RESULTFOCUSED

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We partner with our clients to identify and unlock practical and sustainable solutions.

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A time for Stop-Start-Continue

By Anton Nieuwoudt

21 June marked the winter solstice, and for those of us in the Southern Hemisphere it not only marked the shortest day and longest night, but it also marked it as the turn of the season. In other words, we are now heading for summer and in my book that is great news!

Now winter is not my favourite season, but it does come with benefits such as lazy weekends in front of the fire with a glass of red wine. In nature, the winter season allows plants and animals to rest and prepare for the regeneration that awaits in spring. From a personal and professional perspective I use winter to re-evaluate my annual goals and objectives. Questions I like to answer are: Am I still on course? What lies ahead that can potentially alter my course? What adjustments do I need to make to get back on course?

I found the 'Stop-Start-Continue' method a very helpful way to get to the nuts and bolts of what is really important. One can apply this method to all the facets in one's life. A simple assessment of what (in each area of ones life and considering ones goals and objectives) should I STOP...what should I START...what should I CONTINUE?

Practically speaking, a resent project steering committee meeting allowed me to not only take stock of what we've done well and accomplished, but more importantly that we had to have a renewed focus on delivery. Fortunately we are in a stage of the project that some minor adjustments will ensure that we reach our objectives. Leaving these type assessments and adjustments too late, could have resulted with our backs against the wall required to make some very difficult decisions.

I challenge you to use the 'Stop-Start-Continue' method to identify the areas that requires adjustment in your life, and acting accordingly. Don't wait until you are forced to make very difficult decisions with very limited options available.

In this edition of RESULTFOCUSED, we look at how 'Uber' (the mobile app that connects drivers with passengers) is going to change logistics, and how T-mobile use reverse logistics to generate income. We also look at the amazing supply chain of the 2014 World Cup soccer ball as well as why supply chain risk management is receiving renewed attention by businesses.

"An unexamined life is not worth living" - Socrates

'UBER FOR LOGISTICS' IS ALREADY HAPPENING IN ASIA, AND UBER IS GETTING LEFT BEHIND

By Josh Horwitz
(supplychain247.com, June 2014)

The excitement over the amorphous future of logistics is best exemplified by Uber, one of the most forward-thinking and controversial firms of this era.

Over the past two years, investors and entrepreneurs have demonstrated a renewed interest in logistics, both in the west and in Asia.

Amazon has hedged its bets on drones as the future of package delivery, investing over US$14 billion in the technology since 2010.

Startups like Postmates and Wunwun, along with valley giants like Google, Amazon, and Ebay have thrown their hats in the ring in hopes of realising the elusive "Kozmo dream" – near-instant delivery of anything, anytime.

But it's not just about ecommerce. The excitement over the amorphous future of logistics is best exemplified byUber, one of the most forward-thinking and controversial firms of this era. Earlier this year, Uber's charismatic CEO Travis Kalanick announced the company will eye logistics as its next frontier, stating, "We're in the business, today, of delivering cars in five minutes. But once you're delivering cars in five minutes, there's a lot of things you can deliver in five minutes."

Let's think about this for a second – what will "Uber for logistics" look like exactly? The company recently opened a bike courier service called UberRUSH, but it was just an experiment. Kalanick has also waxed poetic on the beauty of self-driving cars, but those vehicles probably won't become commonplace for ten or twenty years. "Uber for logistics" might also mean the company commits to Kozmo-esque delivery – ice cream, newspapers, and Starbucks on demand – but beyond brand clout (which shouldn't be underestimated), there's little evidence that Uber can add value to this already fragmented sector. Needless to say, a shiny Uber Mercedes won't be used to deliver your pizza anytime soon.

In Asia, however, where the logistics industry remains less sophisticated than that of the US, "Uber for logistics" is already happening. Moreover, the companies offering logistics-on-demand face a market size that likely far exceeds the market for late-night fried chicken. By shunning fancy black cars in favor of no-frills white vans and trucks, Hong Kong's Easyvan and Gogovan have beat Uber to the punch.

Applying Logic to Logistics

The white van industry in Hong Kong bears a strong resemblance to the municipal taxi industries across the US. According to Gabriel Fong, executive chairman at Gogovan, about half of the city's 70,000 commercial vans are registered with specific companies – meaning they're not really for-hire. The remaining 35,000, however, are driven by "owner-operators" – in other words, freelancers.

These drivers might form contracts with a number of small-to-medium enterprises, but when business is slow, they rely on dispatch centers to receive orders from clients. A driver whose base camp is in Kowloon, for example, might pay a local call center HK$2,000 every month for permission to use radio transmission equipment and receive orders from the center's phone lines.

Much like the taxi dispatchers in New York City, these call centers generally provide poor customer service and operate under seemingly arbitrary sets of rules. If I open the phonebook to look for a van that can move my couch, I'll see a long list of call centers, each of which works only within a specific district in the city. So if I want my couch moved from Kowloon to the New Territories, I'll have to run down the list and contact each center. If I'm lucky enough to find the one that serves my route, that's still no guarantee that they'll have a van available. This fragmented and inefficient system will surely give endless headaches for anyone looking to book a van in a pinch.

Gogovan and Easyvan bypass the call centers by providing a peer-to-peer app that connects van drivers with individuals or businesses who need their stuff shipped quickly. While the apps sport different user interfaces, the song remains the same, and if you know how Uber works, you can probably start singing along. Open the app, enter a pick-up location and destination, input special needs ("I'm moving my six pet mastiffs," "Please bring two dolly carts"), and request a vehicle. After a customer submits an online pickup request, drivers on the network receive a notification on their smartphones and can choose to accept the offer directly.

