

# SCM Growth Opportunities Post Recession

Current economic circumstances have temporarily relieved pressures of transportation capacity, driver shortages and ultra high fuel costs. These same conditions have unrealistically reduced interest costs and lowered inventory carrying costs along with commercial real estate values and as such, contributed to the distortion of capital investment decisions. Taken in their totality one could be discouraged at the opportunity for growth and financial gain in today's logistics marketplace, yet these current economic pressures provide an ideal opportunity to realign for tomorrow's growth in the outsourced logistics marketplace.

Today's customers, and even more so tomorrow's, will demand even more instant gratification which will require a supply chain network that can accommodate mass-customization (SC Transformation Centers) and quick response (Logistic Utility Centers) bundled with real-time information.

Post recession supply chains will move towards "Reverse Globalization", Packaging Redesign (to reduce cube, weight, waste and carbon footprint), Sustainability, and SC resilience. The reduction in capacity (highway and rail rolling stock, air lift and waterway) along with the consolidation of carriers will offset previous over capacity pressures to hold down rates during an economic recovery. At the same time the rising interest and oil costs will signal a renewed effort to reduce inventory through better information exchange, greater collaboration, and reduced transportation leading to a redesign of our currently outdated logistics networks in the US.

To translate that into specific opportunities tomorrow's leading 3PL's will need to be able to offer:

- Logistic Utilities - fully integrated logistics capabilities to consolidate, move and distribute with minimal delay and /or stock retention
- SC Transformation Centers - postponement expertise, mass customization capabilities as well as the traditional value added services
- Real-time Information Support Systems that fully integrate with their prospective supply chain partners and promote collaborative actions.

Specific geographical areas of 3PL expansion are highly dependent upon industry and market focus. A significant shift will occur toward increased frequency of delivery, smaller shipment size and expedited modes. This will be somewhat offset by greater consolidation amongst product compatible manufactures that may or may not be competitors.

The overall direction will be towards demand markets for high transportation cost (as a % of total cost) products and regional air hubs for less transportation dependent products.

## **Summary**

Supply Chains will undergo a dramatic realignment coming out of the current recession. Pressure will be on network redesign, SC Transformation Centers, Logistic Utilities and integrated information. Growth will be in the areas of postponement, mass customization, information systems, collaboration and people development. A premium will be realized for fully integrated supply chains equipped with systems, relationships, infrastructure, and management capabilities.