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SC Execs' Dilemma: Innovate While Cutting Costs

Investment in new technologies and innovative logistics processes are top priorities for supply chain managers throughout the world, but they are frustrated by a shortage of qualified talent and never-ending pressure to cut costs, according to a recent study by MHI and Deloitte Consulting.

"The findings of this study have significant implications for how companies design and manage their global supply chains," said George Prest, CEO of MHI, the logistics association that produces the Modex and ProMat trade shows.

Released at this year's Modex show, "The 2014 MHI Annual Industry Report: "Innovations That Drive Supply Chains," found the top two strategic priorities of executives are supply chain analytics and multichannel fulfillment.

The two biggest barriers to innovation are a talent shortage and a continuing focus on cost reduction, the supply chain managers' survey also found.

It identified three emerging innovations that while not top-of-mind for executives right now, may be soon be: sustainability, mobility/machine-to-machine technology and 3-D printing.

"Respondents clearly identified the need to rethink their approach to supply chain management," said Scott Sopher, principal with Deloitte Consulting and leader of Supply Chain & Manufacturing Operations practice.

"In the past, organizations addressed supply chain challenges primarily through cost reduction and operational efficiency efforts," Sopher observed. "Today's global supply chains require a new focus on technology and innovation as well as a willingness to invest in these areas for the long term."

Among the study's findings was that nearly 80% of respondents said supply chain analytics is a "very important" or "moderately important" strategic priority.

Almost three-quarters (74%) of retailers expect their investments in multi-channel fulfillment to increase over the next three years.

More than 65% of respondents indicated that process, technology and skillset gaps exist within their company. (In the U.S., the supply chain field is expected to add 1.4 million new jobs by 2018, according to another recent MHI study.)

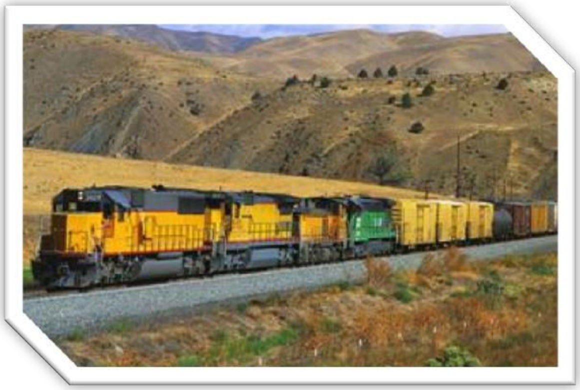
The annual survey found that more than 70% of respondents across industries said controlling costs is a top priority for their companies and customers.

Nearly 80% of respondents felt that sustainability was at least moderately important, but more than 60% indicated that significant capability gaps in their companies and clients may prevent them from effectively implementing sustainability programs.

About three-quarters (73%) said they will continue investing in mobility and machine-to-machine technologies to improve responsiveness and customer service by providing supply chain workers with information they need. In addition, nearly half said they plan to increase their investment in these areas during the next three years.

Rail Demurrage Transparency Required by New STB Rules

Following four years of deliberation, the Surface Transportation issued a final rule declaring the railroads cannot assess demurrage charges on warehouse-based third-party logistics providers unless those charges are clearly laid out in tariffs communicated directly to the 3PL.



Commercial warehouses had been fighting the railroads' practice of charging for demurrage absent a 3PL's contractual consent.

The STB rule, which will go into effect on July 15, requires railroads to clearly communicate its terms for detention and demurrage charges to the 3PL prior to the placement of the equipment. The bill of lading by itself is no longer recognized as being sufficient to establish demurrage liability.

If the railroad makes material changes to its tariff, a new notice must be sent to the receivers in order for demurrage penalties to be enforced.

The new rule also states that notice of demurrage charges by only including them in a tariff is considered inadequate to assign demurrage liability. Notice of demurrage terms must be contained in an actual notice that is communicated in written or electronic form.

In order to meet their new legal obligation, railroads can send directly to receivers a blanket, one-time notice that includes a link to the full tariff containing the demurrage provisions.

