


Strategic Logistics Management

Part II



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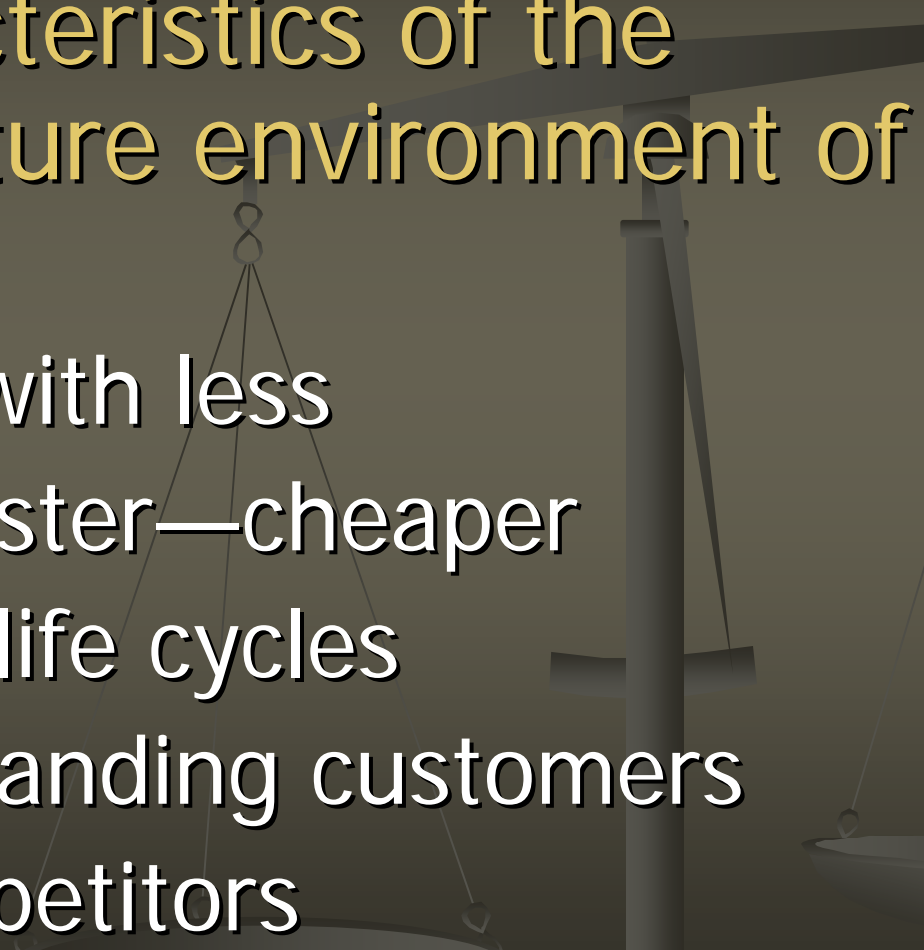
Strategic Logistics Management
Bangkok, Thailand
17 March 2005

