Logistics Management

ECO-PERFORMANCE

Raymond® Eco-Performance isn't just our engineering philosophy; it's our way of life. With every product and warehouse solution that we create, we focus on reducing energy consumption and increasing productivity—like providing you up to 20% more battery run-time on Raymond *Reach-Fork*® trucks. Because at Raymond, you don't just find better solutions. You find smarter solutions.

How efficient is your fleet? Contact Raymond today.
www.raymondcorp.com/ecoperformance.cfm • 1-800-235-7200

RAYMOND
Above. And beyond.®

Lift truck maintenance: Long-term planning considered

Tired of throwing good money after bad, fleet managers are turning to training, technology, and dealer support to better understand when to replace, repair, or retire.

BY **JOSH BOND**, LIFT TRUCK COLUMNIST, SUPPLY CHAIN GROUP

FOR DECADES THE SAME CALL HAS RUNG out from lift truck maintenance bays around the world: "Get me the truck and I'll fix it." But as companies try to do more with less, lift trucks are too often compelled to stay on the warehouse floor as long as possible, where they can keep the product and the organization moving forward.

The historic tension between the needs of the truck and the demands of the business frequently result in maintenance patterns that lead to avoidable damage, over- or under-utilization, and wasted parts, time, and money.

"It's a sword that's not only double-edged, it's serrated," says Jim Shephard, founder and president of Shephard's Industrial Training Systems, which specializes in the development and implementation of operator training programs and has trained more than 1.5 million operators. "It's something that every company with lift trucks wrestles with."

However, Shephard argues that with careful planning, operational discipline, and perhaps the help of a dealer or other service provider, most businesses can establish a lift truck maintenance program that will increase productivity while optimizing fleet expenses.

But many companies have yet to take the first step.

"With many of the clients I've worked with over the past few years, I've seen no plan at all," says Shephard. "They're basically running reactive maintenance shops."

Planned maintenance (PM), the routine oil and filter changes, might be as far as a company's maintenance planning goes, says Shephard. Sometimes even PMs are a challenge. "Maintenance people are saying:

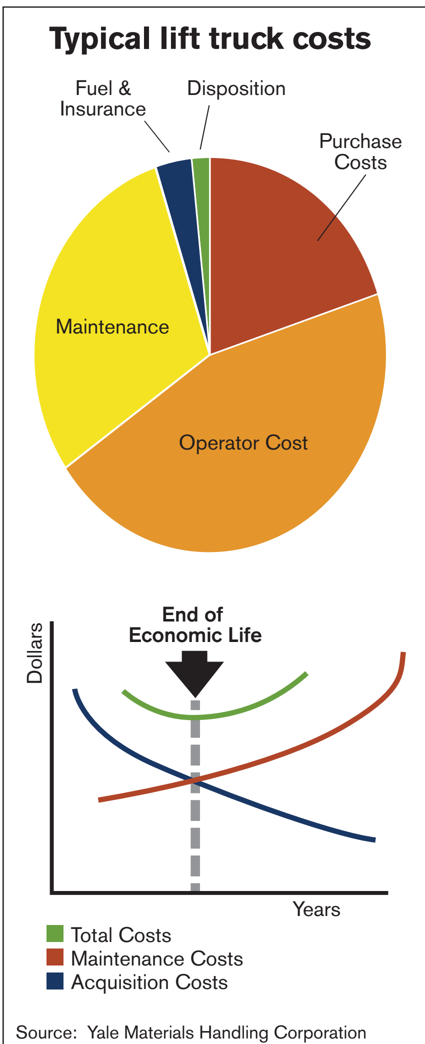
Technicians at a Toyota Material Handling dealership in Northern California bring training and expertise to fleet maintenance.

'The truck's due for PM, now how do I beg, borrow, or steal it?'" says Shephard. "They usually only get the truck after a breakdown. Even then, they're forced to get it back onto the floor before the full service is done," he adds. "Before long, that fleet starts to show the attention you've put into it."

According to Shephard, an effective maintenance program starts with the lift truck operator, the person most immediately aware of the needs of any given truck.

"They are the first line of defense," says Shephard. "No one else in that operation is going to be as important as the operator. They are the key."

But although operators today are better trained than ever, says Shephard, skilled operators on bad equipment will revert from good habits to bad ones. Then equipment dollars are wasted, training dollars are wasted, and companies end up with avoidable costs.



Source: Yale Materials Handling Corporation

"You push one domino over, it will knock the rest over," says Shephard. "The funny thing is that most companies put so much emphasis on producing a quality product, from design to manufacture to packaging, then they go and handle their materials with shoddy equipment. It doesn't make sense to focus so much on the front end just to get shrinkage on the back end."

Shephard says maintenance is no longer a last resort for trucks pushed to the breaking point. Taking the long view allows businesses to control day-to-day expenses and operations while monitoring the performance and value of each piece of equipment. In this way, the life span of each truck is neither shortened nor needlessly extended.

"Before you cross that line, maintenance costs are an investment in your assets," says Shephard. "After you cross that line, you're just throwing money away."

KEEPING IT IN-HOUSE

According to Shephard, lift trucks are not only important at the loading bay. "A lift truck in a building will affect every person in that building," he says. "You get shrinkage and the plant manager hears about it. You get late shipments and customer service hears about it. You get avoidable costs and accounts payable hears about it."

Given the ripple effect a lift truck can have on an operation, it might seem surprising that their good health is so rarely a priority. But there are significant challenges to in-house maintenance programs, according to Jim Gaskell, Director of Global Insite Products for Crown.

Below about 50 trucks to 70 trucks, maintenance workers might spend only some of their time actually servicing trucks, with the rest of their day spent on other facility needs. Beyond that threshold, the fleet will sustain dedicated maintenance personnel. Managers might begin to make room for a dedicated maintenance bay, which might naturally begin its life as an offshoot of a battery room.

Then the maintenance bay might begin stocking parts, or consigning a parts supply from a dealer. This is where the problems begin. "Companies must have the discipline to track hours of labor and parts costs so they can have an accurate sense of their maintenance costs," says Gaskell. "That's the piece they're most often missing."

In-house maintenance programs should include careful documentation of labor hours and parts costs.

It can be hard to isolate labor hours spent on trucks if maintenance workers are also performing other facility repairs. And parts management can quickly become a cost quagmire. An ideal practice might include a time card for maintenance workers where they could document X hours spent putting X parts on X truck.

"One customer had tool carts in a shop filled with $50,000 in parts in a small area," says Terry Flanagan, manager of fleet sales for Yale Materials Handling Corporation. "Someone was in the habit of taking parts out of the packaging before shelving them, and although the mechanic knew where the parts were, no one else did."

"Do you know how many techs are allowed to get their own parts at a dealership?" asks Gaskell. "Zero. When a

YOU NEED TRUCKS THAT ARE JUST LIKE YOUR BEST OPERATORS:

HARDWORKING, DEPENDABLE AND RELIABLE.

MEET OUR COMPLETE LINE OF WAREHOUSE OVERACHIEVERS.

PROBLEM **SOLVED.**

In the warehouse industry, productivity is paramount. That's why our complete line of lift trucks is engineered to keep product moving quickly and efficiently, while keeping operators comfortable and productive. Every one of our trucks is designed with the needs of your operation in mind. It's no wonder that research shows a majority of Yale owners are so satisfied with their trucks, they wouldn't change brands.

Find out more at Yale.com.

11YLE3476

user's in-house technicians are allowed to get their own parts, that's how customers end up with tens of thousands of dollars in parts they don't need and hundreds of thousands of dollars in parts they can't track."

In order to get things under control, a company must first perform a thorough asset survey, documenting costs and utilization. This simple first step can immediately reveal big problems, like whether a company is using the right trucks for the right job, whether trucks are over- or under-utilized, or whether there are other recurring problems with batteries, parts, operators, etc. With this basic data in hand, a company can begin to know whether to repair, replace, or retire each truck.

For many companies, data captured manually can be helpful enough to begin making decisions and improvements. But technology can also help collect detailed information to help make long-term investments, develop programs, and improve day-to-day operations.

TECHNOLOGY'S ROLE

Gaskell shared a story about a manager who saw an unused lift truck parked in an odd corner of the warehouse. He fired it up, saw nothing immediately wrong, and drove the truck over to the loading bay only to find out it had an oil leak, leaving an oil slick on the loading bay.

"In the end, a company might find that unnecessary fleet maintenance staff can be redirected to other areas of facility maintenance, resulting in optimized resources instead of layoffs."

– Michael McKean, fleet management sales and marketing manager, Toyota Material Handling

Truck-mounted technology can now allow managers to quickly assess which trucks are down and why, saving time that might have been wasted investigating on the warehouse floor. And while the fleet maintenance person might only be concerned with the status of the trucks, the same technology can enable operator tracking as well, providing further assurances that the right operator is using the right truck in the right way.

"If you find you're using one truck at 3,000 hours per year and another truck at 1,000 hours per year, you've got a problem," says Flanagan.

But while data can illustrate utilization and efficiency with more clarity, it must be coupled with action.

"Today's managers do not want more data," says Gaskell. "Instead they want information that is delivered in a simple format, that is easy to understand and that can be quickly acted upon. This way management can change operations before it's too late."

As lift truck technology rapidly changes, ongoing training for technicians is essential.

Data collection might lead managers on the path to make better use of their existing equipment, or reveal that they have been a bit too successful at right-sizing their fleet.

"A fleet that just barely meets utilization will not make it into the shop," says Shephard. "They'll need them on the floor. They're hamstrung to solve their maintenance problems."