Under STB rules, receivers and warehousemen may file complaints at the board if they believe that the demurrage charges resulting from constructive placement or any other railroad practice is an unreasonable practice.

The new rule states that "demurrage liability does not begin until actual placement or proper notice of constructive placement." However, in handing down its newest rule the board declined to explain what it believes would constitute "proper notice of constructive placement."

STB Hears Competitive Switching Pros & Cons

Members of the Surface Transportation Board got an earful during two days of hearings in late March from the nation's Class I railroads and their customers on the controversy surrounding a proposal to require more reciprocal, or competitive, switching.

The National Industrial Transportation League has petitioned the STB to grant captive shippers increased access to competing railroads if there is a working interchange within a reasonable distance -- defined as 30 miles by NITL.

The league contends that this change would make railroads more competitive and save shippers who currently have access to only one line about $900 million each year.

"You have the discretion to make changes and the statute gives you that discretion, and it's ludicrous to hear that the current rules are etched in stone and can never be changed," NITL attorney Karyn Booth told the board.

NITL President Bruce Carlton said shippers would switch only 1.44 million carloads, or 4.6% of total annual carload traffic, contradicting rail assertions of massive financial losses if the change is made.

The Association of American Railroads estimates that switching would cost the industry $7.9 billion in annual net income, which equals what those same rail companies spent on capital investments in 2010.

A CSX representative told the board that the change would lead to unpredictable traffic flows, leading to reallocation and inefficient utilization of resources.

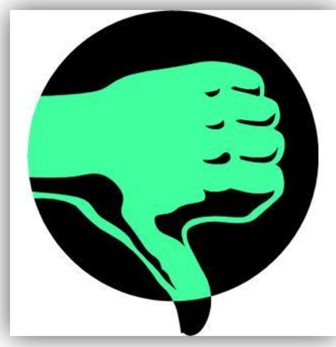
The railroad also contends that the proposal could lead to additional delays of up to three days, and in some cases trains would have to go an extra 300 miles out of their way.

"This proposal is a solution looking for a problem," AAR President Edward R. Hamberger testified at the hearing. "Railroads already voluntarily switch traffic when it makes economic sense for all parties."

OSHA Goes After Company For Blacklisting Truck Driver

OSHA is seeking back wages and damages of more than $100,000 from a New Prime Inc., a Missouri-based truck fleet, for retaliating against a former driver who sought medical attention for an injury.

OSHA ordered the firm to pay the driver $41,373 in back wages and $60,000 in compensatory and punitive damages. The agency alleged that the carrier had violated federal law by blacklisting the driver from work in the trucking industry.



New Prime denies the allegation and is appealing the decision.

Robert Kulick, the OSHA regional administrator whose office conducted the investigation, said, “Blacklisting an employee and sabotaging a worker’s career is unacceptable. OSHA will not tolerate employers retaliating against its employees for reporting violations.”

Kulick stressed that such actions can have a dangerous ripple effect if employees are compelled to drive when unwell or under medication because they are afraid they will lose their livelihood.

According to OSHA, the driver notified his supervisors that he had sustained an on-the-job back injury and was seeking medical attention. A month later he provided documentation to management that the condition was serious enough to prevent him from returning to work because he had been prescribed medications that made operating a commercial motor vehicle unsafe, OSHA said.
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A year later the driver’s physician released him for full duty. He decided not to return to New Prime and began seeking employment elsewhere in the trucking industry.

After being rejected for a job, the driver learned his former employer had submitted damaging and misleading information to a pre-employment and drug testing screening service, OSHA said.

That information had then appeared on the driver’s Drive-A-Check Report, an employment history submitted by trucking industry employers.

Furniture Orders Show Slow But Steady Improvement

New furniture orders in January were 2% higher than January last year according to the latest survey of residential furniture manufacturers and distributors by the Smith Leonard accounting firm.

The January numbers also were up 8% over December (keeping in mind that December is a short month because of its holidays).

