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Questioning the WHY...

By Anton Nieuwoudt

Before becoming the CEO of General Motors in 2014, Mary Barra's career at GM spanned 33 years. Despite her many years at the company, mainly in HR, she was able to take GM's culture in a new direction to achieve record sales in 2014. What is her management philosophy? Handing responsibility and accountability back to the managers and keeping GM as lean as possible. In other words removing bureaucracy and complexity from the system.

An incident in 2009 when Barra was the president of global human resources was a perfect example of both the company's bureaucracy and her attitude towards it. It is told that the HR team developed an extensive dress code meant to encompass the needs of a variety of workers, from engineers to salespeople. However when confronted with the final decision, she decided to ditch a 10-page treatise on clothing and made it simply, "Dress appropriately."

In reading this managers where up in arms. She received an email from a high-ranking manager who complained that the lack of guidance prompted his team to start wearing jeans to the office which became quite an embarrassment when they had to go for meetings. Barra spoke to the manager and encouraged him to speak to his team about the matter. He did, and everyone agreed that they will wear jeans to work only if they keep a pair of dress pants in their desk drawers for impromptu meetings. When she spoke to him a couple of weeks later, he was overjoyed about the result.

The point this illustrates has nothing to do with dress codes, but rather everything to do with getting to the source of the matter by questioning the why. Why do you need to have rules, regulations, policies and legal agreements place to manage certain business processes? Is simplification and empowering in many cases not the answer to complex situations? In many cases individuals will actually get upset and defensive when the process and rational is challenged by asking why. The answer in these case are more often than not "Because that is the way it is done!" Yes I know, but why?

A simple example is the continued use of elaborate employment agreements. Having employees sign a 30 page agreement whereby all their actions are governed simply because one wants to manage all the risks, in my humble opinion points to an inappropriate recruiting process. In other words, the wrong people are employed. The same goes for suppliers. If you need to hide behind laborious contracts and legal agreements, the organisation is contracting with the wrong suppliers. Rather reevaluate the vendor qualification processes.

I know that many will disagree with my point of view, and I will concede that there is a time and place for strict agreements and policies. However what I fail to understand is why organisations persist with complicating matters purely for reasons unbeknown to themselves.

I would therefor like to challenge and urge you today to start asking 'WHY!?'

"He who has a why to live for can bear almost any how."
- Friedrich Nietzsche

HEINZ AND KRAFT MERGER MAKES SUPPLY MANAGEMENT SENSE

By Paul Martyn
(forbes.com, March 2015)

If the 3G Capital/Berkshire Hathaway acquisition of the H. J. Heinz Company back in 2013 caught Wall Street's investment bankers asleep at the switch, then their latest deal, rumored to have been worked out in less than a month, may be a certified wake up call. These same two investment banks have just announced the formation of The Kraft Heinz Company. Reviews of the mega-merger are uniformly positive, as analysts see the deal as a logical response to an increasingly cost sensitive consumer market and an under-performing, if not stale brand portfolio at Kraft.

From a supply management perspective, the merger also makes a lot of sense. Both firms have mature and sophisticated "supply chain cultures" that will prove easy to integrate. Pardon the pun, but when it comes to managing supplier markets and distribution logistics, Kraft and Heinz are already at the top of the food chain. Their merger means more market leverage and history says they'll know where to look and how to operationalise what they find. Each organisation has embraced the use of advanced analytics in their supply management operations and each is fully committed to the data driven decision processes they enable.

Both firms use advanced market clearing algorithms to not only regularly identify market based savings opportunities, but to challenge their internal operating constraints, including quality and risk considerations. These advanced sourcing algorithms are especially effective when used in the more complex categories of supplies and services purchased –which is where a lot of money typically gets spent. But they're also used to help ensure that savings projections are realised, which, given 3G's notorious "zero-based budgeting" track record, is going to quickly become an essential survival skill. As the Wall Street Journal describes: "At Kraft, as it has elsewhere, 3G plans to implement zero-based budgeting, an austerity measure that requires managers to justify spending plans from scratch every year. The technique has triggered sweeping cost cuts at 3G-related companies including Heinz."

Just how realistic is the self proclaimed Heinz/Kraft savings target of $1.5 billion? Among those who know these companies and understand supply and distribution leverage, it seems modest. For example, Kraft and Heinz each have significant global transportation networks to get supplies to and from their factories and deliver their products to the market. Each company spends nearly $1.5 billion annually on just the transportation of theses supplies and products, making their combined transportation network spend about $3 billion annually. By simply optimising the combination of these two networks, there's probably 10% on the table. That's just one example. There are many more.
At any rate, it will be exciting to track the performance of the newly merged company. The historic commitment of Heinz and Kraft's supply management organisations to the applications of advanced analytics –data driven decision processes– should deliver a quick savings win for investors.

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"I am delighted to play a part in bringing these two winning companies and their iconic brands together," said Warren Buffett in a statement. "This is my kind of transaction, uniting two world-class organisations and delivering shareholder value." *RF*

ORDER FULFILLMENT AS A COMPETITIVE ADVANTAGE

By Russ Meller
(supplychain247.com, March 2015)

The bar has been raised. Almost every company is working to reduce the time it takes to get an order to a customer's home or to its stores.

They are following Amazon's lead in offering next-day, and even same-day delivery.

A recent survey showed that 65 percent of buyers want next-day delivery. And another survey showed that 24 percent of online buyers said same-day delivery was important to them. All of this is putting pressure on retailers as well as industrial distributors to rev up their cycle times for fast, faster, and fastest fulfillment times compared to their competitors.

