February 2013

RESULTFOCUSED

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.

Vol 1, No 2 (2013)

How would you define a successful business partnership?

By Anton Nieuwoudt

According to the Supply Chain Management Institute, a business partnership can be defined as '... a tailored business relationship based on mutual trust, openness, shared risk and shared rewards that results in business performance greater than would be achieved by the two firms working together in the absence of partnership.'

There are three things that grabbed my attention when I read this definition.

One, is the fact that it should be *tailored*. There is no 'one-size-fits-all' model when it comes to business partnerships, and in order to really tailor the partnership one need to fully understand the operating environment of your partner. In a logistics and supply chain services context it means that as a service provider you cannot claim to add any value to your business relationships if you don't know what drives your client's business and how you are supporting them to attain their goals and objectives. From a purchaser perspective you cannot expect to unlock the full potential of your service provider if you don't allow them to gain insight into your operating environment and also try to better understand how you impact their business.

Two, partnerships needs to be based on a *mutual agreement* that allows both parties to share in the benefits as well as share in the risks. A one-sided agreement or contract can never ensure complete trust and openness in any business relationship.

Three, the overall *mutual benefit* should far outweigh the sum of the individual parts. If a business relationship does not generate a overall benefit for both parties which could not have been attained individually, it's time to re-assess whether that relationship are still worth pursuing.

As you could have gathered by now, this issue of RESULTFOCUSED is mainly centered around partnerships and relationships in the supply chain. In my experience, solid relationships in many cases can mean the difference between mediocrity and excellence.

For good measure we've also included an interesting take on the whole Lance Armstrong issue which is unravelling as you read this. You can decide what to read into it.

If we are together nothing is impossible. If we are divided all will fail. - Winston Churchill

Supplier Relationship Management
and the seven strategies for future procurement

By Ton van Dolder
(Capgemini Consulting, 21 December 2012)

Due to the challenging economic conditions of the last few years, many CPO's have reverted to the old school methods of procurement: achieving savings through squeezing suppliers and contract renegotiations. We feel this trend is unfortunate as the economic situation currently creates numerous opportunities for procurement organisations to achieve savings while creating long term, sustainable relationships with suppliers.

How can procurement organisations respond to the need for short-term savings while simultaneously focusing on long-term supplier development? We developed the "Seven Strategies for Future Procurement", which is a practical framework to assist CPOs in creating best-in-class procurement organisations. Regardless of the maturity of the organisation, these strategies should be included in the strategic plans for the coming years.

Below is a high-level look at the "Seven Strategies for Future Procurement":

Closed loop procurement

Many procurement organisations are still struggling to master the basics: spend visibility and, sourcing and contract compliance. Establishing closed loop procurement is a major achievement and an end goal in itself for most procurement organisations. This strategy involves optimising the basic infrastructure for procurement, from source to pay, in processes, organisation and supporting IT systems.

Hybrid organisation models

At a functional level, we see a trend towards hybrid organisational models that combine the benefits of central coordination with improved business collaboration. At a category level, we see further differentiation in organisational models depending on business, category and supply market specific characteristics. A one-size-fits-all organisation design is no longer good enough. Gain all of the benefits from different organisational models and shape your own future procurement organisation.

Supplier value management

Leading procurement organisations manage collaborative supplier relationships to extract more value from the supply base. Creating value is on every agenda, but capturing this value is difficult. Utilising a hybrid organisation model, you will be able to manage different categories in a diverse manner. It is our belief that innovation is the driver for creating value. Use Innovation Driven Procurement (IDP) to accelerate the pace of innovation within organisations by leveraging the innovative power of the supply base.

Supplier risk management

Increased dependency on external suppliers, volatility in raw material and energy prices, shortage of key materials, currency imbalances, and global financial crises have all made companies recognise once again the importance of supplier risk management and overall resiliency in the supply chain. Risk management will be central to procurement, combining risk, innovation, sustainability, preferred customer strategies, and supplier management.

End-to-End supply networks

Leading procurement organisations manage multiple supply networks that differentiate service characteristics by product/market segment. Managing complex supply networks requires pipeline visibility and alignment of planning and control across multiple tiers of suppliers.