This slower growth in January was about what was expected by most survey respondents. “New orders in January 2013 were 7% higher than January 2012, so at least the 2% increase was comparing to a decent growth month in 2013,” Smith Leonard said.

Shipments in January were 3% higher than January 2013, but off 4% from December. Shipments in January 2013 were 10% higher than January 2012 so, as with orders, the January 2014 comparison was to a good month in 2013, the firm noted.

For January, some 58% of the participants reported increased shipments. Smith Leonard observed, “But, as it has been for some time, the reported increases and decreases on a monthly basis are pretty much all over the map, with some up double digits and others off the same.”

Backlogs were up 15% over January 2013, up from a 14% increase that was reported the previous month and were up 1% over December. Smith Leonard said backlogs have been up double digits since August 2013.

Receivables were up 6% in January over January 2013 compared to a 3% increase in shipments. Receivables were flat compared with December although shipments were down 4%.

“Hopefully this is just a timing issue as receivables have continued to be in good shape over the last several months,” Smith Leonard said.

Inventories were up 3% over January 2013 and 4% over December. “The 3% increase over last year was the same increase we reported last month,” the firm added. “We continue to believe that, based on current business, inventories are in good shape overall.”

Total factory and warehouse employees rose 5% over January 2013 and were up 1% from December.

Workplace Bullying Requires Attention From Employers

Traditionally, horsing around and rough language are taken for granted in many male-dominated workplaces. But if that's the case in your company, you need to look at controlling that behavior.

At least 25 states are considering legislation to address workplace bullying, and in some cases employers already can anticipate facing lawsuits brought by employees alleging bullying.

As an employer you should be aware that you cannot allow harassment involving racial, ethnic, religious or sexual discrimination. However, this new legislation would let employees sue for workplace harassment without having to demonstrate that the harassment is based on a protected class, such as sex, race or national origin.

Attorney Uma Chandrasekaran of the law firm of Seyfarth Shaw LLP suggests you take these steps:

Institute anti-bullying policies. Although employers should already have harassment and non-retaliation policies because of anti-discrimination statutes, your anti-bully policies could encompass a broader range of conduct.

Your policy should define bullying and provide examples of such unacceptable behavior. The policy also would communicate a reporting procedure and establish disciplinary action for violations of the policy.

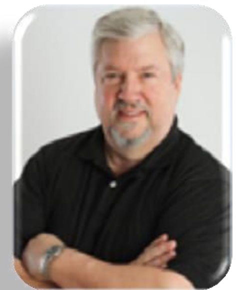
Organize regular workplace anti-bullying training. Consider incorporating regular anti-bullying training for employees and managers to ensure early detection and prevention. Employee training can include examples of inappropriate conduct, lay out avenues available to report bullying and use illustrative scenarios for discussion.

Provide support services. You also may consider instituting programs to create a support network for employees who may be bullied, and to prevent and address this conduct. This can include coaching, counseling, Employee Assistance Programs and other wellness programs.

That's not all. "In order to stay ahead of the curve, employers should always be striving to foster a culture of respect," Chandrasekaran emphasized.

San Francisco Roundtable Is Bolstered by Prism Support

Prism Team Services, an ACWI member company, has committed to providing support for the San Francisco Roundtable of the Council of Supply Chain Management Professionals.



From its locations in Hayward, Sacramento, Stockton and Livermore, CA, Prism offers a wide range of warehouse-based third-party logistics services throughout northern California.

"We are pleased to partner with the San Francisco Roundtable of the CSCMP, as it is one of the few excellent membership associations helping supply chain practitioners share best practices, network and stay ahead of the curve in defining new frontiers for logistics services and solutions," said Jere Van Puffelen, president of Prism Logistics.

In addition to his involvement with CSCMP, Van Puffelen has held top leadership positions in the International Warehouse and Logistics Association and other logistics industry groups.

His contributions have been recognized with the prestigious IWLA Distinguished Service award and other industry honors.