While Amazon is in the news, this is not just an e- commerce arms race. Companies are moving faster to replenish their stores too, in order to keep less inventory at each retail location and cut inventory across the entire network.

It's not just cycle and fulfillment times that are changing; there has also been a fundamental change in the profile of those orders being fulfilled. E-commerce orders are typically one to two items. Store replenishment order profiles are also getting smaller, and are beginning to resemble e-commerce orders, as stores receive cartons and mixed cartons several times a week rather than pallets and mixed pallets less frequently. One specialty retail client now carries only a single unit of its slowest-moving products on its retail shelves.

Yet, thanks to a faster store replenishment model, the retailer has increased its in-stock position from 90 percent to 97 percent while decreasing inventory by 25 percent. As with e-commerce, single item and partial case orders are harder and more expensive to process. Any company in the retail or industrial fulfillment business has to balance the competitive pressures to satisfy its customer expectations while minimising the costs of extra handling and speedier delivery. We believe the following methodology demonstrates that an investment in faster fulfillment can deliver a competitive advantage for a wide variety of companies.

A Model for Considering Faster Fulfillment

Faster fulfillment is a tradeoff between three components of an order: the Order

Receipt Window, the Order Processing Window, and the Transportation Window. A useful model as we consider the challenge of faster fulfillment comprise of three components that can be defined as follows:

Order Receipt Window: The time window in which orders are received between two consecutive order cut-off times.

Order Processing Window: The time it takes to process an order in the distribution center, including picking, packing, labeling, and loading it on a truck for shipment to the customer or store before the transportation cut-off time.

Transportation Window: The time it takes to transport the good to the customer or store once it has been shipped from the distribution center.

With this model, it is clear that faster fulfillment (i.e., shortening the Order Processing Window) will allow a company to move the order cut-off time to the right (and a later cut-off time provides better service to customers) and/or move the transportation cut-off time to the left (doing so will allow access to a larger market or may allow for a reduction in transportation costs). Which response a company chooses depends on many factors, from the strength of its brand, to its average price per unit, to the competitive environment, as well as the cost to achieve a particular order processing window.

Fast, Yes, But at What Cost?

Faster fulfillment makes a lot of people happy. Marketing people are thrilled to offer later cut-off times to grow their online business. They also like that their stores are replenished more often.

But as we stated above, faster fulfillment and smaller order sizes come at a cost. In fact, an article in the Wall Street Journal estimated that filling e-commerce orders can run as high as 25 percent of sales for retailers that outsource their fulfillment. Moreover, high-profile retailers such as Kohls, Walmart, Target, and Best Buy are seeing reduced margins or outright losing money on e-commerce sales. While faster fulfillment and replenishment are becoming the cost of doing business, the CFO might not appreciate why distribution costs are going up compared to the good old days of weekly fulfillment in bigger batches of cartons and pallets.

The impacts go beyond distribution. It may also require you to:

Rethink your network strategy: where you place your physical buildings and how to allocate inventory among those nodes to speed up delivery to the customer and reduce transportation costs.

Rethink your transportation strategy: trying new carriers or processes, like zone skipping, for a cost and service impact.

Make big changes to your distribution centers: a distribution center with a day-long window for processing orders looks very different than a distribution center with a one-hour window. And some changes to enable speed may be counterintuitive. Parallelising processes and consolidating orders before packing can add "touches," which seems to go against the basic principles of lean distribution, but with the goal of faster order fulfillment overall.

The reality of all of this is hitting home. How do companies get thousands of smaller orders accurately picked, packed, and on the back of a truck before that crucial "order cut-off" time? And how do they pay for it all?

While a significant investment may be needed to speed up fulfillment, there can be significant benefits, too. The problem is that those benefits often lie outside the area of the company that is incurring the cost to make it happen.

Don't Overlook the Benefits

While a significant investment may be needed to speed up fulfillment, there can be significant benefits, too. The problem is that those benefits often lie outside the area of the company that is incurring the cost to make it happen. To justify investments, you and your CFO have to take a very broad look at the benefits - beyond your distribution operations - in purchasing, forecasting, sales, and inventory management.

Later order cut-off times that increase sales. In the e-commerce channel, faster fulfillment means you can offer a later order cut-off time. If your last UPS pickup is at 4 p.m., and you speed up your order processing to under an hour, then you can move your order cut-off time to as late as 3 p.m. and still get the order on the truck that day. And in e-commerce, the company with late order cut-off times and fast delivery often wins. The trick is to get the revenue owner to agree that a later order cut-off time will have a positive impact on sales and to quantify that impact.

Faster fulfillment that expands your potential customer base. Faster fulfillment may open the market to additional customers. You may gain e-commerce customers who are speed sensitive. Or, for companies that have strict delivery deadlines, like pharmaceutical companies shipping to hospitals and pharmacies, faster fulfillment might give you more time to transport the goods and realise a larger geographic reach.

Faster order processing that cuts expediting fees. Some companies are forced to expedite a fair percentage of shipments to meet their service-level commitments and delivery promises. By speeding up fulfillment, they may be able to ship orders using less expensive shipping options and cut their transportation costs.

More frequent fulfillment that reduces inventory. In retail replenishment, the benefits are equally appealing. When a retail store is confident it will receive replenishment orders quickly, it is freed from the burden of keeping high levels of inventory as safety stock. Across a distribution network, that can result in a significant reduction in inventory and significant savings. By speeding up fulfillment, decisions about where to deploy inventory can be made later in the process, increasing the chance that product ends up in the place where it's most needed to meet demand. Utopia is a "sell one, replenish one" model, where a purchase today sparks a replenishment by tomorrow, or even today.

