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Ask the Experts

By Inbound Logistics Staff Report

Leading C-level execs* *(see bios below)* with 260 years of combined logistics and transportation experience address tough industry questions. Their advice, words of caution, and strategic vision can help you face the challenges of 2008 and beyond.

What innovations and workarounds are you and your customers developing to minimize the challenges caused by deteriorating transportation infrastructure?

David Miller, Chief Operating Officer, Con-way Freight: Con-way has invested heavily in IT systems that allow our engineering group to continually conduct lane and volume analyses, which optimize the line-haul network while protecting service levels. This continual re-engineering takes into account daily infrastructure challenges to effectively plan routes based on need and traffic patterns. We've also mitigated some effects of severe congestion in major metropolitan areas by expanding facilities and strategically investing in multiple service centers.

Jack Holmes, President, UPS Freight: UPS is working with customers to schedule pickups and deliveries during non-peak hours. After-hour pickups and deliveries have been especially effective in Los Angeles, where drivers spend more time sitting in traffic than in any other U.S. metropolitan area. Placing more trailers on flatcars in traffic lanes where it makes sense for us and for our customers has also helped reduce interstate traffic.

Jim Ritchie, President and Chief Executive Officer, YRC Logistics: We developed workarounds or contingency planning in two primary areas. The first is expanding and improving China infrastructure and networks. With the tremendous growth in sourcing from China, we've been able to develop best practices for intra-China transportation that incorporate equipment procurement, safety, and fleet management processes. The second is West Coast congestion, which we tackled through contingency planning with alternate ports on the East Coast and in Mexico. Through a relationship with KC Smart Port, we're able to bring goods into Kansas City via rail, then clear them upon arrival. Kansas' central location makes it a prime distribution site.

Pete Westermann, Chief Operating Officer, Total Logistic Control (TLC): TLC utilizes optimization technologies that take into account daily traffic patterns, known obstructions, seasonal construction, and other bottlenecks to keep trucks moving. We also work with partners whose specializations complement our own.

Tom Escott, President, Schneider Logistics: Port congestion continues to challenge our industry. Schneider is working with customers to diversify our port strategy so imports and exports can flow in a more balanced way. To mitigate increasing port capacity constraints, we've implemented brokerage-type solutions to aggregate capacity. We've also helped shippers aggregate capacity from smaller carriers and invested in visibility tools to manage delays more quickly.

Transportation leadership at the local, state, and federal levels has come under fire. How does this affect your business? What efforts can the private sector make to address the issue?

Westermann, TLC: The federal transportation system, and the many levels of oversight it engenders, has always posed a challenge for companies involved in interstate commerce. Conflicting regulations, hundreds of taxing bodies, and thousands of rules and regulations add real cost to the supply chain. Most government leaders don't understand or appreciate how complex and integrated the supply chain is - or how impacting one portion of it with a new tax or regulation will cause a corresponding negative impact. It's essential to educate our leaders on the critical role our industry plays in global, national, and state economies if we're to stem the ever-escalating tide of regulation and taxation.

Holmes, UPS Freight: Elevating the issue of the nation's infrastructure for collective ownership and policy discussion comes first. It isn't a point of fault, but rather a time for action. This can start with public forums and business and academic leaders working together with elected officials to propose solutions. We must create a national transportation solution that looks interdependently at all transit modes and abandon the piecemeal approach that finds local municipalities determining what ports, bridges, and roads will be fixed and how they'll be financed. A national transportation plan should look to the future for its blueprint, assessing what goods we'll manufacture, and what products and commodity inputs we'll import. Collective public/private discussion means more partnership in construction prioritization and technology deployment, as well as user-based fees and taxes to fund investment. It's imperative, however, that any proceeds
collected fund new capacity.

Paul Crinks, Chief Executive Officer, International Asset Systems (IAS): The lack of transportation policy across many layers of government is a serious issue for all of us. The private sector has already taken steps in an effort to create a more settled environment. Companies are acting locally to effect change. Logistics businesses have worked with local entities to set up truck-only highway lanes, intermodal facilities, and logistics parks.
'Coalitions of the willing' - both from industry and the community - have put aside individual interests to achieve significant improvements. One example: the PierPASS program in Southern California, a private sector initiative that has helped industry and local interests. Business associations have lobbied and brought together government and the private sector to solve problems. Associations such as the Intermodal Association of North America seek companies

to take leadership roles. Companies that answer the call, and participate with industry associations, can influence the organization's agenda and lobbying efforts.