Gogovan and Easyvan look set to knock over the call center industry like a bowling pin. Fong claims most of the old-fashioned call centers usually have about 20 to 50 vans on their networks, with the largest one topping out at 1,000. Meanwhile, Gogovan, which isn't yet one year old, has 18,000 vans on its network, while Easyvan has 8,000. Each call center also faces overhead costs for buying and maintaining radio transmitters, along with rent for cellular tower space. But thanks to the magic of the internet, overhead costs for Easyvan and Gogovan are next to nothing.

The ingenuity behind Easyvan and Gogovan partially lies in the versatility of the vehicles they have on their networks – the van (or truck).

Earlier this year, Uber's charismatic CEO Travis Kalanick announced the company will eye logistics as its next frontier, stating "We're in the business, today, of delivering cars in five minutes. But once you're delivering cars in five minutes, there's a lot of things you can deliver in five minutes."

There might be the occasional customer who logs on to Gogovan to get his mattress moved from Kwai Tsing to Hong Kong Island. But the truly valuable Gogovan user is the local wire supplier who needs 500 mattress springs moved across town every week. Fong says that this enterprise focus helps ensure that no one bails on a booking – a common problem for drivers in cities like San Francisco, where transportation network companies (TNCs) have deep penetration and compete fiercely.

"Unlike taxi apps, our completion rate is nearly 100 percent. Our trips almost always get completed. The user can't and won't just go out on the street and try to flag down a van. Whereas for the taxi apps, you have a very high unsuccessful rate. People will just book rides on Uber and other apps and then get in whichever car comes first."

Gogovan and Easyvan have tapped into such a rich opportunity that Kalanick and his crew should be banging their heads against the wall for missing out. When one considers the legal and regulatory issues Uber inevitably faces when it enters each one of its one hundred-odd markets, it's a wonder why anyone would want to disrupt the taxi industry to begin with. Unless you love labor disputes and stodgy bureaucrats, working for a passenger-oriented TNC is probably not for you. But while politicians might bend over backwards to protect vested interests in the local taxi industry, you'll be hard pressed to find a Mayor Quimby type who has ties to the White Van Call Center Association of Hong Kong.

Packing the Trunk

Currently, neither Easyvan nor Gogovan imposes any fees for use of their apps. Yet the dual focus on both consumers and enterprises opens the door for a number of different monetisation routes. One obvious option includes charging commission fees on completed transactions, as Uber does. The companies might also implement SIM card-esque top-up fees on the drivers that use the app, as GrabTaxi does in certain markets.

But Gogovan, which has a six-month head start on Easyvan, is already thinking bigger. Fong predicts that as long as Gogovan can displace traditional van call centers and accumulate a critical mass of drivers on the app, the company can earn money from display ads on vans.

"If you look at Hong Kong – the minibuses, the taxis, and the buses – they all run with ads on the side of the vehicles," says Fong. "Traditionally, vans have not had that, because as an individual freelance driver you have no negotiating power with any of the ad agencies. Now, with a platform of 18,000 van drivers, we suddenly have that. We're now working with one or two ad agencies to create that new revenue channel, and we'll also share some of that with the van drivers."

That negotiating power easily converts into purchasing power. The beauty of the TNC business model lies in the firm's ability to broker transactions (taxi rides or product shipments) so efficiently that drivers themselves will shoulder the costs of facilitating those transactions (vehicle maintenance and upkeep) in order to access the broker. But a powerful TNC can negotiate deals with diesel providers, vehicle repair shops, insurance companies, or any number of other businesses to pass savings along to drivers on the network.

Does this mean that national or global logistics providers like UPS and FedEx should quiver in fear? On the contrary, the arrival of Gogovan and Easyvan marks a cause for celebration. Vans on these networks specialise in "last-mile delivery," usually the most expensive but most crucial leg of any product transport. UPS and FedEx likely have logistics networks sophisticated enough to get a package from New York City to rural New York State in no time. But what about from Hanoi to rural Vietnam? Fong says: "Major logistics companies in Hong Kong are all using our services. These logistics firms outsource about 70 percent of their logistical requirements. They own the entire logistics chain except for last-mile delivery. Just imagine – if these logistics companies owned every truck that they need, not only would they have to buy and maintain more trucks, but they'd have to hire lots of drivers to drive those vehicles. If a van is just sitting there, it's not earning money. It makes sense from a corporate perspective to own the fleet of trucks for the minimum base load and outsource everything that goes above that. How can they outsource efficiently?Use Gogovan."

Physical processes and information flows no longer run on parallel tracks but interact with and navigate each other through the entire logistics lifecycle.

The Ecommerce Trump Card in Asia

Startups like Easyvan and Gogovan help facilitate a number of transactions that already occur in any given market regularly. Every week, there's likely to be a certain number of bookings for moving the family couch, and a certain number of bookings for shipping disposable chopsticks across town.

But in Asia, the area for growth remains ecommerce. Rocket Internet has sunk almost US$1 billion in its Lazada and Zalora ecommerce brands partially in an effort to kickstart traditional ecommerce in the region, and partially because the logistics infrastructure that those outlets help build make it easier for Rocket's other ventures to succeed. In addition, China's Alibaba recently sunk US$250 million into SingPost, Singapore's national postal service, in a bid to move beyond its borders. It also partnered with China Post to bring 24-hour deliveries within China. On the startup front, Thailand's aCommerce recently landed US $10.7 million in funding to help grow its end-to-end ecommerce network.

