Peerless MEDIA, LLC

JULY 2012

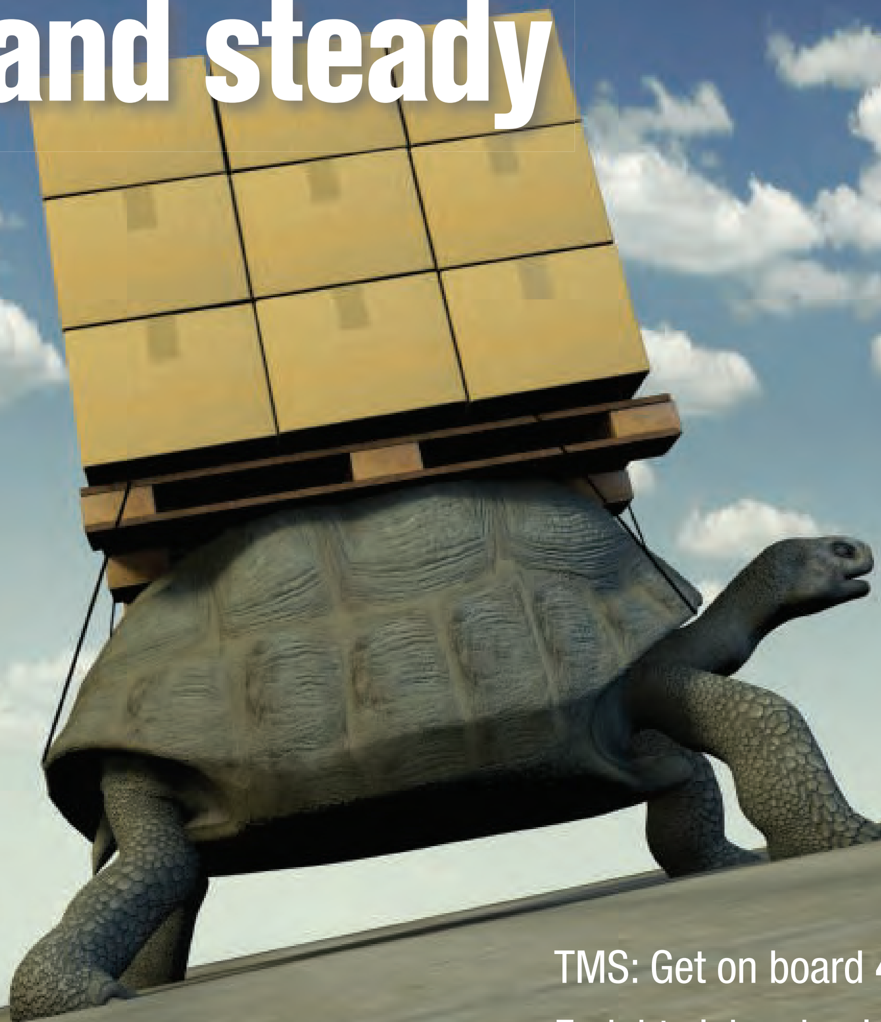
Logistics MANAGEMENT®

WWW.LOGISTICSMGMT.COM

2012 STATE OF LOGISTICS

Slow and steady

Page 26



TMS: Get on board 41

Freight claims in plain English 46

Lift truck lifespans 50

FREE Industry Resources

Logistics MANAGEMENT®

Stay connected between issues.

Peerless® MEDIA, LLC

P.O. Box 1496 • Framingham, MA 01701

What does it take to go the distance? Not just once, but year after year? To be stronger, smarter, and more efficient…

It takes more than will and dedication. It takes LEGACY Supply Chain Services, instilling leadership at every level of the supply chain and creating a new culture that drives greater performance.

www.LEGACYscs.com

LEGACY
SUPPLY CHAIN SERVICES
A TMSi Company

Management UPDATE

AN EXECUTIVE SUMMARY OF INDUSTRY NEWS

■ **FedEx Express trims aircraft fleet.** In an 8-K filing with the Securities and Exchange Commission, FedEx said it has permanently retired 18 Airbus A310-200 aircraft and 26 related engines, along with six Boeing MD-10 aircraft and 17 related engines. Company officials said that the majority of these aircraft are currently parked and not in revenue service, adding that it will take a non-cash impairment charge of $134 million, which is $84 million net of tax and recorded in the fiscal fourth quarter of 2012. What's more, FedEx said that the decision to permanently retire these aircraft will better align the U.S. domestic air network capacity of FedEx Express to match current and anticipated shipment volumes.

■ **LTL rate increases are back.** As of press time, three major less-than-truckload (LTL) players—FedEx Freight, Con-way Freight, UPS Freight, YRC and ABF—rolled out a general rate increase (GRI) for non-contractual freight. Each carrier's GRI was 6.9 percent, with FedEx and Con-way's taking effect on July 9 while ABF's will kick in on a later date. According to industry analysts, LTL carriers have made positive progress on the pricing front since the depths of the recession. Stifel Nicolaus analyst David Ross recently noted that "pricing power should remain with the carriers as long as capacity and pricing remain rational."

■ **NRF backs SMART Port Security Act.** The National Retail Federation (NRF) threw its support behind a piece of supply chain security legislation focusing on ports. The bill titled H.R. 4251, the Securing Maritime Activities through Risk-Based Targeting for Port Security Act (SMART Port Security Act), was introduced earlier this year by Representative Candice Miller (R-Mich.) and includes a strategic plan to enhance the security of the international supply chain; recognition of other countries' trusted shipper programs, and Transportation Worker Identification Credential (TWIC) reform. In a letter to House Homeland Security Committee leadership and members, David French, NRF senior vice president of government relations, said that the NRF supports the bill and acknowledges the success of the multi-layered risk-based approach that the Department of Homeland Security (DHS) and U.S. Customs and Border Protection (CBP) have taken to strengthen supply chain security.

■ **Driver turnover on the rise…again.** Turnover rates for truckload drivers continued to rise in the first quarter of this year, according to the American Trucking Associations (ATA). The latest report marked the fifth time in the last six quarters that driver turnover has climbed. ATA officials said that the turnover rate for large truckload fleets moved up 2 percentage points to 90 percent for its highest level since the first quarter of 2008. And the turnover rate for smaller fleets—with less than $30 million in revenue—moved up much higher during the quarter with a 16 percent gain to 71 percent, its highest level since the second quarter of 2008. "This report of a slight rise at large fleets and a significant increase at smaller fleets matches up with what we hear regarding the health of the industry," said ATA Chief Economist Bob Costello.

■ **Reassuring exporters.** Rodolfo Sabonge, vice president of market research and analysis with the Panama Canal Authority, told Bay Area shippers that a wider Panama Canal will pose no threat to the Port of Oakland. In fact, he said that it may bring even more business to the region. "The Port of Oakland may become an even greater ocean cargo gateway for U.S. exports to Latin America once the Canal Expansion is completed in 2014," Sabonge told attendees at the "Ports & Terminals" dinner staged annually by the Pacific Transportation Club. During his presentation, Sabonge provided an update on the construction of the third set of locks, an ambitious, eight-year, $5.25 billion engineering and modernization feat that will help double current tonnage capacity.

■ **Cass Freight Index shows slow gains.** The most recent edition of the Cass Information Systems Freight Index showed that freight shipments and expenditures both saw gains on a sequential and annual level. In May, ship-

continued, page 2 >>

Management UPDATE

continued

ments were at 1.135, up 1.8 percent from April. This marked the 24th consecutive month that shipments were above the 1.0 mark since May 2010. On an annual basis, May shipments were up 2.2 percent. Expenditures at 2.447 were up 2.2 percent compared to May and up 5.6 percent compared to May 2011. In the report, Cass officials said that carrier costs are still trending upward, with rates following. Many carriers have made this clear, explaining to *Logistics Management* that labor, equipment, and driver costs are three of the main functions impacting rates and pricing.

■ **Green gone wrong.** Airlines for America (A4A), the industry trade organization for the leading U.S. airlines, is joining Transportation Secretary Ray LaHood in resistance to the application of the European Union Emissions Trading Scheme (EU ETS), which seeks to unlawfully tax U.S. airlines and establishes a dangerous precedent that could be used to tax the products and services of other U.S. industries. Several countries, including India and China, have prohibited their airlines from participating in the EU scheme. The U.S. House of Representatives has taken similar action, and A4A called on the Senate to pass S. 1956, the European Union Emissions Trading Scheme Prohibition Act, which would similarly prohibit U.S. carriers from participating in the EU ETS. "Urgent, concrete action by the United States is needed to overturn the EU ETS and bring the EU back to the negotiating table in support of a global framework," said Nancy Young, A4A's vice president of environmental affairs.

■ **Panjiva data indicates a sequential slowdown in global trade.** On the heels of two strong months of global trade activity, data released by Panjiva, an online search engine with information on global suppliers and manufacturers, showed a bit of a slowdown from April to May. U.S.-bound waterborne shipments, which were up in the previous two months, dipped 2 percent from April to May at 1,061,192. May shipments were up 2 percent annually. Panjiva reported a 0.4 percent increase in the number of global manufacturers shipping to the U.S., with May coming in at 148,861. On an annual basis, the number of manufacturers shipping to the U.S. inched up 1 percent. "It would have been great to see the growth streak continue," said Panjiva CEO Josh Green. "But this data is coming off of a couple of really strong months, and the basis for comparison is quite high, and we are still running ahead of where we were last year."

■ **Shipper conditions show signs of leveling off, say FTR.** Fairly flat business conditions for shippers appear to be the new normal. That appears to be the general consensus of freight transportation consultancy FTR Associates' monthly Shippers Conditions Index (SCI). The SCI for April, the most recent month for which data is available, was -5.4, down slightly from March's -5.3. FTR describes the SCI as an indicator that sums up all market influences that affect shippers, with a reading above zero being favorable and a reading below zero being unfavorable. FTR said that the SCI is expected to remain in a tight range throughout the summer, potentially deteriorating marginally in the latter part of the year, with the real negative impact to shippers beginning in 2013 as new hours of service rules are expected to further reduce already tight trucking capacity.

■ **Port's deep thinking.** In a recently completed survey that the American Association of Port Authorities (AAPA) initiated, U.S. seaport agencies and their private-sector partners plan to invest a combined $46 billion over the next five years in wide-ranging capital improvements to their marine operations and other port properties. Kraig Jondle, director of business and trade development at the Port of Los Angeles, said that the existing infrastructure and ongoing expansion of terminals and warehousing around the country will only make ports more attractive for trade in both directions. "It's encouraging to see that exports are ramping up," he says, "but we are forecasting a steady increase in inbound calls, too." □

Con-way | Con-way | Menlo | Con-way

Menlo Worldwide Logistics. Masters of the supply chain.

When it comes to finding a partner to handle your logistics needs, choose someone with the strategic expertise and experience to streamline or transform your supply chain. Through lean methodologies and innovation, we have a proven track record of delivering solutions that improve your bottom line. When you need a competitive advantage, trust the master.

Visit **www.menloworldwide.com** for more information.

Menlo® WORLDWIDE LOGISTICS

Never Settle for Less.

Transportation Services | Value-added Warehousing | Supply Chain Management | Multimodal

ARE YOU CONCERNED WITH THE FOLLOWING TRENDS YOU HAVE READ ABOUT IN Logistics MANAGEMENT?

NEW FEDERAL REGULATIONS MAY LEAD TO A DECLINE IN MOTOR CARRIER PRODUCTIVITY

THE TRUCK DRIVER POOL IS SHRINKING

TRANSPORTATION COSTS ARE RISING

PITT OHIO HAS DEVELOPED A UNIQUE PRICE AND SERVICE SOLUTION THAT IS OUR

LTL SIGNATURE ACCOUNT PROGRAM

THIS PROGRAM IS DESIGNED TO DO THE FOLLOWING:

- GUARANTEED ON-TIME SERVICE PERFORMANCE COMMITMENT
- GUARANTEED ACCESS TO EXTRA CAPACITY IN THE EVENT OF AN INDUSTRY DISRUPTION
- ACCESS TO V.I.P. / CONCIERGE CUSTOMER SERVICE
- FREIGHT RATE STABILITY DURING THE NEXT 3 YEARS
- THIS PROGRAM REQUIRES A BILATERAL SHIPPER/CARRIER FINANCIAL COMMITMENT

For more information about PITT OHIO's Signature Account Program, please call Geoff Muessig at 1-800-366-7488 ex. 6203 or email ltlsignatureaccount@pittohio.com or visit www.pittohio.com/LTLSignatureAccount.

PITT OHIO
SUPPLY CHAIN · GROUND · LTL · TL

VOL. 51, NO.7

Contents

JULY 2012

23RD ANNUAL STATE OF LOGISTICS REPORT

Slow but steady

The logistics industry has yet to climb back to the profitability it hit in 2007. According to the report's author and industry analysts, it may be a while until the overall industry hits full stride again. **26**

Cover illustration: Randy Lyhus

Logistics MANAGEMENT®

STATE OF LOGISTICS

30 Less-than-truckload:
Privately held carriers lead the sector

32 Truckload:
Capacity in equilibrium with demand…for now

34 Rail:
Pricing and service strength chug along.

36 Ocean freight:
Focus shifts to value

38 Air freight:
Keep seat belts fastened

SUPPLY CHAIN & LOGISTICS TECHNOLOGY

TMS: Time to get on board

41 Transportation management systems (TMS) have consistently proven to be game-changing, cost-saving freight facilitators, yet adoption rates only hover around 37 percent. If you're still dragging your feet we offer some food for thought.

GLOBAL LOGISTICS & THE LAW

Freight Claims in plain english

46 Our transportation law expert provides shippers with a refresher course in the basic legal principles relating to claims for cargo loss and damage.

WAREHOUSE & DC MANAGEMENT

Lift trucks: Understanding the economic lifespan

50 More savvy lift truck fleet managers are realizing that buying, renting, or leasing practices set the tone for future savings.

TMS 41

Logistics and the law 46

Lift truck lifespans 50

Logistics Management® (ISSN 1540-3890) is published monthly by Peerless Media, LLC, a Division of EH Publishing, Inc., 111 Speen St, Ste 200, Framingham, MA 01701. Annual subscription rates for non-qualified subscribers: USA $119, Canada $159, Other International $249. Single copies are available for $20.00. Send all subscription inquiries to Logistics Management, 111 Speen Street, Suite 200, Framingham, MA 01701 USA. Periodicals postage paid at Framingham, MA and additional mailing offices. **POSTMASTER: Send address changes to: Logistics Management, PO Box 1496 Framingham MA 01701-1496.**

Reproduction of this magazine in whole or part without written permission of the publisher is prohibited. All rights reserved. ©2012 Peerless Media, LLC.

What's in
a name?

SAIA®

Even if you don't know how to say the name (pronounced Sigh'-ah), you recognize the logo. And there's more behind it than you know: 87 years and billions of miles of LTL experience; the most comprehensive guarantee in the industry; an unparalleled proactive customer service program; and 8000 professionals ready to go the distance for you. No matter how you say it, the name means performance without exception—accountability without excuse.

SAIA®

Unusual name. Extraordinary carrier.

1.800.765.7242 • www.saia.com

departments

1 Management update

9 Viewpoint

10 Price trends

15 News & analysis

20 Moore on pricing

22 Pearson on excellence

24 Andreoli on oil & fuel

96 Sage advice

Get your daily news fix at **logisticsmgmt.com**

▼SPECIAL REPORT

Certification: The Career Enhancer

The growing number of supply chain certification programs now available opens up new opportunities for managers looking to advance their careers. But before embarking on any program, the experts advise, make sure that it has value to current and potential employers. 56S

Logistics Management OnDemand

2012 Technology Roundtable Webcast

www.logisticsmgmt.com/2012tech

Harnessing the waves of data

As supply chain organizations evolve technologically and do a better job of collaborating with both their internal and external partners, the next challenge is the integration and interpretation of the waves of data that are now washing up on logistics and transportation manager's computer screens as a result.

With this in mind, we've collected four leading supply chain software and technology analysts to examine the latest trends, tools, strategies, and best practices available for better capturing and utilizing the new onslaught of data on the way to realizing an improved level of visibility across your logistics operations.

Our panelists will be discussing:

- The rising importance of business analytics in logistics operations
- RFID's rapid market resurgence
- How ERP providers continue to expand their logistics offerings
- The rise of social media in logistics career development

Panel:

Jerry O'Dwyer
U.S. Sourcing and Procurement Leader, Deloitte Consulting

Ben Pivar
Senior VP and Supply Chain Lead, Capgemini

Mike Liard
Director, RFID, VDC Research

Adrian Gonzalez
Director, Logistics Viewpoints

Moderator:

Michael Levans: Group Editorial Director, Supply Chain Group

Now OnDemand

LM EXCLUSIVE: 28TH ANNUAL SALARY SURVEY

Go to: www.logisticsmgmt.com/salary2012

Pulling away from the pack

According to our 28th Annual Salary Survey, salary growth has leveled off a bit from last year's survey. However, we also found that an aging workforce is giving way to younger, more highly trained professionals who also happen to be savvy technologists—signaling good news for the overall growth of the logistics profession.

In this exclusive *Logistics Management* Webcast, Group Editorial Director Michael Levans, Executive Editor Patrick Burnson, and three prominent supply chain career management experts will put context around this year's Salary Survey results and offer their insight into how logistics professionals are putting technology to use to help them break away from the pack.

logistics professionals will learn:

- Average logistics management salaries broken down by U.S. regions
- What titles are bringing in the biggest bucks
- The role technology is playing in career growth
- Best practices for taking the next step in your career

MEET THE EXPERTS:

Dr. Theodore P. Stank
Professor of Logistics, University of Tennessee

Bruce Arntzen, Ph.D.
Director, MIT's Master's Program

Lynn Failing
Vice President, Kimmel & Associates, Inc.

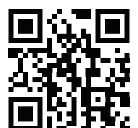
“Our name may be new, but you’ll recognize our service.”

DAVID LYONS,
FOUNDER

Saddle Creek Corporation is now Saddle Creek Logistics Services. Thanks to our *Whatever It Takes!* philosophy, our business has grown over the years — new services, markets, and industries. Our new name better reflects our core focus — delivering integrated logistics solutions tailored to meet your needs. Our trademark service? Now that will *never* change.

Download our new whitepaper on integrated logistics outsourcing >

sclogistics.com | 888-878-1177



Whatever It Takes!

Logistics MANAGEMENT®

EDITORIAL STAFF
Michael A. Levans
Group Editorial Director
Francis J. Quinn
Editorial Advisor
Patrick Burnson
Executive Editor
Sarah E. Petrie
Managing Editor
Jeff Berman
Group News Editor
John Kerr
Contributing Editor, Global Logistics
Bridget McCrea
Contributing Editor, Technology
Maida Napolitano
Contributing Editor, Warehousing & DC
John D. Schulz
Contributing Editor, Transportation

Mike Roach
Creative Director
Wendy DelCampo
Art Director

COLUMNISTS
Derik Andreoli
Oil + Fuel
Elizabeth Baatz
Price Trends
Mark Pearson
Excellence
Peter Moore
Pricing
John A. Gentle
Sage Advice

PEERLESS MEDIA, LLC
A Division of EH Publishing, Inc.
Kenneth Moyes
President and CEO
EH Publishing, Inc.
Brian Ceraolo
Publisher and Executive
Vice President

EDITORIAL OFFICE
111 Speen Street, Suite 200
Framingham, MA 01701-2000
Phone: 1-800-375-8015

MAGAZINE SUBSCRIPTIONS
Start, renew or update your magazine subscription at www.logisticsmgmt.com/subscribe.
Contact customer service at:
Web: www.logisticsmgmt.com/subscribe
Email: lmsubs@ehpub.com
Phone: 1-800-598-6067
Mail: Peerless Media
P.O. Box 1496
Framingham, MA 01701

ENEWSLETTER SUBSCRIPTIONS
Sign up or manage your FREE eNewsletter subscriptions at www.logisticsmgmt.com/enewsletters.

REPRINTS
For information about reprints, visit us at www.logisticsmgmt.com/info/reprints.

Peerless® MEDIA, LLC

Required summer reading

Once again we've devoted a sizable portion of our July issue to putting the *Annual State of Logistics Report (SoL)* into context for shippers. So, if you're looking for a bit of melancholy mixed with some palpable suspense in your summer reading, then look no further than page 26.

As many are well aware, the *Annual State of Logistics Report* represents the clearest snapshot available of the economy over the previous year and offers shippers a summary of the key trends driving the logistics and transportation industry as a result of those conditions.

The release of the report sparks our annual investigation into the details of the findings and sends our beat reporters in search of where each transportation mode currently stands in terms of service, capacity, and rates. In short, it pulls together just about all of our staff and contributing editors in the creation of a definitive market snapshot.

This marks the 23rd year the report has been released, and the ninth year that it's been authored by Roz Wilson, a 30-year industry veteran who's now a senior business analyst with Delcan Consulting where she focuses on the progress of the overall industry. Wilson has been working on the report since 1994 and assumed full responsibility in 2004 following the passing of the report's creator, Robert Delaney.

So, after months of research, interviews, and number crunching, how did Wilson define the previous year that was in logistics and transportation?

"She used the term 'unremarkable' several times when referring to the logistics industry statistics of 2011," Executive Editor Patrick Burnson told me following his conversation with Wilson. "Carriers are on a slow and steady pace back to profitably, but how long it will take to get back to 2007 levels is anyone's guess based on slow and bumpy U.S. economic growth."

Here are a few of the high-level findings: U.S. business logistics costs in 2011 rose to $1.28 trillion, a 6.6 percent increase from the previous year, accounting for 8.5 percent of U.S. gross domestic product (GDP); trucking posted a 6.2 percent rise, but the real leader was the railroad sector which saw a 15.3 percent increase; air and water revenues declined in 2011, while railroad, truck, and forwarders experienced sustained revenue growth.

And while the economy failed to push these numbers into more "remarkable" territory in 2011, Wilson and the analysts interviewed for our *SoL* section sent out fair warning should the current slow but steady recovery get a quick shot in the arm.

At press time, consumers were starting to benefit from the decline in gasoline prices, and retail analysts were projecting growth to resume and pick up through the fall. On the manufacturing side, progress has slowed but not stalled, and new orders have been inching up at the same time that the housing market started to see a positive turn in terms of starts and price increases in key U.S. cities.

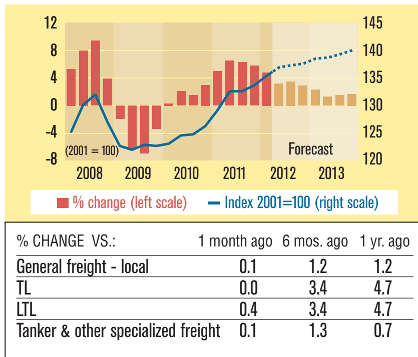
While she's not calling for a miraculous turnaround, Wilson does suggest that current capacity concerns could be greatly exacerbated should any of these trends begin to exceed expectations. "I urge everyone to begin making contingency plans for the day you cannot get a truck," Wilson said in conclusion of the delivery of her report. "The railroads are standing by with a great offer and have the capacity to take up the slack."

Burnson's deeper dive into the report's findings along with our staff analysis of the current and future conditions of each transportation mode begins on page 26—a body of work that I suggest you make required summer reading.

Michael A. Levans, Group Editorial Director

Comments? E-mail me at mlevans@ehpub.com

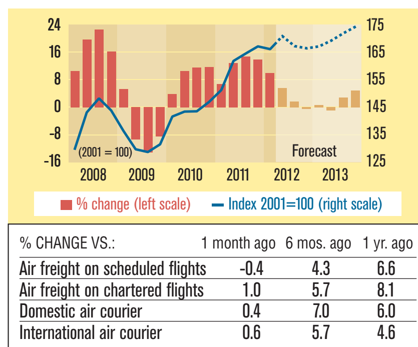
Pricing Across the Transportation Modes



% CHANGE VS.:	1 month ago	6 mos. ago	1 yr. ago
General freight - local	0.1	1.2	1.2
TL	0.0	3.4	4.7
LTL	0.4	3.4	4.7
Tanker & other specialized freight	0.1	1.3	0.7

TRUCKING

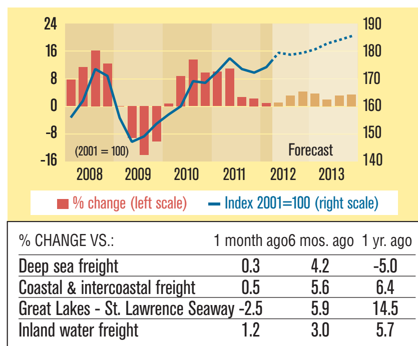
In the most recent government surveys of truckers, average transaction prices inched up at a meager 0.08% pace from month-ago and a manageable 2.9% pace from same-month-year-ago price levels. Over the 12 months of 2011 and first quarter of 2012, same-month-year-ago price gains had ranged between roughly 4.6% and 6.6%. We think the latest data signals a significant down-shift in trucking's inflation trajectory. Yes, FedEx Freight announced a 6.9% price hike slated to take effect July 9th, but LTL buyers may not pony up, especially if Europe's banking crisis bleeds into a double-dip U.S. recession. Still hedging our bets, the annual inflation forecast for trucking remains 3.6% in 2012 and 1.7% in 2013.



% CHANGE VS.:	1 month ago	6 mos. ago	1 yr. ago
Air freight on scheduled flights	-0.4	4.3	6.6
Air freight on chartered flights	1.0	5.7	8.1
Domestic air courier	0.4	7.0	6.0
International air courier	0.6	5.7	4.6

AIR

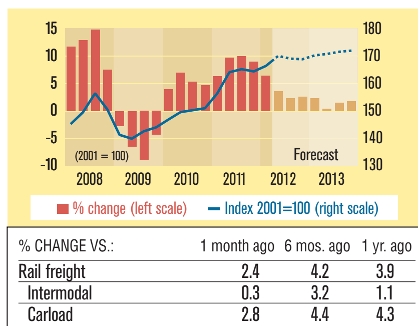
U.S.-based airliners apparently have walked away unscathed after its recent record-breaking 7.7% one-month price hike. Transportation buyers who fly freight in the belly of U.S. planes via scheduled flights managed to push back with a meager 0.4% price cut in May. When looking at year-over-year inflation (which negates seasonal trends), we see the inflation rate for airfreight on scheduled flights hovering at 12%. We continue to forecast a slowdown in airfreight price escalation, but have adjusted the inflation flight path somewhat. The outlook now calls for prices to increase 4% in 2012. That's up from our previous 2012 forecast of 3.2%. The 1.8% annual price increase forecast for 2013 remains unchanged.



% CHANGE VS.:	1 month ago	6 mos. ago	1 yr. ago
Deep sea freight	0.3	4.2	-5.0
Coastal & intercoastal freight	0.5	5.6	6.4
Great Lakes - St. Lawrence Seaway	-2.5	5.9	14.5
Inland water freight	1.2	3.0	5.7

WATER

Recovering mightily from the disinflation waves that drenched so many during the Great Recession of '08, our updated price outlook for the U.S. waterborne transportation industry calls for clear sailing ahead. In the most recent monthly survey, all but one segment of the industry increased prices from a month ago. The exception, Great Lakes-St. Lawrence Seaway freight transportation, cut prices 2.5% from month-ago, but still saw its prices stand 14.5% higher than same-month-year-ago levels. After reviewing trend and cyclical charts, we now forecast average transaction prices for the entire water transportation industry to increase at a 2.3% annual pace in 2012 and 3% in 2013.



% CHANGE VS.:	1 month ago	6 mos. ago	1 yr. ago
Rail freight	2.4	4.2	3.9
Intermodal	0.3	3.2	1.1
Carload	2.8	4.4	4.3

RAIL

In rail, it's full steam ahead on the inflation front. Carload rail transport providers reported a 2.8% increase in its most recent survey of transaction prices. That was the third largest monthly price hike on record and it happened despite another decline in rail traffic demand from coal and grain shippers. Intermodal rail also reported a 0.3% monthly price hike. In the first five months of the year, carload rail prices increased 5.6% from the same period year-ago while intermodal tags increased at a somewhat slower 3.7% pace. Adding it all together for the entire rail transportation market, our revised forecast for average annual price inflation now stands at 3.7% for 2012 and 1.5% for 2013.

Source: Elizabeth Baatz, Thinking Cap Solutions. E-mail: ebaatz@alertdata.com

FLOATS LIKE A

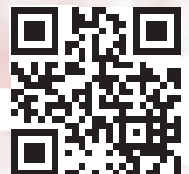
BUTTERFLY.

BUSY LIKE A BEE.

How do you pack the most punch while using the least amount of energy? With the Eco-Performance engineered, 7000 Series *Reach-Fork*® trucks. Eco-Performance is our design philosophy that delivers reduced energy consumption and increased productivity. In fact, the *Raymond*® 7000 Series uses up to 21% less energy and delivers cycle times up to 9% faster than the competition. You get faster lift speeds, quick acceleration, and longer battery life. So you can move more pallets per hour, and minimize maintenance and labor costs. Bottom line, it's performance without compromise. Your operation will be buzzing with productivity. To learn more, contact your local Raymond Sales and Service Center at 1-800-235-7200 or visit raymondcorp.com/7000-series.

RAYMOND

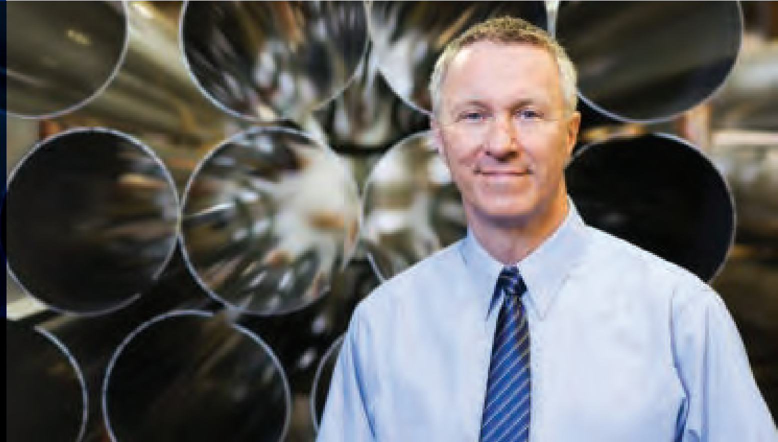
See the 7000 Series *Reach-Fork* trucks in action.



