

RESULTFOCUSED

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FOLLOWING A BOLD APPROACH

By Anton Nieuwoudt

I can recall being part of the team at a client engagement a couple of years ago, where we assisted the client with the design and implementation of a new business operating model. At that stage it was the biggest consulting engagement for the company, globally. The main objective of this mammoth task? Improved efficiencies through a complete restructuring of how non-core capabilities serve the business. The target? A 20% reduction in cost. I recall the client stating that that kind of target can never be achieved by simply assessing and reducing indirect spend like telephone bills and stationary. No. It required a complete new way of managing the identified capabilities that serve the business - HR, Finance, Logistics, etc.

In one of our more recent engagements the client requested that we assess their imports and exports landscape to identify and quantify cost savings opportunities. The business established a central procurement office in 2013 that had been tasked to take ownership of many of the sourcing and procurement responsibilities

previously managed in the various business units. We were able to identify the need to consolidate import and export volumes across the business in order to negotiate more favourable shipping and clearing rates. The business case showed that the client was able to unlock savings of up to 25% on their agent spend, and close to 30% on their overall spend on sea freight.

We were tasked to assist the client to implement the project and track the actual savings. In many of the business units implementation was swift and painless. The managers knew the benefit the initiative would have on their bottom line and they were eager to 'bank' the savings. In other business units the pushback was fierce. In most cases the route cause could be traced back to uncertainty and perceived risk. Uncertainty in the impact of the change on operations and the risk associated with delivery disruptions on production. These were swiftly addressed by reviewing and adjusting the proposed SOPs and SLAs.

One business unit had operated autonomously for as long as can be remembered, and to this day the

initiative has not be implemented in that business unit. The reason? An unclear unit specific business case? A questionable approach? Maybe, an unproven concept? None of the above. How about the unwillingness to follow a bold approach to unlocking savings and improve efficiencies? That seems to be closer to the truth. You see, even though the business case showed substantial savings and the proof that these savings have been 'banked' in other business units, the leaders in this particular unit seems to lack the willingness and boldness to put actions to their intensions.

My point? This. Be bold when you implement well conceived and planned ideas in life and in business, understand the risks and mitigate them as much as possible, and don't be afraid to sacrifice those 'sacred cows' that were created and nurtured over many years standing in the way to achieving those BHAGs*.

* Big Hairy Audacious Goal

"Good speech is more hidden than the emerald, but it may be found with maidservants at the grindstone" – Egyptian Proverb from 2450 B.C.



FORD TO SHARE ENVIRONMENTAL STEWARDSHIP PROGRAM FOR ITS SUPPLIERS

By Patrick Burnson
(scmr.com, March 2016)

Ford Motor Company provided a briefing at a forum of the G7 Alliance on Resource Efficiency in Washington, D.C., yesterday, highlighting its Partnership for A Cleaner Environment. PACE is a program that aims to help the company's suppliers minimise their impact on the [environment](#) by sharing details of Ford's best practices for water, energy and carbon dioxide reduction.

"We are committed to expanding our stewardship with our global suppliers to help minimise our environmental impact more broadly," said Hau Thai-Tang, Ford group vice president, global purchasing. "By sharing our practices and our processes at the G7 Alliance on Resource Efficiency workshop, we hope to foster innovation and collaboration to address sustainability-related issues and advance environmental responsibility."

In an interview with SCMR, Mary Wroten, Ford's Sr. Manager Supply Chain Sustainability in Detroit, said that by sharing best practices, Ford is hoping to foster innovation and collaboration.

"This is in advance environmental responsibility, and help suppliers and supply chain managers implement solutions to save resources and realise cost savings globally," she added.

The G7 Alliance brings together the nations of Canada, France, Germany, Italy, Japan, the United Kingdom and United States to improve health, empower women and promote climate protection. The G7 Alliance on Resource Efficiency workshop serves as a forum for participants to share best practices and innovations with businesses and other relevant agencies. Ford has long been committed to reducing its impact on the environment, and its efforts have yielded proven results. Far more than an environmental concern, Ford views commodities such as water as a basic right for people everywhere – a resource that should be clean, affordable and accessible. In 2000, for example, Ford began setting year-over-year reduction targets with a global manufacturing goal of reducing water use per vehicle by 30 percent by 2015 using a 2009 baseline. Ford met its goal two years ahead

of schedule and is now setting new long-term targets. The company's water strategy aligns with the United Nations CEO Water Mandate – a private-public initiative launched by the secretary general of the organisation in 2007 committing to a water management strategy and to publicly reporting on its progress annually.

Ford began testing PACE in 2014, and has expanded the program to include a total of 25 strategic suppliers representing 800 manufacturing sites in 41 countries. The automaker is transparent in sharing its best practices, and works to make tracking success easy by offering statistical analysis to help participants monitor progress toward goals. In return, suppliers share their environmental data and their best practices with Ford.

