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The Logistics & Supply Chain Management Society
The Regional Professional Body for Logistics Practitioners

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LogiSYM

The Magazine for Supply Chain Executives

this issue

FEATURE

How Supply Chain Drives Competitive Advantage

page 26

SSI SCHÄFER

Order Fulfilment Solutions

Streamlining order fulfilment processes can be challenging in the rapidly growing eCommerce market. Order picking in traditional distribution centres remain costly and time consuming since most of them still rely on deploying manpower to locate the products - which might result in inaccuracy of pick and time wastage with pickers physically walking around the warehouse to do the pick. Using our decades of experience as an intralogistics specialist, we seek to improve your efficiency through an extensive range of order picking solutions.

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regular

from the editor

It could be a very hot summer ahead !

The global economic news is still dominated with echoes of pessimism and a very sluggish growth outlook from most of the trading blocks.

During mid August we saw the devaluation of the Chinese Yuan, which triggered a downward trend on most of the major stock markets. But later the corrections showed some positive signs of recovery. The Chinese currency devaluation, could revive Chinese manufacturing output, but will resume pressure on Western manufacturing output with lower pricing impact.

Whilst Europe is enjoying the height of their summer vacation, most European markets are trading on thin volumes. As such the full impact of Chinese currency devaluation has probably not yet had the full effect. Europe is still trying to resolve the Greek bail out terms.

This current economic situation is for sure impacting the supply chain segment in most sectors. Such indicators could signal that Q4 2015, could be a tough period for most industry sectors. But where there are challenging and changing situations, there are also new opportunities. – the key is stay positive and seek new horizons of innovation.

Whilst The Magazine for Supply Chain Executives is not intended to be an economic review journal, it is however relevant to recall the economic conditions that impact the supply chain industry. Looking at the situation from a positive angle, it is never too soon to start thinking and preparing for the upturn. Past trends have shown us that the upturn will arrive unannounced and where everyone is often caught by surprise.

It is often during these downward cycles, that we see new ideas and paradigm shifts in business models across most industry. But most especially in the consumer industry and in their supply chain models. Such changes can usually present new challenges and opportunities for the supply chain industry.

In this edition we are pleased to bring you several interesting articles in the Special Features Section and we hope that you will continue to find new as well as relevant information to guide you through similar challenges in your own working environment. .

We thank all our readers for the great feedback and contributions we have received. And we welcome your ideas and inputs. If you feel that you have something to share, do not hesitate to put pen to paper and send us your contribution. We hope that you enjoy reading the articles in this issue, as much as we have enjoyed putting them together for you.

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a word from the president

Is a smartwatch a computer or a timepiece?

Readers will notice that we are keeping this month's issue a little lighter in content than usual. Due to the vacation 'period' around the globe, many of us are spending time away from work and with our families. We do however know that you do want to keep in touch with developments and this digital issue is one way we can help you do that.

The item making the headlines these last few days have been the disaster in Tianjin. Aside from the unfortunate loss of life and the huge insurance claims that some say will be in excess of US$1 billion and the disruptions to Supply Chain globally, this disaster will have another far reaching effect.

Not only will China but every country, supply chain intermediary, shipper and service provider will now be looking at increasing controls and rigour around how we ship Dangerous Goods across all 5 modes of transport. Like 9/11, one main downside around all this increased scrutiny and standards will be higher supply chain costs that will simply be passed 'down the line' to the end consumer.

Like with most things in life, the actions of an irresponsible few will impact many - if not everyone. Certainly less serious but something I was interested to hear about was that U.S. Customs and Border Protection (CBP) has issued a ruling for the classification of smartwatches. CBP has in its ruling stated that a smartwatch is a battery operated wearable electronic device in the form of a wristwatch.

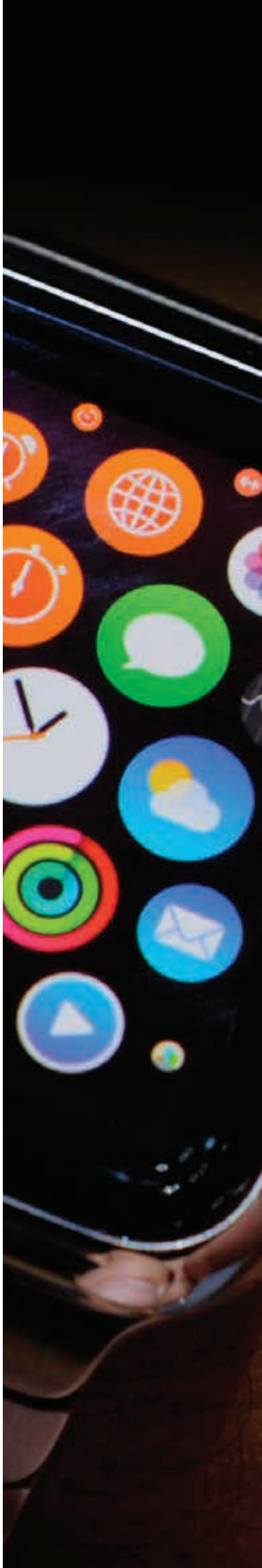
It has a touch sensitive screen along with a central processing unit (CPU) and a memory hard drive, along with functions such as a speaker, microphone and radio transceiver. It allows the user to make calls and connect to the internet when it is paired with a mobile device using Bluetooth wireless technology.

CBP has determined that smartwatches are therefore a composite good made up of different components and should be classified according to its essential character. CBP further decided that the essential character is its primary use to execute wearable apps that display, manipulate, and store data and should be classified under HTS subheading 8517.62.0000 and not as a watch timepiece.

This classification will probably be adopted by other countries and is just a simple example of how diverse, interesting and at the forefront of industry our profession is. We hope you enjoy this months edition and as always thank you for your support and keep that feedback coming.

Raymon Krishnan

President, The Logistics & Supply Chain Management Society



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Mueller to completely revamp Malaysian Airlines

Malaysian Airline Systems' (MAS) new CEO, Christoph Mueller, has said he will run the new state-owned Malaysian airline "like a startup," and that there is "very little margin for error" in the cost reduction schedule he has mapped out for the crisis-hit flag carrier. The assets of the old MAS were bought by Malaysian sovereign wealth fund Khazanah last year for $1.6 billion. Mueller has indicated that up to 8,000 jobs could be cut from the staff list of 20,000, that routes will be rationalized to mainly regional schedules, and that the previously 98-strong fleet could be considerably downsized—especially its widebody aircraft. In addition, the carrier will likely fly under a new name.

"This is not a continuation of the old company in a new disguise; everything is new," Mueller said, adding that he is committed to running the airline "entirely on commercial terms."

Mueller confirmed the airline has been seeking buyers for some of its fleet, including its Airbus A380 aircraft. This is part of a new management strategy to reduce overall operating and financing costs, although Mueller suggested it could still take several years to return the airline to profitability.

The 8,000 employees selected for retrenchment will be given the option of transition training and counselling at a new Corporate Development Centre (CDC), which has been set up for the purpose. Concurrently, both Qatar Airways and Korean Air have already made moves to start recruiting former MAS staff.

The new entity is slated to take to the skies on Sept. 1 this year, under the provisional name of Malaysia Airlines Bhd.

MAS, which saw ongoing losses for several years prior to 2014, saw two major disasters last year. On March 8, 2014, MH370, a Boeing 777 with 239 passengers and crew, disappeared over the Indian Ocean while on a flight from Kuala Lumpur to Beijing; it has yet to be located. This was followed four months later by the shoot-down of MH17, also a 777, over Ukraine by a surface-to-air missile July 17 while on a scheduled flight from Amsterdam to Kuala Lumpur. All 298 onboard were killed.

TIACA promises 'dynamic advocacy' for air freight

The new leaders of the International Air Cargo Association (TIACA) have pledged to drive the air freight advocacy agenda, boost the association's membership base, and grow its education program, delegates at the association's recent Executive Summit (ES).

TIACA must take centre stage to ensure that regulators have essential input from the industry as they take decisions that affect all sectors of the air freight supply chain, according to Sanjiv Edward, chairman, and Sebastiaan Scholte, vice chairman. Their day jobs, respectively, are head of cargo business at Delhi Airport and CEO of Jan de Rijk Logistics. "TIACA has an essential role to play as the only association which truly represents every segment of the air cargo supply chain," said Edward, speaking at this week's ES and Annual General Meeting (AGM) in Miami. "We must embrace change and work together to overcome the many challenges facing us and ensure a bright future for our industry." Scholte said that with Edward, he would work closely with members to guarantee a healthy, stable future for the association, deliver a "compelling value proposition", and launch new initiatives to bring on the next generation of industry leaders.

"We will grow the membership base and further develop our education programme," he said. "We must encourage and help develop young talent, and we will be looking to new ideas to do this."

Edward and Scholte formally take over from Oliver Evans and Enno Osinga at TIACA's ES and AGM this week. Over 200 air freight decision makers from across the globe are taking part in the event, attending a series of panels and discussions focused on supply chain strategies for Latin America, as well as workshops looking at key industry issues including impending new advance data regulations.

"TIACA has a bright future and we are delighted to be handing over to Sanjiv and Sebastiaan at this exciting time for our Association," said Evans. "We have been honored to lead the Association over the last two years."

American Airlines Cargo to develop Middle East reach

In order to better serve its rapidly growing international network, American Airlines Cargo has appointed Richard Hartmann to the newly created position of regional sales manager – cargo, South Asia, Middle East and Africa.

In his new role, Hartmann will be in charge of sales development in the existing countries served by the carrier in the region and extending the airline's reach into new territories such as Africa. He is responsible for the mature markets American already serves, such as Italy and Scandinavia as well as emerging markets that include India and the Middle East.In addition, he will develop the airline's services to and from offline markets, most notably across Africa. Israel and Eastern Europe will also come under his remit.

Hartmann commented: "Our business is changing all the time, particularly with the advent of new aircraft on many routes, so there's tremendous potential for growth of our cargo services, with Italy being the prime example in southern Europe."

There is also a real window of opportunity for us in many offline markets where I will be focusing attention on extending our business reach to many more forwarders ."American provides one of the largest cargo networks in the world with cargo terminals and interline connections across the globe.

American Airlines cargo announces new Boeing 787 routes

American Airlines Cargo has announced the use of the new Dreamliner aircraft for four international routes.

The Boeing 787-800, launched this month, offers 28 positions for cargo, improved aerodynamics, advanced engine techology, better fuel efficienc and one-third of the maintenance requirements of other aircraft.

It also contains loftier aft and bulk doors for loading larger shipments, and can carry up to 1,000 pounds of dry ice, which is a critical component in the shipment of high-value pharmaceutical and perishable goods.

Jim Butler, president of American Airlines Cargo, which is a division of American Airlines Group, commented: "With the addition of the 787, we are able to more effectively utilise our growing network and continue in our efforts to expand our reach.

"The efficiency of the aircraft allows us to offer more air cargo opportunities, while simultaneously reducing our carbon footprint and enhancing the customer experience."

Richard Hartmann appointed Regional Sales Manager for South Asia, Middle East and Africa

American Airlines Cargo has appointed Richard Hartmann as its regional sales manager of cargo for South Asia, the Middle East and Africa.

Self Photos / Files - Richard Hartmann
Hartmann took up the newly created role on July 2, 2015. He will be responsible for mature markets such as Italy and Scandinavia, and emerging markets such as India and the Middle East. He will also develop American's presence in the African market.

"Our business is changing all the time, particularly with the advent of new aircraft on many routes, so there's tremendous potential for growth of our cargo services, with Italy being the prime example in southern Europe," said Hartmann. "There is also a real window of opportunity for us in many offline markets where I will be focusing attention on extending our business reach to many more forwarders."

Hartmann has more than 30 years of air freight experience, and joined American Airlines Cargo in 2011 as a global key account manager, according to a statement.

SingPost opens 100th POPStation and launches P-POPS prototype

SingPost announced that it has opened its 100th POPStation parcel locker facility in Singapore. The company claims that it has densest network in the city, with the average distance to a POPStation at about 2.5 km.

Lim Ann Nee, Senior Vice President of Singapore Parcel at SingPost said, "SingPost invested in the POPStation to further raise the level of convenience for customers, particularly with the growth of e-commerce items. It was very well-received as it has revolutionized parcel collection and delivery processes for both customers and service providers in Singapore. We were inundated with requests for more POPStations during the six-month pilot. We worked hard to roll out and within a short span of one and a half years, increased the number of POPStations from five to 100, deploying one POPStation every four working days. We have also added new innovative features to enhance customer experience such as POPStation app, posting of parcels and payment service for online purchases. POPStation is popular with consumers. Parcel volumes to the POPStations have increased six-fold."

She went on, "We are committed to continue meeting the needs of our customers. POPStations are scalable and they are just the thing to meet the boom in e-commerce as well as lifestyle needs and priorities of online shoppers. We have just rolled out the Android version of the POPStation app. To make online shopping easier and more convenient, we plan to double the number of POPStations to 200."

SingPost has also showcased a prototype unit of the individualised version of its parcel delivery and collection system called P-POPS or Personal POPStations. P-POPS are designed to address the needs of SMEs and individuals.

SingPost leverages mobile techology to operate the P-POPS and the lockers themselves have no user interface as they are entirely managed by smart devices/ phones. The lockers do not require internet access to unlock the locker but instead communicate direct with the consumer's smart device/ phone via the Bluetooth techology. The company plans to completely integrate P-POPS into the existing POPStation network, offering consumers an omnichannel experience.

Economists ask why is market demand for shipping services so weak?

"A toxic mixture of overcapacity, weak demand and aggressive commercial pricing is threatening liner shipping industry profitability for the rest of 2015", at least that is the latest forecast from Drewry Shipping Consultants for the container shipping market. Over capacity and aggressive pricing is normal for the shipping business however what appears to be the big problem is the state of demand. Maersk is forecasting the market to grow by 3 to 5% over the next couple of years, a figure that barely keeps up with global GDP growth. It would appear that the days of high single figure or even double digit container shipping volume growth are long-gone.

In the last decade it was not uncommon for world trade to expand by twice that of the overall global GDP. Why should this be? A new and rather long paper called The Global Trade Slowdown: A New Normal? has just been published by a group of economist led by Bernard Hoekman, an academic at the Centre for Economic Policy Research. The paper examines the underlying numbers around this question. The report has collected a lot of data around the issue and attempts to come to some sort of conclusion about why and how global trade has changed over the past twenty or more years.

As is common with economists, the group tend to disagree with each other. However the drift of the report is to assert that the growth in global trade has slowed over the past decade and this is in great part due to structural changes in the world's economy rather than a symptom of the economic cycle.