The Virtuous Cycle

There are additional benefits derived from an investment in faster fulfillment beyond the immediate payoff we just described. Think of them as a "virtuous cycle." By that we mean that once the planned benefits at the distribution center are realised, an organisation begins to realise unplanned benefits. Those unplanned benefits, in turn, cycle back to the distribution center and result in additional benefits. This can often have a cascading effect.

Take for example a sporting goods company that made an investment to reduce its order lead time. This resulted in the distribution center providing better service to the retail stores. That was the planned benefit. The virtuous cycle? Over time, due to the better service, store managers began to keep less safety stock because they knew they could get any item replenished the next day.

As a result, orders from the stores were smaller and once combined at the distribution center, there was less "lumpiness" in the demand placed upon it that allowed the distribution center to carry less inventory. In addition, there were fewer expedited orders, which led to a smoother process in the distribution center. By carrying less inventory and improving its processes, the distribution center was able to reduce its order lead time further. The virtuous cycle.

Along with these changes, less safety stock at the stores freed up space in the backrooms and on store shelves, which was redeployed to offer a broader array of products and hence, additional revenue. Meanwhile, the backroom was redeployed to enable "ship from store" orders that further improved fulfillment time to local customers and helped the retailer sell through inventory and avoid markdowns. A snowboard in a store in Virginia might be shipped to a customer in Colorado rather than get marked down at the end of the season. In short, the long-term payoff is broader as short-term improvements build on each other.

Justifying Investments in Faster Fulfillment: Case Studies

How you develop a business case for faster fulfillment is based on the factors listed above in conjunction with the decision on whether to move order cut-off times, transportation cut-off times, or both.

As examples, here are three case studies of companies that found a positive ROI in faster fulfillment based on the broader business case. The case studies will be contrasted by showing the leverage points of order cut-off time and transportation cut-off time.

Fast, Faster, Fastest

With all the talk of drones, ship from store, and same-day delivery in urban areas, it's unlikely we'll see a cease fire in the arms race for fast, faster, and fastest fulfillment any time soon. If anything, the stakes will continue to get higher.

At the same time, based on the experience of major retailers like those cited by the Wall Street Journal, faster fulfillment comes at a cost and has far-reaching impacts beyond distribution operations.

The winners in the arms race will be the retailers and distributors who can control their costs even as they speed up their fulfillment operations. The best - those who make investments in fulfillment - will gain a competitive advantage in the market.

The first step is to quantify the benefits that faster fulfillment will bring. To do that, you need to look broadly - beyond the distribution center and beyond supply chain. You need to find the justification for the investment outside

> Faster fulfillment, when executed correctly, can lead to significant inventory benefits, fewer markdowns, later cut-off times that attract more customers, and a more consistent fulfillment process overall.

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But don't doubt that the benefits can be justified. Faster fulfillment, when executed correctly, can lead to significant inventory benefits, fewer markdowns, later cut-off times that attract more customers, and a more consistent fulfillment process overall. When these benefits start to show up, a virtuous cycle begins that accelerates those benefits even more by lowering costs at the distribution center. *RF*

HAS THE PROCUREMENT-AS-A-SERVICE ERA DAWNED?

By Gavin Davidson
(supplychaindigital.com, February 2015)

Two years ago, Eva Wimmers, SVP of group procurement at Deutsche Telekom told a conference in London that procurement had evolved over the previous 10 years from a service into a function. And yet today the buzz seems to be about 'Procurement-as-a-Service' (PaaS): this is where the value lies, they cry! Was Eva, a seasoned and very well-respected CPO wrong? Well no, of course not, because the evolution of a service economy coupled with the rise of strategic (rather than tactical) outsourcing since that time is creating a need for something quite different.

Procurement is a business; and the business of procurement is to deliver 'customer' satisfaction. For procurement to succeed and remain relevant to the modern enterprise it needs to become a combination of a strategic M&A department scouring the supply market for disruptive technologies, and a strategic marketing department seeing beyond the traditional boundaries of what the customer wants because often they have no idea what they might want in the future. If procurement is to survive it needs to commoditise its old thinking and let the system take the strain and become a completely different function.

It doesn't require much imagination to see that modern business is increasingly about networks – where the transition from 'buyers and suppliers' to 'integrated supplier networks' will enable greater coordination of innovation roadmaps across connected businesses and industries. But how can we make this happen.

This game-changer, which is a truly disruptive technology, comes from the supply chain. And the difference is that this is not innovation as an incremental addition to the existing product or service; for organisations with transactional procurements functions it means that their suppliers will become competitors. These suppliers or third-party service providers have the potential to disrupt the market and perhaps change the face and nature of procurement completely.

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Customer-centricity is at the heart of this, i.e. delivering what the customer wants. Today's mega businesses, such as Amazon, came about because of their flexible and agile business models, and they went into markets with inchoate demand. Not only that, they had a vision and desire to succeed.

When it comes to procurement outsourcing many procurement leaders are still searching for the right supplier, contract, programme, blend of suppliers, governance structures and more. This lag is probably due to the fact that CPOs have never had to consider such a wide and varied choice, both in the number and type of service providers available, nor the plethora of differing delivery methods.

But even when that isn't a major factor the outsourcing conundrum seems to persist for many businesses; and perhaps this is due to a focus on the wrong things. For many CPOs, the main focus has been on sourcing options, delivery methods and contractual terms. And yet we hear over and over that procurement needs to get better at the communicative aspects of effectively managing and delivering to the business outsourced procurement.

