

RESULTFOCUSED

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Do you benefit from **customer demand**?

'Traditional retail supply chains work according to the motto of - better, centralised and distant...tomorrow's leading edge supply chains will be - fresher, simpler and closer. Products will flow quickly and seamlessly down value chains which encompass many different firms, in direct response to customer demand' - ECR Journal, Winter 2002.

'Manufacturers have long planned their operations based on factory capacity and asset utilization. By reviewing what sold in the past and factoring in production capacity for a given time frame, companies plan and execute their production strategies - then they "push" the resulting goods to their customers.' - AMR Research 2004.

Fast forward approximately a decade and it seems that shifting the focus from a supply driven to a demand driven supply chain has only really started gaining

momentum over the last couple of years. The main reason for this is the availability of data at source as well as the organisation's ability to utilise this information to develop and implement business strategies.

The big question is whether your organisation have access to customer demand, and if so what do you do to gain competitive advantage from it.

In this issue of RESULTFOCUSED a case study shows how Kimberly-Clark is addressing this complex challenge by connecting their supply chain to the store shelf. We also look at the requirement of systems to enable supply chain visibility by being not only able to collaborate and provide data rich solutions but at the same time to also be nimble when expansion and changes occur.

Also in this issue it is argued that it is the ability to develop a keen external awareness that separates the truly great communicators from

those who muddle through their interactions with others. We highlight the four major trends in transportation management for 2013, as well as Maersk's new fleet of Triple-E container vessels and the challenges it will bring to international freight movement and infrastructure development.

We all operate in diverse and ever changing business environments. Your ability to foresee and adapt to change will either be your biggest assets, or your greatest liability.

Until next time, enjoy the read!

*Change before you have to -
Jack Welch*



Kimberly-Clark connects its supply chain to the store shelf

By James A. Cook (CSCMP's Supply Chain Quarterly, Quarter 1 2013)

In its quest to achieve a demand-driven supply chain, Kimberly-Clark turned to software that generates shipment forecasts based on point-of-sale data. Now the consumer products giant can better serve some of its customers with a lot less inventory.

For the past six years, Kimberly-Clark Corp. has been on a mission to connect its supply chain to the store shelf. The manufacturer of personal-care products wanted to create a demand-driven supply chain that would make and warehouse only the precise amount of inventory needed to replace what consumers actually purchased.

The company had good reason to make this one of its top priorities. 'If we align our activities to what's happening on the shelf, we can take a lot of cost, waste, and inventory out of the system,' explains Rick Sather, Kimberly-Clark's vice president of customer supply chain for North America consumer products.

That's easier said than done, of course. The roadblock for Kimberly-Clark was that its store shipments were based on historical sales forecasts, which were not very accurate predictors of future sales. To match shipments with actual demand, the company would need to use point-of-sale (POS) data from consumer purchases as the basis for replenishments to grocers and retailers.

Toward that end, the manufacturer began using software that utilizes sales data to generate forecasts that trigger shipments to stores. To date, only three of Kimberly-Clark's largest customers are participating in the program, but the results have been notable. These demand-driven forecasts, which are more accurate than the historical sales forecasts, let the manufacturer better serve those customers but with much less inventory.

Shifting focus

Based in Irving, Texas, a suburb of Dallas, Kimberly-Clark makes such well-known personal-care products as Kleenex facial tissues, Huggies diapers, and Scott's paper towels. Its worldwide sales exceeded \$20 billion in 2011.

Back in 2006, company executives

decided to refocus Kimberly-Clark's supply chain strategy from supporting manufacturing to serving the specific needs of its retail and grocery customers. As a first step, the company reconfigured its North American distribution network to place its warehouses closer to those customers. Before the reconfiguration, Kimberly-Clark used 120 facilities of various types, and it shipped from 60 to 70 locations to satisfy all customer orders. The shipping location depended on the product mix of the order. As a result, different product mixes resulted in different shipping locations for the same customer, and forecasting and maintaining the proper mix of products at any given DC was difficult.