Global offshoring is opening new trade channels and locations. Where are these emerging trade lanes and transportation/logistics hotspots? Where are your customers sourcing? In what markets do you plan expansion?

Miller, Con-way Freight: Emerging areas that are hot today include China and Southeast Asia. These markets are growing not only as consuming nations, but also as strategic import and export locations. Not far behind in impact and growth opportunity are the European Union's traditional markets and Eastern Europe's emerging markets. These, too, are vibrant sourcing and distribution locations.

Jay Wileman, President and Chief Executive Officer, GE Rail Services: The growing global middle class is changing production, transportation, and consumption patterns in hotspots such as Brazil, Russia, India, and China, as well as southern Africa and Eastern Europe.

Escott, Schneider Logistics: The obvious emerging hotspots are in Asia, including China, Southeast Asia, and India. Eastern Europe is a strong player, too, and even Russia is a growing region for our business. Mexico, Central America, and South America are experiencing a resurgence because their supply chains aren't as long as other points of origin. Local markets in many of these regions are growing as consumer service areas emerge.

William Wascher, President and Chief Executive Officer, SEKO: Most of our customers source offshore in the Asia Pacific Rim and India. The Middle East and South Africa are emerging markets where SEKO will soon expand.

Paul Byrnes, Director - Cargo Operations, Delta Air Lines: Delta's direct service between New York-JFK and Mumbai, as well as our expansion into the Middle East and Africa, affects the way people and freight move. Historically, aircraft had to connect over Europe, which slowed transit and impeded trade opportunities. Now, new market opportunities are developing on both sides of the Atlantic Ocean.

Jim Ritchie, YRC Logistics: The Asia Pacific region will continue to be a growing trade lane. For China, the shift will continue northward and to the country's interior. There's also increasing focus on Vietnam and India in that region. India benefits from being an English-speaking country, which reduces the challenges of global sourcing. In Europe, the proximity and industrial development of Eastern Europe is expediting the growth of that sourcing hotspot. As South America's economies stabilize and strengthen, intra-trade in this region rises. There have also been trade gains between the region and China, particularly for minerals.

Tom Jones, Senior Vice President and General Manager, U.S. Supply Chain Solutions - Ryder System Inc.: Most companies are sourcing a blend of commodities based on manufacturing capability and complexity. There's often a stratification of product - some that you want to source locally, others that you want to source regionally in the lowest-cost country, and still others that you can truly source globally. Emerging areas include Russia and India, as well as Southeast Asian countries, such as Vietnam, that are developing manufacturing and consuming capability.

Hans Hickler, Chief Executive Officer, DHL USA: NAFTA continues to provide opportunities for business in North America, and the Central American Free Trade Agreement and other programs offer untapped opportunities in the Western Hemisphere. Vietnam and Saudi Arabia's accession to the World Trade Organization (WTO) and China's continued implementation of its WTO commitments provide continued business opportunities in those countries. The strong growth in BRIC countries (Brazil, Russia, India and China) has created opportunities for many businesses.

In light of the recent China product-quality syndrome, should manufacturers and retailers approach supply chain management differently?

Westermann, TLC: China isn't the issue. It's not even about offshoring. It's about compromising your values in pursuit of lowest-cost solutions. You simply can't mitigate liability in the court of public opinion. Saving 10 cents sounds great to a procurement officer, but it's the CEO who must sit under the hot lights and explain why the company's product inflicted harm. No one will remember the dime saved or the more competent providers skipped over in pursuit of absolute low cost. A direct correlation can be made between firms with a cost-only mentality and incidents of sub-par quality.

Escott, Schneider Logistics: The practice of inspecting products outside the United States will increase and problems will be caught before shipments leave their country of origin. Changes in how products are reviewed and approved in Customs are underway, with organizations asking to receive, inspect, and handle Customs clearance work before product even is loaded on the ship.

Wascher, SEKO: Chinese factories need to address the quality debacle quickly or they'll find retailers aggressively searching for alternatives. 'Made in Japan' in the 1950s and early 1960s was synonymous with junk. When William Edwards Deming taught his statistical process controls to the Japanese, almost overnight the products coming out of Japan were markedly improved in terms of quality and real value. Manufacturers in China must drive similar changes in certain processes and establish the appropriate metrics to properly manage them.

Given the potential pitfalls of operating globally, what are some ways businesses can limit risk and liability?

Escott, Schneider Logistics: Companies can limit global risk and liability in three ways. First, when working internationally, treat your most trusted customers and suppliers as partners. That relationship and trust mean you're doing business with people you know can help drive your company's success. Second, intensely manage the financial side of all offshore opportunities to maintain control. Third, when going offshore, know that you'll be putting a lot of faith in leaders overseas who are forced to work independently. As such, it's imperative to select great leaders who will run the business as you would.