Talent development

For years we have seen that CPOs around the globe indicate that talent is the fourth biggest challenge for "marketing" procurement within their own organisation. We strongly believe that talent will be the key driver of success for procurement organisations in the years to come. Leading companies have recognised talent as the key enabler for further developing the supply management function, and are investing heavily in attracting, training and retaining top talent.

Technology leverage

Leading supply management requires technology that is more user-friendly, provides real-time visibility, is better integrated, enables more effective collaboration with the supply base, and has more powerful analytic and simulation capabilities.

This last "strategy" for future procurement, in particular, is a key enabler for realising most of the other strategies. This is why the choices in technology should be an integral part of the procurement strategy. - *RF*

Procurement organisations can respond to the need for short-term savings while simultaneously focus on long-term supplier development

The full Capgemini report can be downloaded at: http://www.capgemini.com/insights-and-resources/by-publication/supplier-relationship-management-srm-research-20122013-solution-analysis-and-business-insights/

From bean to cup: How **Starbucks** transformed its supply chain

By James A. Cook
(CSCMP's Supply Chain Quarterly, Quarter 4, 2010)

With operational costs rising and sales declining, the global coffee purveyor implemented a three-step plan to improve supply chain performance, cut costs, and prepare for the future.

It takes a well-run supply chain to ensure that a barista pours a good cup of Starbucks coffee. That's because the journey from bean to cup is a complicated one. Coffee and other merchandise must be sourced from around the globe and then successfully delivered to the Starbucks Corporation's 16,700 retail stores, which serve some 50 million customers in 51 countries each week.

But in 2008, Starbucks wasn't sure that its supply chain was meeting that goal. One clue that things were not quite right: the company's operational costs were rising even though sales were cooling. Between October 2007 and October 2008, for example, supply chain expenses in the United States rose from US $750 million to more than US $825 million, yet sales for U.S. stores that had been open for at least one year dropped by 10 percent during that same period.

In part, Starbucks was a victim of its own success. Because the company was opening stores around the world at a rapid pace, the supply chain organisation had to focus on keeping up with that expansion. "We had been growing so fast that we had not done a good enough job of getting the [supply chain] fundamentals in place," says Peter D. Gibbons, executive vice president of global supply chain operations. As a result, he says, "the costs of running the supply chain—the operating expenses—were rising very steeply."

To hold those expenses in check and achieve a balance between cost and performance, Starbucks would have to make significant changes to its operations. Here is a look at the steps Gibbons and his colleagues took and the results they achieved.

A plan for reorganisation

Starbucks' supply chain transformation had support from the very top. In 2008, Chairman, President, and Chief Executive Officer Howard Schultz tapped Gibbons, who was then senior vice president of global manufacturing operations, to run the company's supply chain. This was a familiar role for Gibbons; prior to joining Starbucks in 2007, he had been executive vice president of supply chain for The Glidden Co., a subsidiary of ICI Americas Inc.

The first two things Gibbons did in his new position were assess how well the supply chain was serving stores, and find out where costs were coming from. He soon learned that less than half of store deliveries were arriving on time. "My quick diagnosis was ... that we were not spending enough attention on how good we were at delivering service to stores," he recalls. Following that assessment, Gibbons began visiting Starbucks' retail stores to see the situation for himself and get input from employees. "The visits were made to confirm that our supply chain could improve significantly," he explains. "The best people to judge the need for change were those at the customer-facing part of our business."

Starbucks was a victim of its own success. Because the company was opening stores around the world at a rapid pace, the supply chain organisation had to focus on keeping up with that expansion.

A cost analysis revealed excessive outlays for outsourcing; 65 to 70 percent of Starbucks' supply chain operating expenses were tied to outsourcing agreements for transportation, third-party logistics, and contract manufacturing. "Outsourcing had been used to allow the supply chain to expand rapidly to keep up with store openings, but outsourcing had also led to significant cost inflation," Gibbons observes.

In response to those findings, Gibbons and his leadership team devised a three-step supply chain transformation plan and presented it to Starbucks' board of directors. Under that plan, the company would first reorganise its supply chain organisation, simplifying its structure and more clearly defining functional roles. Next, Starbucks would focus on reducing the cost to serve its stores while improving its day-to-day supply chain execution. Once these supply chain fundamentals were firmly under control, the company could then lay the foundation for improved supply chain capability for the future.