Testing conducted by PosiCharge. Comparative data overseen and compiled by the United States Auto Club Properties, Inc.

LIVINGSTON

When borders are barriers to company growth...



Will growth in international markets be slowed by concerns about clearing Customs? To find out, Livingston International, North America's foremost customs brokerage and trade compliance expert, surveyed 500 small- to mid-sized businesses in the import/export sector*.

Businesses are confident about future growth...

but concerned about Customs.

Nearly 90 per cent of businesses expect their company to grow over the next one to two years. Yet amid this optimism, something is holding the majority of these companies back.

More than 80 per cent are concerned that customs delays will impact their ability to properly manage their businesses. At the same time, 30 per cent say they tend to ignore government regulations and hope for the best when transporting their goods across international borders.

This surprising disconnect reveals that business owners want to take advantage of the increased opportunity in overseas markets, but many are intimidated or confused about how to move forward.

Approximately 70 per cent are worried that unexpected fees and penalties, such as fines for incorrect classification of products, will affect both customer satisfaction and their bottom line.

90 per cent acknowledge that a border delay would have a financial impact on their business, with more than half foreseeing an impact of at least 10 per cent of the value of the shipment.

Limited expertise means limited growth

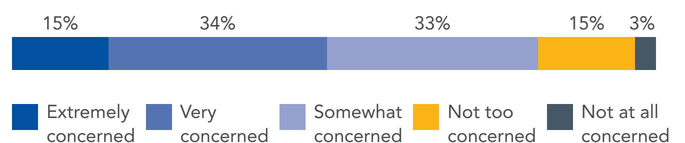
Although the majority are active in global markets, less than half (48 per cent) feel extremely or very comfortable targeting new international markets; 38 per cent are only somewhat comfortable; and 14 per cent are not comfortable.

One reason for this discomfort may be that companies acknowledge they have limited expertise in the complex and ever-changing world of customs rules and regulations.

1. Concerns related to dealing with international markets

How concerned are you about the following when dealing with international markets, both on an export and import basis?

Customs delays impacting our ability to properly manage our business.



Base: All Respondents n=500

For example:

- More than 60 per cent say they are concerned that their organizations lack knowledge about clearing goods for international trade.
- 28 per cent have no idea what it costs to clear borders.
- 46 per cent do not have an up-to-date international trade compliance manual.

Another reason for concern is that 75 per cent of these exporters rely on their couriers to clear Customs, and 65 per cent rely on their vendors or suppliers to handle the international clearance of goods. While moving the span of control to vendors and suppliers may allow companies to avoid the complexity of clearing their goods through Customs, it can have a negative impact on their speed to market, their reputation and their operational efficiencies if their goods are incorrectly classified and delays or penalties occur. By maintaining control of their products as they move through borders, businesses ensure they can monitor their customer experience and their operational efficiencies.

Turning concerns into confidence

When it comes to clearing goods between countries, customs holds or fines can mean the difference between a profit and a loss.

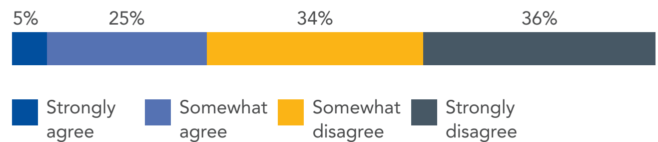
But businesses that don't feel equipped to explore international markets needn't miss out on significant global opportunities. Companies can protect their investments by aligning with a partner like Livingston International that specializes in customs and trade compliance for global business.

With Livingston as a partner, companies can focus on their core business, saving money by avoiding customs fines or delays, and ensuring they don't pay more than necessary in the first place. Clearing Customs can become the least of their concerns.

2. Knowledge of and involvement with matters related to international border crossings

How much do you agree or disagree with the following?

As there are so many changes to government regulation, I tend to ignore them and hope for the best when transporting my company's goods across international borders.



About Livingston International

North America's number one company focused on customs brokerage and trade compliance, Livingston International also offers customs and international trade consulting services as well as international freight forwarding across North America and around the globe. With its U.S. headquarters in Chicago, Livingston is a dominant customs broker along the U.S.-Canada border, with regional air/sea hubs in Los Angeles, New York and Norfolk. Livingston employs over 2,800 employees at more than 100 key border points, seaports, airports and other strategic locations in North America, Europe and the Far East. www.livingstonintl.com

About the survey*

Ipsos Public Affairs conducted the survey online on behalf of Livingston International between April 3 and April 11, 2012 among a national sample of 500 professionals in the import-export sector in small and medium-sized businesses in the United States. Weighting was employed so the findings are reflective of an even mix of small and medium-sized companies. Margins of sampling error at a 95 per cent confidence level would be +/- 4.4 percentage points for respondents from all industries combined if conducted using a probabilistic sample; the margin of error would be larger within sub-groupings of the survey population. Complete survey results are available at www.livingstonintl.com.

Visit go.livingstonintl.com/LM
Call at 1-800-572-5677
E-mail us at tradeup@livingstonintl.com
LinkedIn Livingston International
Twitter @livingston_intl

Only pay for the speed you need...

Dynamic Routing!℠

With shipping costs on the rise it only makes sense to match your time requirements to the mode. Lynden's exclusive Dynamic Routing℠ makes it easy to change routing between modes to meet your delivery requirements. If your vendor is behind schedule we can make up time and keep your business running smoothly. If your vendor is early we can save you money and hassle by slowing down the delivery to arrive just as it is needed. Call a Lynden professional and let us design a Dynamic Routing℠ plan to meet your supply chain needs.

www.lynden.com

1-888-596-3361

The Lynden Family of Companies

Innovative Transportation Solutions

inside

- 2012 Peak Season prospects are mixed, says *LM* survey
- Arkansas Best set to acquire Panther Expedited Services, expand service offerings

NEWS & ANALYSIS

Congress reaches agreement on national transportation bill

Analysts say that the national freight plan and strategy language in the bill goes in the right direction for logistics and supply chain stakeholders.

By Jeff Berman, Group News Editor and John D. Schulz, Contributing Editor

WASHINGTON, D.C.—Following a 30-month stretch in which funding for the nation's transportation projects was kept intact by a series of nine consecutive extensions of SAFETEA-LU, Congress finally came to terms on a new bill, which will keep funding at current levels through the end of Fiscal Year 2014.

The House approved the bill, which adopts the name of the Senate's version, MAP-21 (Moving Ahead for Progress in the 21st Century), by a 373-52 margin, and the Senate signed on with a 74-19 vote. The bill was awaiting President Barack Obama's signature for it to be signed into law at press time.

The conference agreement on a two-year, $105 billion transportation bill followed weeks of acrimonious negotiations between the House and Senate, which suggested that talks would not advance to that level and that a tenth continuing resolution would be introduced prior to the current bill expiring at the end of June. Earlier this year, the Senate EPW Committee passed a two-year, $109 billion bill, while the House's efforts stalled out.

There are various parts of MAP-21 that stand to have a direct impact on freight transportation, logistics, and supply chain stakeholders. Some of these components—cited in a copy of the conference report obtained by *Logistics Management*—include:

- Funding for the federal-aid highway program through fiscal 2014 at current funding levels with a small inflationary adjustment.
- The development of a National Freight Strategic Plan that encourages state freight plans and advisory committees, and provides incentives for states that fund projects to improve freight movement, focusing on reducing congestion, increasing productivity, improving the safety, security, and resilience of freight transportation.
- A provision in which Congress should fully expend each year all revenues collected in the Harbor Maintenance Trust Fund for the operation and maintenance of the nation's federally maintained ports.
- Regulations requiring electronic logging devices for recording hours of service in commercial motor vehicles with basic performance standards for the device.
- An HOS field study to expand on an FMCSA report on driver fatigue

and maximum driving time requirements focusing on the 34-hour restart rule.

• Provisions directing the Secretary of Transportation to study the effects of truck, size, and weight on highway safety and infrastructure.

• Direct the Secretary of Transportation, in collaboration with stakeholders, to develop a long-range national rail plan, among others.

A noted freight advocate told *Logistics Management* that this bill is good news for supply chain stakeholders.

"It has more in it for freight than we first thought," said Leslie Blakey, executive director of the Washington, D.C.-based Coalition for America's Gateways and Trade Corridors. "Overall, we are pleasantly surprised."

In addressing the freight policy components of the bill, Blakey said that, while not perfect, it does at least acknowledge the importance of freight as part of the country's transportation system. The national freight plan and strategy language in the bill, she said, goes in the right direction, although she said a state-based approach is not ideal, especially compared to the more efficient nature of doing this at more of a national level.

Douglas Stotlar, president and CEO of $5.3 billion Con-way Inc., said passage of the highway bill is a major positive for the industry overall.

"I am glad we got a bill," said Stotlar, but added the he was disappointed there was no language in it to provide greater productivity for trucking companies. Instead, Congress approved a study on some productivity issues that Stotlar said was the equivalent of kicking the can down the road. "A study in Congress-speak means 'no,'" he said.

But Stotlar was encouraged that the bill contains language requiring electronic onboard recorders (EOBRs) to help snare hours of service violators. "If they do it right, fleets will benefit much more from EOBRs than the investment," he said. □

2012 Peak Season prospects are mixed, says *LM* survey

FRAMINGHAM, Mass.—While it's no secret that there hasn't been a traditional Peak Season for a number of years, gauging how things will turn out in 2012 is a little more challenging, especially given the tepid economic growth the U.S. is experiencing.

We continue to see relatively low retail sales growth, fluctuating fuel prices, fairly high unemployment, minimal GDP growth, and significantly lower inventory levels today compared to the Peak Season build-up of years past.

And as these conditions persist, freight volumes and activity remain in a holding pattern, with flat or low growth throughout the majority of domestic and global freight transportation modes. And as we've seen in the past couple years, this holding pattern does not translate into growth or positive Peak Season prospects. In short, attitudes and outlooks regarding this year's peak remain decidedly mixed.

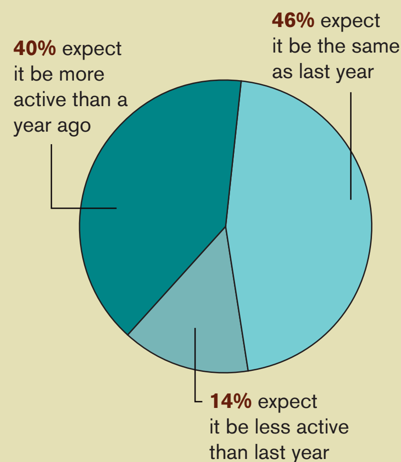
This was a major takeaway in the findings of a recent *Logistics Management* (*LM*) readership survey that found that 40 percent of the more than 240 respondents expect a more active Peak Season this year compared to last year while 46 percent expect it to be the same as last year.

Shippers expecting a more active Peak pointed to an expected increase in holiday spending, coupled with what some described as gradually improving economic conditions. This contention is supported by data put out earlier this year by the National Retail Federation (NRF) that calls for 2012 retail sales to hit $2.53 trillion, a 3.4 percent annual increase.

But our survey found that not everyone is on the same page.

"The economy is still soft, and retailers are shipping earlier in the year at a slower pace and volume amount," said one respondent. "China exports are declining, and there is still extra ocean capacity."

Opinions differ on a 2012 Peak Season



Source: Peerless Media Research Group (PMG)

Highway. Railway. Waterway. We can help you whichever way.

When you look out your door, do you see railroad tracks? Neither do thousands of our customers. We've hauled America's goods for 150 years, but not just by rail. We ship across modes and borders, across the country and around the world. Find out what we can do for your business. Call (877) 883-1442 or visit UnionPacific.com and start shipping door-to-door today.

Wherever you find business, you'll find us.

BUILDING AMERICA®

150 YEARS

Other reasons for a flat or less active Peak included things like economic uncertainty around commodity costs, the troubled economic situation in Europe, and currency movements—all things that have the potential to delay placing purchase orders until later than usual.

But another factor potentially leading to a quelled Peak cited by shippers is the supposedly rapid pace in which ocean carriers have raised rates in an attempt to get back the money they lost in 2011. A food importer and exporter told *LM* that he has received six rate increases from ocean carriers since January, making it difficult for his company to repeatedly pass onto customers.

Even with rate pressure and an uneven economy, some experts are calling for solid Peak Season activity. The Port Tracker report, complied by the NRF and international maritime consultancy Hackett Associates, expects retail-based import cargo to the U.S. in August, September, and October to be 7.3 percent, 9 percent, and 19.2 percent, respectively, on an annual basis.

"Our view is that there will be a Peak Season," Hackett said. "It won't be a big, huge boom, but looking at some of the forward indicators, July and August should be relatively good from a freight point of view. Things, overall, should be pretty decent, and importers, wholesalers, and retailers are managing their inventory pretty closely."

—Jeff Berman, Group News Editor

MERGERS & ACQUISITIONS

Arkansas Best set to acquire Panther Expedited Services, expand service offerings

FORT SMITH, Ark.—In a move designed to expand its end-to-end service offering, freight transportation and logistics services provider Arkansas Best Corp. said last month that it has agreed to acquire Panther Expedited Services, a Seville, Ohio-based asset-light provider of expedited ground and freight forwarding services and premium logistics services, from its owner Fenway Services LLC, a middle market private equity firm.

Arkansas Best Corp. officials said that the transaction is valued at $180 million and is subject to post-closing adjustments.

Established in 1992, Panther has more than 11,000 global customers, including *Fortune 500* corporations, government agencies, and blue-chip transportation service providers. Its core focus is on expedited shipping, measuring service within 15 minutes of promised pick-up and delivery times. The company

reported $215 million in revenue and $24 million of adjusted EBITDA in 2011.

In terms of how Panther will mesh with Arkansas Best System, company officials said that Panther's specialized equipment, technology, and expertise in expedited transportation, premium logistics, and global forwarding will enhance Arkansas Best's end-to-end offerings. The company also said that the current Panther management team, including Panther President and CEO Andrew Clarke, is expected to remain intact.

"Panther Expedited Services is an excellent strategic fit for our company and our customers as we seek to offer end-to-end logistics solutions for progressively more complex supply chains," said Arkansas Best President and Chief Executive Officer Judy McReynolds. "With Panther operating as a sister company to ABF Freight System, our core LTL business, we are better positioned to serve as a premier, one-source logistics partner to our customers as their shipping needs rapidly evolve."

This acquisition comes at a time when Arkansas Best is coming off a difficult first quarter earnings performance, posting an $18.2 million loss while revenue increased 1.4 percent annually to $440.9 million. Revenue has increased for four straight quarters, but the company has missed Wall Street estimates in the last two quarters.

The company is also facing significant headwinds with its $750 million lawsuit against LTL competitor YRC and the Teamsters following a ratified labor agreement by YRCW Teamsters members last year on the grounds that these organizations are violating the National Master Freight Agreement, which serves as the collective bargaining agreement for the majority of U.S.-based trucking employees.

—Jeff Berman, Group News Editor

We'll show you the way.

Managing a supply-chain is complex. And your business is unique. Let UniGroup Logistics design a solution tailored to your needs. We'll show you the way to a more efficient logistics solution.

UniGroup Logistics is a new name, but the foundation of the company is well-established. It is built on the heritage of United Van Lines and Mayflower Transit, trusted providers of reliable specialized transportation and logistics services for more than 50 years. Based on a network of 1,300 service centers in 146 countries, we are a single source for customized supply-chain solutions.

Whether your supply-chain is domestic or international, UniGroup Logistics manages a global network of resources to show you the way to seamless, dependable and efficient solutions.

For more information, call **(877) 545-8080** or visit us at **unigrouplogistics.com/LM.**

UniGroup Logistics, LLC

PRICING

Moore on

Window of opportunity on the high seas?

IF YOU'VE BEEN KEEPING ONE EYE on ocean fuel (bunker) pricing as I have, you know that the slowdown in the economy has had a pleasing effect on prices.

Since the peak this March, we have seen a 16 percent drop according to the Bunker World Index (BWI), and ocean shippers should be seeing some more relief this month. In addition to fuel, we're still seeing the effects of a determined effort by carriers to capture freight to fill new capacity coming on-line in the form of larger ships.

Contract negotiation leverage has reached equilibrium, and some might argue that it's tipping to the shipper. Reports by *Logistics Management* out of the EU suggest flat to low growth this year, while we've all read of China's increasing domestic consumption.

So, if you're moving freight internationally there's a window of opportunity opening that will help you save. To get there, let's review some key elements of intermodal freight costs in an effort to ensure that we don't overlook opportunities in the current volatile market.

Since last year there have been a number of announced deals for capacity sharing among ocean carriers. Capacity sharing has allowed carriers to increase sailings on their schedules and has improved utilization of vessels in some key lanes such as Asia-Europe. We note that there are non-participants, both large and small, whose independent actions should keep the market competitive for negotiations.

Keep in mind that insurance costs continue to be significant in international movements. Incoterms can be negotiated so that this cost is born by either the buyer or seller (CF vs. CIF terms). Thus, the parties should be aware of the risks and charges in regards to transfer of ownership of the goods in order to minimize this expense. In a recent review with a manufacturer, we found that the company itself was insured for cargo in transit while it also bought insurance from the carrier for domestic moves and cargo insurance for ocean moves. So, be careful that you are not double or excessively insured.

Just as our military has been exploring alternatives to transit through Pakistan, each shipper needs to develop alternate plans for their major shipping lanes by weighing price and reliability in addition to schedules and capacity.

In North America we have choices of ports, railroads, and truck operators; so, shippers need to do their homework to develop options in order to increase leverage to ensure lower costs and sustainability.

Volatility can raise anxiety and complexity, but it also opens a window of opportunity for savvy buyers to optimize freight in the global market.

Keep in mind that slow sailing by ocean carriers can add up to an extra week to East-West transit time. Many would argue that this practice is designed primarily as a way to increase vessel load factors, but as fuel prices dip and fleet expansions slow, it will be up to shippers to seek relief for improved cost and service.

Lastly, shippers do not need to negotiate alone. Shipper associations have been very effective in leveraging volume and sharing alternatives, and those with modest volumes often can benefit from "teaming" with others.

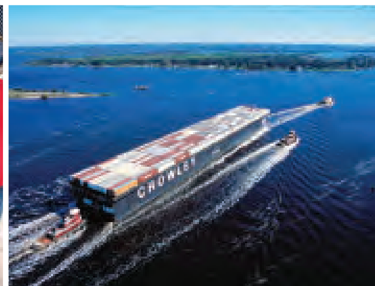
These are just a few of the factors in international shipping. And as all of these factors are volatile, it's critical that buyers monitor invoices closely to make sure cost items on invoices accurately reflect rates. My experience is that carriers are quick to pass through increases and are a bit slow on the decreases. However, pre- and post-auditors with deep knowledge of contracts, tariffs, and markets are a great resource for shippers.

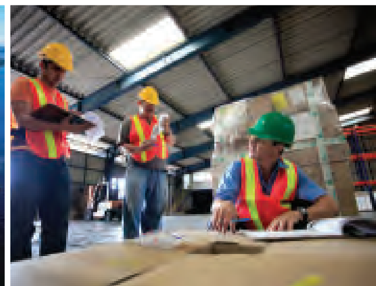
Volatility can raise anxiety and complexity, but it also opens a window of opportunity for savvy buyers to optimize freight in the global market. □

Peter Moore is a Program Faculty Member at the University of Tennessee Center for Executive Education, Adjunct Professor at The University of South Carolina Beaufort, and Partner in Supply Chain Visions, a consultancy. Peter can be reached at pete@scvisions.com.

For Total Cargo and Supply Chain Solutions

Just Add Cargo





Every shipper has pain points in their supply chains. What's yours? People who know Crowley know we are passionate about bringing our whatever-it-takes approach to provide shipping and logistics solutions for our customers. We deliver with FCL, LCL and break-bulk cargo shipping, trucking, warehousing, distribution, air freight, freight forwarding and customs brokerage services. You too can count on us every step of the way in the U.S., Caribbean, Central America and beyond. **Let's talk. We're ready to go. 1-800-CROWLEY or www.crowley.com/partner.**

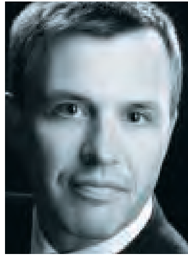
Scan this QR code for more information on Crowley services.

www.crowley.com

CROWLEY®
People Who Know®

Worldwide Logistics • Liner Shipping • Petroleum & Chemical Transportation • Alaska Fuel Sales & Distribution • Energy Support
Project Management • Ship Assist & Escort • Ship Management • Ocean Towing & Transportation • Salvage & Emergency Response

Pearson on



Put your money where your markets are

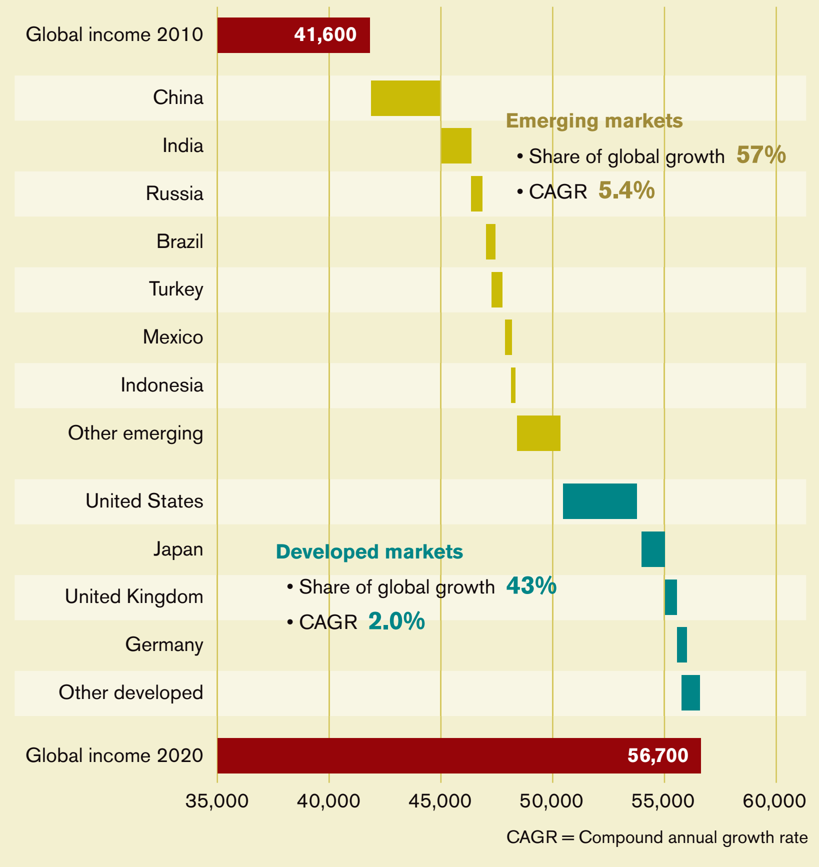
FROM 2010 TO 2020, China's aggregate household income will increase by more than $3.2 trillion. Income increases in India will total $1.4 trillion during the same period. This is definitely impressive, but hardly the whole story. In fact, rises of similar significance are expected in a host of "non BRIC" countries—emerging markets that should be on the radar screens of most global companies and, by implication, most supply chain executives.

However, simply relating an emerging economy's growth potential paints an incomplete picture. Companies with growing aspirations also must understand the product and service needs triggered by various levels of income improvement.

Consider what happens when an emerging-market household's annual income surpasses $5,000. At this threshold, spending on personal goods, televisions, mobile telephones, and two-wheel vehicles could reach critical mass. According to a 64-country Accenture study, an additional 225 million emerging market households will earn $5,000 or more by 2020. China and India will enjoy the greatest rises. But the $5,000 number will also increase by 11 million in Indonesia and nearly 8 million in Nigeria.

At the $15,000 level, household spending begins to include items such as cars, computers, and basic financial products. Within the scope of the Accenture survey, emerging-market households with incomes of $15,000 or more are forecasted to rise from 36 percent in 2010 to 54 percent in 2020. This would add 240 million households to this income segment, with half the increase coming from China alone. In Russia, 12 million additional households are expected to earn $15,000 or more by 2020.

Big things happen when annual household incomes reach or exceed $30,000—including major boosts in the demand for homes, healthcare services, and basic leisure goods. By 2020, India could gain 21 million households earning $30,000 or more per year. Brazil and Turkey are expected to add 5 million and 4.7 million households, respectively. Over the same time period, the number of



Mark Pearson is the managing director of the Accenture's Supply Chain Management practice. He has worked in supply chain for more than 20 years and has extensive international experience, particularly in Europe, Asia, and Russia. Based in Munich, Pearson can be reached at mark.h.pearson@accenture.com

Chinese households making more than $30,000 per year will increase more than any other country in the world.

At $50,000 per year, emerging-market spending begins to include more life insurance and pension products, leisure and tourism services, and luxury consumer goods. By 2020, China could bring 5 million additional households to this segment. South Korea is expected to double its number of $50,000 households to 42 percent.

From 2010 to 2020, Turkey's share of households with annual incomes of $50,000 or more is estimated to nearly double—from 18 percent to 34 percent. This translates to an additional 3.6 million households in that income segment. Kazakhstan could more than double the share of its population at the $50,000 level—from 7 percent to 15 percent. By 2020, Kazakhstan will have 770,000 households earning above $50,000.

Growth has varying drivers

Growth statistics mean a lot. However, it's important to note that improvements across economies and geographies are seldom a case of comparing apples to apples. Take India, whose growth is fueled primarily by domestic demand—private consumption accounts for 56 percent of India's economy. China's economy, on the other hand, is built largely on investment and export growth—private consumption comprises only 34 percent of China's growth. In Russia, growth is heavily dependent on natural resources: Oil, fuel, and gas accounted for 69 percent of the country's exports in 2010.

Given these critical distinctions, it often makes sense for companies to base their emerging-market analyses and penetration strategies on regions and cities, rather than countries and continents. In China, for example, there are stark variances in income, demography, religion, and language. It's possible that the most significant opportunities will be found in lesser-known cities and provinces.

Zhengzhou is a prime example. By 2020, this capital of China's Henan province will have a larger economy than Sweden, Hong Kong, or Israel. Another example is Surat in the Indian state of Gujarat, which is forecasted to be home to nearly 8 million people by 2020—more than the countries of Paraguay, Uruguay, Norway, Finland, Singapore, Libya, Togo and Republic of the Congo.

Economic data and projections are a key starting point for companies seeking to expand their sales, sourcing, or manufacturing presence in emerging markets. But, far more granular analyses are needed to make growth manageable as well as profitable. □

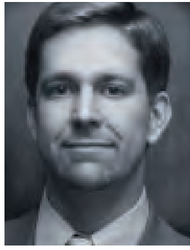
Integrated Material Handling Solutions for an Optimized Supply Chain

TGW is a global supplier of integrated material handling solutions built on a base of solid, proven technology. TGW solutions offer increased efficiency and productivity and can optimize your supply chain.

- Goods to Person Systems
- Buffer/Sequencing Systems
- Mini-load Systems
- Conveyor Systems

www.tgw-group.com

Andreoli on



Falling oil prices are a harbinger of more difficult times to come

NOT LONG AGO, THE PRICE FOR A BARREL OF CRUDE WAS $110 and a gallon of regular gasoline would set you back nearly $4. While consumers wished for relief, politicians hunted scapegoats on Wall Street.

After declining 30 percent to $80 a barrel, one might suggest that the politicians, who recently pinned high prices on speculators, pen a note thanking them for their change of heart. Of course, any such suggestion would be silly. Speculators are no more deserving of praise today than they were deserving of politicians' scornful derision this spring.

It's true that through their trades speculators collectively set oil prices, but their actions are driven by expectations of how the fundamentals of supply and demand are likely to develop. If demand grows just a tick faster than supply, prices will jump. And if supply grows slightly faster than demand, they will plummet.

Everyone across the supply chain has been wishing for fuel price pressures to ease, but the recent price drop reflects the expectation that the world's major economies are in difficulty—a fact that may have an even greater impact on logistics than high fuel prices.

Traders know that nothing is more highly correlated with oil consumption than economic activity. Back in the spring, the U.S. economic recovery was strengthening. Between December and April, the unemployment rate had declined from 8.5 percent to 8.1 percent, and it was expected to keep declining.

Meanwhile, China appeared to be successfully navigating a soft landing, and the OECD forecast of future economic activity improved. Elsewhere in Asia, Japan's tsunami-ravaged economy grew. Perhaps most importantly, fears of a Eurozone recession eased after the European Central Bank (ECB) flooded the system with cash.

The majority of analysts expected that these trends would continue to lift oil demand; and on the supply side of the equation, a potential armed conflict with Iran loomed large on the collective psyche. Prominent analysts predicted that conflict with Iran would cause oil prices to jump to $180 or more.

The writing was on the wall: If the economic prognostications were correct, oil markets were going to remain tight, and the threat of conflict with Iran was priced into the market.

The outlook today could hardly be more different. The U.S. unemployment rate has ticked back up, and the growth rate of GDP has slowed significantly. China's soft landing has hit turbulence, and the Euro debt crisis has taken a turn for the worse and is threatening to spiral out of control. Are these just speed bumps, or has the world economy gone off road?

Greece continues to dance dangerously close to default, and thus far the proposed solutions—austerity and euro bonds—have failed to do anything but buy time. It should now be clear that austerity is incapable of addressing the core issue, which is the disparity in productivity levels between Greece and Germany, with the latter country benefitting the most from membership and dominating negotiations among members of the European Union.