Lear Corporation, a leading global supplier of seating and electrical systems, participated in PACE last year. Based in Southeast Michigan, Lear operates in 240 locations in 36 countries, and employs 136,000 people.

"By implementing select best practices from Ford, Lear expects to realise cost savings at its facilities worldwide," said Doug Andrews, Lear environmental sustainability manager. "But the true impact will be Lear's contribution to helping protect the environment, because at the end of the day Ford's PACE program is not just about sustaining its business, but about doing the right thing."

Ford was recently named to the 2016 Ethisphere Institute list of World's Most Ethical Companies for the seventh consecutive year.

Ford was recently named to the 2016 Ethisphere Institute list of World's Most Ethical Companies for the seventh consecutive year. The award recognises the world's top companies for mandating ethical practices and promoting corporate citizenship, as well as governance and leadership. Ford is the only automaker to earn the distinction. **RF**



WORKFLOW AUTOMATION INCREASES SUPPLY CHAIN AGILITY AND EFFICIENCY

By Glen Munholland
(2waysupplychain.com, March 2016)

When you think of an automated process, the words agile, flexible or nimble may not be the first words that typically come to mind. Most people think of automated processes as efficient, accurate, or repetitive – but not agile. You may even picture an automated process as one that cannot be stopped once it has been started ... sort of like a runaway train.

But done right, automation is really more like a smoothly orchestrated railway system – changing tracks, adjusting schedules, and delivering freight or people to the right location quickly and efficiently.

Increase your agility & responsiveness

Although you may begrudgingly acknowledge that certain automated processes are less expensive to operate, you may feel that this lower cost comes at the expense of flexibility and responsiveness. In the context of Supply Chain Management, while workflow automation can clearly be used to reduce operating costs, you might be surprised to find that an increase in agility is often the greatest result.

This agility primarily comes from the ability of workflow automation to reduce your overall cycle times and thus increase your responsiveness to change.

Manufacturing supply chain challenges

If you are a manufacturing or distribution company, you face many challenges in your supply chain including:

- inherent forecast uncertainty
- shortened customer lead-times
- inventory risks
- the need for production capacity
- flexibility
- maintaining product and service quality

You can meet all of these challenges more effectively if your supply chain processes have shorter overall cycle times and are thus more agile in responding to change.

More customisation, better service, shorter lead times

Today's "empowered" consumers expect and demand more customisation, better service and shortened lead times. We want what we want now. If your order-to-delivery cycle time does not meet your customers' expectations, then you will likely not get their business.

Make-to-stock companies typically have longer outbound supply chains with more finished goods inventory stocking locations, which increases the risk of higher inventory driven costs (i.e., obsolescence, damage, shrinkage, storage, cost of capital, etc.).

Make-to-order companies typically have shorter outbound supply chains with fewer finished goods inventory stocking locations, but they still have significant inventory risk upstream in their raw materials and sub-assemblies.

Exploding hoverboards are a good example of what happens when we lose control of our supply chains and fail to oversee the sourcing and manufacturing processes.

Shorter process cycle times allow you to carry less inventory and reduce your overall inventory levels and associated inventory risks.

Although you can improve forecast accuracy, forecasts are never going to be perfect, so you must be able to quickly adjust your supply chain strategy. In order to further reduce inventory risks, manufacturing companies are trying to build more to real-time actual orders (demand-pull based) rather than building to forecasts (push based). This shift requires your processes to have shorter cycle times and be very efficient. Any delay in accessing information from multiple systems of record, or having to rely on manual processes, is generally not practical.

Flexible workflow automation, flexible supply chain

Today's best workflow automation tools have the flexibility to be quickly configured with rules and alerts that you choose to match your desired process, so that you are not forced to live within a narrow process dictated by the tool. These rules and alerts can enable your people to only get involved in a process when an exception occurs that requires their attention, but can also keep them out of low-value-add transactional activities that can be completed extremely rapidly without their involvement.

Visibility through open data

As risks in the supply chain continue to occur and customer demand continues to be less tolerant of disruptions, more companies are recognising the importance of creating and managing a visible supply chain. Although different interpretations and definitions abound, one way to think of supply chain visibility is: the right information, in actionable detail, on events, orders, inventory, and shipments, up and down, and end to end, updated and presented in real time. This definition – ambitious by intention – sets the goal of having visibility through every tier of the supply base, with every supply chain partner, in real time. This means continuous real-time automated presentation of information about such things as a real-time consolidated view of inventories across the supply chain, real-time stock and materials in transit, event management with real-time alerting and a continuous projection of future inventory levels from demand, inventory, and fulfillment data.