Simplifying the complex

The first step of the transformation plan, reorganising Starbucks' supply chain organisation, got under way in late 2008. According to Gibbons, that involved taking a complex structure and simplifying it so that every job fell into one of the four basic supply chain functions: plan, source, make, and deliver. For instance, anybody involved in planning—be it production planning, replenishment, or new product launches—was placed in the planning group. Sourcing activities were grouped into two areas: coffee and "non-coffee" procurement. (Starbucks spends US $600 million on coffee each year. Purchases of other items, such as dairy products, baked goods, store furniture, and paper goods, total US $2.5 billion annually.) All manufacturing, whether done in-house or by contract manufacturers, was assigned to the "make" functional unit. And finally, all personnel working in transportation, distribution, and customer service were assigned to the "deliver" group.

After the supply chain functions were reorganised, the various departments turned their attention to the second objective of the supply chain transformation: reducing costs and improving efficiencies. As part of that effort, the sourcing group worked on identifying the cost drivers that were pushing up prices. "We went out to understand the contracts we had, the prices we were paying, and the shipping costs, and we began breaking items down by ingredient rather than just purchase price," Gibbons says. "We built more effective 'should cost' models, including benchmarking ingredients and processes, which showed that we could negotiate better prices."

Meanwhile, the manufacturing group developed a more efficient model for delivering coffee beans to its processing plants, with the goal of manufacturing in the region where the product is sold. Starbucks already owned three coffee plants in the United States, in Kent, Washington; Minden, Nevada; and York, Pennsylvania. In 2009, the company added a fourth U.S. plant, in Columbia, South Carolina. The benefits of that approach were quickly apparent; regionalising its coffee production allowed Starbucks to reduce its transportation costs and lead times, says Gibbons. Moreover, once the new facility was up and running, all of the U.S. coffee plants were able to switch from seven-day operations to five days.

In addition to the four coffee facilities it owns in the United States, Starbucks also operates a coffee plant in Amsterdam, the Netherlands, and a processing plant for its Tazo Tea subsidiary in Portland, Oregon. The company also relies on 24 co-manufacturers, most of them in Europe, Asia, Latin America, and Canada.

> **"The best people to judge the need for change were those at the customer-facing part of our business."**
>
> **Peter D. Gibbons**

Even though it spread production across a wide territory, transportation, distribution, and logistics made up the bulk of Starbucks' operating expenses because the company ships so many different products around the world. Getting that under control presented a daunting challenge for the supply chain group. "Whether coffee from Africa or merchandise from China, [our task was to integrate] that together into one global logistics system, the combined physical movement of all incoming and outgoing goods," says Gibbons. "It's a big deal because there's so much spend there, and so much of our service depends on that. ... With 70,000 to 80,000 deliveries per week plus all the inbound shipments from around the world, we want to manage these logistics in one system."

One world, one logistics system

The creation of a single, global logistics system was important for Starbucks because of its far-flung supply chain. The company generally brings coffee beans from Latin America, Africa, and Asia to the United States and Europe in ocean containers. From the port of entry, the "green" (unroasted) beans are trucked to six storage sites, either at a roasting plant or nearby. After the beans are roasted and packaged, the finished product is trucked to regional distribution centers, which range from 200,000 to 300,000 square feet in size. Starbucks runs five regional distribution centers (DCs) in the United States; two are company-owned and the other three are operated by third-party logistics companies (3PLs). It also has two distribution centers in Europe and two in Asia, all of which are managed by 3PLs. Coffee, however, is only one of many products held at these warehouses. They also handle other items required by Starbucks' retail outlets—everything from furniture to cappuccino mix.

Depending on their location, the stores are supplied by either the large, regional DCs or by smaller warehouses called central distribution centers (CDCs). Starbucks uses 33 such CDCs in the United States, seven in the Asia/Pacific region, five in Canada, and three in Europe; currently, all but one are operated by third-party logistics companies. The CDCs carry dairy products, baked goods, and paper items like cups and napkins. They combine the coffee with these other items to make frequent deliveries via dedicated truck fleets to Starbucks' own retail stores and to retail outlets that sell Starbucks-branded products.