Often, the picture that emerges is a need for improvements on an overwhelming scale. If the changes needed and the resources available don't add up, a company might consider a maintenance agreement with a dealer or other service provider.

MAINTENANCE AGREEMENTS

Companies are increasingly relying on contracted maintenance services in an effort to control costs and make them more predictable. Unlike many dealers, in-house facilities often lack the ongoing training to keep mechanics up-to-date with rapidly changing lift truck technology, says Shephard. A company might also lack the perspective to know when a facility's maintenance costs are in a good place when compared to other sites or the industry average.

"Thirty years ago, each facility had it's own security department, maintenance department, they did everything," says Michael McKean, fleet management sales and marketing manager for Toyota Material Handling. "Companies have since focused on core business and have outsourced all they can. It's driven the maintenance business back to where it should be, which is at the dealership."

In recent years, more and more companies are pursuing this option, says Shephard. There are plenty of choices for outsourced maintenance agreements, but dealers are frequently best prepared to offer a full range of services and reporting tools. One reason is simple, says Shephard: No one knows the trucks like the people who made them.

At one end of the maintenance agreement spectrum, the company need only grease the truck every so often and perform pre-shift inspections, with a dealer handling all other maintenance needs. The dealer might run a full-time, on-site maintenance bay, or make visits as needed. Somewhere in the middle of the spectrum, a dealer might handle major repairs only, and leave PMs and other routine maintenance to the company staff.

The key to fleet maintenance, says McKean, is the agreement between the

company and the maintenance service provider. "It's checks and balances," he says. "It can not only lock in business for the dealer, but it also results in predictable costs for the company."

Any good maintenance agreement requires good communication, he says, with a clear understanding of what the customer needs and what the dealer can offer. A good outsourced maintenance proposal, according to Flanagan, should aim for at least 15 percent reduction in maintenance costs.

Following an asset survey, says Flanagan, a dealer might confer with managers to identify an appropriate core fleet as well as a standby fleet. "So, if the truck is down, you aren't down," he adds. They might also identify a swing fleet suitable for use in two or more applications, says Flanagan. This avoids the likelihood of a dedicated fleet being over- or under-worked.

By becoming involved in all aspects of fleet maintenance, a dealer agreement can also allow a company to bridge the natural gap between fleet managers and staff managers. "Outsourcing in-house maintenance requires time to understand what is best for the company," says McKean. "In the end, a company might find that unnecessary fleet maintenance staff can be redirected to other areas of facility maintenance, resulting in optimized resources instead of layoffs."

And instead of parts languishing in a maintenance bay or disappearing onto the warehouse floor, the dealer can assume responsibility for tracking each and every item.

"They don't get paid unless they keep good records, whereas an in-house program might not have such an incentive," says Gaskell.

According to Gaskell, the most important thing to consider when selecting a service provider is uptime, not the cost of each repair.

"If I had 100 percent uptime, I'd gladly pay twice as much for the service," says Gaskell. "That said, you also need robust reporting to benchmark company costs against industry averages."

Flanagan agrees. For companies with sites across multiple states or countries, how do you know what's world class? How do you benchmark costs internally from site to site? You might have a site that has a lower cost per hour than the others, so you decide to benchmark to that site. But what if that cost is still above industry average?

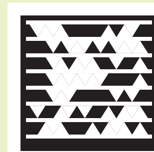
With a targeted goal and the support to reach it, companies can replace waste and reactive maintenance with confidence and efficient resource management.

"That's long-term thinking," says McKean. "If you don't have that mentality, that's where a competitor will come in and get that contract." □

Josh Bond is the lift truck columnist for the Supply Chain Group

When it comes to your agriculture-related project needs, BNSF Logistics offers safe, secure and cost-effective multi-modal transportation services and solutions around the globe. From transporting large industrial equipment via truck or rail to facilitating the shipment of agricultural commodities such as grains or feeds, our expert logistics personnel provide reliable results. We offer unique service options for all domestic and international marketplace segments, directly or in conjunction with our many partners.

4700 S Thompson . Springdale, AR 72764
sales@bnsflogistics.com



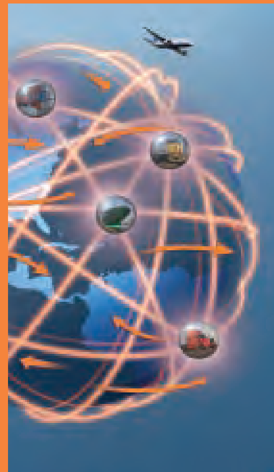
Access additional information with your smartphone. Get the free tag reader at http://gettag.mobi

866.722.9678
www.bnsflogistics.com

Third-Party Logistics SPECIAL REPORT

A SPECIAL SUPPLEMENT TO:
Logistics MANAGEMENT

TABLE OF CONTENTS



Top 50 3PLs: Getting the balance right

The state of the third-party logistics industry

44S

Plus:

Serving emerging markets: A survival guide

Two guest analysts share three maxims and six tips to help manage third-party logistics partners to meet today's complicated, global logistics demands

56S

CASE STUDY

Samaritan's Feet: The trials and triumphs of a global non-profit

Third-party logistics partnerships in action for the greater good

62S

GLOBAL CAN DO LOGISTICS®

P.O. RECEIVED: 3000 JACKETS NEEDED ON TIME

1. AREQUIPA, PERU
RELIABLE ALPACA WOOL SUPPLIER SECURED

2. SHANGHAI, CHINA
MANUFACTURED DESIGNER JACKETS CONSOLIDATED FOR RETAIL STORES

3. SEATTLE, WA
SHIPMENTS ARRIVE AT RECEIVING CENTER

4. NEW YORK, NY
JACKETS ARRIVE ON TIME AT REGIONAL DISTRIBUTION CENTER

5. WORLDWIDE
JACKETS AVAILABLE AT RETAILERS ACROSS THE GLOBE

WAREHOUSING & DISTRIBUTION • PACKAGING • MANUFACTURING • STAFFING • PO MANAGEMENT
FREIGHT FORWARDING • CUSTOMS BROKERAGE • DECONSOLIDATION • TRANSPORTATION MANAGEMENT

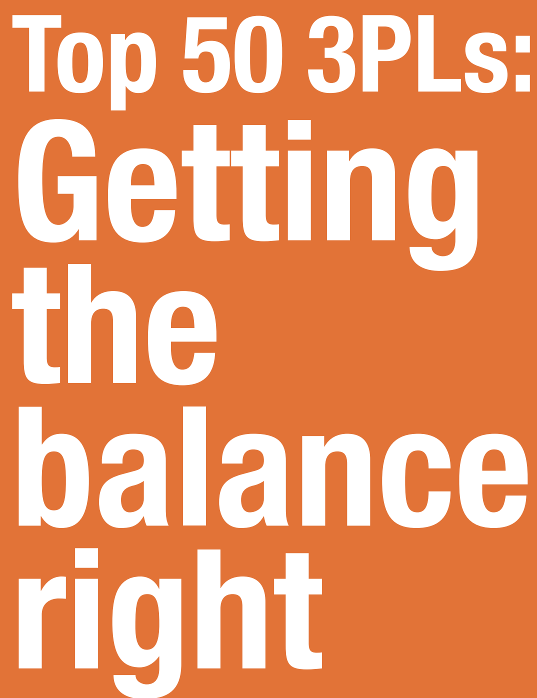
CONSIDER IT DONE

As one of the world's most trusted third party logistics providers, Jacobson Companies can oversee your entire supply chain from end to end. Everything from determining the best and most economical ways to perform each step from managing the purchase order to consolidation at origin to final delivery to store.

Now, with the establishment of Jacobson Global Logistics in Asia, we offer a competitive advantage for a one stop end to end solution. You can do more with Jacobson, the originator of *Can Do Logistics*.

1.800.636.6171 www.JacobsonCo.com/CanDo

A SPECIAL SUPPLEMENT TO:
Logistics MANAGEMENT



Top 50 3PLs: Getting the balance right

According to all reports, the third-party logistics industry is surging again, but experts agree that growth will reach a plateau in the coming years due to a number of looming economic uncertainties. Here's an overview of how the market is currently shaping up.

By Patrick Burnson, Executive Editor

Establishing close relationships with "key logistics service providers" has long been a precedent with shippers the world over; however, this top priority may have faced its sternest test during the last recession. By most accounts, however, the worst is behind us, and those who are left standing—on both the shipper and service provider side—are gathered in a tight circle.

In fact, that circle could indeed become even tighter. The Institute for Supply Management's (ISM) Semiannual Economic Forecast points to continued growth throughout the rest of the year. Researchers

Continued on page 46S

Single Source

Lead Logistics

Managed TMS®

Inbound Logistics

YOUR SUPPLY CHAIN IS GLOBAL.
WHY ISN'T YOUR TMS?

© 2011 C.H. Robinson Worldwide, Inc. All Rights Reserved. www.chrobinson.com

EXPERIENCE **SAVINGS** AND **SUSTAINED ROI** FASTER.

It's here—a TMS that combines managed services and true global capabilities. Unlike solutions that are isolated to a region of the world, Managed TMS® provides comprehensive capabilities that ensure global visibility, business intelligence, and the enhanced supply chain outcomes you've been looking for. It's a big world out there. Find out how TMS software plus managed services get you to your global goals faster.

Discover how your business can cover more ground with Managed TMS®
Call 800.323.7587 (Domestic) or +1 952.683.3950 (International) to connect with one of our experts.

C.H. ROBINSON WORLDWIDE, INC.