Total workflow automation

Supply chain processes are segmented between production, transport, storage and distribution so that workflow automation is not viewed as an end-to-end application but it should be. At least that's the thinking of Canadian supply chain consulting group MBSL. Development of their [Cargo Carousel System](#) has been three years in the making and automates workflows at every segment. The sensor technologies incorporated into their system continuously identifies and tracks the contents of the "modules" they've developed to replace wooden pallets. Each module is suspended on an over/under carousel to allow loading and unloading at the same time! Its design simplicity seems counter-intuitive to its actual capabilities. Whether on a flat deck for transport and distribution or stacked for storage and production, this system automates workflows at every stage of the supply chain. This can eliminate empty back hauls and partial loads, double warehouse space utilisation and reduce deforestation from wooden pallet production to deliver increasing supply chain agility and efficiency.

RF



AIR CARGO SHIPS MAY SOON ALTER GLOBAL SUPPLY CHAINS

By Patrick Burnson (scmr.com, March 2016)

Igor Pasternak, CEO and chief engineer, founded Worldwide Aeros Corp. (Aeros) 25 years ago fueled by a dream to resurrect an aircraft category that once had huge potential. Pasternak [who was recently profiled in The New Yorker] turned that dream into what Aeros has become today, one of America's most innovative FAA-certified lighter-than-air (LTA) manufacturing companies. In this exclusive interview, he shares fresh insights on the state of the industry.

How will airships compete with jumbo cargo carriers currently in the marketplace?

Igor Pasternak: They'll compete in many ways. Importantly, Aeroscraft will access more austere areas directly, independent of infrastructure (VTOL), more easily move large 'project' cargo, and accommodate shipping containers and cargo on pallets. The Aeroscraft's cargo bay will measure (LWH) 220' x 40' x 30' on the smaller 66-ton payload aircraft (ML866), much larger on our 250 ton aircraft, and will overcome the dimensional accommodation challenges arising from nose/tail loading of the fixed-wing fuselage. Aeroscrafts will also consume less than 1/3 that of freighters on a per ton-mile basis by using helium to stay aloft (static lift), and propulsion simply to move forward and overcome aerodynamic drag. We anticipate these vehicles will empower traditional energy, alternative energy, project engineering, mining, agriculture, manufacturing and other global industries by reducing their unique logistics challenges for specialty cargo. The Aeroscraft will help with product movement while retaining warranty in some cases, reduce on-site final assembly (time/cost) in others, overcome seasonal limitations like ice road deliveries, or deliver other project management benefits like shorter development schedules and reduction of idled equipment and manpower. The Aeroscraft will also provide new opportunities and efficiencies for the transport of certain sub-segments of global commercial cargo and traditional air cargos. The Aeroscraft's landing site flexibility, global reach, payload

capability and faster speed than existing ground modes, are further expected to provide expanded opportunities for military airlift and humanitarian/ disaster relief efficiency.

Will air ships collaborate with commercial air cargo carriers?

Pasternak: I believe they will. The Aeroscraft will introduce a speed and cost intermediary between sealift and airlift. For air cargo operators, our vertical take-off and landing Aeroscraft will likely broaden network reach. Thinking of just a few examples, it could also expand service capabilities for perishable cargos (field access, power for refrigerated containers), move hazardous belly cargo quickly (LI batteries, etc.), enhance security for sensitive cargo relative to current intermodal practices, or facilitate introduction of new multi-day global delivery services appropriate for certain cargo/packages. Certain cargo types may shift toward the Aeroscraft for reduced delivery cost while providing global reach at speed surpassing surface modes, or for point-to-point/ volume efficiencies providing speed and cost benefits distributing retail (CPG, CE, apparel) products. Aeroscraft would facilitate direct delivery to new places including regional distribution centers, offering a new alternative to air/truck intermodal.

Will airships also work with ocean cargo carriers in an air/sea strategy?

Pasternak: Again, yes, I believe they will. Aeroscraft will be able to access and operate in both harbor environments and remote areas without support equipment. I expect cargo airships may serve ocean cargo carriers by moving containers from more remote areas with insufficient road/rail infrastructure to main container terminals, and facilitate similar reverse distribution. Their capabilities to augment existing main line vessel support will likely help operators expand services, particularly in the arctic and Asia-Pacific regions. Aeroscrafts would also serve ocean-based logistics providers by speeding delivery to countries lacking an ocean harbor (land locked countries), where intermodal transport combined with customs can slow final destination delivery, especially for higher-value, lower-density (HVL) containers. The aircraft's container capacity will vary depending on loading. (Whereas most aircraft today are volume constrained before they are weight constrained, we'll typically be weight constrained before becoming volume constrained.) With the capability to precisely deploy cargo from hover (landing not required), or on-board cargo while hovering, Aeroscraft can also expedite cargo movement to and from off-shore container vessels, when required.

Which emerging nations are likely to see the first use of cargo air ships?

Pasternak: Cargo airships will be particularly attractive for emerging nations that have less developed infrastructure. I am unable to identify specific countries at this time, but can say earliest adopters will be those where the

Aeroscraft reduces the need for major infrastructure investments to facilitate economic development projects/initiatives to the greatest extent. (e.g. where use would negate the need to build a special airport for project cargo, mitigate port/terminal construction and its associated inland infrastructure for regional development, or minimise environmental impacts in prized pristine places).

