

SUPPLY CHAIN GUARDIAN

EXPANDING MARKETS & IMPROVING MARGINS

Spring 2011

Supply Chain Disruption in Japan

日本ではサプライチェーンの中断

The recent earthquake and resultant tsunami left Japan in a state of devastation not seen in this country since World War II. The ongoing crisis has worsened as authorities attempt to deal with the aftermath of multiple nuclear reactors in various stages of failure. Electricity shortages are prevalent.



These conditions have placed supply chains around the globe in a state of emergency. Affected industries include automotive, electronics and chemicals. Toyota has temporarily suspended all production at Japanese plants. Sony, Sharp and Panasonic have done likewise. Dow Chemical reports one of their plants is flooded. Companies around the world relying on Japanese parts are affected by the crisis as the practice of lean inventory/JIT manufacturing creates the need for constant replenishment.

While ports and airports are functioning, some have sustained various degrees of damage. It is anticipated that it will take months before Japanese supply chains return to a state of normalcy. If you need assistance with a Japanese supply chain matter, please contact your TBB Supply Chain Solutions Manager or TBB's International Supply Chain Guardian Operations Center at 800-295-2626.

Stability In Ocean Freight Pricing

For many, margins on goods sold are razor thin. Knowing that the cost of an imported ocean container of product will be stable for a defined period of time is a comfort that enables executives to breathe a little easier. A new international financial derivative instrument called a Container Freight Swap Agreement (CFSA) now makes this possible.

TBB Global Logistics recently became the first Non-Vessel Operating Common Carrier (NVOCC) in the United States to be able to offer this unique financial product. Here are the basics on how it works.



Say you will need to import 100 FEU's over a 90 day period and need to protect a price per container of \$1900 from Shanghai to LA/Long Beach. You enter into a CFSA through TBB. If the average market cost of the container in your trade lane is \$2100 during that 90 day period, you would receive a settlement of \$200 per container for each container in the CFSA. If the average market price was \$1700, you would owe \$200 per container for each container in the CFSA. Presumably, the latter scenario would not trouble you as you would have achieved your objective of protecting the desired rate of \$1900 and delivered the promised margin to your bottom line.

To learn more about CFSA's, contact your TBB Supply Chain Solutions Account Manager or Kirk Wright, the manager of TBB's CFSA program. Kirk can be reached at kwright@tbbgl.com or 717-227-5608.

[Read the TBB one page flier on CFSA's.](#)

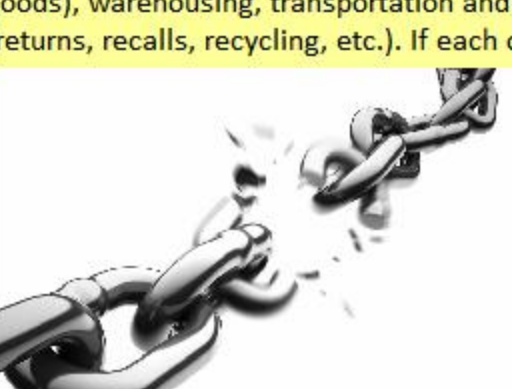
Is Supply Chain An Unknown For Your Company?

If you were asked to define the term "supply chain," could you do so confidently? Could you offer a definition consistent with world class supply chain leaders in your industry?

The impact to your bottom line makes these questions very important.

According to The Council of Supply Chain Management Professionals (CSCMP), supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies.

This broad based definition still leaves room for interpretation. Let's say that supply chain consists of these functions: sourcing, procurement, inventory management (raw, WIP & finished goods), warehousing, transportation and reverse logistics (returns, recalls, recycling, etc.). If each of these areas had one



manager responsible for the successful achievement of an independent budget goal and they are successful in achieving that goal, it is all for naught if the goal is not aligned with the strategic and financial goals of the company. Under this

scenario, all you have is a bunch of C-Level executives in a boardroom at the end of the fiscal year wondering what happened.

In the above example, supply chain is believed to be working well by the C-Level executives. In reality, supply chain is truly an unknown to this company. They have no line of sight as to what end-to-end supply chain costs should be. To be successful, this company would be better served to have all key supply chain functions report to one executive. This executive helps set the goals of each supply chain function to achieve alignment with the financial and service objectives of the entire corporation. Each supply chain manager is given "line of sight" as to their role in helping to achieve the corporation's total objective.

To learn more about aligning supply chain goals with corporate objectives, please contact your TBB Supply Chain Solutions Account Manager.

Supply Chain Links

[Click here](#) to read about TBB in the March 11, 2011 edition of The Central Pennsylvania Business Journal



FROM THE PRESIDENT

In the new book, Islands of Profit in a Sea of Red Ink by Dr. Jonathan Byrne of the Massachusetts Institute of Technology, supply chain management is viewed as the corporate strategy that can eliminate corporate mores diluting profit potential. As an example, Dr. Byrne submits that 40% of one-off requests in a distribution center come from C accounts. If supply chain managers are involved with the customer at the account management level, more profitable customer solutions are developed creating a win for the customer and a profit booster for the company. To support this theory, Dr. Byrne offers this bit of sage wisdom, "You can reverse engineer a product, you cannot reverse engineer a relationship."

As a guide, this book helps companies understand "profit levers" that appear once the following steps have been properly enacted. This starts with standardizing the customer offer, then mapping the market, developing your account relationships, managing your product flow and differentiating your service.

Supply chain must drive the customer relationship to fully realize profit potential. In companies where Sales drives the relationship, Dr. Byrne says "Supply chain is then water-skiing behind the boat." This places the company's supply chain in a reactionary mode. Profits are fully realized when the customer is presented with viable choices to address needs. The realm of choices must be within the company's competency circle to avoid numerous, costly, one-off processes.

Getting started is easy. Dr. Byrne offers this advice, say to your customer, "We don't know what we'll find but we'd like to go exploring with you to see if we can find ways to work together better." He offers the example of Baxter Healthcare. Many years ago, Baxter went exploring with one of its hospital customers. Baxter was being pounded by the hospital customer because the price of their products was too high. Instead of granting a price concession or simply walking away from the business, Baxter sent their supply chain managers to the rescue. Baxter learned that their product was being shipped to a central stores area at the hospital, being put away, picked and then "re-shipped" within the hospital campus. This cumbersome process added cost to the hospital's analysis of total cost to use the Baxter product. Baxter's supply chain managers developed a revised process to send orders directly to the area of the hospital where it would be used, on a just-in-time basis. This eliminated the cost to receive, put away, store, pick and move the product throughout the hospital campus. Baxter kept its price the same and reduced the cost of handling its product by 30% for the customer. This is a great example of how supply chain management can be used as a means with which to differentiate Baxter from its competitors.

TBB is your supply chain management resource. Let us join you in your customer explorations in search of profits. Ask your TBB Supply Chain Solutions Account Manager for more information.

Sam Polakoff is the President of TBB Global Logistics. Contact Sam at spolakoff@tbbgl.com

Thank you for choosing TBB for your supply chain needs. From worldwide transportation to customized warehouse logistics, TBB is the definitive supply chain resource helping small and mid-sized business expand their markets and improve their margins.



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