Jones, Ryder: Diversification is important in limiting risk. There should be a stratification of critical parts vs. non-critical parts. It's important to have multiple strategies depending on the criticality of the supply. Business should also, if possible, look at having multiple sources for the same product or commodity. Inject the cost of supply chain risk into the purchasing decision.

Hickler, DHL USA: Businesses should demand that their supply chains be flexible enough to change shipping modes, open new shipping lanes, or redeploy resources on extremely short notice. They should pay attention to finding more effective ways to manage distribution, as well as think regionally, because the most creative solutions can often transcend national borders. More importantly, the fast-changing regulatory environment for international trade requires the resources to constantly monitor changes and new requirements involving duties, documentation, security, and rules of origin.

How can business logistics managers flatten supply chain bullwhips such as inventory, pricing, capacity, and labor?

Westermann, TLC: Better access to deeper information and a framework to evaluate it will help. Planning that takes into account elements such as macro-economic data, sector analysis, crop yields, weather patterns, competitive responses, global politics, and energy disruptions is difficult to obtain, process, and evaluate - but it improves every year. With each advance, we move one step closer to reducing wild supply chain fluctuations through better planning.

Miller, Con-way Freight: Bullwhips are a function of manufacturing capacity's ability to be flexible and respond quickly to demand surges and lapses. In the transportation portion of the supply chain, variability - wide swings in transit time performance - exacerbates this. Shippers can mitigate variability by using carriers that demonstrate an ability to operate consistent networks.

The best carrier model for reducing variability is a single, unified network with regional, interregional, and transcontinental service in one system with the capacity, resiliency, and responsiveness to meet demand swings and volume surges. When shippers experience demand surges, it's critical to have a carrier that can serve as a buffer and flex with the volume yet still deliver with high reliability and on-time standards. Otherwise, warehouse labor and inventory level planning goes out the window - one week no product arrives, the next week a month's worth arrives.

Escott, Schneider Logistics: Lean logistics solutions that are more pull than push cause companies to react to actual demand rather than push a product into the marketplace. It's important to respond to true demand rather than artificial demand being pushed into the marketplace. When companies implement supply chain solutions based on true demand, the supply chain operates more effectively.

We continue to see, however, an emphasis on promotions during the year that help achieve sales objectives. These promotions can be effective, but it's necessary to design solutions that consider peak requirements and pre-plan for the push in the supply chain. It won't always be smooth sailing during big promotional pushes - especially during seasonal campaigns - so you need ways to manage these times effectively throughout the year.

Ritchie, YRC Logistics: The better the planning and control processes, the more opportunity you have to avoid the bullwhips. Visibility is an enabler of planning, and the key to visibility is accurate, detailed, and timely data in a format that you can use.

Wascher, SEKO: In order to flatten supply chain bullwhips, you first need to understand what's driving customer demand and inventory consumption. The most effective way to smooth out the oscillations in these operating procedures is via timely and accurate information used to manage and compress cycle times.

Jones, Ryder: Advanced planning and leveraging technology are key. Logistics partners' planning activities should be fully integrated with their customers' businesses. Obviously, movement in one area of the supply chain requires adjustments in another area, so even the smallest changes have a ripple effect. Creating a great plan supported by technology, and having the ability to adjust the plan quickly with new input, allows shippers to proactively manage the supply chain with more predictable results.

What is your company doing to drive supply chain sustainability? Is there a true business case for greening the supply chain or is it just a buzzword?

Miller, Con-way Freight: There's no reason why sustainability efforts can't align with and complement good business practice. Things we do in the name of sustainability can also have a clear, measurable, and positive effect on the bottom line. Government policies and initiatives can encourage and incent these practices.

Wascher, SEKO: The greening of the supply chain should be a common goal of the industry. Unfortunately the ultimate driver of greening is capital investment - when governments legislate it or consumers mandate it.

Westermann, TLC: We've always practiced sound energy conservation and recycling programs - we just didn't call them 'green.' Today, sustainability has a seat at the table. We address it regularly with customers and adjust our operating environments to meet their sustainability requirements. Both competitive pressures and marketplace perceptions will drive every major company to factor sustainability into future supply chain equations.

Escott, Schneider Logistics: There's most certainly a sustainable business case for greening the supply chain. The motor carrier-based SmartWay program supports green initiatives by decreasing fuel emissions, thus creating a cleaner environment. 3PLs help companies transport product more efficiently and cost effectively through optimization processes. Our business is all about reducing transportation and its uses, which in turn leads to less fuel usage and emissions reduction. We also help shippers use returnable container solutions instead of packaging, which reduces landfill requirements.