Cargo airships have enormous potential to enable economic development opportunities and accelerate export logistics, expand capabilities in disaster relief response, and drive greenhouse gas reductions in global aviation.

Are there any security advantages that airships provide?

Pasternak: Yes, because cargo can be delivered directly from 'point of origin' to 'point of need' by our VTOL-enabled aircraft in a secure internal bay, cargo security will be enhanced compared to intermodal means involving more handling, transfers and/or storage.

Why has it taken the industry so long to recognise the value of air ships?

Pasternak: While difficult to speak for the industry, I do have some ideas and insight. The logistics industry is filled with intelligent, logical and mission oriented professionals much more familiar with other transport modes and technology. Infrastructure has been a component of transport since Roman times, often still dictating the width of roads, so the opportunities arising from infrastructure-independent transport are generally not top of mind. False starts and broken promises by other earlier cargo airship concepts have certainly contributed to skepticism about such innovation. Perhaps it has taken the U.S. military's recent interest, exploration and incubation of LTA technologies for the larger commercial industry to realise that the utility and benefits modern cargo airships would provide soldiers were so highly transferable to commercial markets. To explain, Aeros' military partners DARPA/DOD were seeking benefits to operational tempo and mission flexibility, enhanced delivery capability, and operational cost savings in enduring logistical sustainment operations. Cargo airships deliver something between high-speed, lower-capacity airlift, and low-speed, higher-capacity sealift, supporting a range of strategic and tactical missions. For the military, this new generation of airships has the potential to:

- greatly increase heavy cargo lift capability
- better facilitate direct delivery to austere locations
- reduce the logistics footprint in theater
- reduce dependence on airbases and ports
- minimise surface convoys and susceptibility
- reduce the effectiveness of anti-access strategies employed by adversaries
- and augment the hub and spoke logistics structure to one of point-to-point delivery

An aircraft purposely designed to address military logistics challenges delivers similar opportunity for value creation within the wider logistics community. In addition, cargo airships have enormous potential to enable economic development opportunities and accelerate export logistics, expand capabilities in disaster relief response, and drive greenhouse gas reductions in global aviation. I believe these may be some of the secondary opportunities, more recently realised and championed, that are now elevating the holistic value recognition for airships within the logistics profession. **RF**



AVOID SUPPLY CHAIN WASTE WITH REVERSE LOGISTICS

By Patrick Burnson
(supplychain247.com, March 2016)

Last year was pretty much a bust for durable goods makers, say economists, and the first quarter of 2016 may place added pressure on shippers to squeeze out profits in the supply chain.

That explains why many analysts contend that a fully integrated loop means that [reverse logistics](#) can even contribute to the “top line” on a balance sheet.

Outside of construction materials and motor vehicles, almost no other business sectors performed up to expectations last year.

According to [IHS Global Insight U.S. economist Michael Montgomery](#), industries faced stiff competition from foreign rivals for U.S. market share, and exporters, like construction equipment makers, faced intense pressures abroad. Further exacerbating circumstances for U.S. companies included not having a secondary market for unsold goods.

“Orders excluding defense and private aircraft slid by 1.9% in the 2015 annual tally,” Montgomery says.

“Durable goods makers entered 2015 like a lamb and exited like a sheep - a tad older, but just as docile.” And he predicts that at least the first half of 2016 needs to be more of the same for inventory levels to adjust.

“The inventory correction is far from over, and the robust greenback continues to strengthen, with the euro about the only major currency that seems able to hold its own in the past few months, but that’s at a level below a year ago,” says Montgomery.

“Machinery makers and raw material producers face a very tough slog this year since both require decent worldwide growth in order to thrive, and the world has not been cooperating by only serving up mediocre growth.”

The consequences for U.S. retailers with global distribution networks is every bit as profound, logistics experts add, noting that the “reverse loop” has never been so vital.

Asset Recovery Growing

According to [Dr. Dale Rogers, professor of logistics and supply chain management at Arizona State University](#), reverse logistics is

going to become increasingly popular with logistics managers seeking a process to achieve proper disposal of excess inventory. “Remanufacturing and refurbishment activities are a critical part of that procedure,” says Rogers.

“Reverse logistics also includes processing returned merchandise due to damage, seasonal inventory, restock, salvage, recalls, excess inventory, recycling programs and asset recovery - all vital procedures that need to be top of mind.” For a practitioner, says Rogers, the disposition choice is determined by the most profitable alternative:

Reconditioning: When a product is cleaned and repaired to return it to a “like new” state.

Refurbishing: Similar to reconditioning, except with perhaps more work involved in repairing the product.

Remanufacturing: Similar to refurbishing, but requiring more extensive work; often requires completely disassembling the product.

Resell: When a returned product may be sold again as new.