It will take time and money before ecommerce booms in Southeast Asia, but one thing's for sure – the number of packages in need of transport across the region will only increase. In markets with undeveloped logistics networks, it's not economically feasible to build up a fleet that's big enough to serve rural areas well. So when parcels need to reach those areas, it's a drain on resources. Gogovan and Easyvan's efficient mobile apps can help large-scale logistics providers cover up these small-scale holes efficiently.

As a result, Gogovan and Easyvan occupy an enviable position. What's good for ecommerce and the logistics industry as a whole is good for them, and vice versa.

Hong Kong Origins

Gogovan and Easyvan offer identical services, but their people hail from different backgrounds. Gogovan's three co-founders – Nick Tang, Reeve Kwan, and Steven Lam – met while studying at UC Berkeley. Following graduation, they returned home to Hong Kong to start a business. Originally, they aimed to broker and sell advertising space on Chinese food takeout boxes. While the money was great, booking vans to deliver the containers to restaurants was a nightmare. Recognising a bigger opportunity in ground logistics, the three of them pivoted and launched Gogovan in July 2013. Gabriel Fong came on board in September to serve as the grown-up in the company, after departing from his role at Och-Ziff Capital Management.

"Basically, I retired. Part of me wanted to do something more interesting, and part of me wanted to do something that was giving back to society. Hong Kong has always been synonymous with property and finance, and innovation has always taken the

back seat. My twenty years was about investing in early-stage companies and working with management, so when someone asked me to help these guys, I met with them, and I really liked them."

Fong states that the company has raised funding in the seven-figure range in US dollars from various angels and Hong Kong families.

Easyvan's founders have more extensive resumes than Gogovan's founders. The company grew out of discussions between Boris Stoyanov-Brignoli, a recent university graduate who arrived in Hong Kong looking for job opportunities, and Shing Yuk Chow, a serial entrepreneur who had been dabbling in health and beauty. Shing introduced Boris to Andrew Chung, founder of Compass Offices, one of the leading providers of serviced workspaces in Asia. The three of them, along with Gary Hui, a former Groupon Hong Kong employee, pooled together their own funding to launch Easyvan.

Both companies have yet to celebrate their first birthdays, but the two are already expanding rapidly. Easyvan and Gogovan launched in Singapore almost simultaneously, and both have been actively working on moving into other parts of Asia along with Europe.

The eagerness to move quickly comes with good reason. Gogovan and Easyvan not only have to watch out for each other, but another potential competitor – Uber. As some writers have pointed out, the transport network industry has a low barrier to entry and is subject to commoditisation. Any team with a decent coder and some hustling marketers can build up a viable competitor in no time, so speed is the name of the game. With more than one billion dollars to spend and a brand name that's already well-known, a shift from black cars to white vans could quickly put these two Hong Kong startups on the skids. Acquisition remains a possibility (both firms declined to comment on such matters), but Uber has built driver networks before, and can easily build them again. It might be cheaper for the company to spend six months pinning fliers on windshield wipers than to buy a competitor.

Fong doesn't shy away from addressing the high stakes of the van-on-demand game.

I'm scared like hell to be honest. They're a giant, we're tiny. That's why we need to run as quickly as possible, because once we're in a market we can scale very quickly. So we're strong in Hong Kong, we're starting in Singapore, and in the next two or three week's time we'll be in another city. Then within the next three or four months we'll hopefully be in about five or six cities. Uber is going to do it eventually. But we're not standing still. - ***RF***

Reverse Logistics: T-Mobile's 'Secret Weapon' for Generating Revenue

By Robert J. Bowman (supplychainbrain.com, June 2014)

It's been called everything from a nuisance to a necessary evil. But reverse logistics can be much more than that.

In fact, T-Mobile USA, Inc. views the reverse link of the supply chain as "a secret weapon for creating revenue."

The words are those of Brian Stoltz, senior manager of reverse logistics supply planning at T-Mobile. Speaking earlier this year at theHigh-Tech Supply & Demand Summit in San Francisco, he laid out a strategy for shifting reverse logistics from the cost to the revenue column.

The mobile phone business is intensely competitive. Disgruntled customers are quick to switch carriers – and T-Mobile has made that option even easier, with the elimination of annual service contract requirements. So when it comes to getting a defective phone refurbished and back to the customer, "time is key," said Stoltz.

T-Mobile might not be the biggest carrier in the marketplace, but it boasts more than 43 million wireless subscribers. It maintains a pair of centralised distribution centers – one in Fort Worth, Tex., for returns, and another in Louisville, Ky., for forward replenishment. Both are run by Ingram Micro Mobility.

Some 5.2 million handsets came back through the returns facility in fiscal 2013, Stoltz said. Reasons included warranty repairs, insurance claims, recycling and "buyers' remorse."

Forecasting that flow can be brutally difficult – even more so than with forward-moving product. The manufacturer must deal with issues of variable product quality, damaged packaging, uncertain pricing and disposition options that are often unclear. The whole process tends to lack transparency, leading to inconsistent and inefficient management of inventory.

The related costs are huge. Between 8 and 20 percent of all consumer electronics are returned, and U.S. manufacturers spend around $16.8bn on reverse-logistics activities. In all, customer returns eat up between 5 and 6 percent of revenue.

For no good reason, it turns out. Some 66 percent of returns fall into the category of "no trouble found," said Stoltz. Another 27 percent are the result of buyers' remorse. Just 5 percent are deemed to be defective – yet 95 percent of customers won't buy from a company if they've had a bad returns experience, so they need to be indulged.