By definition, austerity is the reduction of spending combined with increased taxes. Austerity may be effective at reducing federal deficits, but it also robs the Greeks of their purchasing power, and consumer spending is the largest component of GDP.

With the economy in recession, Greece's current debt load is unmanageable. Growth is required to pay down debt, but growth will remain stalled unless productivity increases or the country's terms of trade shift such that Greek exports become competitive.

Being tethered to the Euro, Greece can't devalue their currency in order to make exports more competitive, and boosting productivity requires investment loans. Greece's high borrowing costs and federal deficit are, in fact, the only issues that are addressed by austerity, euro bonds, and bailout loans.

Euro bonds have been proposed as a solution to the problem of high borrowing costs that reflect the risk of a Greek default. Because all the countries that comprise the monetary union back the euro bonds issued by the ECB, the risk of default and borrowing costs are greatly reduced.

In theory, this sounds reasonable, provided that the amount of euro bonds is sufficient to the task. Unfortunately, the Greek crisis is not unique. Borrowing costs for Italy and Spain, the third and fourth largest economies in the EU, are more than eight times higher than they are in Germany—and they are rising. In Ireland they are more than tenfold higher, and in Portugal they are roughly 15 times the German rate.

If the economic and/or fiscal outlook in these other countries turns further south, and there are indicators that they will, borrowing costs will increase, as will the demand for euro bonds.

Because the underlying problem of low productivity

Derik Andreoli, Ph.D.c. is the Senior Analyst at Mercator International, LLC. He welcomes any comments or questions, and can be contacted at dandreoli@mercatorintl.com.

is not being addressed, and austerity acts as a great weight on GDP, we should expect the European crisis to worsen before it improves.

The magnitude of the oil price decline indicate that traders believe that both the probability and magnitude of a Eurozone recession are on the rise. In turn, a Eurozone recession will drive down imports from emerging markets exacerbating the challenges already faced, thus the outlook for oil demand in both the Eurozone and emerging markets has been downgraded.

U.S. banks are not immune to the contagious impacts of a major sovereign default, and U.S. economic output is not invulnerable to a Eurozone recession.

In addition to these challenges, the U.S. debt-to-GDP ratio is roughly equivalent to Ireland and Portugal, thus some have insisted that the U.S. impose domestic austerity measures on itself. But drawing comparisons between the U.S. and Greece ignores an important fact—U.S. debt is (still) viewed as a safe haven. Consequently during “risk on” periods, investors demand U.S. bonds, and demand has pushed U.S. borrowing costs to all-time lows.

While U.S. federal deficit spending is a great cause for concern, and one that will eventually need to be addressed, voluntary austerity at this point would have detrimental effects on both consumer spending and confidence. If the Bush-era tax cuts are allowed to expire at the end of the year, and the $1.2 trillion in automatic spending cuts are triggered, the U.S. economy will most certainly fall back into recession.

From the perspective of an oil trader, the global oil demand outlook has grown exceptionally soft. Meanwhile, on the supply side, tensions with Iran have been reduced from a boil to a simmer, and more Iranian oil may soon find its way to the market.

Elsewhere in the Middle East, Iraqi production recently reached 3.4 million barrels per day—a level that was last seen in 1979—and Saudi Arabia has lifted production over 10 million barrels per day—a higher rate than in 2008 when prices hit $150 per barrel. Further to the west, the recovery of Libyan oil production to pre-revolution levels has beaten all but the most optimistic projections.

On the other side of the pond, the U.S. is enjoying a surge in production, which has been driven by the production of shale oil, and drilling permits in the Gulf of Mexico have surged this year rising to pre-Macondo levels.

In short, the supply picture has turned decidedly rosy—at least from an oil price perspective. Weak oil markets and low prices could persist for quite some time. Consumers are getting what they wished for, and falling fuel prices are obviously welcome by logistics managers. But if the traders are correct, falling oil prices are a harbinger of more difficult times to come. ☐

All Roads Lead to Paradise!

offered by:
MUHLENBERG ALLIANCE FOR PROGRESS

- Great for warehousing & transport - Located in Muhlenberg County Kentucky, within a half-day drive of major markets including Nashville, Memphis, Louisville, St. Louis, Cincinnati, Indianapolis and Birmingham.
- Adjacent to Western Kentucky Parkway (exit 48), with quick access to I-69, the Natcher Parkway as well as I-24, I-64 and I-65.
- 375 acres of flat buildable sites available in a fully served industrial park with flexible site layouts.

Join us in Paradise - contact **Ken Robinson** today
(270) 338-4102 • ken@mafp.us • www.mafp.us

23rd ANNUAL STATE OF LOGISTICS REPORT

Slow and steady

The logistics industry has yet to climb back to the profitability it hit in 2007. According to the report's author and industry analysts, it may be a while until the overall industry hits full stride again.

BY **PATRICK BURNSON,** EXECUTIVE EDITOR

When the Council of Supply Chain Management Professionals (CSCMP) released its *23rd annual State of Logistics Report* (*SoL*) late last month, logistics and transportation management professionals were again advised to be patient: industry growth will slowly, but surely crawl back as the macroeconomic picture improves.

The report, authored for the past eight years by Rosalyn Wilson, president of Delcan, Inc., an engineering, planning, management, and technology firm, reveals that total U.S. business logistics costs in 2011 rose to $1.28 trillion, a 6.6 percent increase from the previous year, accounting for 8.5 percent of the U.S. gross domestic product (GDP).

"The economy improved in more areas than it retreated over the course of my reporting," says Wilson, "making me hopeful that there would be some genuine good news to report for 2011."

But there really wasn't. In fact, Wilson calls 2011 "a rather unremarkable year" for logistics statistics.

Consumer confidence trended upward since the 2010 report was unveiled last June, leading consumers to spend on items beyond necessities. "The negative side of that is that many dipped into savings or extended their credit," she says.

During this time, Wilson says that businesses demonstrated their expectations of a stronger economy in 2011 by adding new workers and stepping up manufacturing, which continued into the first half of 2012. "The manufacturing sector of the economy has been in expansion mode for over 27 consecutive months, but just barely," she adds.

Key takeaways

The *Annual State of Logistics Report* represents a snapshot of the economy over the past year, the logistics industry's key trends, and the total U.S. logistics costs over that time. The report also examines which sectors of the industry are recovering, which are facing challenges, and then highlights areas that can be targeted for increased investment.

While somewhat "unremarkable," according to Wilson, here are some of the high-level takeaways from 2011:

- Trucking, which comprises 77 percent of the transportation component, posted a 6.2 percent rise, but the real leader was the railroad sector that saw a 15.3 percent increase.
- Declines in manufacturing, financial difficulties in the European Union, China's slowing economic growth, and shrinking import/exports all have the potential to stall momentum in the industry.
- Inventory carrying costs increased 7.6 percent. The increase in carrying costs was due to higher costs for taxes, obsolescence, deprecation, and insurance.
- The result of higher inventories and historically low interest rates was a 31.4 percent drop in the interest component of carrying costs.
- Air, water, and pipeline revenues declined in 2011, while railroad, truck, and forwarders experienced revenue growth.
- One of the leading manufacturing sectors was motor vehicles and parts, which grew 17.7 percent during the final three months of 2011. Americans spent more on vehicles, and companies restocked their supplies at a fairly robust pace.

Richard Thompson, executive vice president of the global supply chain practice for Jones Lang LaSalle, served as panel moderator at the *SoL* press conference at the National Press Club in Washington. For him, the *SoL* represents both a legacy and a "baseline that provides shippers with a year-to-year metric on the health of logistics."

For example, said Thompson, the report validates that with overall revenue 15.3 percent higher than 2010, railroads gained market share over the course of 2011.

"This was especially true in intermodal because it didn't experience capacity problems faced by the trucking sector," says Thompson. "In fact, trucking companies are also using intermodal rail to help offset the impacts of driver shortages and the costs of acquiring and maintaining new equipment." And in spite of tightening capacity and an overall decline in volume, he adds that trucking rates were still up 5 percent to 15 percent over the course of 2011.

Even with the air cargo sector's record year for exports, the report shows that the industry still experienced a decline, with domestic air cargo revenue down more than 3 percent compared with less than a 1 percent decline in international revenue.

The challenge facing the ocean container industry is even more disconcerting, says Thompson. "The carriers just keep building new vessels to keep up with competitors, when they really should be limiting capacity." Thompson attributes this

Randy Lyhus

behavior to a holdover from the days when the mantra for ocean carriers was "grow or die."

"But what they're really doing," adds Thompson, "is growing excess capacity, thereby contributing to rate erosion, service declines, and operational losses."

Energy question missing

Conspicuous by its absence this year was any detailed analysis of the volatile energy rates and expenses. Derik Andreoli, Ph.D.c., senior analyst at Mercator International, a logistics and infrastructure advisory, and *Logistics Management*'s popular Oil & Fuel columnist, notes that shippers should be asking a few questions about this aspect of the overall state of logistics.

"Oil and fuel markets are extremely complex, and forecasting price moves requires insight into both supply and demand for oil, diesel, gasoline, and dollars," says Andreoli. "Since the beginning of May, crude oil prices have fallen by a staggering 22 percent. This decline was largely due to the rapidly evolving opinion among Wall Street oil traders that tight oil markets were set to soften."

But he notes that this sentiment is certainly not out of line with the news flowing from Europe or the recent lackluster performances of emerging markets—especially China.

"As Greece continues to dance with default and expulsion from the Eurozone, Moody's has downgraded France's

The U.S. business logistics system cost is the equivalent of 8.5% of current GDP in 2011

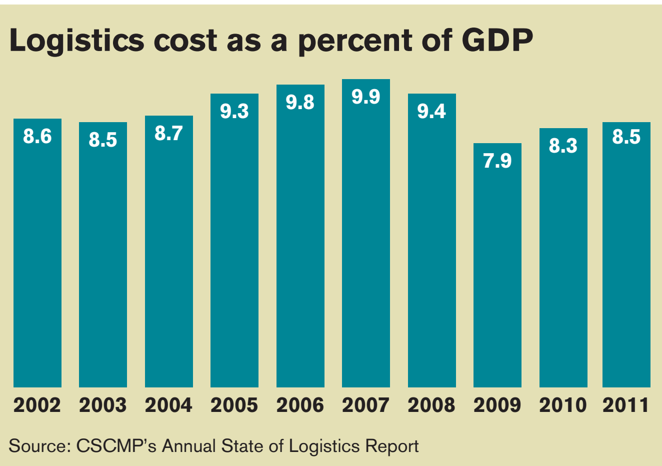
$ billions

Carrying costs - $2.064 trillion all business inventory		
Interest	3	
Taxes, Obsolescence, Depreciation, Insurance	294	Up 7.6%
Warehousing	120	
Subtotal	**418**	
Transportation costs		
Motor carriers		
Truck (Intercity)	431	
Truck (Local)	198	
Subtotal	**629**	
Other carriers		Up 6.2%
Railroads	68	
Water (International 28, Domestic 5)	32	
Oil pipelines	10	
Air (International 17, Domestic 16)	32	
Forwarders	35	
Subtotal	**177**	
Shipper related costs	10	
Logistics administration	49	
TOTAL LOGISTICS COST	**1,282**	Up 6.6%

Source: CSCMP's Annual State of Logistics Report

credit rating, and bond yields across Portugal, Italy, Greece, and Spain have skyrocketed," says Andreoli. "As borrowing becomes more expensive, the only choices that are available are to cut spending or leave the Euro. Neither of these options is attractive."

Andreoli adds that the problem with austerity is that spending—be it by the government, consumers, or businesses—greases the wheels of growth. The problem with leaving the Euro is that the value of the drachma would plummet, causing Greece to muddle through a prolonged recession.



Source: CSCMP's Annual State of Logistics Report

"The irony, of course, is that the underperformance of Eurozone economies has kept the value of the Euro suppressed against the level that it would be if every Eurozone economy performed similarly to Germany." As a consequence, he says, Germany's exports remain cheaper than they would otherwise be. "Germany is the only country that is strong enough to pull the Eurozone out of its slump, but seeing that the country has for years benefitted from a dysfunctional Euro, it won't likely throw out a life preserver until the alternative to 'muddling through' looks relatively more attractive."

Andreoli says that as the Eurozone skirts recession, European oil demand remains suppressed. So too are European imports from China and other emerging markets, which suppresses economic activity in these countries.

"Of course, MENA [Middle East and North Africa] oil consumption was also significantly reduced as the Arab Spring chopped away at economic activity leaving a wide swath of economic disruption across the region," says Andreoli.

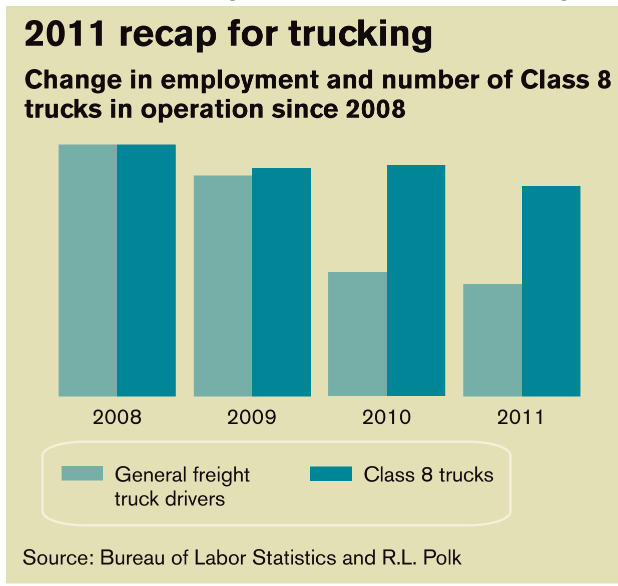
Road ahead

U.S. consumers, meanwhile, are benefiting from the slow but steady decline in gasoline prices, and retail analysts expect that growth will resume and should pick up through the fall. "This economy thus far is working like an old machine with many fits, starts, and even some sputtering," says Jack Kleinhenz, chief economist with the National Retail Federation (NRF).

The NRF reported that May retail sales, which exclude autos, gas stations, and restaurants, were down 0.3 percent on a seasonally-adjusted basis from April and up 4.8 percent on an unadjusted basis annually, marking the 23rd consecutive month of retail sales growth.

This observation resonated with Wilson, who says that this year's *SoL* suggests a slow rebound. "Manufacturing has slowed, but not stalled, and new orders have been picking up," she says. "Industrial output has been stuck at one level for a couple of months, but inched up in May."

Wilson agrees that consumer confidence was climbing, but that it has been in decline for the last three months. "Unemployment had dropped several times, but rose again in May. The transportation sector, however, added 36,000 jobs in the same month—almost half of the 69,000 jobs added last month," she adds.



Source: Bureau of Labor Statistics and R.L. Polk

Meanwhile, another recent study indicates that logistics managers regard the reduction of overall supply chain costs as the "number one" priority in the coming year. IDC Manufacturing Insights' *2012 U.S. Supply Chain Survey* found that the vast majority of respondents are still aggressively attacking expenses.

"According to our findings, the key supply chain challenge facing all manufacturers today is the juxtaposing of complex and extended supply networks with increasingly fast and volatile demand networks," says Simon Ellis, IDC's supply chain practice director. "At the same time, shippers are dealing with the increasingly ineffective role for inventory as a way to buffer cadence mismatches."

While manufacturers face increasing complexity as customer demand diversifies and supply globalizes, supply chain organizations are adapting to respond to requirements such as complex and extended global supply networks and growing regulation—particularly in the area of traceability.

To address these challenges, the IDC study found that manufacturers continue to increase the amount of low-cost country sourcing. Analysts recommend that shippers "revisit" the profitable proximity sourcing approach and how that concept, supported by IT, can ensure sourcing decisions to create a competitive edge.

"While there is anecdotal evidence to suggest that 2012 may indeed represent the most challenging time in the history of the manufacturing supply chain, significant opportunities also abound in terms of the supply chain this year," says Ellis.

THE LINEUP FOR YOUR SUPPLY CHAIN SUCCESS

TOTAL LOGISTICS SOLUTIONS

Hit a home run with supply chain solutions from the team with the skills and resources to power your success.

Landstar's transportation logistics professionals have the knowledge to evaluate your total supply chain practices. Our experience enables you to up your game with more efficient and cost-effective operations.

- Event Management – Truckload, LTL and Intermodal freight
- Freight Optimization – LTL consolidation
- Complete Shipment Visibility
- Specialized Project Management
- Air and ocean freight forwarding worldwide
- More than 36,000 transportation capacity providers
- Single Point of Contact

Landstar is a leader in tailored supply chain solutions and safe, reliable transportation logistics services for more than 20 years. That's the Landstar Way.

Visit us at www.landstar.com.
Contact us at 877-696-4507 or solutions@landstar.com

LTL: Privately held carriers lead the sector

The less-than-truckload (LTL) market is a dichotomy. Privately held LTL carriers are far and away hauling more freight at better rates, providing those carriers with far better margins than their publicly held counterparts.

The publicly held sector, dominated by operating companies Arkansas Best Corp. (parent of ABF Freight System) and YRC Worldwide (parent of YRC Freight national and regional units), is struggling to get in the black.

However, the LTL sector is more "in balance" than in past years with capacity aligning with demand. And for the first time in at least five years, the sector is showing positive operating margins, albeit scant.

As the accompanying chart from trucking analyst firm SJ Consulting indicates, operating margins for the top publicly held LTL carriers averaged 0.7 percent for the first quarter of 2012, compared with a -11.7 percent margin just three years ago.

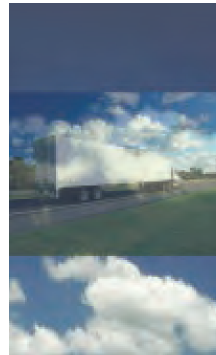
This vital $32 billion market amounts to only about 5 percent of the total trucking market, but because of its reach into both the retail and industrial sector, LTL remains an important cog in the U.S. trucking engine.

Right now, LTL executives say the market place favors neither carriers nor shippers. Rather, demand is roughly aligning with capacity and LTL rates reflect that equilibrium.

"It's not a buyers' or a sellers' market," says Rob Estes, president and CEO of Estes Express Lines. He recently said that the LTL market is "still in the recovery mode" from the depth of the recession in 2008-2009.

But some carriers are faring much better than others. The profitability of the LTL sector is skewered in favor of large, non-union companies such as Old Dominion Freight Line (ODFL) and Con-way. Consistently profitable, ODFL posted first-quarter net income of $31 million on $497 million revenue, while Con-way's LTL unit earned $34 million on $831 million revenue.

Yet similarly large companies such as financially ailing YRC Worldwide lost money. YRC's national LTL unit lost $56 million on $789 million revenue in the first quarter, but its regional unit earned $11 million on $402 million revenue in that period. Similarly, FedEx Freight and UPS Freight reported basically break-even figures in the first quarter, typically the slowest period for LTL truckers.



"The larger companies had very marginal performances," said Satish Jindel, principal of SJ Consulting. "They're struggling to create value in LTL with the (expensive) technology and marketing that they have. Pricing and yields are better than last year, but you have to manage it. Capacity is there."

LTL carriers' fortunes are largely tied to that of the overall U.S. economy. Eric Starks, president of FTR Associates, a leading freight forecasting firm, is forecasting 2.5 percent growth in Gross Domestic Product (GDP) for the rest of the year. Overall, he is "less pessimistic" than he was a year ago on overall economic conditions, which ought to eventually translate into more profits for the LTL carriers. "Truckers are relatively healthy," Starks said. "It's not a bad time to be in trucking as rates continue to edge higher."

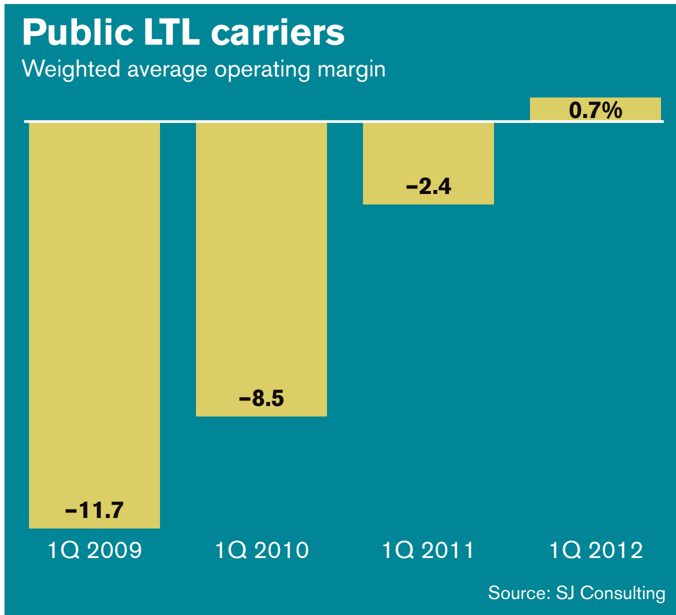
Overall, Jindel says, privately held LTL carriers such as ODFL, Saia, Pitt Ohio, Dayton, AAA Cooper, Southeastern, and New England Motor Freight outperformed their publicly held counterparts. "The top eight privately held LTLs had much better operating ratios than the large publicly held carriers," Jindel said. "It comes down to managing the business with fewer levels of bureaucracy and more timely and efficient responses to business trends."

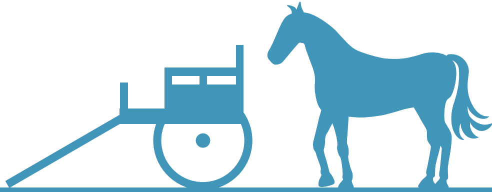
Buoyed by improvements in the domestic auto market and a slower recovery in the U.S. housing market, LTL truckers are reporting more customers concerned about sufficient capacity. "When I talk to customers, they're talking about capacity more than anything else," said Scott Dobak, president of Roadrunner Transportation Services, which operates a large LTL operation.

He said shippers want to better understand what specifically is driving their cost pressures in trucking rates. "The days of just trying to browbeat the carrier to just get the lower rate are just about over," Dobak said.

Jindel says shippers ought to be prepared to pay "mid-single digit" percentage rate increases during LTL contract renewals this year since carriers need the money to offset their cost increases. As Jindel says, "You can't perform with a mid-90s operating ratio and recapitalize your business."

—John D. Schulz, Contributing Editor





THE PROBLEM WITH A LOT OF SUPPLY CHAIN SOLUTIONS IS THAT THEY DON'T FIRST DEFINE THE PROBLEM.

Today, global logistics providers must have the tools to manage customer supply chains. A global office network, transportation and distribution services, integrative IT platforms, and so on. With these tools in place, one might think that is enough. It isn't. However, they all have to be in the "cart."

At MIQ, we believe what should come first is a customer partnership based on a deep understanding of their core business. Thus, we hire the best talent in the industry to analyze each customer's needs/problems, then dip into the cart for solution tools specifically designed to address them.

Today, it isn't only about providing a cart full of logistics services. It's about understanding each customer's individual business, supply chain requirements and problem areas that lead to intelligent solutions.

For more information please call +1 877 232 1845.

MIQ LOGISTICS

INTELLIGENT GLOBAL SOLUTIONS

www.miq.com

Truckload: Capacity in equilibrium with demand…for now

The $300 billion for-hire truckload (TL) sector is by far the largest slice of the overall motor carriage market and the engine that drives the U.S. trucking industry. And according to leading analysts, this mostly long-haul, non-union sector is rebuilding its capacity to about where it was when the 2008-2009 recession occurred.

The recovery carriers expected is not exactly the one that they're getting, however. Truckload volumes have been building gradually through the year, but it's not the robust recovery some economists had been predicting. But carrier executives say that they prefer this slow, steady recovery to a sharp uptick, which could result in equipment and driver shortages.

While freight volumes are nothing to brag about, carrier profitability is. According to Eric Starks, president of FTR Associates, a leading freight forecasting firm, TL margins are way up in the past year. As the accompanying chart from trucking analyst firm SJ Consulting shows, TL operating margins for the public TL carriers are up 6.6 percent for the 2012 first quarter—more than double what they were just two years ago.

Starks is predicting that freight will grow slightly faster than his forecast of a 2.5 percent rise in Gross Domestic Product (GDP) and will remain "above its historical average" over the next several years. While the last peak year for trucking was 2006, Starks is predicting truckload demand won't return to its peak until 2015.

"The current environment isn't bad," Starks said. "But we're not getting back to the peak for a few years."

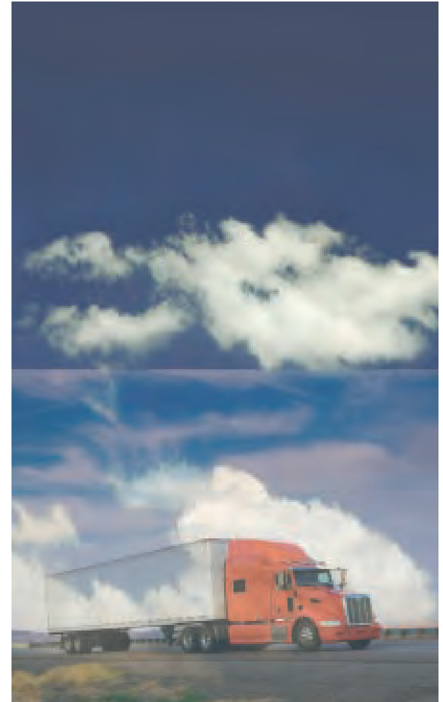
Carrier executives say that the TL recovery is progressing relatively well, with TL supply and demand pretty much in "equilibrium." In turn, this is allowing some rate increases that industry analysts say is necessary just to offset the sharp price increases for their equipment, fuel, and drivers.

Truckload rates are "pretty good," said Dan England, chairman of Salt Lake City-based C.R. England, the nation's eighth-largest TL carrier. "However, they're never as good as you want them to be."

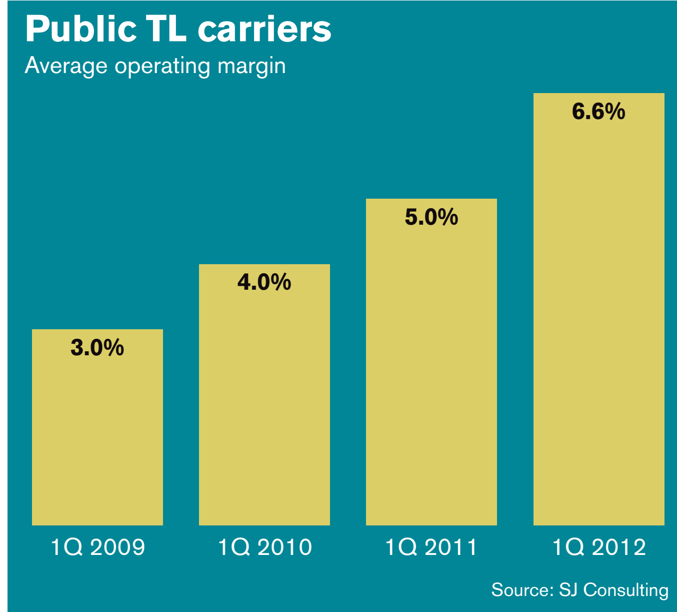
Most analysts are forecasting 4 percent to 6 percent rate increases in the TL sector this year, depending on geographic lane, a shipper's individual freight characteristics, and the shipper's relationship with their carriers. But that forecast rise in rates might only be allowing TL carriers to keep pace with their costs, which are soaring.

Besides the sharp spike in diesel costs, TL carriers have endured at least a 25 percent rise in the cost of Class 8 trucks, rising labor costs associated with tighter driver supplies, and sky-rocketing insurance.

"There is an economic schizophrenia," said Bill Graves, president and CEO of the American Trucking Associations. "Some days there are signs that things are encouraging, then the next day there're numbers that are not."



Manufacturing is continuing to expand steadily, aiding in TL demand—and truckers prefer that gradual increase because it is so difficult to find qualified drivers now. "Trucking is a very tough business and driving a truck over the road is a very hard life," Graves said.



Then there's the issue of what fuels those trucks. Trucking consumes about 155 billion gallons of gasoline and diesel a year, meaning that the 2012 fuel tab for trucking will exceed $600 billion—a new record.

Trucking officials say the wild card is the 2012 presidential election, and whether Democrats continue to control the White House and House of Representatives. "We're very fearful of what that regulatory agenda might look like in a second term," Graves said.

—John D. Schulz, Contributing Editor

VISIT KRONOS.COM/EXCESS30 FOR THE FREE WHITE PAPER: "THE PERFECT LABOR MANAGEMENT STORM."

In Logistics, as in all businesses, you can't control what you can't see. But with real-time visibility of your labor management data, you can get out in front of issues before they become serious business problems. That's the kind of visibility Kronos delivers with a fully integrated suite that helps you get more out of one of your largest operating costs – your people. The technology and tools you need to proactively manage operational costs, minimize safety and compliance risks, and deliver quality service. All from the company that's proving **workforce management doesn't have to be so hard.**

TIME & ATTENDANCE SCHEDULING ABSENCE MANAGEMENT HR & PAYROLL HIRING LABOR ANALYTICS

© 2012 Kronos Incorporated. Kronos and the Kronos logo are registered trademarks of Kronos Incorporated or a related company. All rights reserved.

Rail: Pricing and service strength chug along

As the freight transportation sector ebbs and flows, one constant before, during, and after the Great Recession has been the railroad industry. Even with volumes stalled by coal declines, rail and intermodal remain ahead of the curve.

There are several factors that have left the rails in excellent shape amid the chaos that was—and to some extent still is—prevalent in freight transportation. Chief among those factors are strong service and reliability, which the rails have successfully leveraged as current volumes remain below pre-recession levels.

And the railroads will be the first to tell you that improved service and reliability are not incidental or happening by accident. Railroads are leveraging their strong service reliability into excellent returns for Class I carriers—even with the dramatic decline in coal loadings which represents 40 percent or more of total rail volumes.