Recycle: When a product is reduced to its basic elements, which are reused, also referred to as asset recovery.

By way of a case study, Rogers observes that a business printer field service and reverse logistics model helps explain how an operating system works.

“The process for such a firm starts when a business customer with a problem calls an original equipment manufacturer (OEM) or third-party customer support contact, both of which are used in an attempt to diagnose the problem and provide problem resolution instructions if applicable,” he explains.

An OEM field technician or third party certified technician attempts to repair the equipment on-site. If unable to make the repair, the unit is sent to the OEM or certified third party repair facility where a regional-based loaner or exchange program may be available. The unit is then repaired at the OEM or third party repair facility.

The OEM then ships the returned unit or comparable unit back to the customer, or places the unit in used stock if an exchange is previously provided. A field technician is then scheduled to install the loaner unit, exchange units, or repair equipment at the customer site.

“As an example, consider firms involved in the aftermarket sales and services business, and how reverse logistics plays a role,” says Rogers. “Products in this business can include accessories, replacement parts, and repair and service parts. The services could include: product and technical support, training, product documentation, warranty and claims management, and field service repairs.”

Aftermarket Opportunities

As an adjunct to these products and services, reverse logistics fits the definition by providing for exchanges and in-warranty repair and out-of-warranty repair. Other reverse functions include maintenance,

upgrades and retrofits, remanufacturing, and end-of-life asset recovery and hazardous material disposal.

Industry analysts say that in the aftermarket business, field services and reverse logistics are generally considered one of the harder areas to manage, coordinate and operate efficiently. Indeed, the area is often forgotten or given little consideration regarding launch of new products, importance to overall customer satisfaction and loyalty, and company profits.

Reverse logistics is going to become increasingly popular with logistics managers seeking a process to achieve proper disposal of excess inventory.

“If the product is defective and the customer wanted to return it, the manufacturing firm would have to organise shipping the defective product, testing it and lastly, disassembling or disposing of the product,” observes [Curtis Greve, principal at Greve Davis](#), a reverse logistics consultancy. “The defective product would travel in reverse through the supply chain network in order for the manufacturer to retain any use from it.”

[Cathy Roberson, an analyst with the freight transportation consultancy Spend Management Experts](#), agrees, noting that now, more than ever, retailers have made larger investments in technology to improve their reverse logistics systems.

“When logistics managers combine the theory of reverse logistics with powerful software and general financial prowess, the supply chain can be analysed to find deficiencies in the chain itself rather than in the products,” says Roberson, adding that the ultimate goal is to optimise aftermarket activity to save money and environmental resources.

“It’s important to audit your shipping carrier bills and even renegotiate your original contract to refund your money in any areas in which you overspent in the past,” adds Roberson. “This should continue to save you time and money in the future. Having fewer resources tied up in transportation frees them up to be reallocated for things like labor and quality control.”

[Adam Robinson, who oversees the marketing strategy for Cerasis](#), a third-party logistics provider specialising in full transportation management solutions, says that the reverse loop presents one of the biggest operational challenges in the world of e-commerce freight logistics due to the sheer volume and cost of processing returns.

“Effective reverse logistics is believed to result in direct benefits, including improved customer satisfaction, decreased resource investment levels, and reductions in storage and distribution costs,” Robinson says. “But our studies indicate that returns generated in many companies range from 3% to as high as 50% of total shipments across all industries.

Furthermore, says Robinson, other studies indicate the real costs of the returns take up roughly 3% to 5% of total revenue. “Surprisingly, for the traditional bricks-and-mortar retail operations, returns are three to four times more expensive than forward - outbound - shipments. In some industries such as book publishing, catalog retailing, and greeting cards, over 20% of all products sold are eventually returned to the vendor,” he adds.

Lifecycle Visibility

In omni-channel, the fluidity of inventory between channels enables retailers to reallocate merchandise to the point of demand, observes [Will O'Brien, a supply chain analyst with Sedlak Management Consultants](#). He says that online order fulfillment can pull from stock in warehouses, stores, returns and in-transit, yet only one third of companies have a fully integrated inventory management strategy linked to reverse logistics operations.

“The failure to include returned goods into available inventory for sale will likely result in purchasing more inventory than is needed, higher volumes of unsold merchandise, excessive markdowns and more goods to liquidate at the end of each season,” says O'Brien.

To avoid this, retailers need visibility into inventory at all stages of its lifecycle - including in-transit - to establish capabilities to transfer product to the point of demand. “Today, with the consumer in charge, returns are more than a cost of doing business,” says O'Brien. “Returns management is a strategic consideration, requiring technology investment, operations planning and labor allocation.”

A crack in the foundation of the strengthening retail industry is that the programs put in place to lure shoppers back are creating unintended consequences - once an expectation is set it's hard to turn back. And once the shopper begins to return products to the stores, the retailer needs to have a process in place to handle those products or costs will escalate quickly. Gartner analysts agree. In a recent report titled “[Returns - The Ticking Time Bomb of Multichannel Retailing](#),” 55% of respondents considered “Improving the efficiency of the returns process and technology” as very or extremely important. Conversely, only 42%

believed that they do this well or extremely well.