What to do? T-Mobile has come up with five strategies for transforming the reverse-logistics burden into a revenue opportunity.

The goal is to develop an overarching "launch-to-death" plan for every device. Proper lifecycle management drives the purchase and distribution of key materials and missing accessories for the supported unit.

Deflect the return

Stop a perfectly good unit from entering the reverse-logistics stream. "Repairs" can take place in the store with the help of basic diagnostics and troubleshooting. T-Mobile currently has that capability in more than 1,700 stores, and plans to expand it to more than 3,000 locations, Stoltz said. One challenge lies in speeding up in-store processing time. "It takes a few minutes to hook up the tool," he said.

Forecast and plan for returns

T-Mobile uses the forecasting program within SAP APO (Advanced Planning and Optimisation). The tool analyses return numbers by channel. Stoltz said it has been "fairly successful" in predicting activity from smaller retail outlets, less so with big-box stores. "Their returns are extremely lumpy," he said. "They're very tough to predict." Account-management teams work to improve forecast accuracy from those locations through close ties with stores and dealer partners. In 2013, T-Mobile achieved an accuracy mix of 72 percent, with a 45-day lag, so there's clearly room for improvement in that area.

Maximise asset value

Make the most of product that's coming back through the chain. Each T-Mobile device passes through a central triage station, where the manufacturer identifies "A stock" – items with the highest potential of being returned for sale. Less desirable units are moved to liquidation or auction. T-Mobile maintains three levels of refurbishment, with the cost per each level evaluated prior to approval of any action.

"It's a clear and concise way for our returns center to figure out what happens," said Stoltz. "We predispose right when a handset hits the door, so everyone in the D.C. is aware of where it's headed." Status reports are communicated through weekly process and Collaborative Planning, Forecasting and Replenishment (CPFR) meetings.

Manage the product's lifecycle in both directions

"This is the big one," said Stoltz. "You need to link forward procurement and planning with reverse supply planning." T-Mobile defines six lifecycle stages for forward logistics, and six for reverse. Control of those steps is especially crucial given the extremely brief lifecycles of most mobile devices today, with 80 percent of sales occurring in the first four months. Yet manufacturers are still expected to support a given phone for more than two years.

The goal, said Stoltz, is to develop an overarching "launch-to-death" plan for every device. Proper lifecycle management drives the purchase and distribution of key materials and missing accessories for the supported unit.

Embrace reporting and analytics

Only through pinpoint tracking can a manufacturer ensure that it's managing the reverse stream as efficiently as possible. T-Mobile demands accountability from its logistics service providers. They agree on clearly defined key performance metrics, including finished receiving, triage, staging, repair, kitting, finished goods, asset management and inventory turns. That last measure is now up to around 16, Stoltz said.

The result has been a dramatic reduction in T-Mobile's costs related to reverse logistics, with a high ratio of resalable to disposed units. Of those 5.2 million handsets that came back last year, 4.5 million were returned for sale.

Such an achievement couldn't have taken place without strict performance metrics, a clear system for determining the status of each device, and tight communication among all players. "We focus on outcomes, not transactions," Stoltz said. "On the what, not the how." - ***RF***

MIT Center for Transportation & Logistics

LOGISTICS PAST, PRESENT, AND FUTURE

By Ken Cottrill (sypplychainmit.com, April 2014)

The logistics business has changed dramatically over the last 20 years. What will it look like a decade or so from now?

John P. Wiehoff, CEO and Chairman of the Board, C. H. Robinson (CHR), the world's largest provider of truckload transportation services, visited MIT CTL recently to give his view of the changing face of logistics. Here are some highlights from his talk.

New benchmarks for excellence

"When I started customers cared about price and service," said Wiehoff. "Most people thought of transportation as a part of their overhead." While reliable service and low prices are still important, these metrics have become prerequisites for commercial success. Now the differentiators are more strategic: benchmarking, innovation, and network modeling, for example. "Companies are almost forced to use supply chain as a competitive advantage, and that puts pressure on us to understand their business strategy."

Big Data's big impact

The ability to store, manipulate, and disseminate huge quantities of data is another differentiator that is reshaping the industry. "Our systems cannot be down," Wiehoff said, and that puts pressure on providers such as CHR to invest heavily in IT infrastructure. These investments also create opportunities because most shipper customers are unable to commit the same level of resources to their IT systems.

Skills shuffle

Twenty years ago CHR's IT department consisted of 12 people. Today the company employs more than 500 of these specialists. The job title Strategic Account Manager did not exist in CHR a decade ago. Now these managers play a key role. "They have to understand their vertical," said Wiehoff, and have expertise in international logistics. Both changes reflect the changing nature of the business.

Turning up the market heat

The competitive climate in the logistics business has always been intense, but has become even more severe over the last three to four years. One reason is the increased focus on cost control in the aftermath of the financial meltdown of 2008. "We have a shipping community that is dialed into using technology and trying to make sure that they bid everything electronically." Motor carriers – including relatively small operators – have become savvier at using the internet and many are diversifying into truck brokerage. There is increased competition from other 3PLs as well.

The latter trend is tied to a market shift that will impact the industry for years to come: the quest for scale. In the 3PL sector "we see a lot of aggressive behavior to get to the first billion (in sales)" Wiehoff said. The reason is that scale has fast become a competitive necessity.

In the ocean mode, for instance, the consolidation of steamship lines means that more than ever shippers and 3PLs need the leverage that comes from high freight volumes when negotiating with carriers.