Overview of Presentation



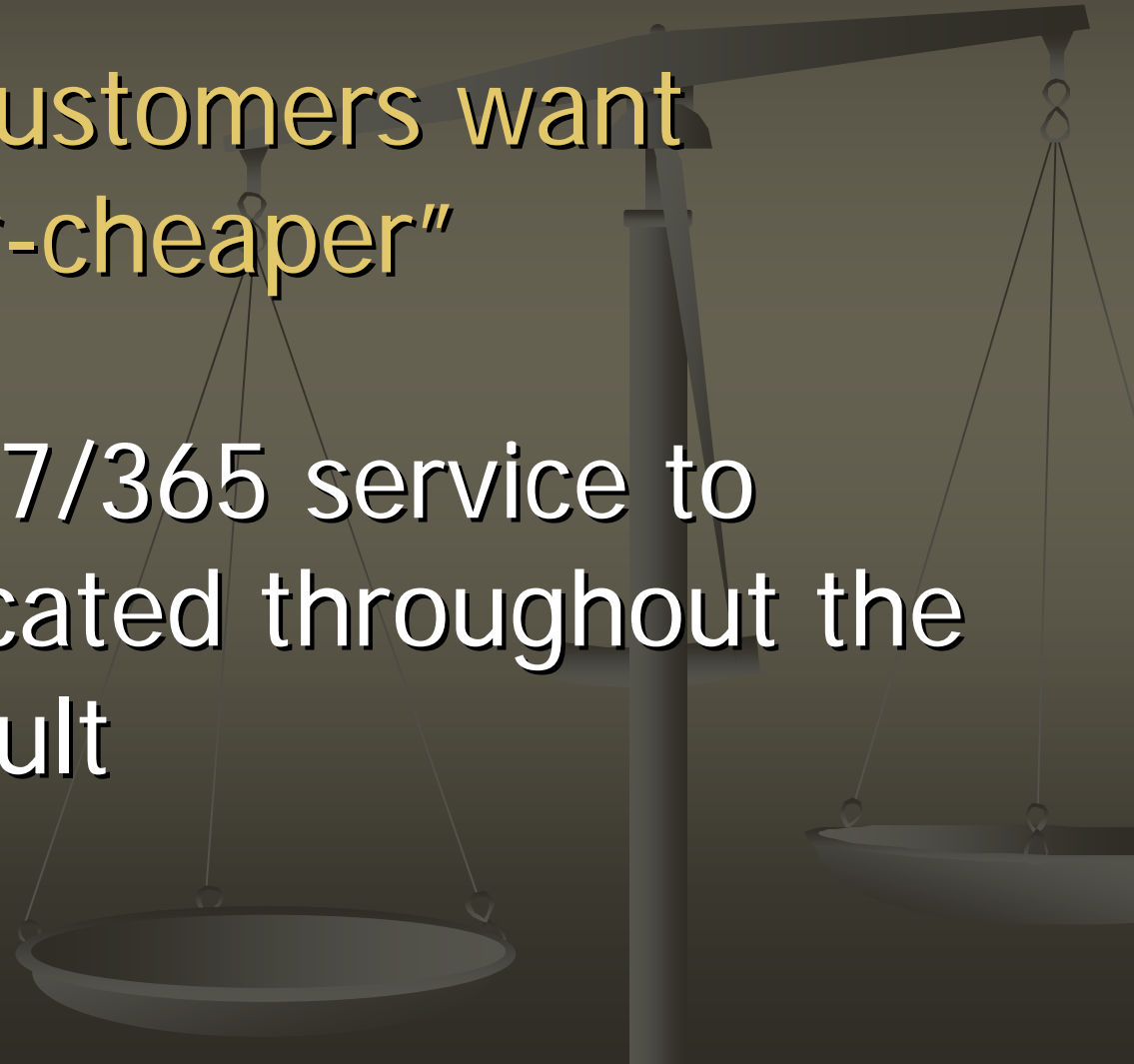
- Introduction & Overview
- Customer Service Issues (today & tomorrow)
- Technology (today & tomorrow)
- Global Logistics Issues (today & tomorrow)

Introduction & Overview

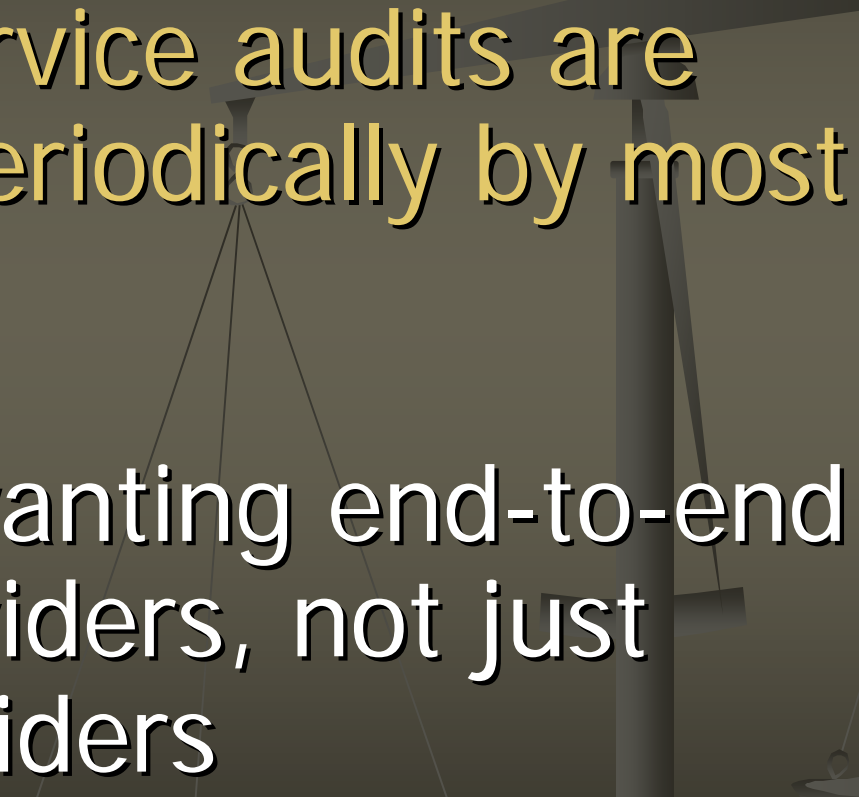
- Some characteristics of the current & future environment of logistics
 - Do more with less
 - Better—faster—cheaper
 - Shrinking life cycles
 - More demanding customers
 - Agile competitors
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Customer Service Issues—Today

- Demanding customers want “better-faster-cheaper”
- Providing 24/7/365 service to customers located throughout the globe is difficult