“The notion of delegating returns back into stock for the stores or on-line orders only alleviates a portion of the returns volume,” says O'Brien. “Few companies measure the %age of returns that sell at full retail once back in stock. For those that do, 48% of returned merchandise selling at full price is the current North American market benchmark.”

Finally, it's how retailers handle the other 52% of returned merchandise to gain a greater understanding of why the reverse logistics process is so vital to controlling losses and maintaining value of returned goods. **RF**



HOW THE PANAMA CANAL EXPANSION IS REDRAWING THE LOGISTICS MAP

By **C.H. Robinson & BCG**
(supplychain247.com, March 2016)

The expansion of the Panama Canal will be the headline event in shipping in 2016.

The \$5 billion project promises to reorient the landscape of the logistics industry and alter the decision-making calculus of the shippers that the canal serves.

According to research conducted jointly by The Boston Consulting Group and C.H. Robinson, as much as 10 percent of container traffic between East Asia and the U.S. could shift from West Coast ports to East Coast ports by the year 2020.

Small percentages translate into big numbers in container traffic on highvolume lanes between East Asia and the U.S. This trade represents more than 40 percent of containers flowing into the U.S. Rerouting 10 percent of that volume, therefore, is equivalent to building a new port roughly double the size of the ports in Savannah and Charleston.

This shift will have profound effects. The larger ports on the West Coast will experience lower growth rates, altering the competitive balance between West Coast ports and East Coast ports. (With global container flows rising, West Coast ports will still handle more containers than they do today.)

It will also shape the investment and routing decisions of rail and truck carriers,

magnify the trade-offs that shippers make between the cost and the speed of transportation, and potentially alter the location of distribution centers.

West Coast ports currently receive two-thirds of container flows from East Asia, with much of that cargo moving by rail and truck as far east as the Ohio River Valley, about three-quarters of the way across the U.S. But once the big, efficient “post-Panamax” container ships begin passing through the wider, deeper canal, the shipping dynamics will change.

For shipping to many destinations, using West Coast ports will still be the fastest option - but it won't necessarily be the cheapest. For price-sensitive cargo that is relatively expensive to move, routing shipments through East Coast ports to inland destinations will become more cost competitive and increasingly attractive. In this report, we explain how shippers, carriers, and infrastructure operators (such as ports) need to respond to this shifting logistics environment, including:

The \$5 billion project promises to reorient the landscape of the logistics industry and alter the decision-making calculus of the shippers that the canal serves.

The Changing Logistical Landscape

Growth rates for the larger ports on the West Coast will decrease, competition among East Coast ports will intensify, and rail and truck traffic patterns will shift.

The Time Versus Cost Trade-Off

The West Coast will always be the fastest option for reaching much of the U.S., but the East Coast will become the least costly option for many shippers.

The Battleground

The battleground on which U.S. ports compete for customers will move several hundred miles west, to a region that accounts for more than 15 percent of GDP.

Urgency to Act

The expansion underscores the need for shippers and carriers to adapt their strategies and operations in light of the growing complexity of the logistics field.

Access the full report here: http://www.supplychain247.com/paper/how_the_panama_canal_expansion_is_redrawing_the_logistics_map/C.H._Robinson?ajs_uid=8464A4025034J3S **RF**



OCEAN CARGO SUPPLY CHAINS WERE MORE SECURE IN 2015, SAYS STUDY

By Patrick Burnson
(scmr.com, March 2016)

Shipping losses continue their long-term downward trend with 85 total losses reported worldwide in 2015, according to the Allianz Global Corporate & Specialty (AGCS) fourth annual Safety and Shipping Review 2016, which analyses reported shipping losses of over 100 gross tons.

Although the number of losses remained stable, declining by just 3% compared with the previous year (88), 2015 was the safest year in shipping for a decade. Losses have declined by 45% since 2006, driven by an increasingly robust safety environment and self-regulation.

Cargo and fishing vessels accounted for over 60% of ships lost globally, with cargo losses up for the first time in three years. The most common cause of total losses is foundering (sinking), accounting for almost 75% of losses, up 25, and often driven by bad weather.

Here are some other observations made in the report:

Regional Comparisons

There were 2,687 reported shipping incidents (casualties including total losses) globally during 2015, down 4%. More than a quarter of all losses in 2015 occurred in the South China, Indochina, Indonesia and Philippines region (22 ships). Losses increased year-on-year, unlike other major regions. The U.S. eastern seaboard and North American west coast each reported two total losses in 2015.