Ritchie, YRC Logistics: We've developed an emissions modeling tool that allows us to measure our clients' emissions footprint across all transportation modes. We then collaborate with clients to develop a strategy that reduces their emissions through modal shifts, provider selection, consolidation, and reusable packaging, or offset their emissions through programs that support cleaner air.

Crinks, IAS: We drive supply chain sustainability by providing services that help companies make more effective use of their current 'land footprint' - ocean terminals, depots, and truck facilities. Our software helps companies match the supply and demand of empty equipment and automates the issuance of dray movements, eliminating the need to move empty container equipment in and out of terminal facilities. In turn, this enables companies to process greater throughput at existing facilities and reduce corresponding traffic congestion, pollution, and stress on our natural resources.

***Given recurring market constraints - capacity, labor, and costs - what do you see as the most important logistics IT development in your sector*?**

Miller, Con-way Freight: Advances will be in analysis software and decision-support systems that can mine vast amounts of data and help businesses use the information strategically and effectively for managing the supply chain and meeting customer demand. Going forward, these emerging systems - and the carriers with the knowledge and skill to best employ and leverage them - will be the critical element and where cutting-edge thinking in our industry happens.

Westermann, TLC: Transportation management system platforms continue to improve, do more, and link to larger segments of the supply chain. Today, a small to mid-sized shipper can enjoy the benefits of a multi-million-dollar platform for pennies on the dollar compared to just a few years ago. As more companies move to multi-shipper platforms, these resources will have a compounding impact on network efficiency. Firms that don't participate will find themselves at a strategic disadvantage.

Greg Humes, President, NLM: On-demand shipment management systems give 3PLs, shippers, carriers, and brokers the power to create online collaborative networks to manage their customers' shipment activity. Leveraging an online, on-demand resource not only drives a common platform across customers and brings down labor costs, it also can increase capacity because of the opportunity to draw from a larger carrier network.

Escott, Schneider Logistics: Shipment and product visibility lie at the heart of success in the global marketplace. Tools that enhance global visibility allow companies to make informed decisions and point them to options when shipping problems and challenges arise. Emerging applications, such as the RFID pilot EPCglobal is conducting, could help generate end-to-end visibility and delivery confirmation for high-value products.

Holmes, UPS Freight: IT has transformed what has always been a rigid transportation network into one that examines volume and cube to determine the most efficient route structure, making maximum use of capacity every day. This analysis creates a new, dynamic load plan, providing the ability to bring more freight into the system without over-extending a company's ability to effectively meet customer demands and needs.

Ritchie, YRC Logistics: Everyone wants one system that will deliver data in a consistent structured manner. Our industry doesn't work that way. The combinations and permutations of the supply chain are unlimited. Logistics IT development needs to move to a phase where we embrace the industry's flexibility and creativity instead of trying to create process workarounds to fit the IT configuration.

Byrnes, Delta: The best technology developments are those that help increase revenue by improving throughput, reducing costs, and automating functions that were historically performed manually. Dimming and re-weighing machines allow us to better manage our volumes and revenue quickly and efficiently. Future industry advances and improved security screening technology will also be beneficial.

Crinks, IAS: Inexpensive and easily-accessible technological solutions in daily operations, such as subscription- and transaction-based software services and GPS-enabled phones, help achieve two goals. First, they considerably reduce the cost of IT operations so every participant in the transport chain can leverage world-class services to fuel the information interconnectivity necessary for maximum efficiency. Second, they drive more cost-effective logistics and transport decisions by enabling real-time visibility and updates, streamlining communications that eliminate legacy manual work processes, and optimizing execution.

Wileman, GE Rail Services: The ability to remotely track and monitor assets, as well as the content of those assets, can provide increased safety, security, and productivity throughout the supply chain. Another key advancement is the ability to connect data streams between multiple supply chains. If well-integrated, this information can lead to lower costs and increased productivity.

Hans Hickler, Chief Executive Officer, DHL USA: IT gives us the ability to get closer to and engage with customers by linking their systems and sites with ours. By getting data to customers in real time, we can provide service and contain costs. Toward this goal, logistics providers must create easy and cost-effective e-business solutions for shippers.

In down times, partnerships are in; in up times they're out. How can shippers and service providers create long-term partnerships that address/accommodate pricing fluctuations?