By 2008, Kimberly-Clark had reduced the number of warehouses it used to 30 multi-product facilities strategically located near its customers. The reconfiguration involved a combination of opening new, larger facilities—some of which handle Kimberly-Clark's full product line—and repurposing some existing sites. For example, a few of the distribution centers began supporting a smaller group of customers, or they switched to shipping only promotional items. Today, 20 of the 30 warehouses and distribution centers now ship directly to customers.

Because the reconfiguration placed more warehouses and DCs closer to Kimberly-Clark's customers, the company was able to increase order frequency and reduce transit times for many of them. That paid off not just for the customers but for the manufacturer, too. 'We realigned our DC network and streamlined it to bring inventory and costs out of the system and make ourselves more responsive to customer needs,' says Manager of Supply Chain Analysis Michael Kalinowski. 'We used to view our supply chain as ending once we delivered to the customer's door, but now we've extended that to the customer's retail location, and in some cases, right to the shelf.'

Becoming one with demand

The ultimate objective of any change in supply chain strategy is to increase company profits. Kimberly-Clark viewed a demand-driven supply chain as being critical to achieving that objective. The Great Recession of 2008-2009 brought additional 'energy' to that focus as Kimberly-Clark sought to reduce its inventory holdings to free up working capital, says Director of Supply Chain Strategy Scott DeGroot.

To become a truly demand-driven supply chain, managers knew, Kimberly-Clark would have to incorporate demand-signal data—information about actual consumer purchases—into its plans for resupplying retailers with products. In 2009,

the company made some limited use of downstream retail data in its demand-planning software, but it continued to rely for the most part on historical shipment data as the basis for its replenishment forecasts. But forecasts based on historical sales are prone to errors, because they cannot predict spikes in consumer demand. Such errors left Kimberly-Clark with excess safety stock and unsold inventory.

To address that problem and improve forecasting, Kimberly-Clark conducted a pilot program with the software vendor Terra Technology that aimed to incorporate demand signals into its North American operation. The pilot proved successful, and in 2010 the consumer products giant purchased and implemented Terra Technology's multi-enterprise demand-sensing solution. Initially, Kimberly-Clark only ran the software's forecast engine, using its own internal data. Since 2011, however, it has been using actual retail-sales data to drive both replenishment and manufacturing.

'If we align our activities to what's happening on the shelf, we can take a lot of cost, waste, and inventory out of the system'

Rick Sather, vice president of customer supply chain for North America consumer products at Kimberly-Clark

Three retailers, which account for one-third of Kimberly-Clark's consumer products business in North America, currently provide point-of-sale data. That information is fed daily into the solution's engine, which then recalibrates the shipment forecast for each of those retailers. Each day, the software evaluates any new data inputs from the retailers along with open orders and the legacy demand-planning forecast to generate a new shipment forecast. That forecast, in daily buckets, covers the current week plus the next four weeks. Kimberly-Clark then uses that forecast to guide internal deployment decisions and tactical planning.

The software contains algorithms that process data provided by the retailers, such as point-of-sale information, inventory in

the distribution channel, shipments from warehouses, and the retailer's own forecast. It reconciles all of that data to create a daily operational forecast. The software also identifies patterns in the historical data to determine which inputs are the most predictive in forecasting shipments from Kimberly-Clark's facilities. The inputs are re-evaluated weekly, and how much influence each input has on the forecast can change. For example, POS might be the best predictor of a shipment forecast on a three-week horizon, but actual orders could be the best predictor for the current week.

Since 2011 Kimberly -Clark has been using actual retail-sales data to drive both replenishment and manufacturing.

By using actual demand—that is, the point-of-sale data—to recalculate its operational forecasts, Kimberly-Clark can better ensure that it has the products consumers want to buy in stores at the right time. Although only three companies at the moment are providing POS data, Kimberly-Clark is also using the Terra solution to create forecasts for its other retail customers. For that customer group, the manufacturer relies on historical shipment data to develop its forecast.