What economist call 'elasticity' in trade growth; that is, the multiple of trade growth over underlying global GDP, has fallen. Trade/ income elasticity has dropped from a high of 2.5 times in the late 1990's to less than 1.5 in 2013. More recent numbers suggest that it may have fallen to below 1 in period of 2014.A number of reasons have been put forward to explain this. One is the shortage of 'aggregate demand' in the global economy since 2007 as Americans in particular reduced their role as consumer of last resort.

However there are likely to be forces of a greater magnitude at work. One such force is the change in China, a major global production centre which drove the levels of global trade to new highs in the 1990's, but whose changing and slowing economy is now dragging trade growth downwards as it reduces its appetite for commodities in particular. Similarly the effect of the integration of central European economies into both western European and global markets may have decelerated.

The report also suggests that firms have reached a limit to the level of outsourcing to lower cost locations possible and notes the overall shift towards services in the entire global economy. In keeping with the nature of the problem the report is long and complex. However it does identify that the nature of underlying demand for global logistics services has changed and that those in the container shipping, air freight or other globally exposed sectors should not expect market conditions to simply return to the level and type seen prior to 2007.

Toll and DP World in joint rail venture

Claimed to be Australia's largest provider of freight and logistics services, Toll Group, and Australia's biggest stevedore, DP World Australia, have agreed to progress plans that could see more freight delivered by rail into and out of Port Botany.

The proposed 50/50 joint venture (JV) will connect a dedicated container staging zone at Port Botany to an intermodal freight terminal in Villawood, 25 kilometres west of Sydney to deliver a service for importers and exporters.
It is believed that the JV will re-develop the currently abandoned Mannway Logistics Intermodal Terminal. Toll Group managing director Brian Kruger said the JV could move around 180,000 TEU per annum on the rail shuttle.

"A rail shuttle running between Port Botany and Villawood on the Southern Sydney Freight Line will remove around 100,000 plus truck movements off Sydney's roads each year," Mr Kruger said. DP World Australia managing director and CEO Paul Scurrah said that combining the experience and resources of the two companies would see a new end-to-end service for customers."

By using the expertise and existing assets of DP World Australia and Toll, this proposed joint venture will create new efficiencies and competition in the Sydney import-export (IMEX) supply chain," Mr Scurrah said.
"Importantly, the introduction of a new multi-user intermodal terminal in Western Sydney with a direct rail connection to DP World Australia's staging facility next to the wharf, will increase freight transport options for local importers and regional exporters."

The proposed JV will utilise DP World Australia's capability in managing the container terminal interface and Toll's capability in managing warehousing, delivery and end-to-end customer service. The partners will consider expanding the joint venture into other markets if appropriate opportunities arise over time. The Port Botany–Villawood project is planned to start operations in 2017.

Maersk Line Appoints GAC for Husbandry Services in Hong Kong

Under the two-year contract, GAC will handle more than 1,000 calls by Maersk Line and MCC vessels per year at all ports and terminals in Hong Kong.

Maersk Line has appointed GAC to provide husbandry services for its vessels calling at Hong Kong. Maersk Line is part of the Maersk Group, headquartered in Copenhagen, Denmark. It operates 608 container vessels and has 374 offices in 116 countries. The company employs 7,100 seafarers and 25,500 land-based employees.

Under the two-year contract, GAC will handle more than 1,000 calls by Maersk Line and MCC vessels per year at all ports and terminals in Hong Kong.

"We chose GAC to handle our husbandry requirements in Hong Kong based on its established track record in ship agency, marine and crew transportation in South China, as well as our shared corporate ethos of delivering on promises of performance," says Danny Chen, director procurement, Far East Asia Liner Operations Cluster of Maersk Line (China).

Thomas Okbo, GAC Hong Kong's managing director adds: "When Maersk Line wanted to outsource its husbandry operation in Hong Kong, we put together a dedicated team to handle the account, in close cooperation with four professionals from their husbandry team. With more than 40 years of agency experience in Hong Kong, we have what it takes to meet their needs."

Decline and rebound Hong Kong ranked as the world's fourth largest container port with a throughput of 22.3 million TEUs in 2014. In 2015, however, container throughput year-on-year declined, dropping by double digits in March 2015.

The port's handling capacity has been impacted by a number of factors including greater deployment of mega container vessels, a substantial rise in river barge traffic, as these are favoured over inland transportation for the movement of cargo containers and the port's increasing reliance on international transshipments.

Nonetheless, Okbo remains optimistic that container throughput will rebound and that Hong Kong will see a moderate growth in the near future. "Hong Kong will continue to be one of the world's thriving container ports," he says. "With enhanced port handling capacity, I expect the throughput to turn around, which will in turn boost the demand for our shipping services."

DB Schenker Logistics to Undergo Restructuring

Deutsche Bahn is launching an extensive restructuring program to make the Group fit for the future. "DB is going to become leaner, faster, more efficient and even more customer focused. Leaner management and structures, and more focus on customers, will enable us to successfully tackle the rapidly changing challenges in the world of mobility and logistics," said DB CEO Dr. Rüdiger Grube who presented the company's new alignment at the 2015 interim results press conference today. The program involves six points. First, the number of Group Management Board Members will be reduced from eight to six.

Second, DB Mobility Logistics AG, which was created years ago in anticipation of a potential IPO, will be merged with DB AG, the Group holding company. This step will reduce duplicate structures and simplify coordination and approval processes.

Third, the current Technology and Environment Division will be reassigned. Technology, DB Systemtechnik and Safety and Quality Management will be assigned to the new Infrastructure, Services and Technology Division, while Procurement and IT (CIO) will be assigned to the Finance/Controlling Division; Environment to the new Economic, Legal and Regulatory Affairs Division; and responsibility for Sustainability to the Chairman and CEO.

Fourth, the allocation of duties on the Management Board will be modified. One key aspect of this change is that DB's integrated rail operations in Germany will be better linked than before: DB Schenker Rail will join DB Long Distance, DB Regio and DB Sales in the new Traffic and Transport Division. "This will enable us to focus even more on rail operations in Germany, which is what the German public also focuses on – and rightly so," said Dr. Grube.

Fifth, the service functions and DB-internal services will be reorganized and brought together in a DB Global Service Center, with a focus on transparency, cost and efficiency. Sixth, the option will be available for DB Arriva and DB Schenker Logistics to be partially privatized to boost strategic development and finance further growth.

"The transformation will start on August 1," said Dr. Grube. "Deutsche Bahn is modernizing its structures; DB2020 will remain our compass." The measures that have now been approved include additional savings compared with the previous budget of more than EUR 100 million at the corporate level; when previously approved measures are also taken into account, corporate and the corporate functions alone will be saving a total of over EUR 700 million by 2020. The efficiency measures also include streamlined decision-making bodies and reporting processes, a review of the Group's real estate portfolio, and the decision that Board Members will each have only one office going forward, instead of offices in multiple locations.

The next step will be to address areas for action at the level of the business units and tap additional potential for overarching synergies. These measures will be developed in the second half of the year and presented to the Supervisory Board together with the medium-term planning for the period until 2020 at the Supervisory Board's meeting on December 16, 2015.

In his discussion of the figures for the first half of 2015, Dr. Grube noted that the multiple strikes by the German train driver's union (GDL) over many months, and the multiple storms in Germany, had had a very negative impact on Deutsche Bahn during that period. "The strikes demanded enormous patience from our customers, cost our employees a great deal of time and energy, and lost our company key revenues," said Dr. Grube. "We saw a negative impact on our earnings of some EUR 500 million in

2014 and 2015."

Revenues rose by 1.3%, or EUR 266 million, year on year, to EUR 20 billion, but the rise was due in part to positive currency effects. Adjusted earnings before interest and taxes (EBIT) fell by 18.2%, or EUR 198 million, to EUR 890 million. "Had it not been for the strikes, which cost us EUR 252 million, our EBIT would also have been slightly above that of the previous year; but that cannot hide the fact that we are also facing structural challenges, which we are determined to tackle with the transformation we have set in motion," said Dr. Grube.

"We cannot be satisfied with our earnings in the first half of the year," said CFO Dr. Richard Lutz. "But we are optimistic that now, that the strikes are over, we will be in a position to generate an EBIT of EUR 2 billion in the second half of the year. We plan to use the measures we have launched and plan to launch to give us the room we need to finance our planned investments, growth and digitalization campaigns in a sound manner."

The strikes and the bad weather also meant that Passenger Transport was unable to offer the service it had planned to. The number of passengers using DB trains fell by 1.6%, or 16 million, in the first half of the year, to 985 million. At 1.2%, the drop in long distance was less severe than that in regional and local transport (2.8%).

International subsidiary DB Arriva was more successful in its performance. In the first half of the year, total revenues rose by EUR 165 million, or 7.5%, over the same period last year, up to nearly EUR 2.4 billion. Passenger kilometers (pkm) rose by 2.5% to 4.3 billion. Adjusted EBIT fell slightly, by EUR 3 million or 2.9%, to EUR 101 million.

Rail freight transport also felt the negative impact of the strikes and storms. Metric ton kilometers (tkm) fell 6%, from 52.0 billion to 48.9 billion, in the first half of the year. Dr. Alexander Hedderich, the CEO of DB Schenker Rail AG, will be resigning his post effective August 31 of this year and will be leaving the DB Group.

Logistics at DB Schenker grew in the first half of the year. The number of Land Transport consignments was up 3.8% year on year, Air Freight saw a rise of 1.1%, and Contract Logistics even rose 16.6%. Only Ocean Freight saw a drop: 3.5% in the first half of the year. Jochen Thewes, currently CEO Region Asia/Pacific at DB Schenker, will be taking over as the CEO of Schenker AG and thus as the head of the DB Schenker Logistics Business Unit on September 1 of this year.

Agility appoints Detlev Janik as CEO for South Asia

Agility announced that it has appointed Detlev Janik as CEO for its South Asia Area. In this role, Janik will be responsible for leading Agility's Global Integrated Logistics business in Afghanistan, Bangladesh, India, Pakistan and Sri Lanka.

Janik joins Agility with more than 35 years of experience in the logistics industry, including over 30 years based in India and South East Asia.
"The South Asia region, with its large and fast-growing markets, is immensely important to Agility and we invested early to develop a significant presence. We are very pleased to have Detlev come on board to help drive growth in our business across India, Sri Lanka, Pakistan, Bangladesh and Afghanistan," said Chris Price, CEO, Agility Asia Pacific.

Prior to joining Agility, Janik was the Regional Director of Dachser in Singapore, where he was responsible for its South Asia and South East Asia operations. He was previously CEO of Dachser India Pvt. Ltd.

Panalpina controls costs in dull market

Another forwarder battered by the rise of the Swiss Franc, Panalpina appeared to have inched ahead in terms of underlying profits over the past half-year. In results released last week overall 'consolidated profit' was up 2.8% year-on-year at CHF45.3m (US$47.3/€42.7), however allowing for currency appreciation Panalpina calculated that this represented a 9.7% increase.

On the same adjusted basis EBIT was up 7.1% whilst gross profit increased 2.2%. Panalpina's air freight forwarding business saw volumes fall noticeably at 5% in the second quarter of the year after a modest rise of 1% in the first quarter. This compared with a market which, Panalpina assessed, was rising at around 1-2% year-on-year. The yield from the business also edged down, with gross profit and gross profit per tonne falling.

However lower costs delivered a sharp rise in margins in the second quarter, even if they remain below last years levels. As with the headline results the performance of the division has been heavily affected by currency effects. However the underlying picture appears to be one where Panalpina has been hit by falling demand, particularly in oil and gas related business where it is traditionally strong.

The picture in the ocean forwarding business is fairly similar. Although volumes tracked the market, in Swiss Franc terms gross profit fell. Yet the quality of earnings improved as EBIT/ gross profit bounced back in the second quarter to 8.3% compared to a negative result in Q4 2014. The modest sized logistics business remained in the black but gross profit continued to fall back, in part due to contract rationalisation.

The position of Panalpina is slightly obscured by the effects of the strength of the Swiss Franc. However judging by the dynamics of volumes handled by the company, the business is subdued and Peter Ulber, Panalpina's CEO, appears cautious about the market generally. Fairly central to its prospects in the short-term has been the ability to control costs, not least by shrinking the workforce, as well as through improving productivity through IT. This may deliver higher income for the next few quarters.

UPS, Inc buys Coyote Logistics, LLC for whopping $1.8 billion

United Parcel Service, Inc (NASDAQ:UPS) has bought the Coyote Logistics, LLC for $1.8 billion to adapt to the changes in the shipping market; not to forget, when UPS clumsily managed the crucial holiday shipping season in 2013. This deal is the worthy deal from the UPS to meet the exaggerating demand of the shipping in the holiday season by acquiring the shipping logistics. Coyote Logistics is the Chicago based firm which is also a part of the private equity firm Warburg Pincus. They have built a range of software to meet the shipping demand and they have developed a network of 35,000 contract carriers to deliver the short trunk services to the companies.

Coyote Logistics and United Parcel Service share the client-customer relation, when coyote helped UPS to meet the shipping demand in the past holiday season by hiring third party carriers. UPS, an Atlanta-based company, said that Coyote will serve as the subsidiary. Coyote Logistics had $2.1 billion revenue in 2014.

UPS said that "Coyote has played a growing role in supporting UPS peak operations over the past few years and the company expects to leverage Coyote's carrier network even further for this purpose in the future." UPS is hoping to close the transaction within this month and it will use the combination of debt and cash to finance the deal. The UPS is expected to save the $100 million to $150 million in this tie-up.

This deal can be the boon for the UPS as they can meet the needs of the shipping demands in the coming holiday seasons. Also, the annual cost savings and the time savings will be an added advantage for the company.

David Abney, CEO of UPS said that "UPS is enthusiastic about this acquisition on many levels because there are opportunities for growth, synergistic efficiencies and transfer of best practices and systems across all of our operating segments."

K+N profits in the face of volatility, yet contract logistics hammered

Kuehne and Nagel's half yearly results demonstrate how the company has modified its approach to the ocean container freight forwarding market. For the business as a whole net turnover and gross profit were up year-on-year by 4.5% and 5.6% respectively whilst earnings before interest and tax increased by 11.1%.

Within the sea container business K+N is clearly focussing on quality in terms of profit margins and is willing to sacrifice market-share to do this. Volumes as measured in TEUs fell by 1.8% but yield per container rose 4.4% if measured in the rapidly appreciating Swiss Franc, giving an EBIT margin of 30%. Stripping-out the effects currency fluctuations, K+N claim an increase in EBIT of 18.1%.

It appears that much of K+N's caution stems from the volatility of rates with the Chief Financial Officer commenting that container shipping prices varied wildly from week to week. This is not new with the company reporting problems with volatility over the past few quarters, however this half's results demonstrate the issue vividly.

The situation in air freight forwarding was the reverse. Volume by tonnage was up by 5.2% but yield per tonne fell by 3.9%, resulting in a fall in revenue of 2.2%. Yet profits in terms of EBITDA jumped 8.1% when measured in Swiss Francs. What was slightly shocking in these latest numbers was the sharp fall in revenue and profits at the contract logistics business. Even stripping-out the rise in the Franc, sales fell by 6.6% and EBITDA by 4.1%.