TMC | MANAGED TMS®
A DIVISION OF C.H. ROBINSON WORLDWIDE, INC.

also suggest now that a global recovery is moving along, shippers are looking to profit from the economic rebound by engaging the most reliable third party logistics providers (3PLs) to help them stretch their supply chains into existing and emerging markets.

ISM's forecast coincides with the release of Armstrong & Associates' market analysis showing that the international transportation management 3PL segment led with a 30.1 percent gross revenue (turnover) increase over the course of 2010. According to the consultancy's chairman Richard Armstrong, third-party logistics providers are growing at multiples of Gross Domestic Product, and should be able to sustain this pace through 2011.

"The main takeaway here is that 3PLs are taking advantage of ongoing economic globalization," says Armstrong.

Revenues and profitability increased in all four 3PL segments in 2010, according to Armstrong's findings. Gross revenue increases ranged from 12.9 percent to 30.1 percent and were up 19.4 percent overall. Net revenues (gross revenue minus purchased transportation) were up 13.2 percent. According to Armstrong, net revenues are a better indicator of true business improvement because fuel related costs have minimal impact. Overall, net income increased 23.4 percent in 2010 over 2009 levels.

Armstrong's report notes that the international transportation management segment of the 3PL market led with a 30.1 percent gross revenue (turnover) and net revenue (gross margin) increases. Dedicated contract carriage followed at 13.1 percent. Overall, 3PL U.S. gross revenues jumped 18.9 percent in 2010 to $127.3 billion slightly exceeding the 2008 result. The compound annual growth rate (CAGR) for third-party logistics net revenue from 1995 through 2010 was 12.7 percent.

"When we look back, 2009 was the only negative year since we began tracking results in 1995," says Armstrong. "From 2009 to 2010, the increase in 3PL net revenue was 4.7 times the rate of U.S. GDP growth."

One driving factor of 3PL growth was world trade volumes, which increased 12.4 percent in 2010. Armstrong cites a recent report from the International Monetary Fund suggesting that freight integrators are mirroring the success of major multinationals. "Shippers are continuing to go global," says Armstrong, "and the larger 3PLs are expanding at a rate to meet this demand."

"Risk mitigation is a major concern now, and having more than one or two 3PLs working for you can be a real hedge."

—Adrian Gonzalez, Adelante SCM Corp.

Encouraging reflections

"Mirror as metaphor" is more than poetic license for Adrian Gonzalez, president of Adelante SCM Corp. He is another prominent logistics and supply chain analyst who sees encouraging reflections that the 3PL market is on the rebound.

"The numbers are very encouraging," says Gonzalez, "but we must remember just how bad a year it was for everyone in 2009. Nor do I feel that globalization is the only reason for this improvement. A lot of domestic and cross-border activity is also driving this growth."

Gonzalez says that when a shipper decides to penetrate a new market, it's not always best to go with the same 3PL one might use for North America, however. "The best provider in one country could very well be the worst in another," he says. "And you will find that most major companies would rather not put all of their eggs in one basket anyway. Risk mitigation is a major concern now, and having more than one or two 3PLs working for you can be a real hedge."

Gonzalez adds that outsourcing overseas does not necessarily mean a diminution of domestic targets. He says that manufacturers can have it both ways without "cannibalizing" their operations and those of their 3PLs. "U.S. companies are going to want 3PLs in places where they have assets and domain expertise," he says. "They'll be looking to stay close to points of consumption and production, working with logistics partners for regional advantages."

Like Armstrong, Gonzalez says this does not mean smaller "niche" players will be out of the game, however. He says that there is room for a few specialists to compete in the global marketplace—especially 3PLs focused on auto parts, pharmaceuticals, and anything related to the cold chain. At the same time, though, both men say the barriers to entry are getting higher all the time.

"This is a capital intensive business," says Armstrong, "with requirements for sophisticated supply

THE MISSING PIECES IN YOUR SUPPLY CHAIN PUZZLE

LANDSTAR provides supply chain solutions and complete global and domestic transportation services. Landstar,a safety-first non asset-based company, identifies and fulfills shippers' needs through our unique network of independent sales agents and third-party transportation and warehousing capacity providers.

INTEGRATED SUPPLY CHAIN MANAGEMENT SOLUTIONS WITH NO CAPITAL INVESTMENT

- Multi-lingual, multi-currency, multi-modal capabilities.
- Leading-edge technology.
- Web-based Software-as-a-Service applications.
- Real-time order management and dynamic supply chain optimization.
- Global in-transit and inventory visibility.
- Carrier management services.
- Coordination of bidding, scheduling, shipping, tracking, invoicing and reporting.
- No upfront software costs.

DOMESTIC AND GLOBAL TRANSPORTATION LOGISTICS

Truckload – Less-than-Truckload

- Access to 8,500 power units operated by Landstar business capacity owners and 14,000 pieces of trailing equipment, plus approximately 25,000 other approved third-party truck capacity providers.

Heavy Haul – Specialized

- One of the industry's largest selections of equipment and qualified business capacity owner operators.
- Access to 1,700 stepdecks and 1,400 flatbed trailers.

Expedited Ground

- Access to a wide range of vehicles – cargo vans, straight trucks and tractor trailers, including air-ride equipment.
- Exclusive use business capacity owner operator trucks.
- Customized service to meet your time-critical supply chain needs.

Air

- Expedited air.
- North American services.
- International air express.
- International air cargo.
- Air charter worldwide.

Rail Intermodal

- Contracts with all major railroad transport and stack train operators
- Competitive pricing for reliable door-to-door service throughout the United States.
- Service extends into Canada and Mexico.
- Internet technology allows for regular status reports.
- Custom reports.

Warehousing

- Warehousing in major ports and markets.
- Network of 250 facilities operated by Landstar warehouse capacity owners totaling more than 68 million square feet.
- Tier 1 WMS with single point of visibility across multiple facilities.
- Dynamic Web-based visibility accessible worldwide.
- Value-added services like pick and pack, B2B/B2C fulfillment, consolidation, cross docking, local pick up and delivery, drayage and more.
- Custom reporting.
- Alert management.

Ocean Freight Forwarding

- Import and export.
- Full and Less-than-container loads.
- Licensed NVOCC.
- Refrigerated containerized.
- Ocean freight forwarding.
- Over-dimensional breakbulk.

LANDSTAR®

SmartWay℠ Transport Partner
Getting There With Cleaner Air

See what you're missing.

Visit www.landstar.com to watch our video detailing Landstar's full complement of services.
Or call ***866-439-1407***

Special Report

A&A's Top 50 Global 3PLs • May 2011

Rank	Third-Party Logistics Provider	2010 Gross Logistics Revenue (USD Millions)*
1	DHL Supply Chain & Global Forwarding	30,486
2	Kuehne + Nagel	19,476
3	DB Schenker Logistics	18,999
4	Nippon Express Co., Ltd.	18,450
5	C.H. Robinson Worldwide, Inc.	9,274
6	CEVA Logistics	9,091
7	UPS Supply Chain Solutions	8,923
8	DSV A/S	7,587
9	Panalpina World Transport (Holding) Ltd.	6,887
10	GLOVIS Co., Ltd.	6,303
11	Sinotrans Ltd.	6,286
12	Bolloré/SDV Logistics	6,163
13	Expeditors International of Washington, Inc.	5,968
14	Geodis	5,578
15	Toll Holdings Limited	5,303
16	Agility	5,266
17	DACHSER GmbH & Co. KG	5,045
18	Hellmann Worldwide Logistics GmbH & Co. KG	4,687
19	UTi Worldwide Inc.	4,550
20	GEFCO	4,449
21	Yusen Logistics Co., Ltd.	3,814
22	Norbert Dentressangle Group	3,769
23	Caterpillar Logistics Services, Inc.	3,465
24	Wincanton	3,408
25	GENCO ATC	3,096
26	Pantos Logistics Co., Ltd.	2,972
27	Kintetsu World Express, Inc.	2,969
28	Damco International A/S	2,700
29	IMPERIAL Logistics	2,467
30	Penske Logistics	2,433
31	Sankyu Inc.	2,146
32	Fiege Logistics AG	2,085
33	Hub Group, Inc.	1,833
34	Logwin AG	1,801
35	Ryder Supply Chain Solutions	1,735
36	Nissin Corporation/Nissin Group	1,666
37	BDP International	1,600
38	Menlo Worldwide Logistics	1,478
39	Kerry Logistics Network Ltd	1,400
40	APL Logistics	1,260
41	Arvato Logistics Services	1,215
42	J.B. Hunt DCS & ICS	1,198
43	BLG Logistics Group AG & Co. KG	1,195
44	OHL	1,170
45	VersaCold Logistics Services	1,116
46	Landstar	1,036
47	Greatwide Logistics Services, LLC	1,022
48	Werner Enterprises Dedicated & Logistics	980
49	NFI	936
50	Transplace	900

*Revenues are company reported or Armstrong & Associates, Inc. estimates and have been converted to USD using the average 2010 exchange rate in order to make non-currency related growth comparisons.

Enjoy Simplicity

Logistics from a different angle

The best way to manage lengthening and complex supply chains is an integrated approach that gives visibility across all your operations.

As supply chain experts, here at CEVA we believe in making life as simple as possible for our customers. We give you a single contact that integrates every aspect of what we do for you. So it's easy for you to coordinate your logistics. You'll experience quick communication, direct contact with senior decision makers, and a highly responsive service. This integrated approach makes us unique – and life much simpler for you.

Isn't it time to see your supply chain from a different angle? We think so.

Find out more about an integrated approach to all your logistics at
www.cevalogistics.com/simplicity

chain visibility. That means IT at the front end and back end of every enterprise. A new company would have real trouble competing in this marketplace."

