

# ***The Goal & The Way of International Cooperation in Logistics***

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**April 13-14, 2005  
Global Logistics Seminar  
Jenobuk, Korea**



**Council of Supply Chain  
Management Professionals**



# Agenda

- **Importance of Logistics**
  - Site selection is a logistics question
  - The state of US logistics
  - Logistics as a force in commerce
  - Logistics impact on an economy
- **Logistics Barriers & Their Resolution**
- **Global Logistics Challenges**
  - Infrastructure
  - Regulation / Culture
  - People
- **Global Sourcing & Supply Interruptions**
- **CSCMP's Role in Global Logistics'**

***Every Major City  
Is Where It Is  
Because of Logistics***



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# *Natural Transportation = Logistical Opportunities*

- Natural Ports
- Inland Waterways
- Land Routes
- Railways
- Highway System

# *Logistics Benefits Society*

- Access to a greater variety of goods
- Access to goods and services at a lower price
- Supports the needs of its people in their daily lives and in emergencies

# ***The Council of Supply Chain Management Professionals State of Logistics Report®***

**The Council of Supply Chain Management Professionals became the sponsor of the report last year with its 15th edition.**

**CSCMP is also sponsoring the development of a quarterly index measuring the cost of U.S. logistics that will debut later this year.**



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# The U.S. Business Logistics System Cost is the Equivalent of 8.5 Percent of Current GDP in 2003

	<u>\$ Billions</u>
<b>Carrying Costs - \$ 1.493 Trillion All Business Inventory</b>	
Interest .....	17
Taxes, Obsolescence, Depreciation, Insurance .....	205
Warehousing .....	<u>78</u>
<b>Subtotal</b>	<b>300</b>
<b>Transportation Costs</b>	
<b>Motor Carriers:</b>	
Truck - Intercity .....	315
Truck - Local .....	<u>167</u>
<b>Subtotal</b>	<b>482</b>
<b>Other Carriers:</b>	
Railroads .....	38
Water .....	26
(International 21 Domestic 5)	
Oil Pipelines .....	9
Air .....	28
(International 8 Domestic 20)	
Forwarders .....	<u>10</u>
<b>Subtotal</b>	<b>111</b>
<b>Shipper Related Costs</b> .....	7
<b>Logistics Administration</b> .....	<u>36</u>
<b>TOTAL LOGISTICS COST</b>	<b>936</b>