The reason for this given by K+N was tougher markets, especially in the UK, and falls in big client volumes passing through K+N warehouses. Land transport was even worse, with revenue falling by 5.9% after stripping-out currency fluctuations and EBITDA by 5.7%.

Kuehne and Nagel's profitability in both air and forwarding is impressive and appears to stem from a high degree of discipline in being willing to retreat from unprofitable business as well as an apparently successful strategy of focussing on longer-term market relationships within sector 'verticals'. It also begs the question, who is sacrificing profits to gain the business Kuehne and Nagel is refusing?

Kuehne + Nagel to Launch Pharma LCL Reefer Services to Singapore and Australia

As of September 1, 2015, Kuehne + Nagel will launch two new Pharma LCL Reefer services from Geel, Belgium, to Singapore and Sydney, Australia.

Pharma LCL Reefer shipments will be collected from across the European continent and consolidated at the Kuehne + Nagel facility in Geel before being shipped directly to Singapore or Sydney. All shipments will be seamlessly temperature controlled (between +15°C and +25°C) door-to-door.

These new services with weekly fixed sailing schedules allow customers from the Pharmaceutical and Healthcare industry to ship smaller volumes while experiencing the high quality of Kuehne + Nagel's temperature controlled door-to-door solutions.

Kuehne + Nagel's GDP certified Pharma hub in Geel has a storage capacity of 12,000 m^2 and also serves as a cross-docking platform.

The Pharma LCL Reefer containers are maintained at a temperature between +15°C to +25°C (setpoint +20°C) and handled by a dedicated and specially trained team. In addition, each container has the optional benefit of in-transit temperature monitoring using Kuehne + Nagel's state-of-the art tracking system connected via KN Login.

DHL Automates Secondary Packaging for Mars in China

DHL Supply Chain has helped Mars substantially improve labour productivity with semi-automated machinery for secondary packaging. The system, deployed in a DHL-operated warehouse in JiaXing (Zhejiang province), now packs Mars' confectionary items into retail containers more than 12 per cent faster than previous manual processes.

"With more than 500,000 sets being processed every year, Mars' China operations were a prime candidate for supply chain automation," said Yin Zou, managing director, DHL Supply Chain China Cluster. "These high production volumes meant that automating the Mars packaging process could deliver particularly significant productivity dividends, while also guaranteeing extremely consistent product quality and availability for consumers – even as Mars continues to scale up the range and market reach of its iconic confectionaries."

When deploying the system, DHL also sought to improve operational scalability during seasonal fluctuations in China's labor market, particularly during Mars' four-month high season when labor requirements can reach almost five times the ordinary levels. Apart from its improvement to labour productivity, secondary packaging automation has also significantly reduced the number of staff required per machine, as well as minimising many of the quality-control issues – such as incorrect set quantities, product mishandling and package defects – associated with fully-manual packaging during peak demand.

"For the past 23 years, we've worked with Mars to provide agile end-to-end supply chains that support how they meet unrelenting consumer pressure for new products and packages," said Zou.

"Introducing automation to the secondary packaging process represents a particularly noteworthy step to helping Mars quickly and consistently meet rapid changes in demand volumes and consumption patterns amongst Asia's consumers." The DHL automated system deals only with secondary packaging, which involves distribution of already-wrapped items into larger packs or "sets".

DWC working to attract Chinese companies

Dubai World Central's (DWC) Business Park Free Zone has concluded a series of meetings with companies in China as part of its ongoing drive to attract foreign investment.
The DWC delegation visited cities Beijing, Chengdu and Taiyuan with LPT Management Consultancy partnering DWC to facilitate the meetings.

Paolo Serra, VP, Business Park, DWC, commented: "Dubai World Central is Dubai's largest urban development project – an ecosystem that will ultimately support one million people – and we are keen to see China well represented here.
"Currently, we have over 2,500 companies based at DWC and the objective of this tour was to demonstrate the exciting value proposition Dubai World Central holds for Chinese businesses.

"During this visit, we chose to focus on meetings with specific companies from China's perishables, logistics and general trading sectors, who are also looking to expand their operations in the Middle East, North Africa and South Asia region. "With that in mind, we held fruitful one-on-one meetings with several business prospects. We look forward to growing their intent and interest."

Bilateral economic ties between the UAE and China are witnessing an upward growth trend with the country maintaining its status as the UAE's second largest trading partner, with trade volume reaching $54.8 billion in 2014, according to Emirates News Agency (WAM).

Panalpina Enables Circular Supply Chain with Reverse Logistics for Electronics

Panalpina sees reverse logistics as a strategic area for growth. To complement its reverse logistics offering in the technology sector, Panalpina has entered into a strategic alliance with Hong Kong-based company Spread Logistics. Working closely together, the two companies now pick up faulty consumer electronics at origin, do failure analyses and – if need be – return them to the original manufacturer in Mainland China.

The customer gains visibility of all return materials in the supply chain and can make data-based decisions on the reuse, repair, disposal or even redesign of its products.Any smart device produced in China that has a manufacturing defect or requires major repair work will need to be returned to China if it is still under warranty. International regulations dictate this. "However, returns to China are difficult," says Mike Wilson, Global Head of Logistics at Panalpina. "The faulty products need to be sorted by fault code and correctly repackaged in their original form to meet Chinese customs demands before they can be sent back to their original manufacturer."

Because of these exacting Chinese customs demands, Hong Kong's Spread Logistics is one of only a few companies that can manage the return of electronic consumer goods to Mainland China. A large proportion of smart devices that are re-imported to China for repair go through their hands."By partnering with Spread Logistics, we have enabled the circular supply chain for our technology customers. We collect and pass on the data that is needed to decide if a product can be repaired close to the consumer market or if it needs to be shipped back to China for bigger repair work or even disposal," Wilson explains. The process is called Return Materials Authorization (RMA) and one of two areas where Panalpina and Spread Logistics have committed to working closely together. To facilitate this process, Panalpina is setting up four regional consolidation points. The first in Dubai is already operational; the others will follow in the coming months.

The points act as return centers for consumer electronic goods: undertaking first-level failure analysis (screening) to determine their condition and clarifying problems, if any are found. If Panalpina is able to easily repair or refurbish broken equipment, it will do so, and put products back into the supply chain as quickly as possible so that they can be reused. "Screening in the region means products can potentially be returned to available stock faster," says Spencer Edmonds, global head of Logistics operations at Panalpina. "This improves the cash flow of our customers."

Products that cannot immediately be reintroduced into the supply chain are forwarded to Spread Logistics, which has the ability to do second-level analysis (checking at component level) and repackaging. Correct repackaging is crucial to meet Chinese customs demands before sending products back to their original manufacturer.

Local customs regulations demand that any product returned to Chinese manufacturers must come back in its original form – in other words, complete with original box, documentation and accessories. "Since many customers don't return products this way, Chinese customs can be tricky to maneuver," says Edmonds. "Our partner Spread Logistics is adept in dealing with reverse flows, receiving returned products and making sure they are repackaged properly to re-enter the country."

Additionally, Spread Logistics can recover high-value parts from products that are not viable to repair as well as return faulty products to their original source of supply or a low-cost repair center in China. "The production of consumer electronics – such as mobile phones or laptops – involves more suppliers than ever," says Jennifer Wang, CEO of Spread Logistics. "With excellent IT systems and easy-to-use platforms, we provide a scalable solution to manage the flow of components back to their various suppliers. We can connect anything to anyone." For Spread Logistics, the connection to Panalpina's extensive global network allows for growth in volumes and customer development.

For Panalpina, working with Spread Logistics gives the company a true end-to-end service capability – but more importantly, expansion opportunities in an increasingly circular economy. Says Wilson: "Supply chain is about the whole life span of a product. Ultimately, the real meaning behind a supply chain is a product's life cycle – from sourcing to recycling and disposal. The future therefore lies in managing the product life cycle, not the supply chain. That's where we are heading with our approach to logistics."

Unsurprisingly, for Wilson the new alliance between Panalpina and Spread Logistics heralds an additional, very important benefit for technology customers: "We provide a wealth of independent data on product quality. Because of this, we can quickly identify manufacturing faults and design or user issues and therefore give manufacturers the possibility to act before a product's performance is impacted in the early stages of its life cycle."

Food Safety, Cold Chain Investment Under the Spotlight at Cool Logistics Asia

Metro JinJiang Cash & Carry, CMA-CGM and Seaco will explore cold chain efficiency and finance at the 1st Cool Logistics Asia conference.

The link between food safety and container shipping may not seem obvious at first glance. Yet with nearly 90 million people reportedly suffering from food-related illnesses in China, it is not surprising that there are some question-marks on the safety of domestically-produced foods, with many preferring imports instead and thereby opening the door to greater container trade volumes.

According to Metro China, part of international wholesale giant Metro Cash & Carry, food safety has become the primary concern for more than 70% of the Chinese population, highlighting the need for greater supply chain surveillance. Thomas Lau, head of supply chain management and logistics at Metro JinJiang Cash & Carry Co. Ltd, will explore challenges for food safety compliance and the impact on first mile logistics in China in a keynote address at this year's Cool Logistics Asia. The specialist perishables logistics and transport conference takes place in Hong Kong, 2 September, alongside the annual Asia Fruit Logistica trade fair. With more than 750 wholesale stores in 26 countries, Metro Cash & Carry is a leading international player in wholesale trade, operating 80 stores in China alone. Metro's cash and carry business concept is directed towards professional customers and thus differs from other retail chains that target end consumers.

"Food - especially fresh foods that require temperature control - are a major focus of Metro JinJiang Cash & Carry," says Lau, who will use the conference to emphasise the importance of further educating suppliers to improve cold chain management and meet food hygiene standards, ensuring best possible food quality at the point of sale. There are an estimated 300 new national standards governing permissible limit of pollutants, traces of pesticides and dairy safety in China. What is needed now is a more unified approach and consolidation of existing food safety standards, according to Lau.

The rapid expansion of food e-commerce, with new companies such as JD.com investing in FruitDay, an importer of fresh produce in China, is also opening up new opportunities for international shipping and logistics companies. Promoting US produce, including Boston lobster and US-grown fruit, JD.com offers same and next day standard shipping and has formed a number of partnerships with international food producers.

But innovative food distribution concepts such as JD.com also serve to highlight potential bottlenecks in current cold supply chain operations. A lack of adequate cold storage and refrigerated road transport equipment are two cases in point. Could there also be a new market for reefer containers or mobile cold storage units to help bridge the gaps?

The overall outlook for reefer container shipping in Asia will be assessed at the conference by keynote speaker Lars Kastrup, SVP at CMA CGM. Kastrup's speech will address critical issues facing reefer container shipping, its customers and its supply chain partners, including service reliability, port performance, direct calls and feeder services. Over the past few years, the major shipping lines have been focused on investing in, and deploying, bigger container vessels. Less attention, however, has been paid to investing in replenishing the ranks of ageing reefer containers, with carriers increasingly relying on leasing companies to make up the shortfall.

Nigel Webster, who heads up refrigerated container operations at container lessor Seaco, will join the conference to discuss how the cold chain is being financed, assessing global reefer container investment trends today and for the future. Seaco, indirectly owned by Chinese listed company Bo Hai Leasing Co Ltd, significantly expanded its business last year with the acquisition of rival Cronos, and now claims the largest CEU (cost equivalent unit) share of the global leasing market.

The conference will bring together the leading players in developing and investing in new cold supply chain concepts in China, India and other emerging markets in South East Asia, including Swire Pacific, China Merchants / Americold Logistics, Pernod Ricard and shipping lines such as MOL Liner. "We are pleased to be able to bring together all the key actors who will be designing the perishable supply chains of the future for a productive dialogue on the challenges and opportunities ahead," said Alex von Stempel, Managing Director of Cool Logistics Resources Ltd.

Toll to Build a US$166M Logistics Facility in Singapore

Toll Group, a provider of transport and logistics and a division of Japan Post, has unveiled its blueprint for Toll City – a 100,000 square metre Toll City logistics hub in Tuas, Singapore.

Set to become the logistics hub of choice in the Asia Pacific, the S$228 million (approximately US$166 million) five-level, ramp-up facility will house automation systems to improve productivity and operating efficiency for Toll and its customers in Singapore and in the region.

Guest-of-Honour, Minister of State for Trade and Industry, Teo Ser Luck, joined Toll Global Logistics CEO Chris Pearce and Chargé d'Affaires, Australian High Commission Adrian Lochrin at a ceremony to mark the start of works today.

Pearce said the development is a key part of Toll's strategy to strengthen its presence in the region and to continue providing best-in-class supply chain solutions across different market sectors. "The size and scope of this investment is a testament to Toll's intent to achieve supply chain excellence in Asia Pacific for its customers," Pearce said. "Toll City will redefine warehousing solution options for its customers through leading-edge technology and innovation in a world class facility. We will be ready to increase Toll's productivity and meet warehousing capacity demand in a region that is set to become one of the largest economic blocs in the world."

Some of the high-tech options being reviewed for the Toll City development include high-speed unit picking, voice picking and intelligent conveyor systems. The integrated transport and warehouse systems are complemented by energy-efficient initiatives including rain water harvesting and energy monitoring.

Singapore Economic Development Board assistant managing director Kelvin Wong, who also attended the ceremony, said the investment marks another significant milestone in Toll's presence in Singapore. "The success of Singapore as a world-leading logistics hub stems from the close collaborations with key industry players, such as Toll Group," Wong said. "Toll City demonstrates Singapore's position as a strategic base for regional supply chain operations, as well as Toll Group's commitment to set new benchmarks for Singapore's logistics industry by creating solutions that drive productivity growth

Pearce added that the completion of Toll City in mid-2017 will enhance Singapore's position as a regional logistics hub and provide Toll's customers access to greater flexibility and scalability in their supply chains. Toll City's proximity to road links to Malaysia and the growing Jurong region makes the facility a good land-sea interface for its customers. It also coincides with the planned 2020 completion of the Tuas Port which will consolidate all of Singapore's container operations in one terminal and handle up to 65 million TEUs per year when fully operational.

Dubai-China trade worth AED 47 billion in Q1 2015

China has become Dubai's top trading partner, with bilateral trade volume valued at AED 47 billion in the first quarter of 2015, according to director of Dubai Customs Ahmed Mahboob Musabih.

He made the revelation following a business meeting with Li Lingbing, Consul General of the People's Republic of China in Dubai, noting that Dubai-China trade scored a record AED 175 billion in 2014.

"Dubai takes on a vibrant role to keep the Chinese commodities flowing to the world. Dubai has become a major platform for networking the Chinese market with European and African markets," Musabih commented: During the meeting, the two sides explored Dubai-China bilateral trade ties and discussed mechanisms for further coordination in customs operations to see more growth in their mutual trade.