Today C-Suite leaders continue their demand for cost reduction strategies. However today's cost imperative is different, because the traditional means of driving out cost have pretty much reached their limits. That said the increasingly important issue for many businesses is to reduce their reliance on labour within their operations – and many are discovering they need to work smarter before they can work cheaper. *RF*

STRATEGY FOR LOGISTICS SERVICE PROVIDERS

By Tom Craig
(supplychainquarterly.com, March 2015)

All logistics providers—3PLs, transport, forwarders, warehouses, logistics centers, ports and other--and whether they are asset based or non-asset based should have a strategy. The strategy identifies challenges, issues and risks with markets and their dynamics; and, going forward, can set the direction where the company is going for new markets and new business and customers to grow sales and profits.

Surprisingly, despite the purpose and benefit, many service providers do not have a viable, current strategy. Instead they view developing one as too much work, react to what customers ask or what competitors are doing, or have one that is outdated. In a way, they letting business vagaries drive their direction and future. Having no strategy can be a risky approach, especially if competitors, established and the potential new entrants, have a well-done strategy and especially given the reality of global economic change.

The strategy can be operations focused or it can be a significant change, to transform the company. Which strategy is developed can be based on and reflect risks for the business or for the service sector, competition, or changing customer and/or market segments.

There are two parts to a successful strategy—first, developing one and second, executing it. Developing a strategy comes from serious, formal strategic planning process. It involves a blend of financial and non-financial objectives. The plan should also focus on the present business, and how it will adapt to the future and new services and opportunities. It identifies where the company is going--and where it is not going--and what it takes to succeed in that service arena.

Planning

The starting point is where the business is now as to present dynamics with trends, markets, services, and customers; value proposition, and competitive positioning, coupled with sales and profits. At any stage of the planning process, at the minimum, a SWOT (Strengths, Weaknesses, Opportunities, and Threats) is useful for the present and potential future scenarios.

Planning contains mistakes that can limit the ability to develop a worthwhile strategic plan. Some of the shortcomings that can lead to a bad strategy include:

- Firms only go out one to three years with the plan. While that span is easier to deal with than looking out five years or so, that is based too much on what has happened, miss-assumes what will happen, over-assumes the company's position in that future trend and is not strategic. It is more like a budget or extended sales plan.
- As a corollary to the short-span view, companies confuse goals with strategies. Increasing sales or reducing costs by a certain percent is a goal, not a strategy.
- Providers try to mimic what a competitor is doing, especially if it is new. That is not a strategy. A good strategy separates the business from the competition. Emulating competitors or chasing the next new logistics service is a short-sighted approach that often lacks understanding of market niches, operational nuances and value proposition.
- Companies stay with what they are familiar with, their comfort zone. This can be a myopic bias against performing the diligent planning analysis that is necessary.
- It does not identify and address hard questions and challenges, such as how sustainable the present business approach and operations model are. That negates the concepts of strategy and of planning.
- Planning is not rigorous and does not adequately assess both external and internal factors. Internal analysis does not get the rigorous attention it should get. Diligent self-assessment is required, but it can be difficult. Overestimating abilities and underestimating problems short-circuit any serious planning.
- Companies oversimplify trends, especially global ones, and their impact on future business. They let the past dictate too much of what will happen, even against the dynamic and changing global business world. Firms do not comprehensively deal with uncertainty and look at "what if" scenarios. It is a dismissive approach based on the past. Change, with its speed with competitors and markets, is more than local; it is global.
- Businesses create a wish list of strategies. Aggregating a catalog of possible ideas, no matter how worthwhile, is not strategic planning. The effort dictates potential strategic choices be culled and prioritised and that hard decisions must be made on what to do.
- Service providers do not scrutinise how well the strategy positions the service offering to the dynamics of global economic and business forces. They also overestimate potential competitive advantage—and underestimate its transiency-- that the firm may create with its strategic placement.
- Companies keep the planning within the C level and do not extend down to others who may have a better understanding of the present activity. There is also an underlying assumption that what a company and its executives do are transferable to the future. This lack of communication and buy-in with the planning often continues with attempts to execute the strategy—attempts that often fail.
- Planning is an annual process with little happening with regards to implementation. That creates frustration and lack of interest with the effort.

> At any stage of the planning process, at the minimum, a SWOT analysis is useful for the present and potential future scenarios.

There are basically three approaches for logistics service providers to strategically differentiate themselves:

Status quo. The conservative, stay-the-course option may seem like the safest choice; but it carries significant risk in the ever-changing and competitive global economy. Executives with strong risk aversion favor this way. It depends on the past to predict the future and on simplified assumptions to assume away uncertainty.

Organic growth. This can be a slow and assumed steady method using internal capabilities and resources. The approach implies high expectations and requires improved performance.

Aggressive growth. External partnerships or alliances and, especially, merger and acquisition are options with this choice. In addition to identifying right target firm, timing is an issue with this choice.

Companies, whether using organic and aggressive, can pursue one strong initiative or a few worthy opportunities. These approaches mean there will be an allocation, even reallocation, of resources--capital, people, assets and technology.

Going forward, firms should adapt and change their present businesses and build new ones. Companies should both change existing services and create fresh service offerings. It is not an either-or as to adapt or create; it is to do both, unless the plan involves divestiture or maximise profits of the present service and let it fade away.

Execution

Strategy implementation is critical. The best strategy, without good execution, will struggle to succeed. And the more dramatic the strategy is with scope and impact, the greater is the challenge for sound execution. An operations strategy has an internal capabilities and requirements, perhaps best-in-class. The significant change strategy has both internal and external requirements. Each strategy carries different proficiencies to implement and creates challenges for present executives, managers and employees to have the skills to implement the strategy.