Lower forecast error rates

The incorporation of demand signals into Kimberly-Clark's shipment forecasting has resulted in substantial improvements in several respects. For one thing, the company has been able to develop a more granular metric for forecast errors. In the past, it measured forecasts by product categories; the metric it uses now tracks stock-keeping units (SKUs) and stocking locations. This metric is defined as the absolute difference between shipments and forecast, and it's reported as a percentage of shipments.

Using that particular metric to evaluate its daily forecast, Kimberly-Clark has seen a reduction in forecast errors of as much as 35 percent for a one-week planning horizon and 20 percent for a two-week horizon. 'What we've noticed is that as you go farther out in the [planning] horizon, the inputs are less predictive and the amount of forecast-error reduction tends to erode,' says Jared Hanson, a demand planning specialist.

Thanks to that reduction in forecast errors, there is less need for safety stock. In

fact, Hanson says, more accurate forecasts have allowed Kimberly-Clark to take out one to three days of safety stock, depending on the SKU. 'From a dollars or return on investment perspective, that's the most tangible benefit,' he says.

More accurate forecasts and the commensurate reductions in safety stock have helped Kimberly-Clark reduce its overall inventory. The company says it has cut finished-goods inventory by 19 percent in the last 18 months.

Equally important, say Kimberly-Clark's supply chain executives, is that this stellar inventory performance has not compromised the quality of service it provides to its customers. 'As we sit today,' says Rick Sather, 'our ability to serve customers with this level of inventory is the best it's been in many years.' - *RF*



Ten communication secrets of great leaders

By Mike Myatt (forbes.com, 4 April 2012)

It is simply impossible to become a great leader without being a great communicator. I hope you noticed the previous sentence didn't refer to being a great talker – big difference. The key to becoming a skillful communicator is rarely found in what has been taught in the world of academia. From our earliest days in the classroom we are trained to focus on annunciation, vocabulary, presence, delivery, grammar, syntax and the like. In other words, we are taught to focus on ourselves. While I don't mean to belittle these things as they're important to learn, it's the more subtle elements of communication rarely taught in the classroom (the elements that focus on others), which leaders desperately need to learn. It is the ability to develop a keen external awareness that separates the truly great communicators from those who muddle through their interactions with others. In today's column I'll share a few of the communication traits, which if used consistently, will help you achieve better communication results.

I don't believe it comes as any great

surprise that most leaders spend the overwhelming majority of their time each day in some type of an interpersonal situation. I also don't believe it comes as a great shock to find a large number of organisational problems occur as a result of poor communications. It is precisely this paradox that underscores the need for leaders to focus on becoming great communicators. Effective communication is an essential component of professional success whether it is at the interpersonal, intergroup, intragroup, organisational, or external level. While developing an understanding of great communication skills is easier than one might think, being able to appropriately draw upon said skills when the chips are down is not always as easy as one might hope for.

Skills acquired and/or knowledge gained are only valuable to the extent they can be practically applied when called for. It has been my experience that the number one thing great communicators have in common is that they possess a heightened sense of situational and contextual awareness. The best communicators are great listeners and observers. Great communicators are skilled at reading a person/group by sensing the moods, dynamics, attitudes, values and concerns of those being communicated with. Not only do they read their environment well, but they possess the uncanny ability to adapt their messaging to said environment without missing a beat. The message is not about the messenger; it has nothing to do with messenger; it is however 100% about meeting the needs and the expectations of those you're communicating with.

So how do you know when your skills have matured to the point that you've become an excellent communicator? The answer is you'll have reached the point where your interactions with others consistently use the following ten principles:

It is the ability to develop a keen external awareness that separates the truly great communicators from those who muddle through their interactions with others.

1. Speak not with a forked tongue

In most cases, people just won't open up those they don't trust. When people have a sense a leader is worthy of their trust they will invest time and take risks in ways they would not if their leader had a reputation built upon poor character or lack of integrity. While you can attempt to demand trust it rarely works. Trust is best created by earning it with right acting, thinking, and decisioning. Keep in mind that people will forgive many things where trust exists, but will rarely forgive anything where trust is absent.