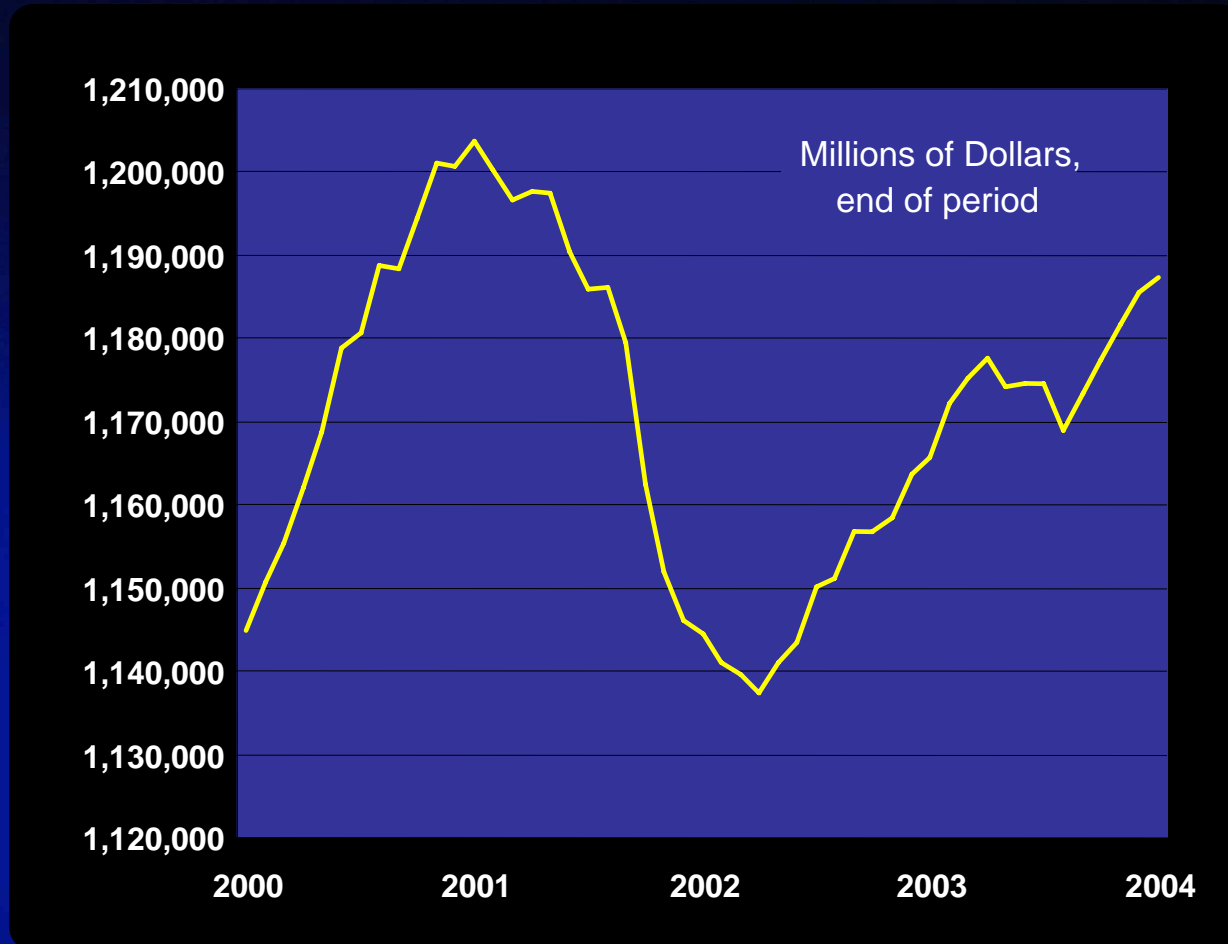
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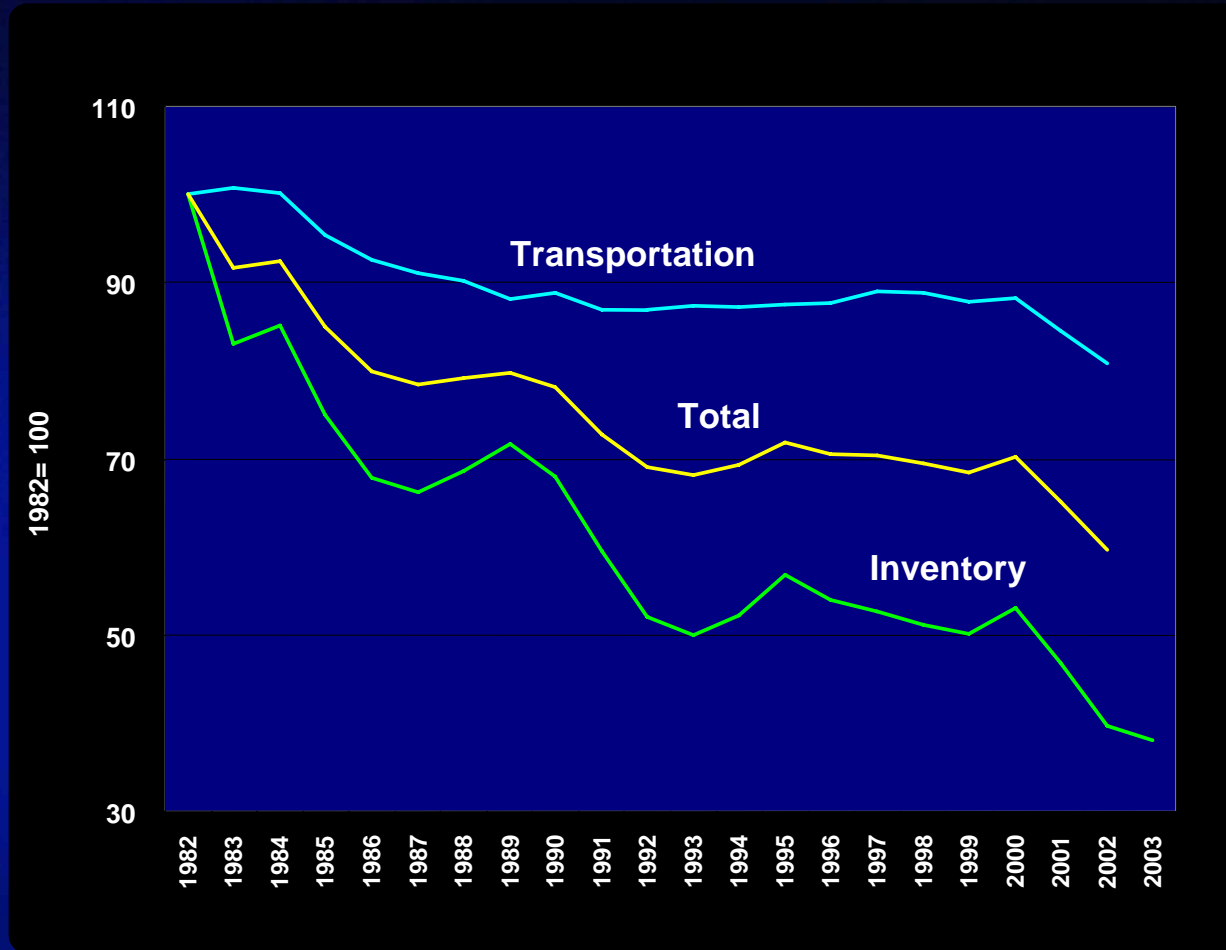
# Total Business Inventories Are On the Rise Again