Lingbing praised the role played by Dubai Customs in pushing the reel of bilateral trade, and stressed the importance of enhancing economic cooperation and coordination for stronger economic relations between China and the UAE. Musabih added: "Dubai Customs' strive to boost trade with China calls for closer economic ties and supports the flow of Chinese investments to Dubai; coupled with the growing number of Chinese companies that make Dubai their regional office for managing their business throughout Europe and Africa.
"We are very keen to assist Chinese traders and investors who are willing to expand their market potential here, making best use of Dubai's position as a fast-growing global trade hub."

Changes for Flextronics

Adapting to change is nothing new for Flextronics. The company which made a name for itself in the heyday of outsourced high tech manufacturing during the early 2000s is looking to do it once again.

The Singapore-based electronics manufacturing and assembly company which works with such customers as Apple, Microsoft, Alcatel-Lucent, SunEdison and Ford Motor Co., recently reported a 16% decline in year-over-year quarterly net sales for the period ending June 26. Adjusted operating income was down 13.1% to $159m for the same period.

Adaptability is always needed in the fast changing high tech industry. Earlier this month, the company announced that it created software, Flex Pulse, to help it manage its global network of 14,000 suppliers in real time. According to the Wall Street Journal, the software will help identify potential problems with suppliers early and redirect work to keep inventory moving.

And, as part of this adaptability, Flextronics announced that it would consolidate its Plano-Texas Global operations with its Austin-Texas Global operations. The Plano/Fort Worth facility opened with much fanfare in 2013 when Google's Motorola Mobility and Flextronics announced the location would serve as the US's first smart phone manufacturing location. However poor sales and the ultimate sale of Motorola Mobility to Lenovo in 2014 resulted in the facility's closure in 2014.

Last week Flextronics announced that, to reflect these latest changes, it would

alter its name to 'Flex'. According to the Chief Marketing and Communications Officer, "We have progressed in our product and service offering over the years, adding many new solutions, and today we are much more than just an EMS, supply chain solutions or 'tronics' company. And while we recognize that the company flourished in the Information Age, we are now defining the new Age of Intelligence. Our name change – from Flextronics to Flex – reflects our evolution."

And indeed it has moved beyond its EMS roots. In April, it acquired Mirror Controls International, a global manufacturer of glass and powerfold mirror actuators in the automotive market. According to the president of Flex Automotive, "Upon completion, the acquisition of MCi will further expand our solutions offering with expertise that addresses the key technology trends in automobile electronics."

Furthermore the CEO of the company noted, "Our M&A strategy remains focused on identifying and acquiring technologies that deliver innovative solutions to our customers in companies that have longer and stable product life cycles." Perhaps that is the key to financial success for companies such as Flex, longer and stable product life cycles.

The Future Of Food Logistics Has Arrived

Software and technology continues to push the limits of what's possible seemingly every day. The supply chain is one place where this is especially evident.

Think about some of the innovations that could potentially alter the food supply chain for both consumers and industry in the near future, starting with driverless trucks.

In May, Freightliner tested its Inspiration commercial big rig on a Nevada highway. The truck uses GPS, radar and video cameras to achieve Level 3 autonomy, meaning the truck can drive itself when conditions are right. It requires a driver to be seated at the wheel to resume control if necessary. Operating the Inspiration in so-called Highway Pilot mode is similar to an autopilot system in an aircraft.

This technology offers multiple benefits. By allowing the driver to attend to other duties like scheduling drop-offs and pick-ups and other business, multi-tasking behavior is mitigated and safety is enhanced. Likewise, fuel economy can be dramatically improved with self-driving trucks.

Platooning, which is sometimes referred to as "road trains," is boosted with Highway Pilot because the system is designed to maintain a safe following distance behind other vehicles and reduce passing. The system can use vehicle-to-vehicle communication technology to essentially lock on to the truck ahead to reduace the gap between the two vehicles to about 25 feet. This 'sweet spot' is where the advantages of aerodynamics are realized the most. A tight formation like this allows a three- to five-truck platoon to operate 5 to 6 percent more efficiently compared to driving solo. Better fuel efficiency, reduced emissions, less wear and tear on the vehicle—sounds like a big win.

At the same time, there are a handful of other exciting innovations related to the food supply chain. Internet-enabled smart refrigerators will tell people how much milk is left in the carton and add it to the shopping list.

Shoppers wearing Google glasses in the grocery store get in-depth product info, including calorie and ingredients information, pay for their groceries electronically, and are on their way. Transportation and logistics operations are reaching new thresholds in productivity, visibility, collaboration, efficiency and safety with telematics, software solutions and technology tools, while precision farming in the agricultural sector is also paying huge dividends.

The secondary benefits with these innovations are profound. They include a reduction in food waste, better environmental stewardship and management of natural resources, and increased food safety and security to name a few.

Aramex seeking up to two e-commerce acquisitions

Aramex is seeking up to two acquisitions in e-commerce this year as the Dubai-based courier company maintains its forecast to boost profits by at least 10%, says its chief executive Hussein Hachem. The company is looking at light-asset e-commerce companies, especially in Sub-Saharan Africa, South East Asia and the US, reports The National.

E-commerce is growing in the Gulf region, where high GDP per capita and rising mobile penetration rates are fuelling a boom in online shopping.
A 2013 report released by PayPal and Ipsos predicted the e-commerce market in the Middle East will be worth $15 billion this year. Aramex, which generates about 50% of its income from outside the Middle East, forsees e-commerce growth in Sub-Saharan Africa. "We will focus on introducing e-payment gateways and allowing the African consumer to go online and shop from international commerce websites," said Hachem.

Regarding Iran and the removal of sanctions, Aramex expects a rebound in logistics growth once the sanctions relief list is released and businesses are allowed to resume normal operations. Most products heading to Iran are expected to be sourced from UAE's ports and free zones, Mr Hachem added.

He also said it is too soon to tell what impact the recent cut in diesel prices in the UAE will have on the logistics sector. For Aramex, most of its lorries cross the UAE borders and often refuel outside the UAE, where prices can be cheaper.

Ebay returns to its roots as Paypal spins off and Enterprise is sold

Along with eBay's recent quarterly earnings announcement of revenues up 7%, came word that its Paypal division will be reporting separately (effective July 20) and its Enterprise group had been sold for $925m. As a result, eBay will return to its pre-2002 core business – eBay Marketplaces – which noted a 3% decline in revenue for the most recent quarter.

While much has been written about the Paypal spinoff, the Enterprise group has remained quietly in the background. This group, which handles warehousing

and logistics for third-party sellers, was formed in 2012 around a $2.4bn acquisition of GSI Commerce. According it its website, clients include such retailers as Sports Authority, TigerDirect, GNC, Bath & Body Works and eBay. The group is the smallest of eBay's units with $1.24bn in 2014 revenue, a 6% increase from the prior year, represents about 7% of eBay's total 2014 sales of $17.9bn. The company has struggled as more retailers have found it more efficient to run their own online operations versus outsource. In fact, according to publications, the unit suffered a recent blow when Toys R Us, one of its largest customers, ended a near decade-long contract to launch its own US online platform to improve customer experience. However, the company noted it would continue to use eBay Enterprise services in Europe and Canada.

The new owners of eBay Enterprise are a consortium led by Permira and Sterling Partners. Permira, based in London, has investments in several retailers while Sterling Partners acquired Atlanta-based Innotrac in 2014. Innotrac provides fulfilment solutions for e-commerce businesses with clients such as Target, Ann Taylor and Charming Charlie and has warehousing facilities in the US and Europe. What does the future of the now former eBay Enterprise look like? It could possibly be integrated into Sterling's Innotrac business to form a larger fulfilment company perhaps reminiscent of a Genco, handling fulfilment, returns management and value-added services. It will compete against quite a few other similar companies such as UK-based Clipper Logistics. It's a labour-intensive business and automation will be important to keep costs down and remain competitive.

Meanwhile eBay's Marketplace faces intense competition from Amazon, as well as niche sites like Etsy. According to CNBC, in 2014 the global e-commerce market grew 22%. However, eBay's marketplace only grew 6.4%. Will this e-commerce pioneer survive today's e-commerce?

Walmart Buys Out Chinese E-Commerce Retailer Yihaodian.com

Walmart has taken full ownership of Chinese e-commerce firm Yihaodian.com, buying out the 49 percent stake that it did not already own to accelerate its push into China's online retail market.

Walmart is increasing its efforts in China's e-commerce space after the world's largest retailer took full ownership of Yihaodian, its online retail business in the country.

The U.S. firm is buying up the remaining 49 percent stake in Yihaodian, a lesser rival to U.S.-listed duo Alibaba and JD.com, from financial services group Ping An of China, its domestic partner there. The company isn't, however, disclosing a price for the deal.
Walmart upped its stake in seven-year-old Yihaodian three years ago.

As of the end of 2013, the business counted 57 million registered users (up from 29 million a year earlier) and $1.9 billion in annual sales - that latter figure (not profit/loss) ranked it among China's top five online retail stores.

In an update, Walmart said today that Yihaodian now has over 100 million registered customers, and more than eight million products on offer.

How Supply Chain Drives Competitive Advantage

Written by Mark Millar

Supply Chains are the arteries of today's globalised economy – they enable the international trade flows that empower global commerce. Supply Chains have evolved to reflect the increased complexity of world trade – highly competitive, super connected and changing fast, amidst a volatile global environment.

No wonder that Supply Chain has become an essential topic across all spheres of management and a strategic agenda item in every boardroom.

Twenty-first-century supply chains have transformed into world-wide inter-connected supply-and-demand networks - with profound interdependencies and exposed to the vulnerabilities of our uncertain world.

This has led to greater deployment of collaborative partnerships, frequently involving outsourcing and off-shoring, creating elongated networks encompassing multiple stakeholders. Consequently, supply chains have morphed into today's multi-layered, inter-woven distribution networks that enable companies and countries to trade more effectively.

Confirming how these networks enable commerce in an increasingly connected world, the Financial Times' (FT) lexicon describes how "businesses operate in a broader network of

related businesses offering particular products or services - this is known as a business ecosystem". They further define this as "a network of interlinked companies, such as suppliers and distributors, who interact with each other, primarily complementing or supplying key components of the value propositions within their products or services".

From the supply chain perspective, Cranfield's Dr Martin Christopher adopts an end-to-end view, articulating the supply chain as "the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer".

This notion of networks is particularly important, with Dr Christopher reinforcing the key message that modern supply chains are no longer simply linear chains or processes, "they are complex networks - the products and information flows travel within and between nodes in a variety of networks that link organisations, industries and economies".

The linear concept of a chain is therefore no longer adequate to describe today's complex international networks of suppliers, partners, regulators and customers – all collaborating to ensure the efficient and effective movement of products, services, information and funds around the world. These extended multi-stakeholder networks continue to develop as supply chains have become progressively more global, complex and strategic - we are firmly in the era of Global Supply Chain Ecosystems!

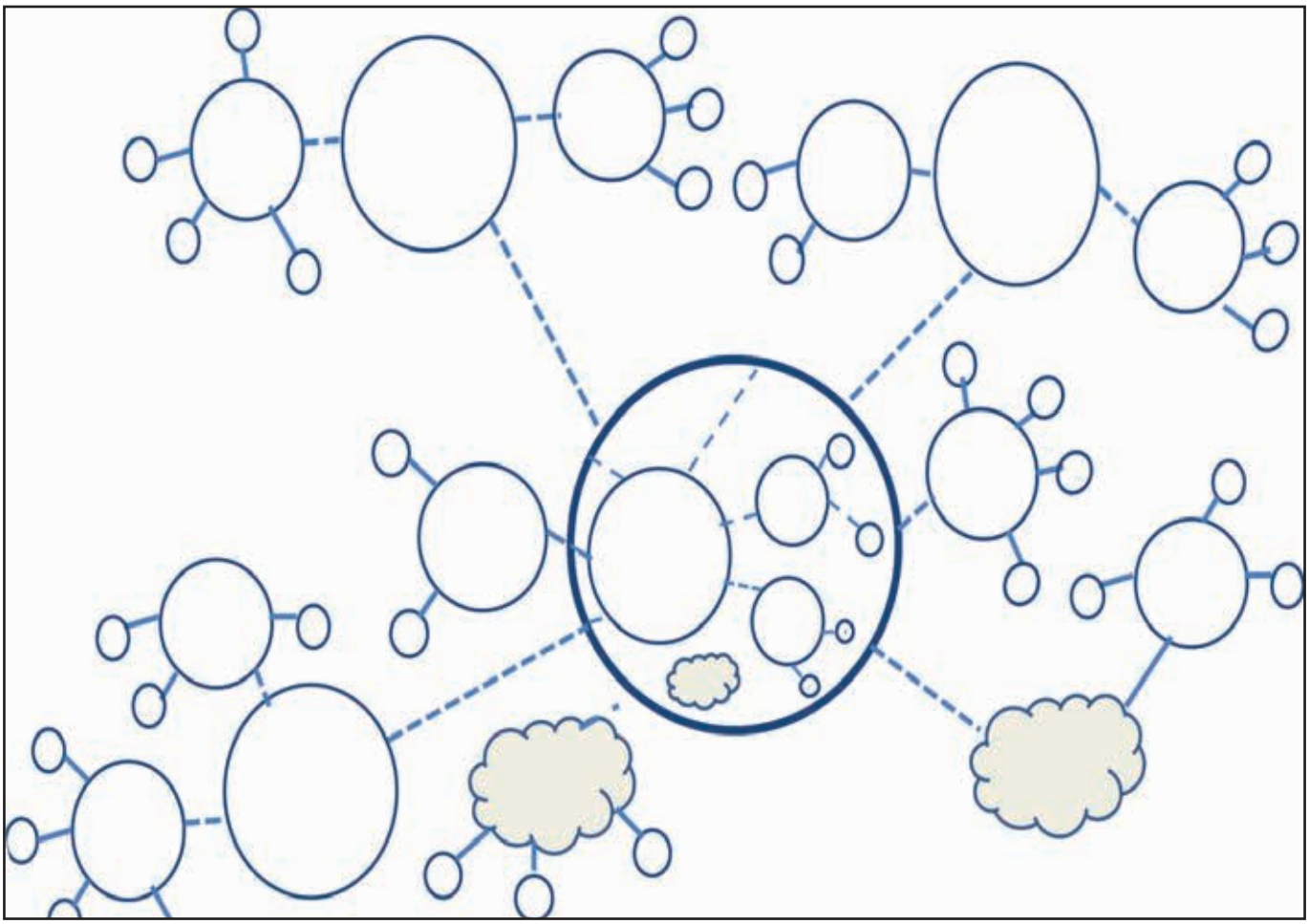
Connected Supply Chains drive Competitive Advantage

In today's complex connected world, supply chain is more and more recognised as a key source of competitive advantage and differentiation. Companies strive to build powerful supply chains that will enable them to get their products to market faster, more efficiently and more economically than their competition.