This is also evident in the many ways in which railroads are preparing for future growth on the tracks, whether it be for straight carload or intermodal movements, which continue to gain traction at a time when truckload carriers are feeling the brunt of tight capacity.

Proof of this planning is evident and can be found in projected 2012 capital expenditure plans by Class I railroads, which represent a cumulative investment of a record $13 billion by the seven North America-based Class I freight railroads. Capital is being allocated for things like expanding, upgrading, and enhancing the U.S. freight rail network in the form of new equipment, safety, rolling stock, terminal expansion, and asset utilization.

Some of the specific capex plans include a $2.25 billion investment by CSX; $2.4 billion by Norfolk Southern; and $3.6 billion by Union Pacific. The Association of American Railroads has often highlighted that these capital expenditure investments are funded by private capital and not taxpayer funding, adding that the railroad industry owns, maintains, improves, and pays taxes on their rights-of-way.

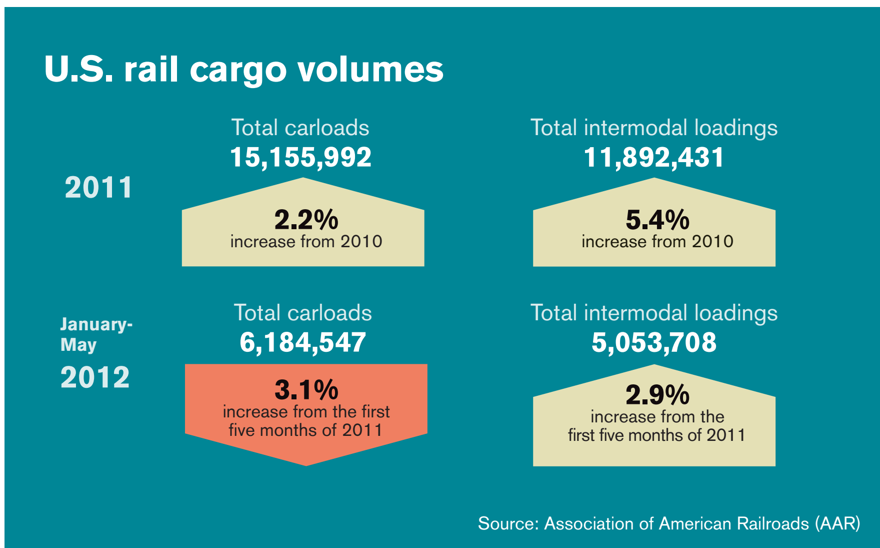
"We have seen a reasonably steady and slow growth pattern this year," said Anthony Hatch, principal of New York-based ABH Consulting, a leading railroad analyst firm. "This has helped the rails with planning for the future, which is reflected in this year's capex spending numbers, which are at record-high levels."

Hatch added that shippers are generally satisfied with current service levels, although there is some concern about future capacity, with current capacity levels solid. But even with service levels intact, the age-old argument of rail rate disharmony between carriers and shippers remains. This is due to the rails having pricing power on their side going back to 2003.

At the heart of the matter during this time is how rail shippers, especially those that are captive to one railroad, maintain that they are not getting their money's worth as rates increase, on average, by about 5 percent annually.

And over the last several years, this has led to conflicts between the parties over whether to re-regulate the railroad industry and re-authorize the Surface Transportation Board. Progress on both fronts has been slow, and with 2012 being an election year, not much is expected in the way of legislative action.

—Jeff Berman, Group News Editor



nasstrac

CARRIER OF THE YEAR

U.S. Xpress named 2012 Truckload Honoree by the National Shippers Strategic Transportation Council for award-winning service.

VACANCY

When we say we've got your capacity needs covered, we mean it.

In the "capacity crisis," everybody promises, but can they deliver? At U.S. Xpress, when you have freight, we take care of it – period. It's because our resources go beyond trucks and trailers. We have an entire network of partner carriers, as well as extensive intermodal solutions. And since we're the second largest privately owned truckload carrier, we have the flexibility to "grow" when you require additional capacity.

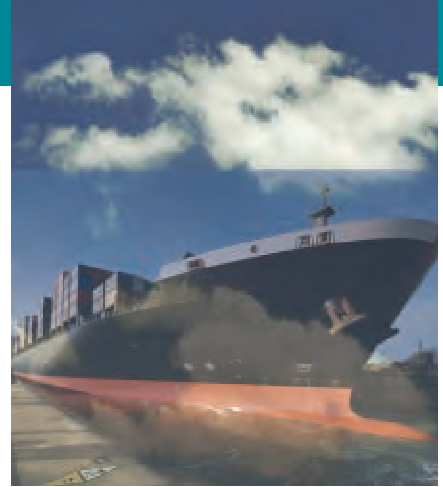
Need capacity? There's always room with U.S. Xpress. Visit usxpress.com to learn more. ■

U.S. XPRESS ENTERPRISES

SERVICE THAT MATTERS – DRIVEN BY INNOVATION

800.251.6291 / USXPRESS.COM

SOLO TRUCKLOAD / TEAM / DEDICATED / DEMAND CRITICAL / INTERMODAL / LOGISTICS / BROKERAGE / SPECIALIZED LTL / INTERNATIONAL



Ocean: Focus shifts to value

In a collective effort to stem the flow of eroding freight pricing, ocean carriers are now competing on the two major global trade lanes—EU-Asia and the transpacific—by focusing on value rather than rates. Indeed, all the major players are telling shippers that the general rate increases (GRIs) will not be jeopardized by competition offering deep discounts this year.

While no major multinational corporation wants to hear that supply chain expenses may soon escalate, there is actually an attractive aspect of this forecast. Ocean carriers—and the lead logistics providers who work with them—may rely on a sustainable level of capacity and service through 2012 and beyond.

According to Drewry, a London-based maritime advisory, nearly 60 new vessels of at least 10,000 twenty-foot equivalent units (TEUs) are being staged for deployment. And while the active global ocean cargo container fleet has grown by less than 2 percent to date, analysts feel that it will expand more than 7 percent by the end of this year.

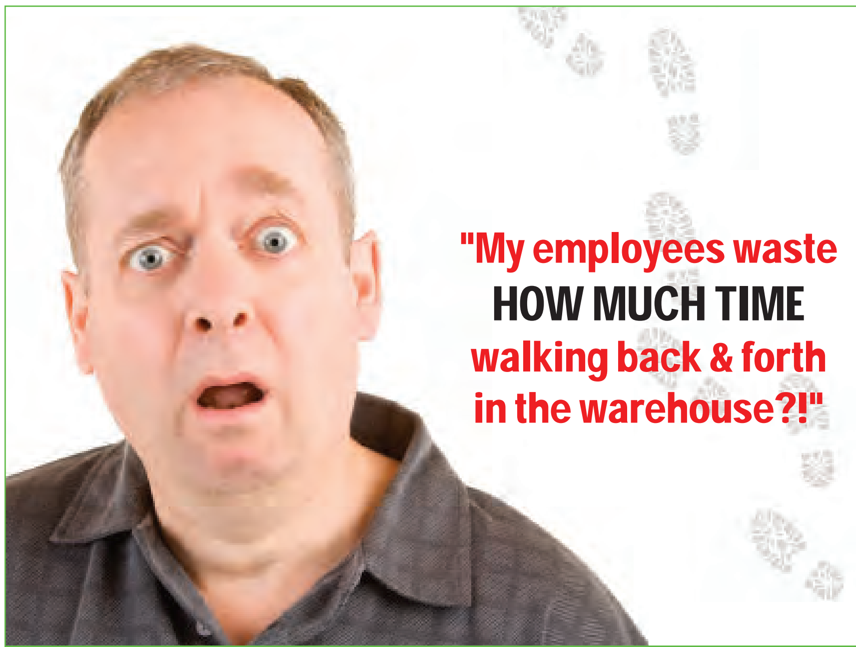
The major question, however, is whether the buying spree of last year will pay off. Overspending and rate cutting to win market share proved to be profoundly damaging strategies for all but a few ocean carriers.

Just how bad was it? Maersk, the world's largest container line, reported a significant loss last year, along with France's CMA CGM SA and Hamburg-based Hapag-Lloyd AG. Industry analysts blame frenzied bidding on the world's two largest container-shipping trade routes. According to SeaIntel Maritime Analysis in Copenhagen, the cost to the industry overall was a staggering $11.4 billion over the previous 14 months.

Nor were things much better for COSCO, the largest integrated shipping company in China and the second largest in the world. Container shipping and related business moved volumes totaling 6.91 million TEUs in 2011, up 11.2 percent from the previous year. However, revenues from this segment were down 11 percent year-on-year.

What did the carriers learn through all of this? Several things have become clear:

• To save on ever-increasing bunker fuel costs, carriers will use "slow steaming"



Eliminate the Footsteps!

Introducing a NEW economical way to implement mobility in your warehouse.

A **Mobile "On-Demand" Label Printing Station** provides a complete solution for high-volume printing applications in:

- shipping/receiving
- warehouse inventory & cycle counting
- order picking & more

Stop the walking back & forth to high-volume label printers and improve productivity.

But don't just take our word for it - LET US SHOW YOU!

NEW "On-Demand" Label Printing Station

Consists of a Mobile Powered Workstation by Newcastle Systems and Your Auto-ID Technology

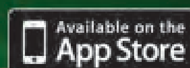
Go to www.newcastlesys.com/eliminatesteps or call 781.935.3450

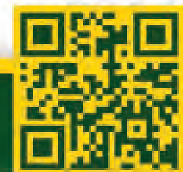
Solutions that Help Your Business Grow

- Global Supply Chain Services providing FCL & LCL
- Warehousing with over 80 locations
- A Dual-System® Network for regional and national LTL
- Truckload and intermodal
- Expedited & time-specific
- White-glove delivery, light assembly & positioning
- Seamless visibility and world-class customer service

Take Control.®

Are you ready to take control?
Call 877-ABF-0000 or visit abf.com/global





on major trade lanes whenever possible. At the same time, they will impose the Bunker Adjustment Factor (BAF) as a surcharge to mitigate sudden fluctuations in fuel rates.

- Many carriers have now grouped together on the core Asia-Europe trade to pool their largest ships into fewer services and to share costs. This was unlikely to have happened several years ago, but has been forced out of necessity.
- Carriers will make charter deals on a more short-term basis, too, as they do not want to run the risk of being in a locked-in contract when cargo demand suddenly ramps up. At the same time, cash-strapped carriers may alter this tactic somewhat by offering parts of their fleets on longer terms to generate sufficient revenue to remain operational.
- Indexed contracts will become more widespread, as both shippers and non-vessel-owning common carriers (NVOCCs) have a growing appreciation for them. That's because indexed contracts enable carriers to differentiate themselves based on service rather than price.

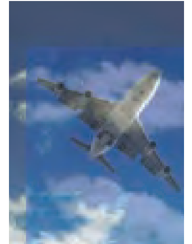
—Patrick Burnson, Executive Editor

U.S. Ports improve slightly

Port	2011 TEUs	2010 TEUs	Percent change
Los Angeles	7,940,511	7,831,902	1.40%
Long Beach	6,061,091	6,263,499	-3.20%
New York	5,503,485	5,292,025	4.00%
Savannah	2,944,678	2,825,179	4.20%
Oakland	2,342,504	2,330,214	0.50%
Seattle	2,033,535	2,133,548	-4.70%
Norfolk	1,918,029	1,895,017	1.20%
Houston	1,866,450	1,817,169	2.70%
Tacoma	1,485,617	1,455,466	2.10%
Charleston	1,381,352	1,364,504	1.20%

Source: American Association of Port Authorities

Air Freight: Keep seat belts fastened



So far this year, it has been tough to find a silver lining in the clouds around the air cargo sector. Air freight revenue dipped by 2 percent in 2011, while over capacity led to bad load factors dropping domestic revenue ton-miles more than 3 percent. International air freight cargo, meanwhile, was bolstered by a record $400 billion dollars in export goods transported by air.

"This was not enough to prevent a decline in international ton-miles, which fell just under one percent in 2011," says transportation consultant Rosalyn Wilson of Delcan, Inc., the author of the *23rd Annual State of Logistics Report.*

Meanwhile, some of the world's most successful cargo airlines are reporting that the EU's crisis has been pulling them down. Tim Clark, president of Emirates airline, says international airlines face a "perfect storm" from high fuel costs, a slowing global economy, and volatile exchange rates that could see many carriers forced to downsize.

"The euro is going south, the pound is going south, fuel costs are still too high," says Clark. Indeed, the International Air Transport Association (IATA) has its revised industry outlook for 2012, noting that the outlook for European, Asia-Pacific, and Middle Eastern carriers has been downgraded, with European losses now expected to be $1.1 billion—nearly double the previously forecast.

Not all of the news was bad, however. Tony Tyler, IATA's director general and CEO, says that although airlines face the common challenges of high fuel prices and economic uncertainty, the regional picture is diverse.

"Carriers in the Americas are seeing improved prospects for 2012," says Tyler. "The rest of the world is seeing reduced profitability. For European carriers, the business environment is deteriorating rapidly resulting in sizable losses."

WE LOVE A CHALLENGE

Carlile has the equipment and know-how to make jaws drop as we haul your cargo safely to its destination.

→ solutions finder.

On the road with a 198' tower moving on a Carlile lowboy.

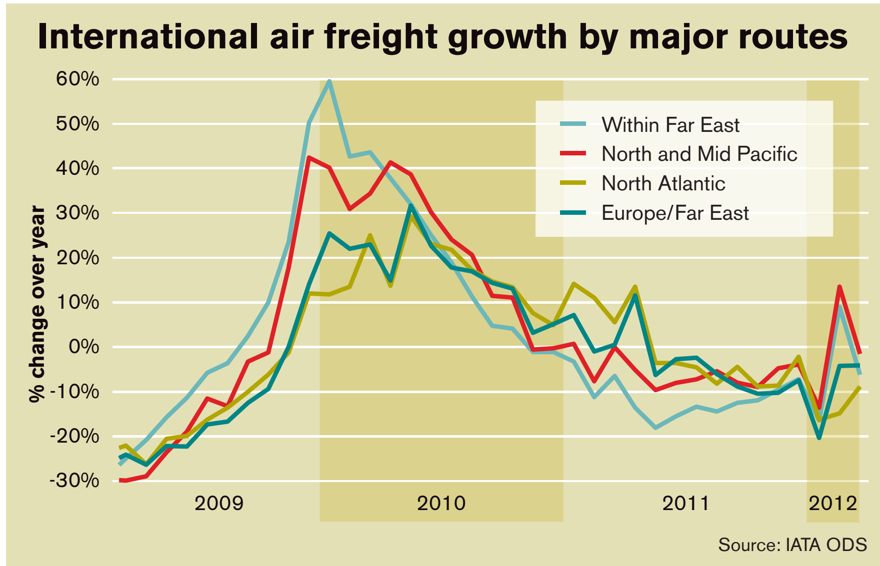
"At Carlile, we have all the equipment to meet your unique needs."
— Co-founder John McDonald

ROAD - RAIL - SEA - AIR

www.carlile.biz | 1.800.478.1853
ALASKA | HAWAII | UNITED STATES | CANADA

North American carriers are expected to post a profit of $1.4 billion in 2012, that's up from the March projection of $0.9 billion and a slight improvement on the $1.3 billion that the region's carriers made in 2011. The main driver of this performance is a significant improvement in yields on the back of tight capacity management. Capacity growth for North American carriers is basically flat (0.1 percent) against demand growth of 0.5 percent, which, notably, is the slowest among all regions.

Tyler says that one of the notable features of this business cycle has been the limited expansion of capacity by airlines, and the resulting success in sustaining high levels of asset utilization. In any capital-intensive business this is a key factor behind profitability.



Over the rest of the year the forecast anticipates that, although demand is slowing, airlines will add capacity at an even slower pace. Growth in available tons kilometers (a combined measure for the passenger and cargo capacity) is forecast to be limited to 3.3 percent this year, compared with growth in both passenger and cargo traffic of 3.5 percent. Load factors and aircraft utilization are expected to be close to current high levels, limiting the reduction in airline profitability.

"The main upside risk would be a calming of the Eurozone crisis," says Tyler. "There is no scenario for an immediate solution to the crisis, but actions to provide further liquidity on a large scale and steps towards closer integration for Europe would give a modest boost to industry profitability."

—*Patrick Burnson, Executive Editor*

"The Business of America is Business"
Calvin Coolidge

The Business of Alliance Shippers Inc. is . . .
"To Manage Our Customers' Business."®

For more information about all of our services, visit us at: **www.alliance.com**

Perfect Shipment® Performance[1]		
On-Time Pick-Up = **98.9%**	On-Time Delivery = **98.1%**	YTD On-Time Delivery = **97.9%**
Damage-Free Performance[2]		
Refrigerated Services = **99.98%**	Dry Van Intermodal and Highway Services = **99.79%**	

SmartWay℠ Transport Partner
Getting There With Cleaner Air

[1] Data as of 5/31/12 [2] Fiscal Year 2010 – 2011

® denotes a registered trademark of Alliance Shippers Inc.

GET MORE FROM YOUR TMS

Automate and Optimize.

Consolidate loads and optimize mode shifts across your own fleet as well as external carriers—*simultaneously*.

Maximize asset utilization, improve your logistics service offerings and strengthen your competitive advantage. New Mode Selection tools and Transportation Modeling capabilities from TMW Systems expand our powerful TMS solutions. Benefit from the successful experience of more than 2,000 TMW customers who work with our transportation business technologies.

- LTL to TL Mode Shift
- EDI, Portals and Trading Partner Visibility
- Private and Dedicated Fleet Management
- Route & Schedule Optimization
- Rating, Tariff and Carrier Management
- Network Modeling
- Business Process Automation & Workflow

Call us at 1-800-401-6682,
or go online to tmwsystems.com/tms.

MOVE TO TMW.

TMW® SYSTEMS

www.tmwsystems.com

TMS: Time to get on board

Transportation management systems (TMS) have consistently proven to be game-changing, cost-saving freight facilitators, yet adoption rates only hover around 37 percent. If you're still dragging your feet we offer some food for thought.

BY **BRIDGET MCCREA**, CONTRIBUTING EDITOR

Transportation management systems (TMS) came on the supply chain scene in 1980s, promising to make the movement of freight between trade partners easier and cheaper. Since that time, the systems have evolved significantly and are now available as standalone software packages, integrated into broad-based enterprise resource planning (ERP) systems, or are easily accessible online in Software-as-a-Service (SaaS) formats.

Regardless of the deployment chosen, TMS has a proven track record of helping companies efficiently and cost-effectively move freight from origin to destination. Able to handle everything from parcels to bulk commodities, TMS now encompasses solutions for moving freight in all modes, including intermodal movements.

"The TMS processes include freight transported inbound or outbound, domestically or internationally, using transportation assets the company owns (via fleet management) or that are owned by an outside service provider (using planning and execution)," says Steve Banker, director of supply chain solutions for analyst firm ARC Advisory Group.

But if TMS has so much going for it, why haven't more shippers jumped on board? According to *Logistics Management*'s (*LM*) *2012 Supply Chain Software User Survey*, just 37 percent of respondents said they're currently using TMS, versus 32 percent in 2011.

Over the next few pages we will examine the low adoption rate and show why shippers who overlook this supply chain software segment are missing out on both cost savings and increases in efficiency. With fuel costs and capacity crunches around the next corner, we'll explain why now

is the time to invest in a new TMS or optimize a system that's stagnated over the last few years.

Banker estimates that a shipper with $100 million in annual freight spend would be able to shave at least 5 percent to 6 percent off of that number with the help of a TMS.

Why such low adoption?

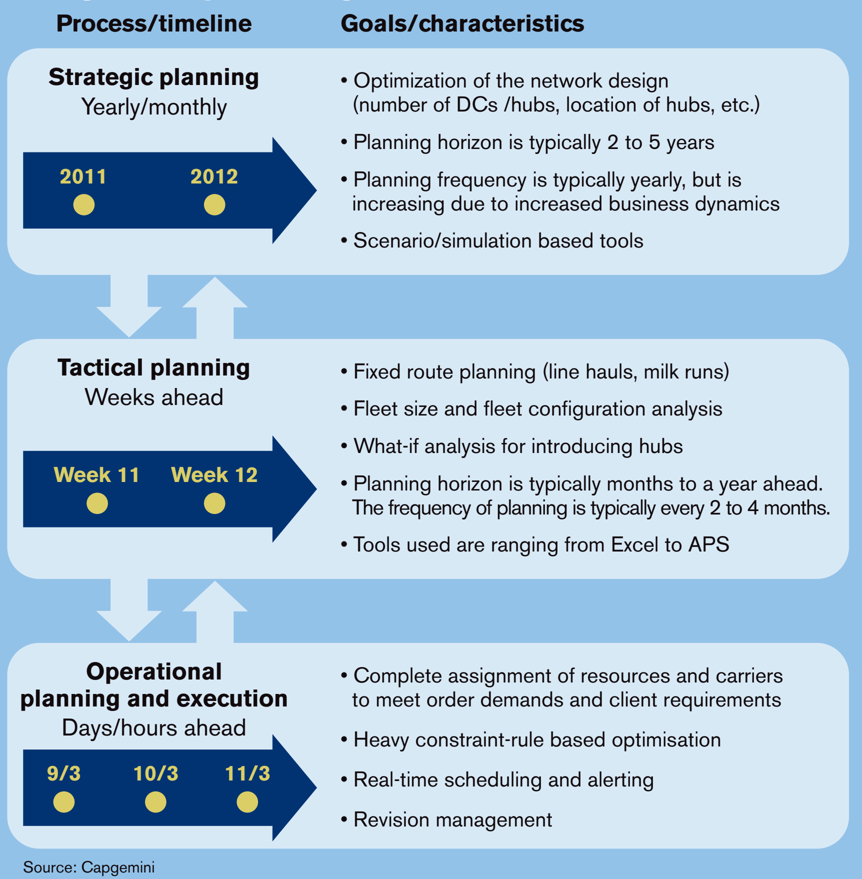
Banker says that adoption rates may actually be lower than the 37 percent found in the *LM* survey. "If I had to take a guess, I'd say adoption rates are closer to 20 percent or less," says Banker. "I still come across billion dollar companies that don't have a TMS in place—they're still handling things manually."

Those companies are missing the boat, according to Banker, who estimates that a shipper with $100 million in annual freight spend would be able to shave at least 5 percent to 6 percent off of that number with the help of a TMS. "Companies that implement a TMS see very good returns on their investments," says Banker.

So why aren't more companies investing in TMS? Banker says that some of the reluctance can be traced back to the fact that such solutions were a good fit for the food, beverage, and retail industries, and not as applicable for others. A company that was shipping carloads of chemicals by train, for example, and to and from a specific destination, had fairly limited optimization opportunities, he says.

"A lot of industry verticals picked up on this and said: 'I just don't think transportation management applies to us,'" says Banker, who adds that an updated mindset is in order, thanks to technological advancements and a sharp focus on squeezing maximum benefits and profits from the supply chain.

New optimization opportunities have emerged, says Banker, and new industries—like natural resources—have been investing in TMS. "Even if the ROI isn't as high as it is for CPG and food and beverage manufacturers," says Banker, "it's still very good."



Source: Capgemini

No longer an afterthought

Rising fuel prices, the need for improved visibility, and the desire to think "globally" has pushed companies to move their transportation costs out of standalone budget mode and into the larger scheme of things.

Now a critical aspect of the supply chain, transportation coordination has gone beyond the fax, e-mail, and phone, and requires a more streamlined, automated approach in order to function at optimal levels—and that's where TMS comes in.

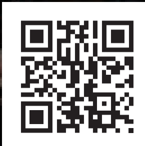
Available as SaaS on a subscription basis and with no upfront investment, these systems are best known for minimizing freight costs while enhancing route planning and load consolidation. TMS can also provide order visibility, the ability to handle global freight movement, and the facility to adapt to new requirements and opportunities in the supply chain. Other benefits include access to historical carrier performance data (useful when negotiating new contracts), better load consolidation, and improved asset utilization.

But getting to those benefits requires some elbow grease. Here are five ways that TMS users can milk the maximum benefits out of their system and get the platform working like a well-oiled machine:

1. Centralize activities first. A manufacturer with 10 factories and a real need to optimize its transportation component across the supply chain should start by examining the firm's operations and centralizing them from a single location.

That way, says Banker, you won't get 10 different transportation planners doing things their own way. "Centralize before you invest in a TMS and you'll be able to pick up on optimization opportunities that you wouldn't see otherwise," says Banker.

CAN'T SEE THE FOREST FOR THE TREES?



Managed TMS® represents the next evolution in SaaS. Request a **FREE copy** of our case study to find out how Managed TMS answers the demands of a volatile market to deliver supply chain savings.

© 2012 C.H. Robinson Worldwide, Inc. All Rights Reserved. **www.chrobinson.com** | **www.mytmc.com**

Get a global perspective.

It is hard to effectively manage your global supply chain when a lack of actionable information stands in your way. You need control over core processes to achieve strategic outcomes. Bring clarity to your business with Managed TMS®. This comprehensive global TMS, powered by logistics experts, delivers customized analytics that provide the necessary insight on a local, regional, and global scale. Make smarter, more strategic supply chain decisions and Get There Faster™ with Managed TMS.

Your supply chain is global. Why isn't your TMS?

Contact the transportation and logistics experts at **800.323.7587** or **solutions@chrobinson.com**.

TMC | A DIVISION OF C.H. ROBINSON

C.H. ROBINSON

2. Think beyond the obvious dollars and cents savings. The company that's spending $100 million on transportation annually may be able to whittle that number down to $94 million with the help of a TMS, but there are other benefits to keep an eye on.

Better visibility over shipments can boost customer service significantly, says Banker, and granular cost data can help pinpoint which customers are the most profitable. "You may not save money on transportation," he says, "but the TMS can significantly change the way you work with certain customers and/or suppliers for the better."

3. Use TMS to cut down on the complexities. With supply chains becoming increasingly complex and highly reliant on capable transportation systems, managing via phone, fax, and e-mail has become a real burden for companies of all sizes.

"Half the time shippers don't even know what rates they're paying because the numbers are scribbled on someone's credenza," says Dwight Klappich, research vice president at Gartner. One complexity that a TMS easily eradicates is the time spent communicating with carriers—a job that could "literally take all day," according to Klappich. "That's a job that can be easily automated and made less complex and expensive."

The fact that shippers don't need a large capital outlay to get up and running with an SaaS-based TMS makes the move even more attractive. "They get all of the benefits of a TMS, and at a reasonable cost," Klappich adds.

4. Turn to technology to handle the expected capacity crunch. Cyclical in nature, the transportation market is expected to morph as the U.S. economic recovery continues. Accustomed to a "shipper friendly" market, some shippers may be caught off guard by the anticipated capacity crunch. Others will be well equipped to deal with the tighter market, says Klappich, who expects TMS to play an important role in helping companies navigate the challenging waters.

"It's going to get to the point where shippers will have to call three or four carriers before finding the necessary capacity," Klappich predicts. "Doing that manually is going to be tough. Companies will need automated systems like TMS to handle the task and to quickly and efficiently secure the required capacity."

5. Get to the next level: Inbound and outbound consolidation. Shippers often struggle to get their inbound and outbound logistics—and even their global transportation operations—on the same TMS platform.

Ellen Chen, MOVE practice leader at Capgemini, sees this gap as the perfect opportunity to bring a TMS to the next level and to start squeezing more benefits out of the platform. "Companies struggle internally to merge the two operations," says Chen, who sees a lack of C-suite buy-in as another challenge. "Sometimes it's hard to get the support you need to do the entire rollout across both at the same time."

But when it does happen—be it at the outset, or over time—she says the overall benefits eked out of the TMS become that much more evident. "It's an organizational change that takes time," says Chen, "with most companies getting a big win by rolling out the TMS to multiple divisions and organizations."

> **"You could theoretically roll out an SaaS-based TMS and start calling carriers this afternoon without much implementation time… SaaS will dominate the small- to mid-market, with on-premise systems reserved for the larger shippers."**
>
> *—Dwight Klappich, Gartner*

Crystal Ball

As fuel costs continue to rise and as capacity constraints and other challenges affect shippers of all sizes, Banker expects more of them to turn to TMS as a solution to their growing transportation woes. "Adoption rates are picking up," he says.

Klappich concurs, and says the SaaS model will likely lead the charge, based on its affordability and its appeal to a wide range of shippers—particularly those that are intimidated by the complexity and costs of a traditional setup.

"You could theoretically roll out an SaaS-based TMS and start calling carriers this afternoon without much implementation time," says Klappich. "Going forward, SaaS will dominate the small- to mid-market, with on-premise systems reserved for the larger shippers."

—Bridget McCrea is a Contributing Editor to Logistics Management

From Booking to Billing to the Boardroom

RateLinx is Your Transportation Procurement Solution

RateLinx software and services significantly improve your transportation process, AND gives you the tools to enhance your decision-making process in an integrated, seamless manner:

ShipLinx Software

- Small Parcel (UPS, FedEx, USPS, Canpar, etc.)/LTL/TL
- International/Hazmat Documents
- Fully-integrated with any ERP System
- Competitive Bidding Environment for your TL carriers

Alternative to Costly 3PL's

- No Hidden Mark-ups
- No Carrier "Kick-backs" to 3rd Party
- It's Your Freight Volume – Don't Give it Away!
- Maintain control – YOU are the Boss!

