RESULTFOCUSED

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BEYOND COMMODITISATION

By Anton Nieuwoudt

Some comments published by a North American 3PL company makes for very interesting reading. Their comments highlights two characteristics of the current state of logistics outsourcing: 1) increases in shipper dissatisfaction, and 2) an increased expectation in technological advancement (read more - here). Based on our dealings on both the shipper and service provider side of the industry, I'm of the opinion that these characteristics are just as applicable to the South African market as it is to the American market.

Shippers are becoming more-and-more knowledgable and sophisticated when it comes to logistics and supply chain related matters. This means that they do not assume anymore that their 3PL service provider knows best and provides the best solutions simply because of their size and historical credentials. Shippers want to know that their 3PL partner(s) is able to think ahead of the curve, but equally demonstrate exemplary performance when it comes to the basics. There is no value in partnering with a 3PL who talks cutting edge solutions, but cannot walk basic operational excellence. Shipper dissatisfaction and in many cases disillusionment follows.

When it comes to technological advancement it is actually quite simple - Embrace it or be left behind. With technologies such as 3D printing, internet of things (IoT), drone delivery, driverless vehicle and augmented reality it is clear that the transformation of the 3PL industry is upon us. Innovative advances in service offering based SaaS (Software-as-a-Service) has put technology into the hands of many smaller service providers due to negligible capex investments and much more palatable implementation- and maintenance pricing models. These smaller service providers have realised that they do not need to establish an enormous back-office software development capability, but can partner with specialists to drive innovation on their behalf. In the process delivering on shipper expectations, at a reduced 'production cost' and in many cases earning a premium.

The basic 3PL services have become commoditised and if many 3PL service providers do not want to die a slow and painful death, they need to be innovative in their service offerings and deliver what their clients need before the client even realise what they want.

In this edition of ***RESULT****FOCUSED* we look at, among others, Volkswagen's readiness to transform the automotive supply chain, five challenges that hampers supply chain flexibility, supply chain excellence in the electronics and high tech industry, as well as five bits of management wisdom from Pixar. ***RF***

"Be a yardstick for quality. Some people are not used to an environment where excellence is expected" - Steve Jobs

VOLKSWAGEN READY TO TRANSFORM AUTOMOTIVE SUPPLY CHAIN

By 24/7 Staff
(supplychain247.com, March 2015)

The Volkswagen Group invited its key global suppliers to Wolfsburg for the kick-off event of the new Volkswagen FAST (Future Automotive Supply Tracks) program.

Dr. Francisco Javier Garcia Sanz, Member of the Board of Management of Volkswagen Aktiengesellschaft responsible for Procurement, launched the new corporate initiative together with development and procurement board members of the Group brands.

"The automotive industry is changing fundamentally. New technologies and shorter product cycles pose challenges for our industry. In future, a key success factor will be a highly efficient global supplier network," said Procurement Board Member Garcia Sanz at the kick-off event.

The Group-wide Volkswagen FAST initiative targets the best partners in Volkswagen's international supplier network. "Together with our partners, we intend to forge ahead with the globalisation and innovations of our brand and the entire automotive industry and to actively shape the future of the industry," Garcia Sanz emphasised.

"Volkswagen FAST" Initiative: Volkswagen Group Redefines Cooperation with Suppliers

The objective of the FAST program is to prioritise investments and make efficient use of resources in closer cooperation with suppliers.

We aim to boost the number of product and process innovations and to coordinate them even more effectively.
The first step will be to identify the best suppliers in an agreed selection procedure. Only these companies will receive access to Volkswagen FAST.

These partners will be involved in innovation cycles within the Group at an earlier stage. For this purpose, we have established a new innovation interface.
In return, FAST partners will also contribute their ideas to the pre-series development of vehicles at an earlier stage.

At the same time, production networks between Volkswagen and its partners will be harmonised even more closely in the context of the globalisation strategies in order to generate further synergy effects and derive the maximum possible benefit.

Highlights

- Volkswagen intends to shape the transformation of the automotive industry together with strong partners
- Garcia Sanz: "The network of the entire automotive value stream will be even more important in the future."
- More than 100 CEOs of top suppliers obtain information on innovations and global networking within the Volkswagen Group

It's worth noting that The Volkswagen Group owns more than just VW.
It is now the second largest motor manufacturer in the world (Toyota holds onto crown of world's largest automaker).
The Volkswagen Group brands include: Audi, SEAT, Lamborghini, Porsche, Bentley, Bugatti, and Škoda, and it controls MAN and Scania commercial vehicles, and Ducati motorcycles. ***RF***

New technologies and shorter product cycles pose serious challenges for the motor industry globally, and, according to Volkswagen: "In future, a key success factor will be a highly efficient global supplier network."

THE INVISIBLE NETWORK THAT KEEPS THE WORLD RUNNING

By Tim Maughan
(bbc.com, March 2015)

It's been just over 45 years since the Apollo Moon landings, and some would have it that we are failing to build big anymore; that we've since become too fascinated with the small, too impressed by our tablet computers, games consoles, and smartphones that we don't invest in grand, world-changing engineering projects.

Stand on the bridge of a container ship docked in a mega-port in Korea, however, and it's clear that's just not true. The global supply chain that brings us those tablets and phones, and pretty much everything else from our clothes and food to our toys and souvenirs, is nothing short of a moon shot itself – a vast, unprecedented engineering solution to a truly astronomical logistics problem. The fact that it's hidden from most people's sight, and that it has become so utterly reliable and efficient to the point of transparency, doesn't make it any less of an achievement of human technical endeavour.