For many businesses – particularly those in high tech, consumer electronics, pharmaceutical and fresh produce - time to market and effective distribution channels are critical success factors, and therefore supply chain management competencies and capabilities are what drive competitive advantage.

In that context, there are exciting and evolving synergies between the supply chain and marketing functions, as together they become the principal business drivers for companies in the modern era. Each of them is both a functional discipline and a profession. Taking the broadest perspective of the two disciplines, these functions together embrace all of the mission-critical business activities of a company, with IT, HR and Finance playing important supporting roles.

With marketing comprising the four P's of Product, Price, Promotion and Place and supply chain encompassing the five operational activities of Plan, Source, Make, Deliver and Return, then Logistics becomes the point of



intersection and convergence - the essential linkage between the Deliver function of supply chain and the Place (distribution) function of marketing.

Together therefore, supply chain and marketing are becoming the primary engines that drive the business – hugely influential in driving business growth, increasing market share and generating revenue and profits. The Chief Marketing Officer (CMO) and the Chief Supply Chain Officer (CSCO) will become the most critical leadership roles to sit alongside the CEO and CFO in the enlightened C-suite of the future.

Supporting this concept that supply chain drives competitive advantage for your business, the FT lexicon explains how "Ecosystems also create strong barriers to entry for new competition, as potential entrants not only have to duplicate or better the core product, but they also have to compete against the entire system of independent complementors and suppliers that form the network".

Conclusion

Any chain is only as strong as its weakest link – and it's the same with a supply chain, except that within a supply chain ecosystem the linkages are not consecutive and not linear; there are numerous multi-dimensional connections with profound inter-dependencies.

Nevertheless, the strategy of achieving continuous improvement through consistently and persistently working on strengthening the weakest link(s) still applies, and companies adopting such an approach will leverage their global supply chain ecosystem for competitive advantage in our complex, connected world.

Learn more about the latest supply chain trends and developments in Mark Millar's new book Global Supply Chain Ecosystems in which he examines several critical elements of a supply chain ecosystem - including visibility, resilience, sustainability and collaboration.

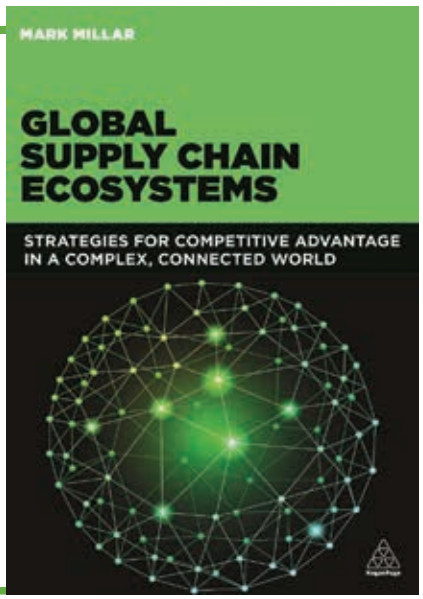
Mark Millar is the author of **Global Supply Chain Ecosystems** - commissioned and published by Kogan Page of London - in which he presents detailed and practical insights that help companies capitalise on market opportunities, overcome supply chain challenges and make better informed business decisions.

GLOBAL SUPPLY CHAIN ECOSYSTEMS

SUPPLY CHAIN STRATEGIES THAT DRIVE COMPETITIVE ADVANTAGE

THIS BOOK

- Gives invaluable advice on how to deal with the volatility and vulnerability of global supply chains in order to build resilience for competitive advantage
- Provides interconnected strategies and recommendations you can leverage immediately-improving short-term performance as you prepare for longer-term issues
- Features real-life case study examples taken directly from the author's projects and research
- Takes a multi-dimensional geographic view, covering developed, developing and emerging markets



Supply chains that were once local or regional are now truly global and have become exponentially more complex. As a result of recent and rapid developments in worldwide commerce, we have seen supply chains evolve into complex international networks, which can no longer be adequately described using the linear concept of a 'chain'.

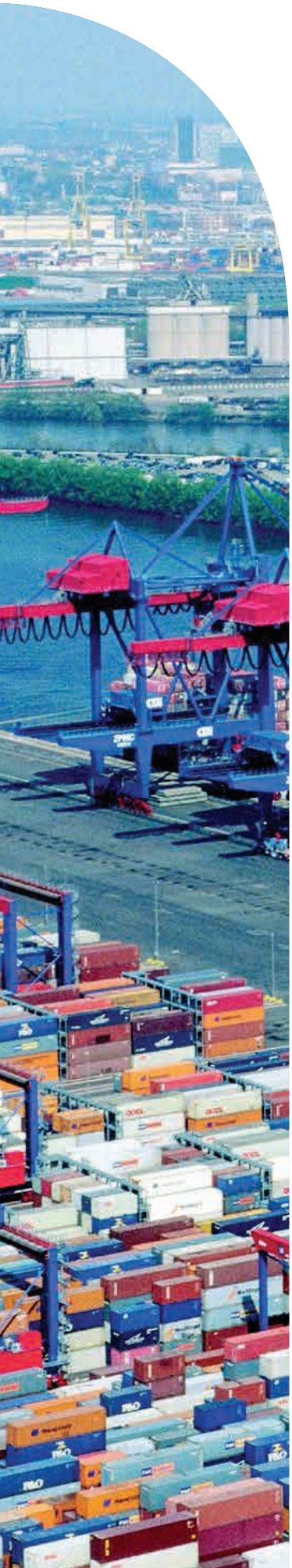
> "...an analysis for anticipating market opportunities and solving the supply chain problems they will cause."

Focussing on the global demographic, economic, and environmental trends that will powerfully impact the supply chain, Mark Millar presents an analysis for anticipating market opportunities and solving the supply chain problems they will cause.

In addition to highlighting key shifts such as the trend towards regionalisation, this ground-breaking new text looks at several key aspects of global supply chains, including visibility, collaboration, outsourcing and risk.

ABOUT THE AUTHOR

Mark Millar is an internationally known industry expert who delivers knowledge to companies who wish to navigate opportunities and improve performance. He has 25 years of global business experience, including ten years in greater China, during which he has developed and delivered enlightening keynote speeches and provided consulting, education and recruitment services. Mark is a Visiting Lecturer at Hong Kong Polytechnic University.



The Rise of Coaching In Executive Development

Written by Kimble Winter

Increasingly Australian Supply Chain and Logistics industry senior executives are realising that they cannot satisfy the development needs of the managers reporting to them through formal qualifications / degrees / training courses or their own management mentoring alone.

The 2013/14 Supply Chain & Logistics Employment Market Survey Report revealed that more than 63% of the respondents (in excess of 5000 Logistics professionals from 80 countries) had never been offered Coaching as part of their career development but that 85% (of that 63%) advised that it would be something that would be of interest to them.

Executive coaching involves an executive, a coach, and the organization as the key stakeholders in the process. This differentiates executive coaching from other interventions such as career counselling and life coaching. While both career counselling and life coaching can lend concepts and practice techniques that an executive coach might use, they focus solely on the individual client and his needs and goals. Executive coaching, focuses on the needs and goals of both the executive and the sponsoring organization.

The highly regarded US (Boston) based think tank – The Executive Coaching Forum, defines Executive Coaching as an "experiential and individualized leader development process that builds a leader's capability to achieve short- and long-term organizational goals. It is conducted through one-on-one and/or group interactions, driven by data from multiple perspectives, and based on mutual trust and respect. The organization, an executive, and the executive coach work in partnership to achieve maximum impact"

Executive Coaching is commonplace in leadership development and as a transition tool worldwide. It is seen as a viable lever in the development of high potentials and in the retention of top talent, most organizations that use coaching report that they'll likely increase its use in the coming years.

Most organisations realize they need to be doing more to promote a culture of continuous development – whether it's soft skills training, technical development, long-term leadership programmes or coaching. This not only improves employee engagement, it also enables people to be truly innovative in their roles, to challenge themselves, to grow personally and as part of a team as well as supporting the identification of strategies to deal with change and the pressured environment we work in.

A 2013 Stanford Business School report into executive coaching found that "lonely at the top" resonates for most CEOs with nearly two thirds of CEOs and almost half of senior executives are not receiving coaching or leadership advice. Interestingly, 100% of the CEOs questioned said they actively enjoy the process of receiving coaching. The report also found that Boards are also eager for CEOs to improve talent development. Being coached as an individual helps to initiate a coaching culture and it's essential we equip our leaders with the tools to coach their own teams effectively.

A Senior Management Team is often constructed of executives who are technically experienced, but may require help to develop their skills to be effective as leaders. Coaching focuses on assisting individuals align themselves with company strategy and vision as well as looking at their own personal development aspirations. Often coaches work with the executive on a to plan that identifies how they can maximise their performance, increase productivity and have a positive impact on achieving the objectives set out in the strategy. Professional coaches use specific, well recognised techniques over a period of time with the executive implementing the plan.

Introducing coaching at the top of an organisation can help to engender a culture of coaching to benefit the wider organization. An increasingly number of enterprises are taking the view that coaching skills training should be made available to anyone that manages or supervises people. More senior leaders are taking the position that a leader who coaches, develops a self- asserting and pro-active team will gain benefit for the organisation by reducing their requirement to 'manage' day to day issues they should not be involved in. Extensive global research shows that the average return on professional coaching is $6 to $7 for each dollar invested.

A common theme of Supply chain and logistics companies utilizing qualified external coaching expertise is to lift the 'level of work' of their senior executive team, developing the skills to effectively deployment / disperse decision making to the next layer down in the organisation thereby freeing the senior team members to think and act more strategically, working on the business versus in the business.

Coaching requires very specific skills that need to be honed over time. These include: staying neutral to another person's position; high quality listening, questioning and communication skills; and being professionally agile to respond to changing requirements. More executives are realizing what coaching can deliver and how powerful the impact can be, how empowering people to think about things differently, helping them look at things through a different lens, opening doors and developing choices can have immediate impact on the enterprise.

Overarching Principles for Executive Coaching*

Overarching principles are the values or aspirational goals that guide the coaching process. These principles provide a compass that the coach, the executive, and other members of the executive's organization will use to set, maintain, and correct their course of action.

1. Systems Perspective

Executive coaching is one of many approaches or types of interventions that can be used to promote organizational and leadership development. The goal of developing a single leader must always be pursued within the larger objective of organizational success. Since executive coaching should be conducted as one of the components of an overall plan for organizational development, executive and coach must both be aware of the larger objectives.

2. Results Orientation

Executive coaching is planned and executed with a focus on specific, desired results. The executive, the coach, and the organization begin by deciding the ultimate goals of the coaching. Then they agree on specific results for each goal. Key members of the coaching partnership sign off on a written coaching plan that specifies expected deadlines for accomplishing each goal.

3. Business Focus

Executive coaching is primarily concerned with the development of the executive in the context of organizational needs. The coaching objective is to maximize the executive's effectiveness and his contribution to the organization. The coach develops an understanding of the broader business context in which the executive operates, with particular emphasis on key business initiatives directly relevant to the executive. The executive and coach then agree upon specific results that best reflect the organization's business objectives. Successful executive coaching links a business focus with human processes by closely aligning the executive's development with critical business needs.

4. Partnership

Although executive coaching focuses primarily on individual work with an executive, it is ultimately a positive organizational intervention. The executive and their coach are obviously at the centre of the process, but other stakeholders are also involved.

5. Competence

Executive coaching requires the use of highly skilled and experienced professional coaches. These coaches maintain high standards of competence and exercise careful judgment in determining how best to serve their clients' needs, choosing the most appropriate methods from their range of expertise

6. Integrity

Upon beginning executive coaching, the executive is placing significant trust in the coach and the organization. The executive is allowing themselves to be vulnerable and open. To ensure that the executive remains receptive to feedback, new ideas, and learning, the organization, coach, and other stakeholders must establish and maintain a psychologically safe and respectful environment.

7. Judgment

Executive coaching is a balance of science, art, and expert improvisation. No matter how many guidelines are developed and followed, successful coaching requires that you continually step back, evaluate the situation, weigh the options, and apply good judgment for well-balanced decisions.

Kimble Winter is **Global CEO of Logistics Executive Group**, a qualified IECF (Institute of Executive Coaching & Leadership) coach, a Sydney Headquartered internationally recognized organisation with offices throughout APAC that operates under the ICF (International Coaching Federation) operating principles, regulations and ICF Code of Ethics. Kimble leads our global executive coaching practice which operates from our offices in Dubai, London, Mumbai, Chennai, Delhi, Singapore, Hong Kong, Shanghai, Sydney and Melbourne.

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The Importance of People

Written by Darryl Judd

Defining, selling and managing supply chain and business transformation projects internally has always been the key stumbling block for all businesses. This month Darryl Judd, Chief Operating Officer of Logistics Executive Group explores this topic and why people are so important in the success or failure of projects.

Collaboration has become the driving force behind supply chain management excellence. In this article, we will look at how to define, sell, and manage change in supply chain.

Back in 1964, Bob Dylan's song "The Times They Are A-Changin' " captured the feeling that the world was entering a period of rapid transformation. The industries of Logistics, Supply Chain and Manufacturing have all felt this in a major way. The industries of Logistics, Supply Chain and Manufacturing have all felt this in a major way with the massive advances in technology, the expansion growth in the global developed economies, the ability multinationals to reach new markets and the advancement of third world countries. All these factors and more have created an enormous pressure and appetite for change to the point were it is now accepted that a company's ability to change goes hand in hand with their success. Fifty years on from Dylan's famous song; things are changing faster and more profoundly than ever before. Our thirst for innovation, knowledge and things bold and new seem to have no bounds. And nowhere has that occurred more dramatically than in the world of business, much of it propelled by the marvels of modern technology, the 'cloud' and devices we never dreamed about in 1964. And this change has certainly had a significant impact on the role of supply chain management.

Since the 1960s, it has evolved from physical distribution to logistics to supply chain management. Supply Chain Management has progressed from a remote corporate necessity to a critical strategic component of commerce that has achieved global prominence in boardrooms and on Wall Street. Supply chain management has shed its dowdy image as a "cost center" in favour of the more glamorous one of "revenue generator."

The key reason Supply Chain has become such an asset is because it can supply a very fast response to an organisations ability to react in the market place.

Almost universally, without regard to channel position, managers acknowledged that people are the key to successful supply chain integration. As one prominent Director of Supply Chain told me recently "People are the bridge or the barrier."

Unfortunately, actual practice in the areas of hiring, training, motivating, empowering, measuring, and rewarding people does not support the rhetoric. From managers we talk to daily leveraging the human resource is often not a priority at companies pursuing supply chain strategies.