Freight Payment & Pre-Audit

- EDI or Paper Billing
- Accuracy Ensured
- Catch Billing Errors Up Front
- Prompt Payment to Carriers

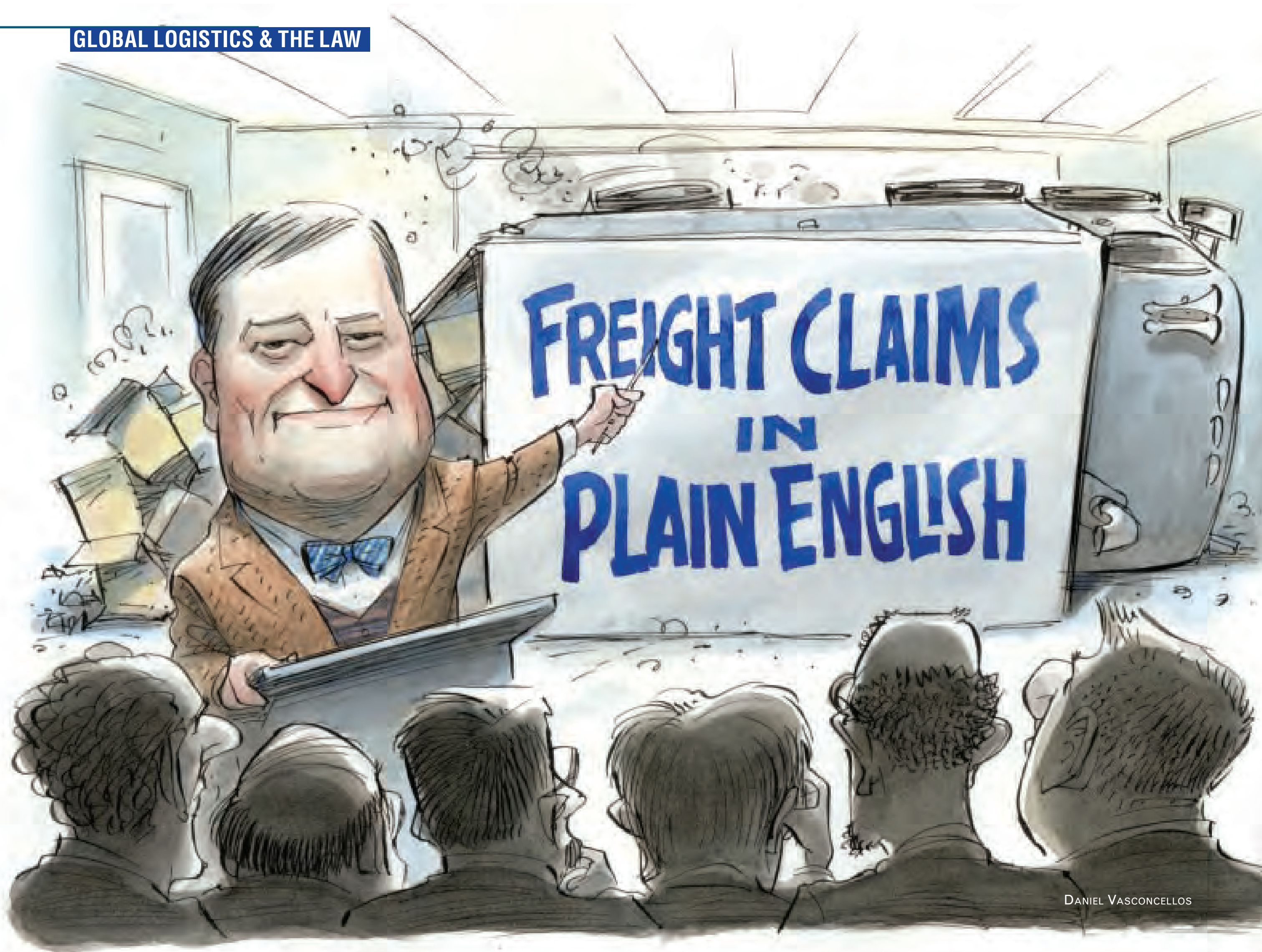
Directly Connected to Carriers

- Keep Your Carrier Relationships
- Increase Capacity
- Utilize RateLinx' Volume Leverage
- Unparalleled Visibility

Utilize RateLinx tools and services to reduce your freight costs, ensure market level discounts on LTL and TL pricing without paying 3PL costs – utilizing ***YOUR*** carriers – maintaining ***YOUR*** decision-making ability. Drive compliancy of your freight program within your organization – outbound ***and*** inbound – with the fastest, most robust TMS on the planet, from single site to 1,000's of sites, integrated in days – not months.

RateLinx / YOUR JOB IS ABOUT TO GET A WHOLE LOT EASIER

www.ratelinx.com (262) 565-6150 sales@ratelinx.com



DANIEL VASCONCELLOS

Our transportation law expert provides shippers with a refresher course in the basic legal principles relating to claims for cargo loss and damage.

BY **BRENT WM. PRIMUS,** J.D.

It's been said that the one area that most shippers are the least knowledgeable in is that of claims for cargo loss and damage. However, this does not mean that an understanding of claims isn't vital to running an efficient transportation and logistics department.

The late William J. Augello, co-author of *Freight Claims in Plain English*, had a passion about this topic. I believe that there are at least two reasons why Bill felt so strongly about the importance of understanding claims.

The first reason is financial. Unrecovered claims have a direct impact upon the bottom line of a company—the tougher the economic times and thinner the margins the greater the impact of an unrecovered claim. As depicted in the accompanying chart, if your company operates at a 5 percent profit margin, it would have to generate $20,000 in sales in order to recoup the net revenues that would be lost by failing to recover a $1,000 cargo claim

Second, Bill believed that this knowledge is vital for shippers because they're on their own when it comes to claims. For carriers, whose core business is transportation, the processing of claims is an integral part of their business, and all but the smallest of carriers are quite knowledgeable and very competent when it comes to defending against claims. For most retailers, manufacturers, and distributors, the transportation function is an unwanted headache—and claims represent a migraine.

However, just because something is difficult does not mean that it can be ignored. George Pezold, co-author with Bill on *Freight Claims in Plain English*, emphasizes that: "Knowledge of the basic legal distinctions and the applicable laws and regulations is critical in dealing with cargo claims."

My goal over the next few pages is to provide transportation professionals with a refresher course in the basic legal principles relating to claims for cargo loss and damage.

Basic legal principles

The starting point in understanding cargo claims is to understand that a claim is based upon a breach of contract by the carrier, not whether the carrier was negligent. This arises out of the fact that the essence of a transportation contract is that the carrier agrees to move a piece of cargo from point A to point B. In return, the shipper agrees to pay the carrier.

Implicit in this arrangement is that the cargo will indeed arrive at destination in an undamaged condition. When the cargo is lost or damaged, the basic contract for carriage has been breached, giving rise to the shipper's claim.

The contract for carriage can either be an individually negotiated contract between the shipper and the carrier; or, if none, the bill of lading, waybill, ocean bill, or other document issued by the carrier. These bills will typically incorporate, by reference, the terms of the carrier's tariff or service guide or otherwise titled terms and conditions. The term "incorporate by reference" simply means that the contents of one document are incorporated into the document at hand, for example a bill of lading, simply by referring to the other document such as the carrier's tariff.

Generally speaking, in order to prevail on a claim, the claimant has the initial burden of proving its claim. The claimant must prove good condition at origin, damaged condition at destination, and the amount of its damages. After establishing these three elements, the burden of defense shifts to the carrier.

Different rules apply depending upon mode

Another very basic principle that must be kept in mind when dealing with a claim is that different legal principles and rules will apply depending upon the mode of transportation. Motor, rail, domestic water, international ocean, domestic air, or international air all have different time limits for filing claims and different deadlines for initiating lawsuits if a claim is denied.

At one time the majority of carriers only operated in one particular mode. Now, many entities operate in more than one mode. For instance, UPS is licensed as a motor carrier, air carrier, and a non-vessel operating common carrier (NVOCC).

Accordingly, an important initial step in analyzing any claim is to determine which mode the carrier was operating in at the time of the loss and thus which liability regime would apply. This can be very challenging for international movements involving multiple carriers and various modes.

Basics of motor & rail carrier liability

The starting point for rail and motor carriers are two federal statutes, one for rail and one for motor that are colloquially known as the Carmack Amendment. Under both of these statutes the liability imposed is "for the actual loss or injury to the property." However, carriers are allowed to limit their liability in exchange for a lower rate, and most do so.

Carmack also sets minimum time standards for filing claims (nine months from the date of delivery) and for initiating lawsuits (two years from the date the claim is denied). It should be noted that the federal statutes do not themselves set these limits, but only prescribe the minimum. The significance of this is that if there is no tariff—as is often the case with small trucking companies—then there is no time limit to file a claim nor a two-year limitation on filing a lawsuit.

It should also be noted that Carmack only applies if the carrier is providing a regulated service subject to federal jurisdiction. When transporting an exempt commodity, like livestock, or operating in intrastate commerce (totally within one state), Carmack does not apply. For such shipments, the carrier could have tariff rules providing for shorter time limits than the minimum required by the Carmack Amendment.

The essence of Carmack is that the carriers are considered to be a virtual insurer and are strictly liable for cargo claims. There are, however, five recognized exceptions or defenses: (1) an act of God, (2) an act of the public enemy, (3) an act of a public authority, (4) an act of the shipper, or (5) an inherent vice of the product. And, even though one or more of these factors might be present, the carrier must also show that it was free of negligence.

Ocean cargo liability

Ocean shipments to and from the U.S. are by and large governed by the Carriage of Goods by Sea Act (COGSA). This, in turn, is based upon an international treaty known as the Hague Rules. Under COGSA, an ocean carrier has 17 defenses; however, as with Carmack, even when the facts establish such a defense the carrier must also show that its negligence did not contribute to the loss.

For ocean shipments, the timeline to file a claim is only three days from delivery—much shorter than the nine months allowed under Carmack. Similarly the timeline to file suit is one year from the date of delivery—as opposed to two years from the date of declination of a claim under Carmack.

Originally COGSA was understood to apply tackle-to-tackle, meaning from the time that loading the shipment began to the completion of unloading the shipment. However, over time, the ocean carriers have been allowed to extend the COGSA liability regime to its subcontractors. A 2010 decision of the United States Supreme Court (Kawasaki Kisen Kaisha Ltd. v. Regal-Beloit Corp.) held that an ocean carrier can indeed, through its bill of lading or other contracts, extend COGSA to the inland portion of the movement by a motor or rail carrier.

Another significant difference between COGSA and Carmack is that whereas Carmack imposes liability for the actual loss, the liability of an ocean carrier under COGSA is limited to $500 per package or customary shipping unit. It's for this reason that most shippers obtain shippers' interest cargo insurance for ocean movements rather than rely on the liability of the carrier as is the general practice with motor carriers.

At some point in the future, COGSA will be superseded. In December 2008, the General Assembly of the United Nations adopted the final draft of the United Nations Convention of Contracts for the International Carriage of Goods Wholly or Partly by Sea colloquially known as "the Rotterdam Rules." It is generally felt that the change will be of benefit to shippers, but the Rotterdam Rules will not go into effect until ratified by 25 countries, including the U.S. So far, only Spain has ratified the treaty.

Air cargo liability

Different rules apply for domestic air shipments or international air shipments. For domestic shipments, the air

carrier's tariff sets the time limits and limits of liability. These limits can be quite short—seven days or even less. The limit of liability can also be quite low—$.50 a pound.

For international shipments, the Montreal Convention of 1999, an international treaty, sets the time limits and limits of liability. A claim must be filed within 14 days of delivery for damage and within 21 days for delay.

While the Convention does not provide a time limit for claims for non-delivery, the airlines typically set a limit of 120 days from the issuance of the air bill for notice of non-delivery. The statute of limitations for filing a lawsuit is two years; and under the Convention, the current limit of liability is 19 Standard Drawing Rights (SDRs) per kilo, which translates to approximately $12.95 per pound.

Insurance

I would be remiss in this article if I did not touch upon insurance. One very important distinction is that between "cargo insurance" and "cargo liability insurance."

The carrier purchases cargo liability insurance which only pays to the extent that the carrier is liable. Thus, while a high-value product such as a mainframe computer may have been totally destroyed in transit, if the carrier had in place a valid tariff limit of $.10 per pound for used equipment, the dollar amount of the carrier's liability would be negligible compared to the value of the product.

Accordingly, shippers must always keep in mind the option of purchasing shippers' interest cargo insurance to cover such situations. A shippers' interest cargo insurance policy is not based upon fault. Thus, a carrier's limit of liability, whether it be a motor carrier's private tariff rule or an international treaty, is irrelevant. However, as with any insurance policy, it will have its own exclusions and deductions that must be carefully scrutinized by shippers to ensure that their freight is indeed insured.

Claims & claims filing

Whatever the mode, the first step to recover a loss and damage claim is the filing of a claim. The purpose of the claim is to put the carrier on notice of the facts relating to the damage or loss so that the carrier may investigate the claim and make a decision whether to pay it, decline it, or offer a compromise amount in settlement.

Although not at all in the nature of a lawsuit, the timely filing of a claim is a prerequisite for any later litigation. If a claim with a motor carrier is not filed within nine months, the claim is extinguished.

The mechanics of claim filing are far beyond the scope of this article. Suffice it to say here that if not done correctly or within the applicable time limits, the result can be an unrecoverable claim. When there is no individually negotiated contract in place between the shipper and the carrier, the claimant must look at the carrier's tariff provisions very carefully to see if that carrier has specific filing requirements.

Also, it is very important that the claim be filed with the transportation carrier, as opposed to the insurance carrier. A claim filed with the insurance carrier, rather than the carrier providing the transportation service, is not considered a duly filed claim for purposes of meeting the claim filing time limit.

Shippers and intermediaries

This article is focused on the liability of carriers, however, shippers can also be liable for cargo damage if the shipper caused the damage. An example of this would be an LTL shipment when a poorly packaged liquid breaks open and stains or otherwise damages other cargo on the truck. When the shipper is responsible for damage to other cargo, the carrier would ordinarily pay the other party's damage and then seek reimbursement from the shipper.

With respect to transportation intermediaries, as a general principle, they are not liable for cargo damage. However, intermediaries can be liable for cargo damage if they hold themselves out as a carrier, assume liability by contract, or the damage is caused by the intermediary's negligence or breach of contract. It must also be kept in mind that some entities that shippers think of as intermediaries may, in a legal sense, actually be carriers—for example, surface freight forwarders or so-called indirect air carriers.

In summary

If you're a transportation professional involved in filing claims, I recommend that you look into becoming a certified claims professional through the Certified Claims Professional Accreditation Council (CCPAC). CCPAC is comprised of transportation professionals representing shippers, intermediaries, and carriers all across the U.S. and around the world.

John O'Dell, the executive director of CCPAC, relates that: "Members have reported that after becoming a certified claims professional their confidence level in handling cargo claims has been elevated, and their career standing has advanced within their respective organizations." Knowledge is still power.

Brent Wm. Primus, J.D., is the CEO of Primus Law Office, P.A. and the senior editor of transportlawtexts, inc. He is the author of Motor Carrier Contracts Annotated *and co-author of* U.S. Domestic Terms of Sale and Incoterms 2010. *He also was the editor of* Freight Claims in Plain English, 4th Edition. *He is a frequent contributor to* Logistics Management. *He can be reached at brent@primuslawoffice.com.*

Financial impact of unrecovered cargo claims

If you operate at net profit of	A claim of $50	$100	$200	$300	$400	$500	$1,000
	equals sales of						
2%	$2,500	$5,000	$10,000	$15,000	$20,000	$25,000	$50,000
3%	1,667	3,333	6,667	10,000	13,333	16,667	33,383
4%	1,250	2,500	5,000	7,500	10,000	12,500	25,000
5%	1,000	2,000	4,000	6,000	8,000	10,000	20,000
6%	883	1,667	3,333	5,000	6,667	8,333	16,667

Source: transportlawtexts, inc.

To learn more about Ryder

Scan with your smart phone

Synchronize Positions.

Accelerate Change.

Use Problem Solving Tools.

Control at Every Turn.

Outsmart the Track.

Drive for Excellence.

Execution is Everything.

SUPPLY CHAIN • DISTRIBUTION • TRANSPORTATION • CONTROL TOWER

©2012 Ryder System, Inc. All rights reserved.

1-888-887-9337 www.ryderscs.com

Lift truck financing: Understanding lifespan

More savvy lift truck fleet managers are realizing that buying, renting, or leasing practices set the tone for future savings.

BY **JOSH BOND,** EDITOR AT LARGE

It can be said that the recent economic downturn was the catalyst of modern fleet management, forcing lift truck fleet owners to analyze their operations in ways they never had before.

Not only has the market seen tremendous advancements in fleet tracking and monitoring technology, but it has also witnessed the evolution of lift truck financing options. Savvy customers have developed an understanding of a truck's economic lifespan, and lately more are focusing on the beginning of that life—the moment when a signature finalizes a purchase, rental, or lease.

Because that moment can make or break a company's efforts to optimize its fleet over the coming years, *Logistics Management* spoke with industry analysts and lift truck finance experts to help readers prepare for that pivotal stroke of the pen.

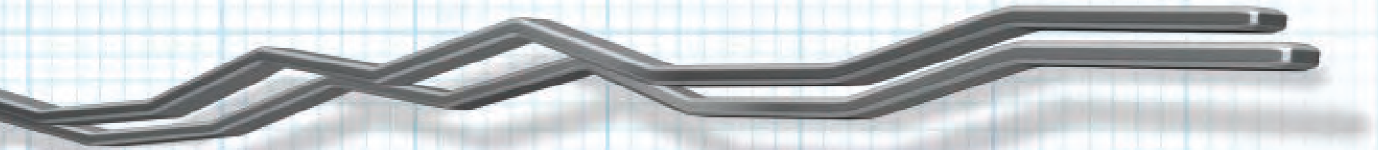
"When a business considers acquiring a new piece of lift equipment, that's akin to a consumer considering whether to buy, lease, or rent a new car," says Jonathan Kipp, relationship manager with GE Capital. "Few consumers would rent a car just to get to work, or lease a backup vehicle, and fleet owners would be wise to avoid these situations as well."

Currently, many more lift truck customers lease rather than rent or buy outright, according to Kipp. "Many of the benefits of leasing apply just as much to small businesses as to Fortune 500 companies," he says. "Leases can be structured to maximize cash benefits in addition to helping address a maze of tax and accounting rules, while mitigating many risks and expenses of asset ownership."

Although the affordability and predictability of leasing offers improved cash management and flexibility, some customers still cling to the historical perception of leasing as a restrictive agreement destined to produce huge end-of-term bills.

However, as customers become more devoted to squeezing each and every penny from their fleets, so have equipment finance partners

the economic



developed products around the same goal. Along with the fairly straightforward processes of buying, renting, and leasing, customers can now pursue pay-by-the-hour leases, unconventional term lengths, negotiable lease provisions, and on-the-fly term extensions or monthly payment adjustments.

None of these options is a guaranteed success, but with a comprehensive understanding of the lift truck's application and a working relationship with a finance partner, fleet owners will be ahead of the curve.

When and how to buy

Not long ago, more customers were buying outright than leasing, says Jeff Bailey, director of Crown Credit Company. "It has been a very trying last few years," says Bailey. "During the recession, there wasn't a lot of anything going on."

There was pent-up demand, he says, and a lot of companies had cash built up—so, many bought outright. Government incentives for capital expenses contributed to the recovery. "Now we're trending differently," says Bailey. "Now it's flip-flopping again, and more customers are leasing."

For Brian Markison, senior manager for national accounts at Nissan Forklift, the decision of whether to buy or lease hinges on how quickly the customer will consume the economic life of the asset. If the answer is "quickly," then lease. If the lift truck will only be used 1,000 hours per year, don't lease. Instead, the customer might buy or rent long-term.

Another consideration, says Markison, is whether the asset in question is a specialty item or has a robust secondary market. If not, it might be best to buy.

Bill Buckhout, marketing manager for Raymond Leasing Corporation, says the customer niche that buys equipment should have an application where equipment will last a long time, maybe as much as 20 years. "For all the right reasons, a customer who would like to pay in cash should not buy outright," says Buckhout. "They might consider a single-payment lease, but then they'll have to plan for that equipment to go away at some point. All kinds of bad things can happen when people try to buy something with a finite economic life."

When and how to rent

Rentals for any length of time, whether one day or one year, require the customer to pay a premium for the convenience of returning a lift truck at their leisure. While rentals can provide great flexibility, they are also more costly.

"Short-term rentals must be just that—no more than two to three months," says Markison. "A customer who keeps renewing these agreements can spend as much in one year as the asset would cost to buy outright."

Some customers slip into this cycle accidentally, he says. Rental expenses might come from a different budget than capital expenses, and might be subject to less scrutiny as a result. "I've seen operations with rental trucks that corporate didn't even know about," says Markison. However, if a company is strongly averse to a commitment of more than 12 months to 24 months, a long-term rental might be appropriate, he says.

Tina Goodwin, director of financial services for NACCO Material Handling Group, has a different rubric. "When I look at renting, I think of a customer with seasonal peaks who needs a truck for just a month or two at a time," she says. "That's the only time I would recommend renting."

Realistically, however, customers often end up in long-term rentals if they can't find the right lease agreement to satisfy internal provisions, or if for any reason a rental is not subject to the same internal scrutiny, as in the case of Markison's customer.

"Otherwise, there are essentially no advantages to the customer over a lease for the same term," says Goodwin.

When and how to lease

Back when businesses were flush and lift trucks languished at the bottom of the list of priorities, lease agreements were executed hastily as a matter of housekeeping. Canned agreements rarely lined up with the disparate realities of the lift

Jean-Francois Podevin

The right finance option should be tailored to the application, which often varies within a facility.

truck's application, and leasing ended up with the reputation it is still working to shed.

"The lessee's viewpoint was that leasing was just a ticket to get taken at the end of the deal," says Bailey. "Now it's a very desirable program. We quote leasing options on every sale."

According to Kipp, the equipment finance industry continues to be a powerful engine for the U.S. economy, driving manufacturing and service sector supply chains across the country. In fact, the Equipment Leasing and Financing Association (ELFA) estimates that last year U.S. businesses, non-profits and government agencies financed $628 billion of capital goods or fixed business investments, up 21 percent from the year before.

"Companies that are in business today have worked hard, made smart choices, and navigated many challenges to get to this point," says Kipp. "In my opinion, companies are carefully managing their working capital and they're aware of the need to keep sufficient liquidity on hand. One of the ways they can manage their cash is by taking advantage of the benefits of leasing equipment rather than buying it."

Leasing today looks very different than the landscape even a decade ago, when Bailey says some customers "had no idea a lease was expiring until a salesman came out to visit." Especially after the credit crunch, customers are looking for consolidated services—equipment, maintenance, and financing—from the OEMs.

"Customers are starting to get smart about tracking their fleet, and that's changing things," says Bailey.

Eric Gabriel, senior manager of sales operations for MCFA, says customers should begin with an application survey and structure the lease around the available data.

"We want to bring precision to that agreement for our customer, and the more precisely they know the application, the better," says Gabriel. "Replacement should be happening at the exact

We design supply chain solutions...
involving every supplier, every customer...
and every other supply chain partner...
then quantify the value...
execute the plan...
lease the space, staff the facilities...

right moment."

Now, instead of traditional three-, four-, or five-year leases, customers can enter a 39-month term, says Markison, if that's what works for their application. Still, too many customers rely on faulty—and costly—assumptions.

"It's common for customers to sign an agreement for 2,000 hours per year and end up returning a really nice piece of equipment with 5,000 fewer hours than they paid for," says Markison. "Unfortunately, customers assume that because an operator is paid for eight hours a day that magically the forklift will be used for 2,000 hours per year—when in reality it is probably much less."

Goodwin says she sees customers on almost a daily basis who keep lift trucks far too long. For example, one customer averages about 4,000 hours per truck per year. They requested a five-year lease, which means they'll return equipment with 20,000 hours on it.

"That's just unheard of," says Goodwin. "The whole purpose of leasing is to use the truck for its economic life. The maintenance costs in that scenario would be huge, and the monthly payments for the lease are going to be comparable to buying the truck outright."

That customer should be on a 36-month term, says Goodwin, but is fixated on the lowest possible monthly payments. The same fixation can lead customers to shop different leasing companies for the lowest payment despite huge differences in the structure of the lease. "That customer comes back to us within a couple of years and says they got a huge bill for all sorts of nickels and dimes at the end of the term," says Goodwin.

A strategic replacement cycle ensures operators benefit from state-of-the-art equipment and safety features.

Signing the contract

According to Rhonda Endo, product marketing manager at Toyota Financial Services, just 10-15 years ago, the local warehouse or operational managers made the buying decisions for purchasing or financing equipment in their areas. They might have been in the habit of swapping entire fleets every so often, as opposed to establishing staggered replacement cycles that are key to cost management.

"Today, customers are moving toward

and deliver on time every day...
from end to end.
That's about it.
In a nutshell.

Not a weak link in the chain

These are the faces of UTi. They represent just a few of the thousands of professionals in over 60 countries, in every major market and industry vertical, delivering client centric supply chain services and solutions to our clients. Our people collaborate with our clients to deliver value to their businesses, competitive advantage to their supply chains, and the assurance they need, knowing that on our team, there's never a weak link. To find out more visit us at **go2uti.com**.

more centralized procurement models that bring a higher level of sophistication into the buying process," says Endo.

But that doesn't mean operations should be kept out of the process. Markison recommends operations personnel consult with the CFO during lease negotiations to ensure the customer has a thorough understanding of their obligations, such as return provisions. What is acceptable end-of-term damage? What about overtime, relocation, early termination?

"So many people sign a document without reading it," says Buckhout. "Lease contracts require more than legal overview. Someone who understands the operation must look it over in advance of signing, and should negotiate with the lease company to ensure a good fit. In fact, if you're dealing with a leasing company that does not work with you to tailor the agreement, you're dealing with the wrong company."

As leasing structures evolve, attentive forklift customers will likely find themselves with as much flexibility, predictability, and liability as they might like.

Kipp recommends that lift truck customers expand from local or regional banks to financing companies and specialty lenders, where they will gain more than alternative sources of funding.

"They gain a trusted financial adviser and a valuable ally who can suggest additional leasing scenarios that may offer improved capitalization strategies over the long term," he says.

When the end of the lease term arrives, Gabriel says it's generally not ideal to extend the lease, which can often result in unplanned costs. However, lease extensions can also be used strategically, he says, instead of an emergency alternative to careful planning.

"I've seen customers that have gone as long as 24 months defaulting to monthly or quarterly renewals," says Gabriel. "You should be well-prepared to make a decision at least six months before the lease expires."

For instance, if utilization were slow over a two-year period of the lease, a 12-month extension might be just the thing to ensure the customer gets value for their money.

Future trends…

Endo predicts the economy will continue to improve, as will customers' equipment expenditures. Leasing is flexible and convenient, she says, and could remain the ideal choice for many businesses. But now that the traditional three-, four-, and five-year structures have been broken down, what other innovative approaches lie ahead?

In early June, NAACO Material Handling Group formally launched a new product called "Power Advantage," according to Goodwin. The program features pay-per-hour leases that can be paired with pay-per-hour maintenance. Under the program, the lease company tracks and bills for hours used. Those administrative functions, as well as the risk associated with lease/sub-lease arrangements, are lifted from the dealer's shoulders, says Goodwin.

This sort of new, more flexible structure resembles a "material handling as a service" model, although that's currently a term without a definition, says Buckhout. The concept could allow fleets from 1 to 100 to purchase the use of equipment. As far as the customer is concerned, the truck has no serial number and might be new or used. Buckhout says that this approach began in the 3PL industry, which is constantly pushing for more flexibility.

"It is very difficult for even a large company to make a five-year commitment these days," says Buckhout. "These sorts of tools will allow customer to confidently scale their fleets."

Buckhout also mentioned some potential changes to the Generally Accepted Accounting Principles (GAAP), the standards for the preparation of financial statements. Though currently in the proposal stage, the new initiatives are designed to put assets back on balance sheets in an effort to make a statement a more honest depiction of the organization.

Currently, many lease expenses do not appear as capital assets on these balance sheets, he says. The ramifications of such a move include a potential reduction in a company's return on assets, on which some bank loans and employee incomes are predicated.

"These changes could be three to five years out," says Buckhout. "Those companies that prepare financial statements three years in arrears are likely listening closely, but it remains to be seen how new leasing products will fit into any new standards."

As leasing structures evolve, attentive forklift customers will likely find themselves with as much flexibility, predictability, and liability as they might like. In the mean time, they can prepare themselves by shedding outdated practices, mining for data, and finding the right business partners for equipment, maintenance, and financing.

If they're lucky, they might be able to get all three from the same source. "After all," says Goodwin, "Fleet and finance go hand in hand."

—Josh Bond is Editor at Large for Logistics Management

Scan the QR code above or go to gencoatc.com/CPG to access our CPG white paper.

GENCO ATC Product Lifecycle Logistics

Everything in real life is viewed in 3-D. Why should your supply chain be any different?

GENCO ATC's Product Lifecycle Logistics approach provides a unique perspective that will allow you to examine all sides of your supply chain, so you can view the movement of products as one continuous inventory stream.

We'll go to great depths to help you make faster, smarter decisions; consolidate functions; increase agility; and speed up the movement of products to maximize value throughout your entire supply chain.

PRODUCT LIFECYCLE LOGISTICS℠

INBOUND LOGISTICS | DISTRIBUTION | FULFILLMENT | PACKAGING & KITTING | TRANSPORTATION MANAGEMENT | SYSTEMS INTEGRATION
RETURNS PROCESSING & DISPOSITION | TEST, REPAIR, REFURBISH | PRODUCT REMARKETING | RECYCLING

800.378.9671 • solution@gencoatc.com • gencoatc.com

A SPECIAL SUPPLEMENT TO:
Logistics MANAGEMENT

The growing number of supply chain certification programs now available opens up new opportunities for managers looking to advance their careers. But before embarking on any program, the experts advise, make sure that it has value to current and potential employers.

By Bridget McCrea, Contributing Editor

In April, the Council of Supply Chain Management Professionals (CSCMP) unveiled its new SCPro certification program. Beta tested by pallet and container pooling solutions provider CHEP, the three-level certification offers global supply chain management professionals a way to demonstrate industry skills and mastery of end-to-end supply chain functions.