Another determinant of competitiveness, freight network density, is also a function of scale. As Wiehoff explained, "a lot of it comes down to who has to run the least number of empty miles to be ready for the next load, and the larger your network is the more dense your freight is. It's a competitive advantage."

Still, the growing strategic profile of logistics bodes well for the future. "Twenty years ago it was all about getting credibility," said John P. Wiehoff. That argument has now been won, he believes, and there is widespread acceptance that logistics is a critical component of supply chain management.

He also pointed to cost pressures in the full truckload business as a major influence going forward. There is a general consensus that truckload is destined to become more expensive for a number of reasons.

Driver demographics is one factor. There is a shortage of replacements for drivers in their mid-fifties who will retire over the next decade. In part, the inadequate supply stems from insurers' reluctance to cover younger drivers coming into the industry. As a result, companies will find it more difficult to hire the truck drivers they need to add capacity.

The cost of more stringent environmental and safety regulations is another concern. For example, improving fuel efficiency tends to reduce engine efficiency which leads to higher costs.

Truckload transportation will continue to be a core part of CHR's business model, but the company is looking to reinforce its presence in the intermodal and less-than-truckload modes, said Wiehoff.

Still, the growing strategic profile of logistics bodes well for the future. "Twenty years ago it was all about getting credibility," said Wiehoff. That argument has now been won, he believes, and there is widespread acceptance that logistics is a critical component of supply chain management.

John Wiehoff's talk in March 2014 was part of the MIT CTL Global Leadership Lecture series. More information on the talk and an audio recording of the session is available here. - ***RF***

CHINA TORPEDOES P3 ALLIANCE PLANS

By 24/7 Staff
(supplychainbrain.com, May 2014)

The Chinese Ministry of Commerce (MOFCOM) announced that they have not approved the P3 Network (P3) - P3 was a long-term operational vessel sharing agreement proposed by MSC, CMA CGM, and Maersk Line.

China's Ministry of Commerce said today that it would not approve plans for the P3 operational vessel sharing network that containership operators MSC, CMA CGM and Maersk Line had proposed.

Announcing its decision, the Ministry of Commerce said that the alliance, involving a large-scale cooperation of the three largest shipping companies, would have a profound impact on the global shipping industry, and that its analysis of the case related to market share, market power, market entry, industry characteristics and other factors. It said that the alliance would control 47% of the Asia-to-Europe container shipping market.

The parties had "failed to demonstrate that the alliance would bring more benefit than harm or that it is in line with the public interest." Accordingly, the Ministry decided to ban the alliance under the People's Republic of China Anti-Monopoly Law.

The P3 alliance had earlier received approvals from both the U.S. Federal Maritime Commission and the European Commission and was scheduled to start operations in the autumn of 2014.

The Chinese decision appears to have surprised the P3 partners.

"The P3 partners take note of and respect MOFCOM's decision. Subsequently, the partners have agreed to stop the preparatory work on the P3 Network and the P3 Network as initially planned will not come into existence," they said today

"In Maersk Line we have worked hard to address the Chinese questions and concerns. So of course it is a disappointment. P3 would have provided Maersk Line with a more efficient network and our customers with a better product. We are committed to continuing to be cost competitive and offer reliable services," said Vincent Clerc, Chief Trade and Marketing Officer, Maersk Line.

About P3

On 18 June 2013, Maersk Line, MSC Mediterranean Shipping Company S.A. and CMA CGM announced their intention to establish a long-term operational vessel sharing agreement on the East – West trades, called the P3 Network (P3). The overall aim with P3 was to make container liner shipping more efficient and improve service quality for the shippers due to more frequent and reliable services.

P3 was intended to be an operational, not a commercial, cooperation.

On 24 March 2014, the U.S. Federal Maritime Commission (FMC) decided to allow the P3 Network agreement to become effective in the US, and on 3 June 2014, the European Commission informed the P3 partners that it had decided not to open an antitrust investigation into P3 and had closed its file.

P3 was scheduled to start operations in the autumn of 2014. - ***RF***

LEARNING THE LANGUAGE OF MARKET DRIVEN DEMAND

By Lora Cecere
(supplychainbrain.com, January 2014)

To become market driven, companies need to identify the right market signals, build sensing capabilities, define demand-shaping processes, and effectively translate the demand signal to create a more effective response.

New shoes feel awkward. Blisters appear. Feet hurt. The shoes are worn for short periods. Often we shelve them to allow our feet to recover. However, over time, they slowly feel comfortable. They become a part of our wardrobe.

Learning to speak a new language is similar. Conversations are strained. Mistakes are made. Pauses are awkward. Confusion reigns. Communication is stilted. It takes time. Slowly the words take definition in everyday speech.

Nine out of ten supply chains are stuck. Growth has slowed. Complexity has increased. Companies are stuck at the intersection of inventory turns and operating margin. They are unable to drive improvements in both. The secret to unsticking the supply chain is to redesign processes to be outside-in. The supply chain processes need to be designed from the market back.

This a step change, not an evolution. Why? Most companies have designed supply-centric processes from the inside-out. The first step to making the shift is learning a new language.

Step Up and Learn the Language of Demand

In companies, there is no standard model for demand processes. It is evolving. New forms of analytics make new capabilities possible. In the traditional organisation, some demand processes are sales-driven. Others are marketing-driven. However, sales-driven and marketing-driven processes are quite different from market-driven processes.

Unfortunately, companies have invested money in traditional forecasting processes

believing that if they make the forecast better that corporate performance will improve. Improving forecasting is not sufficient. It is about much more than conventional forecasting. While we need forecasting and we need to improve the processes, we also need to teach teams how to use new forms of demand data and adopt demand processes.

