

W.R. Grace solves global puzzle

The foremost specialty chemicals and materials company brought on a transformational logistics leader, shed its transportation and warehouse assets, and ramped up a rapid worldwide expansion. Here's how it happened.

BY PATRICK BURNSON, EXECUTIVE EDITOR

When Tom Brossart, W.R. Grace & Co.'s director of global logistics and trade compliance, took a leadership role at the company in 2005, he brought with him nearly two decades of management experience. A Six Sigma Black Belt, he worked for other multinationals as diverse as SAIC Corp. to GE Global Exchange Services. Admittedly, he says, there were a lot of lessons learned in that time, but when he landed at Grace he quickly realized that he needed to shed some of those preconceived ideals and take a fresh look at a rather complicated situation.

"Six years ago Grace attempted to manage all of its freight resources in house with private trucking fleets and its own warehouses and DCs in a mixed fashion," says Brossart of his early days with the company. "Some of it was managed by plant, some by country, with little to no leveraging of spend. Additionally, the company had very limited visibility into what it was buying."

Once he understood that he was hired to quickly broaden the company's footprint in emerging markets, Brossart—who reports to the company's CFO—soon got the company to change its strategy. By evaluating a sampling of regional third-party logistics providers (3PLs) and fourth-party providers (4PLs), he determined where each would fit into the company's global logistical model. Then he made his boldest move: advising Grace to shed its trucking fleets, warehouses, DCs, and other transport assets.

"Even though Grace currently operates in more than 40 countries, we want to be 'asset agnostic,'" he says. "We'd rather rent than own."

Under Brossart's leadership, the company now uses two 3PLs and one 4PL to target, penetrate, and distribute its goods and services to markets in North America, South America, the

Middle East, and Asia. Products range from chemical reaction catalysts for the manufacture of plastics to silica-based engineered and specialty materials. Grace also manufactures sealants and coatings for food and beverage packaging, as well as specialty chemicals, additives, and building materials for commercial and residential construction.

"It's a complex product offering, says Brossart, "requiring complex strategic partnerships. One logistics provider is not going to get the whole job done."

PIECES FALL TOGETHER

Indeed, the North American piece of the puzzle alone proved to be quite challenging. Because he had worked with them before, Brossart decided to engage Odyssey Logistics & Technology (OL&T) to manage the regulatory compliance segment of outbound business. As it turns out, Brossart came to rely on the 3PL when it expanded into Europe and the Middle East as well.

"Odyssey really helped us get out of the domestic trucking business entirely," recalls Brossart. "Now they manage our motor carrier business and spot lanes where we can cut cost and improve efficiency. And now they help negotiate with the liquid logistics provider—Tristar—overseas."

OL&T also helps Grace with ocean contracting by bringing in their own negotiating team to work with Grace on seasonal contracts. This was formerly done on a piece meal basis with each specific carrier. "We do it every year here at our Columbus, Ohio, headquarters," says Brossart. "It's a very formalized process that leaves no room for doubt or misunderstandings."

Seeking to expand into Asia in 2007, Grace engaged Elite, an Asia-centric 3PL, for shipping in and out of the region. According to Brossart, the provider has an intimate knowl-



edge of the rules, regulations, tariffs, duties, and customs that vary widely even in a region as closely networked as the Asian cluster of countries.

"It's far cheaper to pay Elite for its expertise than to build it internally as we were doing in the past," he says. "They are regionally focused in the Asia-Pacific region and perform work in Australia, Malaysia, Thailand, and China." The partnership did not develop without considerable diligence, however. Brossart recalls how Grace spoke with multiple providers all using different agents before finding the right 3PL.

"We put out an RFP and discovered that they were the only ones who could deliver everything we were looking for

in Asia," he says. "That includes all the nuances of trade laws, regulations, and agreements. These are subject to sudden change or alteration, but our 3PL can turn on a dime."

As it turned out, its 3PL partner can also provide value-added strategic solutions that Grace was lacking in the past. According to Brossart, the 3PL observed that Grace was losing inventory by relying on badly designed trucks. Coming up with its own prototype, Elite showed Grace how to move bulk commodities more efficiently with a new vehicle. "This is simply something that could not have been done without a strategic partnership," says Brossart.

Finally, in 2009, Grace began looking for a logistics provider to handle most of their global long-haul work. For this, Brossart went to a privately-held 4PL, BDP International. Headquartered in Philadelphia, BDP operates freight logistics centers in more than 20 cities throughout North America with a network of subsidiaries, joint ventures, and strategic partnerships in 122 countries.

"This logistics provider not only ships our products from the U.S. and Europe around the world, but it also moves whole factories making silica gel from their point of assembly in Saudi Arabia to Latin American countries," explains Brossart. "We call these factories 'plant-in-a-box' because they are completely

self-contained operations designed to be set up as soon as they arrive.”