Source: U.S. Department of Commerce, Census Bureau



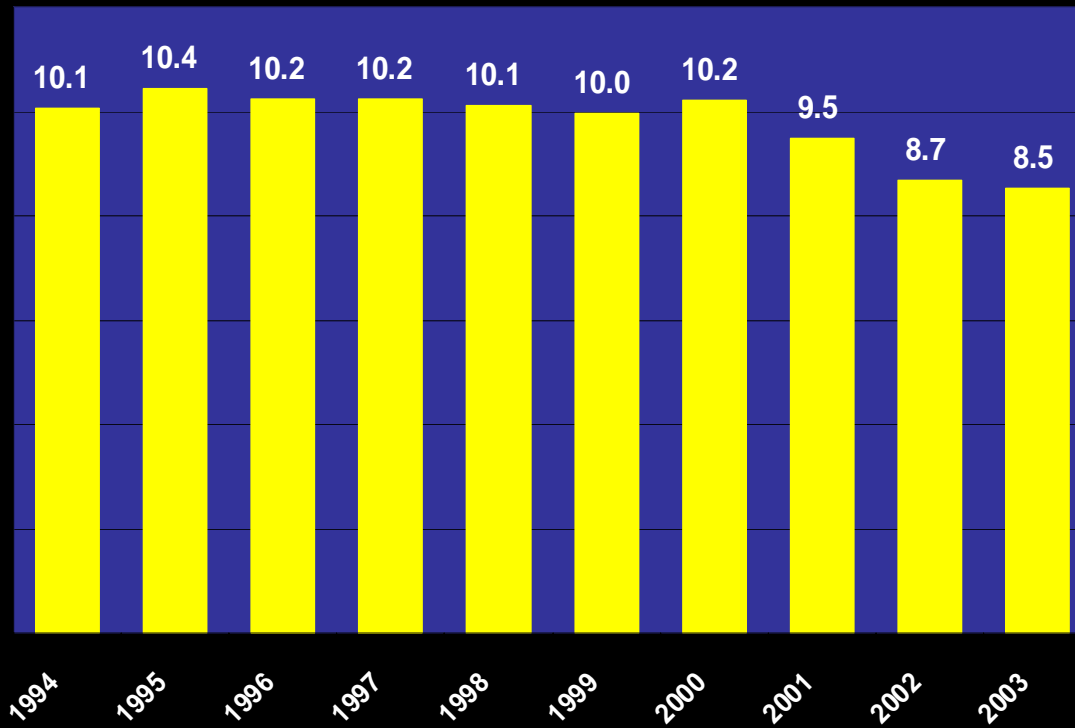
# Index of Logistics Costs as a Percent of GDP 1982 - 2003



# The U.S. Business Logistics System Cost

	<u>\$ Billions</u>		<u>Percent Change</u>
	<u>2003</u>	<u>1989</u>	
Carrying Costs	300	228	31.6%
Transportation Costs	593	327	74.6%
Shipper Related Costs	7	4	75.0%
Logistics Administration	<u>36</u>	<u>22</u>	63.6%
<b>TOTAL LOGISTICS COST</b>	<b>\$936</b>	<b>\$581</b>	<b>61.1%</b>

# Logistics Costs as a Percent of GDP



# ***Benefits of Information Sharing***

- **Strengthens vendor-customer relations**
- **Facilitates planning at all levels**
- **Allows all partners in the supply chain to monitor shipment progress**
- **Minimizes bottlenecks created by waiting for proper documents**
- **Enables all parties to participate in process improvements**
- **Eliminates duplicate efforts**
- **Enhances supply chain security**

# ***Information Flows are Often Bottlenecks in the Global Supply Chain***

**“A typical cross -border transaction involves filing 35 documents, interfacing with 25 parties and complying with more than 600 laws and 500 trade agreements.”**

**Adrian Gonzalez, ARC Advisory Group**

**As quoted in *Traffic World*, May 26, 2003**



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# ***Security Requirements Add an Additional Level of Complexity to Information Requirements***

- **Security Assistance Act of 2002**
- **Customs-Trade Partnership Against Transportation Terrorism**
- **Food and Drug Administration's Bioterrorism Act of 2002**
- **24-Hour Advanced Manifest Rule**
- **Enables all parties to participate in process improvements**
- **Eliminates duplicate efforts**
- **Enhances supply chain security**

# **Radio-Frequency Identification Tags (RFIDs) - The Wave of the Future?**

## **Benefits**

- **Could supplant the use of bar codes to carry information used in supply chain**
- **Can carry more information than a bar code**
- **RFID readers can read multiple tags, unlike bar code readers**

## **Drawbacks**

- **Lack of standardization**
- **High cost of tags and readers**

# ***Wal-Mart and the Department of Defense Are Requiring the Use of RFIDs by 2005***

- **Wal-Mart announced that its top 100 suppliers must comply with RFID use by January 2005**
- **Every pallet and case for Wal-Mart must have a RFID – some suppliers are having trouble complying**
- **Wal-Mart views the move as another step in their management of items at the store level**
- **Department of Defense requirements are somewhat different – the Pentagon wants encrypted tags**
- **To prevent the radio frequency from disclosing locations, would rather use passive tags that are powered by the readers**



# Summary

- **2003 Logistics Costs rose to \$936 billion, but fell to the equivalent of 8.5 percent of nominal GDP**
- **Inventory to Sales ratio decline to a new low of 1.32 months of supply during 2003**
- **Globalization is a reality for the logistics industry and will require innovative and individualized supply chain solutions**
- **Third-party logistics providers will continue to capture an increasing share of the market as they offer end-to-end solutions**