Achieving the strategy separates planning for the sake of planning and planning needed to advance into the future. It also demonstrates the conviction that the company has in the strategy. Executing the strategy means communicating the plan within the company and with stakeholders to build support—both operating and financial--and aligning the business with its strategy. Adequate resources and defined responsibilities for execution are needed, along with corresponding, relevant metrics to track progress.

The transformation and its rate of implementation to carry out the strategy may require recognising and dealing with the need for change management. In reality, there are strong similarities between change management and successfully implementing a strategy.

> While direction can come from the top level, carrying out the execution needs clear lines of responsibilities couple with a coordinated, cross functional effort by different groups within the company.

Tied to the grand strategy are underlying strategies and implementation plans for sales, pricing, marketing, positioning, operations and technology. Logistics providers should recognise the life cycle to their services, especially with regard to profit maximisation and the commodity service view of their offerings. This service life cycle creates the need for the subset of strategies and fulfillment of them. How people within the company grasp and execute these opportunities can have significant effect on long-term margins.

While direction can come from the top level, carrying out the execution needs clear lines of responsibilities couple with a coordinated, cross functional effort by different groups within the company. There can be no standalone activities for success. It should be integrated. The potential for assuming away the need for the collaboration can create unnecessary surprises and failure to gain all the market, operations and financial benefits of the strategy.

Strategy planning and execution are not easy for logistics providers. They are a challenge. But as difficult as they are, doing nothing in the face of dynamic competitive and market changes can be dangerous for all stakeholders. Logistics providers that do not plan well and implement well let events drive where they are going. They do not control it. These providers are market followers, not market leaders. As a result, these firms do not transition to take full advantage of opportunities. They miss out on market share, customers and profits that companies, who have a coordinated planning and strategy execution, earn and enjoy. *RF*

STUDY FINDS THAT COMPANIES ARE STRUGGLING TO HANDLE SUPPLY CHAIN COMPLEXITY

By Staff
(supplychainquarterly.com, March 2015)

Supply chains are growing increasingly complex as companies try to respond to customers' expectations for faster order fulfillment and greater satisfaction levels. A recent study conducted by the supply chain software company JDA shows that companies are more than aware of that complexity but are struggling to respond effectively, particularly when it comes to inventory management and demand management.

The JDA Vision 2015 Supply Chain Market Study found that the majority of companies are pursuing sophisticated supply chain strategies, such as supply chain segmentation (80 percent) and integrating sales and operations planning (S&OP) with inventory planning (58 percent). Yet oftentimes these strategic objectives are not being backed up with best practices or appropriate technology. For example, more than three in 10 large companies (revenues over US$5 billion) do not have a defined "consensus demand management process." In such a process, the sales, marketing, and supply chain functions come together to create a common, agreed-upon forecast. According to JDA, a defined consensus demand management process is crucial for creating a sound S&OP process.

Likewise, companies are striving to optimise their inventory management practices and have set priorities such as improving service levels (93 percent of respondents) and moving inventory closer to demand (88 percent). Yet the study also found that there is no standard set of metrics for measuring inventory management performance. Instead, respondents listed more than 25 different metrics that they use. Similarly, most companies seem to lack the sophisticated technology they need to effectively manage their inventory and to forecast demand. The study found that only 3 percent of organisations used any sort of algorithm-based technology to forecast the effects of sales promotions, and that 59 percent did not develop any sort of forecast for new-product launches.

Respondents further reported that 33 percent of all customer orders require expediting, perhaps because many respondents do not have sophisticated transportation operations or supporting technologies. According to JDA, only 26 percent of respondents' transportation organisations employ a shared-services model for transportation management, only 46 percent have a "core carrier" program, and just 43 percent use transportation management software.

The report urges companies to combat growing complexity by increasing visibility across their networks. Doing so would require them to implement more up-to-date technology and automation as well as to form more tightly integrated supply and demand planning processes that cut across traditional silos such as marketing, sales, and supply chain management.

The study was based on responses to a 90-question survey from 255 executives in 17 countries. The executives represented a mix of wholesalers, retailers, manufacturers, and third-party logistics providers. *RF*

AMAZON AND IBM JUST KICKED THE INTERNET OF THINGS INTO HIGH GEAR

By Dave Altavilla
(forbes.com, March 2015)

The IoT or the “Internet Of Things” seems to be all the rage these days, from smart home automation and security devices, to connected, autonomous vehicles. However, what’s key about this new trend in technology is not only the ideas for better, smarter devices that are born from this growth market, but also how companies actually execute to make these things really useful in our day-to-day lives. Industry titans like Intel and Google have already made some advances in delivering products that begin to build the framework of the IOT, and today two more major league players just stepped into the arena.

Amazon and IBM offered a couple of notable announcements today, both of which highlight the infrastructure that needs to be in place to support the IOT in the first place. First, let’s look at Amazon’s new Dash Button.

Yep, you guessed it. Amazon has figured out a way to make your dumb home appliances smart by engineering home WiFi-connected product buttons that can be configured for reordering online or through a smartphone app, so when you’re starting to run out, all you do is hit a button and an order is kicked off to Amazon. Brilliant! You say. Well, truth told the bright idea of smart appliances that re-order groceries and other provisions for you is nothing new. However, what Amazon has achieved here, along with the help of latest in enabling technologies in wireless connectivity and low power microcontrollers, is essentially a field retrofit of existing devices that will now be able to phone back home to good ol’ Amazon to place orders for your most frequent consumables. It is brilliant, actually, though long-term the technology just needs to be integrated into appliances or other devices, I think. These little band-aide buttons do get us from no connectivity to connectedness however, because no one is going to rip out a washing machine or refrigerator, coffee maker etc, just so they can more easily re-order consumables. You have to hand it to Amazon for thinking outside the box with this one – literally and figuratively.