2. Get personal

There is great truth in the axiom that states: 'people don't care how much you know until they know how much you care.' Classic business theory tells leaders to stay at arms length. I say stay at arms length if you want to remain in the dark receiving only highly sanitised versions of the truth. If you don't develop meaningful relationships with people you'll never know what's really on their mind until it's too late to do anything about it.

3. Get specific

Specificity is better than Ambiguity 11 times out of 10: Learn to communicate with clarity. Simple and concise is always better than complicated and confusing. Time has never been a more precious commodity than it is in today's marketplace. It is critical you know how to cut to the chase and hit the high points, and that you expect the same from others. Without understanding the value of brevity and clarity it is unlikely that you'll ever be afforded the opportunity to get to the granular level as people will tune you out long before you ever get there. Your goal is to weed out the superfluous and to make your words count.

4. Focus on the leave-behinds not the take-aways

The best communicators develop the ability to get the information they need while leaving the other party feeling as if they got more out of the conversation than you did. While you can accomplish this by being disingenuous, that is not the goal. When you truly focus more on contributing more than receiving you will have accomplished the goal. Even though this may seem counter-intuitive, by intensely focusing on the other party's wants, needs & desires, you'll learn far more than you ever would by focusing on your agenda.

5. Have an open mind:

I've often said that the rigidity of a closed mind is the single greatest limiting factor of new opportunities. A leader takes

their game to a whole new level the minute they willingly seek out those who hold dissenting opinions and opposing positions with the goal not of convincing them to change their minds, but with the goal of understanding what's on their mind. I'm always amazed at how many people are truly fearful of opposing views, when what they should be is genuinely curious and interested. Open dialogs with those who confront you, challenge you, stretch you, and develop you. Remember that it's not the opinion that matters, but rather the willingness to discuss it with an open mind and learn

Keep in mind that communication is not about you, your opinions, your positions or your circumstances. It's about helping others by meeting their needs, understanding their concerns, and adding value to their world.

6. Shut-up and listen

Great leaders know when to dial it up, dial it down, and dial it off (mostly down and off). Simply broadcasting your message ad nauseum will not have the same result as engaging in meaningful conversation, but this assumes that you understand that the greatest form of discourse takes place within a conversation, and not a lecture or a monologue. When you reach that point in your life where the light bulb goes off, and you begin to understand that knowledge is not gained by flapping your lips, but by removing your ear wax, you have taken the first step to becoming a skilled communicator.

7. Replace ego with empathy

I have long advised leaders not to let their ego write checks that their talent can't

cash. When candor is communicated with empathy & caring and not the prideful arrogance of an over inflated ego good things begin to happen. Empathetic communicators display a level of authenticity and transparency that is not present with those who choose to communicate behind the carefully crafted facade propped-up by a very fragile ego. Understanding this communication principle is what helps turn anger into respect and doubt into trust.

8. Read between the lines

Take a moment and reflect back on any great leader that comes to mind... you'll find they are very adept at reading between the lines. They have the uncanny ability to understand what is not said, witnessed, or heard. Being a leader should not be viewed as a license to increase the volume of rhetoric. Rather astute leaders know that there is far more to be gained by surrendering the floor than by filibustering. In this age of instant communication, everyone seems to be in such a rush to communicate what's on their mind that they fail to realise everything to be gained from the minds of others. Keep your eyes & ears open and your mouth shut and you'll be amazed at how your level or organisational awareness is raised.

9. When you speak, know what you're talking about

Develop a technical command over your subject matter. If you don't possess subject matter expertise, few people will give you the time of day. Most successful people have little interest in listening to those individuals who cannot add value to a situation or topic, but force themselves into a conversation just to hear themselves speak. The fake it until you make it days have long sense passed, and for most people I know fast and slick equals not credible. You've all heard the saying 'it's not what you say, but how you say it that matters,' and while there is surely an element of truth in that statement, I'm here to tell you that it matters very much what you say. Good communicators address both the 'what' and 'how' aspects of messaging so they don't fall prey to becoming the smooth talker who leaves people with the impression of form over substance.