# Summary

- **Logistics has redrawing the world trade landscape**
- **Real-time, reliable, and accurate logistics information must become more free-flowing and be shared with all partners in the supply chain**
- **Security concerns and regulations will continue on the forefront of transportation issues**

# ***US-Asian Comparison on Logistics Expenditures***

## **Economy**

*Higher Output--GDP*

*Better use of resources*

*Multi-use Infrastructure*

## **Businesses**

*Market Access*

*Market Integration*

*Cost Efficiency*

## **Consumers**

*More Goods and Services*

*Wider Availability*

*Lower Prices/Income*

**U.S.  
9% GDP**

**Asia  
13-15% GDP**

# Logistics Costs as a Percentage of GDP—Selected Countries

*Logistics Costs as a Percentage of GDP —Selected Countries*

Country	Percentage	Country	Percentage
Mexico	14.9	Portugal	12.7
Ireland	14.2	Canada	12.0
Singapore	13.9	Japan	11.3
Hong Kong	13.7	Netherlands	11.3
Germany	13.0	Italy	11.2
Taiwan	13.0	UK	10.6
Denmark	12.8	U.S.	10.5

# Logistics Cost Savings at Best in Class Performance

Industry	Total Revenue Billions	Best in class Logistics Costs/Revenue	Median Logistics Costs/Revenue	Potential Logistics Savings
Chemicals and Pharmaceuticals	\$641b	3.9%	11.2%	\$46.8b
Computers and Electronic Equipment	\$356b	4.0%	8.3%	\$15.3b
Telecommunications	\$470b	3.3%	8.3%	\$23.5b
Consumer Packaged Goods	\$3,231b	4.9%	9.2%	\$138.9b
Defense and Industrial	\$1,991b	4.3%	10.2%	\$117.5b

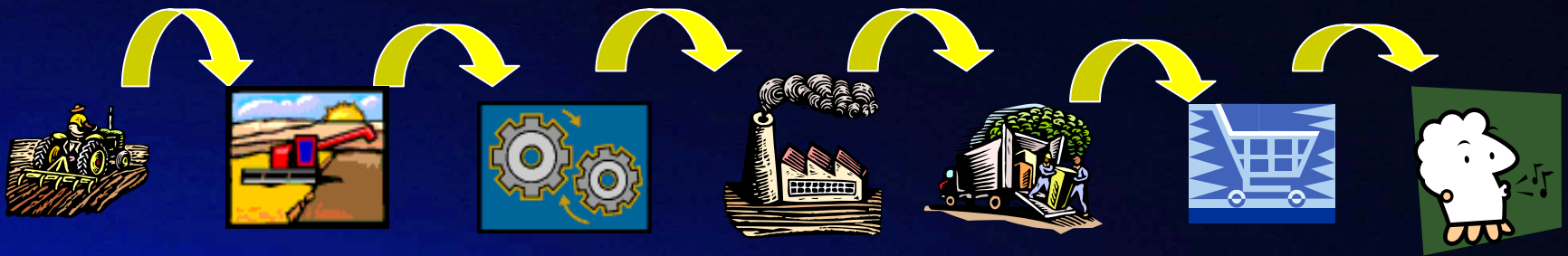
Source: SRI International, 2001

# Logistics Costs as a Percentage of Revenue for Selected Industries-Europe and Asia

*Logistics Costs as a Percentage of Revenues –Selected Industries in Europe and Asia*

Industry	Direct Logistics Costs as a Percentage of Revenue--Europe	Estimated Direct Logistics Costs as a Percentage of Revenue--Asia
Electronics	12.6	14.0
Consumer Goods	10.4	14.0
Chemicals	10.2	13.8
Automotive	8.9	13.5
Textile	8.7	11.5
Average	10.4	13.7