To find out more about this huge, invisible network, I accompanied a group of architects and designers called the Unknown Fields Division for a rare voyage on a container ship between Korea and China. The aim of the trip was to follow the supply chain back to some of the remotest parts of China and the source of our consumer goods – and what we saw as we travelled through mega-ports and across oceans looked closer to science fiction than reality.

Early rise

We're picked up at 9am from our guesthouse in the Korean city of Busan by a local 'ground agent' for the shipping company Maersk, whose ship will be carrying us for the next week. They have at least one of these personnel handlers in every major port in the world, their job being to ensure crew members make their way through each country's unique and complex maze of customs and immigration bureaucracy, and on to their ships on time.

If you were asked to name some multi-national corporate brands you could probably reel off half a dozen, from Apple to Coca-Cola, but chances are that Maersk wouldn't spring to mind. Yet the Danish shipping giant is the very definition of a multi-national corporation, with over 25,000 employees, 345 offices in 125 countries, 600 active ships, and more than 2 million containers moved every year. The company is estimated to be responsible for 20% of Denmark's GDP on its own. Maersk might not make any of the things you buy in shops, but it more than likely put a lot of them there.

As we drive along, Busan's dense mass of high-rise apartment blocks gives way to what will be one of the defining images of the next seven days; the giant cranes that line every major port in the world. Soon we're into the depths of Busan New Port itself, and speeding past endless, towering stacks of shipping containers until we're finally dwarfed by the huge, blue mass of the Maersk Seletar, the 320m- (1,050ft-) long, 80,000 tonne, 9,000 container capacity ship that will be my home for the next seven days.

It's not until we get out on to the towering balconies around the ship's bridge and look back at Busan that we're fully able to first comprehend the scale and nature of these Asian mega-ports. It feels like we're being given a rare look into a usually hidden space, a peek at the intricate but city-scaled machinery of global capitalism.

From that viewpoint – essentially high above the sea, looking into land – it's easiest to describe the ports as a sequence of layers. First, towering above and over the ship, are the loading cranes. Vast structures mounted on huge, four-legged frames, they resemble the naked scaffolding of unbuilt skyscrapers, and trigger nostalgic reminders of Saturn V rocket launch towers from the 1960s. Their sheer size makes them the first thing you see when you arrive at any port – whether from land or sea, and as staggering as they are they don't make their full impact until you see them move.

Future gaze

Built on tracks in the surface of the harbour-side, they slide left and right, parallel to the berthed ships, accompanied by a cacophony of warning sounds and robotic safety announcements. Once in port at night I saw one suddenly fire into life next to the ship in a stroboscopic explosion of lights, before it tracked slowly above my high vantage point, bathing me in the orange glow of a dozen small halogen suns. It was an intense experience.

The second layer in from the cranes are the trucks; a constant loop of circling, diesel-belching flatbeds. Endlessly, they arrive at the bottom of the vast cranes, seemingly one every minute when the port is at its busiest, stopping in precise locations so the crane drivers can either pluck their containers off their backs and on to the ships, or drop a freshly unloaded container straight on to them, before the trucks instantly pull away and head inland.

It's a hypnotic, fascinating dance to watch: the cranes lifting containers off the ships, the trucks pulling up in time to catch them as they are elegantly lowered down on steel cables. The complex and precise orchestration behind every move is almost bewildering to comprehend. The ships never unload everything at just one port – that'd be hugely inefficient for these vast, globe-orbiting warehouses – so the crane drivers need to know which one to take off and when, just as the truck drivers need to know where to take each one they collect.

> One of the world's most dazzling engineering feats is largely hidden from view. Traveling with a group called Unknown Fields, Tim Maughan stepped on board a container ship to investigate the humungous, algorithmically-controlled network that supplies most of what you own.

It's the kind of logistical information that it's hard to imagine any one human mind comprehending, and the truth is no single one does – this is distributed knowledge, managed by Maersk's vast world-spanning computer network and shaped and interpreted by complex, similarly unknowable, algorithms. In a very real sense the crane and truck drivers are little more than elements in a vast robotic system, receiving instructions in their cabs from their computerised managers, following orders on endless cycles until their shift ends.

Not that there isn't a certain amount of pride in their work, as regimented and alienating as it might seem – it's not unusual to see the cranes decorated with awards and badges announcing record breaking container shifting performances. At the same time it's also impossible not to be struck by the precariousness of their job security; with so much managed by the network it must surely only be a matter of time before the system evolves enough to remove the human element entirely. In fact, ports like Rotterdam in the Netherlands have already moved to fully automated systems, with driverless trucks and robotic cranes.

Stacked neighbours

Layer three, sat behind the cranes and trucks, is the most easily recognisable image from the whole process: the container stacks. From the bridge of the Seletar they look like row upon row of repeating, multicoloured Lego bricks, six units high, each straddled by multiple cranes – miniature versions of the ship loaders, sliding back and forth on rails. These cranes continually shuffle the position of the containers within the stacks themselves, following the algorithmic wisdom of the network to ensure everything is in the most efficient position possible; cargo heading backwards and forwards, inland and out.