Then there’s IBM’s announcement of their new $3 billion dollar investment over the next four years in their new IoT division. Big Blue will be working on platform infrastructure for a bunch of little things all talking over the internet. It almost sounds funny. However, “big data” is being generated in massive amounts from all these connected things. And you can be sure data centers to handle the requests as well as process the analytics workload required for improvements in services and efficiency, will have huge demand over the next few years. “Our knowledge of the world grows with every connected sensor and device, but too often we are not acting on it, even when we know we can ensure a better result,” notes Bob Picciano, Senior Vice President, IBM Analytics.

It’s all coming into focus a little more each day and these two announcements today just strike me as a sign of things to come; as if the floodgates will soon open up with new technologies and capabilities that take the IoT from what sounds like a cool concept, to real-world usefulness in our every day lives. I’m not sure I’m ready for my every move and need to be tracked, calculated and eventually marketed to, but I think we were already there a while ago anyway, so we might as well embrace it. Let’s just hope the good folks in the security sector have the chops to lock it all down soon too. ***RF***

The IoT or the “Internet Of Things” seems to be all the rage these days, from smart home automation and security devices, to connected, autonomous vehicles.

3D PRINTING AND THE NEXT BIG SHIFT IN THE GLOBAL SUPPLY CHAIN NETWORK

By David Weaver
(dcvilocity.com, March 2015)

3-D printing is another term for additive manufacturing, an emerging technology utilised to fabricate items in a layer-by-layer process. This is the exact opposite to the conventional machining, forging, molding, and casting processes that exist in today’s manufacturing operations. This technology will influence logistics and supply chain operations, causing the next big shift in the global supply chain network.

Currently, the technology is limited to prototyping, customisation, and production of small volume items because of the expense and time required to facilitate the process. However, as we have seen with all predecessors, prices will come down and processes will become faster, allowing for an economically feasible and higher volume capability.

Impact on Logistics and Supply Chain Operations

Waste Elimination – The newer technology prevents the scrap and waste that the traditional subtractive and reductive processes create while still maintaining the lean and quality advantages of conventional processes.

Reduced and New Inventory Requirements – The ability to produce an item at the point of need significantly reduces the requirement to hold inventory. In addition, items in inventory would become gases and raw materials in the forms of powder, requiring different and reduced warehousing requirements.

Different Relationships with Suppliers and Retailers – The tiers of component suppliers may not be required because the manufacturing process of all items could take place in a single facility. Orders could be placed by the customer, fulfilled directly by the manufacturer, and shipped direct from the manufacturer to the customer—eliminating the need for intermediate retailers

Expanded Flexibility – The capability offers more flexibility when it comes to customisation and shorter lead times. Traditional manufacturing processes focus on standardisation and achievement of economies of scale to gain efficiencies. The new capability leans more toward economies of scope instead of economies of scale in manufacturing processes.

Reduced Transportation Costs – Products are often lighter in weight, which could cause changes in transportation systems. Manufacturing locations could change because products that were once produced at another location to take advantage of low cost labor and/or raw materials and tiered suppliers could now be near-sourced reducing the shipping volumes and requirements and vastly changing shipment profiles.

Reduced Carbon Footprint – In addition to the reduction in waste, 3-D printing requires less energy to facilitate the manufacturing processes.

Challenges of 3-D Printing

There are challenges associated with 3-D printing such as regulatory and policy barriers, challenges with safety considerations of products manufactured and the shipment and storage of the raw materials, potential issues associated with patents and how digital files would be maintained and exchanged, and more environmental considerations and restrictions on materials.

As more senior level emphasis and research and development are applied to the application of 3-D printing, the closer it becomes to a reality.

"In 2012, President Obama called for the creation of a National Network for Manufacturing Innovation(NNMI), consisting of regional hubs to accelerate development, scale-up, and adoption of cutting edge manufacturing technologies" (Additive Manufacturing Portal). Further in Aug. 2012, the National Additive Manufacturing Innovation Institute was established and in Oct. 2013 it announced its new identity, America Makes.

As more senior level emphasis and research and development are applied to the application of 3-D printing, the closer it becomes to a reality. Some have predicted that it will take less than 10 years for this capability to be widely implemented. *RF*

SHIPPING LOSSES LOWEST FOR 10 YEARS ACCORDING TO ALLIANZ

By David Weaver (dcvilocity.com, March 2015)

Shipping losses continued their long-term downward trend with 75 reported worldwide in 2014, making it the safest year in shipping for 10 years, according to Allianz Global Corporate & Specialty SE's (AGCS) third annual Safety and Shipping Review 2015, which analyses reported shipping losses of over 100 gross tonnes.

The British Isles, North Sea, English Channel and Bay of Biscay has been the location of the most shipping casualties since 2005 (4,381). Nearly one in five of all incidents (18 percent) have occurred in this region. It was also the scene of the second highest number of casualties during 2014 (465), up 29 percent year-on-year. The East Mediterranean and Black Sea region was the top hotspot (490), up 5 percent year-on-year. Total losses in the British Isles and surrounding waters doubled year-on-year during 2014.

Over reliance on electronic navigation aids has caused a number of incidents in 2014. Captain Rahul Khanna said: "Inadequate training at grass roots level is to blame for this overdependence on e-navigation tools. The minimum standards have been met, but this is not good enough. We need to go above and beyond them to give robust training."