A recent research paper from University of Illinois found the amount of time and money spent by organizations to develop its people for supply chain collaboration pails in comparison to other budget expenditures—namely technology and alliance formation.

There are certain issues that must be dealt adversarial contract relationships, the fragmentation of the supply chain and resulting dispersal of information are all barriers to achieving an integrated supply chain.

Improving Supply Chain Transparency

The innovative use of IT can help overcome these barriers and improve supply chain transparency.

ERP systems give us real time messages about business activity. This has been an immense advantage to implementing change as it offers instantaneous information on a range of business activity by offering improved:

1. **Data Quality and Reporting:** a better CRM and therefore customer relations, better business analytics, which allow businesses to arrive at better business decisions.

2. **Improved Reporting:** eliminating inefficiencies as reporting follows an automated template system, allowing various departments to access information seamlessly.

3. **Data Quality:** As compared with manual recordkeeping or other traditional

approaches, an ERP system improves data quality by improving the underlying processes. As a result, better business decisions can be reached.

4. **Improved Data Access:** with the use of advanced user management and access control.

5. **Regulatory Compliance:** Having the system in control means organizations can better comply with regulations.

All the above points lead to a better supply chain with improved procurement, inventory, demand forecasting, etc., essentially improving the entire supply chain and making it more responsive.

Why Buy-in is Critical

However we can have the best ERP system in the world but as mentioned above, it is only as good as the staff that will use it. If the leaders of an organization foster a company culture in which change is embraced and accepted, then it is a lot easier to mobilise a workforce to respond and adapt. This is very easy in theory but in practice, leading people through a change process unscathed is one of the greatest of challenges and the hallmark of only the very best people managers.

The key to achieving this is by understanding company culture. Needless to say every organization is different. Some of the characterizing and influencing factors that define the unique culture of a company include nationality, type of industry, the task the organization performs, the people working in the organization, and information technology. It is through first by having a thorough understanding of what the strengths and weaknesses of each one of these rivets are that a leader can formulate and tweak a strategy design for a culture that will accept change as a healthy part of corporate life.

The bedrock tools are embodied in training people through change whilst keeping communication channels open at all times.

The Role of Training

Traditionally training conjures up expensive university courses and formal accreditation processes that are far removed from the workplace. The new wave of training however has evolved. The world, technology and business are changing at too fast a pace for formalized classroom teaching to adapt. Instead training is now skill-based and on the job. As mentioned above, proactive leadership is about understanding what is required. Training can be about communicating, informing and by doing so eliminating fear of the unknown and empowering people.

Education can create the roadmap and vision for Supply Chain and engage a workplace at all levels in a common course. The way this training is manifest in a company will largely depend on the requirements of individuals and their unique company culture. It can include university tutorial or the classroom of the factory floor. Going back to the example of the ERP implementation, if there is targeted communication to staff explaining the need for the new system, addressing concerns, offering training tailored to meet specific requirements, then it is a lot more likely that the new system will be successfully adapted.

Changing the Focus From the Inside to the Outside World

It is worth mentioning that it is not just corporations that are adapting this approach to training, shifting the importance from

institutions to the workplace. Countries like Singapore have recently (June 2015) initiated a framework called SkillsFuture, a national initiative to encourage Singaporeans to develop industry-relevant skills by recognizing career progression based on skills and training, and promoting lifelong learning at the workplace. Australia has held a longstanding, skills based initiative called TAFE, which is focused on offering Australians the opportunity for ongoing vocational education in trades and skills based learning.

The constant stimulation proved by learning and improving reframes the narrative. Employees are no longer battling to maintain their status quo against the face of the unknown. Instead they are embracing a system that will improve their skills and situation with the support and information they need to make necessary decisions.

What Then Happens When a Company Tries to Partner With Another Business, for Example a Logistics Provider?

Often when this happens the two enterprises need to somehow marry different systems and processes in order to share information and achieve shared objectives. This can be disastrous from the outset if there is a misalignment between the two company cultures. However, success can be achieved if both institutions are committed to providing a continuous information flow between all stakeholders and if both companies agree to commit to providing timely and reliable data, in order to manage the supply chain. Of course technology plays a key role in this as they provide support in sharing information and implementing new processes and integrity, as previously mentioned.

In summary, a company can succeed in implementing drastic change in their supply chain function if there is a commitment to provide proactive leadership and the resources in training, underpinned by the integrity of good systems. However collaboration is the driving force behind supply chain management excellence. In these fast-changing times, the only way to tear down the walls that block collaboration is by recognizing the role that of people and for the need to energizing and win over support from a workforce ready to embrace and prosper through the various hurdles and rewards that a change environment offers.

Darryl Judd is the **Chief Operating Officer of Logisistics Executive Group**. He was named as one the "Top 50 influential individuals in Asia' Supply Chain, Manufacturing & Logistics industry" in the prestigious SCM Thought Leader publication by SCM World, recognized him as expert in the linkage of business strategy and supply chain best practices to human capital management. Darryl brings 28 years of executive leadership and consulting experience and is regular contributor on thought leadership across numerous industry publications and is a frequent speaker at international conferences and events on business leadership, strategy & people alignment and talent management. He was instrumental in the creation of Logistics Academy and presently holds an advisory board appointment with industry group LSCMS. In 2014, he was appointed as one of five global experts to IATA's Global Innovation Award selection board and has held senior executive positions within the airline, air cargo and aircraft leasing industry.

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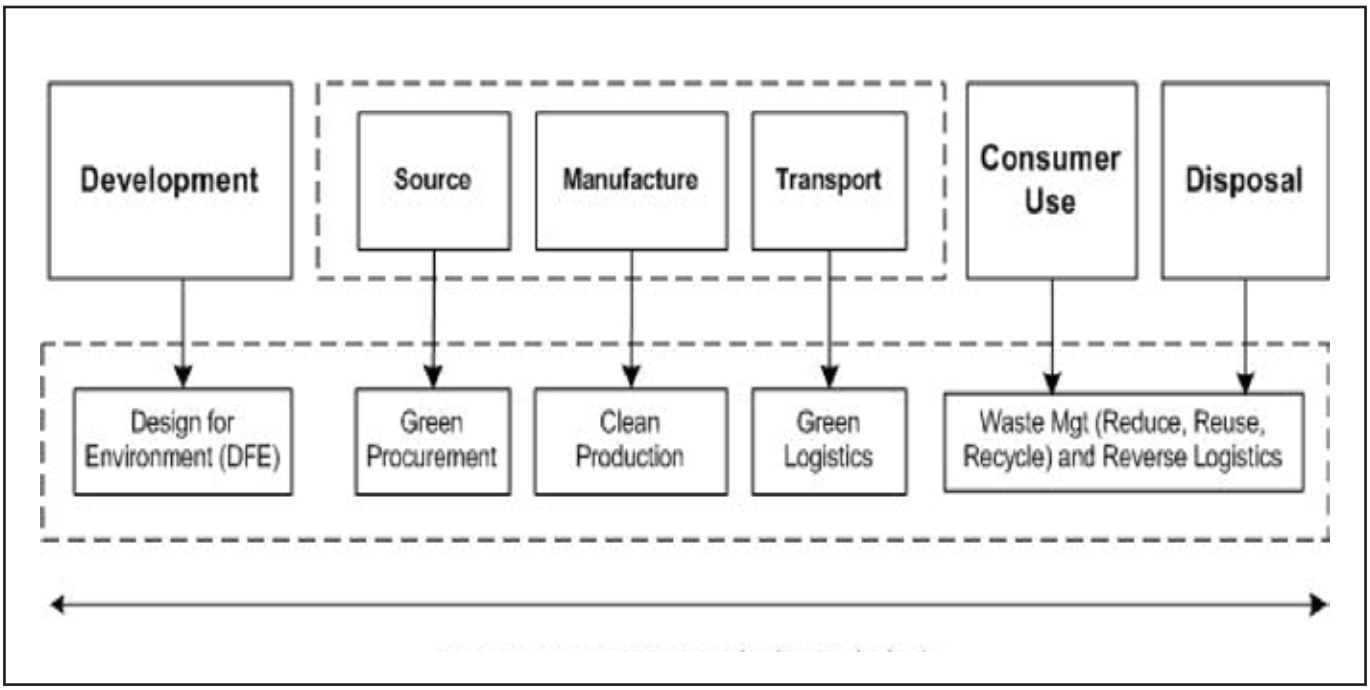
Corporate Social Responsibility & Sustainability in Supply Chain

Written by Sanjay Desai

DEFINITION: Corporate Social Responsibility often abbreviated as (CSR) is a framework of measurable organization policies and procedures and resulting behaviour designed to benefit the workplace and, by extension, the individual, the organization and society. CSR is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization..

CSR allows business to respond quickly to the emerging needs of society, whether they are economic, environmental, or social problems. The government is a secondary beneficiary, as successful corporate responsibility practices reduce the government's burden for responding to a wide range of issues. In addition, companies that engage in CSR have a chance to establish a positive image for themselves in the eyes of society, which helps advertise their products. Yet in spite of all the benefits that CSR might bring, it demands coordinated action from all stakeholders and nongovernmental organizations in order to achieve sustainable results. The below picture is illustrative of the impact CSR has on Society.

The chart below explains the entire end to end supply chain and how CSR and sustainability can be embedded at every stage of the supply chain.



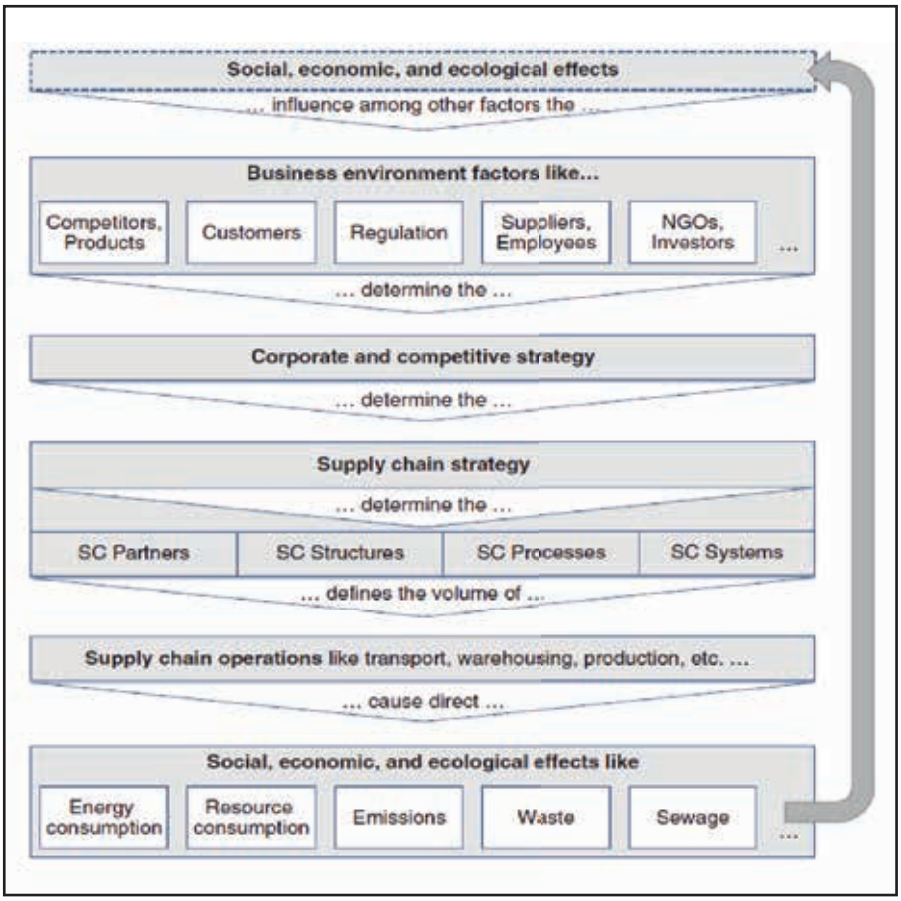
The Tipping Point:

In the business world, fiscal imperatives often prevail over values—even the values of social responsibility and ethical behaviour—as corporations strive to mitigate costs and reduce uncertainty. Nowhere is that drive for certainty and cost containment more compelling than in the corporate supply chain.

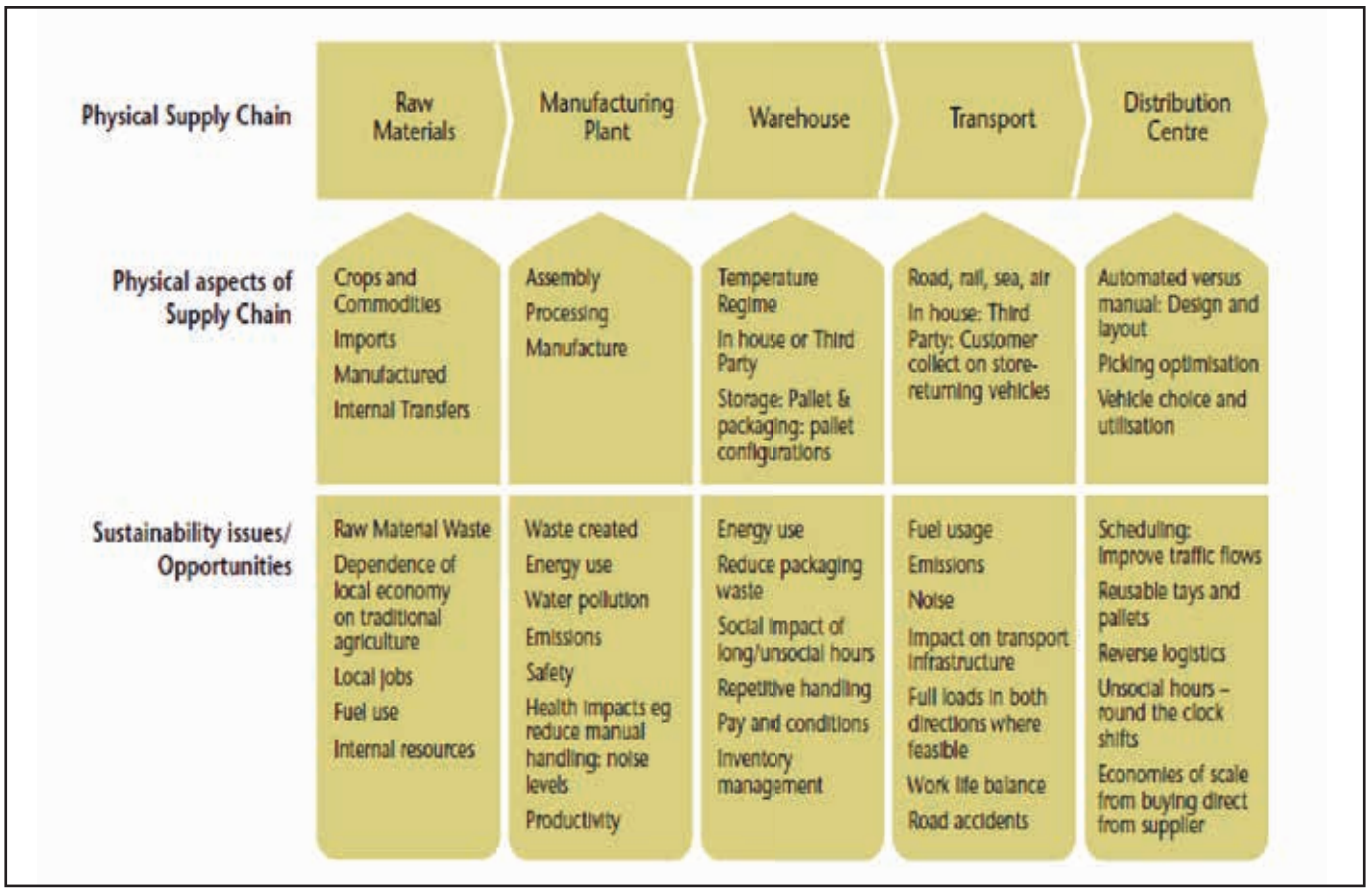
The global marketplace demands that supply chains be nimble and diffuse. Their broad distribution has elevated their significance beyond the functionality of manufacturing and transport, and they are transformative in the way they remake a corporation and the effect they have on local economies.