Because delivery costs and execution are intertwined, Gibbons and his team set about improving both. One of their first steps was to build a global map of Starbucks' transportation expenditures—no easy task, because it involved gathering all supply chain costs by region and by customer, Gibbons says. An analysis of those expenditures allowed Starbucks to winnow its transportation carriers, retaining only those that provided the best service.

The logistics team also met with its 3PLs and reviewed productivity and contract rates. To aid the review process, the team created weekly scorecards for measuring those vendors. "There are very clear service metrics, clear cost metrics, and clear productivity metrics, and those were agreed with our partners," Gibbons notes.

The scorecard assessments of a 3PL's performance were based on a very simple system, using only two numbers: 0 and 1. For example, if a vendor operating a warehouse or DC picked a product accurately, it earned a "1" for that activity. If a shipment was missing even one pallet, the 3PL received a score of "0." As part of the scorecard initiative, Starbucks also began making service data by store, delivery lane, and stock-keeping unit (SKU) available to its supply chain partners. "The scorecard and the weekly rhythm (for review of the scorecard) ensured transparency in how we were improving the cost base while maintaining a focus on looking after our people and servicing our customers," Gibbons says.

Although Starbucks has a raft of metrics for evaluating supply chain performance, it focuses on four high-level categories to create consistency and balance across the global supply chain team: safety in operations, service measured by on-time delivery and order fill rates, total end-to-end supply chain costs, and enterprise savings. This last refers to cost savings that come from areas outside logistics, such as procurement, marketing, or research and development.

In undertaking all of those steps to reduce operating costs and improve execution, Gibbons says, Starbucks was laying the foundation for future supply chain capabilities. "We tell the stores that we have got to get the fundamentals right—the things that give people confidence. ... We don't ship things that aren't right," he explains.

Earning the company's confidence

Since Starbucks began its supply chain transformation effort, it has curtailed costs worldwide without compromising service delivery. "As a company," Gibbons says, "we have talked publicly of over $500 million of savings in the last two years, and the supply chain has been a major contributor to that."

In Gibbons' eyes, the transformation effort has been a success. "Today there's a lot of confidence in our supply chain to execute every day, to make 70,000 deliveries a week, to get new products to market, and to manage product transitions, new product introductions, and promotions," he says. "There's a lot of confidence that we now are focused on service and quality to provide what our stores need and what our other business customers need."

To sustain that momentum for improvement and to ensure a future flow of talent into the organisation, Starbucks recently began an initiative to recruit top graduates of supply chain education programs. (For more on this initiative, see the sidebar "Starbucks: The next generation.") Along with its recruiting program, the company plans to provide ongoing training for its existing employees to help them further develop their supply chain knowledge and skills. "We want to make sure we have thought leaders [in our supply chain organisation]," Gibbons says. Starbucks considers this initiative to be so important, in fact, that Gibbons now spends 40 to 50 percent of his time on developing, hiring, and retaining supply chain talent.

The infusion of new recruits will allow Starbucks to stay focused on its supply chain mission of delivering products with a high level of service at the lowest possible cost to its stores in the United States and around the globe. As Gibbons observes, "No one is going to listen to us talking about supply chain strategy if we can't deliver service, quality, and cost on a daily basis."
- ***RF***

Lance Armstrong and what you can learn from his failure

By Steve Tobak
(Inc.com, 16 January 2013)

There's an age-old saying: "May you live in interesting times."

The enigmatic phrase usually applies to famous or notorious people. Whether it's a blessing or a curse often depends on their actions--such as getting caught doing something they shouldn't have done.

That certainly appears to be the case with Lance Armstrong.

After years of angry denials, the disgraced cyclist finally admitted to doping--to Oprah Winfrey, no less. He appears to be after some sort of redemption, or at least a diminished ban so he can earn a living racing in triathlons.

The question on everyone's mind is, does he deserve absolution, or did his bad behavior cross a line from which there is no return? To most people, that's a question of ethics and a black-and-white one, at that. Not to me.

While Armstrong's situation may seem unique, it's not.

It's actually quite common in the business world. Many of you may face a similar dilemma at some point in your career, if you haven't already. And like it or not, the path to choose is not as black and white as you might think.