Yet even at the current pace of maturation, Armstrong maintains that 3PLs have room to expand beyond current penetration levels: "Right now, it's at 20 percent of all shippers," he says. "We see it moving to 40 or 45 percent before leveling off."

Transitional phase

A recent paper called *Global 3PL & Logistics Outsourcing Strategy,* produced by researchers for London-based Eyefortransport (EFT), comes to many of the same positive conclusions. Katherine O'Reilly, EFT's executive director, says the industry "is much changed" and still in transition.

"Looking at the impact of the worldwide econom-

A&A's Top 30 U.S. Domestic 3PLs • May 2011

Rank	Third-Party Logistics Provider	2010 Gross Logistics Revenue (USD Millions)*
1	C.H. Robinson Worldwide, Inc.	9,274
2	UPS Supply Chain Solutions	8,923
3	Expeditors International of Washington, Inc.	5,968
4	UTi Worldwide Inc.	4,550
5	Exel (DHL Supply Chain - Americas)	4,200
6	DB Schenker Americas	4,072
7	Kuehne + Nagel, Inc. (The Americas)	3,831
8	Caterpillar Logistics Services, Inc.	3,465
9	GENCO ATC	3,096
10	CEVA Logistics (The Americas)	2,756
11	Penske Logistics	2,433
12	Panalpina, Inc. (The Americas)	2,204
13	Hub Group, Inc.	1,833
14	Ryder Supply Chain Solutions	1,735
15	BDP International	1,600
16	Menlo Worldwide Logistics	1,478
17	APL Logistics	1,260
18	J.B. Hunt DCS & ICS	1,198
19	OHL	1,170
20	Landstar	1,036
21	Greatwide Logistics Services, LLC	1,022
22	Werner Enterprises Dedicated & Logistics	980
23	NFI	936
24	Transplace	900
25	Yusen Logistics Co., Ltd. (The Americas)	877
26	Agility (The Americas)	840
27	FedEx Trade Networks/FedEx Supply Chain Services	783
28	Phoenix International Freight Services, Ltd.	764
29	Americold Logistics, Inc.	761
30	syncreon	750

*Revenues are company reported or Armstrong & Associates, Inc. estimates and have been converted to USD using the average 2010 exchange rate in order to make non-currency related growth comparisons.

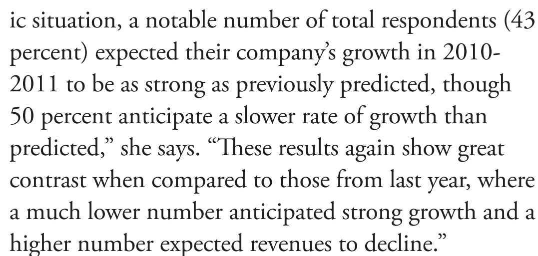
HEAVYWEIGHT SHIPPING STARTS HERE

When it comes to LTL shipping, you need heavyweight expertise. That's exactly what we provide with each of our flexible solutions over North America's most comprehensive network. Bottom line, ship with YRC and expect **Confidence Delivered®**.

800.610.6500 | yrc.com

The expertise of YELLOW and Roadway

Copyright © 2011 YRC Worldwide Inc.



ic situation, a notable number of total respondents (43 percent) expected their company's growth in 2010-2011 to be as strong as previously predicted, though 50 percent anticipate a slower rate of growth than predicted," she says. "These results again show great contrast when compared to those from last year, where a much lower number anticipated strong growth and a higher number expected revenues to decline."

When survey respondents were asked to predict a timescale for the global economy to return to pre-crisis levels, results were more negative than last year, says O'Reilly. The majority of respondents this year (58 percent) do not anticipate this scenario until 2012 or later, while only 16 percent of respondents last year anticipated recovery taking this long.

"Expectations for the shape of the economic rebound were only marginally more positive than last year, with a larger number of respondents expecting a V-shaped recovery as opposed to a W-shaped or L-shaped recovery," she says.

What is the future of 3PL services?

The main themes from the recent Eyefortransport survey and report *Global 3PL & Logistics Outsourcing Strategy* will be discussed and debated among 3PL CEOs and senior supply chain executives at the 3PL Summit & Chief Supply Chain Officer Forum in Atlanta, June 21-23, 2011. One of the event's prominent participants will be Kate Vitasek, faculty member at the Center for Executive Education at the University of Tennessee and founder of Supply Chain Vision, a market consultancy. In a recent interview with *LM*, Vitasek shared her thoughts on the current and future 3PL markets.

***Logistics Management* (*LM*): Will 3PLs be more reliant on intermodal options in the coming year as a hedge on energy costs?**

Kate Vitasek: Yes, as the price of energy increases and the cost differences between intermodal and long-haul truck increase, the use of intermodal will definitely continue to grow as a choice by both shippers and their 3PLs. According to a report released last month by the Intermodal Association of North America, intermodal freight volumes in the first quarter of 2011 were up 10 percent year-over-year, about three times the rate of growth in the U.S. trucking industry.

With the base price of intermodal being 10 percent to 15 percent below truckload (TL) and the fuel surcharge half as much for intermodal, shippers and their 3PLs are getting smarter, using analytics in their planning, to figure out how to leverage these cost advantages in their networks better. Intermodal not only helps to contains costs, but helps 3PLs and their clients meet sustainability goals, especially in carbon emissions reductions.

***LM:* Will shippers have fewer modal choices as a consequence?**

Vitasek: Not really. 3PLs will continue to offer all of the modal choices based on cost and service times. However, as the cost advantage of intermodal options improves in a global competitive marketplace, shippers will look for distribution alternatives, including collaboration, to meet customer delivery needs at reduced freight transport costs.

***LM:* What key competitive advantage do "mega" 3PLs have?**

Vitasek: Those "mega" 3PLs, which include service providers like DHL, UPS, and FedEx, have the resources to operate on a global scale providing pickup through delivery services. This simplifies the end-to-end process and acts as a single point of contact for the shipper and a clear competitive advantage versus dealing with 4PLs and clusters of individual logistics related firms.

The "mega" network of shippers and carriers of the top tier 3PLs is also emerging as an opportunity to gain shipping efficiencies through multi-client optimization. For example, a large, well-designed network of carriers and shippers enable efficient continuous move, backhaul, pooling, and intermodal—all of which yield a cost advantage if applied right. The optimization technologies are now capable of supporting these models.

***LM:* How do upstart players capture share?**

Vitasek: There is an emergent role for innovative players in the 3PL marketplace to offer higher-value services, tailored to individual and collective clients needs. A fascinating example is the recent advent of Integrated Delivery Networks (IDNs) in the health care supply chain and the 3PLs that can provide the highly specialized, time-sensitive management of these goods. Canada may be ahead of the U.S. in exploiting this real collaboration among hospitals, clinics, and other health care providers, but IDNs with specialized 3PLs are rapidly catching on here. And the cost savings are obvious and sorely needed.

***LM:* What should shippers be looking for when contracting over the long run?**

Vitasek: Shippers and 3PLs should invest in taking their contracting relationships to the next level, what we call "Vested Outsourcing." This involves creating a win-win working relationship focused on a clear understanding of the desired outcomes of both parties, mutual trust and respect between them, incentives for innovation on the part of the 3PL, and pricing that offers the 3PL with reasonable profits and the shipper with a clear sense of value.

—Conducted by Patrick Burnson

TOTALLY CALIFORNIA

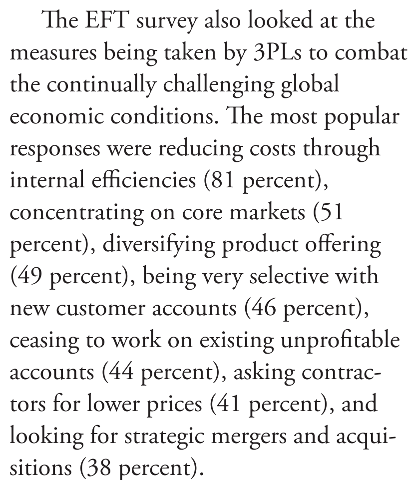
You see certain images and you immediately say, "That's California." A Reddaway truck should definitely be one of them. Because, when it comes to regional LTL transportation services – to or from, top to bottom and virtually every stop in between – nobody does it better than Reddaway. More next-day lanes? More delivery options? Best-in-class customer care? Best in just about everything? Totally.

For all the details, give us a call. Or check us out online.

(888) 420-8960 **reddawayregional.com/CA**

Reddaway™

Scan this code to catch our SurfsUp offer, or go to our website.



The EFT survey also looked at the measures being taken by 3PLs to combat the continually challenging global economic conditions. The most popular responses were reducing costs through internal efficiencies (81 percent), concentrating on core markets (51 percent), diversifying product offering (49 percent), being very selective with new customer accounts (46 percent), ceasing to work on existing unprofitable accounts (44 percent), asking contractors for lower prices (41 percent), and looking for strategic mergers and acquisitions (38 percent).

"The results were broadly similar to those seen last year, although this year saw notably fewer respondents cutting jobs or asking contractors for lower prices, and slightly fewer reducing expansion plans," O'Reilly says.

Respondents representing 3PLs were also asked to identify the geographical regions that provide them with the greatest opportunities, with China (59 percent) and India (43 percent) being the most common responses. The most notable change here was the large reduction in 3PLs seeing opportunities in Eastern Europe, and the notable increase in opportunities seen in North America.

"Our survey asked 3PLs what they think shippers are looking for when choosing a new 3PL," O'Reilly adds. "The majority of 3PLs thought lowest price and best quality service were the factors of most importance to their customers, with slightly more importance being placed on lowest price than best quality service."