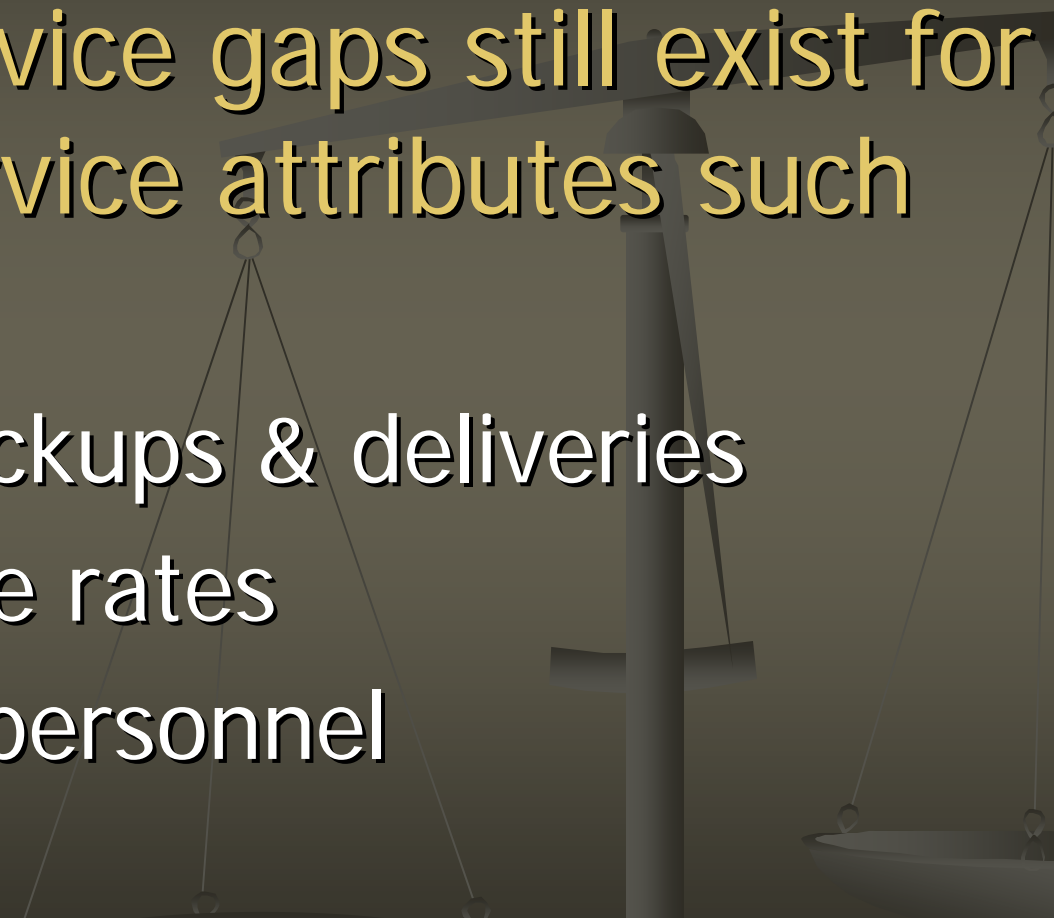
Customer Service Issues—Today

- Customer service audits are performed periodically by most firms
 - Customers wanting end-to-end solution providers, not just product providers
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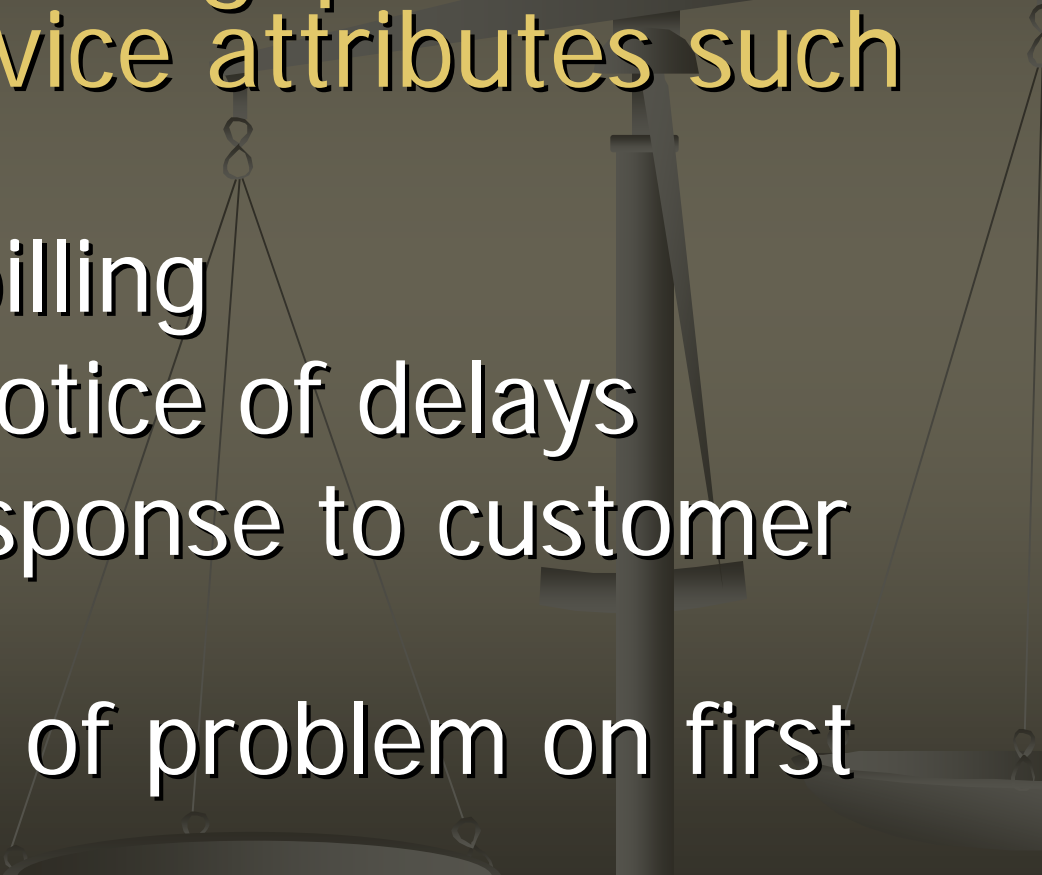
Customer Service Issues—Today