# *From Seed To Consumption*



From your Supplier's Supplier through to the Customer's Customer

# Coffee Machine Talk

- Postponement
- Shared Services
- Shared Benefits



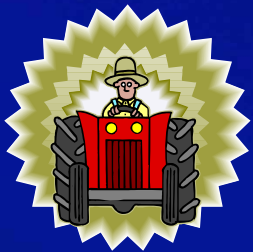


# Success Stories

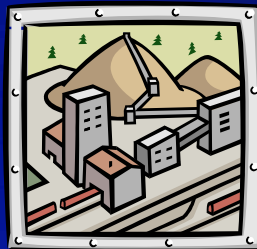
Wal-Mart

P&G

Dell Computer



Grow



Make



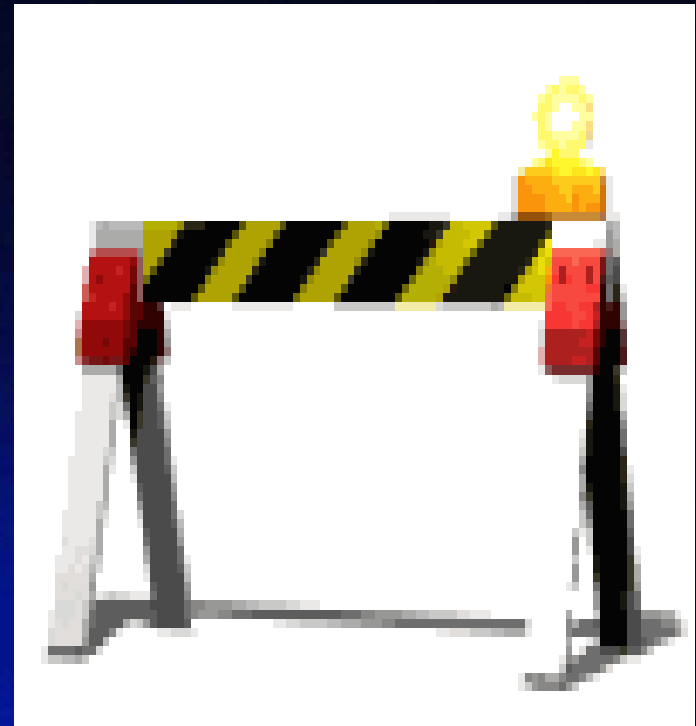
Move



Sell

# Why Isn't It So?

- Why haven't more companies picked up this banner and marched with it to overwhelming success?
- As a consultant I constantly hear "our business is different". Yet I find that the similarities are most often greater than the differences.
- Regardless of how different each may be, the presence of six principles: leadership, culture, trickle down, trust, partnerships, and paybacks are present in all; and these are the roadblocks.

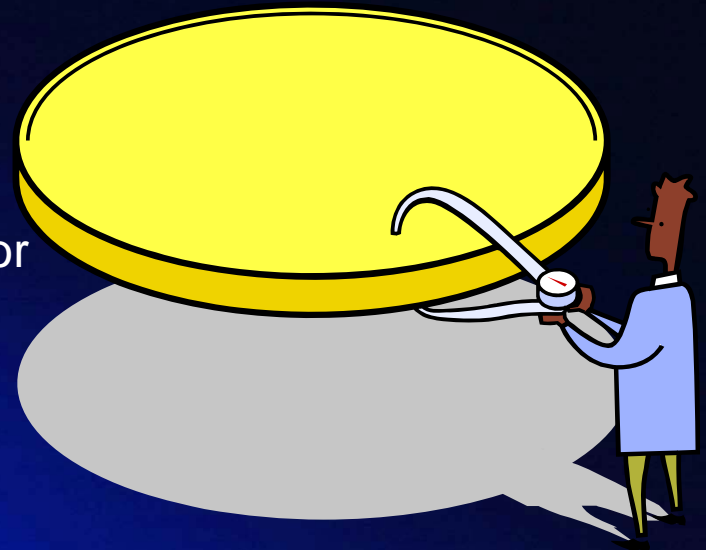


# Leadership

- A sports team comprised of a number all-star players still needs a coach as a central point of focus, a leader, someone to direct their collective effort.
- The supply chain requires similar coaching, someone to take charge and set the focus. Someone that is dominant, but not so dominant as to demand all the benefits; or no true “team” or “partnership” exists.
- Strong links must be the captains of the supply chain, but to reconcile theory to reality they cannot be the sole recipients of the supply chain’s success.

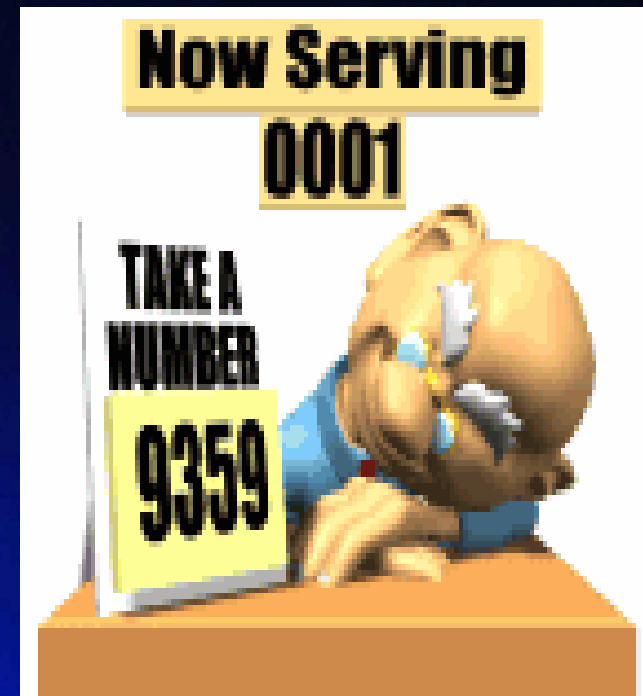
# Culture

- Business culture is really quite simple, much like the movie Jerry McGuire, “show me the money”.
- Businesses operate on a very similar concept, reward and recognition.
- People within a business organization reap reward and recognition. People are rewarded for compliance and achievement of specific objectives.
- Basically, “people respect what others inspect”.
- If the organization rewards optimizing the functional silos that’s the performance they will receive.