The stability of car carriers has also been a focus of the International Maritime Organisation since the catastrophic capsising of the passenger/car ferry Herald of Free Enterprise in March 1987. Movement of cargo on these types of ships can affect their stability and a large superstructure means that they are more susceptible to wind and bad weather. These worries surfaced again at the start of 2015 with an incident involving the 2000-built 51,770 gt pure car carrier Hoegh Osaka. Due to listing, the pilot onboard opted to deliberately beach the ship on the Bramble Bank in the Solent, off the Isle of Wight, UK. The cargo of 1,400 vehicles is reported to have included more than £1m of new BMW Minis and millions of pounds worth of JCB construction equipment.

Losses declined by 32 percent compared with the previous year and were well below the 10-year loss average of 127. Since 2005 shipping losses have declined by 50 percent.

More than a third of 2014's total losses were in two maritime regions. South China, Indo China, Indonesia and the Philippines (17 ships) and Japan, Korea and North China (12 ships). Cargo and fishing vessels accounted for over half of all losses.

The most common cause of total losses is foundering (sinking/submerging), accounting for 65 percent of losses in 2014 (49). With 13 ships wrecked or stranded, grounding was the second most common cause with fires/explosions (4) third, but significantly down year-on-year.

According to the report, there were 2,773 shipping incidents (casualties) globally (including total losses) during 2014. December is the worst month for losses in the Northern Hemisphere and August in the Southern Hemisphere. For every total loss in the Southern Hemisphere there are 7 in the Northern Hemisphere.

Port and ships become hacker targets

Cyber risks are another new threat for a shipping sector which is highly interconnected and increasingly reliant on automation. "Cyber risk may be in its infancy in the sector today, but ships and ports could become enticing targets for hackers in future. Companies must simulate potential scenarios and identify appropriate mitigation strategies," said Khanna. "A cyber-attack targeting technology on board, in particular electronic navigation systems, could possibly lead to a total loss or even involve several vessels from one company," said Gerhard. Other scenarios include cyber criminals targeting a major port, closing terminals, or interfering with containers or confidential data. Such attacks could also result in significant business interruption costs, notwithstanding liability or reputational losses.

Passenger ship safety and crew levels in the spotlight

While the long-term downward trend in shipping losses is encouraging, recent casualties such as Sewol and Norman Atlantic have once again raised significant concerns over training and emergency preparedness on passenger ships three years after the Costa Concordia disaster. Seven passenger ships were lost during 2014, accounting for almost 10 percent of total losses. "In many cases construction of the vessel is not the only weak point. These two incidents underline a worrying gap in crew training when it comes to emergency operations on ro-ro ferries or passenger ships," says Sven Gerhard, Global Product Leader Hull & Marine Liabilities, AGCS. The general shipping trend for smaller crews means seafarers are being asked to do more with less. Minimum manning levels reduce the ability to train people onboard, which can provide invaluable insight and should not become the normal day-to-day level for safe operations.

How big is TEU big?

Container ship safety is also under the spotlight with ever-increasing ship sizes, as evidenced by the January 2015 inauguration of the world's largest container ship, the MSC

Oscar (19,224 TEU). The length of four football pitches, it can carry 19,000 containers. Yet ships as large as 22,000 TEU are expected to be in service soon. “Larger ships can also mean larger losses. The industry should prepare for a loss exceeding $1 billion in future featuring a container vessel or even a specialised floating offshore facility,” Gerhard said.

Maximum exposure would not necessarily be limited to vessel and cargo value but could also include environmental or business interruption backlash. This raises concerns about whether risk management needs reviewing after an +80 percent container ship capacity increase in a decade.

AGCS sees a number of risks for such mega-ships including the fact operation is limited to a small number of deep water ports, meaning an increased concentration of risk. There is also a world-wide shortage of qualified seaman. Salvage and removal is also challenging. As the wreck removal of the Costa Concordia passenger ship demonstrated such costs can easily be a multiple of the hull value. “The shipping industry should think long and hard before making the leap to the next ship size,” adds Captain Rahul Khanna, Global Head of Marine Risk Consulting, AGCS.

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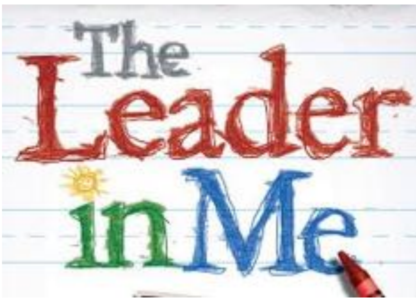
Polar Code welcomed, but need for constant revision

The shipping industry has welcomed the recent arrival of the Polar Code which aims to curb risks from increased traffic in the Arctic and Antarctica. Analysis shows there were 55 reported shipping incidents in Arctic Circle waters during 2014 including one total loss. There were just 3 in 2005. While the code addresses many safety issues, questions remain, particularly around crew training, vessel suitability and potential clean-up. The Polar Code will need constant revision. Any shipping problems encountered and best practices to employ should be outlined at the end of each season. *RF*



How Successful People Work Less and Get More Done

By Dr. Thomas Bradberry
(linkedin.com, March 2015)

As co-founder of Hotwire.com and CEO of Zillow for the last seven years, 39-year-old Spencer Rascoff fits most people’s definition of success. As a father of three young children, Spencer is a busy guy at home and at work.