Shippers were then asked to identify what they are looking for when choosing a new 3PL, with results showing a marked difference. While 3PLs thought most importance would be placed on lowest price, shippers actually placed most importance on best quality service. In fact, 58 percent of responding shippers said they consider service most important, as opposed to 18 percent for lowest price.

EFT also examined whether shippers have recently switched 3PLs or are currently planning to switch to a different 3PL. Results, says O'Reilly, "proved interesting," with 47 percent of shippers having changed or planning to change 3PLs over the past 12 months. Of these, 31 percent were changing as a result of service while 16 percent were changing due to cost; however, of those not changing 3PL, a greater number (34 percent) reported not doing so because of cost as compared to those not doing so because of service (19 percent).

"The main takeaway here is that 3PLs are taking advantage of ongoing economic globalization."

—Richard Armstrong, Armstrong & Associates

Wild ride for lead logistics providers

Transport Intelligence, another London-based think tank, has come up with similar findings in its recent *Contract Logistics* report. But it says that the U.S. market is more difficult to assess.

The U.S. debt and budget problems are depressing demand and undermining confidence, yet there are clear signs that 3PLs are continuing to grow both in the domestic sector and for international traffic. Canada and Mexico are strong economic performers and are likely to expand across all logistics sectors in 2011.

"Therefore global trends suggest demand is capable of supporting the sort of growth seen in the global logistics market over the past six months," says Cathy Roberson, Ti's senior North American analyst in Atlanta. "As ever, the joker in the pack is oil prices. These are presently high despite moderate demand in western markets."

Roberson says that even if a restrained recovery in consumer spending takes place in U.S., the oil price might increase to levels capable of suppressing demand for transport.

Yet Roberson says that there are a surprising number of good opportunities available for acquisitive companies, not only in emerging markets such as the Middle East, but also in the developed world. Like other analysts we spoke with for this report, she agrees that there are still large targets that may come on to the market.

"Take a look at private equity owned CEVA, and a number of aggressive Asia Pacific businesses with the cash and the will to buy them, such as Toll," says Roberson. "This industry is clearly on the move, and it's going to be a wild ride."

—Patrick Burnson is Executive Editor of Logistics Management

Need to reduce your total logistics costs?

We have an **app**roach for that.

Download our Product Lifecycle Logistics white paper now at www.genco.com/PLL1

GENCO ATC Product Lifecycle Logistics

GENCO ATC's holistic Product Lifecycle Logistics **app**roach simplifies the management of complex, compartmentalized supply chains. We reduce the total cost of product ownership by increasing agility, consolidating functions and speeding up the movement of products to help companies maximize value throughout their entire supply chains.

PRODUCT LIFECYCLE LOGISTICS℠

INBOUND LOGISTICS | DISTRIBUTION | FULFILLMENT | PACKAGING & KITTING | TRANSPORTATION MANAGEMENT | SYSTEMS INTEGRATION
RETURNS PROCESSING & DISPOSITION | TEST, REPAIR, REFURBISH | PRODUCT REMARKETING | RECYCLING

800.378.9671 • solution@gencoatc.com • gencoatc.com

Serving emerging markets: A survival guide

Since building warehouses and internal fleets from scratch is unrealistic, companies looking to reach new markets will need third-party logistics partners—more than likely, multiple partners. Two guest analysts share three maxims and six tips to help meet these often complicated, global logistics demands.

By Pierre J. Mawet and William M. Kammerer, Accenture

For several decades, the business relationship between mature economies and developing countries was mostly "one-way." Materials, components, and finished goods were produced "over there" and shipped "here." However, today's reality is different.

Many "low cost" countries in Asia, South America, and Eastern Europe have come into their own as consumers, so their involvement with mature economies is increasingly bi-directional. Consider the results of a survey conducted by Accenture and the National Association of Manufacturers: Among large companies (revenue exceeding $10 billion), North America's share of market is projected to drop by more than 5 percent between now and 2013, while Asia's should rise by the same amount over the same period.

For global shippers, the implications of this shift are dramatic. From an opportunity standpoint, emerging markets are clearly the growth markets. But from an operations standpoint, things are murkier, with potentially new capabilities needed to ensure security; assess and mitigate risk; track and manage assets; surmount infrastructure limitations; analyze the impact of rising labor rates; interact with regulators and customs officials; and leverage broadly varying tax and regulatory policies.

Now, let's examine three supply chain maxims for companies seeking to meet the logistical demands of a new marketplace.

1. Risk assessments and tradeoff analyses should be a top priority. In emerging markets, higher levels of political, economic, financial, and operational risk are a certainty, at least in the short-to-medium term. Take infrastructure: Poor roads outside of central cities; insufficiently developed ports; and less-available, less-secure warehouses are commonplace.

Another risk is legislative. In emerging markets, for example, companies must often deal with more corruption, less-orthodox and less-codified business rules, and more nod-and-wink agreements. At the same time, there are fewer protections. In mature economies, companies are generally confident that laws and regulations will protect them. However, in emerging markets, there is less chance that authorities can or will insulate companies from dubious practices. It's important to keep in mind that things companies count on

Do you need a logistics partner that will bend over backwards for you?

KENCO

LOGISTIC SERVICES

kencogroup.com
1-800-758-3289

Warehousing & Distribution • Transportation • Value-Added Services

"here" cannot be counted on "there."

Perhaps most important, companies focused on emerging markets will find that more is riding on their ability to assess risk and analyze tradeoffs. Take Brazil—a particularly fast-growing market. Is it preferable to build capacity in Brazil to serve the local market or to build in nearby Colombia? After all, building in Colombia is less expensive than building in Brazil, but shipping into Brazil is more expensive than manufacturing in Brazil for in-country sales and consumption.

On the other hand, if your efforts to tap the Brazilian market are unsuccessful, your physical assets in Brazil cannot be redirected to other countries. Unlike Brazil, however, Colombia allows foreign production assets to also serve other Latin American countries or even the United States. Thus the tradeoff is balancing higher operating expenses to serve the Brazilian market (and potentially others) from Colombia versus the higher capital investment, higher risk but lower operating expenses associated with developing Brazilian facilities.

2. New capabilities invariably will be needed. There may be little similarity between the capabilities needed to move goods and materials across developed markets or from low-cost countries into developed markets and the qualifications required to move goods and materials from developed countries into or around emerging markets.

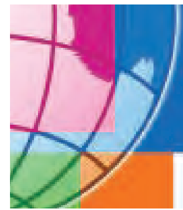
The most fundamental difference is that, in the latter scenario, the challenge is more than just moving the item. When dealing with less-sophisticated markets, for example, a company's primary medium for receiving item requests could be as "traditional" as faxes or even delivery via post.

As a result, it may be necessary for a company to reassess and revise its most basic order management capabilities. In fact, many rudimentary structures and protections that companies are used to in the U.S. and the European Union (safety standards, hours of service, "responsible care" standards, security measures, etc.) are often weak or non-existent in emerging markets.

Along the same lines, the level of supply chain execution that many companies take for granted depends heavily on access to reliable, accurate, end-to-end data. However, many emerging markets are populated mostly by less-sophisticated logistics services (truckers, consolidators, stevedores) that can neither provide nor leverage in-depth supply chain information.

Moreover, because building warehouses and internal fleets from scratch is probably unrealistic, companies will need partners—more than likely, multiple partners. This will require coordination, guidance, and training by the organization that engages them that in turn means acquiring a fairly deep understanding of local laws, customs, and capabilities, as well as some command of the language. Marshalling a fleet of 100 trucks could require separate relationships with numerous, low-tech companies, each of which provides only a handful of trucks.

Reverse logistics may need to be reinvented in much the same way. There may be established processes in the U.S. and Europe for handling returns, but this is not the case in places like India, where such capabilities will probably have to be developed internally or with the help of an external partner.



In emerging markets, for example, companies must often deal with more corruption, less-orthodox and less-codified business rules, and more nod-and-wink agreements.

However, the latter is unlikely to be a simple turnkey operation that will process returns orders, handle distribution, and coordinate shipping. After all, reverse logistics can be a somewhat fledgling science even in developed countries. In some emerging regions, reverse logistics is barely on the radar screen.

The net effect is that establishing the capabilities you need to serve emerging markets is certain to be more complicated, expensive, convoluted, time consuming and training intensive than you think. Begin by resetting your expectations.

3. Finding the right local partner(s) is key. In recent years, consolidation has been rampant in third party logistics (3PL) market. This could make it somewhat easier to engage a mega-provider with insights and capabilities tuned to a specific market such as Brazil or India. In areas where these services operate, it would be the service provider's job to marshal and coordinate local providers to fill in the gaps.

However, there are many places where Tier One logistics providers don't yet operate; and even if they do work in a particular region, it may still be necessary to work directly with a local services provider. The essential goal (however elusive) is "integrated fulfillment"—whether coordinated by a major 3PL or by you.

Throughout the developing world, smaller, privately owned logistics companies are still the rule: fewer assets, fewer routes, less sophistication, and typically higher prices. And although some governments (China, for example) may demand that you use a certain percentage of local services, many of those

SAMSUNG

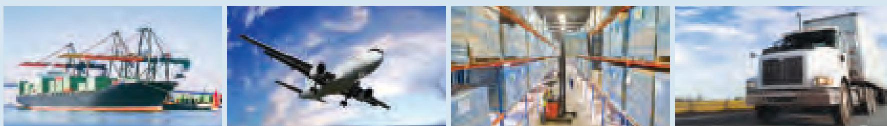
Sports fans count on Samsung® to bring them quality entertainment.

What company does Samsung count on for its distribution and transportation services?