First, let me explain something about Armstrong. He is a fierce competitor who's incredibly focused on winning. That's what drives him. He always has something to prove and a chip on his shoulder about proving it.

Which means he's not unlike some other star athletes, such as former tennis star John McEnroe or Green Bay Packers quarterback Aaron Rodgers. To me, he also sounds a lot like a number of great entrepreneurs and business leaders.

Guys like Donald Trump, George Steinbrenner, Bill Gates, and Larry Ellison come to mind.

A big difference is that Armstrong found himself competing in a sport that has been completely overrun by organised, systematic doping that generates more red blood cells and improves aerobics. If you don't do it, you're at a tremendous disadvantage. And everyone who does it knows exactly how to avoid getting caught.

Once you start down that path, it's a slippery slope.

Not only that, but once you win big and achieve some notoriety that way, it's all too easy to find yourself locked on a treadmill you can't get off. We'll come back to that in a minute.

Now, don't get me wrong. I'm not defending Armstrong's actions. I'm simply suggesting that it's not uncommon to experience similar dilemmas in the business world.

Let me give you a couple of notable examples that come to mind:

Just six years ago, an epidemic of stock option backdating accounting scandals rocked the high-tech industry. It took down dozens of top executives from Apple, Altera, Broadcom, Brocade, Cirrus Logic, KLA-Tencor, Maxim, McAfee, Rambus, Sanmini-SCI, Take-Two, Verisign, and Vitesse.

The Apple case tainted the careers of two top executives, former CFO Fred D. Anderson and senior VP and general counsel Nancy Heinen, both of whom were forever banned from serving as officers or directors of public companies. Steve Jobs narrowly dodged a bullet because his backdated options had gone underwater, so he had previously had them cancelled and exchanged for restricted shares. That was sheer luck.

And how about all the top executives that got caught lying on their résumés about degrees they never received? Former chief executive Scott Thompson was shown the door at Yahoo following the Résumé-gate scandal. But Microsemi's board members stood behind CEO James Peterson, even after he lied to them and their shareholders in denying the allegations that later turned out to be true.

It's easy to assume that those executives intended malice, but I don't think that's how it typically happens.

I think they embellish their résumés--as many do--when they're young and in desperate need of work. And it follows them throughout their careers. By the time they hit the jackpot and become top executives, it's too late to change their résumés without calling attention to it. There's that treadmill we talked about earlier.

Relating all this back to the Lance Armstrong situation, I think bad behavior often comes down to three major factors:

The age factor. When I was young, I did some stupid things. I know very few people who didn't. Luckily, they didn't amount to much and I didn't get locked into any treadmills I couldn't get off of. I'm incredibly thankful for that. Today, I'm more risk averse because I have so much more to lose, so I'm in little danger of crossing any lines. That clearly wasn't the case with Armstrong and some of the others in the examples above who made bad decisions and perhaps set their paths when they were young.

The denial factor. When it comes to leaders behaving badly, denial is nearly always in play. But any good shrink can tell you that, on some level--probably subconscious--nearly all of us are aware of what we're doing. And if we do bad stuff, it

The question on everyone's mind is, does he deserve absolution, or did his bad behavior cross a line from which there is no return? To most people, that's a question of ethics and a black-and-white one, at that. Not to me.

eats at us. So, even if you're good at compartmentalising bad behavior, a part of your brain feels guilty. And if you are consciously aware of what you're doing, well, who wants to spend their life looking over their shoulder? Not me, that's for sure. It's a lousy way to live. In any case, we all have some capacity for compartmentalisation and denial under certain conditions and at certain points in time. All of us.

The ethics factor. Some people are so driven by the need to prove something, by that chip on their shoulder, that they'll do whatever it takes to win. It's a powerful motivator in lots of successful people. And sometimes, they cross a line. For others, ethics and morals are a really big deal. They simply won't cross that line no matter what. I think these two groups of people are at opposing ends of the bell curve, and everyone in the middle has some aspects of both extremes.

So you see, none of this is black and white. That's why I look at Armstrong's redemption in purely practical terms. I'm not interested in what his motivation is for reversing course and coming clean. But if, and only if, he's willing to help expose and bring down the doping culture in cycling, then I think he deserves some leniency and should be allowed to compete in triathlons.