- Country-specific business models are slow & inflexible to meeting customer needs
- Because customers' views & needs are different, no single customer service program can meet all of those needs; however, most customers' needs are similar on the most important service attributes

Customer Service Issues—Today

- Customer service gaps still exist for important service attributes such as:
 - On-time pickups & deliveries
 - Competitive rates
 - Quality of personnel
 - Flexibility
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Customer Service Issues—Today

- Customer service gaps still exist for important service attributes such as:
 - Accurate billing
 - Advance notice of delays
 - Prompt response to customer inquiries
 - Resolution of problem on first contact
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Gap Analysis

Desired
Performance



Current
Performance



Examples

98% Customer Service
Rating

99% Errorless Claims

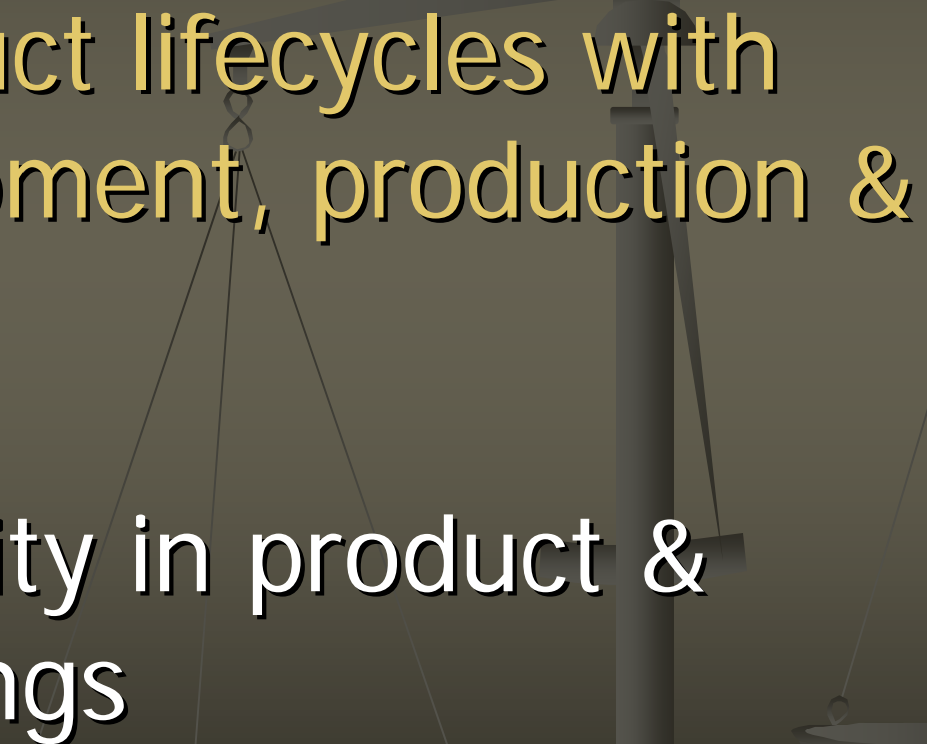
*What does it take
to close the gap?*

Examples

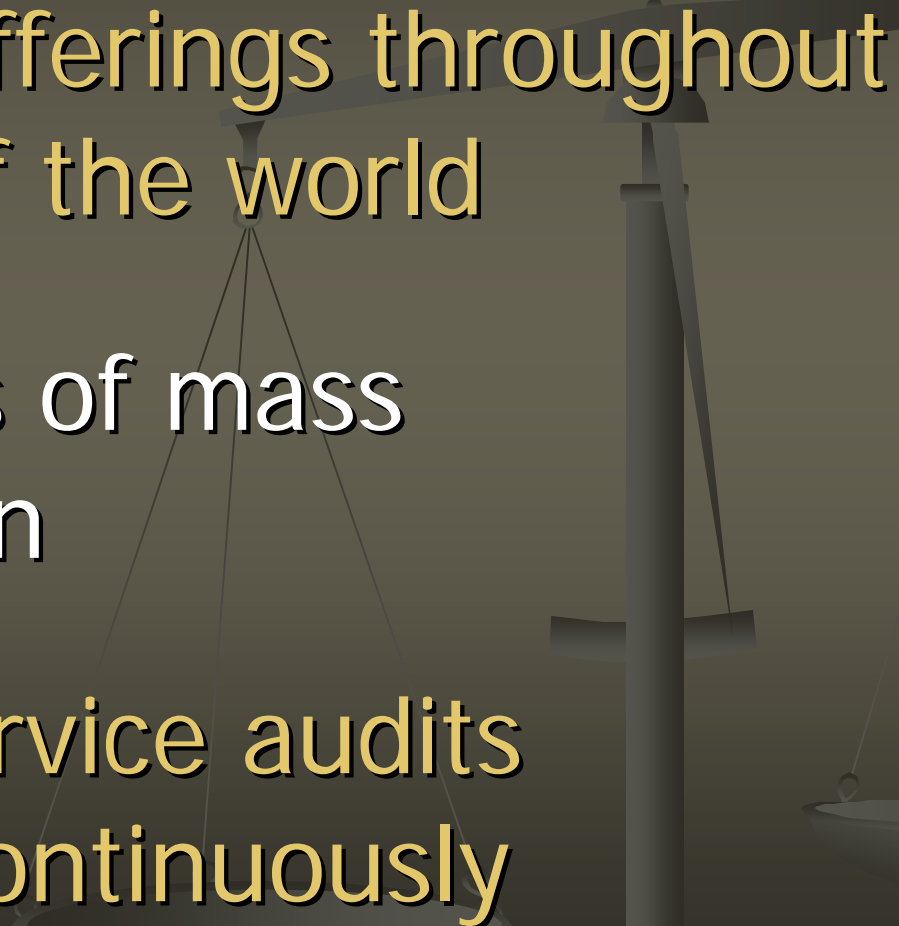
90% Customer Service
Rating

95% Errorless Claims

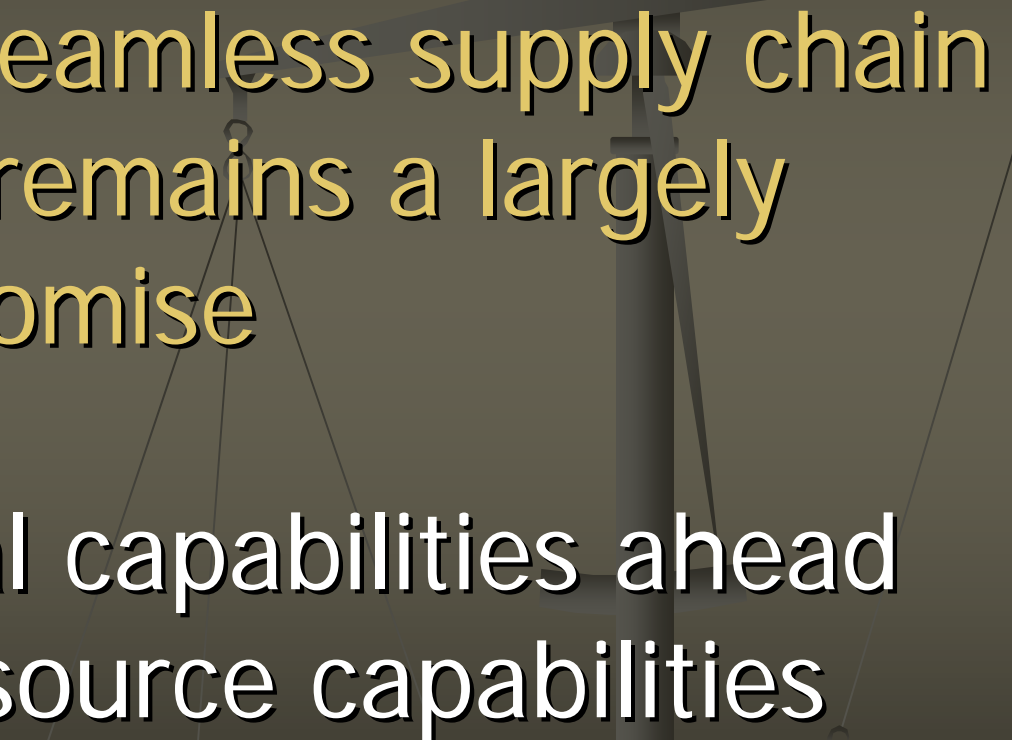
Customer Service Issues— Tomorrow

- Shorter product lifecycles with quick development, production & distribution
 - Flawless quality in product & service offerings
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Customer Service Issues— Tomorrow

- Consistent offerings throughout all regions of the world
 - Higher levels of mass customization
 - Customer service audits performed continuously
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Technology—Today

- End-to-end seamless supply chain connectivity remains a largely unfulfilled promise
 - Technological capabilities ahead of human resource capabilities
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Technology—Today