10. Speak to groups as individuals

Leaders don't always have the luxury of speaking to individuals in an intimate setting. Great communicators can tailor a message such that they can speak to 10 people in a conference room or 10,000 people in an auditorium and have them feel as if they were speaking directly to each one

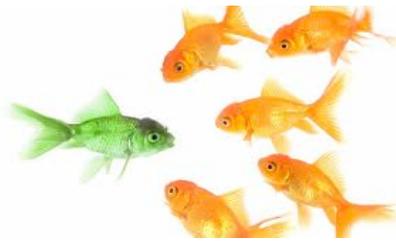
of them as an individual. Knowing how to work a room and establish credibility, trust, and rapport are keys to successful interactions.

11. Bonus – Be prepared to change the message if needed:

Another component of communications strategy that is rarely discussed is how to prevent a message from going bad, and what to do when does. It's called being prepared and developing a contingency plan. Again, you must keep in mind that for successful interactions to occur, your objective must be in alignment with those you are communicating with. If your expertise, empathy, clarity, etc. don't have the desired effect, which by the way is very rare, you need to be able to make an impact by changing things up on the fly. Use great questions, humor, stories, analogies, relevant data, and where needed, bold statements to help connect and engender the confidence and trust that it takes for people to want to engage. While it is sometimes necessary to 'Shock and Awe' this tactic should be reserved as a last resort.

Don't assume someone is ready to have a particular conversation with you just because you're ready to have the conversation with them. Spending time paving the way for a productive conversation is far better than coming off as the proverbial bull in a china shop. Furthermore, you cannot assume anyone knows where you're coming from if you don't tell them. I never ceased to be amazed at how many people assume everyone knows what they want to occur without ever finding it necessary to communicate their objective. If you fail to justify your message with knowledge, business logic, reason, empathy etc., you will find that said message will likely fall on deaf ears needing reinforcement or clarification afterward.

The bottom line is this. The leadership lesson here is whenever you have a message to communicate (either directly, or indirectly through a third party) make sure said message is true & correct, well reasoned, and substantiated by solid business logic that is specific, consistent, clear and accurate. Spending a little extra time on the front-end of the messaging curve will likely save you from considerable aggravation and brain damage on the back-end. Most importantly of all, keep in mind that communication is not about you, your opinions, your positions or your circumstances. It's about helping others by meeting their needs, understanding their concerns, and adding value to their world. Do these things and you'll drastically reduce the number of communications problems you'll experience moving forward. - **RF**



Supply Chain Visibility: The need and quality of an effective system

By Naveen Polyamut
(infosysblogs.com, 9 May 2012)

In today's world, supply chains are no longer localised to an organisation's four walls. As companies go more global for their demand and supply markets, there comes with it a spider-web of partners and dependencies. The situation gets more complex as partners may have their own processes, systems and work in their own time zones. This easily has a potential to lower the supply chain efficiency due to lack of collaboration between partners and non-availability of timely information. As a result, organisations end up either under stocked (that leads to lost customers) or overstocked (leading to unwanted inventory carrying costs).

It is imperative then, that companies can no longer bank on traditional solutions that only track inventory and its associated cost within the company's boundaries. Today's companies need to act on sudden changes/disruptions occurring in the supply chain that could otherwise have negative impact. Hence there arises a need to implement a system/process that can collaborate and obtain information from various sources, analyse and help formulate strategies for a more 'visible' supply chain.

Today's ever expanding supply chain environments have forced companies to think beyond traditional techniques of partner collaboration and information management which otherwise only increases latency and inconsistency. Systems not only need to be able to collaborate and provide data rich solutions but at the same time be nimble when expansion and changes occur. This is where most modern supply chains are automated - and Visibility is no exception.