What’s the one thing that Spencer refuses to do on the weekend? Work—at least, in the traditional sense. Rascoff says: “I never go into the office on weekends, but I do check e-mail at night. My weekends are an important time to unplug from the day-to-day and get a chance to think more deeply about my company and my industry. Weekends are a great chance to reflect and be more introspective about bigger issues.”

A new study from Stanford shows that Rascoff is on to something.

The study found that productivity per hour declines sharply when the workweek exceeds 50 hours, and productivity drops off so much after 55 hours that there’s no point in working any more. That’s right, people who work as much as 70 hours (or more) per week actually get the same amount done as people who work 55 hours.

Successful people know the importance of shifting gears on the weekend to relaxing and rejuvenating activities. Like Spencer, they use their weekends to create a better week ahead.

This is easier said than done, so here’s some help. The following list contains 10 things that successful people do to find balance on the weekend and to come into work at 110% on Monday morning.

They Disconnect

Disconnecting is the most important weekend strategy on this list, because if you can’t find a way to remove yourself electronically from your work Friday evening through Monday morning, then you’ve never really left work.

Making yourself available to your work 24/7 exposes you to a constant barrage of stressors that prevent you from refocusing and recharging. If taking the entire weekend off handling work e-mails and calls isn’t realistic, try designating specific times on Saturday and Sunday for checking e-mails and responding to voicemails. For example, check your messages on Saturday afternoon while your kids are getting a haircut and on Sunday evenings after dinner. Scheduling short blocks of time will alleviate stress without sacrificing availability.

They Minimise Chores

Chores have a funny habit of completely taking over your weekends. When this happens, you lose the opportunity to relax and reflect. What’s worse is that a lot of chores feel like work, and if you spend all weekend doing them, you just put in a seven-day workweek. To keep this from happening, you need to schedule your chores like you would anything else during the week, and if you don’t complete them during the allotted time, you move on and finish them the following weekend.

They Reflect

Weekly reflection is a powerful tool for improvement. Use the weekend to contemplate the larger forces that are shaping your industry, your organisation, and your job. Without the distractions of Monday to Friday busy work, you should be able to see things in a whole new light. Use this insight to alter your approach to the coming week, improving the efficiency and efficacy of your work.

They Exercise

No time to exercise during the week? You have 48 hours every weekend to make it happen. Getting your body moving for as little as 10 minutes releases GABA, a soothing neurotransmitter that reduces stress. Exercise is also a great way to come up with new ideas. Innovators and other successful people know that being outdoors often sparks creativity.

I know that a lot of my best ideas come to me while I’m surfing. While you’re out in the ocean, the combination of invigorating activity and beautiful scenery creates the perfect environment for an influx of creativity. Whether you’re running, cycling, or gardening, exercise leads to endorphin-fueled introspection. The key is to find a physical activity that does this for you and then to make it an important part of your weekend routine.

They Pursue a Passion

You might be surprised what happens when you pursue something you’re passionate about on weekends. Indulging your passions is a great way to escape stress and to open your mind to new ways of thinking. Things like playing music, reading, writing, painting, or even playing catch with your kids can help stimulate different modes of thought that can reap huge dividends over the coming week.

They Spend Quality Time with Family

Spending quality time with your family on the weekend is essential if you want to recharge and relax. Family time on the weekend is so important to Spencer Rascoff that he flies home for the weekend, no matter how far away he is, even if he has to be in the same city the following week. Weekdays are so hectic that the entire week can fly by with little quality family time. Don't let this bleed into your weekends. Take your kids to the park, take your spouse to his or her favorite restaurant, and go visit your parents. You'll be glad you did.

They Schedule Micro-Adventures

Buy tickets to a concert or play, or get reservations for that cool new hotel that just opened downtown. Instead of running on a treadmill, plan a hike. Try something you haven't done before or perhaps something you haven't done in a long time. Studies show that anticipating something good to come is a significant part of what makes the activity pleasurable. Knowing that you have something interesting planned for Saturday will not only be fun come Saturday, but it will significantly improve your mood throughout the week.

They Wake Up at the Same Time

It's tempting to sleep in on the weekend to catch up on your sleep. Though it feels good temporarily, having an inconsistent wake-up time disturbs your circadian rhythm. Your body cycles through an elaborate series of sleep phases in order for you to wake up rested and refreshed. One of these phases involves preparing your mind to be awake and alert, which is why people often wake up just before their alarm clock goes off (the brain is trained and ready). When you sleep past your regular wake-up time on the weekend, you end up feeling groggy and tired. This isn't just disruptive to your day off, it also makes you less productive on Monday because your brain isn't ready to wake up at your regular time. If you need to catch up on sleep, just go to bed earlier.

They Designate Mornings as Me Time

It can be difficult to get time to yourself on the weekends, especially if you have family. Finding a way to engage in an activity you're passionate about first thing in the morning can pay massive dividends in happiness and cleanliness of mind. It's also a great way to perfect your circadian rhythm by forcing yourself to wake up at the same time you do on weekdays. Your mind achieves peak performance two-to-four hours after you wake up, so get up early to do something physical, and then sit down and engage in something mental while your mind is at its peak.

They Prepare for the Upcoming Week

The weekend is a great time to spend a few moments planning your upcoming week. As little as 30 minutes of planning can yield significant gains in productivity and reduced stress. The week feels a lot more manageable when you go into it with a plan because all you have to focus on is execution. *RF*

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

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How successful people work less and get more done:

1. The disconnect
2. They minimise chores
3. They reflect
4. They exercise
5. The pursue a passion
6. They spend quality time with family
7. The schedule micro-adventures
8. The wake up at the same time
9. The designate mornings as me time
10. They prepare for the upcoming week

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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