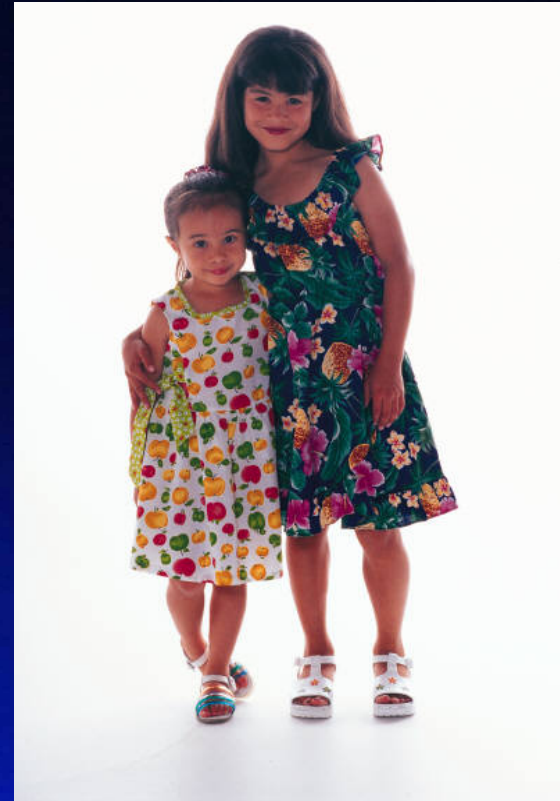
# Trickle Down

- Supply chain management requires a top down mentality, a trickle down mentality.
- Wall Street demands quarterly results. Supervisors and bosses demand quarterly performance to goals. Investors look at quarterly return on investment.
- Trickle down mentality was common in Y2K era.
- They understood the sense of urgency, the need of long-term investment.
- Taking a long-term look in order to accomplish long-term results from the top down not expecting change from the bottom up.



# Trust

- The success of supply chain management is directly correlated to the willingness to exchange information.
- Exchange of information is dependent upon trust.
- Trust implies that someone else isn't going to take that information you share and use it to their competitive advantages at your expense. It also implies that their gain will not come at your expense.



# Partnership

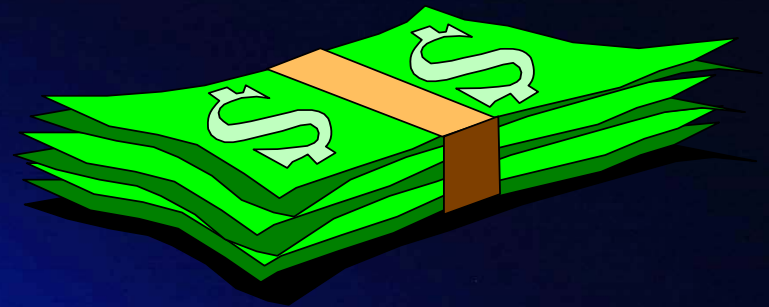
- Partnerships imply equality, the sharing of mutual risk and reward.
- Most supply chain partnerships are contracts of convenience dictated by the dominant party.
- Partnerships are based upon trust. Trust is based on your partner not misusing the information that you have shared with them.



# Payback

There has to be a payback.

Supply chain management is theoretically a wonderful idea, but in order for companies to invest the dollars for the infrastructure to help the relationships and partnerships, risk the misuse of trust, forego short term returns and other potential long term opportunities, change their culture, change their reward and recognition systems there must be a payback.





# *First the Rules Must Change*

- Supply chain management / Integrated Logistics has come of age.
- The concepts are good, execution is possible, and the ideas implemental.
- But first the rules must be change.
- Supply chain management between organizations as well as supply chain management within organizations faces the same hurdles, the same dilemmas.



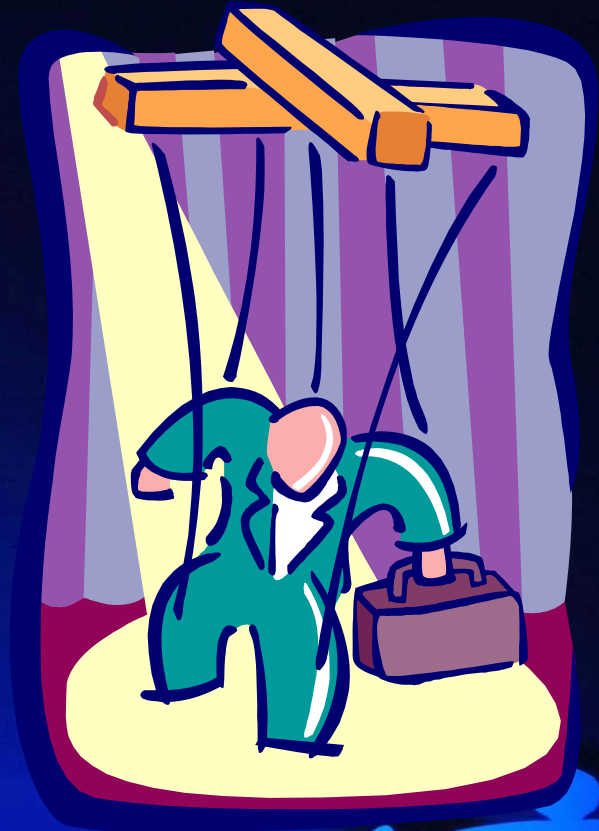
# Trust

- For better part of the last century companies have maintained an arm's length relationship with their suppliers and customers.
- With this type of culture in most supply chains, it is no surprise that mistrust exists among supply chain members.