As major companies today focus more on outsourcing their supply chain transportation and logistics activities, their need for a logistics company they can partner with becomes even greater. Companies want a logistics partner with a proven track record in today's marketplace, as well as a commitment to expand geographically with services that will meet future needs.

MIQ Logistics, previously YRC Logistics, is that business partner. For Samsung, we offer greater resources, customized solutions and the kind of expertise to better meet their requirements wherever they operate worldwide. Just ask what MIQ Logistics can do for you.

For more information please call +1 877 232 1845.



MIQ LOGISTICS

INTELLIGENT GLOBAL SOLUTIONS

www.miq.com

same rulemakers also encourage their smaller outfits to partner with the heavy hitters. These countries believe such partnerships are good for development and that they encourage investment in trucks and facilities.

But even if the use of local partners isn't mandatory, these local entities may still be important to help you navigate legal hurdles, negotiate customs, access local infrastructure, and understand and meet customers' expectations.

For example, local partners often help their clients access alternative transportation modes: Because most mature economies have extensive road systems and myriad transportation assets, we may be inclined to think that 48-foot and 53-foot trailers are the default asset type everywhere. Not true. In most emerging countries, road arteries may not be very advanced and thus smaller vehicles are preferable. But because these may be outside the scope of a shipper's expertise, working with a local partner becomes critical.

Following are some other observations about working with local third party providers:

• **Price comparisons will be difficult.** Pricing rates as well as structures will vary considerably among providers, not just among countries. As you shop, expect to compare apples to oranges. Moreover, the "price" may not be equal to the total cost, as we note below.

• **Added costs are inevitable.** Local service providers help you deal with local complexities and customs; but all that assistance (fees, taxes, last-minute add-ons) will inevitably show up on an invoice. Great care will be needed to understand what your costs should be—i.e., what additional fees are legitimate and which ones are inappropriate. One reason for astute invoice audits is that significant legal penalties may be assessed if a company is found to have knowingly supported improper practices—for example, agreeing to pay a bill that includes under-the-table arrangements.

• **Your contract is not a guarantee.** The existence of a contract does not mean that un-discussed or un-itemized fees won't show up on an invoice. In some cases, your relationship with a global 3PL may help you avoid these problems, but even that is not a guaranteed hedge against surprises.

• **Understand the tax and regulatory implications for doing business in a particular country or market.** These may be particularly complicated when dealing with a local services provider. New legislation in emerging markets is generally added to protect the local economy—not your company. Understanding these regulations in advance could save you a great deal of frustration and time. Also look to leverage Free Trade Zones, because many emerging markets are developing these to stimulate commercial activity within their countries.

• **Be diligent about due diligence.** Make sure the third-party logistics provider that says it can provide a complete service can actually provide that service, and that it is not just assuming it will "find a way" when the time comes. Even the Tier One 3PLs haven't achieved perfection in every market, so don't presume that because they are terrific in the U.S. and EU, they will perform similarly everywhere else.

Many emerging markets are populated mostly by less-sophisticated logistics services (truckers, consolidators, stevedores) that can neither provide nor leverage in-depth supply chain information.

• **Don't conclude that lower fuel prices are the norm in an emerging market.** Some emerging economies (Russia, China, Vietnam) do enjoy relatively low fuel prices. But, as we've found, the exact opposite may be true in other countries, such as Brazil and South Korea. And as noted previously, it may be an apples-to-oranges comparison if trucking is a less-predominant mode of transportation in a given country or region.

In net, when it comes to partnering, the bottom line is twofold. First, one or several local partners will almost certainly be needed to help manage in local markets. Second, a great deal of research will be needed before reaching a decision about who the optimal partner (or combination of partners) may be.

The logistical characteristics of emerging markets are very different from those in more mature economies—more different than most companies might expect. What's more, even companies that acknowledge these difference may not be aware of how difficult, time consuming, and expensive it will be to build, acquire, and coordinate the capabilities needed to operate effectively in emerging markets.

In all likelihood, it will be more complicated, more time consuming, and more expensive than you think. Patience, savvy risk assessment, comprehensive due diligence, and training are only some of the essential prerequisites.

About the Authors

Pierre J. Mawet is a Senior Manager in Accenture's Supply Chain Management service line. He can be reached at pierre.j.mawet@accenture.com. William M. Kammerer is a Senior Manager in Accenture Supply Chain Management consulting. He can be reached at william.m.kammerer@accenture.com.

FIND OUT WHAT THESE SUCCESSFUL BUSINESSES ALREADY KNOW

FORTUNE 200 NON-PERISHABLE FOOD PRODUCER SAVED **29%** IN THE **FIRST YEAR OF** IMPLEMENTATION.

NATIONAL PLASTIC PACKAGING MANUFACTURER REALIZING SAVINGS OF **$1.2 MILLION** ANNUALLY.

GLOBAL CONSUMER PRODUCT MANUFACTURER SAVED OVER **$4.4 MILLION** IN THE FIRST YEAR.

FORTUNE 500 RETAILER IS REALIZING **25% SAVINGS** WITH UNYSON MANAGING ITS NORTH AMERICAN TRANSPORTATION.

IN TODAY'S ECONOMY YOU NEED A PARTNER WHO CAN PROVIDE IMMEDIATE SAVINGS AND WILL COMMIT TO THOSE RESULTS WITH LONG TERM PERFORMANCE.

YOU NEED UNYSON LOGISTICS.

Unyson Logistics is the best 3PL to provide your company with complete multi-modal capabilities. We guarantee supply chain savings and continually adapt our services to meet your ever increasing needs.

As a technology leader in the industry, our systems are engineered to add visibility and efficiency to every supply chain event.

Unyson Logistics Technology Suite:
TMS, Optimizer, Carrier Interface, Dock Scheduler, Unyson Toolbox, Online Tracking & Web Portal

The Unyson team is ready to drive costs from your supply chain. Here is just a sample of the services we offer:

- Transportation Modeling and Optimization
- Network Analysis and Design
- Transportation Bid Management
- Environmental Improvement Programs
- Complete Supply Chain Visibility
- Reverse Logistics
- Web Based Tools: *PO Management, Vendor and Supplier Web Portals, Reporting*
- International
- Multi-Modal Management and Execution: *LTL, Truckload, Intermodal, Rail, Parcel, Expedited, Final Mile, and White Glove*

FIND OUT HOW MUCH YOU CAN SAVE.
WWW.UNYSONLOGISTICS.COM/SAVENOW
INFO@UNYSONLOGISTICS.COM
1-866-409-9759

CASE STUDY

Samaritan's Feet: The Trials & Triumphs of a Global Non-Profit

Third-party logistics partnerships in action for the *greater good*.

By Christopher Norek, Brian Gibson, and Manny Ohonme

The supply chain management themes we've heard for years—improve operations, get lean, and reduce costs to improve profits—mainly target for-profit companies. Less attention has been paid to the supply chain challenges faced by non-profit organizations, and even less to those non-profits focusing on humanitarian aid. Like their counterparts in the private sector, non-profits must continuously improve their supply chain operations to control costs. Yet their ultimate goal is not to increase profits, but to ensure that the greatest portion of donations and resources go toward helping those in need.

Samaritan's Feet is one such example. It is estimated that more than 300 million people wake up each day with no shoes to wear. Children, in particular, are at the greatest risk of contracting these infections, diseases and parasites from lack of footwear. While drugs can be used to treat patients (if any drugs are available), the real opportunity lies in the prevention of these problems. This is the mission of Samaritan's Feet (SF).

SF is a non-profit organization that was started by Nigerian-born Manny Ohonme, co-author of this article. When he was nine years old, Manny began seeing the world differently after a stranger from Wisconsin gave him his very first pair of tennis shoes at a basketball camp in Lagos, Nigeria. That first pair of shoes was the inspiration that led him to a basketball scholarship at the University of North Dakota–Lake Region and in 2003 to the founding of Samaritan's Feet.

SF today joins forces with its global community of more than 80,000 volunteers around the world, committed to making a difference in the lives of children. Ohonme and his team set out to accomplish a monumental task globally that started as a dream and, despite many stumbling blocks, has already turned into reality for more than 3 million impoverished children in over 60 nations worldwide.

Supply chain issues and challenges

SF's mission is to protect people from harm's way by providing them with much-needed shoes. The goal is both clear and ambitious: to put 10 million pairs of shoes on the feet of 10 million children in the next 10 years. While the mission and goals are simple enough, the task of moving shoes across global supply chains to people in need is anything but. In fulfilling its mission, the organization encounters many logistics and supply chain challenges. Some of these are unique to the non-profit world, while others transcend organization type to impact for-profit companies and

COMMITTED TO CUSTOMER SUCCESS.

Let us optimize your supply chain performance. More than 50 of the world's leading corporations have chosen Cat Logistics as a trusted supply chain partner. No matter what industry or region of the world you do business in, your supply chain is as integral to your success as your products, services and people. We have a proven track record of delivering fast and reliable solutions to improve revenue, lower overall costs and optimize asset utilization.

To see how a partnership with Cat Logistics can enhance your business performance, contact us at:
www.CatLogistics.com | CatLogistics@cat.com

© 2011 Caterpillar All Rights Reserved
CAT, CATERPILLAR, their respective logos, "Caterpillar Yellow," as well as corporate and product identity used herein, are trademarks of Caterpillar and may not be used without permission.

CAT® Logistics

non-profit humanitarian aid organizations alike.

In addition to the typical issues of language barriers, cultural differences, and regulatory red tape, SF encounters supply chain challenges related to product, warehousing, inventory, transportation, and third party services. This article addresses each of these supply chain challenges along with the solutions that Samaritan's Feet has applied and the lessons learned.