An efficient supply chain is responsive to changing priorities by keeping costs in line, schedules on time and, more importantly, giving companies the room to scale for growth. The revolution in the supply chain demands citizenship that is even more robust, capable of encompassing both the parent company and its many contractors, even if they are on distant shores.

The below schematic effectively shows how a supply chain strategy can aid organisations to be robust and realistically compliant to Corporate Social Responsibility.



Key Components of CSR Associated with Physical Supply Chain:



Steps Companies Should Take to Attain CSR, Sustainability in Their Supply Chain:

1. **Assess and Reduce Your Risks:** Do you know what's lurking in your Value Chain? Are there substandard environmental practices being carried out within a small division in a far-flung location, or elsewhere in the supply chain that could do real harm to the environment and to your company's reputation.

2. **Include Sustainability as Strategic Initiative in Your Business Strategy:** Sustainability is a strategic issue and should be given top management commitment, with responsibility for sustainability being assigned to management at board level. Sustainability is integrated in the corporate policy and strategy in the form of guiding principles and visions. Based on a top-down approach, sustainability is rooted in the value chain strategy and sustainability goals are defined in concrete value chain KPI goals.

3. **CSR/Sustainability is an Opportunity to Invest in R&D and Get all Stake Holders Involved in it Organisation Wide:** Depending on your industry's structure, you may need to push for R&D activities with regard to sustainability. One reason may be a business's high dependency on natural resources; this applies in particular to (LSP) Logistics Service Providers

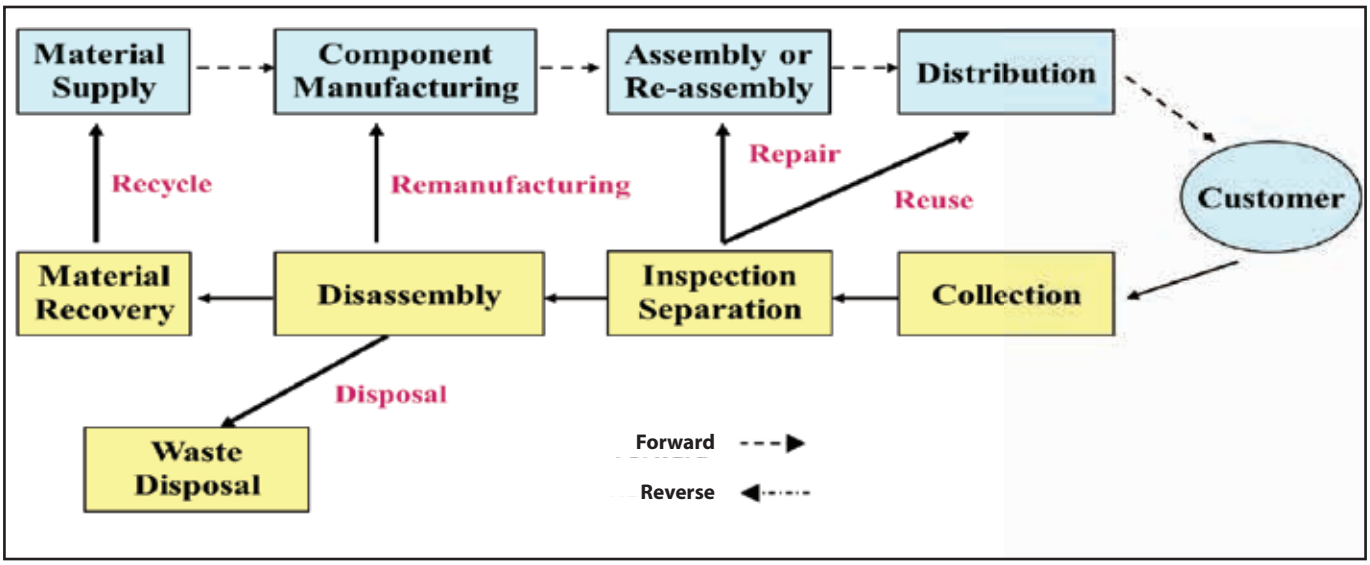
4. **Be Aware of Uncertainty Regarding Sustainability Issues in Your Value Chain:** The best research shows that best practice companies recognise trends in their business environment earlier than their competitors, and are better able to assess their possible impact.

5. **Link Social and Ecologic Goals with Financial Figures:** True sustainability must give equal weight to the economic dimension. Sustainable value chain practices must be financed and provide pay back within a reasonable time span.

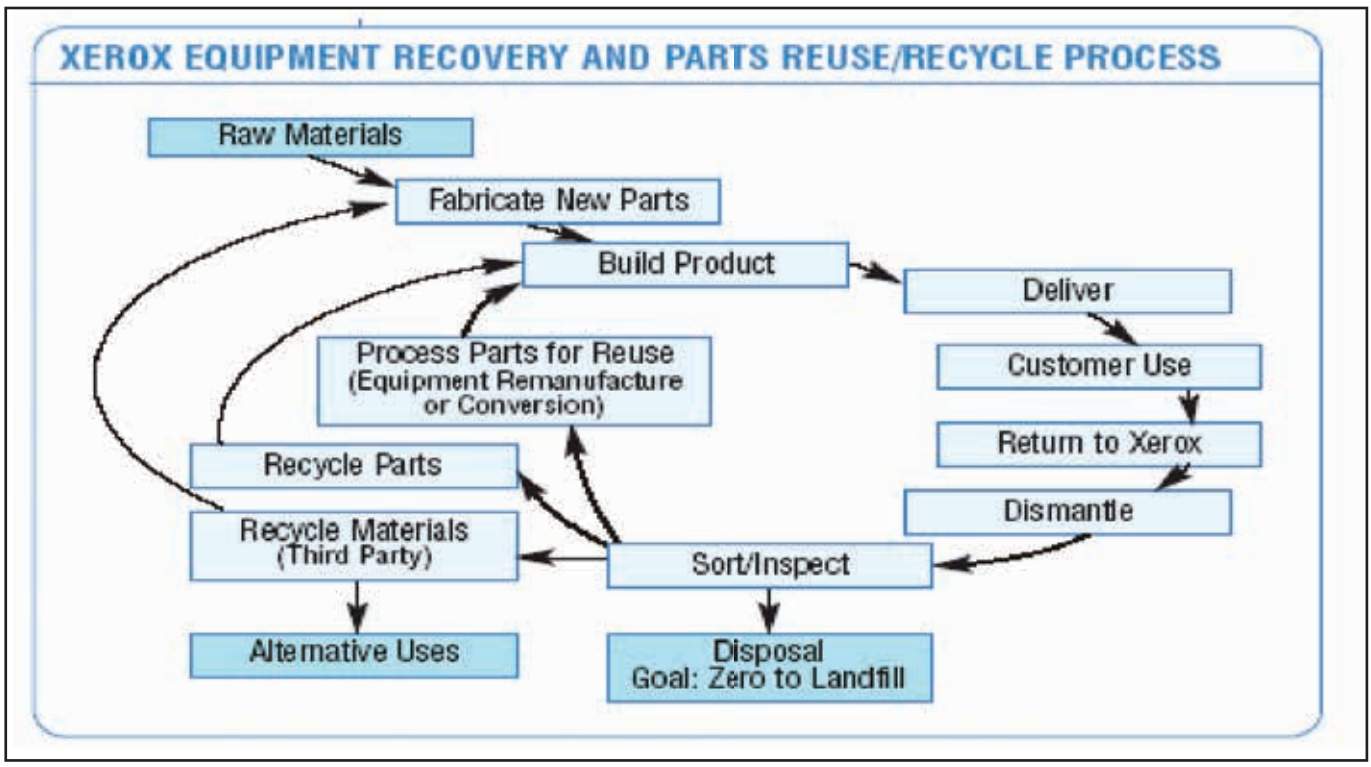
6. **Calculate and Quantify the Benefits Sustainability in Your Value Chain:** Calculate the sustainability benefits of value chain practices and develop ways to get credit for them. This includes everything from specific actions you take (e.g., efforts to reduce your carbon footprint, partnering with more responsible suppliers) to deciding what to track and how and where you report and communicate performance

7. **Build a Close Loop Supply Chain Which is Not Limited to Just Enterprise:** Organisations must strive to build a close loop Supply Chain which is not limited to just Enterprise but extended to outside

The Chart Below Explains the Stake Holders Involved Including Forward as Well as Backward (Reverse Logistics) Flow of Materials to Close the Loop of Entire Supply Chain



An Example of Close Loop Supply Chain Which Embedded CSR in Their Model is Xerox. In 1990, Xerox Implemented a "Machine Take Back Programme" Illustrated Below



With this initiative Xerox estimated "several hundred Mil $" saving potential and Organizational esteem went up in the market place. This innovative model raised the efficiency bar in the market place and also created an image for Xerox as an organization which embraces CSR/ Sustainability.

Frame work for implementing CSR in your Supply Chain. A well-designed CSR implementation framework integrates board of directors to front-line officials and supply chain partners and is therefore intimately connected

with effective corporate governance.

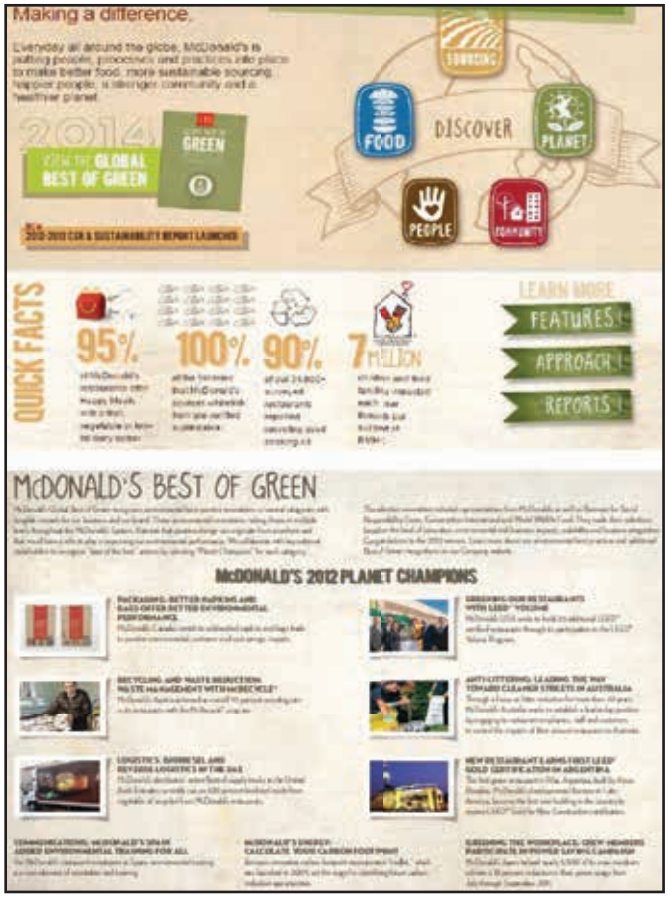
A well governed firm can reap optimal benefits for itself and its shareholders, and in turn for those who are affected by the firm's activities. At all levels of a firm, inadequate direction and control of its activities and assets can jeopardize its very ability to operate. There is no "one-size-fits-all" method in pursuing CSR approach. That said, there is considerable value in proceeding with CSR implementation in a systematic way in harmony with the firm's mission.

When? (Conceptual phase)	What? (Task delineation)	How? (Checkpoints on the journey)
Plan	1. Conduct a CSR assessment	• Assemble a CSR leadership team; • Develop a working definition of CSR; • Identify legal requirements; • Review corporate documents, processes and activities, and internal capacity; and • Identify and engage key stakeholders.
	2. Develop a CSR strategy	• Build support with CEO, senior management and employees; • Research what others are doing, and assess the value of recognised CSR instruments; • Prepare a matrix of proposed CSR actions; • Develop ideas for proceeding and the business case for them; and • Decide on direction, approach, boundaries and focus areas.
Do	3. Develop CSR commitments	• Do a scan of CSR commitments; • Hold discussions with major stakeholders; • Create a working group to develop the commitments; • Prepare a preliminary draft; and • Consult with affected stakeholders.
	4. Implement CSR commitments	• Develop an integrated CSR decision-making structure; • Prepare and implement a CSR business plan; • Set measurable targets and identify performance measures; • Engage employees and others to whom CSR commitments apply; • Design and conduct CSR training; • Establish mechanisms for addressing problematic behaviour; • Create internal and external communications plans; and • Make commitments public.
Check	5. Assure and report on progress	• Measure and assure performance; • Engage stakeholders; and • Report on performance, internally and externally.
Improve	6. Evaluate and improve	• Evaluate performance; • Identify opportunities for improvement; and • Engage stakeholders.
Cross-check: One cycle completed		Return to plan and start the next cycle.

Case Study: McDonald's is the world's leading global food service retailer with more than 35,000 locations serving approximately 70 million customers in more than 100 countries. More than 80% of McDonald's restaurants worldwide are owned and operated by independent local business men and women. McDonald's 2020 CSR & Sustainability Framework inspirational goals include:

- **Supporting sustainable production by collaborating to develop global principles and criteria, and committing to begin...**
- **Sourcing beef, coffee, palm-oil, fish that is verified from sustainable supplier**
- **Sourcing 100% of fibre-based packaging from certified or recycled sources.**
- **Increasing in-restaurant recycling to 50 percent and minimizing waste.**
- **Increasing energy efficiency in company-owned restaurants by 20% overall.**

Schematics Below Highlight Their CSR/Sustainability Focus.