Why is this important? Supply chain leaders are fluent in the language of supply. They don't know the language of demand. To become demand driven (or market driven), they need to learn how to speak a new language. In this process, they slowly learn that the customer order is a poor representation of demand.

Speaking the Language of Demand: New Terms to Know

The concepts of demand driven are now vogue. Many supply chain consultants will quickly rattle off case studies and proof points, but the smart supply chain leader will ground the discussion with clear definitions.

Demand Sensing - The reduction of time to sense purchase and channel takeaway. Demand sensing is a process, automated by technology, that reduces demand latency.

Demand Latency - The latency of demand signal due to demand translation of a customer purchase through the supply chain to an order for a trading partner. The time is different in each supply chain based on product sales velocity and the technologies used. For example, in a hospital, it is the translation of usage in a procedure to hospital order to a distributor and the translation of that usage to an order for a manufacturer. This time lapse varies by product and by channel. For the purchase of Tide at Walmart to translate to an order at P&G, the time is 5-7 days. For the translation of a purchase of Aleve at a retail outlet store to Bayer, the manufacturer is 60 days. As the long tail (small orders shipped with low-frequency) of the supply chain grows, demand latency increases and there is a greater need for demand sensing technologies.

To become market driven, companies need to identify the right market signals, build sensing capabilities, define demand-shaping processes, and effectively translate the demand signal to create a more effective response.

Independent Demand - The purchase of a product by a customer in the channel.

Dependent Demand - The translation of this demand signal from a channel demand signal to a manufacturer or a distributor through a bill of material or a transportation or manufacturing routing.

Demand Translation - The translation of demand by role within the organisation. Each role–customer service, sales, procurement, manufacturing have a different need/definition for the demand signal.

Demand Shaping - The use of demand tactics price, sales incentives, marketing programs, new product launch, promotions, and assortment to increase baseline forecasting.

Demand Shifting - The shifting of demand from one period to another (examples include pre-shipments at the end of the quarter, stuffing the channel to get rid of stock, or shipping early) increases supply chain costs and distorts the demand signal. Try to minimise demand shifting and maximise the value of demand shaping. Get clear on the difference.

Forecastability - The mathematical determination of ease of forecasting (the determination of the probability of demand). Many technologies include this in the base software package.

Forecast Value-Add (FVA) - A methodology for continuous improvement of the demand plan where steps of the process are evaluated and the question is asked, "Did this change improve the forecast (bias and error) as compared to the naive forecast?" (For more on this topic check out the book, The Business Forecasting Deal.)

Naive Forecast. The historic forecast using prior month shipments.

Downstream Data - Use of channel data (Point of Sale (POS) and Warehouse Withdrawal) to sense channel demand.

Demand Synchronisation. The demand signal must be connected from node to node in the supply chain and then synchronised and mapped. The most frequently mapped data elements are product hierarchies, time/calendars, and locations. In this mapping, the data granularity and frequency must be harmonised.

Demand Visibility - The translation of demand by role across the organisation and across tiers and nodes of the supply chain.

Demand Consumption - The translation of the demand signal across planning horisons. In early planning products this was accomplished through rules-based consumption. New and more advanced technologies are using optimisation and cognitive learning techniques to consume the forecast across planning horisons.

Integration - Close coupling of the data elements to use the data into software. Integration without synchronisation and harmonisation does little for the demand signal.

Harmonisation - Data harmonisation enables data of differing granularity and data structures to be harmonised into a common database. - ***RF***

THE AMAZING SUPPLY CHAIN OF THE 2014 WORLD CUP SOCCER BALL

By Karsten Horn
(supplychain247.com, June 2014)

Most people don't give a second thought to the soccer ball's journey to the pitch - it's safe to say though, that just as much careful supply chain planning and hard work goes into making the ball as training the players. For many of us, heading out to the local park for a game of five-a-side with friends is one of the greatest pleasures in life. It's been that way for a long time, and there are records of a soccer-like game being played as far back as the 12th century. Of course there have been changes over that time, and it's a good thing too – not least where the ball itself is concerned. I don't know about you, but kicking around an inflated pig's bladder doesn't sound too appealing to me.

As technology has evolved and the beautiful game has become the global phenomenon that it is today, huge amounts of skill and a range of complex materials now go in to creating the perfect soccer ball.

With the 2014 FIFA World Cup starting today (kick-off 4 p.m. ET), the most state-of-the-art ball around at the moment is the recently-launched official ball of the tournament (view above video): the Brazuca

from Adidas (the name comes from a Brazilian word describing the Brazilian way of life). The ball is already on sale to eager fans through local sports retailers, but its real moment of glory will of course be on the pitches in June.

As technology has evolved and the beautiful game has become the global phenomenon that it is today, huge amounts of skill and a range of complex materials now go in to creating the perfect soccer ball.

While soccer players' preparations for the World Cup are carefully scrutinised for months before the first kick-off, I bet most people don't give a second thought to the ball's journey to the pitch. It's safe to say though, that just as much careful planning and hard work goes into making the ball as training the players.

To begin with, there's the job of sourcing the necessary materials. Soccer balls might look simple enough, but they are comprised of a variety of rubber, cotton, polyester, latex and other materials. A lot of these raw materials come from countries in Asia and according to its official supplier list for the 2014 World Cup, Adidas works with suppliers based in this region to manufacture its soccer balls (mostly in China, Pakistan and Vietnam). Overall, itcarries out 67% of its manufacturing in Asia, meaning that the costs associated with transporting the raw materials from source to factory can be kept to a minimum.