If you're more inclined to be judgmental, that's fine. Let he who is without sin cast the first stone. - ***RF***

Global Logistics and optimising 3PL partnerships

By Patrick Burnson (Logistics Management Review, 01 November 2012)

When examining best practices in managing third party logistics provider (3PL) relationships, leading consultants, analysts, and educators recognise that most logistics managers begin their search with one goal in mind: to reduce cost by leveraging outsourced expertise and technology.

Naturally, one assumes that top 3PL players will provide the basic services that are now in widespread demand to achieve these goals. For example, the best 3PLs use the latest tools such as Lean and Six Sigma concept and offer the latest in warehouse management systems (WMS) and transportation management systems (TMS). And, the big players have real-time tracking and event management systems with "shipper alerts" for delays.

Shippers also expect their 3PLs to have network optimisation capability to enable them to select the optimal warehouse locations. And, of course, 3PLs are relied upon for global expertise, including regulatory compliance and documentation.

However, according to our expert sources, there's more than meets the eye when it comes to managing and optimising a 3PL relationship. According to J. Paul Dittmann, Ph.D., executive director of the Global Supply Chain Institute at the University of Tennessee, shippers also need their 3PL to take direction, respond rapidly, and generate ideas for improvement.

"Shippers further expect their 3PLs to become a strategic partner in efficiently growing their business," says Dittmann. "Today, aggressive, continuous improvement is a given."

According to Dittman, industry surveys indicate that the most important factor in establishing a successful 3PL relationship is trust—fostered by good communications between the two parties. Third party logistics providers report that their greatest challenge is finding qualified people who are dedicated to learning the client's business, and taking it to the next level.

However, in order to complete that journey, several steps must be initiated and executed. If a checklist has not yet been established, the time for creating one is now. Our experts have helped us create a list of three steps that they feel will go along way in helping shippers fully optimise their 3PL partnerships.

Establish "gain sharing"

For Dittman, it's all about "gain sharing," or a mutually beneficial arrangement that is nurtured over time.

"Gain sharing is often a second phase, implemented after the relationship matures to some extent," says Dittman. "About one-third of all 3PL contacts have gain sharing arrangements. Most gain sharing relationships are based on a 50/50 sharing of cost savings, while some have an incentive payout if key performance indicators are met."

But agreeing on a method to measure cost savings against a base line is challenging, admits Dittman, and is the main reason gain sharing arrangements are not used. "Those managers that are experienced with it believe strongly that an arrangement should be initiated only after the 3PL has demonstrated that it can meet all of the performance requirements expected."

Dittman adds that once performance

"Today, aggressive, continuous improvement is a given. Shippers further expect their 3PLs to become a strategic partner in efficiently growing their business,"

J. Paul Dittman

expectations have been met, and a good cost baseline (cost/unit shipped) has been documented, it should be possible to move forward with a plan to share 50/50 in the cost savings proposed and implemented by the 3PL. Service level credits can also be considered.

"A major variable in establishing a gain sharing formula is whether or how to factor in normal inflation," says Dittman. "For example, if a logistics cost index goes up 3 percent and actual cost/unit stays flat, does that mean a 3 percent savings was achieved?" Dittman adds that the downside of waiting a year or more to initiate a gain sharing arrangement is that the 3PL may withhold its cost savings proposals until a gain sharing deal is begun.

Find a cultural fit

The vetting process is a two-way street according to John Langley, Ph.D., professor of supply chain and information systems at Penn State University. He says 3PLs carry a checklist of their own when interviewing prospective customers.

"A good 3PL will let a shipper know if they can build a long-term relationship," says Langley. "Basically, the same evaluation principles apply. Third party providers want shippers to share their operational strategies and financials with them, and they want the big picture before committing to a deal."

This includes learning about the shipper's core competencies and its labor relations, says Langley. Once that's achieved, the 3PL can align its offerings with shipper demands. "The shipper can then ask the 3PL to outline its range of operational capabilities and services," he adds. "They should define their geographic areas of strength, information technology, and their capacity for growing the shipper's business."