CSCMP's new program is just one example of a growing number of certification options that targets both current and aspiring supply chain managers. Another is the Supply Chain Council's SCOR Professional (SCOR-P) certification program, which focuses on establishing in-depth knowledge of the SCOR model and methods.

Seen as a viable middle ground between a full-blown college degree and the more

In many cases the certification process produces individuals who can demand higher salaries and better positions.

basic certificate programs (which are not to be confused with certifications, as you'll read later in this article), certifications fill a void for executives who need enrichment in specific areas—or who want to add designations like CPM, CPIM, CSCP, CPP, CPPM, and CIPM after their names.

Kathleen Hedland, CSCMP's director of education and research, says the SCPro came about after several years of research and discussion. Hedland sees the offering as a viable alternative for executives who are looking to earn educational credit hours without having to sign up for a degree program. It's particularly useful for supply chain managers who are currently employed, and who would rather take a validated test than go through the time and expense of a regular classroom or virtual degree program.

"We went through a rigorous process of validating all of the test questions for the SCPro," says Hedland, who notes that the test is designed not to test functional expertise (like so many certifications do), but rather the student's knowledge of the true, end-to-end supply chain. "The goal is to test and validate the executive's understanding of the entire supply chain and how each function within the chain impacts the next."

Earning Dividends

Going through the supply chain certification process is about more than just putting a few letters after your name on your email signature line. Through the professional certification process, individuals gain knowledge, experience, and skills to perform a specific job. When the coursework is completed the student must earn a passing grade on an exam that is accredited by an association or organization that oversees and upholds the standards for that particular profession or industry.

In many cases the certification process produces individuals who can demand higher salaries and better positions, at least in the supply chain space. According to Jean McHale, spokesperson for the Institute for Supply Management (ISM), many graduates are indeed leveraging their certifications into dividends in the workplace.

ISM, which offers the Certified Professional in Supply Management (CPSM), Certified in Supply Management (CSM), and Certified Professional in Supplier Diversity (CPSD), in its most recent salary survey found that the average salary for supply chain professionals armed with one or more such credentials was $102,498, versus $98,740 for those who had no such credentials.

While the average salary for respondents holding the CPSM designation declined 13 percent in 2011 compared to the previous year, the individuals surveyed earned 8 percent more on average last year compared to those without credentials. According to McHale, supply chain management professionals with a CPSM earned an average salary of $107,534, compared with $99,740 for those who lacked a designation.

Other credentials also yielded higher-than-average salaries. For example, the income for individuals holding a CPSD was $125,356, a 9 percent increase over 2010, when the average was $115,000. Finally, the CPM, a recertification-only credential program earned its holders $103,664, up 2 percent from $101,840 in 2010.

In addition to those salary enhancements, certification programs allow for a more flexible learning environment in large part because of the online component. Robert Novack, associate professor of supply chain and information systems at Penn State's Smeal College of Business in University Park, Pa., says being able to work at your own pace over a series of modules and exams online is especially attractive for professionals who are working full time.

"Whereas a graduate supply chain program is lock-step, takes a bit longer to complete, and is more expensive," says Novack, "a certification option provides more flexibility and longer completion timelines."

According to Abe Eshkenazi, CEO at APICS, certification programs also allow executives to select options that are most germane to their current roles—or for those that they aspire to move into. As an example, he points to APICS' Certified Production Inventory Management (CPIM), which makes students "functional experts" in production inventory management and planning, and organizational forecasting.

One of APICS' more recent programs, the Certified Supply Chain Professional

Individuals holding certifications typically earn more their conerparts.

(CSCP) certification, is focused on the end-to-end supply chain—from raw materials through disposal, recycling, and/or reuse. Designed for senior-level executives, the CSCP "helps individuals gain a broader span of control of the entire supply chain," says Eshkenazi, "and has become an industry standard for executives with cross-functional responsibilities within that supply chain."

Making the Distinctions

They may just be a few letters apart, but "certifications" and "certificates" are really two very different options in the supply chain education space.

A certification indicates the completion of structured coursework over a period of time and a series of exams. In certain cases, it may also entail a final presentation (either live or virtual) in front of a group to demonstrate knowledge of the materials. Completion of the certification program usually leads to a professional credential such CPSM (Certified Professional in Supply Management, ISM) or CSCP (Certified Supply Chain Professional, APICS).

A certificate broadly indicates that the individual has completed some type of educational experience. It could be as basic as a trade show seminar or a more structured online certificate program such as those being offered by Penn State, Georgia Tech, Arizona State, and other major universities. A certificate program generally does not bestow a professional credential.

With any type of certification or certificate offering, Eshkenazi cautions supply chain managers to be wary of anything that's not supported by ample content, testing, and activities. Before signing up, ask questions like: What underlying content supports the program? What kind of content supports the exam? What will I be tested on? How will I demonstrate my competency and understanding of the course principles? How do I know that I'm being tested on the appropriate level of competency and/or application?

If the educational provider can't give you the answers you're looking for, says Eshkenazi, then it may be a waste of time. "There's really no magic to coming up with a certificate or even a certification—anyone can do it," Eshkenazi states. "The key is to do your homework in advance to ferret out the options that make the best use of your time and that help you advance professionally."

Leveraging Certifications in the Workplace

All of the education in the world isn't worth much if the experiences and knowledge can't be leveraged in the workplace. As ISM has already determined via its annual salary surveys, those individuals holding certifications do earn more than their counterparts. The question is, how does one go about leveraging the educational experience into job promotions, raises, and other types of advancements?

Eshkenazi of APICS says a good way to answer that question is by looking at online job postings to find out what employers are asking for. Also investigate what types of certifications are considered critical for advancement in your firm. One way to do this is to look up the ladder to see what credentials those above you have after their names. "It's great to have a certification," says Eshkenazi, "but if the employment community doesn't recognize it as something of value, then it's not a necessity."

Penn State's Novack sees certifications as a "quick and fairly easy" way to boost your continuing education resume without having to spend an excessive amount of time or money. "Anytime you can get a professional designation after your name it's definitely worth it," says Novack, who also advises supply chain managers to figure out which credentials their employers—or prospective employers—value before embarking on any program.

"If your company doesn't value your effort and the credentials that you earn, then there isn't much value to getting those letters after your name," says Novack. "You'll just be spending money to boost your ego and to be able to say that you earned those letters, but it's not necessarily going to help you get anywhere in your job."

Bridget McCrea is a freelance writer specializing in logistics and supply chain management. She can be reached at bridgetmc@earthlink.net.

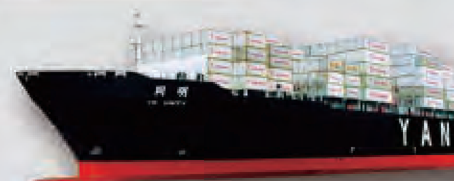
Since 1972, Yang Ming has forged forward on the trajectory of world economic growth.
We have fulfilled the consignment of our customers day and night, again and again, without fail.
Our vessels have crisscrossed the Four Seas in the most eco-friendly way
to deliver GOOD to all corners of the world on behalf of you.

Yang Ming always stands on your side in the protection of the Earth where we live and which we value.

www.yangming.com
YANG MING

YANG MING
www.yangming.com
www.yangming.tw

陽明海運，承載您每一天的美好
Yang Ming delivers GOOD for life



UNIVERSITIES AND EDUCATIONAL INSTITUTIONS

Arizona State University

W.P. Carey School of Business
480-965-7579
www.wpcarey.asu.edu/exec

The Center for Executive and Professional Development at the W. P. Carey School of Business offers a range of credit and non-credit professional development programs, including comprehensive certificate programs in supply chain management. The next scheduled program is the Professional Certificate in Supply Chain Management, beginning September 3, 2012.

Auburn University

334-844-4000
www.auburn.edu

Auburn's School of Business offers an undergraduate major in supply chain management. Focus includes transportation, logistics, and operations management.

Brigham Young University

Marriott School
http://marriottschool.byu.edu

University offers a BS in Global Supply Chain Management. Coursework is designed to prepare students for managerial positions in manufacturing and service industries in the areas of purchasing, operations, logistics, customer service, and supply chain management.

Cranfield University

School of Management
44-011-1234-758102
www.cranfieldmsc.biz/log

University offers an MSc in Logistics and Supply Chain Management. Two modes of study are offered: Full time programs (11 months) and Executive (part-time) programs, which are 2-year modular programs.

Georgia Institute of Technology

Executive Masters in International Logistics (EMIL)
404-385-7306
http://www.emil.gatech.edu/

The Executive Master's in International Logistics & Supply Chain Strategy program prepares executives to face key global logistics and supply chain issues by teaching them to design creative logistics solutions while expanding their network of international government, industry and academic contacts. This 18-month program keeps employees on the job while teaching them practical techniques for decreasing logistics costs and improving supply chain efficiencies. Participants experience real-world results by learning best practices from world-leading experts in EMIL's five two-week residences (both in-person and distance learning) at key locations around the globe.

Georgia Institute of Technology

Supply Chain and Logistics Institute (SCL)
404-894-2343
www.pe.gatech.edu/scl-scmr

The Georgia Tech Supply Chain & Logistics Institute offers a comprehensive curriculum in Lean Supply Chain Operations, Warehousing, and Transportation. Courses are taught by world-renown Georgia Tech Faculty in the Global Learning Center in Atlanta. Dates for the 2012 Lean Supply Chain Series as well as the 2012 Supply Chain Management Series courses are listed on the SCL website. The Institute also runs industry outreach program and global research centers.

The World's Most Successful Supply Chain Management Leaders Have Connections.

GREAT NETWORKING

GLOBAL ATTENDANCE

LATEST RESEARCH

HUNDREDS OF TOPICS

INTERACTIVE DISCUSSIONS

OVER 3,000 ATTENDEES

AMAZING SESSIONS

ATLANTA

So Can You.

Having the right connections is critical to your organization's success. And to your career.

At CSCMP's Annual Global Conference, September 30-October 3 in Atlanta, Georgia, you'll make the most important connections in the world in just three-and-a-half days.

- Connect to the latest industry developments.
- Connect with the best-known leaders in the field.
- Connect to the people, ideas, and opportunities that will take your career to the next level—and beyond.
- Connect with your peers.
- Connect to the global marketplace.

Don't miss Major Session Speaker...

T. Boone Pickens
Energy Executive
How Natural Gas Can Positively Impact the Trucking Industry— And What this Means to Your Supply Chain

...and Closing Session Speaker

Erik Wahl
Artist, Author, Entrepreneur, Founder, The Wahl Group
The Art of Vision

Register at cscmpconference.org by August 31, 2012 and save $150 US on regular registration rates!

Council of Supply Chain Management Professionals

The World's Leading Source for the Supply Chain Profession.™

Golden Gate University

Edward S. Ageno School of Business
415-442-6500
www.ggu.edu

Golden Gate University offers undergraduate and graduate certifications in operations and supply chain management.

Indiana University

Kelley School of Business
877-785-4713
www.kd.iu.edu

Kelley Direct at Indiana University offers an MS in Global Supply Chain Management. This online graduate program can be completed in 15 months.

Massachusetts Institute of Technology (MIT)

Center for Transportation and Logistics
617-258-7267
http://ctl.mit.edu/

Every January and June, CTL delivers its late-breaking supply chain and logistics education and research to executives via "Supply Chain Management: Driving Strategic Advantage." This intensive five-day course features a comprehensive array of management simulations and case studies, interactive lectures and discussion sessions, and presentations by distinguished lecturers.

CTL also regularly partners with organizations to provide customized executive education experiences to individual enterprises and consortia. Custom courses give organizations the opportunity to direct intensive efforts at specific issues crucial to company goals, including business continuity strategy, scenario planning, and competitive alignment.

Michigan State University

Broad College of Business
517-355-8377
www.bus.msu.edu/supplychain/

MSU offers an undergraduate major in supply chain management, two MS programs and two PhD programs in SCM. The school also offers an MBA with supply chain concentration. Executive education programs include a range of open enrollment seminars; customized logistics seminars for organizations; the Logistics in Supply Chain Management Annual Seminar; and the Annual Purchasing and Supply Chain Management Executive Seminar.

North Carolina State University

College of Management
919-515-5560
www.mgt.ncsu.edu

N.C. State offers undergraduate studies in Operations & Supply Chain concentration. The university's Supply Chain Resource Cooperative also provides a wealth of educational resources.

Northeastern University

College of Business Administration
866-890-0347 x3510
www.cba.neu.edu

Northeastern offers an MBA degree with supply chain concentration, plus a Certificate program in SCM. Also offers an online MBA degree program with an emphasis in Operations and Supply Chain Management (via five specialized, elective courses).

Northwestern University

Kellogg School of Management
847-467-7020
www.kellogg.northwestern.edu/execed

Northwestern offers the Supply Chain Management—Strategy and Planning for Effective Operations program.

The Ohio State University

Fisher College of Business
614-292-0331
http://fisher.osu.edu/centers/scm

Fisher College of Business offers undergraduate, masters, and Ph.D. programs in logistics. Fisher College also offers a weeklong executive education program in supply chain management. The program is based on the eight essential business processes that comprise the Global Supply Chain Forum (GSCF) Supply Chain Management framework. It also includes a session on the GSCF partnership model that is being used by major corporations to structure relationships with key customers and suppliers. Visit website for more information. Upcoming sessions:

- September 10-14, 2012
  Columbus, Ohio
- October 15-19, 2012
  Cranfield, England

Penn State University

Smeal College of Business
814-865-3435
www.smeal.psu.edu/psep

Upcoming supply chain executive education programs include:

- Achieving Supply Chain Transformation
  September 10 – 12, 2012
- Aligning Strategy, Leadership, and Culture: Keys to Competitive Advantage
  September 16 – 21, 2012
- Designing and Leading Competitive Supply Chains
  September 16 – 21, 2012
- Global Supply Chain Strategy & Risk Management
  September 24 – 27, 2012
- Essentials of Supply Chain Management
  October 08 – 12, 2012

Executive Summit North America

The Next Generation Executive

Challenges on the Path to Supply Chain Success

Join the world's top supply chain leaders.

Supply Chain Council invites supply chain leaders to join us at the Executive Summit North America 2012. The Summit is designed to support supply chain and operations professionals through opportunities to share ideas and network with peers, while learning from renowned speakers.

This year's executive summit will include topics that supply chain executives have expressed as major impactors on their decision-making. The effects these decisions have had on their professional development as an executive and the evolution of their organizations will be incorporated into the sharing. Topics will include:

- Surmounting Supply Chain Disruption to Evolve Growth
- Made in America, Again: Why Manufacturing Will Return to the U.S.
- Supply Chain Challenges in the New Global Economy
- Global Challenges of Interconnected Risk
- The Birth of an Electronics Supply Chain
- Integrated Business Planning at Hospira...a Matter of Life and Death

Confirmed Speakers:

Denise Layfield
McCormick & Company

Dan Gilbert
Barnes & Noble, Inc.

Hal Sirkin
The Boston Consulting Group

James Hill
Targus Group International, Inc.

Linda Conrad
Zurich Financial

Jared Sullivan
CBRE Econometric Advisors

Michael Moore
Hospira, Inc.

Indian Wells, CA
18-20 September 2012
Miramonte Resort & Spa

hosted by:

sponsored by:

ORACLE

Learn More & Register
www.scc-execsummit.org/na
+1 202 962 0440

Rutgers University
Rutgers Business School
973-353-5226
www.business.rutgers.edu/scmms

The Department of Supply Chain Management and Marketing Sciences (SCMMS) at Rutgers Business School offers a range of academic programs including a PhD in SCMMS, an MBA Concentration in Supply Chain Management and an undergraduate major in SCMMS. Rutgers also offers executive education programs based on current topics and trends. Also offered is a Supply Chain Management Certification Program for business professionals.

Stanford University
Graduate School of Business
650-724-6301
www.gsb.stanford.edu/exed

The Graduate School of Business is offering a new program "Strategies and Leadership in Supply Chains." Program is designed for executives who have strategic responsibilities for SCM, manufacturing, operations, logistics, distribution, or procurement.

Syracuse University
Whitman School of Management
315-443-3751
www.whitman.syr.edu/scm

The Whitman School offers B.S., MBA, and PhD programs in Supply Chain Management. Focus areas: demand management, inventory control, risk sharing, supply chain planning, information flows, transportation, production management, and global b-to-b marketing. Six Sigma training also offered.

Texas A&M University
Mays Business School
979-845-1616
www.business.tamu.edu

The Mays Business School offers a Supply Chain Management major as part of its BBA in Information & Operations Management.

The World Academy
908-354-7746
www.theworldacademy.com

The Academy provides training programs and seminars in all phases of export/import logistics, hazardous materials (HAZMAT), letters of credit, communications, harmonized tariff schedules, and INCO terms. Upcoming sessions:

- Negotiating Global Supply Chain Costs...Competitive Freight and Logistics - 1 day
- November 2, 2012
Tampa, Florida
- December 14, 2012
Quad Cities

University of Arkansas
Sam M. Walton College of Business
479-575-6142
www.waltoncollege.uark.edu

The Marketing and Logistics Department at Walton College offers a B.S. in Business Administration (Transportation and Logistics Major) and a B.S. in International Business (Logistics Concentration). Also operates the SCM Research Center and RFID Research Center.

University of Denver
303-871-4702
www.du.edu/transportation

The ITI (International Transportation Management) Executive Masters Program from the University of Denver offers a rigorous curriculum and a hands-on approach for developing advanced management skills for transportation and supply chain professionals. This is an 18-month program with five, one-week Denver residencies and a travel seminar to an internal location. Applications are being accepted for classes beginning in October of 2012.

University of Maryland
R.H. Smith College of Business
301-405-2189
www.rhsmith.umd.edu

The R.H. Smith College of Business offers executive education programs through the Supply Chain Management Center.

University of Michigan
Ross School of Business
734-763-7804
http://execed.bus.umich.edu/

The Ross School offers a one-year Master in Supply Chain Management degree. Also offers an executive education course in Supply Chain Design and Execution for Global Markets.

University of San Diego
Supply Chain Management Institute
619-260-4600
www.sandiego.edu/scmi

Program emphasizes a community of learners, limits class size, and incorporates company-related projects to give participants an educational experience relevant to their specific career objectives. Classes for this 36-unit program cover SCM and Logistics, Supply Chain Systems, Global SCM, and World Class Supply Management. Offerings include a Master of Science in Supply Chain Management (MS-SCM) and a Graduate Certificate in Supply Chain Management (GC-SCM).

University of San Francisco
800-609-4196
www.usanfranonline.com/ism

USF offers an online interactive Master Certificate program for Supply Chain Management.

University of Tennessee
College of Business Administration
865-974-5001
http://supplychain.utk.edu

The school's Integrated Supply Chain Management Program helps participants develop a better understanding of the complexities and interrelationships among the supply chain areas of demand planning, customer

The missing link in your supply chain.

SUPPLYCHAIN MANAGEMENT REVIEW

FEATURES

8 The Supply Chain Top 25: Leadership in Action
The 2011 rankings of the Top 25 supply chains from Gartner Inc. are in. They include repeat winners and some new entrants. Perhaps even more important than the actual rankings, says Gartner Research Director Debra Hofman, are the lessons that can be learned from analyzing the leaders. This year, six specific qualities stand out.

16 The Greening of Walmart's Supply Chain...Revisited
In 2007, *SCMR* ran an article on Walmart's sustainability program, focusing on eight specific initiatives being pursued. Four years later, the author of that original article, Erica Plambeck of Stanford, and colleague Lyn Denend revisit those initiatives to assess just how Walmart is doing on the sustainability front.

24 Achieving Flexibility in a Volatile World
A new global survey from PRTM confirms the importance of operational flexibility in supply chain success and identifies five levers that leaders employ to make it happen. The consultants report that the financial and performance advantages of improved flexibility can be profound. They outline five basic steps that companies can take to start realizing those benefits.

32 What's Your Mobility Index?
Mobile devices are everywhere these days. But what's the real potential of mobility in the key supply chain processes. And what's the best way to identify and tap into that potential? Sumantra Sengupta of EVM Partners says the first step in answering these questions is to carefully determine your "Mobility Index." This article tells how it's done.

40 The Case for Infrastructure Investment: Lessons from Medco and Staples
Smart investment in supply chain infrastructure—and in particular automated materials handling and distribution systems—can pay big dividends. Medco and Staples have proven that convincingly, as these case studies demonstrate. Their stories point to seven key takeaways that supply chains professionals in any business sector can learn from.

SPECIAL SUPPLEMENT
S50 EU Logistics: Meeting the New Challenges

COMMENTARY

4 Insights
Bowersox and Goldratt Leave Two Great Legacies
By Larry Lapide

6 Talent Strategies
Asia: The New Talent Management Model?
By Mahender Singh

48 Spotlight on Supply Management
The Evolution of Supply Management
By Carrie Ericson and Simon Rycraft

62 Benchmarks
Global Sourcing Calls for Due Diligence
By Becky Partida

Editorial Advisory Board

- **Jack T. Ampuja** Niagara University
- **Joseph C. Andraski** VICS Association
- **James R. Bryon** IBM Consulting
- **John A. Caltagirone** The Revere Group
- **Brian Cargille** Hewlett Packard
- **Robert B. Handfield** North Carolina State University
- **Nicholas J. LaHowchic** Tompkins Associates
- **Hau L. Lee** Stanford University
- **Robert C. Lieb** Northeastern University
- **Clifford F. Lynch** C.F. Lynch & Associates
- **Eric Peltz** RAND Supply Chain Policy Center
- **James B. Rice, Jr.** Massachusetts Institute of Technology
- **Larry Smith** West Marine

Keep your supply chain strong with a subscription to *Supply Chain Management Review.* Get the full story behind each of these headlines and all the other issues in our digital archives —included *FREE* with your new subscription.

Subscribe and save up to 40% off basic rates at www.scmr.com/subscribe.

relationship management, operations, logistics, lean management, and resource/financial management. The program is composed of six, two-and-one-half day courses. Taught by UT's internationally renowned faculty, these courses consistently have been ranked among the best in the field. Courses are offered up to twice per year. The school also offers graduate and undergraduate degrees in supply chain management.

University of Wisconsin-Madison

Executive Education Center
608-441-7357
http://exed.wisc.edu/supplychain

- Supply Chain Leadership
  August 22-24, 2012
- Supply Chain Optimization
  September 10-11, 2012
- Supply Chain Collaboration
  November 5-6, 2012

Walden University

866-492-5336
www.waldenu.edu

The University offers online management programs including a PhD in Applied Management and Decision Science, an MBA, M.S., and B.S. in Information Systems and a B.S. in Business Administration.

PROFESSIONAL ASSOCIATIONS

APICS

800-444-2742
www.apics.org

APICS offers two certification programs, national and regional conferences, online events, and self-study programs.

CSCMP (Council of Supply Chain Management Professionals)

630-574-0985
http://cscmp.org/

CSCMP's global conference brings together thousands of supply chain professionals from all over the world to exchange ideas and share knowledge. Also conducts local roundtables across the country and the globe and offers a variety of supply chain Webinars. CSCMP's Online University offers members and potential members easy access to the latest in logistics and supply chain management. Upcoming events include:

- Growing Your Business with Supply Chain Management
  July 23 - 24, 2012
  Lombard, Illinois
- CSCMP Annual Global Conference 2012
  September 30-October 3, 2012
  Atlanta, Georgia

ISM (Institute for Supply Management)

480-752-6276
http://www.ism.ws/

ISM offers certification programs, seminars, professional development services, and online courses for the supply management professional. It also features an annual Conference and Educational Exhibit and provides in-depth research on supply management topics through affiliation with CAPS Research.

NITL (National Industrial Transportation League)

703-524-5011
http://www.nitl.org/

The League represents shippers in their dealings with various regulatory bodies. Provides educational forums, annual conferences, and industry exhibitions through an annual TransComp event.

- 05th Annual Meeting & TransComp Exhibition
  November 10-14, 2012
  Anaheim, California

SIG (Sourcing Interests Group)

530- 582-8600
http://www.sourcinginterests.org

SIG provides summits, global regional conferences, and web-based learning to enable members to network and build relationships.

Supply Chain Council

202-962-0440
http://www.supply-chain.org/

Through the Supply Chain World conference, the Council provides a forum for supply chain and business executives to identify opportunities to improve financial and supply chain performance. Presents a benchmarking database by which companies can compare their supply chain performance to others; also offers training in the SCOR model. Upcoming events include:

- Executive Summit North America
  September 18-20, 2012 Indian Wells, California
- Supply Chain World Europe
  October 21-23, 2012 Madrid, Spain

TRB (Transportation Research Board)

202-334-2000
http://www.trb.org

TRB is one of six major divisions of the National Research Council. This agency offers conferences, workshops, research, and e-sessions to the transportation community.

VICS

(609) 620-4590
www.vics.org

Organization provides online education, workshops and a 3-day certification program. Collaborative Planning, Forecasting, and Replenishment (CPFR®) is an initiative that highlights the importance of collaboration and the benefits of a demand driven supply chain. An Introduction to CPFR e-Education is designed to introduce students to CPFR concepts and demonstrate the benefits and synergy of CPFR with other company initiatives such as category management and sales and operations planning.

WERC (Warehousing Education & Research Council)

630-990-0001
https://www.werc.org

WERC is a professional organization focused on warehouse management and its role in the supply chain. WERC offers seminar, conference sessions, e-learning opportunities and webcasts.

PRIVATE FIRMS

Accenture

Supply Chain Academy
www.supplychainacademy.com

The Supply Chain Academy offers over 400 online courses across many of the functional areas of the supply chain. Classes are presented via online self-study, virtual classroom sessions, or through instructor-led delivery.

Next Level Purchasing

412-294-1991
www.nextlevelpurchasing.com

Next Level Purchasing offers a variety of certification programs tailored to procurement professionals. It also runs the ProcureCon educational conferences.

www.pe.gatech.edu/scl-logmgt

Developing leaders and solutions for global supply chains

Georgia Tech Supply Chain & Logistics offers comprehensive professional development courses and customized training.

Supply Chain Management Courses

Strategic Planning of Supply Chain Facilities
August 14-17, 2012 | Aug 13-16, 2013

Lean Warehousing
August 21-23, 2012 | 2013 Date TBD

Transportation and Distribution Planning and Management
October 2-4, 2012 (Savannah, GA)
October 8-10, 2013

Warehouse/Distribution Center Layout
November 6-8, 2012 | October 29-31, 2013

Engineering the Warehouse
April 2-4, 2013

Inventory Planning and Management
April 24-26, 2013

Demand Driven Supply Chain Strategy
June 25-28, 2013

Lean Supply Chain Courses

Building the Lean Supply Chain Problem Solver
September 18-20, 2012
March 12-14 | September 17-19, 2013

Building the Lean Supply Chain Professional
October 16-18, 2012
April 9-11 | October 15-17, 2013

Building the Lean Supply Chain Leader
November 13-15, 2012
May 21-23 | November 5-7, 2013

Health & Humanitarian Logistics Courses

Systems Operations in Health and Humanitarian Response
September 12-14, 2012
September 11-13, 2013

Pre-planning Strategy for Health and Humanitarian Organizations
January 16-17, 2013

Tactical Decision Making in Public Health and Humanitarian Response
May 8-10, 2013

Certificate Programs

Choose from the following three:

Supply Chain & Logistics Certificate

Take a minimum of 4 courses* in the Supply Chain Management Series over 4 years and receive your certificate

*Participants can substitute one Lean Supply Chain course for one Supply Chain & Logistics Management course.

Lean Supply Chain Professional Certificate

Take all 3 courses in the Lean Supply Chain series over 3 years to receive your certificate

Health and Humanitarian Logistics Certificate

Take all 3 courses in the Health and Humanitarian Logistics series over 3 years to receive your certificate

For more information or to register, visit
www.pe.gatech.edu/scl-logmgt or call **404-894-2343**

View from the Top

Dear *Logistics Management* Reader:

Once again, it's my pleasure to introduce the following section, **View From The Top**. Now in its 11th year, these pages offer terrific insight from top-level executives in leading logistics companies as to the current state of the industry, and how their companies are meeting today's challenges.

The Results of the *23rd Annual State of Logistics Report* show that the rebound for the supply chain and logistics industry continues to be slow. While railroads gained market share and trucking companies saw an increase in rates in 2011, air cargo revenue declined and ocean carriers continued to deal with overcapacity and operational losses. Unfortunately, the economy remains sluggish this year, and the uncertainty before the upcoming election in November will most likely keep it that way.

The companies in this section recognize the incertitude of today's business climate and are taking steps to help you navigate through the logistics and transportation pitfalls to help you keep costs down and improve the overall efficiency of your supply chain. Read through these pages and see all of the new opportunities that are being offered to help improve your company's logistics network.

Please enjoy the **View From The Top**.

Brian Ceraolo
EVP/Group Publisher

View from the Top

Roy Slagle
President and CEO

Dear Readers:

ABF has never had more to offer our customers than we do today.

Founded in 1923 as a local freight hauler, ABF has evolved into a global provider of customizable end-to-end supply chain solutions. ABF has invested heavily in providing our customers a menu of options they can choose from that naturally dovetail with the core of our business.

These options include:

- *Global Supply Chain Services providing both FCL & LCL solutions*
- *Warehousing with over 80 warehouse locations*
- *A Dual-System® Network providing regional and national LTL service*
- *Truckload and intermodal*
- *Expedited & time-specific services*
- *White-glove delivery, which includes inside delivery with light assembly.*

All of these services are linked together by one platform providing seamless visibility and world-class customer service.

ABF employees are trained to think critically and to proactively respond to each customer's unique situation. ABF customers benefit from a partner that helps them anticipate supply-chain challenges and meets them head-on with proactive solutions. How can ABF help you? Call 877-ABF-0000, visit abf.com, or follow us on Facebook and Twitter.

Sincerely,
Roy Slagle, President and CEO

ABF • 3801 Old Greenwood Road • Fort Smith, AR 72903 • 877-ABF-0000 • abf.com

View from the Top

A L L I A N C E S H I P P E R S I N C .