However, leveraging the right technology is quintessential. The rules, flexibility and exceptions associated with supply chain information have created large volumes of data for companies to evaluate. The right technology can analyse data and produce valuable business intelligence,

which can ultimately lead to better, more informed supply chain decisions.

Following are some points that can help choose a best-in-class Visibility system:

Ease of on-boarding

This is a step that needs to be executed with utmost caution and with ease. A challenge modern companies face is in onboarding partners onto their network. In some cases of modern Visibility implementations, this has been a deal-breaker! Not all partners of customers are gung-ho about painstakingly making themselves part of new networks.

Collaborate & Integrate

Firstly, to achieve total visibility it is very important for all partners of the network to share their side of information on the proceedings. Secondly, since different partners work on different systems, each of them may have their own data standards. The visibility system should collaborate and consume data in various forms from across all partners and use it in the best possible way.

Present Information Effectively

Data accumulation & management still remains a key ingredient to a successful Visibility program. Equally important for Visibility systems is to provide a platform that helps evaluate KPIs, compare information using scorecards and create strategic dashboards that can be utilised to take better decisions and improve overall supply chain performance.

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Manage surprises

As organisations resort to more globalisation and outsourcing, there is always an element of surprise embedded

into the supply chain. As long as Visibility systems are able to keep key participants informed of key events, the system has proved its worth. A valuable visibility system also tells you what you SHOULD know in addition to what you already know. Most modern Visibility systems term this as 'Event/Alert Management'.

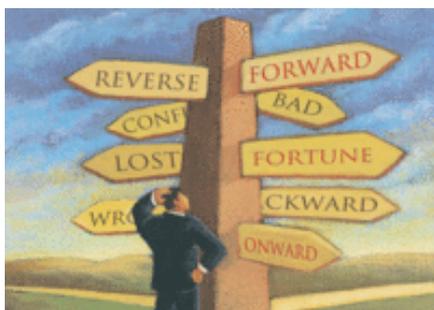
Be Near Real-time yet Scalable

A typical Visibility solution interacts with multiple systems to acquire, assimilate, churn and present data in a comprehensible way. Common challenges in this area are reading partner data in different formats and still adhering to different business rules that govern data processing. In trying to do so, performance should not be compromised.

'Partner type' dependent:

Visibility is every single partner's problem. A competent Visibility solution should be able to present same data to all participants of the supply chain network, with their individual perspective. Example: For a shipper, number of shipments at a 3PL warehouse might be a relevant metric while the 3PL provider may be more interested in the number of shipments for all serviced shippers. However, processes within an organisation should clearly outline owners of specific areas that are able to respond and take action in case of surprises.

Having considered the above points, the onus then is on companies to conduct a detailed study on existing processes, identify opportunities to streamline them and at the same time, evaluate the best of technology vendors that enable successful Visibility programs. For any modern day supply chain, technology enabled visibility system is not to be treated as an overhead but as a backbone of operations. - **RF**



Four major trends in Transportation Management to keep close tabs on

By Unknown (supplychainbrain.com, 19 March 2013)

In 2013, four trends will become hot

topics for transportation operations in companies large and small: transportation continuity planning, fuel efficiency and the move to alternative fuels, driver shortages, and transportation category management. – Mario Hegewald and Jim Osborne, Senior Managers in Ernst & Young LLP's Supply Chain Advisory Practice.

Transportation continuity planning

Sandy, and the storm that followed, has focused shippers on the need for transportation continuity planning. Most organisations don't have a formalised plan – instead, they rely on talented people to respond to a difficult situation. We suggest three basic actions:

One, develop a well-articulated, realistic continuity plan with your core carriers. Take a collaborative approach: extend operating hours, work with core carriers to leverage available capacity, and establish emergency plans with all carriers before the need arises.

Two, put in place a plan for proactively managing distribution planning levels by moving material inland or by increasing safety stock ahead of time.

Three, understand private-fleet capacity and your organisation's ability to redeploy this capability to your most vital lanes.