At every port we arrived at, the three layers – cranes, trucks, containers – seemed fundamentally the same, standardised with only the occasional exception. The Taiwanese port of Kaohsiung uses small, fast moving, mini cranes instead of trucks – oddly top-heavy looking skeletal machines that bounce along on huge moon-buggy tyres. They swarm endlessly like busy robots, their blue or yellow frames smeared in grease and grime, discharging black clouds of diesel smog.

It's only layer four that displays any individualisation – the landscapes beyond the ports. In Busan it was housing blocks branded with corporation logos nestling beneath green mountains. And at Shanghai's Yangshan Deep Water Port it was the six-lane, 20 mile long Donghai bridge, built to carry the constant flow of container trucks in and out from the port, built on a vast artificial island.

Dark skies

After three days at sea, we reach the city of Ningbo. Arriving into port at night we are presented with an almost nightmare vision, a Blade Runner-like landscape of glowing lights and smokestacks painting the low cloud ceiling orange. We'd been delayed going in as the black shadow of a ship owned by French giant CMA CGM slid gently past. It towers above ours, with a startling 18,000 container capacity. As soon as we hit port-side the cranes fired into life, the trucks queuing up as though impatient to make up the delayed time.

The next morning, unable to sleep, I rise at 4.30am and head for the top of the ship again, eager to see the port in daylight. The industrial landscape in front of me is vast and awful: a huge coal burning power station fed directly by incoming bulk carrier ships sits right on the port-side, its towers filling the sky with black, while the landscape behind is filled with refineries, gas storage plants, and tightly huddled together housing blocks. You can not only see the pollution – the vast carbon footprint of this industrial network – but taste it in the air. As much talk and concern as there is in the West about the environmental impact of China's economic dominance, it's easy to forget how much of that impact the Chinese people are taking as a direct hit themselves, as much for the West's benefit as their own.

It's not just onshore environments that containerisation has shaped and transformed. The surfaces of our planet's oceans – for centuries a space of mystery and myth, of expanse and desolation – have been rationalised and shrunk. Once an enigmatic, awe-inspiring place, the sea has become a zone of efficiency, little more than another channel for the automated supply chain network.

Over the course of seven days there wasn't a single time when I stood on the bridge of the Seletar, even when deep at sea, that I couldn't look out and see other container ships, and a brief scan of the horizon with binoculars would usually reveal four or five more. The implications are even more startling when nearing a port, and seeing dozens of vast ships held at anchorage, lined up like trucks in a parking lot. The sea has become dominated by GPS tracking and autopiloted navigation, where the shipping routes are more than just vague geographical gestures, but instead precise spaces traced out both by computerised charts and physical markers, with deep sea buoys marking lanes like the painted lines on road surfaces.

Human shift

Change the sea and change ships and it's impossible to not also change seafarers, although perhaps the impact containerisation has had on ship crews is a little more subtle. Certainly, like the crane and truck drivers back at the port, there's a certain sense of alienation from the cargo. Nobody on the ship knows what lies inside the containers the ship carries.

There are exceptions of course; hazardous materials must be declared, as must the contents of the refrigerated containers – known in the industry as reefers. The reefers themselves are fascinating pieces of technology, basic containers outfitted to be advanced climate controlled, computer monitored micro-environments. Checking the reefers are running is the crew's only tangible, direct responsibility for the cargo beyond ensuring it arrives on time. Even so, it is still highly computer-controlled; the ship's captain, Brian Argent, tells me that the crew's emails piggy-back off a satellite uplink designed keep an eye on the reefers, transmitting status updates thousands of miles back to land so that the company's computers know about a problem before the ship's crew does.

And that's not all the ship receives emails about: Maersk regularly sends Argent and his senior officers messages informing him of course changes or of what speed to take. Even the captain has become just another node in the network, the running of his ship dictated by the unseen algorithms.

The myth of the seafarer as the drunken adventurer with "a girl in every port" couldn't be further from the truth, with shore leave a rarity, and ports so far from urban centres that day leave excursions become little more than trips to out-of-town shopping malls to stock up on essentials such as shampoo, shower gel, and snacks. But for most of the Seletar's crew – made up of mainly Indian, Filipino, and Chinese seafarers – the reasons for going to sea are the same as they ever were: to make money that can be sent home to their wives, children, and parents.

And even the sense of distance from their families shrunk, thanks to the Seletar's satellite internet access. It's slow and patchy, but it's enough for the crew to maintain daily communication with home – with most of them spending a sizable chunk of their free time crouching in corridors and stairwells with smartphones and laptops, trying to find the elusive wi-fi signal so they can talk to home, send messages to loved ones, and connect to Facebook.

It's a fascinating sight at first, and within a few days I find myself doing the exact same thing. I'd initially thought it might be fun – healthy even – to truly escape the internet and life back home for a few days. That was before I realised what the Seletar really was, saw how it was just another node in the network, another rationalised point in the global infrastructure, a bridge between the physical and digital. Once I saw that, I knew it was time to abandon my romantic notions of being away at sea, that it was pointless to resist the lure of the network, and found myself squatting in the stairwell between Decks C and D, trying to get reconnected.

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FIVE CHALLENGES THAT HAMPERS SUPPLY CHAIN FLEXIBILITY

By Gavin Davidson
(supplychaindigital.com, February 2015)

Inflexibility is the bane of an efficient supply chain. Ironically, the problem is often rooted in supply chain software that years ago was billed as delivering the flexibility that companies needed for fast and adaptable inventory and supplier management, distribution, sales, purchasing and manufacturing.