Once the materials have been sourced, it's time to start manufacturing the ball. The core of the ball is called the bladder, although these days thankfully it's not a real one and is instead made of latex or butyl. It's filled with air and then surrounded by up to four layers of lining made up of polyester and/or cotton to add strength, structure and bounce.

Finally, the outer panels are added. Traditionally these were made of leather, but these days they often include synthetic materials as well to stop them from absorbing moisture and therefore becoming heavier (and more painful to kick). The panels may be put together by machine or hand (an experienced stitcher takes three hours to sew one ball), but most professional-grade balls are thermally bonded. Using this method, all the panels are arranged inside a mould, which uses heat and pressure to bind them together. As no stitching is required, there's no need to stick to straight edges for each panel. This allows for much more creative patterns such as the six-panel, swirly Brazuca design. The 2014 World Cup ball also has an innovative surface texture, which has been designed to enhance its aerodynamic performance.

The final stage of the process for the World Cup balls (in fact, any balls that need to be FIFA approved) is a critical one: testing to ensure it's up to scratch. Laboratory tests put the ball through its paces before it's deemed worthy of the FIFA hallmark. In the case of the Brazuca ball, Adidas claims it's the company's most tested ball ever, having involved Bayern Munich, AC Milan, Lionel Messi and Iker Casillas in a two-and-a-half year testing and trial process.

Only once all the tests have been done and everyone's completely happy with the ball is it shipped in volume. As well as going out to retailers around the world, a few lucky balls will of course also be delivered to Brazil for use in the 12 venues and 63 matches.

So while you're watching the tournament and cheering on your favorite team this summer, spare a thought for the pitch's unsung heroes – the balls and the people that put them there. - ***RF***

SUPPLY CHAIN RISK MANAGEMENT NOW A PRIORITY FOR MOST BUSINESSES

By 24/7 Staff
(supplychain247.com, June 2014)

Information technology, costs and pricing factors, and the global economy viewed as top sources of supply chain risk by corporate executives, but only elite leaders generate a return on their investments in excess of 100 Percent, Accenture research finds.

The majority of companies see supply chain risk management as important to their business, but only seven percent are generating returns of over 100 percent on their supply chain risk management investments, according to a new study by Accenture that revealed the distinct approaches followed by leaders in risk management.

Seventy-six percent of companies participating in the "Accenture Global Operations Megatrends Study – Focus on Risk Management ," describe supply chain risk management as important or very important.

Of the more than 1000 companies represented across 10 industries, 25 percent plan increased investments of at least 20 percent in supply chain risk management in the next two years.

The analysis reveals that while nearly all of the companies represented in the study receive a return on their investment (ROI) in risk management, the leaders—those that generated returns exceeding 100 percent – had three practices in common that distinguished them from others.

Make risk management a priority. Sixty-one percent of the leaders as compared to 37 percent of other companies make risk management a strategic imperative and recognise the importance of capabilities that help them gain greater visibility and predictability across their supply chains.

Centralise their responsibility for risk management. Forty-three percent of leaders versus 32 percent of others had a central risk management function led by an executive in the C-suite or a vice president who oversees all of their risk management activities.

Invest aggressively in risk management with a specific focus on end-to-end supply chain visibility and analytics. Leaders were nearly three times as likely to say they planned to boost their investment in risk management by 20 percent or more in the next two years. Furthermore, nearly 70 percent of leaders said their investments will generate a return of at least 100 percent in the next two years as opposed to 4 percent of others.

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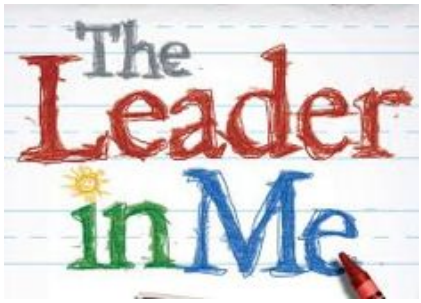
"As demonstrated by the leaders in our study, a centralised, top-down approach to supply chain risk management tends to generate the highest ROI on risk management," said Mark H. Pearson, senior managing director, Accenture Strategy, Operations. "Such a commitment to risk management also can help managers guard against business disruptions in the wake of natural disasters, geo political events, shifts in commodity or shipping prices, or any number of circumstances that can endanger a company's operations."

Pearson also noted that such a strong commitment to risk management "can contribute to stakeholder confidence in the fundamentals underpinning a company's business."

According to the study, the top three sources of risks identified by senior operations executives are information technology (39 percent), cost and pricing factors (39 percent) and the global economy (37 percent). Natural disasters or unforeseen events, such as the Thai floods or the tsunami in Japan, were only cited by 17 percent of the respondents, making that the least frequently flagged risk.

The areas most frequently exposed to those and other risks in the corporate supply chains are quality (45 percent), planning (39 percent), supply chain skills and talent (38 percent) and sourcing and procurement (37 percent), according to the executives.

"Although unforeseen events or natural disasters lead some to give up on risk management, most risks can be managed to not only minimise the downside but also to gain a competitive advantage as a result of being prepared to respond to circumstances when they arise," said Pearson. "Scenario planning and robust analytics can play a key role in developing effective risk mitigation strategies." - ***RF***



SEEING THINGS DIFFERENTLY

By Unknown
(the-happy-manager.com, n.d.)

Here are two lessons to illustrate an unusual characteristic of leadership.

The two stories, one about Tom Watson Jr. and the other about Thomas Edison, both illustrate how great leaders deal with costly mistakes.