Dear Reader,

At Alliance Shippers Inc., we're playing an expanding role in the modern food chain. We know that delivering food and beverage products from the farm to the family table demands fine-tuned efficiency, an excellent producer-shipper partnership and great equipment.

Recent weather patterns all across the country remind us how important it is to be fully prepared—and fully equipped—to handle perishable products. That's why we've invested in our refrigerated carrier division like never before. And we made those investment decisions with what has become an Alliance Shippers' trademark: comprehensive customer input.

When it comes to our recent expansion in refrigerated services, that commitment stands clear. Our customers told us a primary priority was to maximize payload. Customers did not want to reduce the amount of product they can load in a unit.

Alliance Shippers' refrigerated trailers weigh approximately 16,000 pounds while refrigerated containers with chassis weigh more than 21,000 pounds. When compared to containers, trailers offer 14.5% greater capacity, eliminating the need to reduce payload to meet legal weight limits. Greater shipment capacity and lighter trailers means maximized payloads, fewer total shipments and reduced fuel costs. That's why our entire refrigerated fleet consists of trailers. There are no containers.

Today, the Alliance Shippers Refrigerated Carrier Division:

- is the largest mover of refrigerated intermodal shipments
- operates a transcontinental network that includes eastern Canada
- utilizes more than 1,700 technologically advanced CARB-compliant refrigerated trailers
- offers two-way satellite technology—24/7 visibility and control of every trailer

When your payload demands temperature control, the Alliance Shippers' refrigerated division is equipped to deliver. And when you need an intermodal partner who listens and designs shipping solutions around your exact needs, we're ready.

Sincerely,

Ron Lefcourt
President
Alliance Shippers Inc.

View from the Top

$10.3 billion in 2011 gross revenues

10 million shipments handled in 2011*

8,350+ employees worldwide

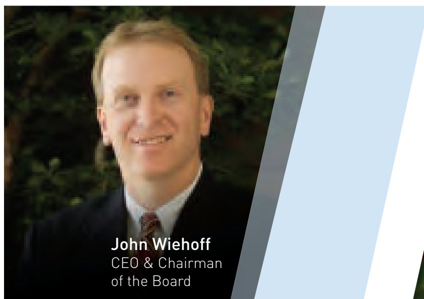
230+ offices worldwide

53,000+ contract carriers globally

37,000+ customers worldwide

Publicly owned and traded on NASDAQ (Symbol: CHRW)

*Includes transportation management business



John Wiehoff
CEO & Chairman of the Board

Our people, processes, and technology improve the world's transportation and supply chains, delivering exceptional value to our customers and suppliers.

Renowned Service & Execution

Our industry-leading knowledge, passion for delivering solutions, and expertise in freight and logistics is seen first-hand as our skilled people act as a single point of contact and provide global logistics knowledge. Our experts bring forward ideas and business intelligence in challenging global supply chain situations to help customers achieve their goals and obtain new efficiencies. They know how to analyze information and help determine the best approach for better business.

Global Transportation

As one of the largest logistics providers in the world, our global transportation model unites culture and systems to provide consistent experiences for customers around the world. With a global network of offices, our performance-driven, hardworking, flexible, and service-oriented employees fulfill customers' shipping needs using local knowledge and regional expertise. Our capabilities set us apart from the rest, as we provide exceptional value to customers by evolving their supply chains to be more competitive and efficient.

Industry Leadership & Powerful Execution

The volatility of the supply chain industry inspires us to search for innovative ideas that challenge the status quo. Customers benefit from our forward thinking approach because we are not content to simply meet expectations—we are committed to exceeding them every single day.

Take the guesswork out of shipping with our leading global technology solutions. Reap the benefits of proprietary technology programs, multiple global integration capabilities, and flexible reporting tools to monitor shipments 24/7 as they make their way around the world.

14701 Charlson Road, Eden Prairie, MN 55347 | 800.323.7587 | chrobinson.com

© 2012 C.H. Robinson Worldwide, Inc. All Rights Reserved.

C.H. ROBINSON

View from the Top

Con-way Inc.

Con-way Inc. (NYSE:CNW) is a $5.3 billion freight transportation and logistics services company headquartered in Ann Arbor, Mich. Con-way delivers industry-leading transportation and logistics services through its primary operating companies of Con-way Freight, Con-way Truckload (formerly CFI), and Menlo Worldwide Logistics. These operating units provide high-performance, day-definite less-than-truckload (LTL); full truckload as well as logistics, warehousing and supply chain management services; and trailer manufacturing. Con-way and its subsidiaries operate from more than 500 locations across North America and in 20 countries.

Con-way Freight delivers superior less-than-truckload (LTL) performance, comprehensive coverage and service excellence across North America. Con-way Freight's single network of more than 365 operating locations ensures reliable and seamless coverage nationwide. This network, the largest in North America, enables Con-way Freight to provide improved exception-free delivery, better on-time service performance and faster transit times to markets of all sizes. Con-way Freight also extends our customers' reach by providing full-service LTL throughout Canada and cross-border service to and from Mexico. Exceptional, personal customer service at every level is supported by the most experienced people in the business and state-of-the-art technologies ensure visibility, help customers save time, and provide them with the confidence that their freight will be there — when and where they need it.

Menlo Worldwide Logistics designs and implements logistics solutions that become our customers' greatest competitive advantage in their global supply chains. Menlo helps our customers achieve their business objectives and improve performance while delivering the lowest total cost. Menlo provides consulting to determine optimal network design, and creates value when we carry this theory into practice. Menlo has developed and implemented this plan for some of the top companies around the globe. Coupling our leadership in lean logistics and extensive transportation management resources with the assets of more than 17 million square feet of warehouse space, Menlo designs, delivers and operates flexible and cost-efficient supply chain management programs for customers, globally and across industries.

Con-way Truckload is one of the industry's largest dry-van truckload carriers, providing exceptional service to our customers throughout the United States, Mexico and Canada. Con-way Truckload's asset-based operations provide consistently superior, on-time performance and industry-leading capacity. The company provides full-truckload transportation servicing the shipping needs of retail and manufacturing businesses. As part of Con-way Inc., Con-way Truckload can leverage a broad range of services to deliver integrated solutions that meet customers' complex global shipping needs. Additionally, Con-way's non-asset-based operation, Con-way Multimodal, provides truckload capacity where and when our customers need it, and delivery performance consistent with the high standards they have come to expect from a Con-way company. With a network of more than 15,000 carriers, Con-way Multimodal's options include dry van, intermodal and specialized services for any equipment combination needed throughout North America.

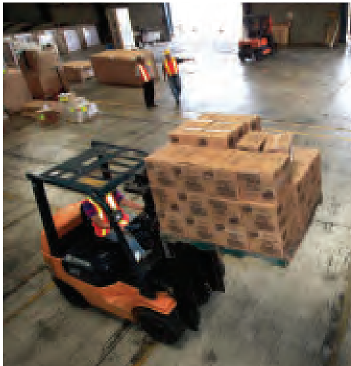
Douglas W. Stotlar
President and CEO

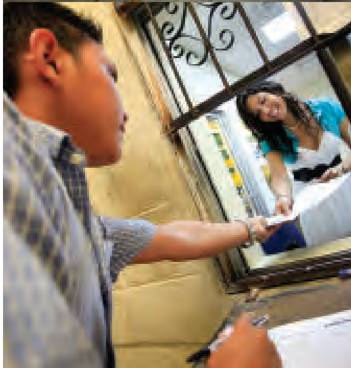
Con-way Inc.
2211 Old Earhart Road
Ann Arbor, MI 48105

Tel: 734-757-1444
Fax: 734-757-1158
info@con-way.com
www.con-way.com

At Con-way Inc., we never settle for less. Delivering quality service and innovative solutions around the world is what we do best. It's our number one priority. As one of the industry's most recognized and trusted brands in freight transportation and supply chain management, we keep our word and deliver what we promise. For more information, visit us at www.con-way.com.

View from the Top





Customer Centric & Solutions Oriented

Tom Crowley
Chairman, President & CEO

Founded in 1892, Crowley is a U.S.-owned and operated company, providing marine solutions, transportation and logistics services in both domestic and international markets. We are customer centric and solutions oriented. Personnel and assets across the entire organization are regularly brought together to solve throughput challenges for many of the world's most dynamic corporations, including consumer products companies, retail giants and clothing manufacturers.

A Crowley hallmark is our longstanding, regularly scheduled container and breakbulk Ro/Ro and Lo/Lo liner services between the U.S., Caribbean and Central America. No other carrier has performed as long or as well in these markets. As a third-party logistics provider with an inherent strength in the region, Crowley provides supply chain and transportation management services including: freight forwarding; ocean, inland and air transportation; Customs house brokerage; cargo insurance and warehousing. From designing a multifaceted supply chain across international borders to transporting a single pallet of freight, our attention to detail delivers for customers no matter how large or small their needs.

Additionally, Crowley's U.S. and Central America trucking services along with a healthy network of distribution centers, provide a framework for clients to combine and tailor logistics services as needed while achieving visibility through sophisticated shipment tracking. Total customer satisfaction is a key performance driver for Crowley. By establishing close business relationships with customers, we help them enhance their operating efficiencies, productivity and profitability. Open, two-way communication and a commitment to continuous process improvement is a must. And with ISO certification in freight services and solutions development, Crowley meets and exceeds the highest standards for quality and service.

We deploy over 150 transportation programs designed to help customers be more efficient and informed — with visibility maintained across all facets of the Crowley organization. Our people bring impeccable expertise, knowledge and experience to meet each customer's IT requirements delivering:

- Timely response to customer service, bookings and rates
- Cargo tracking through the transportation cycle
- Customer profiling and call history
- Quick access to all documentation
- Imaging- workflow processes and paperless documentation
- Express release of Bill of Lading
- Electronic Data Interchange

Customers count on Crowley to work with them, not just for them. And when challenges arise, they know Crowley employees are resilient, resourceful and supportive. For your own rewarding experience, please contact Crowley today **www.crowley.com/partner**.

www.crowley.com

CROWLEY®
People Who Know®

View from the Top

A Holistic Approach to Logistics

With the introduction of each new product, a new lifecycle clock begins. It's a race against time for companies to maximize the value of their products as they move through the supply chain.

The ability to efficiently manage the product lifecycle and eliminate fragmented supply chain barriers represents the next great opportunity for companies to achieve long-term success and profitability.

As North America's 2nd largest third-party logistics provider, **GENCO ATC** is leading the way with a Product Lifecycle Logistics approach that treats the movement of products as one continuous inventory stream. It's a holistic approach that creates efficiencies and speeds up the movement of products by optimizing network and facility designs, integrating cost-saving operational best practices and infusing cutting-edge innovation.

From point of origin to final sell-through or disposition, our Product Lifecycle Logistics approach can reduce supply chain costs an average of 10% to 20% by:

- **Lowering the total cost of product ownership**. Understanding how changes in one functional area can lead to more-informed, profitable decisions in other areas.
- **Increasing agility.** Making smarter, more-strategic decisions and coordinating actions throughout the supply chain to respond quickly to changing conditions.
- **Simplifying supply chain management**. Combining functions—forward, reverse, transportation—to reduce excess time, touch points and handling costs and improve visibility for better decisions.
- **Maximizing the value of logistics investments.** Introducing innovative logistics tools and processes that create efficiencies and improve productivity.
- **Employing greener business processes.** Reducing touch points and freight runs and better managing end-of-life product disposition.

GENCO ATC is in the business of helping our customers today and thinking about the endless possibilities for improving their future. With the diverse talents of more than 10,000 teammates executing our holistic Product Lifecycle Logistics approach, we will continue to make logistics better and accelerate the success of our customers by maximizing the initial and ongoing value we deliver.

It's what fueled our past. It will drive us in the future.

Herb Shear
Chairman and CEO

Download our Product Lifecycle Logistics white paper at **gencoatc.com/PLL-LM** or scan the QR code.

PRODUCT LIFECYCLE LOGISTICS℠ | 100 Papercraft Park, Pittsburgh, PA 15238 • 1-800-378-9671 • www.gencoatc.com

View from the Top

Intuitive, Easy-to-Use Solutions Needed

Q&A with Jim Kizielewicz, senior vice president, corporate strategy and chief marketing officer, Kronos

Q: What are users telling you they look for most in software and solutions today?

A: Consumer oriented technology—such as the iPad and the smartphone—has forever transformed the way people interact with technology. Users today are looking for similar mobility and ease of use in business applications as well. What we're seeing with labor management systems is that whether it's a manager accessing real-time staffing information so they can reallocate labor instantly from overstaffed to understaffed orders—or field-based workers looking to track time against specific tasks or deliveries—the workforce is always evolving. And labor management solutions need to evolve as well and be intuitive and easy to use for quicker adoption across the workforce.

Q: Any suggestions on how to make an effective business case for investing in technology for use in the supply chain space?

A: In today's volatile supply chain market capacity is tight, margins are often razor thin, and leaders are looking to deliver the best possible services often by getting more out of the limited resources they have available. When it comes to labor management, outdated or manual systems often can add waste that erodes productivity or adds costs that negatively affect the bottom line. Lack of accurate visibility into labor costs associated with customers, tasks or orders is the problem. The first step toward making a business case for labor management should be mining the data you have available.

There are three key areas of information to evaluate when you are developing a business case for labor management:

- *Depth: How Much Data Do You Have?* How uniform are your labor management approaches across multiple warehouses?
- *Accuracy: How Reliable Is Your Data?* How accurately can you allocate paid time to orders shipped?
- *Visibility: How Actionable is It?* What would it mean to overall workforce efficiency if you could identify productivity issues and take corrective action in real-time?

If you can't see how paid time is spent—for which tasks, when, and by whom—you can't control labor costs, such as unnecessary overtime and non-productive time. Unseen and uncontrollable labor costs can have a significant impact on profit margins. Idle or underutilized workers create non-value-added labor expenses—for example in a $10M payroll, just 5 percent in non-productive time wastes $500,000 annually.

Finding just 2 percent or 5 percent of additional productivity per employee per day can generate huge value to the organization.

Q: What are the most important criteria for evaluating and selecting a provider of solutions or software?

A: A provider should understand your unique challenges and offer a solution that is easy to use so it integrates with your existing technologies and processes seamlessly with minimal change management or disruption.

A solution also needs to be flexible and scale/adapt with changing business conditions. This will provide lower long-term total cost of ownership without requiring costly customizations. Services need to be comprehensive and support your IT resources, budget, and payment preferences.

Budgets and resources are often tight so look for solutions that can help you maximize your budgets and resources with payment and deployment options to meet every need.

View from the Top

The LANDSTAR Way

PERSONALIZED SERVICE AND UNSURPASSED CAPACITY

Henry Gerkens
Landstar Chairman, President and CEO

Connecting customers with solutions. The safest, most reliable transportation services in the market. Flexibility to scale up or scale down to provide outsourced logistics services best suited to your supply chain. Tailored solutions for companies large and small. That's the Landstar way.

Landstar is your one-stop source for capacity and supply chain solutions. Whether you have a single load, an emergency shipment requiring immediate attention, or are looking for complete supply chain management services to handle thousands of transactions, Landstar has the logistics experts and cost-effective products you need.

Landstar customers have access to our unique and extensive array of capacity, including over 7,900 Landstar business capacity owners, 13,000 pieces of trailing equipment, plus more than 28,000 other approved third-party transportation capacity providers.

Landstar's capacity sourcing tools provide carrier selection and management, track and trace, dynamic shipment management, financial settlement and customized reporting. Landstar also offers tools to enable the optimization of your truckload, LTL and intermodal freight needs by mode and cost.

• Supply Chain Solutions • Truckload • LTL • Heavy/Specialized • Expedited
• Rail Intermodal • Air • Ocean • Warehousing

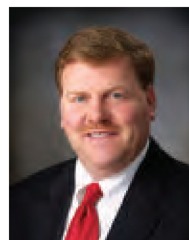
To find out more about The Landstar Way, visit us at www.landstar.com or contact us at solutions@landstar.com.

View from the Top

What does it take to increase performance?

www.LEGACYscs.com

Dear Logistics Management Readers -



Ron Cain
Chairman & CEO

What does it take to increase performance? It takes more than speed and precision. It takes LEGACY Supply Chain Services, instilling leadership at every level of the supply chain and creating a new culture that drives greater performance. At LEGACY, we believe that sustainability comes from a culture that sees beyond balance sheets and budget numbers. A successful culture is as tangible as any business system. It can be quantified, analyzed, and improved. LEGACY leaders know what it takes to identify – and implement – a culture that lasts, because we sustain our own culture of high-performance every single day.

If you don't think you have a culture – or that improving your culture won't help your bottom-line – think again. Every company has a culture, and it directly affects your company's performance. We can prove it – through our proprietary leadership development training and measurement program, we expose the opportunities for improvement in an operation, demonstrate how culture is affecting them, and determine what can be done to solve the problem. There's no denying it – culture drives performance.

LEGACY Supply Chain Services is a supply chain solutions provider that increases performance by instilling leadership at every level of the supply chain and creating a culture that delivers results. Using our unique and innovative approach to supply chain analysis and design, our years of experience moving product, and our global reach, we develop optimal solutions that reduce costs, improve service levels, and create a performance-driven culture that empowers employees to continuously find ways to improve the supply chain year over year.

Thanks for taking an interest in the work that we do. I am always eager to talk about performance-based culture and how it can positively impact your supply chain. I invite you to contact me directly at rcain@LEGACYholdingco.com or learn more at www.LEGACYscs.com.

Sincerely,
Ron Cain, *Chairman and CEO*
rcain@LEGACYholdingco.com
603-422-0777

LEGACY
SUPPLY CHAIN SERVICES
A TMSi Company

View from the Top

Roy Coburn
President, Livingston USA

Are you thinking outside the border? We are.

For large North American companies operating in multi-national markets, moving products around the globe is a complicated endeavor. It requires staying current in the ever-changing world of trade compliance, enhancing visibility up and down the supply chain, making the right sourcing decisions, leveraging free trade agreements, minimizing duty costs, preventing delays and staying compliant.

Livingston International can handle all this and more through our comprehensive **Global Trade Management** program. With operations in the U.S., Canada, Mexico, Europe and Asia, we can strengthen the links in your supply chain, from procurement to payment. We provide end-to-end processing services, including import and export operations management, classification, duty management, broker management, licensing and border logistics management.

We also offer individual solutions from our Global Trade Management portfolio, including the following.

Duty Management Solutions. With Livingston's expertise in managing your free trade agreements and other duty saving programs, you benefit from consistently reduced duty rates, lower internal operating costs and best-in-class trade compliance.

Global Product Management. When you partner with Livingston to manage and maintain your global product data base and classification process, you get world-class services backed up by ISO-certified processes, experienced staff and a complete audit trail.

U.S.-Mexico Border Management. Let Livingston coordinate all the third-party vendors you need for warehousing, drayage, Mexican and U.S. customs brokerage, and freight forwarding.

Export Operations. Livingston oversees your daily export processes, ensures you're compliant with foreign regulations and helps you avoid the huge costs of non-compliance. We become an integral part of your team, managing all export documentation and restricted party screening needs.

Here are just a few examples of what we can accomplish.

A global automotive supplier sought to leverage its working capital while remaining compliant with evolving government regulations. More than $100 million in annual duty payments were avoided. The company achieved an average at-time-of-entry NAFTA efficiency of 95 per cent or greater, generating cash flow savings and significantly reducing the collection of documentation after border crossings.

A telecommunications supplier looked for efficiencies in managing a complex supply chain as part of a large-scale corporate reorganization. Centralized data management led to better control of cross-border trade, drove efficiencies and improved the use of working capital, giving the company a 75 per cent reduction in storage, document turnover and brokerage fees. As a result of supply chain efficiencies, 99 per cent of exports were screened within four hours, and 98 per cent of imports were cleared for same-day entry.

A retailer operating nearly 8,500 sites in 15 countries wanted to improve documentation of its production costs and manufacturing records. Enhanced documentation avoided $40 million in annual duty fees, minimized product cost fluctuation and validated the company's eligibility for duty-minimization programs.

Whatever your international trade management challenges, look to Livingston International for your solutions – outside the border and beyond.

Visit www.livingstonintl.com
Call at 1-800-572-5677
E-mail us at tradeup@livingstonintl.com
LinkedIn Livingston International
Twitter @livingston_intl.com

View from the Top

Jim Jansen
Chairman

Lynden
6441 South Airpark Place
Anchorage, AK 99502
1-888-596-3361
information@lynden.com
www.lynden.com

Lynden began with a clear mission: put the customer first, deliver quality, and be the best at what you do. Today, Lynden's service area has grown to include Alaska, Washington, Western Canada, with additional service extending throughout the United States and internationally, via land, sea and air. Our mission remains the same. Complex transportation problems can be solved in the hands of the right people, with the right tools and the right experience. Over land, on the water, in the air - or in any combination - Lynden has been helping customers solve transportation problems for over a century. Operating in such challenging areas as Alaska, Western Canada and Russia, as well as other areas around the globe, Lynden has built a reputation of superior service to diverse industries including oil and gas, mining, construction, retail and manufacturing.

The combined capabilities of the Lynden companies includes truckload and less-than-truckload transportation, scheduled and charter barges, rail barges, intermodal bulk chemical hauls, scheduled and chartered air freighters, domestic and international air forwarding, international ocean forwarding, customs brokerage, trade show shipping, remote site construction, sanitary bulk commodities hauling, and multi-modal logistics.

The Lynden family of companies delivers a completely integrated freight transportation package. Our people have the knowledge to quickly respond and solve your multi-modal transportation problems. Lynden offers customers sophisticated technologies, including a suite of e-commerce services; to capture data and translate it into information that helps you with every aspect of your freight and logistics. From origin to destination, over any terrain, managing freight movement, as well as the flow of information, Lynden provides innovative solutions to meet your unique needs, keeping you in control while providing you with services no other company can match.

www.lynden.com

1-888-596-3361

The Lynden Family of Companies

Innovative Transportation Solutions

View from the Top

MIQ LOGISTICS

The smart solution to global integrated logistics.

MIQ Logistics is a leading provider of distribution, global and transportation services operating in Asia, Europe, North America and Latin America.

The company operates over 70 facilities around the world, and supports trade activities among 80 countries by providing international freight forwarding, customs brokerage, transportation management, truckload services, contract logistics and dedicated warehouse and fulfillment services. Through a global agent network, over 5,000 in-country logistics professionals deliver supply chain services, allowing companies to improve their bottom-line performance.

Joey Carnes, chairman and CEO, states "Our business is still very relationship-based and we believe each customer is unique and best served when we gain a deep understanding of its business. To gain this understanding, we hire the best talent in the industry to analyze each customer's particular needs and then design and implement a solution specifically developed for them with a personal commitment to exceed their expectations."

Joey Carnes
Chairman and CEO

The MIQ Logistics infrastructure delivers seamless logistics services supported by expertise in global supply chain management. Transportation services enhance supply chain efficiency with network strategy design, predictive modeling, shipment optimization and execution tools. Web-native technology enables timely and accurate shipment tracking, status monitoring, event management and reporting to efficiently share information across a customer's organization.

A wide range of sophisticated global logistics services at points of origin around the world help companies achieve overall supply chain savings, while gaining better control of shipments. These services feature global freight forwarding, trade and customs compliance assistance, and value-added services such as account management, logistics engineering, and distribution bypass strategies.

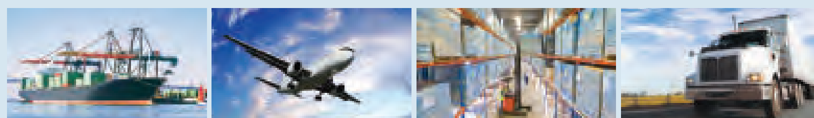
John Carr
President

Comprehensive distribution capabilities help drive lower transportation costs, sort and sequence shipments and add value to a company's supply chain. MIQ Logistics offers contract logistics, warehouse management and fulfillment, and a range of value-added services, including labeling, customized packing, light assembly and shipment consolidation.

In today's world it isn't just about providing time-tested, logistics services. It's about smart solutions.

MIQ Logistics is headquartered in Overland Park, Kansas. To find out more, visit our website at miq.com.

For Intelligent Global Solutions call +1 877 232 1845.



INTELLIGENT GLOBAL SOLUTIONS

www.miq.com.

View from the Top

John O'Kelly
President

Dear Readers of Logistics Management,

As the market rebounds from a tough economic environment, a major challenge that our customers face is **to improve efficiencies in existing processes and procedures before even thinking of hiring additional personnel.**

Newcastle Systems' mobile power solution is simple. We've recognized that developments in wireless technology changed the nature of how electronic hardware is used. Processes that were originally built around a network or electrical connectivity at a fixed location can be modified because the technology can now be brought to where the work is taking place.

Newcastle Systems' full line of Mobile Powered Workstations, integrated with your Auto-ID Technology, provides a complete solution for mobile high-volume printing applications in shipping/receiving, inventory management, cycle counting, order picking and more.

Improved efficiencies are immediately apparent:

- Eliminate walking back & forth to printers, computers & other equipment
- Print labels "on-demand" - leading to higher accuracy of product identification
- Gain access to real-time information ANYWHERE in the DC
- Maximize your wireless infrastructure

I invite you to see how much you can save throughout your organization. Please check out our ROI Calculator (**www.newcastlesys.com/ROI**) to help you quantify these inefficiencies and demonstrate how a Mobile Powered Workstation can help.

Sincerely,

John O'Kelly, President
jokelly@newcastlesys.com
781.935.3450
www.newcastlesys.com

Mobile Power Solutions for Auto-ID Technology

View from the Top

DAVID CONGDON: VIEW FROM THE TOP

There is so much to worry about these days when it comes to running a business, but whether a shipment arrives on time – and undamaged – shouldn't even make the list.

Frankly, no one needs another freight and logistics company. What companies need is a partner, someone who understands the intricacies of the problems they are facing and who can offer the customized solutions to fit the situation.

People constantly ask us: How do you do it? What makes Old Dominion successful? Well, the answer is quite simple: We've not only set out to maintain pricing discipline and invest in our infrastructure so as to position ourselves for long-term growth, we're constantly investing in our employees and focusing on our service.

Let's focus on that last point for a moment. At Old Dominion, rather than saying we're in the less-than-truckload business, we say that we're really in the business of keeping promises and whatever business you're in, we're in. Our consistent market share gains reflect the value of our high-quality, integrated and comprehensive services.

Every shipment we deliver represents a promise each of our customers has made. With that in mind, we focus on the task at hand, and utilizing technology, up-to-date infrastructure and the best people possible, we've made it our goal – really, our commitment – to deliver every shipment on-time and damage-free. When we fall short, we stand strong, take responsibility and learn from our mistakes.

By focusing our attention on our service, we've been able to achieve one of the best on-time records and one of the lowest claims ratios in the industry. But, our work is never done, and we pledge to our customers that we will continue to strive for perfection, because we recognize we are only as good as our last shipment.

By offering best-in-class service at a fair and equitable price, we believe we have created a value proposition for shippers that should allow us to gain additional market share and create additional value for our shareholders.

Our people and our four product groups – OD-Domestic, OD-Expedited, OD-Global and OD-Technology – provide our customers with the complete range of products and services they need to deliver on our promise of simplified transportation solutions. We provide direct service to more than 48,000 points through more than 215 service centers, expedited, drayage and assembly and distribution services, as well as container delivery services to and from North America, Central America, South America and the Far East.

Our hard work has paid dividends. Earlier this year, Old Dominion was honored by Mastio & Company as the No. 1 National LTL carrier in the company's 2011 Value and Loyalty Benchmarking Study for its outstanding use of technology. We were also selected in the Top 100 of Forbes Most Trustworthy Companies for 2012, an annual recognition awarded to publicly traded corporations that have consistently demonstrated transparent, conservative accounting practices and solid corporate governance and management.

Anyone can have all of the plans and strategies in the world. But, in the end, it's about making our customers' businesses our own and working to achieve a common vision: "Helping the World Keep Promises."

David Congdon is president and CEO of Old Dominion Freight Line, Inc. With more than 35-years of experience in the transportation industry, Congdon has spent the majority of his career continuing the legacy of his grandparents, Old Dominion founders, Earl and Lillian Congdon.

OD-PEOPLE OD-DOMESTIC

HELPING THE WORLD KEEP PROMISES.®

Old Dominion Freight Line, the Old Dominion logo and Helping The World Keep Promises are service marks or registered service marks of Old Dominion Freight Line, Inc. All other trademarks and service marks identified herein are the intellectual property of their respective owners. © 2012 Old Dominion Freight Line, Inc. Thomasville, N.C. All rights reserved.
M2OD0020.06.12

1.800.432.6335 | odfl.com

View from the Top

Dear Logistics Management Reader:

In my twenty-six years in the economic development business, the basics for success remain pretty much the same today as they did in the 80's. Workforce, transportation and cost of doing business are as important today as ever. Whether it was helping Toyota with their decision to locate the Tundra Truck Plant in 1995, assisting GE with its plans to re-shore the hybrid hot-water heater in 2010 or the dozens of other successful attraction projects I have worked on, logistical concerns were paramount to the final decision.

Ken Robinson, CEO, MAP

With businesses knowing the precise cost per mile of moving their raw material and finished products, location decisions weigh heavily on a company's overall bottom line. Muhlenberg County, Kentucky's ideal location in the US midsection provides companies a competitive location with the ability to reach over 50% of the nation's population and manufacturers within 600 miles. In fact, Muhlenberg County is located 120 miles from the median center of US population.

In today's hyper-competitive, economically challenging environment, companies considering new locations have the luxury of being able to demand, and in many cases receive, inducements that go directly to their bottom line. An ideal location acts as another incentive with the cost savings derived over time often surpassing the value of a time sensitive incentive package. With direct access to the Western Kentucky Parkway at Exit 48, a site in the new 375-acre Paradise Regional Business Park makes perfect economic sense.

