

Speed bumps

Tips on how to avoid supply chain slow-downs

By Cathi Stevenson

It doesn't matter what size your company is, at some point in time you're going to hit a bump along the supply chain and logistics road.

Take for example Elizabeth's Garden Florist in Prince Edward Island. After more than 15 years with her own shop, Elizabeth Ghiz-Fay now operates the business from her home, and customers have come to expect personal and efficient service.

Ghiz-Fay didn't think she was fulfilling that commitment one day when she was unable to find a particular house number. This happens from time to time of course, but she was about to give up on the delivery when she realized it wasn't a house or a business or a building of any kind that she was looking for—it was a tombstone. Undeliverable products can impact the bottom line.

If she had not found the location, she would have been out the cost of any stock she could not reuse, gas and the time it took to look for the right address.

Other businesses have more at stake when deliveries go wrong, particularly those that are seasonal and have their product shipped in large quantities during a relatively short time frame, like Christmas tree producers. In 2011, Canada exported \$28.2 million worth of Christmas trees. From that total, Nova Scotia exported more than \$6 million; New Brunswick approximately \$5.5 million and Prince Edward Island, about \$71 thousand.

One of the most noteworthy facets of this industry is that the product needs to go from producer to consumer in a very short period of time. It's a system that requires a lot of precision and experience to manage, says Donna Morrisey, office manager for Northern Lights Christmas Tree Farms Ltd., in Debert, Nova Scotia. Sometimes Mother Nature can work against a company. A large snowstorm can wreak havoc on delivery schedules, particularly for shipments heading to

the United States. "Big box stores want the product before their Thanksgiving, so there's usually only a three-day window for delivery," says Morrisey, adding that they won't accept delivery at any other time. Northern Lights is fortunate to have dependable truckers who they've built strong relationships with over the years, but other things can interrupt a schedule.

Trucks are x-rayed at the border, and if something shows up on the x-ray, even a pop bottle left amongst the trees by a worker, customs officials can force the unloading of an entire shipment. When this happens, the company has to pay someone to look after the truck until they're able to hire help and reload the truck, all while trying to stay on schedule. "We're very careful to avoid this," she stresses.

Robert LeBlanc, a supply chain management professional and manager of inventory, distribution and facilities for Atlantic Lottery Corp., has more than a decade of experience working with and optimizing supply chains. One of the most important things he's learned is that to avoid bumps in the road, a company has to "know what (their) competencies are."

A company with expertise in sales and marketing is probably not going to have the skills required to optimize logistics, says LeBlanc. Warehousing in particular is often better managed off-site, by a third party with an existing and proven business model that is flexible. Doing so means businesses are free to focus on what they do best, and they're not hiring and training warehouse personnel during peak times and laying off during slower times. A third party can offer trained staff when required, and they have state-of-the-art technology in place to track products.

The key is to be careful in choosing who you partner with. "Not every match is made in heaven," he says. Don't just go with the best price, "nine times out of 10 you'll really get burned on doing that." He recommends a tendering process and carefully checking references. Sometimes things as simple as hours of operation can become major logistics problems. If there's an issue late Friday night, it's important to know your supply chain and logistics partners are open to help solve the problem and keep things on schedule, says LeBlanc. | ABM

One at a time

A link-by-link approach to understanding your supply chain

By Cathi Stevenson

It's not possible to talk about logistics without talking about supply chains. One cannot operate independently of the other and both are constantly evolving to meet the challenges of a modern, consumer-driven world.

Accountability for the waste created when a product is no longer serviceable is something consumers, investors and regulators are demanding from manufacturers.

Evolution of the supply chain

Logistics was originally a military term, with supply chain terminology being adopted during the 1980s as the industry evolved to include tasks such as tracking merchandise, storing products and choosing vendors, says Al Norrie, chairperson of the Supply Chain and Logistics Association Canada.

Even a few decades ago businesses usually dealt with their suppliers directly. If a company had many suppliers, like a pharmacy, then that would mean trucks delivering shipments on a weekly or bi-weekly basis, says Norrie. Staff had to be available to deal with the deliveries and stock had to be stored on the premises. When a business ran out of an item, there was little choice but to wait until the next shipment.

Eventually, distribution centers were added to the supply chain, reducing the need for businesses to store as much inventory, since they could now order items or materials as needed and on shorter notice.

Low-cost geographic sourcing

More recently, companies have extended the supply chain geographically with “low-cost geographic sourcing,” by ordering lower-priced goods from manufacturers overseas, commonly Asia. “But this increases transportation lead time ten-fold,” says Norrie. Outsourcing overseas means companies need to carry more inventory or risk running out of stock. Before embarking on such ventures, cost-per-unit savings need to be analyzed within

the supply chain, because other expenses, including warehousing and delivery, will have increased.

The greening of the supply chain

Another trend is the greening of the supply chain. Policies like reverse logistics have extended the supply chain to include the reclaiming and recycling of products after they’ve reached the consumer. A good supply chain has “got to adapt for that and find environmentally friendly ways to reuse materials,” says Norrie.

Accountability for the waste created when a product is no longer serviceable is something consumers, investors and regulators are demanding from manufacturers.

An example of visible accountability is Maersk Line’s Triple-E vessels, now in production. When completed, they will be the largest ships in the world, with the first set for delivery in July 2013. In an effort to eliminate waste, the Triple-E vessels (the Es stand for economy of scale, energy efficiency and environmentally improved) will have a “cradle-to-cradle passport” describing the material composition of every piece of the

ship. This will help ensure that when the vessels are taken out of service, they will be properly dismantled and each component will biodegrade or be recycled and reused.