Langley defines this as "onboarding," or the gradual integration of cultures based on management of performance and feedback processes. He adds that a "pre-planned exit strategy" should also be put in place.

"There is delicate balance to be maintained during the initial collaboration, and if either party fails to understand the shared objective, they should part ways before the situation worsens," says Langley.

Robert Lieb, professor of supply chain management at Northeastern University, agrees, notes that most 3PL contract failures can be traced to the implementation stage.

"Remember, the deal isn't done when the contract is signed," he says. "At that time it's essential that both parties are clear about expectations, responsibilities, and the metrics to be used in judging performance."

Lieb advises shippers and 3PLs to "cross-train" as part of the implementation process, thereby learning the same tactics and strategies necessary for collaboration. "Don't look at the relationship between the two companies as a zero-sum game," he adds. "And don't panic during tough times. My research has indicated that at least one-third of 3PL relationships actually improve during periods of time when the parties look at their problems and work toward resolving those problems together."

Lieb says he can't stress enough the power and benefit of strong communication between the parties: "Develop an early warning system that identifies potential problems when they first emerge and don't personalise the problems. Collectively work toward problem resolution."

Industry surveys indicate that the most important factor in establishing a successful 3PL relationship is trust—fostered by good communications between the two parties. Third party logistics providers report that their greatest challenge is finding qualified people who are dedicated to learning the client's business, and taking it to the next level.

Implement risk mitigation

Researchers at Eyefortransport (EFT), a London-based logistics and transportation think tank, report that 3PLs are seeing their best opportunities for growth in China and North America. According to their recent report Global 3PL & Logistics Outsourcing Strategy, the two regions also saw the biggest change in opinion since last year, with North America having seen the largest increase and China having seen the largest decrease.

According to Linda Conrad, director of strategic business risk management for Zurich Services, shippers doing business in China should be especially vigilant. "Productivity there can be disrupted despite an absence of physical damage," says Conrad. "Companies need to think beyond their traditional contingent insurance coverage toward supply-chain disruption, which can come from any cause."

Physical damage has not been the only cause of business disruption in recent years, according to Zurich's database of unanticipated events. Business disruptions can come from many sources, such as information technology outages, port closures, labor actions, or regulatory changes.

"Knock-on effects mean it's more important than ever to map out the value chain from end-to-end, including inter-dependencies. Companies need to ask and be aware of the triggers or drivers that would cause a risk to come to fruition," Conrad says. "Then, they need to determine what they would do to mitigate the risk or severity."

Most companies look at what they can do to respond to a crisis, which is reactive, she says. It's more important to be proactive, by coming up with preventive measures and continuity plans."

"When shippers and 3PLs are planning proactively for business resilience, it becomes a competitive advantage," she says. "Because you're back in the market more quickly than your competitors, they can benefit from a lower cost of recovery and even gain market share."

Shippers can't assume that a 3PL's force majeure or typical insurance policies will cover supply disruption from things such as strikes, says Conrad. If the fault is with the supplier, it's the supplier's insurance that should compensate.

"However, the supplier might be under-insured or not insured at all, and you might end up paying for claims that should have been covered by your vendor unless your own insurance covers all risks of non-delivery," adds Conrad.

The ultimate 3PL checklist contains a failsafe clause, analysts agree. When it comes to finding a 3PL shippers need to do due diligence on the insurance they require of their suppliers so there are no gaps that leave them exposed. - ***RF***

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

das[R]ESULTAT
integrity • independence • results

Result focused logistics and supply chain advisory services

By Anton Nieuwoudt / Niels Rudolph

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

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

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

Leadership

Anton has 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, an Honors degree in Logistics Management 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. They cover areas such as Supply Chain Management, Business Management, Logistics Management and Project Management.

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***

dasResultat (Pty) Ltd.

25 Kelly View
11 Kelly Lane
Bedfordview
Gauteng
2007

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.

in
www.linkedin.com/company/dasresultat

Anton Nieuwoudt
anton.nieuwoudt@dasresultat.com
+27 82 495 3419

in
za.linkedin.com/in/antonnieuwoudt/

Niels Rudolph
niels.rudolph@dasresultat.com
+27 79 588 8098

in
http://www.linkedin.com/pub/niels-rudolph/4/4aa/231