Product: All donations are not created equal

The Challenges. Donations are the lifeblood of non-profit organizations. Monetary gifts are particularly beneficial because they are readily transferable to the locations of greatest need with limited effort or minimal additional cost. In SF's case, monetary donations can be used to direct-source shoes from vendors near demand points, thereby avoiding unnecessary transportation expenses. Also, these cash donations give SF leverage to procure shoes at discounted prices, which often means that the organization can buy more product for its money.

Bulk donations of new shoes also are beneficial and processing the receipts is relatively straightforward. However, these donations are not always well-aligned with demand from the standpoint of time or geography. Hence, SF may incur inventory-carrying costs to store bulk donations until they are needed, and then transportation costs to move the goods to demand locations.

Though donors have the best of intentions, some footwear does do not fit SF's mission. The organization focuses primarily on distributing new athletic shoes. It also distributes school shoes, sandals, and EVA foam shoes. Donations of other types of footwear (dress shoes, high heels, boots, for example) bring logistical and disposition challenges. SF needs to find users for these items; merely discarding them is not an option.

The Solutions. A simple solution to the donation dilemma would be to accept only cash contributions and purchase new shoes with this money. Yet to do so exclusively would reduce total donations and de-personalize user experience and the SF mission. It would also preclude individuals and groups from directly engaging with SF and the connection to people in need. So Samaritan's Feet actively encourages interested groups to conduct shoe drives and provides a step-by-step process for running a successful campaign. To assist in the effort, SF will assign to the fundraising group an "ambassador" who understands the organization's donation needs and supply chain constraints.

Many of the 80,000 global volunteers assist with the time-consuming activities of sorting and processing donations at the SF warehouse in Charlotte, N.C., and other locations around the world. For those shoes that do not fit the desired profile, SF seeks out organizations that can use them in their assistance programs.

The Lessons Learned. Just as for-profit companies benefit from collaborating with suppliers, SF has learned that it can build stronger relationships with donors that go beyond contributions. The following opportunities have been identified:

- Engage donors in the distribution process to improve supply chain efficiencies. The more donors are involved in the process, the more likely they will be to support and participate in supply chain improvement efforts.
- Enlist key supply chain leaders and volunteers from logistics, retail, and manufacturing with specific resources and expertise to drive projects, tasks or entire operations.
- Pursue new opportunities with donors and donations that don't fit the SF profile. For example, have them send worn out shoes to a recycler who then pays SF for the recovered materials.

Warehousing: Creating a responsive distribution network

The Challenges. Unlike many non-profit agencies that have a local mission and limited scope of operations, SF has a global vision that has rapidly evolved. While the organization has been able to respond to needs around the globe, the process has not always been a model of long-range supply chain planning and strategic network design. In reality, the network has been cobbled together as best as possible to meet immediate needs.

Complicating matters, to gain access to large-scale donations, SF must defer to the stipulations of its donor organizations. This means taking donations wherever and whenever they are made available—regardless of any inconvenience or

Dedication at every turn.

See untapped growth? We do, too.

Helping leading companies realize the untapped growth within their supply chains is our specialty. Our customized solutions drive down costs, elevate service and continually improve business performance.

Vast industry experience and expertise in logistics engineering and technology coupled with a steadfast commitment to personalized service enables Penske to design and execute today's most sophisticated supply chain solutions. Unleash your supply chain's growth potential. Start today.

800-529-6531
PenskeLogistics.com

incremental cost. Thus, it is essential for SF to build flexibility and agility into its distribution network. Failure to do so could result in donor frustration and fewer partnering opportunities in the future.

Warehousing is key to creating a responsive network. Like all growing organizations, Samaritan's Feet needs affordable and strategically located facilities to promote operational efficiency. Moreover, these facilities need to be relatively clean and secure to protect shoes against damage and theft. That's a hard enough combination to find in the United States—and a virtual impossibility in many developing countries.

The Solutions. SF has been working feverishly to keep pace with its storage needs for several years now. The receipt of 1.44 million pairs of shoes in 2009 quickly stretched SF's original Charlotte, N.C., distribution facility beyond its capacity. Rapid expansion was an absolute necessity and the organization acted quickly. It established primary storage facilities in the United States, Africa, and South America as well as temporary facilities on an as-needed basis.

SF relies on partnering and creative solutions to address its growing storage needs. Rather than purchasing or leasing dedicated facilities, it often chooses to partner with other organizations to share capacity in suitable facilities. The organization also leverages the partner's relationships and knowledge of warehousing options in particular countries.

If appropriate space isn't readily available, SF must become a bit more creative. In some cases, the organization will seek out a partner with a secure compound to hold the product. If SF can safely and securely do so, it will purchase a used seaworthy container, ship it with product from origin, and drop it in a secure compound.

The Lessons Learned. Agility is not the exclusive domain of for-profit supply chains. SF needed to establish flexible capacity and develop creative solutions to enhance distribution network efficiency. Relevant opportunities identified include:

• Avoid owning and leasing facilities whenever possible. This helps to scale global capacity up or down as dictated by major donations, special projects, and demand.

• Use alternate sources of labor to keep warehouse wage expenses manageable. Going forward, SF will increasingly utilize volunteers and interns in their facilities.

• Strategically align with companies that have available capacity to donate and the capabilities (network contacts, board members, and so forth) to support SF's network.

Inventory: Visibility into geography and nature of demand

The Challenges. Even though Samaritan's Feet is a non-profit and relatively young, it experiences the same visibility headaches of a multinational for-profit company. With seven distribution facilities on three continents and a willingness to bring shoes to any location in need, SF faces a huge task in maintaining effective inventory oversight. It cannot be demand-driven and needs-responsive without adequate and up-to-date knowledge of inventory levels across its network.

Adding to the complexity of inventory visibility is the product variation of the shoes distributed. Inventory information by size, gender, and style must be captured and monitored at the distribution locations. SF needs this information to effectively replenish depleted inventories while avoiding unnecessary movement of shoes that may already be in strong supply at a particular location.

A final inventory visibility problem relates to SF's willingness to mobilize the inventory and serve remote regions of the world. This has led to the wide range of permanent and temporary storage facilities in the SF network. While SF's permanent distribution operations can leverage inventory management technologies and processes, other facilities are relatively primitive and unable to benefit from standard operating procedures.

The Solutions. SF recognized that a multiple facility, complex inventory scenario is best solved with a robust warehouse management system (WMS). Given the variety of facilities in the network and the organization's desire to limit its investment in technology, SF felt that

"I've never been to Rio, but my trade network makes sure my business is there every day."

Citi's trade solutions: on-the-ground expertise, access and experience in local and global markets.

New trade flows create new growth opportunities. That's why Citi's trade network spans 126 cities in 73 countries. Our award-winning solutions can provide you with global platforms and innovative financing options wherever you do business. And our long-standing relationships with export credit agencies and multilateral institutions keep things moving. Find out how our global capabilities and on-the-ground experts can help manage your physical and financial supply chains and sustain the flow of commerce at **transactionservices.citi.com**.

>> Working Capital and Supply Chain Management
Trade Services
Export and Agency Finance

Citi never sleeps®

©2011 Citibank, N.A. All rights reserved. Citi and Arc Design and Citi Never Sleeps are registered service marks of Citigroup Inc.

the best solution would be a web-based WMS—that is, a Software-as-Service (SaaS) model. After considering the options, SF implemented RedPrairie's Smart Turn WMS solution to maintain visibility across its network. This solution actually simplifies the process even in remote locations

The on-demand application enables SF to have WMS capabilities in all facilities regardless of infrastructure type and sophistication. Another benefit of a SaaS tool is that there is no infrastructure to install, maintain, or remove when locations are added, eliminated, or moved. Ultimately, SF was able to establish a critical combination of inventory agility, accuracy, and insight for its network.

The Lessons Learned. Just as for-profit companies benefit greatly from demand visibility so does SF. The organization has an acute need for a single view of inventory worldwide to be able to balance its product mix. To better respond to immediate needs and future projects, SF must:

- Identify and train regional coordinators in inventory management. Even with automation, there is a significant human component involved in tracking and managing inventory. Regular oversight and inventory updates at the regional and country levels also limits inventory shrinkage.
- Fully capitalize on the ability of the web-based WMS to collect and manage data remotely. Simplified processes help shorten the learning curve of training and reporting of good data. Making reporting less cumbersome and less complicated will help ensure regular and accurate updating.
- Leverage available mobile technology (smart phones, tablets with a simple mobile WMS application) rather than PCs or even costly notebook computers for inventory tracking and management. Mobile applications enable SF to get instant updates from any warehouse location in the world as well as the ability to report on a move from anywhere.

Transportation: Securing capacity and low costs

The Challenges. SF's largest expense outside of shoe procurement and travel is freight transportation. Like all shippers, it must overcome capacity constraints, rising rates, and in-transit product safety issues. In addition, SF encounters transportation flow challenges as their destination points may be remote and the routes unconventional to say the least.

Throughout the recession, available transportation capacity had shrunk. Some of this was due to carrier bankruptcies; in other cases, carriers reduced capacity to maintain rates and counter the effects of lower demand. The net result has been the removal of excess capacity from the system, capacity that SF previously sourced as donated backhaul transportation.

Combine delivery to some of the most troubled parts of the world with a product that is coveted by thieves and the real magnitude of the transportation challenge becomes crystal clear. Getting the product to the destination port is in many instances the easy part of the trip. The real headaches begin at the destination port during the entry process and persist on to the final leg of delivery.