Frito Lay Canada has won several awards for its environmental efforts. In 2011 the company reduced the amount of manufacturing waste sent to landfills by 98 per cent. In 2010, they became the first food manufacturer in Canada to use zero-emission electric delivery vehicles. That same year they introduced the first fully compostable potato chip bag.

Steve Collard, senior director of purchasing for Twin Rivers Paper Company, an organization with facilities in New Brunswick and Maine, describes how his company has found an innovative way to both save money and reduce stress on the environment. “We have taken a novel approach that has both quality and environmental implications. Recently, we contracted with a supplier who was putting their high-quality product in a landfill.” Through negotiations, Twin Rivers was able to reach an agreement to purchase the product for their own use. “It was a win-win for the supplier since they were paying disposal costs and are now receiving monies for these products. It was a win-win for Twin Rivers since we are receiving a high-quality product that we can use and by helping to divert this from a landfill, are contributing positively to the environment.”

It would appear that both expertise and creativity are equally important factors in managing a successful supply chain.

Quality control and value-added components

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Stricter laws governing product safety and quality have also been introduced into the supply chain in a much more significant way than they were decades ago. There are few things sold to consumers that aren't in some way affected by standards regulations.

Quality of materials needs to be taken into account before choosing supply chain partners, and many companies—particularly manufacturers, must have a system to test component quality every step of the way. When manufacturing or assembling a product for sale, each component is “value-added,” and must meet applicable standards before adding more value-added components. If this isn't done and a problem is found later, products could have to be dismantled and rebuilt, a costly process—especially if you're working with big ticket items like cars or planes. | ABM

Profit margin or marginal profit?

Finding the right logistical partners can make or break your business

By Cathi Stevenson



Logistics partners can have a great impact on the success or failure of any business. If shipping costs are too high, it's difficult to sell a product at a competitive price and still make a profit. If shipping is unreliable, a business will struggle to meet production and delivery schedules. Choosing logistics partners means first determining how the product will be shipped: road, rail, air or sea.

The nature of the product can determine the shipping method, says Ron Carter, director of logistics at Clearwater Seafoods,

and recipient of the Canadian Institute of Traffic and Transportation's (CITT) Award of Excellence for 2012. If a company is exporting live lobster overseas for instance, it's not possible to use a cargo ship because of time constraints and the only option would be to fly the product to its destination.

For businesses doing trade with other countries, documentation plays a large role in ensuring things go smoothly and Carter advises any company entering this forum to "really do their homework, both on this end and on the other end, and to talk to the client

or the supplier."

Brokers and freight forwarders can help, but they can only work with the information supplied by their clients, so if a company doesn't provide the correct information, there can still be problems. Third party services also add to the bottom line and he doesn't want to scare anyone by making the documentation part of the process seem too ominous. "If you have the ambition, there's a lot of help available online and from Canada Customs (Canada Border Services Agency), so it is possible to do it yourself."



Caution and a careful attention to detail are necessary. Products without complete and correct paperwork can be delayed by customs officials, turned back and even seized, and companies can be fined.

Insurance is another area which Carter advises companies pay close attention. Sometimes things happen that no one could predict or prevent and if goods arrive damaged, it's important to know who is going to take responsibility for that.

Managing logistics, even for smaller and medium-sized companies can be difficult, and

Managed by the Greater Halifax Partnership, Halifax Gateway offers the only U.S. preclearance facility in Atlantic Canada and has customs services open 24 hours a day, seven days a week.

incompetence can take a toll. Studies suggest that businesses with successful logistics operations make use of outsourcing and technology.

According to research done by Jacques Roy, professor of Logistics and Operations Management at HEC and director of the Supply Chain Council, Canadian companies are paying more for logistics than their American counterparts.

In *Global Value Chains: Impacts and Implications, Trade Policy Research*, published in 2011, Roy notes that Canadian companies were paying 12.5 per cent more for logistics in the manufacturing sector; 18 per cent more in wholesale; and 29.6 per cent more in retail. His research revealed that use of electronic systems for logistics was 30 per cent higher for the lower-paying American companies and they outsourced logistics more often. Companies with less efficient practices often had incomplete integration of electronic logistical systems.

The benefits of using technology were also noted by Lise-Marie Turpin, VP of Air Canada Cargo, while speaking at *Reposition 2012*, a national symposium for supply chain and logistic professionals sponsored by CITT.

Turpin noted that many logistics challenges, such as world economic instability, regulatory and customs policies and rising fuel costs are generally out of a company's control, but increasing efficiency and reducing costs through technology is something a company does have

control over. E-technology has allowed Air Canada Cargo to reduce use of paper and provides fast access to high-quality data.

Improving logistics has been the focus of the Halifax Gateway Council, a not-for-profit organization working to make importing and exporting easier for businesses in this region, says Nancy Phillips, executive director for the Council.

The Halifax Gateway consists of the Halifax Stanfield International Airport, the Port of Halifax, container terminals, CN Rail, a logistics and warehousing sector and highway infrastructure. Managed by the Greater Halifax Partnership, Halifax Gateway offers the only U.S. preclearance facility in Atlantic Canada and has customs services open 24 hours a day, seven days a week.

The Council actively supports projects such as the *Beyond the Border* program, a collection of 29 agreements designed to help streamline travel and trade between Canada and the U.S., while increasing security.

Phillips is confident developments such as the Atlantic Gateway – Halifax Logistics Park in Burnside, will play a role in the success of companies using the Halifax Gateway. The logistics park offers warehousing, customs clearance, freight forwarding and transloading (transferring goods from one mode of shipping to another), along with other services including cold storage. | ABM