Manufacturers and distributors have indeed gained important flexibility over the past two decades with implementations of ERP and other supply chain applications and the adoption of Six Sigma, Lean manufacturing, Kanban and other approaches. But the ideal of flexibility is a moving target. As time passes, they're facing new challenges that their on premise software systems are ill equipped to handle.

Inflexibility is the bane of an efficient supply chain. Ironically, the problem is often rooted in supply chain software that years ago was billed as delivering the flexibility that companies needed for fast and adaptable inventory and supplier management, distribution, sales, purchasing and manufacturing.

Changing market conditions. Customer expectations for speed and low cost have reached new highs in our always-on, digital and global world. Economic and supplier volatility are a constant threat to supply chain continuity. Meeting such challenges requires real-time transparency that yesteryear's applications can't support.

Systems sprawl. Over the years, organisations have duct-taped together various point solutions to run their supply chains. This systems sprawl now confronts them with poor visibility and limited capacity for internal and external collaboration while requiring manual workarounds just to maintain baseline performance.

Inherently poor customisability. On-premise ERP is notoriously difficult to customise. Tweaking an application to accommodate new needs in order management, purchasing or other areas can take a team of developers; often from a costly third-party consultant, weeks if not months to accomplish.

Version lock. Dreading the time, expense and disruption of upgrading on premise software, many organisations make do with "business as usual," effectively locked in to outdated software. If they do elect to upgrade, they risk losing any customisations that they did build into their systems.

Subpar compliance and security. Without the ability to readily customise software, organisations often resort to documenting data, metadata, processes and audit trails outside the core ERP, in spreadsheets or disparate applications. Without a single authoritative record, compliance, security and auditability can be compromised.

These weaknesses conspire to undermine a company's competitive position. It's difficult to synchronise processes for maximum efficiency, or to pursue innovations. Costs creep up, while customer satisfaction and retention can be jeopardised. Meanwhile, some competitor that has mastered supply chain flexibility is winning new business and gaining an advantage in increasingly fast-paced and volatile markets.

A flexible and visible supply chain has become an imperative in today's business environment, the global consultancy PwC said in its article 'How a Flexible Supply Chain Delivers Value'. Getting there will require companies to prioritise supply chain operations and tightly align them with other business functions.

Adapting software to the business.

Limitations in the bespoke nature of on premise ERP is a key culprit behind supply chain inflexibility. Companies are forced to adapt their business processes to the constraints of their software, rather than adapting the software to their business processes. Yet for a growing number of enterprising organisations, cloud ERP is changing the equation. *RF*

HOW DO YOU DEFINE SUPPLY CHAIN EXCELLENCE? - ELECTRONICS AND HIGH TECH

By Lora Cecere (supplychainquarterly.com, March 2015)

While many executives talk about supply chain excellence, almost all would agree it's easier to talk about than to define.
In 2014, a small team at the research company Supply Chain Insights started a project to define excellence in a more objective and quantifiable way. After studying balance sheet patterns for 2,000 companies, we believe that supply chain excellence is defined both by improving year-over-year financial performance versus a peer group and by outperforming the industry on a portfolio of metrics that correlate closely to market capitalisation. The metrics we selected were inventory turns, operating margin, and return on invested capital (ROIC).

While we often see companies performing well in one of the three metrics, we believe that supply chain excellence is based on the ability to drive improvement on the complete portfolio—improving all three metrics together. To help companies assess whether they are making progress on improving supply chain performance, we created the Supply Chain Index. The Index provides a score, which represents a company's ability to do three things: balance growth and return on invested capital (growth), improve both operating margin and inventory turns (strength), and provide reliable, predictable operating margins and inventory turns (resiliency). (For more information about the Supply Chain Index, see the Q3/2014 Supply Chain Quarterly article, "The Supply Chain Index: A new way to measure value.")

This is the first in series of columns looking at how companies in a specific industry group perform against these metrics. We are starting with the high tech and electronics industry.

In our general analysis, we were surprised to find how few companies were making balance sheet improvements. In our research, we found that nine out of 10 public companies were not progressing. They could drive improvement in either operating margin or inventory turns, but not both together. Additionally, we discovered that many companies were going backwards, with slippage in metrics performance in two of the key metrics of ROIC, as well as in costs (measured by operating margin), customer service, and inventory. For some, this was caused by uncontrolled complexity, while for others it was the lack of a clear operating strategy.

Surprisingly, the high-tech industry segment has made more progress than other industries in being able to drive improvement in all of the performance metrics. The industry's success has come despite significant obstacles, such as shorter lifecycles, deterioration in prices, rapid advancements in technology, and major shifts in product portfolios. The high-tech industry exemplifies the saying, "when the going gets tough, the tough get going."

Who did it best? To identify the top performers, we developed a list of companies that were performing at levels above those of their peer group on the portfolio of metrics. Based on both supply chain improvement in this portfolio of metrics (as defined by the Supply Chain Index ranking) and performance on ROIC, operating margins, and inventory turns, Apple, Cisco Systems, EMC, and Seagate make Supply Chain Insights' "Supply Chains to Admire" list in high tech and electronics (see the table here), while Intel and TSMC make the list in the semiconductor industries. *RF*

SIX TRENDS DRIVING DIGITAL POWER TO SUPPLY CHAIN ENTERPRISES

By Frank Rennings (supplychain247.com, March 2015)

We have moved past the point where businesses can consider just exploring digital to a situation today where digital must be considered a core competency in businesses of all sizes and across industries: "Every business is a digital business" as we say.