Jones, Ryder: Work together to set attainable financial targets, and understand each other's cost drivers and success factors. Jointly establish budgets so expectations are agreed upon up front.

Westermann, TLC: The structure needs to change. The old winner/loser model was never sustainable and led to on/off partnerships. In the new model, shippers must promise volume in return for carrier commitment to investment and efficiency. These relationships create a foundation for additional volume, resulting in new efficiencies that benefit shippers and carriers alike.

Byrnes, Delta: We develop long-term, in-depth partnerships with our freight forwarders. Prices will fluctuate, but how we work together on co-location agreements, sales efforts, and solving difficult logistics challenges for shippers makes the difference.

Voices of Experience

Paul Byrnes, Director, Cargo Operations, Delta Air Lines: For the past 12 years, Byrnes has held planning and operations leadership roles in the airline and transportation strategy consulting industries with Delta Air Lines and Accenture. He earned a bachelor of science degree from Providence College and a masters of business administration degree from the University of Notre Dame.

Paul Crinks, Chief Executive Officer, International Asset Systems (IAS): Based in Oakland, Calif., IAS provides equipment management and tracking services to ocean container transportation companies in all parts of the transport chain. Crinks has more than 20 years experience in the container shipping industry.

Tom Escott, President, Schneider Logistics: Green Bay, Wisc.-based Schneider Logistics provides transportation management, freight payment services, transloading, freight forwarding, and customs brokerage services. Escott, who earned a bachelor of science degree in aeronautical engineering from Princeton University and a masters of business administration degree from Harvard University, joined the company as president in 2003.

Hans Hickler, Chief Executive Officer, DHL USA: Hickler joined DHL in 2004 as Executive Vice President of Strategy and Business Implementation in the United States. DHL USA, headquartered in Plantation, Fla., offers express, air and ocean freight, overland transport, and contract logistics solutions as well as international mail services. The company's international network links more than 220 countries and territories worldwide.

Jack Holmes, President, UPS Freight: Holmes began his UPS career in 1979 as a part-time employee. He served in various operations, engineering, and safety assignments in Alabama, Georgia, Utah, and in the Chicago area before being named president of UPS Freight, headquartered in Richmond, Va., in 2007.

Greg Humes, President, NLM: Humes joined the Detroit, Mich.-based transportation management and solutions company as president in 2006, bringing 25 years of logistics industry experience. NLM manages shipments using Web-based bidding, scheduling, shipping, and tracking technology.

Tom Jones, Senior Vice President and General Manager, U.S. Supply Chain Solutions - Ryder System Inc.: Jones, who joined Ryder in 1988, leads the automotive, fast moving consumer goods/retail, high-tech and electronics, and industrials and utilities industry sectors for the Supply Chain Solutions business segment. Ryder's supply chain solutions encompass lead logistics management, inbound manufacturing product flow, integrated logistics, and network design.

David Miller, Chief Operating Officer, Con-way Freight: Headquartered in Ann Arbor, Mich., Con-way Freight is the less-than-truckload subsidiary of Con-way Inc., which also operates Menlo Worldwide Logistics, Con-way Truckload and CFI. Miller handles day-to-day management for all operations and strategic planning for Con-way's largest business unit, including business planning, process management, technology initiatives, enterprise security, properties, and fleet maintenance.

Jim Ritchie, President and Chief ExecutiveOfficer, YRC Logistics: Ritchie has more than 25 years experience in the logistics industry. Prior to joining YRC Logistics, Ritchie served as president and CEO of both Yellow Global and Transportation.com. YRC Logistics, a subsidiary of YRC Worldwide, provides distribution, global, and transportation services from its headquarters in Overland Park, Kansas.

William Wascher, President and Chief Executive Officer, SEKO: Headquartered in Itasca, Ill., SEKO provides air and ocean freight services, domestic and transborder ground services, customs brokerage, home delivery, and IT solutions.
Wascher, who joined SEKO 25 years ago, previously served the company as Director of IT, Accounting Manager, and CFO.

Pete Westermann, Chief Operating Officer, Total Logistic Control (TLC): Westermann, a graduate of the University of Wisconsin Milwaukee, joined TLC in 2006 as COO with more than 26 years of experience in the logistics industry. The company provides end-to-end solutions in distribution, transportation, manufacturing, and packaging to retail, grocery, consumer packaged goods, and food sectors.

Jay Wileman, President and Chief Executive Officer, GE Rail Services: Since 1994, Wileman has held positions in engineering, manufacturing, and services for GE in the United States, Japan, and Italy. In his current role, he's responsible for expanding new areas of globalization and developing new service offerings for Rail Services.