Fuel efficiency

Many operators are grappling for the right approach to mitigate fuel and equipment costs. Smart companies address this issue by:

One, launching an internal alternative fuels pilot program or ensuring core carriers have a program in place, and joining the EPA's SmartWay program.

Two, measuring the total cost of ownership of alternative fuel vehicles, and considering the implications of high acquisition costs, fueling infrastructure limitations, and maintenance, repair and overhaul.

Three, tracking diesel pricing and incorporating hedging strategies into long-term plans.

Four, utilising the latest route optimisation modeling software and engine-monitoring systems to optimise fuel efficiencies.

Driver shortages

Analysts believe the trucking industry is drivers short of meeting current demand. Scarcity will increase in the near term. Shippers need to improve the level of collaboration with their core carriers, balance the utilisation of private fleet versus purchased transportation, and evaluate creative outsourcing solutions.

Transportation category management: more than 75 percent of companies still procure their transportation services on the spot market. This practice is usually a source of increased cost and decreased service quality. Forward-looking companies are leveraging transportation spend by turning transportation into another strategic sourcing category, investing in strategic partnerships with carriers, and proactively asking themselves about the possibility of outsourcing transportation functions.

In 2013, four trends will become hot topics for transportation operations in companies large and small: transportation continuity planning, fuel efficiency and the move to alternative fuels, driver shortages, and transportation category management.

Assess the current state of your transportation function in terms of people, processes and technology. The Supply Chain Operations Reference (SCOR) provides a solid benchmark for doing this.

Develop a clear understanding of the role that transportation functions play in helping your company achieve its overall vision.

Create a road map that lays out how the transportation organisation will need to change in terms of people, process and technology in order to meet that vision.

The outlook is that transportation will continue to grow in importance across all industries and have a direct impact on the bottom line. It's vital for companies to stay ahead of the aforementioned trends.

Remember that the time for continuity planning is when there isn't a disaster looming. Be ever-watchful for ways to improve fuel efficiency. Anticipate driver shortages – strategise and collaborate with core carriers to find creative solutions. Optimise transportation organisation within your company to remain consistent with your vision. - **RF**



Megaship Mania: Who will benefit?

By Robert J. Bowman
(supplychainbrain.com, 25 March 2013)

It takes the giant Emma Maersk, which carries the equivalent of nearly 15,000 twenty-foot containers (TEUs), about three and a half miles to come to a dead stop. But there's no stopping the Triple-E, Maersk Line's even larger class of containership, from entering the liner trades over the next three years.

Not that Maersk, or other ocean carriers with plans to deploy similar vessels, wants to put a halt to the building of these record-breakers. The company has ordered 20 of the ships, with the first five scheduled for delivery in the second half of this year. They will see service in the Asia-Europe trade. But Maersk has decided not to pick up its option for an additional 10 Triple-Es. And despite carriers' claims that the biggest ships will lead to much better operating efficiencies and a lower cost per container slot, shippers are worried about the impact they will have on service.

The Triple Es will be the biggest vessels of any kind on the water. As Maersk likes to point out, each of the new ships could accommodate a football field, a basketball court and a hockey rink. Their specifications are truly impressive: more than 1,300 feet long, 193 feet wide and 239 feet tall. And while the Triple-E will be only slightly wider and longer than the carrier's previous E-class ships (of which the Emma Maersk was one), it will be able to carry an additional 2,500 containers.

Even shippers see an advantage to the newbuilds. 'Larger ships use less fuel per container, [expel] fewer emissions and are positive to the overall cost structure,' said Richard Smith, vice president of global transportation with Sears Holdings Corp. 'But will shippers share the cost advantage? That's an open question.'

Smith spoke on a panel at the Journal of Commerce's annual Trans-Pacific Maritime Conference in Long Beach, Calif. He applauded carriers' determination to stay in business, in part through the deployment of new vessel technology, but he wondered what the impact will be on the customer.