Cyber Risk Evolves, As Piracy Threat Grows

The shipping industry's reliance on interconnected technology poses risks. Cyber risk exposure is growing beyond data loss. There have already been a number of notable cyber incidents and technological advances such as the "Internet of Things" (IoT) and electronic navigation means the industry may only have a few years to prepare for the risk of a vessel loss. "Pirates are already abusing holes in cyber security to target the theft of specific cargoes," says Captain Andrew Kinsey,

Senior Marine Risk Consultant, AGCS. "The cyber impact cannot be overstated. The simple fact is you can't hack a sextant."

For the first time in five years piracy attacks failed to decline in 2015[1]. South East Asian attacks rose, accounting for 60% of all incidents. Piracy attacks in Vietnam surged year-on-year.

Superstorm Ship Sinkings

Exceptional weather events are becoming more commonplace, bringing additional risks and disruption to supply chains. This year, the effect of a "super" El Niño is expected to lead to more extreme weather conditions. Meanwhile, bad weather was a factor in three of the five largest vessels lost last year, including the El Faro, one of the worst US commercial maritime disasters in decades. "The fact that superstorms are causing ships to sink is concerning," says Sven Gerhard, Global Product Leader Hull & Marine Liabilities, AGCS. "We are seeing more and heavier natural catastrophe events. Weather routing will continue to be a critical component to the safe navigation of vessels."

Economic Pressures Challenge Safety Advances

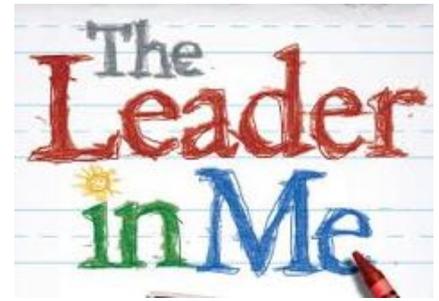
While the long-term downward trend in shipping losses is encouraging, the continuing weak economic and market conditions, depressed commodity prices and an excess of ships are pressurising costs, raising safety concerns. AGCS has seen an increase in frequency losses over the past year that can likely be attributed to some extent to this environment.

"The economic downturn – and its impact on the shipping sector - is likely to have a negative impact on safety," says Captain Rahul Khanna, Global Head of Marine Risk Consulting, AGCS. "Many sectors, such as general cargo, bulk and offshore, are already challenged and any drop in safety standards will be a serious case for concern."

As well as impacting investment in vessel maintenance, cost pressures can impair crewing conditions, passenger ship safety and salvage and rescue. AGCS has seen an increase in fatigue-related insurance claims over the past decade. With crew numbers already often at their lowest possible level, and a future staffing shortage anticipated, longer shift patterns could exacerbate this issue. Meanwhile, training remains below par in some areas, such as electronic navigation, which should not be seen as panacea but as a complementary tool.

"Mega Ship" Salvage Issues

The appetite for ever-larger container ships has seen cargo-carrying capacity of the largest vessels increase by 70% over 10 years to 19,000+ containers. Two "mega ships", the CSCL Indian Ocean and APL Vanda were grounded in February 2016, raising questions about a more serious incident. There are concerns commercial pressures in the salvage business have reduced easy access to the salvors required for recovery work on this scale. The industry may need to prepare for a \$1bn+ total loss scenario. **RF**



THE 5 TRIGGERS THAT MAKE NEW HABITS STICK

By James Clear
(business2community.com, March 2016)

In his best-selling book, *The Power of Habit*, author Charles Duhigg explains a simple three-step process that all habits follow. This cycle, known as The Habit Loop, says that each habit consists of...

- The Trigger: the event that starts the habit.
- The Routine: the behavior that you perform, the habit itself.
- The Reward: the benefit that is associated with the behavior.

There are five primary ways that a new habit can be triggered. If you understand each of them, then you can select the right one for the particular habit that you are working on. Here's what you need to know about each trigger...

Trigger 1: Time

Time is perhaps the most common way to trigger a new habit. Common morning habits are just one example. Waking up in the morning usually triggers a cascade of habits: go to the bathroom, take a shower, brush your teeth, get dressed, make a cup of coffee, etc.

There are also less commonly recognised ways that time triggers our behavior. For example, if you pay attention you may notice that you repeat certain tasks mindlessly at different points during the day: heading off to get a snack at the same time each afternoon, taking a smoking break at the same time each morning, and so on.

If these patterns are bad habits, then you may want to take stock of how you feel at this time of day. In many cases, your habits are a signal of how you feel. Bored? Maybe your afternoon snacking habit is a way of breaking up the monotony of the day. Feeling lonely? Maybe your smoking break is a way to connect with fellow co-workers. The point is, if you understand the reason why these habits pop up at the same time each day, then it can become easier to find a new habit to fill the void. [Bad habits are replaced, not eliminated.](#)

How I use it: Time-based triggers can also be used to stick with routines over and

over again. This is my preferred method. For example, every Monday I write a new article and post it on JamesClear.com. The time and date drive this pattern. It doesn't matter how good or how bad I feel about the article. It doesn't matter how long or how short the article is. All that matters is that I [stick to the schedule](#). The time triggers the habit.