For business leaders everywhere, the next three years will be about determining their organisation's pace in this digital race—and their place in the new world of digital.

Accenture's 2014 Technology Vision research, in which they outline their predictions on what technologies will significantly impact businesses, shows that for some time the pace of innovation has been driven by digital start-ups that have disrupted countless industries.

While these companies will still exist and continue to make waves, Accenture believes the time has come for large enterprises to expand their digital conversation and ambition. More and more large organisations are actively leading the digital charge. Instead of being pressured by it, or taking a fast-follower approach, they are beginning to leverage their vast resources and capital not only to react to technology disruption but also to embrace it. A shift "From Digitally Disrupted to Digital Disrupter".

Six Emerging Digital Trends

All businesses, from the Fortune 500 to small businesses, are facing a pressing need to re-examine their capabilities in light of the next stages of their digital journey and to become a Digital Disrupter. Accenture's Technology Vision can help guide this journey by presenting the important trends and themes that will impact businesses in the future.

The Technology Vision 2014 report highlights these six themes that reflect the shifts taking place among the digital power brokers of tomorrow:

The Digital-Physical Blur: The physical world is coming online as objects, devices, and machines acquire more digital intelligence. What's emerging is more than just an "Internet of Things"; it's a new layer of connected intelligence into our lives, increasing our insight into and control over the tangible world.

From Workforce to Crowdsource: Cloud, social, and collaboration technologies now allow enterprises to tap into vast pools of resources across the world, creating a workforce that extends beyond their employees: one that consists of any user connected to the Internet.

Data Supply Chain: Data technologies are evolving rapidly, and to truly unlock its value, companies must start treating data more as a supply chain, enabling it to flow easily and usefully through the entire organisation

Harnessing Hyperscale: The hardware world is again a hotbed of new development as demand soars for bigger, faster, lower-cost data centers. In this new world, hardware matters more than ever in transforming enterprises into digital businesses with access to unlimited computing power that can be turned on and off as needed.

Business of Applications: As large enterprises push for greater IT agility, there is a sharp shift toward simpler, more modular, and more custom apps. IT leaders must soon decide not just who plays what application development role in their new digital organisations but also how to transform the nature of application development itself.

Architecting Resilience: In the digital era, the need for "always-on" IT infrastructure, security, and resilient practices can mean the difference between business as usual and erosion of brand value. IT must adopt a new mindset to ensure that systems are not just designed to spec but designed for resilience under failure and attack.

More and more large organisations are actively leading the digital charge.

The opportunity for every C-suite executive is to be a digital disrupter – to recreate and redefine the business to create lasting competitive advantage. The potential for growth is limited only by the creativity of the enterprise itself. Now is the time to stop thinking about being disrupted by digital technology and start using it to become a disrupter.

In many ways, digital is fostering a renaissance for large companies, allowing them to reconnect with what made them industry leaders in the first place. The opportunity is there; what's stopping you from taking it? *RF*

THIRTEEN KEY CONSIDERATIONS WHEN SELECTING A 3PL AS WELL AS THE DIFFERENCE BETWEEN A 3PL AND A 4PL

By Adam Robinson
(supplychain247.com, March 2015)

A 3PL, also sometimes known as a TPL, is a third-party logistics provider. A 3PL helps your organisation by providing expertise and best practices that can effectively integrate into your existing supply chain. 3PLs can specialise in various logistical areas and geographic regions.

A 3PL brings with it an existing network of valuable carrier relationships as well as a clear understanding of how to optimise performance on given routes. That being the case, a 3PL's assistance is ideal for cost control, improving customer experience or expanding routes.

Choosing a 3PL can be challenging, because there are so many factors involved in making sure you have selected the right one before you even begin to work together. Hard data should be the deciding factor in any new 3PL relationship. Any company that plans to provide freight services to you should be able to indicate the specific ways in which you stand to save money.

Before you start, make sure you understand your own needs before you start the search for a new 3PL by using our handy checklist found here. In order to utilise that checklist fully, first gather the following information from these 3 key areas:

- Current freight logistics, supply chain, and costs, and an estimate of costs per mile and hundred weight.
- Current freight accounting and audit performance.
- A discussion of existing carrier relationships and improvements or extensions that could be made.

However, this is really only scratching the surface of starting with what you must do as a shipper to get prepared. Another key point before you start is to understand what to expect in a logistics service level agreement contract. We highly encourage you to download our white paper regarding Logistics Service Level Agreement & KPIs to get a clear understanding of what you should expect to see from the 3PL you ultimately choose as your logistics partner.

The following 13 considerations are the next step for you as a shipper after you have your own data and are prepared to know what to look for in a contract. 13 may seem like a lot, but handing over the management of a division in your business, transportation, that can be 60% of your supply chain costs, and anywhere from 4 to 9% of your revenue, is something you should not take lightly.