# Control

- No one wants to feel responsible for results that are the responsibility of another department or company.
- Because SCM outcomes involve joint efforts and cooperation among firms, it is easy to feel totally at the mercy of others.
- Thus, the feeling that the manager does not totally control his area's or firm's destiny is a serious barrier to fully embracing a collaborative approach necessary for supply chain success.



# Goals & Objectives

- It is nice to think that supply chain participants all march to the same drummer, such is usually not the case.
- The goals of each partner may differ significantly.
- If the goals associated with the supply chain are not the same, the likelihood of agreeing on joint supply chain initiatives is slim at best.



# *Inadequate Information Systems*

- Most firms still struggle to use and comprehend all the traditional data they gather on logistics performance associated with their own activities.
- To impose a new set of information requirements which span company boundaries may be beyond the capacity of their imagination.
- Yet just such information systems must be present if any type of effective collaboration is to take place.



# *The Investment Community*

- A crucial blow to many supply chain efforts is the investment community and its demands for short term performance.
- This focus on the short-term results is a huge barrier to supply chain implementation.
- The integration of the supply chain often requires considerable time and resource investments.
- To a top management that is constantly besieged by the investment community may have little opportunity to do what is necessary to achieve true supply chain integration.



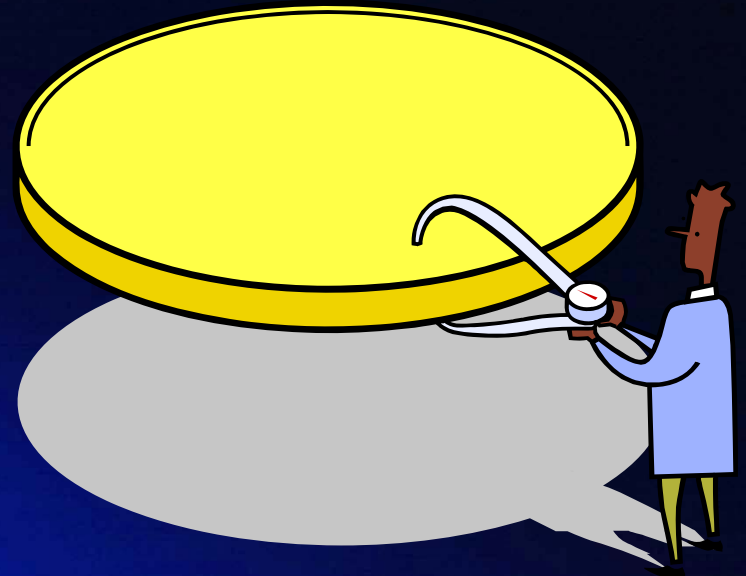
# Web of Multiple Supply Chains

- A major barrier to successful supply chain implementation is that most major firms are involved in multiple supply chains.
- Oft times some of those partners in one supply chain end up as competitors in another supply chain.
- One way to successfully implement supply chain management is to work with just a few supply chains, and in the remaining situations, simply work in an arms-length arrangement.



# Measurement

- Despite its popularity and perceived importance, few examples of truly seamless, integrated supply chains exist.
- In truth, SCM remains more of a pipe dream than a reality.
- Companies have tried to implement supply chain initiatives, often with poor to mixed results.





# Global Logistics Challenges

## Infrastructure

- Information -
- Transportation -
- Investments -

## Regulation / culture

- National and local requirements –
- Relationships are critical in expediting logistics

## People, training and opportunity

- Professional training and development of logistics is essential
- Expanded logistics training and professional educational opportunities are needed

## Link between logistics efficiency & standard of living

- Logistics efficiencies result in lower consumer prices and expanded options
- The expanding industrialization will place even greater demands upon the existing logistics infrastructure

## Cooperation Collaboration & Communications

- Open
- Honest
- Timely

# *Global Supply Interruptions*

- Global sourcing and pressures to lower inventories have made today's supply chains more vulnerable to supply interruptions.
- “With the shift to global sourcing and the pressure for lower inventory levels but faster order fulfillment cycles, supply chains are more fragile, more extended and more time-sensitive than ever before. As a result, supplier failures can ripple through a supply chain, creating havoc.”\*

\*Based upon an Aberdeen Group Study on Supplier Performance by Beth Enslow



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# *Global Supply Interruptions*

- Buyers, material managers and purchasing agents spend half of their time resolving supply chain disruptions.
- The majority of last-minute supply resolution is based upon “habit” and “gut feel” not business objectives.
- Organizations that employ technology to minimize the frequency and cost of such disruptions are 2 to 3 times more likely to achieve success.\*

\*Based upon an Aberdeen Group Study on Supplier Performance by Beth Enslow



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# *Global Supply Interruptions*