For a complete overview of this fully served location, call the Muhlenberg Alliance for Progress (MAP) or visit our website at www.mafp.us. We think you'll be amazed at the quality of our workforce, strategic location, and our ability to bring your project in on time and under budget.

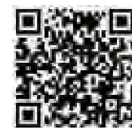
Ken Robinson,
CEO, MAP

All Roads Lead to Paradise!

offered by:

- Great for warehousing and transport - Located in Muhlenberg County Kentucky, within a half-day drive of major markets including Nashville, Memphis, Louisville, St. Louis, Cincinnati, Indianapolis and Birmingham.
- Adjacent to Western Kentucky Parkway (exit 48), with quick access to I-69, the Natcher Parkway as well as I-24, I-64 and I-65.
- 375 acres of flat buildable sites available in a fully served industrial park with flexible site layouts.

Join us in Paradise - contact **Ken Robinson** today
(270) 338-4102 • ken@mafp.us • www.mafp.us



View from the Top

Finding a Solid Transportation Service Provider That You Can Count On

A volatile economic environment leads shippers to align their companies with financially sound transportation service providers who offer reliable and dependable services. Increased volatility in customer demand places increased stress on a shipper's supply chain. Agile and innovative transportation service providers who are technologically adept are best positioned to address these emerging needs.

The US transportation industry continues to struggle with an economic recovery that is fragile and uneven. Tightening carrier capacity, a qualified driver shortage, and rising freight rates are legitimate concerns for transportation decision makers. These looming issues make it more important for shippers to build relationships with carriers they can rely on and trust. In response to these issues PITT OHIO has designed an LTL Signature Account Program to provide shippers with answers to these industry concerns. The PITT OHIO LTL Signature Account Program strengthens the transportation partnerships by providing shippers with long-term price certainty and guaranteed access to reliable service and additional capacity.

PITT OHIO continues to move forward despite the uncertain economy. We continue to build out our core competencies in the areas of transportation safety, security, sustainability, and technology. We have invested in our business by recapitalizing our fleet, updating our terminal network, and developing award-winning technology that makes doing business with PITT OHIO efficient and effortless.

In recent years we have diversified our service offerings to include SUPPLY CHAIN, GROUND, LTL, and TL service solutions. More recently we have enhanced our long haul LTL service offering by developing a TRNet Express lane service to the West Coast. We have also expanded our Fast Track expedited service offering to provide solutions to all points in the US and to some international markets.

In 1979 our company was started on the premise that we would provide our customers with exemplary next-day LTL service. Thirty three years later PITT OHIO continues to deliver on this commitment by providing our customers with a wide array of specialized services and solutions that allow our shippers, their vendors, and their customers to cost effectively grow their respective businesses.

Chuck Hammel – President

www.pittohio.com

PITT OHIO

SUPPLY CHAIN ▪ GROUND ▪ LTL ▪ TL

Find Us Follow Us

View from the Top

Steven Shoemaker – Principal

In late 2002, RateLinx developed ShipLinx, a TMS for larger companies needing reliable, integrated shipping software to process small parcel and less-than-truckload shipments with a stable, scalable system. The launch of this system was met with much success in the marketplace, providing us with visibility to an extremely large amount of freight.

In 2005, more and more RateLinx clients were asking us if we could help them specifically with their less-than-truckload rates. Much R&D ensued at that time at RateLinx, and our goal was to leverage both the speed of our system along with the LTL volume of our growing client roster to develop a solution that will help companies 1) Procure better LTL rates, 2) Process those rates, and finally 3) Pay their bills in a smooth, integrated manner, with a Dashboard that provides context to every single dataset of each transaction.

Fast forward to 2012 – our company has grown to be the only company in the world that provides a single integrated TMS with small parcel capability, LTL, Truckload, Ocean, Rail - every mode of transport - while providing proven methodologies in a consultative manner to help procure the lowest LTL rates for each individual client, as well as providing freight payment and pre-audit services in a single, holistic solution "under one roof." RateLinx accomplishes this with no outside or third parties, essentially providing a single-source solution. Our dramatic growth since 2006 is evidence that our solution works.

Currently, we are processing and paying freight in the tens of millions of dollars every day. Our clients love the fact that we help them do their job better without having to outsource to a 3PL – essentially helping them with the "heavy lifting."

We've been told by many that what we are doing is "revolutionary" in the transportation marketplace. Perhaps. We invite you to call us to see for yourself.

View from the Top

THE CHALLENGES OF TODAY
» CAN BE A CATALYST FOR CHANGE. «

Doing more with less is a demand that every business faces. In material handling, this can mean moving more pallets with less available space and fewer personnel while also trying to meet increased productivity demands and cost-reduction goals. With labor costs contributing up to 72% of lift truck ownership expenses, choosing the right material handling solutions can be critical in optimizing the resources you already have.

At The Raymond Corporation, we understand your challenges and we have used them for 90 years as our inspiration to build better material handling solutions. Our trucks, technology and automated systems deliver efficiency, productivity and performance with every pallet move.

- Our lift trucks are powered by Eco-Performance, an engineering philosophy that is designed to provide the maximum economic and ecological benefits, delivering increased productivity and efficiency.
- The Raymond iWAREHOUSE® fleet optimization solution automates data capturing and enables warehouse managers to look at their operations in real time, providing business intelligence to optimize their fleets and their operations.
- *Raymond®* automated lift trucks (ALTs) use an open architecture to offer simple and flexible automation solutions that enable operator-on and operator-off functionality, and improve productivity and labor optimization.

Raymond's network of world-class Sales and Service Centers are committed to understanding your business and bringing you an integrated, personalized solution of trucks, technology and services to meet your goals this year and beyond.

Best regards,

Chuck Pascarelli

Chuck Pascarelli
President of Sales and Marketing Division
The Raymond Corporation

The Raymond Corporation
PO Box 130, Greene, New York 13778-0130
www.raymondcorp.com

RAYMOND

View from the Top

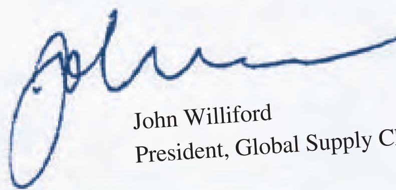
At Ryder, we understand that the most important part of any logistics engagement is reliable execution, and this has become increasingly true as supply chains have grown more complex.

Our vision is to partner with our customers to design and deliver innovative solutions that provide competitive advantage, enable improved financial and operational performance, and achieve exceptional customer service.

Our logistics teams are empowered to identify and eliminate waste in every process that occurs as an order is fulfilled. Lean tools, such as visual cues, problem solving jackets, and root cause analysis, have resulted in shortened lead times, built-in quality and continuous improvement – ultimately increasing the speed to market for our customer's goods.

In our quest to apply deep expertise in key industry groups, we are now providing source-to-shelf solutions to the food, beverage and consumer packaged goods industry through Ryder's CPG industry group. Our capabilities in distribution and packaging provide the flexibility that today's fast-paced consumer goods marketplace requires. These CPG solutions complement our logistics services for the Automotive, Hi-tech, Industrial and Retail industries.

As the economy steadily rebounds, our customers will continue to seek solutions to help cut costs and improve delivery performance. We are committed to building on our best-in-class operational execution by investing in the technology, engineering skills and expertise in your industry. At Ryder, we take pride in being a reliable, value-creating partner – and delivering the supply chain excellence that defines some of the world's best performing brands.



John Williford
President, Global Supply Chain Solutions, Ryder

Execution is Everything.

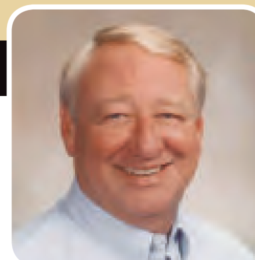
SUPPLY CHAIN • DISTRIBUTION • TRANSPORTATION • CONTROL TOWER

1-888-887-9337 www.ryderscs.com

©2012 Ryder System, Inc. All rights reserved.

View from the Top

Finding Value in Integration



Saddle Creek Corporation is now Saddle Creek Logistics Services. Thanks to our *Whatever It Takes!* philosophy, our business has grown over the years — new services, markets, and industries. The new name better reflects our core focus — delivering integrated logistics solutions tailored to meet our customers' unique needs.

We develop a custom blend of warehousing, transportation, packaging and fulfillment capabilities to help address today's toughest logistics challenges.

Our seamless integration can help you to:

- **Increase speed to market.** Your products reach store shelves and consumers' doors more quickly thanks to our multi-channel solutions, streamlined service, efficient processes and strategically located facilities.
- **Accommodate fluctuations.** If you struggle with ever-changing customer needs or seasonal promotions, we can flex to meet your requirements for staffing, space, technology, and more.
- **Control supply chain costs.** Our integrated approach eliminates links in your supply chain, allowing you to reduce overhead, control inventory costs, and minimize your capital investment.
- **Improve service to customers.** Our *Whatever It Takes!* approach guarantees that we'll get the job done to the total satisfaction of your customers.
- **Focus on core competency.** You can focus on your core business, knowing that your logistics operations are the hands of an experienced, knowledgeable partner.

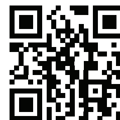
We invite you to see how our integrated services can help you develop a stronger, more effective supply chain.

Cliff Otto

President
Saddle Creek Logistics Services

As a third-party logistics company, we leverage our broad array of capabilities — including warehousing, transportation, packaging and fulfillment — to provide integrated solutions that support your business objectives.

Download our new whitepaper on integrated logistics outsourcing:



3010 Saddle Creek Road
Lakeland, Florida 33801
888-878-1177
info@sclogistics.com
sclogistics.com

WAREHOUSING • TRANSPORTATION • PACKAGING • FULFILLMENT

Whatever It Takes!

View from the Top

Saia, Inc.

Richard D. O'Dell
President and CEO

Technology as a Tool and Quality as a Journey

At Saia, quality is a process. It is continually evolving and being re-defined based on expectations – ours and those of our customers – and the tools that make it possible. As technology continues to advance, we continue to implement proprietary software so that the level of quality that Saia is able to deliver increases as well.

Here are just a few of the ways Saia is using advanced technology to re-define quality and service:

On the Road: Since 2011, Saia has invested over $100 miilion to update 1,200 tractors in our fleet. Each vehicle is equipped with Vnomics' FleetKnowSys™ Intelligent Telematics solution that tracks real-time driver performance and truck diagnostics. By summer's end, all 3,500 trucks in the Saia fleet will have the electronic on-board recorders. All new tractors also use Bendix® Wingman Advanced technogoy to avoid collisions, reduce driver injuries, roll-overs and loss-of-control situations. Safety technology is making the road a safer place to be and that in turn assures that every load arrives in-tact for an on-time delivery.

For the Customers: Every Saia city driver is equipped with new handheld devices that provide our customers with detailed real-time data on every shipment we handle, including estimated arrival times for both pick-ups and deliveries.

Inside the Terminal: Forklifts are now using the latest tablet computer technology to communicate with dockworkers in order to speed the process and accuracy of loading. This cuts down on mis-loads, assuring the right freight gets on the right trailer. In addition we can send instructions to our dockworkers electronically which eases congestion on the dock and speeds the loading and unloading process.

With the Sales Group: Saia has outfitted our sales team with iPads pre-loaded with Microsoft Dynamics® Customer Relationship Management (CRM) software to help manage each account. The CRM software gives us a 360-degree view of every customer interaction and can manage up to 100,000 customer accounts systemwide.

Since 1924, Saia has been part of virtually every technological innovation that has shaped the distribution industry. Even more impressive than that, we have added processes and proprietary software to those advances so that the value to our customers has been increased ten-fold. In that time, we have learned to distinguish temporary fads from solutions that create lasting value. More importantly, our experience has shown us that technology is merely a tool and that quality is not a destination. It is a mindset that, when deeply embedded, drives everything else.

www.saia.com

View from the Top

Integrated Logistics Solutions for an Optimized Supply Chain

Mario Herndl
President, TGW Systems

- Carton, case, tote, pallet and unit load conveyor & sortation systems
- Automated Storage & Retrieval Systems (AS/RS) for case, tote, carton and pallet loads
- Shuttle solutions for tote and case Goods to Person picking

As a supply chain professional, you are constantly looking for ways to make your company more efficient and more successful. While not always visible to your customers, what you do in your supply chain and in distribution will be a key component to that success.

TGW is a global supplier of integrated logistics solutions and material handling equipment. We plan, design, manufacture, install, and support solutions tailored to your needs that give you increased efficiency and higher productivity.

As one of the largest material handling system suppliers in the world, TGW's worldwide perspective and resources give you the best-value technologies, customer support and system services you need to succeed.

More and more companies are using TGW products and solutions to optimize their supply chain. Maybe it's time you learned more about TGW.

TGW Systems Inc.
6870 Grand Haven Road ■ Spring Lake, MI 49456-9652 USA
231-798-4547 ■ usinfo@tgw-group.com ■ www.tgw-group.com

View from the Top

5 SIGNS OF FLEET INEFFICENCY

There are warning signs of fleet inefficiency that can also point to cost savings and productivity opportunities. Here are five to watch.

1. PARTIALLY-LOADED TRUCKS

Tomorrow morning, go out on your dock and take a good look at your trucks before they leave the facility. How much empty space is available on how many vehicles?

For many companies, fleet routes do not change along with increases and decreases in order volumes because it's just too hard to manually re-route in a timely fashion while still trying to meet all customer commitments and requirements.

When routes aren't adapted to order realities, the results are wasted miles and partially-utilized fleet equipment. Empty cargo space of 10-25% is common among these fleets.

2. CONSTANT PHONE COMMUNICATION

Are you noticing frequent phone communication between your drivers, customer service personnel and customers? Does it often seem to lead to chaos in your dispatch operation? This chaos is usually a reaction to less-than-ideal fleet routing control, inaccurate route schedules and a lack of real-time visibility. Phone calls are the only way for your staff and fleet to compensate for these inefficiencies throughout the day.

3. INACCURATE ROUTE SCHEDULES

How often do your drivers arrive at customer locations 45 minutes or more ahead or behind the planned schedule?

It's a difficult challenge—if not an impossibility—for any dispatcher to create efficient schedules for a stack of orders when accurate drive times and customer-specific unloading times are not incorporated in the process. Occasional small delays due to traffic or accidents will always come up, but when deliveries are consistently 45 minutes or more off schedule, customer relationships will suffer and ongoing sales will be affected.

Your dispatchers will make their best efforts to estimate drive times and unloading times quickly while sorting through what could be hundreds of delivery tickets. If their best estimate is off by 10% for an 8-hour route, this means a lag time of 48 minutes is built into the schedule. The route execution could then be delayed even more by arriving at locations off-schedule and finding that customers aren't prepared to unload them.

4. LARGE DISPARITY IN PLANNED VS. ACTUAL MILES AND HOURS

A big difference in planned route miles and hours vs. actual performance typically points to problems with accurate schedules and basic driving assumptions, inaccurate mileage estimates and possibly driver performance issues. Look for answers to these questions to find opportunities where you can improve fleet efficiency:

- How accurate are planned vs. actual drive times?
- Are there unplanned stops and breaks within routes?
- Is accurate driver performance reporting available?
- How accurate are the planned unloading times being used?
- How many out-of-route miles have been identified?
- Are there excessive wait times at certain customer locations?

5. LIMITED PREDICTIVE PLANNING ABILITY

Are you able to answer questions regarding the impact of a possible or planned change in your fleet operations and how it will affect your profitability? Can you quickly evaluate business changes and see their impact on time, resources, and costs to your fleet?

What-if analysis provides you with the tools needed to make effective financial and strategic decisions. Done correctly, it will help you understand the impact of different operational scenarios on future fleet operations. When you understand various possible outcomes, you can make better, more informed decisions and plan for the right change instead of reacting to what gets thrown at you.

Ask yourself:

- Is it more cost effective to incorporate a drop-and-hook loca tion for another market or dispatch all trucks from one depot?
- How many miles could be saved if customers allowed delivery to be scheduled 15 minutes earlier or later?
- What's the right number of trucks and drivers needed to serve that 200-store chain whose business we are bidding on?

Knowing where to look is half the battle.

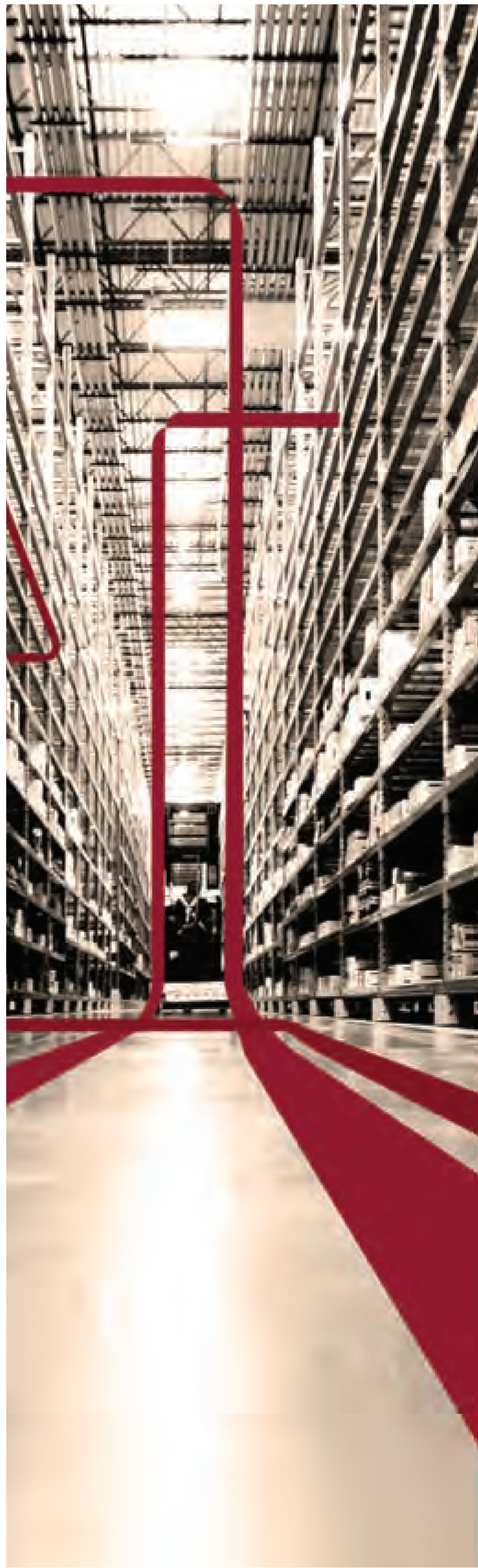
To help you analyze, plan and continuously improve your fleet operations, explore the software options you have for routing and optimization. It's no longer bleeding-edge technology; it just might be new to your fleet.

TMW Systems offers transportation management software for private and dedicated fleets, for-hire fleets and 3PLs. When your logistics services call for optimizing load consolidation, mode shift and execution across your own fleet as well as external carriers, only TMW can help you maximize asset utilization and lower total transportation costs, at the same time.

MOVE TO TMW.

Call us at 1-800-401-6682,
or go online to tmwsystems.com/tms.

View from the Top



At UniGroup Logistics, we understand that every dollar counts. During the past few years of economic deterioration, customers looked for ways to cut costs while maintaining quality by limiting the number of service providers and partnering with vendors who could offer multiple services.

UniGroup, the parent company of United Van Lines and Mayflower Transit, responded to their customers' request. With more than 50 years experience in customizing transportation and logistics solutions for its customers, UniGroup Logistics added services and expanded our reach. As part of the UniGroup family of companies, UniGroup Logistics is well-suited to deliver the high-quality service our customers expect.

Here are just a few of the services UniGroup Logistics provides:

- Truckload/LTL
- Flatbed Transportation
- Specialty Transportation
- Freight Forwarding
- International Services
- Project Management
- Distribution Services
- IT Solutions

As President of UniGroup Logistics, I am proud of our service offerings and how we serve our customers. When planning your next project, contact us. You will be satisfied with UniGroup's ability to successfully manage your most challenging opportunity.

Sincerely,

Jim Powers
President
UniGroup Logistics

U.S. & Canada: 877-545-8080
International: 636-305-4040
UniGroupLogistics.com

View from the Top

UNION PACIFIC: Highway. Railway. Waterway. We can help you whichever way.

Eric Butler
Executive Vice President,
Marketing and Sales

Union Pacific combines the efficiency of its premier rail network with the flexibility of trucks and the reach of ocean carriers to provide door-to-door freight transportation solutions to thousands of customers, many without tracks leading up to their doors. Here's how we do it.

COMMITMENT TO SERVICE: Our Customer Satisfaction Index, measuring customer feedback, is at an all-time high. Our employees are committed to providing customer value through safe and reliable freight transportation solutions that include truck-competitive transit times, equipment availability and industry experts to support customer needs. Average train speeds are up 25 percent since 2006, and last year we set a record for employee safety.

SOLUTIONS THAT MAKE SENSE: With increased equipment capacity, broad market access and subsidiaries Union Pacific Distribution Services and Streamline focused on extending our network to non-rail served customers, Union Pacific can help nearly any shipper find transportation solutions to manage tighter inventories and meet growing business demands.

ENVIRONMENTAL RESPONSIBILITY: Union Pacific owns the cleanest locomotive fleet in the industry and can move one ton of freight nearly 500 miles on a single gallon of diesel fuel.

TECHNOLOGY: Cutting-edge technology supports a faster and safer network, allowing us to quickly turn customer assets, increase efficiency and reduce equipment costs. We also provide customer visibility across the supply chain.

One of America's iconic companies, the original Union Pacific was created when Abraham Lincoln signed the Pacific Railway Act of July 1, 1862, authorizing construction of the transcontinental railroad to connect the east and the west. Today, Union Pacific helps connect companies to the global marketplace as about 40 percent of our business is international. We operate competitive routes from all major West Coast and Gulf coast ports to eastern gateways and are the only railroad serving all six major Mexico gateways.

877-883-1442 ▪ www.unionpacific.com

View from the Top

Dedicated Contract Carriage Versus Private Fleets

By: Bill Farris, Senior Vice President, U.S. Xpress, Inc. Dedicated Service

When capacity issues abound, private fleets become a more attractive option for many shippers. For them, the advantages of private fleets include guaranteed capacity, direct supply chain control and specialized equipment, drivers and routes to meet their company's specific needs.

While this alternative may work well for some companies, in light of a rapidly changing marketplace and increasing cost and regulatory pressures, many companies have found dedicated contract carriage to be a much better choice.

Through this service, a shipper contracts with a carrier to handle their transportation needs, earmarking trucks, drivers and routes to ensure the capacity they need.

By employing this type of business partnership, shippers can reap all the private fleet benefits without the numerous downsides. Here are some specific dedicated services advantages identified by our customers versus a private fleet operation:

- **Scalability:** "No matter how many trucks we need or when we need them, our carrier can provide the guaranteed capacity we're looking for in a way our company or non-asset providers can't."
- **Focus on core competencies:** "While our company is good at logistics and transportation, it is not our core business. Using an expert has allowed us to focus on what we do best, leaving the hassles and headaches of transportation to them."
- **Improved supply chain visibility:** "Leading carriers, like U.S. Xpress, invest in the latest technology, including satellite-equipped navigation and EDI order tendering and tracking to track and report on our loads, allowing us to better measure and manage our business."
- **Optimized route design and distribution network:** "Our carrier works with us to create alternative design models and routes that take advantage of their freight volume and backhaul procurement capabilities to drive operating efficiencies and cost savings."

- **Predictable expenses:** "We enjoy having someone else worry about maintenance, increasing fuel costs and other variable costs, so we can focus on a predictable line item expense."
- **Risk management:** "By using this service, we were able to eliminate the risk and liability of operating our own fleet."
- **Improved compliance:** "With an ever-increasing focus on CSA scores and changing federal regulations, it can be difficult for my company to keep track of and comply with all that's required of us."
- **State-of-the-art equipment with no capital expenditures:** "We are able to avoid carrying assets on our books, while having access to late-model trucks and unparalleled safety innovations."
- **Decreased costs:** "We were able to decrease costs associated with assets through the volume purchasing discounts our carrier has in place for things like fuel, insurance and equipment."

If you need guaranteed capacity, or are thinking of switching contract carriers or currently operate a private fleet, you should take a closer look at your specific needs and find a carrier that will work with you to meet those needs. With so much at stake, it is critical that you choose wisely and find a financially-stable carrier with a strong track record of performance, safety and compliance. For more information on our dedicated service, please visit www.usxpress.com.

U.S. XPRESS ENTERPRISES

SERVICE THAT MATTERS – DRIVEN BY INNOVATION

4080 JENKINS ROAD · CHATTANOOGA, TN 37421 · 800.251.6291 · USXPRESS.COM

View from the Top

UTi is one of the industry's leading non-asset based, global third party logistics providers. We deliver competitive advantage to each of our client's supply chains through innovative, integrated solutions. We are committed to delivering value that will help clients succeed in today's uncertain economic environment. This means maintaining an external focus on the global marketplace, being alert to potential obstacles as well as opportunities, and having solutions ready that can eliminate complexity.

Our primary services include:

- Air and Ocean Freight Forwarding
- Contract Logistics
- Customs Brokerage
- Distribution
- Managed Transportation Services
- Supply Chain Analysis and Consulting

UTi FREIGHT FORWARDING

With 360 freight forwarding locations, in 60+ countries, UTi believes freight transportation is about reducing costs while delivering goods when and where they are needed. Value is provided through inter-modal shipping at competitive rates, utilizing air, ocean, surface and specialty transportation services.

UTi CONTRACT LOGISTICS & DISTRIBUTION

Operating a global footprint of 180+ logistics centers with more than 22 million square feet of warehousing worldwide, UTi can store, configure and deliver your products while maintaining the visibility and inventory management you need to effectively manage your business. Whether delivering goods to a global client base or managing complex inbound supply chains, our transportation and inventory optimization tools reduce network costs and improve product availability.

UTi SUPPLY CHAIN DESIGN AND INNOVATION

UTi leverages our global network, IT systems, relationships with transportation providers, and expertise in outsourcing to improve visibility and reduce costs. Our team can help you build a business case for change, innovation and cost reduction in your organization.

COMPETITIVE ADVANTAGE

At UTi, our people are the most important resource in keeping our commitments to clients. We nurture talent, providing an atmosphere conducive to performance excellence by each and every person. This is why we can say, at UTi, there's not a weak link in the chain.

UTi Worldwide, Inc.
c/o UTi, Services, Inc.
100 Oceangate, Suite 1500
Long Beach, CA 90802
+1 (562) 552 9400
www.go2uti.com

SAGE ADVICE

Provide better instructional tools that offer real value to partners

By John A. Gentle, DLP

"Mom, can you change the time on my watch?" "Sure… bring it over, it should only take a few seconds."

THAT WAS THE BEGINNING of a needless and frustrating period when a better set of instructional tools from the watch manufacturer on how to reset the time could have offered immediate value to my family—and would've eliminated two weeks of trial and error that tested me and my wife, who happens to be a Ph.D.

So, the question is: Why was this simple task so difficult that it took us so long to do? The answer is twofold: First, the manufacturer did not want to spend money to make the instructions more complete and easier to understand; and, second, it did not want to make the technology more intuitive.

This brings me to the challenge of "ineffective instructions" that logistics teams create for their suppliers, especially for how vendors are expected to complete forms, input data, and operate software that was provided by your company for warehouse and trucking operations, billing, and reporting.

Understanding how people learn as well as the nature of the information being shared, the operating environment, and the typical skill sets of the users are all important factors in the development of your instructional tools. We all want to continue to drive factual input down to the least costly, practical skill set levels where they can be performed efficiently and effectively with superior first pass yield.

The nature of the information being shared, the operating environment, and the typical skill sets of the users are all important factors in the development of your instructional tools.

Regardless of mental aptitude and acuity, some individuals learn by reading, others by listening, and others by repetitive hands-on trial and error, hence training needs to be created to accommodate the broad spectrum of operational users with differing learning styles. Most importantly, training needs to be provided without taking real-time away from your operational teams; and suppliers need to educate their new or temporary employees in terms of minutes, not days or weeks, and without the presence of the person charged with performing the tasks.

So, what to do? Over time, I have found that a written text for each form using numbered step-by-step instructions and accompanying screen shot pictures, along with voice-over, gave me the greatest opportunity to provide successful training for my business partners in the shortest period of time—and without my team becoming actively engaged.

Originally CDs were created and sent to our suppliers. Later, I made the information and related changes available in a downloadable format for my partners via our logistics website, This step further reduced the need for expensive administrative interaction and mailing costs.

By this time you are probably saying that this is too much work. Perhaps, but it made it a lot easier to overcome the conventional argument about introducing new business partners, and it facilitated and minimized the manpower needed to communicate document changes and information requirements.

If you are inclined to pursue an approach like this, I would suggest that a development team should be comprised of: a company individual who understands the document and has previously interacted with the suppliers at the operational level; a company resource who has voice-over experience and the appropriate technology; an IT resource to attach it to your logistics website; and most importantly, three or four supplier users with different learning styles who can help develop the scripts and provide answers to the FAQs.

It's time to design and use better tools to provide instructions that offer real value to your partners. ☐

John A. Gentle is president of John A. Gentle & Associates, LLC, a Supply Chain consulting firm assisting shippers, carriers, 3PLs, and distribution centers in the management of their Logistical disciplines. A recipient of several industry awards, he has more than 40 years of experience in transportation, warehousing, and materials management. He can be reached at jag@RelaTranShips.

HIT IT OUT OF THE PARK

Home Run – The right TMS makes the difference

Your team needs the right equipment to manage transportation effectively. MercuryGate's TMS gives you everything you need – manage any mode, in any country, playing by your rules. Plan, optimize, execute, rate, track, and settle shipments with our on-demand delivery model that's ready when you are. Whether you're in the majors or just starting out, you'll have the tools you need to hit a home run every time.

sales@mercurygate.com www.mercurygate.com

Magaya

Track2Go™
Mobile App

Give Your Customers Real-Time Updates

www.magaya.com