1. Consider getting outside help: You understand your logistics operations better than anyone else, but you may not understand completely what a 3PL relationship can represent to your operation, and to its profitability. Getting outside help when choosing a 3PL might simplify the process, and reduce staff and time commitment. Seek someone knowledgeable in third-party logistics who can demonstrate experience with a broad scope of outsource operations and providers. A great 3PL consultant and Cerasis blogger we recommend is Chuck Intrieri.

2. Define a clear process for interfacing with potential 3PLs: One of the greatest frustrations reported by individuals who attempt to evaluate third-party logistics providers is that too often no defined process exists. Nobody is clear as to what results are expected and in what order. However, if you understand your own needs using that handy checklist, gather your data, and know what to look for in a contract, you are off to a good start.

3. Consider a maximum of three 3PLs: With or without external assistance, conduct advanced research on potential 3PLs that fit your requirements and do a detailed evaluation of only those entities. If you are dissatisfied with the end result, you can modify the process and investigate others, but trying to evaluate more than three 3PLs thoroughly will prove extremely demanding.

4. Don't use an RFP: An RFP limits you to functional costs. A good 3PL relationship should result in a quantifiable value significantly more dramatic than any RFP can identify. It is imperative that you choose the 3PL that offers the clearest quantitative value to your company.

5. Institute an internal 3PL evaluation team: This team must include representation from the supply chain/logistics, information technology, sales/marketing, purchasing, and finance departments. Doing this ensures corporate-wide buy-in for your ultimate decision. It also demonstrates the impact logistics has on the broader business and provides insight that will enhance the dollar value represented in the ultimate agreement.

6. Create an enforceable, mutual non-disclosure agreement: Do this before starting formal meetings with your third-party logistics provider candidates; ask your legal department to help. Execute this agreement before you initiate the development of a value proposition.

7. Payment history & financial stability: Having your 3PL suddenly fall apart could be one of the most devastating challenges your company faces. Finding a partner that has proven their financial stability will at least keep your operations from being brought to a screeching halt as you attempt to recover from someone else's mismanagement.

While evaluating your top logistics candidates, ask for a list of partners and enquire about their history with the provider. Have they consistently made payments? Has their ever been disagreement or lack of follow through from the company?

How a logistics provider handles their partners will be a good indication of how they will handle your business and talking to their partners might give you a clearer picture than talking to their hand-picked list of references.

> A 3PL brings with it an existing network of valuable carrier relationships as well as a clear understanding of how to optimise performance on given routes. That being the case, a 3PL's assistance is ideal for cost control, improving customer experience or expanding routes.

8. Proven track record: Going beyond the finances of a potential logistics provider, what is their overall track record like? Are they known for being a state of the art company? Do they have multiple long-term clients?

As a service oriented business, the reputation of a logistics provider will speak volumes as to the efficiency and reliability that you can expect.

9. Excellent industry references: The references you have for a logistics provider should not be good or passable; they should be adulatory. For a logistics provider to be worth your time, their clients should hesitate to speak volumes on their security, reliability, and flexibility. Clients should rave about the results they have delivered.

Furthermore, references should be able to speak to the character and culture of the provider. Whether good or service oriented, companies should be delivering a higher value proposition than simple efficiency.

10. Show the impact on sales throughout the process: Nearly all logistics projects are actually marketing projects. When evaluating the true quantitative value proposition of partnering with a 3PL, make sure you note the impact on sales. Often, attaining the lowest costs determined from a traditional RFP can lead to customer service problems, resulting in a negative impact on sales.

11. Insist on regular meetings with senior executives: Any agreement must require that senior executives from the 3PL participate in a quarterly, at minimum, meeting with a multi-department team. Treating the 3PL as an integral part of management, rather than as a vendor, evokes a degree of interest and responsibility in achieving overall corporate goals.

12. Scalability: First and foremost, can the 3PL efficiently scale their operations to fit your changing needs?

Bi-directional scalability directly influences how efficient your supply chain will be. You're doubtlessly striving to grow your company, but the fact remains that there will be ups and downs to business. Demand might contract for any number of reasons. You need a 3PL that can rapidly scale down the processes within your supply chain.

Conversely, you also need a logistics provider that can handle sudden spikes in demand without skipping a beat. Growing pains happen for everyone, but if you find a 3PL that has already experienced them with another company, you'll spare yourself the brunt of the problems.

Find a 3PL that already has clients both larger and smaller than your organisation. A 3PL that can scale will constantly be making small adjustments, e.g. aggregating or multiplying shipments, as your requirements move in one direction.

13. Clearly define a timetable for handing off responsibilities to the 3PL, and document the responsibilities you will retain in-house: The relationship should not be initiated until this process is put in place. As the new 3PL relationship is ramped up, communication is crucial. Failure to communication at a given time may lead to ongoing issues with the 3PL relationship, at least until the enterprise has completely gotten used to the new 3PL.

Learning the difference between a third party logistics (3PL) and fourth party logistics (4PL) as well as 1PL and 2PL , and the rise of even Fifth Party Logistics (5PLs) is both confusing and highly debated among those in the supply chain industry. It's also VITAL to know the players as you are selecting your 3PL ([find the infographic here](#)). ***RF***

WHERE TO BE AS A SUPPLY CHAIN MANAGER ON SOCIAL MEDIA

By David Weaver (inventory-and-supplychain-blog.com, March 2015)

Did you know that LinkedIn generates two new users per second? This network of over 330 million professionals is not just filled with people looking for jobs, but rather experts from various industries looking to exchange best practice tips and advice. The supply chain and logistics industries are no exception A quick search of the term "supply chain manager," turns up over 300,000 results within my 1st to 3rd degree network connections. Aside from individual professionals, if you search the term "supply chain" under the "Groups" section, over 5,749 different groups covering the topic of supply chain come up in the search result. That's a lot of people talking about supply chain management!