GLOBAL COLLABORATION

Brossart has now orchestrated significant collaboration between Odyssey, BDP, and Elite in their work for Grace. For example, when Odyssey helps Grace with ocean rate negotiations and creating rate routing guides, it shares that intelligence with BDP. And when BDP receives new route requests, they send them to Odyssey for negotiation.

“When it comes to ocean carriage, we go with our negotiated contracts with selected providers,” says Brossart. “BDP is also a non-vessel operator, so they could provide that service as an intermediary as well. But unless it’s an emergency, we stick to our own plan.”

Brossart recalls that when BDP had to perform an importation into Thailand, they encountered issues with duties and fees. So, they reached out and enlisted Elite’s help to take advantage of their

significant local expertise. “There is some geographic overlap between the three companies, so we have a hedge against missing a delivery,” he says.

That risk is exacerbated by several industry trends, Brossart adds. “Slow steaming” in the transpacific for example, has caused him to consider all-water deployments through the Suez Canal rather than make Asia-direct calls to the U.S. West Coast. “And all bets are off when the Panama Canal is expanded in 2014,” he says. “We are pleased to learn that some ocean carriers are promising shippers ‘time-definite’ service to counter this strategy, and we will give them more of our business if they can perform up to expectations.”

Nor does Brossart see a wholesale softening of ocean carrier rates in 2012, despite the glut of capacity being introduced on nearly all the major trade



lanes. He says carriers will demand rates that will keep them in business, and if those rates are “reasonable,” shippers should compromise. The trucking issue is more problematic, says Brossart, as there are so many issues affecting that sector.

“The hours-of-service rules, changing wage scales, and a persistent driver shortage is something that we are all going to have to deal with,” he says. “Fortunately, we have 3PLs

that can help us manage freight. They can locate current truckload rates on lanes we run, and track lane history and compare spot market to contract rates.”

For rail and intermodal, Brossart lets his 3PL compile industry facts and statistics that demonstrate to carriers that Grace is a desirable—and sustainable—customer.

“Again, it’s all about partnership,” he says. “Our 3PLs explain how Grace is growing and what new technology is available. Then they describe how imports will affect domestic movements and help carriers determine the value placed on moving our commodities versus other commodities and traffic types.”

The mode of last resort for Grace—air—is only used when all else fails, says Brossart, noting that the company’s high-end, high-value, electronic goods or chemical catalysts comprise this cargo delivery solution. “And we don’t like using it,” he admits with a sigh. “But when it has got to get there on time, we do what it takes.” Furthermore, says Brossart, dependence on a more complex modal mix may come into play if Grace continues to expand in Latin America.

As a supply chain executive with bottom line accountability, Brossart may soon be charged with bringing in another “lead logistics partner” to leverage a mutually beneficial deal in Latin America. Does he find this to be a daunting challenge? Not if he keeps his head down with a focus on “strategic collaboration,” he says, suggesting that “grace under pressure” personifies both the company and the man. □

Intermediaries add value to the supply chain

INDUSTRY ANALYSTS AND EDUCATORS SAY that despite the macroeconomic downturns and sluggish recovery in the U.S. sector, the third-party logistics (3PL) business will continue to churn forward on a promising path.

The 18th Annual Survey of Third-Party Logistics Providers, released at the Council of Supply Chain Management Professionals Annual Global Conference last month, contained even more encouraging news.

Authored by Dr. Robert Lieb, professor of supply chain management at Northeastern University and Joe Gallick, senior vice president of sales for Penske Logistics, the findings analyze responses from 36 third-party logistics company CEOs across North America, Europe, and Asia-Pacific whose companies were responsible for generating approximately \$58 billion in revenue in 2010.

KEY FINDINGS OF THE SURVEY INCLUDE:

- 3PLs experienced improved economic conditions in 2010, with 88 percent of companies surveyed in North America meeting or exceeding their

revenue projections, as compared with only 50 percent in 2009.

- In Europe, economic conditions continued to be challenging for third-party logistics companies, with only 55 percent of companies surveyed meeting or exceeding their revenue growth projections for the year, as opposed to 90 percent of companies surveyed in Asia-Pacific.

- Growth projections are most optimistic in Asia, with companies expecting to grow 15.8 percent in the next year, as compared to 10.8 percent expected in North America and 8.4 percent in Europe.

- A quarter of the North American 3PL CEOs reported that some of their customers had experienced a loss of sales in Japan due to the tsunami and earthquake in the region. Thirteen percent of the European CEOs reported similar experiences, as did 50 percent of the CEOs surveyed in the APAC region.

- Sixteen of the 36 CEOs reported their companies launched new sustainability initiatives during 2010.

—Patrick Burnson, Executive Editor