The way both leaders responded to their situations demonstrated an essential characteristic of leadership – the ability to see things differently. An ability which illustrates the importance of vision over short-sightedness.

A Costly Mistake or a Learning Investment?

Tom Watson Jr., CEO of IBM between 1956 and 1971, was a key figure in the information revolution. Watson repeatedly demonstrated his abilities as a leader, never more so than in our first short story.

A young executive had made some bad decisions that cost the company several million dollars. He was summoned to Watson's office, fully expecting to be dismissed. As he entered the office, the young executive said, "I suppose after that set of mistakes you will want to fire me." Watson was said to have replied,

"Not at all, young man, we have just spent a couple of million dollars educating you."

This story provides a strong message of support and a reminder that some of the most powerful lessons we can learn are from our so-called failures or difficult times.

Remember Edison's famous saying: "I have not failed. I've just found 10,000 ways that won't work." Thomas Edison also demonstrated a great response to adversity which compliments Watson Jr's actions.

When his factory was burned down, with much of his life's work inside, Edison said: "There is great value in disaster. All our mistakes are burned up. Thank God we can start anew.

A characteristic of leadership is to see things differently.

Seeing mistakes as an investment in learning. Seeing that, even in disaster, you can start anew.

Characteristic of Leadership: Seeing Success Differently

Both stories illustrate an essential characteristic of leadership – to see things differently. These are lessons that challenge us all to re-consider the way we view mistakes and difficulties.

To think about the long term, and the real value of what we do, we need to see things differently. Perhaps as Tom Watson Jnr showed in these memorable quotes:

- "If you stand up and be counted, from time to time you may get yourself knocked down. But remember this: A man flattened by an opponent can get up again. A man flattened by conformity stays down for good."

- "Whenever an individual or a business decides that success has been attained, progress stops."

- "Nothing so conclusively proves a man's ability to lead others as what he does from day to day to lead himself."

- "Really big people are, above everything else, courteous, considerate and generous — not just to some people in some circumstances — but to everyone all the time."

- "Every time we've moved ahead in IBM, it was because someone was willing to take a chance, put his head on the block, and try something new." - ***RF***

Note - All credit goes to the particular author and/or publication of the articles shared in this publication.

das [R]ESULTAT
integrity • independence • results

Result focused logistics and supply chain advisory services

By Anton Nieuwoudt / Niels Rudolph

dasRESULTAT is a results focused logistics and supply chain management advisory company with greater than 30 years combined experience in various functional areas of logistics and supply chain management across diverse industries.

Our primary objective is to support our clients to reduce operational costs and increase their service offering to their clients through optimising their supply chain, by offering a wide range of services based on our own practical experience.

dasRESULTAT stands under joint leadership of Anton Nieuwoudt and Niels Rudolph.

Leadership

Anton has close to 15 years experience in logistics- and supply chain management across various industries.

Prior to co-founding dasRESULTAT as a boutique logistics and supply chain advisory company, Anton was at Accenture where he was involved in various projects in the Retail, Mining, FMCG and Energy sectors. Here he was able to expand and apply his fulfillment, supply chain management, supplier management, project management and business consulting expertise.

Anton also worked at DB Schenker where he gained experience in integrated logistics management, spare parts logistics as well as inbound- and outbound logistics solution implementation.

Anton holds a Bachelors degree in Marketing from the Rand Afrikaans University and a Masters degree in Logistics Management from the University of Johannesburg.

Niels has more than 20 years experience in logistics- and supply chain management mainly within the 3PL industry.

Prior to co-founding dasRESULTAT as a boutique logistics and supply chain advisory company Niels founded ORAscm as a specialised logistics consultancy company. He also worked at DB Schenker and PriceWaterhouseCoopers in Germany as a project consultant.

Niels spent the largest part of his career at DB Schenker in various roles in Germany, Singapore, Malaysia and South Africa. During his last role at DB Schenker in South Africa, Niels was responsible for logistics development, reporting directly to the CEO. Here he applied and expanded his knowledge to develop logistics solutions across the local automotive, high-tech and retail industries.

Niels holds a Diplom Betriebswirt (BA) from Staatliche Berufsakademie, Mannheim (Germany).

Functional experience

Our functional experience include among others warehouse design & management, transportation management, inventory management, demand planning, supply planning, supply chain planning, supplier relationship management and project management.

Industry exposure

We have had exposure to industries such as retail, automotive, consumer goods and services, petrochemical, mining and defense aerospace.

Core offerings

Through our core offerings we can support our clients to achieve strategic, tactical and operational results. These offerings cover areas such as Strategic Supply Chain Planning, Fulfillment, Sourcing & Procurement, and Project Execution.

Credentials

Since founding the company in the fourth quarter of 2012 we've been involved in various engagements.

Our primary engagement in 2013 has been with a leading global third party logistics company. Here we've been tasked to support them in their turn-around of their contract logistics department, transportation management strategy and operating model design, Africa business development strategy, and procurement strategy development.

Secondary engagements during our first year of operations included a warehouse performance assessment at the Cape Town operations of a global apparel company, supporting a logistics service transition at a German automotive manufacturer, and providing warehouse implementation support for an agricultural equipment manufacturer.

We are currently supporting a transportation consulting company with project management and subject matter advisory at a South African FMCG company, and with a supply chain assessment at a Durban based manufacturer of engineered wood products. - ***RF***

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dasRESULTAT is a results focused logistics and supply chain management advisory company.

We partner with our clients to identify and unlock practical and sustainable supply chain solutions.

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