Trigger 2: Location

If you have ever walked into your kitchen, seen a plate of cookies on the counter, and eaten them just because they are there in front of you, then you understand the power of location on our behavior.

In my opinion, location (i.e. environment) is the most powerful driver of mindless habits and also the least recognised. In many cases, our habits and behaviors are simply a response to the environment that surrounds us. The [famous study on water versus soft drink consumption](#) is one example of how our environment can either promote good habits or lead us toward bad ones.

However, location-based triggers are not simply things we respond to, they can also be things we create. Multiple research studies by David Neal and Wendy Wood from Duke University have discovered that new habits are actually easier to perform in new locations.

One theory is that we mentally assign habits to a particular location. This means that all of the current places that you're familiar with (your home, your office, etc.) already have behaviors, habits and routines assigned to them. If you want to build new habits in these familiar locations, then you need to overcome the triggers and cues that your brain has already assigned to that area. Meanwhile, building a new habit in a new location is like having a blank slate. You don't have to overcome any pre-existing triggers.

How I use it: When I arrive at the gym, I head to the same spot each time to get ready, change into my lifting gear, and start my warm up. This location in the gym is a simple trigger that helps prompt my pre-workout routine. There are bound to be some days when I don't feel like exercising, but the location-based trigger helps me overcome that and get into my workout ritual as painlessly as possible.

Trigger 3: Preceding Event

Many habits are a response to something else that happens in your life. Your phone buzzes, so you pick it up to check your latest text message. The little notification bar lights up on Facebook, so you click it to see what it signals. These are examples of habits that are triggered by a preceding event.

When it comes to triggers that are useful for building new habits, I find preceding events to be one of the most useful. Once you understand habit stacking you can develop all sorts of ways to tie new habits into preceding events. (Example: "When I make my morning cup of coffee, I will meditate for one minute.")

How I use it: For over two years, I have used a preceding event to stick with a daily gratitude habit. Each night, when I sit down to

eat dinner, I say one thing that I was grateful for that day. (It's worth noting, one reason I believe I have been able to stick with this habit so consistently is because it is so small. The smaller the habit, the easier it is to build into your life.)

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Trigger 4: Emotional State

In my experience, emotional state is a common trigger for bad habits. For example, you may have a habit of eating when you feel depressed. Or, you may default to online shopping when you feel bored. The emotional states of depression or boredom are triggers for these negative habits.

Unfortunately, although emotions are very common triggers for our behavior, I find that they are harder to control and utilise for building good habits. Mostly, I think this is because if you want an emotion to trigger a positive habit, then you often need to be consciously aware of the emotion as you are experiencing it. In other words, you have to be emotional and aware at the same time ... and that can be hard to do. Paying attention is a powerful, but difficult, way to build better habits.

How I use it: I'm trying to get better about noticing when I am holding tension in my body and experiencing stress. When I do notice that I'm feeling particularly stressed, I'll use this emotional state to trigger a deep breathing habit.

I like to follow a 3-1-5 breathing pattern: three seconds in, pause for one second, five seconds out. I'll usually repeat this sequence three to five times. I find this little breathing exercise to be a great instant stress reliever. It's particularly useful because you can literally do it anywhere.

Trigger 5: Other People

It is probably no surprise to you that the people you surround yourself with can play a role on your habits and behaviors. What may be a surprise is just how big of an impact these people can make. One study in the [New England Journal of Medicine](#) found that if your friend becomes obese, then your risk of obesity increases by 57 percent — even if your friend lives hundreds of miles away.

As far as I can tell, the best way to make use of this information is to surround yourself with people who have the habits you want to have yourself. As Jim Rohn says, "You are the average of the five people you spend the most time with."

How I use it: I'm not a heavy drinker, but nearly every time I go out with friends I get a drink. Why is that? If I'm not yearning for a beer, why get one? It's simply a response to the environment that I am in and the people I am around.

Before You Choose Your Trigger

No matter what trigger you choose for your new habit, there is one important thing to understand. The key is to choosing a successful trigger is to pick a trigger that is very specific and immediately actionable.

For example, let's say you want to build a new habit of doing 10 pushups each day at lunch time. You might start by choosing a time-based trigger and saying something like, "During my lunch break each day, I'll do 10 pushups." This might work, but it's not very specific. Do you do your pushups at the beginning of your lunch break? At the end? Any time?

Alternatively, you could create a trigger around a very specific preceding event that happens right around your lunch break. For example, "When I close my laptop to leave for lunch, I'll do 10 pushups." In this case, the very specific action of "closing the laptop" is a perfect trigger for what to do next (your 10 pushups). There is no mistaking when you should do the new habit.

As always, self-experimentation is the only real answer. Play around with these five habit triggers and see what works for you.

RF

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

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 DBSchenker, 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 dasRESULTAT 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 leading 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. **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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