- On average respondents reported recovery costs from supply disruptions to be six to seven figure expenses.
- Those that utilizing a clear set of processes and technologies realized lower frequency and cost of such disruptions.
- A companies success in today's highly competitive marketplace is dependent upon how well it can control its expanded supply chain.\*

\*Based upon an Aberdeen Group Study on Supplier Performance by Beth Enslow

# *Global Supply Interruptions*

- The expectations are increasing as are the opportunities for supply chain disruption.
- Companies must re-examine their process, technologies and approach:
  - Insert control points at suppliers to minimize mistakes
  - Resolve last-minute disruptions based upon cross-functional business objectives
  - Use predictive analytics to transform static supplier scorecards into forward looking risk management instruments\*

\*Based upon an Aberdeen Group Study on Supplier Performance by Beth Enslow

# CSCMP

## Council of Supply Chain Management Professionals



Council of Supply Chain  
Management Professionals



# Supply chain management is not business as usual!



In fact it is a true team effort with every player in partnership with all of the other players keeping an eye focused on the customer.

# Enhance Your Career with the Premier Supply Chain Management Association



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# ***What is CSCMP?***

***Your Profession's Premier Association...For Over 40 Years***

Serving over 9,000 members worldwide, it's the premier individual membership association of supply chain management professionals.

CSCMP was previously known as NCPDM from 1963-1985 and CLM through 2004.



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# *Why did CLM Become CSCMP?*

*To Meet the Changing Needs of People Like You*

- Core group of logisticians has an expanded and more critical role within their companies...and increased interaction with people within and outside their organizations
- As their roles evolved, so did the association's into one that encompasses the entire supply chain



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# Who Should Join CSCMP?

*Anyone involved with:*

- Logistics & Transportation
- Purchasing & Procurement
- Manufacturing Operations
- Sales & Marketing
- Demand Planning
- Information Technology
- Finance
- Suppliers
- Intermediaries
- Third-Party Service Providers



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# ***Why Should You Join CSCMP?***

***To Enhance Your Supply Chain Management Career***

- Connect with people
- Collaborate to find solutions
- Learn from others
- Become a more effective supply chain manager



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# *How Does CSCMP Enhance Your Career?*

- Professional Visibility & Networking
  - CSCMP Resume Network
  - CSCMP Member Directory
  - Local Roundtable Meetings & Events



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# *How Does CSCMP Enhance Your Career?*

- Professional Development
  - *Supply Chain Comment* Newsletter
  - CSCMP Sponsored and Co-Sponsored Seminars
  - Online University Courses
  - Regional Mini-Conferences:
    - Amsterdam, April 20-22, 2005
    - Asia, Autumn 2005
  - 2005 CSCMP Annual Conference, October 23-26, San Diego



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# *How Does CSCMP Advance Your Profession?*

- Leading Edge Research
  - CSCMP *Explores...* Publication
  - New in '05: CSCMP *Global Perspective* Publication
  - *Journal of Business Logistics*
  - *Annual State of Logistics Report*



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# **CSCMP benefits**

- ***Annual Conference***
- ***CSCMP Seminars***
- ***Local Roundtables***
- ***Co Sponsored Events***
- ***Discounts on ALL CSCMP events***
- ***CSCMP Comment Newsletter***
- ***Membership Directory***
- ***Online Logistics Bibliography***
- ***Online Glossary of Terms***
- ***Online White Papers***
- ***Speakers Bank***
- ***Journal of Business Logistics***
- ***On-Line University***
- ***Logistics Educators Conference***
- ***Mentoring Program***
- ***Distinguished Service Award***
- ***Resume Bank***
- ***CSCMP “toolbox”***
- ***Education Case Studies***
- ***Networking Opportunities***
- ***CSCMP Explorer Series***
- ***Regional Mini Conferences***



# Student Member Benefits

- ***Student Membership Program***
- ***Doctorial Symposium***
- ***Doctorial Dissertation Award***
- ***Logistics Review***
- ***Scholarships***
- ***Student Internship Program***
- ***Student Resume Book***
- ***Emerging Supply Chain Professionals Memberships***
- ***Student Discounts on Events***
- ***Internships***

# Future Benefits

- ***Resource Catalog***
  - ***Article Abstracts***
  - ***Faculty Internships***
  - ***E-mail Blasts on Logistics News***
  - ***Expanded Global Focus***
  - ***Education Teleconferences***
  - ***Skills Training Workshops***
  - ***Calendar of Events***
  - ***Expanded Supply Chain Focus***
  - ***“C” level Research & Seminars***
- ***Industry Notes***
  - ***Certificate Programs***
  - ***International CSCMP Seminars***
  - ***Elevate the Image of Logistics***
  - ***More To Come***
  - ***Online Chat Room***
  - ***Subject Matter Experts (SME’s)***
  - ***“C Level” Logistics Impact Study***
  - ***Consultant’s Directory***
  - ***Benchmarking Database***

# *The Future is up to YOU*



- Cooperation
- Collaboration
- Shared Goals
- Shared Visions & Values
- True Partnerships
- Communications
- Education & Professional Development
- CSCMP

# Questions

**CSCMP** [www.cscmp.org](http://www.cscmp.org)

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