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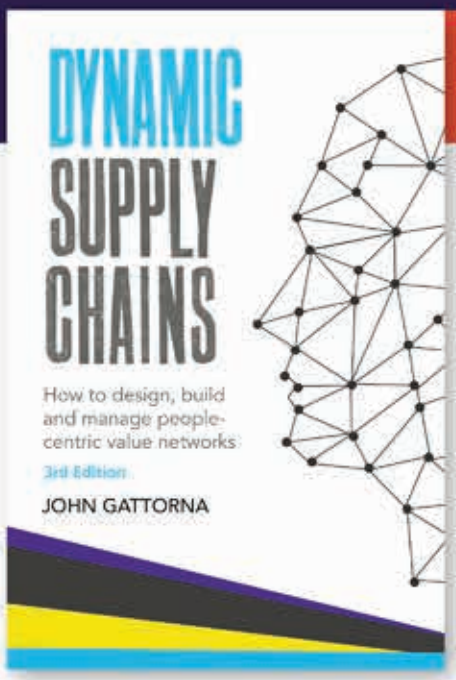

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Understanding & Managing Risk in the Supply Chain - Part 5

In part 4 of the series, we discussed the role of people in the supply chain, and need to have the right competencies for their roles in the organisation. We highlighted the importance of high level management attention, to ensure the right balance of resources, with the necessary leadership focus, as well as sustaining a high organisation engagement level.

It is this combination of good competencies and closely synchronised cross-functional processes, that drives a high performing supply chain execution model, where people create the capabilities, that deliver the performance and achieve the results that meet the strategic goals.
In the last 4 Parts of the series, we looked at the internal elements necessary to achieve an effective supply chain performing model. However, whilst this is a fundamental component, we need to address the factors, that could disrupt the smooth flow of the business supply chain, and that can create immeasurable business risks with equally high negative consequences.

What are the types of business risks ?

Every business faces potential risks each day of its operating life. The types of risk can vary for different businesses. The severity of risks will depend on the business nature, as well as on the supply chain dependencies.

In Part 5 of this series we will examine the typical risks to the supply chain. Risks are categorised into the potential business disruptions derived from sources of internal factors and external factors.

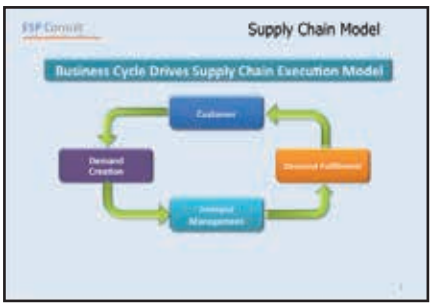
Internal Risks are those risks which arise from events occurring within business organisation, and which could arise during the normal operation of the business. Whilst these risks cannot always be forecasted, the probability of their occurrence can be predicted with some degree of accuracy. These types of risks could be contained and controlled directly by the business executive. The typical internal risks sources and impact to the supply chain, can come from, Strategic Risks, Financial Risk, Organisational & Operational Risk, Employee Risk, Innovation Risk and Business Governance.

External Risks are those risks which arise from events occurring outside of the business organisation, which may have a direct or indirect impact on the business operations. Such events are beyond the control of the business executive, who could forecast some probability of occurrence but with a very low degree of accuracy. The external risks are those from external sources where the visibility is less clear and the probability of control is lower for the company executive. The typical external risks sources and impact to the supply chain, can come from, Political & Economic Risks, Compliance Risks, Environmental & Natural Risks, Technolo gical Risks and Health & Safety Risks.

Many executives are aware of the risks that they face in the business but often it is a "gut feeling" and sometimes cannot be quantified for sustainable actions. Managing Risk cannot be left to chance.

Risks to the Supply Chain

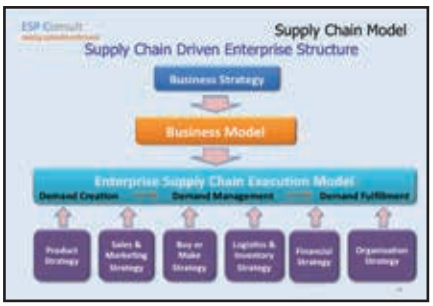
Put very simply, a factor that disrupts the smooth flow of the goods and services of the business, is a potential risk. Fig. 1 illustrates the critical steps in the supply chain and business cycle. Disruptions and breakdowns are not only associated with physical and tangible sources. Some of the most serious disruptive risks, can be from intangible sources. Data exchanges, data communications systems and other external sources, are potential risks that could impact the supply chain.



However, it is the physical flows of the supply chain that are usually the most visible disruptions to the business.

Risk Identification Process

Assessing the Business risks must begin from a zero base starting point. That implies that both internal and external sources of risk must be viewed with equal importance. The tendency is often for companies to address the external risks first. But Company executives often underestimate the risks from the internal Company sources.



Most CEOs find it unimaginable that risks could originate from within their own business operations. But the reality shows that the most vulnerable and damaging risks do originate from internal sources and frequently go unattended for a very long time.

Fig. 2 illustrates the Enterprise Supply Chain model, highlighting the key contributors to the supply chain. A "deep dive" process analysis and review into all the key business enablers and their respective processes, will identify the potential inherent risks.

An effective approach to risk assessment, will be to address the internal risks first. Understanding clearly the internal risks, will assist in identifying the interdependencies with external sources and consequently external risks. A clarity of the types of risk and their sources is essential to assert a robust control and total management of the supply chain.

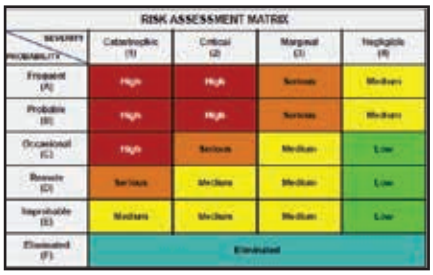
We have outlined the typical internal and external risks in the earlier sections. However, there are other external risks, which Company executives need to understand and anticipate at all costs.

The new age external business risks are those associated with outsourcing. The rapid trend of outsourcing business activities, means that whilst moving internal processes to an external 3rd party for economic reasons maybe a positive factor, managing the associated business risk needs to be an important decision consideration.

Whilst 3rd parties have to mange their own risks, the business interdependencies from outsourcing are often so crucial to the supply chain, that they must be considered as internal risk sources and included in the Company Risk Assessment. Fig. 3

Risk Identification Process

Considering the wide spectrum of risk and their sources facing any business, it is crucial the CEO recognises the need to create a formalised structure to address Risk Management. The appointment of a Risk Management Executive, would be recommended as it would raise the awareness and focus on risk management across the supply chain. A formalised risk management leadership and structure would assess and mitigate the types of risk and the degree of exposure from both internal and external risk factors to the supply chain and to the business in general.



The key documents from such a structure would be a Risk Assessment Matrix and a Risk Defensive Plan. But before these can be meaningfully formulated, it will be necessary to identify which are the critical processes, resources and services to the business supply chain, that generate serious risks. The starting point for developing a defensive plan however simple or complex, is to know what are the factors that need defending from a risk and the potential negative impact on business continuity.

The guidance of a Risk Assessment Matrix, as illustrated in Fig. 4, would be used to categories the processes with a Likely Failure Probability vs the Degree of Severity of such a failure. This would determine which are the key processes that need to be defended with an appropriate defensive/contingency plan.

The risk matrix mapping must be done for all sources of risks. This will identify the real and potential business risks as well as to focus attention on the urgency for mitigating actions.

An organisation will have many processes both simple and complex ones, so a prioritisation of the key business processes must be done by the process owners with their functional management. The completion of the

RA-Aus RISK ASSESSMENT MATRIX

KEYWORDS		CONSEQUENCE DESCRIPTORS							SEVERITY/ CONSEQUENCE OF THE EVENT LIKELIHOOD OF OCCURRENCE				
			Injuries Sustained	Aircraft/ Property Damage	Compliance	Internal Stakeholders	Processes	Finance/ Public Expectation	NEGLIGABLE/ INSIGNIFICANT	MINOR	MODERATE	MAJOR	SEVERE/ CATASTROPHIC
LIKELIHOOD OF OCCURRENCE	ALMOST CERTAIN	Imminent: is expected to occur in most circumstances	Fatalities and/or severe disability to one or more persons	Loss or destruction of aircraft, property or critical equipment Insurance claim required	Complete failure to comply with/ disregard for regulations or critical operational procedures	Discontent and hostile staff/ member leading to breakdown in normal operations	Organisation unable to operate due to inappropriate internal policies and procedures	Incurred significant financial loss. Significant media and regulatory attention	6 HIGH RISK	7 HIGH RISK	8 EXTREME RISK	9 EXTREME RISK	10 EXTREME RISK
	LIKELY	Once in the next month, will probably occur in most circumstances	Severe injury resulting in hospitalisation	Major damage to aircraft, property and equipment requiring significant repair, replacement, or insurance claims	Failure to comply with operational procedures or regulations	Prolonged period of member/ staff discontentment causing disrupt to operations	Disruption to operations due to inadequate internal policies and procedures	Substantial financial loss incurred. Likely media and regulatory attention	5 MEDIUM RISK	6 HIGH RISK	7 HIGH RISK	8 EXTREME RISK	9 EXTREME RISK
	POSSIBLE	Once in the next 12 months, might occur at some time	Medical assistance required with possible hospitalisation	Significant damage to aircraft, equipment and property that requires repairs with possible insurance claims	Major breach of operational procedures and regulations	Members/ staff discontent which may alter operations	Operations may need to be altered due to unsatisfactory/ insufficient internal policies and procedures	Moderate financial loss incurred. Potential media and regulatory attention	4 MEDIUM RISK	5 MEDIUM RISK	6 HIGH RISK	7 HIGH RISK	8 EXTREME RISK
	UNLIKELY	Once in the next 1 – 5 years, could occur at some time	First Aid treatment required	Minor damage to aircraft, property and equipment – no repairs required	Minor breach of operational procedures and regulations	Isolated instances of discontentment with members and staff	Doubt of internal policies or procedures being appropriate	Low financial loss incurred	3 LOW RISK	4 MEDIUM RISK	5 MEDIUM RISK	6 HIGH RISK	7 HIGH RISK
	RARE	Once in the next 10 years – may occur only in exceptional circumstances	No medical assistance required OR basic first aid attention	No damage to aircraft, property or equipment	No breach of operational procedures and regulations or potential for isolated areas of short term non compliance	Members/ staff are content – operations are normal	Internal policies and procedures are adequate	No financial loss	2 LOW RISK	3 LOW RISK	4 MEDIUM RISK	5 MEDIUM RISK	6 HIGH RISK

processes the risk assessments, will trigger a detailed review followed by the preparation of the necessary action plans.

The methodology for formulating a risk assessment, is shown in Fig. 5. It must be applied across all levels of the organisation that are relevant to the business supply chain.

The tools to prepare a risk assessment, are widely available for immediate use. For an effective deployment, guidance and training would be recommended for the key process owners and functional managers to obtain the best benefits.

Building a Defensive Plan & Disaster Recovery Plans

The risk assessment master matrix (a compilation of all risk assessments), is a key document for the CEO & Company Executives. This report would highlight some very sensitive factors about the company's risks and vulnerabilities. As such all the inputs, departmental risk assessments and the compilation of the company master risk assessment report should be managed by a high level executive reporting to the CEO. The company risk assessment report, must not be freely disseminated and should only be shared within a small circle of the CEO's top executives.

The risk defensive plan (also called the risk mitigation plan) and the disaster recovery plan, will be prepared and directed by departmental high level executives. The defensive plan would encompass actions to contain, reduce or eliminate those risks where the business executive has the ability and power to do so. Whilst the disaster recovery plan (sometimes called a contingency plan) would involve actions deployed in case of an improbable but possible disruption occurring, that would put the business at risk. All business risk plans must be review periodically and tested, where possible, to ensure their effectiveness as intended.

Whatever the nature of your supply chain, understanding the exposures and vulnerabilities to business risks and the interruptions they could cause, is a fundamental requirement to managing and sustaining effective supply chains. All the risk management processes and plans discussed above must be realistic, effective and are part of the business governance responsibilities. The full engagement of all stakeholders in risk management is a fundamental pre-requisite.

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Joe Lombardo has more than 30 years experience in developing & managing supply chain logistics solutions & driving business operations, in multinational environments & operating in 12 Countries. Qualified as a Management Accountant , Joe developed & diversified his career in the fast moving world of semiconductor electronic components, where he managed various roles whilst with STMicroelectronics – in the Finance & Administration functions (including Treasury & Legal), Human Resources, Customer Service, Logistics & Warehousing, Site & Infrastructure Management, Trade & Customs Compliance and Free Trade Agreements deployment.

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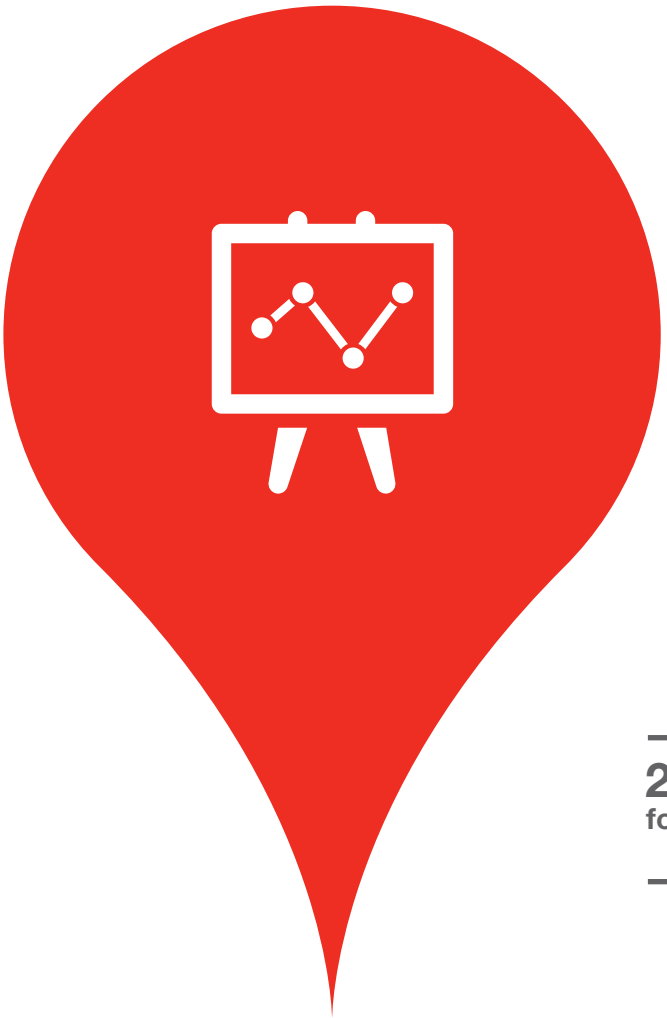

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