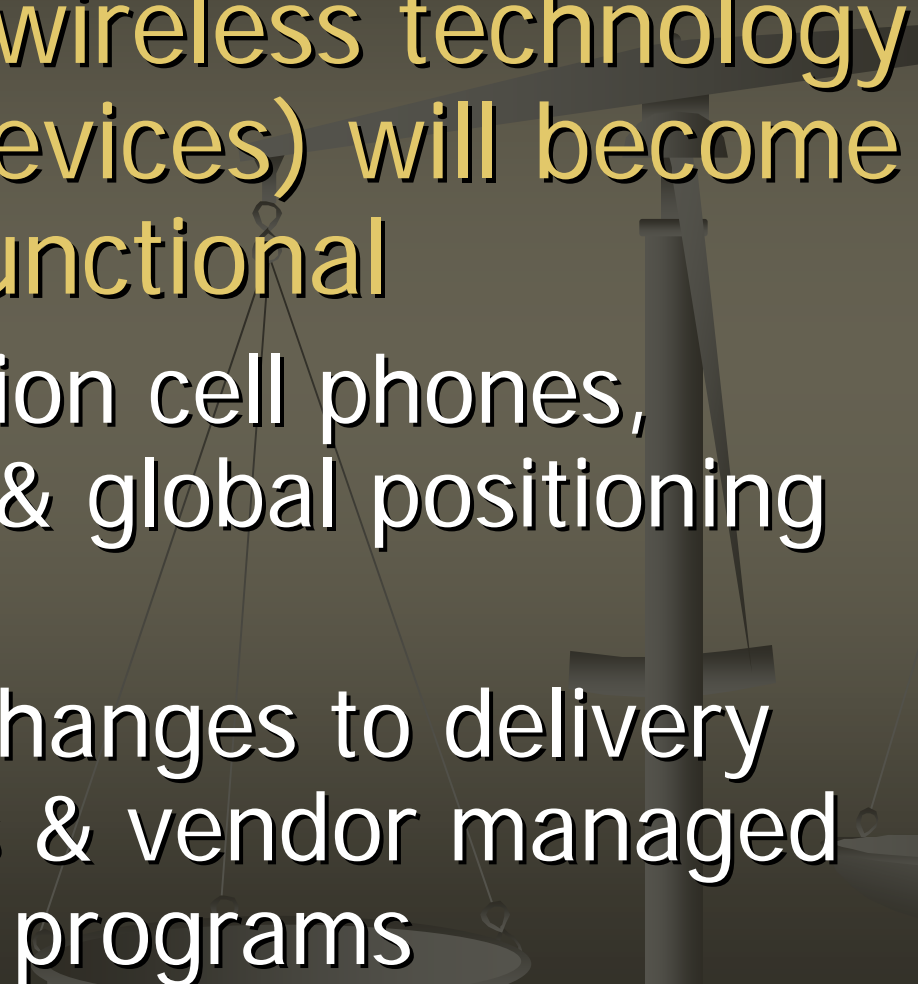
- Maintaining visibility of inventory & product shipments requires instant & continuous tracking capabilities
- Identification & implementation of optimal technologies within logistics

Technology—Tomorrow

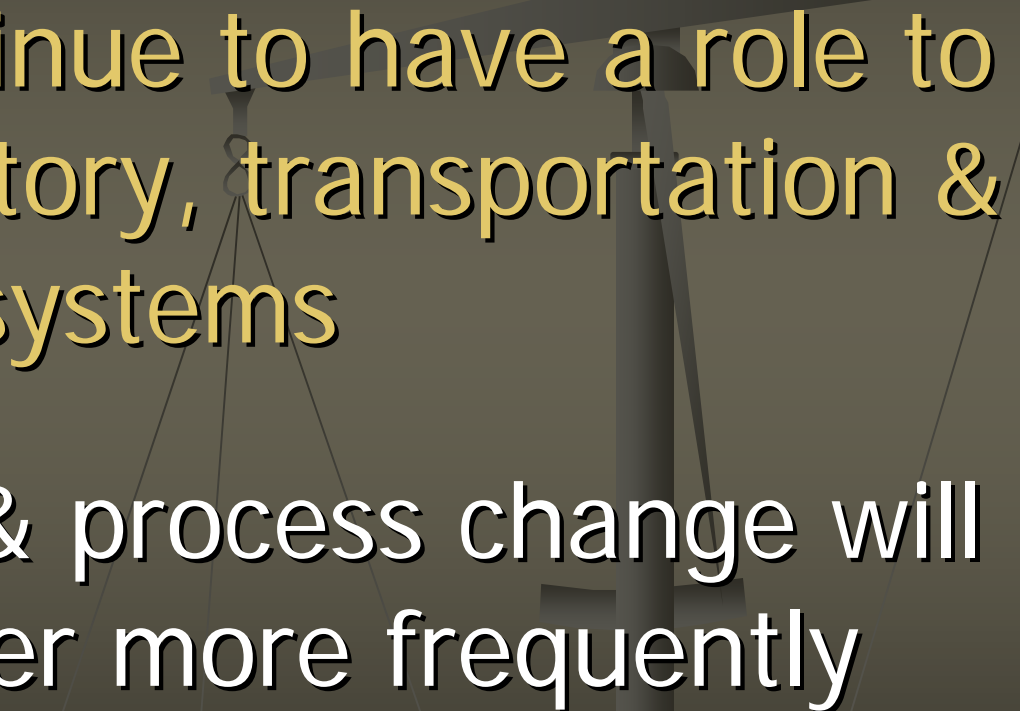


- Increasing integration of warehouse management systems & other logistics solutions with supply chain systems
- Reduction in the costs of RFID will speed implementation