Start with the question of how carriers are going to fill all those container slots. Granted, the new arrivals will be replacing older and smaller vessels (if you consider a 10,000-TEU ship to be 'small'), but most of the displaced tonnage will end up in other trades, primarily the trans-Pacific. The net impact will be more capacity that must be filled. Will carriers have to stop at additional ports in order to load enough cargo to justify the trip? Will they prolong voyages that were already slowed down in order to save on fuel? And just how long will it take to unload these floating cities when they finally do hit port?

Landside issues are equally troubling. How many ports have the acreage to accommodate the thousands of containers that will be flowing across their docks with every ship call? Major containerports are switching from wheeled to stacked operations in order to boost efficiency, but do they have room for all those boxes? Can they locate, lift and move them out of the port fast enough? What about dockside cranes, which must be strengthened and stretched to work the extra-wide vessels? 'Port productivity is pretty standard, with regard to the number of containers that can be processed per hour,' noted Smith.

Both on dock and beyond port boundaries, intermodal railyards must be able to shift all those containers onto and off

stack trains in a timely manner.

Neighborhoods that adjoin port property already complain about the noise and pollution generated by trucks, trains and ships on arrival and sailing days. How much more congestion will result when all of that activity is triggered by a single ship?

Then there's the matter of longshore labor. Will dockworkers step up the pace when the new ships come calling, with all those additional boxes to be handled?

Smith further wondered what impact the megaships will have on existing slot-sharing arrangements within multi-carrier alliances. Already he's unhappy about contracting for service with one carrier, only to find that his containers were moved by one of that provider's alliance partners, possibly even coming into a different terminal. Or say that Sears strategically arranges for half its containers to be moved by one carrier, and half by another – then learns that all of the boxes under contract were loaded onto the same vessel. Expect that practice to become even more common with the deployment of bigger ships. In the event, Smith said, 'we lose the leverage we have with the carrier we're contracting with.'

Seroka defended the megaships, along with the space-sharing alliances, as essential tools for industry survival. 'Significant industry losses have forced carriers to drastically reduce costs,' he said.

He insisted that productivity issues raised by the big new ships are being addressed. APL is modifying its cranes in line with their wider dimensions. At the same time, it's investing in new inland container-terminal capacity, to relieve bottlenecks caused by the transfer of boxes between truck and train deep in the interior.

As for the carrier alliances, they will mean greater flexibility for shippers, with more port-pairing options, Seroka said. 'It doesn't mean more calls, but the availability of primary, secondary and tertiary service for wider and more expansive service areas.'

I see a parallel with the development of the Airbus A380, an aircraft that can carry more than 850 passengers in some configurations. I, for one, have no desire to be one of them. Would I feel that same way if I were the owner of a container that's one of 9,000 stowed within a single ship?

Already shippers are complaining about canceled sailings and slowed-down ships. Maybe carriers will figure out how to deploy these megavessels in a manner that will yield the necessary economies of scale without compromising further on service quality. But a lot of their customers, it seems, have yet to be convinced. - **RF**

The Triple E ships will be the biggest vessels of any kind on the water - It will be more than 400 meters long, 60 meters wide and 73 meter high to carry the 17,500 TEUs.

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

Result focused logistics and supply chain advisory services

By Anton Nieuwoudt / Niels Rudolph

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

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

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

Leadership

Anton has more than 12 years experience in logistics- and supply chain management across various industries.

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

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

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

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

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

Niels spent the largest part of his career at DB Schenker in various roles in Germany, Singapore, Malaysia and South Africa. During his last role at DB Schenker in South Africa, Niels was responsible for

logistics development, reporting directly to the CEO. Here he applied and expanded his knowledge to develop logistics solutions across the local automotive, high-tech and retail industries.

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

Functional experience

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

Industry exposure

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

Core offerings

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

Credentials

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

Our primary engagement has been with a leading global third party logistics company. Here we've been tasked to support them in their turn-around of their contract logistics department.

Secondary engagements during our first quarter 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. - **RF**

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dasResultat is a result focused logistics and supply chain management advisory company.

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

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