How about Twitter? Did you know, depending on the time of day, there are up to 228 tweets per hour that include the hashtag #supplychain? On the following graph, you can see when the majority of people are talking about supply chain management and approximately how many tweets per day go out on this specific topic (approx. 2,400).

This article is intended to help cut through some of the noise and provide social media newcomers in the field of supply chain management with a helpful starting point.

LinkedIn

I have had some great conversations over the past three years with highly experienced supply chain managers in various groups on LinkedIn. When choosing groups to join and engage with, one of the key aspects is finding a group with excellent management. A group filled with discussions started by recruiters and marketers pushing positions and products will be less fruitful than a group filled with experts asking and answering questions (unless of course you are looking for a supply chain tool or job!). The direction of conversation and posts lies solely in the hands of the group managers.

Ensuring promotions land in the promotions section and the timely approval of topical discussions are two very important LinkedIn group management traits. Based on my experience over the past three years, the following four groups provide supply chain managers with an excellent platform for discussion (in no particular order):

1. Warehouse Management Professionals
2. Supply Chain Optimisation
3. Supply Chain Minded
4. SCM World LinkedIn Group

If you truly are new to LinkedIn groups, start by joining just one group. Ask a question. Start a conversation.

A relatively new alternative to LinkedIn for supply chain and procurement professionals is Procurious. I have mentioned this platform before, but if you haven't had a chance to check it out, I encourage you to do so.

Blog / News Aggregation

As a blogger myself, it pains me to promote the blogs of others, but as a social media manager, I also know it is important to give credit where credit is due. The following blogs and news aggregators do a great job of keeping up on what is trending in the field of supply chain management. So if you have some spare time after reading our articles, these five blogs offer some great supply chain management information:

1. Logistics/Supply Chain on about.com
2. Supply Chain Matters
3. Talking Logistics
4. Supply Chain Shaman
5. Supply Chain Digital

These five sights post regularly and have a great grasp on what is trending in the field of supply chain management. Who do you turn to for your supply chain news and trend monitoring?

Twitter

If you want to find out what is trending in the field of supply chain management, or maybe you want to share some exciting supply chain news, the place to do that is Twitter. This platform, which can be viewed as a real-time news ticker, will keep you on top of the supply chain ball. I already displayed the growing relevance of the topic of supply chain management on Twitter, and as seen by the 2000+ daily tweets, there is a lot of noise. Based on my personal experience and level of engagement, I recommend you follow these ten Twitter accounts (accompanied with their twitter bio):

Lora Cecere – @lcecere – Founder of Supply Chain Insights. Focused on helping clients improve value in their value chains. Writing a 2nd book, Metrics That Matter.

Supply Chain Matters – @SC_Matters_Blog – Bob Ferrari's Blog on global supply chain business process and technology developments. One of the top ten blogs in supply chain management.

> This article is intended to help cut through some of the noise and provide social media newcomers in the field of supply chain management with a helpful starting point.

Gary Marion – @SpplyChainROSCO – Life is a metaphor for supply chain. Logistics/ Supply Chain Expert for about.com. Seriously.

Fronetics – @Fronetics – We are a management consulting firm which focuses on strategy and inbound marketing for the logistics and supply chain industries. We help businesses grow.

Supply Chain 24/7 – @SupplyChain247 – Supply Chain 24/7 is the ultimate online business resource for Transportation, Dis-trib-u-tion, Logistics and Supply Chain professionals.

Supply Management – @supplymgmt – The world's best procurement and supply chain magazine, published on behalf of the Chartered Institute of Procurement & Supply.

Euan Granger – @EuanGranger – Procurement and supply chain background, now a Partnerships Manager for Procurious. Socially – cricket, AFL and F1 and a full-blown coffee-holic!

CSCMP – @cscmp – Educating and Connecting the World's Supply Chain Professionals.

Morai Logistics – @MoraiLogistics – Logistics can be messy. Let us take care of your cross-border, domestic & international supply chain needs. From intermodal, truckload, LTL to small package.

Martijn Graat – @LogisticsMatter – Bringing You News and Background on: Logistics, Supply Chain Management, Warehousing, 3PL, Shipping, Transportation, Lean, Sustainability, Social Media

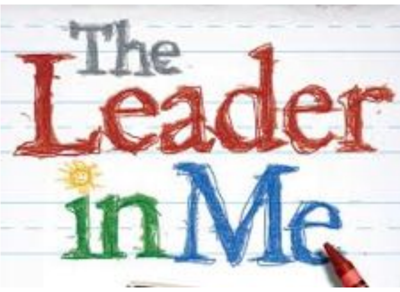
Kai Keppner – @KaiKeppner – Writer & Marketing Manager. Interested in high-tech trends, logistics, supply chain and politics. Tweets in German and English.

Karolina Maziliauskaite – @KMaziliauskaite – Supply chain & Inventory management blogger, UNICEF enthusiast

David Weaver – @Weaver_davidw – Online Marketing & Social Media enthusiast. California native. Expat in Germany. Blogger at the Huffington Post. Supply Chain devotee & blogger

The above mentioned accounts represent only a small fraction of the people tweeting about supply chain management. Conduct a hashtag search (#supplychain) for yourself on the platform and see what is trending now!