Prism is active in the Warehouse Education and Research Council, Transportation Intermediaries Association, and holds top certifications from government agencies and industry accrediting groups for its food grade facilities.

Serving more than 9,000 members worldwide, the CSCMP is a non-profit association that helps supply chain managers and executives connect, collaborate by producing a wide range of local, national and global educational conferences and other meeting opportunities. It also issues industry publications and supports college-level logistics programs.

One of the most dynamic of its 100-plus Roundtables around the globe, the San Francisco CSCMP provides regular educational events, networking opportunities and has a scholarship program. For information, visit www.cscmpsfrt.org.

Retail Sales Edge Upward After Long Winter

Consumer sales have edged upward following severe winter weather that persisted through most of the nation, according to industry statistics.

The National Retail Federation reported that March retail sales, (excluding automobiles, gas stations and restaurants), increased 0.8% adjusted month-to-month and 1.6% unadjusted year-over-year.

"Consumers shed their winter coats last month for fresh, spring merchandise," said NRF President Matthew Shay. "Retail sales increased in most categories and sectors as consumers purchased new spring attire and home furnishings in hopeful expectation of warmer weather. Sales should continue to remain positive this spring with the approach of Easter and expected tax refunds."

NRF has forecast that retail sales will grow by 4.1% over the course of this year.

Earlier this month, the NRF/Prosper Insights & Analytics's Easter Spending Survey reported that the average American consumer will spend $137.46 this Easter holiday on clothing, candy, gifts and more, with total spending reaching $15.9 billion.

The International Council of Shopping Centers said U.S. chain-store sales posted a gain of 3.6% for the March on a year-over-year basis, representing a rebound from the February pace of 2.2%.

Some retailers said the shift in Easter (April 20, 2014 versus March 31, 2013) had a negative impact on March sales.

"ICSC research estimates that the March Easter shift subtracted about 1% for the industry as a whole from monthly sales growth," said Michael Niemira, ICSC chief economist, vice president and director of research. "However, that one percentage point will be 'added back' to the April pace."

The NRF report found that **building material and garden equipment and supplies** dealers' store sales increased 1.8% seasonally-adjusted month-to-month, and 6.2% unadjusted year-over-year.

Clothing and clothing accessories sales increased 1% seasonally-adjusted month-to-month yet decreased 2.3% year-over-year. **Electronics and appliance** stores' sales slid 1.6% month-to-month and 2% year-over-year, NRF reported.

Furniture and home furnishing sales rose 1% for March and 1% over the past 12 months. **General merchandise** stores' sales were up 1.9%, yet decreased slightly 0.2% from the previous year.

Health and personal care store sales increased 0.3% for the month and 4% year-over-year. **Nonstore retailers' sales** (including Internet and catalog sales) rose 1.7% for the month and 8% year-over-year.

In a separate report -- The NRF-Hackett Associates Global Port Tracker -- the federation said it anticipates that import volume at the nation's major retail container ports will rise 6.1% in April.

"With winter over, retailers are stocking up in anticipation of a busy spring and summer," said Jonathan Gold, NRF vice president for supply chain and customs policy.

Retailers are concerned about West Coast port labor negotiations, Gold said, and are already exploring contingency plans in case a disruption occurs.

The Global Port Tracker reported 1.26 million TEUs handled in February, the latest month where after-the-fact numbers were available. February is historically the slowest month of the year, and the number was down 8.4% from January and 1.4% from February 2013, NRF pointed out.

March was estimated at 1.31 million TEU, up 15% from the same month last year. April is forecast at 1.38 million TEU, up 6.1% from last year; May at 1.44 million TEU, up 3.8%; June at 1.43 million TEU, up 5.5%; July at 1.49 million TEU, up 3.1%, and August at 1.51 million TEU, up 1.2%.

The first half of the year is expected to total 8.2 million TEU, up 5.5% over last year. The total for 2013 was 16.2 million TEU, up 2.3% from 2012's 15.8 million TEU.