The Solutions. Samaritan's Feet has taken a multi-pronged approach to overcoming transportation obstacles. First, it brought in knowledgeable transportation experts to manage freight flows and develop creative solutions to its freight predicaments. Unlike many non-profits, SF now has on staff a full-time director of logistics and supply chain. Supply chain experts also serve as members of the organization's Board of Directors and Board of Advisors.

Because SF doesn't have consistent volume, it is difficult to lock in needed capacity and low rates with transportation contracts. Fortunately, the organization's freight flows on low-demand backhaul routes in some regions of the world. So occasionally this presents opportunities for SF to seek partnerships with carriers and intermodal companies to move freight at reduced backhaul rates. Ideally, the freight will move as a donated service from the carriers, though this is rarely the case.

To minimize the risk of product loss, SF closely monitors freight flows for potential problems and works to avoid political hotspots. Likewise, it seeks to limit dwell time at ports where the athletic shoes become prime targets for theft. SF seeks to partner with people who have a strong track record of quickly clearing goods through customs.

The Lessons Learned. With global shipping capacity decreasing and rates increasing, a not-for

You don't have to have super powers
to manage today's LTL rates...

...just a super partner

Unmask the best LTL rates with **SMC³ Bid$ense®**, an automated RFP solution with sophisticated bid distribution capabilities that lets you analyze price and service responses across LTL carriers and geographic areas. And, with the addition of **SMC³ CzarLite®**, our trusted negotiating tool, you'll have the added power of the industry's neutral base rate.

Empower your procurement process and increase savings for your organization.

Contact SMC³ today at **800.845.8090** or visit our web site at **smc3.com/superpartner**.

© 2011 SMC³. All rights reserved. SMC³, CzarLite and Bid$ense are registered trademarks of Southern Motor Carriers Association, Inc.

profit has to be very creative in transportation arrangements. Some opportunities are to:

• Increase the use of intermodal (piggyback) where available to counter the capacity crunch and rate increases of over-the-road truckload.

• Seek in-kind donation of transportation from moving companies like North American Van Lines who have shared backhaul capacity as well as providing deep discounts to move last-minute shipments or donations.

• Partner with third party transportation management companies and use their rate umbrella to secure the best rates.

• Seek additional backhaul opportunities to international locations that are primarily exporting to (rather than importing from) the United States.

3PL Partners: Never too many cooks in the kitchen?

The Challenges. It's hard to say no to offers of help when you do not have an abundance of in-house supply chain expertise or resources. A relatively young non-profit like SF doesn't have the financial wherewithal to staff and manage facilities in every region in which it is trying to help people. Thus, the assistance provided by 3PLs is both appreciated and essential. Third parties possess the capabilities, infrastructure, and knowledge needed for operational efficiency in regions where SF has a limited presence.

Problems can arise, however, when the pool of service providers grows rapidly and the supply chain network becomes fragmented and dysfunctional. Yet while SF feels that there can never be "too many cooks in the kitchen," this situation at times had made the organization vulnerable to certain supply chain problems. These include the following: simple processes became difficult, cumbersome, and inconsistent across regions; communication challenges arise, especially when dealing across cultures; and maintaining a global view of inventory becomes more difficult. In short, SF needs to be ever vigilant that the presence of multiple third parties never impedes its mission of serving people in need.

The Solutions. Intelligent partnering is the key to success for non-profits like Samaritan's Feet. The organization learned the hard way that not every offer of help should be immediately accepted. The capabilities of potential partners must be vetted, their market expertise verified, and their fit within the existing network assessed. This qualifying process needs to take place before any working relationship is established.

The Lessons Learned. SF has to be proactive in identifying requirements and partners, particularly in areas where proven capabilities are weak or absent. Some opportunity areas that should be pursued include:

• For each project, clearly map out which resources are needed (people, transportation capacity, storage capacity, etc.), the quantity of resources needed, and the required timeframe.

• Do capability and capacity checks of 3PLs to be used in each country before engaging them. This would include conducting reference checks on the providers to ensure that they have the capabilities they claim to have.

• Continue to reach out to other non-profits around the world. Compare and contrast operating footprints and expertise to better identify partnership opportunities.

• Become familiar with variances in customs processes across countries.

In its brief lifespan, Samaritan's Feet has encountered significant supply chain challenges on the way to becoming a truly global operation. The ability to identify and execute innovative solutions to meet these challenges has helped the organization mature and expand its services to more people in need in more locations of the world. The good news is that SF is quickly moving toward its goal of putting 10 million pairs of shoes on the feet of 10 million people in 10 years—the 10/10/10 goal. Solid supply chain management is a critical part of that effort.

Dr. Christopher Norek (norek@chainconnectors.com) is a senior partner at Chain Connectors, Inc. Dr. Brian Gibson (gibsobj@auburn.edu) is a professor of logistics and SCM at Auburn University. Manny Ohonme (manny@samaritansfeet.org) is the Founder, President and CEO of Samaritan's Feet.

Authors' note: *Readers interested in helping with Samaritan's Feet are invited to contact Manny Ohonme at manny@samaritansfeet.org or call toll free 1.866.833.SHOE (7463). To learn more about Samaritan's Feet, visit www.samaritansfeet.org.*

Logistics MANAGEMENT®

Develop greater brand awareness and showcase your featured editorial from this industry-respected publication.

Place your press directly in the hands of your customers and prospects with custom reprints from *Logistics Management* magazine.

Event Collateral

Media Kits

Direct Mail

Online Marketing

Recruiting Packages

Presentations

800.290.5460 x136 | logisticsmanagement@theYGSgroup.com

The YGS Group is the authorized provider of custom reprint products from *Logistics Management* magazine.

SAGE ADVICE

Don't take communications for granted

By John A. Gentle, DLP

RECENTLY, A NEARBY COMMUNITY found itself embarrassed and under attack because of a serious communications failure. It all started when the police found a local, middle-aged male dead in his house. The coroner ruled death by natural causes and after a month or so sought permission to cremate the unclaimed remains. Then, last week, the newspaper ran a story that a local family, with the same last name as the deceased, reported a missing person to the police.

The family was distraught when they learned that the remains of the recently cremated person was, in fact, their sought-after relative.

Apparently, the police told the coroner that they could not find any information in the house that could point to next of kin. And when a prescription bottle found at the home led to a physician that could not be located, the coroner, who apparently is responsible for notifying next of kin, simply stopped looking.

It is pretty obvious that neither the police nor the coroner provided reasonable investigative work to find the family and clearly there was no effort to communicate at all. To make matters worse, neighbors apparently had told the police that there was family in the area, but this information was never forwarded to the coroner—or if it was, it was never acted on.

Had the police or coroner simply opened the phone book and called the two individuals with the same last name this whole debacle could have been avoided. With all the CSI shows on TV, you wouldn't think that something seemingly as simple as this could still happen.

I believe that many shippers take the communication process for granted, while 3PLs recognize the critical nature and timeliness of information exchanges and work tirelessly to ensure all parties who need the information have it and are acting on it. So, as shippers, how do you ensure that information is moving to and from the appropriate parties in a timely manner? And more importantly, how do you know that they received the information and are going to act on it promptly?

The test for this is interesting because certain information is transactional and a computer can track certain types of information easily and automatically. EDI shippers can track tender acceptance, pick-up times, as well as planned and actual arrival times. Occasionally there are operational issues with plant production causing loading/unloading delays; weather problems; and trailer pools. Knowing who should be contacted quickly, not e-mailed, is critical especially if you're having a systems problem or key personnel are absent.

Technology cannot handle all of the operational challenges that require timely information with the right people.

Some administrative information is unique and directed to your carrier's or 3PL's account executive as important information that needs to be released at one time to all business partners, such as: plans to outsource; department reorganizations; planned or sudden changes in origin points and or service areas; RFQ/RFPs; or even notification and chapter 11 or 13 filings. Other important administrative information that requires timely response includes: decisions to terminate the agreement; contracts/rate negotiation documents; or even tracking lost or stolen shipments.

While many companies have fairly good communications with the carrier's customer service, technology cannot handle all the operational challenges that require timely information with the right people. Likewise, important administrative messages and/or documents must be communicated in a timely manner to the right people.

What are your contingency processes to move transactional, operational, or administrative information and how do they hold up to the various real world risks? Remember that when people need to use a phone to make important and timely calls there must be enough knowledgeable human resources available who know who to call and how to make all those calls in an appropriate timeframe. □

John A. Gentle is president of John A. Gentle & Associates, LLC, a logistics consulting firm specializing in contract/relationship management and regulatory compliance for shippers, carriers, brokers, and distribution centers. A recipient of several industry awards, he has more than 35 years of experience in transportation and logistics management. He can be reached at jag@RelaTranShips.com.

Critical Industry News at Your Fingertips!

Critical Topic areas help you develop strategies and expand your knowledge. Each topic provides you with the news, information, and resources you need — each day.

- **Air Freight**
- **Motor Freight**
- **Rail Freight**
- **TMS**
- **WMS**
- **Mobile and Wireless**
- **Ocean Freight**
- **Third Party Logistics**
- **Warehouse & Distribution**
- **Sustainability**
- **Global Trade**

Logistics MANAGEMENT®

www.logisticsmgmt.com/criticaltopics

Welcome to the most sophisticated and flexible Transportation Management System in the industry- MercuryGate's TMS with Mojo - designed to meet the challenges of shippers and logistics services providers just like you. Get all the tools you need to plan, execute, rate, track, and settle shipments in any mode in any direction at any time. Improve service levels and grow your business in ways you never before thought possible while our on-demand delivery model reduces your risk and accelerates your journey to value.

www.mercurygate.com