In my opinion, it is never too late to join in on the various social media platforms. That being said, it is important to know what you want to accomplish before getting started. Do you want to expand your knowledge and gain deeper insight into specific supply chain topics? Subscribe to a blog! Are you trying to keep an eye on the latest supply chain trends? Join Twitter! Are you interested in exchanging best practice tips with colleagues from around the world, or maybe you need a specific question answered? Join in on the discussion on LinkedIn or Procurious! ***RF***



FIVE BITS OF MANAGEMENT WISDOM FROM PIXAR

By Thomasz Tunguz
(linkedin.com, January 2015)

I've been reading Creativity, Inc., a history of Pixar and autobiography of Ed Catmull, the founder and CEO. Given how captivating Pixar's seminal movies are, I wasn't surprised to find the book is engrossing and well written. But I was dazzled by the wealth of management wisdom the book shares. These are my five favorite insights from the book so far.

Insight 1: Humility is one of the best leadership principles.

"There is nothing quite like ignorance combined with a driving need to succeed to force rapid learning. I know this from firsthand experience. In 1986, I became the president of a new hardware company whose main business was selling the Pixar Image Computer. The only problem was, I had no idea what I was doing."

Insight 2: Think about hard problems from first principles, rather than taking shortcuts.

When Catmull and his team launched the company, none of them had ever sold high-end hardware before. They had no sense of go-to-market, or how to price the product. So they asked experts and they launched with $122k price point - and the pricing flopped:

"The pricing advice I was given—by people who were smart and experienced and well-meaning—was not merely wrong, it kept us from asking the right questions. Instead of talking about whether it's easier to lower a price than raise it, we should have been addressing more substantive issues such as how to meet the expectations of customers and how to keep investing in software development so that the customers who did buy our product could put it to better use. In retrospect, when I sought the counsel of these more experienced men, I had been seeking simple answers to complex questions—do this, not that—because I was unsure of myself and stressed by the demands of my new job. But simple answers like the "start high" pricing advice—so seductive in its rationality—had distracted me and kept me from asking more fundamental questions."

Insight 3: Building and managing a team isn't solely recruiting a group of talented people, but melding a team of talented people who collaborate well.

"Getting the team right is the necessary precursor to getting the ideas right. It is easy to say you want talented people, and you do, but the way those people interact with one another is the real key. Even the smartest people can form an ineffective team if they are mismatched. That means it is better to focus on how a team is performing, not on the talents of the individuals within it. A good team is made up of people who complement each other. There is an important principle here that may seem obvious, yet—in my experience—is not obvious at all. Getting the right people and the right chemistry is more important than getting the right idea."

Insight 4: Management by influence is much more powerful, enabling and creativity-encouraging than management by edict.

A little bit of background on this quote. Every six months, the team producing a Pixar film meets with the Braintrust, a group of highly regarded people in the company, who review the film and point out the areas where the film struggles. The Braintrust typically just points out problems, but they don't make recommendations on the solutions, because they want to enable the production team to be as creative as possible.

"The Braintrust has no authority. This is crucial: The director does not have to follow any of the specific suggestions given. After a Braintrust meeting, it is up to him or her to figure out how to address the feedback. Braintrust meetings are not top-down, do-this-or-else affairs. By removing from the Braintrust the power to mandate solutions, we affect the dynamics of the group in ways I believe are essential."

Insight 5: Even the most successful companies have material and important management challenges. The key to solving them is a shared mission and intellectual honesty.

"What makes Pixar special is that we acknowledge we will always have problems, many of them hidden from our view; that we work hard to uncover these problems, even if doing so means making ourselves uncomfortable; and that, when we come across a problem, we marshal all of our energies to solve it. This, more than any elaborate party or turreted workstation, is why I love coming to work in the morning. It is what motivates me and gives me a definite sense of mission."

Creativity is masterful book combining a history of a great company, interesting anecdotes about Steve Jobs, and some terrific and very candid management insight. *RF*

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

Five bits of management wisdom from Pixar:

1. Humility is one of the best leadership principles,
2. Think about hard problems from first principles, rather than taking shortcuts,
3. Building and managing a team isn't solely recruiting a group of talented people, but melding a team of talented people who collaborate well.
4. Management by influence is much more powerful, enabling and creativity-encouraging than management by edict.
5. Even the most successful companies have material and important management challenges. The key to solving them is a shared mission and intellectual honesty.

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.

Leadership

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

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.

At DB Schenker, Anton 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.

Significance

Through our part-time lecturing commitments to the University of Johannesburg we continue to be actively involved in tertiary education and student mentoring programs to encourage excellence in up-and-coming supply chain professionals.

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 instrumental in the 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 continue to support a transportation consulting company with project management and subject matter advisory at a South African FMCG company. With this client we have since May 2014 also embarked on a journey to evaluate and redesign their Import-Export service provider landscape which has flowed into a full blown group level RFQ process for carrier and clearing services. Along with the client we were able to unlock an overall 15% saving in their annual freight spend and associated landside and finance charges.

At a Kwazulu-Natal based manufacturer of engineered wood products, we continue to provide subject matter support for various logistics cost saving and process efficiency improvement initiatives. ***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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