Technology—Tomorrow

- Field-based wireless technology (handheld devices) will become more multifunctional
 - Combination cell phones, scanners & global positioning systems
 - Support changes to delivery schedules & vendor managed inventory programs
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Technology—Tomorrow

- EDI will continue to have a role to play in inventory, transportation & information systems
 - Technology & process change will occur together more frequently
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Technology—Tomorrow


- Growth in intra-Asian trade requires that supply chain partners have communication & information systems that support seamless distribution systems (i.e., systems that are integrated & “talk to one another”)



Technology—Tomorrow

- Global trade management solution applications will become more widespread, allowing importers & exporters to:
 - Screen trading partners against lists of prohibited parties & countries
 - Classify products for customs purposes
 - Produce trade & transportation documents
 - Calculate landed costs for planned or actual shipments

Global Logistics Issues—Today

- Capacity issues plague the US & other industrialized nations (ports, transportation equipment)
 - Outsourcing transportation & warehousing to third-parties continues to be popular
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Global Logistics Issues—Today



- Consolidation in the 3PL market
- Lack of standardized bill of lading & other uniform documents
- Difficulty in implementing reverse logistics strategies in a world economy operating "24/7/365"

Global Logistics Issues—Tomorrow

- Combining inbound & outbound transportation to/from a firm to take advantage of worldwide economies of scale
- Further substituting information for assets such as inventory

"Inventory is an asset only when it's on the balance sheet; everywhere else it's a liability"

Global Logistics Issues—Tomorrow

- **Developing global logistics metrics**
 - Warehouse cost per piece
 - Transportation cost per pound
 - Carrier on-time performance
 - Ship complete to meet required delivery date
 - Inventory location accuracy
 - Inventory receipts within 24 hours

