

CVCR Spring 2009 Symposium

PANEL DISCUSSION

How 3PLs are Creating Value for their Customers

Moderated by Dr. Bob Trent
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Panel Participants:

- Jack Gross, Sr. Vice President and GM - International, Schneider Logistics
- Joseph Gallick, Sr. Vice President - Sales, Penske Logistics
- Marc J. Heeren, Senior Director - Supply Chain Development, Maersk Logistics/Damco
- Donna Stelzer, Vice President - Global Supply Chain Solutions, OHL/Barthco

Q: Regarding recent spikes in fuel prices--what are you going to do differently when they spike again?

A: Jack – Have contractual terms in place that are flexible.

Joe – Work proactively with customers to determine the most efficient mode of transport in order to reduce costs. Focus on environmental sustainability—e.g. how to optimize routing, minimize idling time, etc.

Marc – Reduce consumption of fuel and the miles it takes to get the product from one place to another.

Donna – It doesn't matter if it's domestic or international, it's the same problem. Look for ways to add value for the consumer.

Q: How many firms have been using multi-mobile transportation and how does this software help?

A: Donna – This has been increasing over the past few years and we are making a constant investment in technology.

Marc – It is seen more in Europe than in the US. It will slowly move over to the US.

Jack – Air freight vs. ship vs. car - find the lowest cost to use.

Joe – Value chain opportunity is creating more progressive logistics designs and a shift to less costly transportation. Collaborate with other shippers to find a win/win solutions.

Q: Weakness in global freight markets is growing and has multiple challenges-- what are some of the opportunities in this down market?

A: Donna – Ability to offer customers more integrated solutions. Educate their customers on all the services regarding these integrated solutions and stay in constant communication with the customers. Find another area of business to work with their customers that creates value.

Marc – Expansion for extended services in the redesign of supply chains. Old and new clients look at how things are being done differently. Need to work with clients to maintain a high level of service.

Jack – Sustainability. Number one is the flexibility to work with the clients to suit their needs. Number two is to exchange information with other companies nationally and internationally.

Joe – 3PL's growth is from their existing customer base because of the trust in the relationship. New business may result from "trigger" events (e.g. the economy), being proactive, and working with customers to find different solutions.

Q: Can you provide some guidance regarding when a firm should insource their logistics vs. outsource using a third party provider?

A: Joe – Complex question, not every company should consider it. What a company shouldn't outsource is their core competency.

Jack – It is not always obvious when a company should or shouldn't use a third party.

Donna – This is not always an easy choice. Much depends on the company and what they're hoping to accomplish.

Marc – There's not one easy answer for this complex a question.

Q: What are some of the linkages with IT and transportation routing?

A: Marc – As long as the information is there, a company can be provided with optimal routing. There is a lot of detail IT can provide in reports.

Joe – Domestic TMS software is robust and can be integrated with shippers, warehouses, etc. The 3PL will be able to provide the correct information. Globally, the data is there.

Q: Regarding future supply chains and collaborative processes—what are some practices to reduce the miles and the weight with oil prices?

A: Jack – "Don't waste a good crisis." Supply chain collaboration has been attempted for years. Everyone must have similar expectations for it to be effective. In the long run the answer is - If you don't do it, you won't survive.

Joe – Current challenges of working with global companies will become easier. There will be standardization through collaboration

Marc – Europe is ahead of the US when it comes to supply chain collaboration. Europe is uniquely positioned to bring businesses together. There are many lessons-learned that can be applied in the US.

Q: With increasing regulatory controls, how do you maintain your service levels?

A: Donna – This has affected us immensely. We need to keep up-to-date and educated on relevant changes (e.g. rules, regulations, costs, etc.). We need to provide value-added services to keep the customer relationship strong.

Jack – This is becoming a huge issue globally. Value opportunity can be viewed as costly. Regulations need to be reviewed carefully.

Q: To Marc – What is happening in terms of supply chain security as a result of piracy?

A: Marc – Merck has had numerous conversations with carriers and governments to reach agreements on piracy. A lot of training is being provided crews on how to handle piracy. We don't believe it will ever go away and will remain an issue for the foreseeable future. The challenge is that this is a global problem and will require governments around the world to cooperate.

Q: If there is a crisis that closes the borders (H1N1, drug wars, etc.) what should 3PLs be doing now?

A: Joe – Work proactively with customers on the "what if's." If something does happen then preparations will be in place. There needs to be an information sharing process that is more agile when a crisis hits. There should be very detailed plans--all the way down to power source failures.

Q: What is a 4PL?

A: Jack – There is no successful or profitable 4PL – don't view this as a threat.

Joe – This is where a lead logistics provider has broad responsibilities for managing multiple logistics activities.