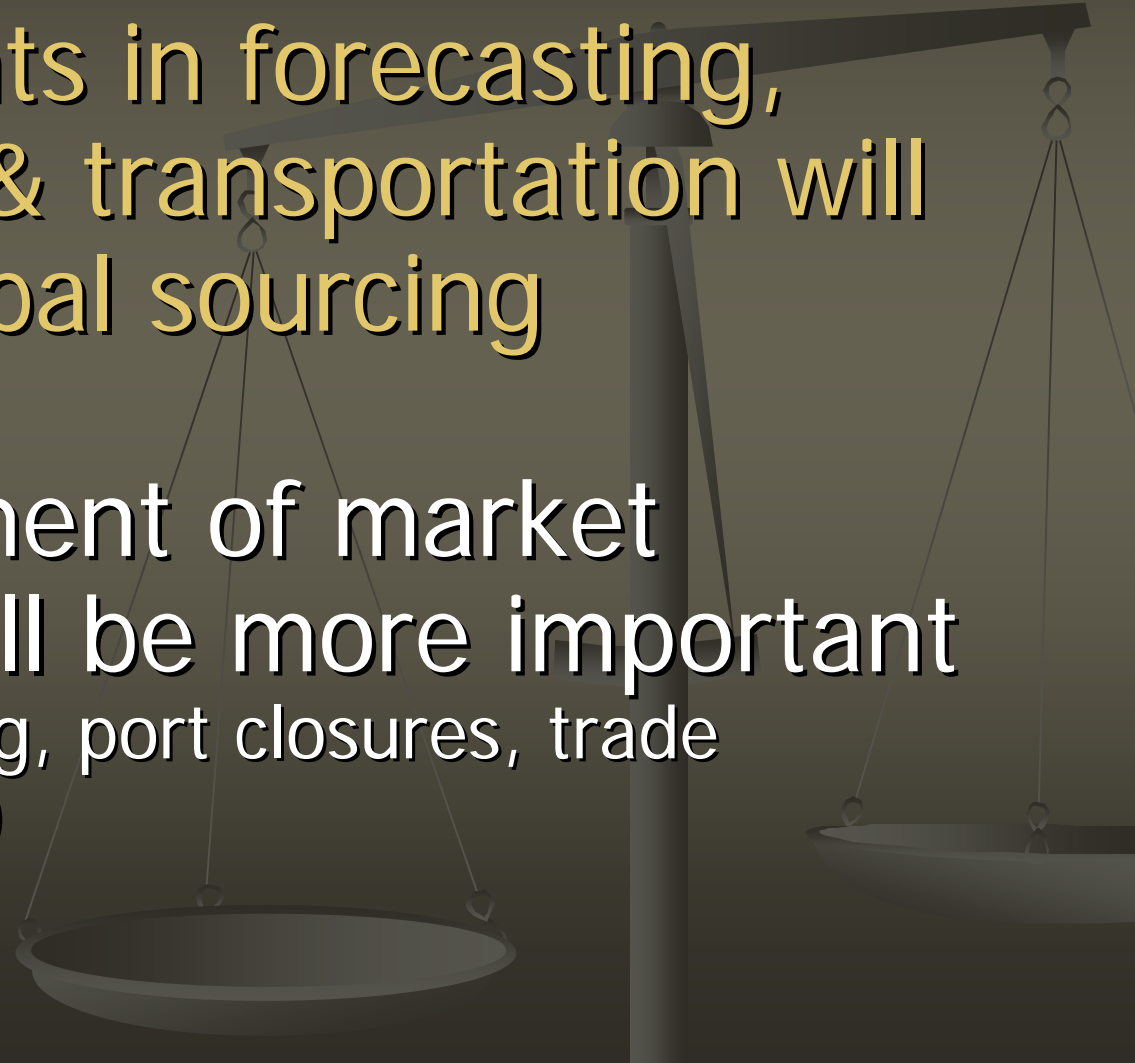
Global Logistics Issues—Tomorrow



- Outsourcing will expand throughout Asia (manufacturing, purchasing/procurement)
- Security issues will continue to be a major concern
- Mega-container ships will come on line, although slowly

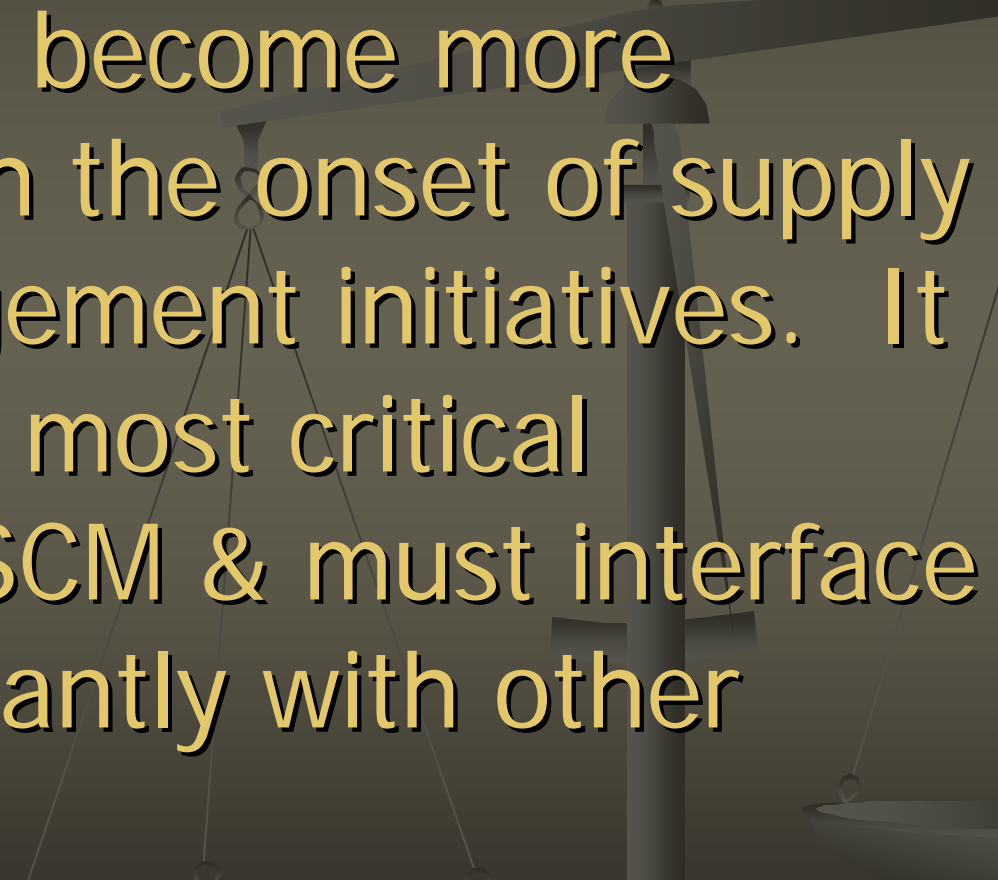
Global Logistics Issues—Tomorrow

- Improvements in forecasting, information & transportation will facilitate global sourcing
- Risk assessment of market strategies will be more important (off-shore sourcing, port closures, trade disputes, security)



Concluding Remarks

Logistics has become more strategic with the onset of supply chain management initiatives. It is one of the most critical activities in SCM & must interface more significantly with other processes.



Session III

- In our next session, we will examine:
 - Supply Chain Development & Integration
 - Supply Chain Metrics & Benchmarks
 - Future Developments in Supply Chain Management
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