

First Thoughts

By Dan Gilmore - Editor-in-Chief

SupplyChainDigest™

May 11, 2012

Supply Chain News: Conference Mania Week: WERC, MIT, RedPrairie, NRF SCM

It was Conference Mania this week. I tried my best to get to them all, falling just a little short, though I would say covering four conferences in three days is no mean feat.

Monday, I was at the Warehouse Education and Resources (WERC) annual conference in Atlanta, as well as the NRF Supply Chain conference, conveniently right across the street. Tuesday I was in Boston and MIT for day 1 of a fantastic and important conference on the future manufacturing in the US. Wednesday I was in Hollywood, FL for the user conference of software company RedPrairie.

Amazingly, the Institute for Supply Management conference was also this week, as well as the Manhattan Associates user group meeting. I know May is considered a prime conference month, but six major events in one week?

So, there ought to be something for everyone in this uber trip report. Obviously, I can only cover a few highlights of each conference here, but next week I will deliver more detailed reports on the WERC, MIT, and RedPrairie events.

Gilmore Says:

“ The presentation included video of one of these robots reaching out to grab a hammer, and moving it around, sort of testing its weight and feel just like a human might. ”

Let's take them in order. The WERC meeting is always one of the more enjoyable conferences, with a unique combination of a sort of laid back style but with attendees deeply committed to the organization and distribution-related topics. President **Mike Mikikta** was pleased to see attendance get back over the 1000 mark for the first time since 2008. "It was good to see a comma in the number," he told me.

That attendance rise was in part the result of a smart strategy to pitch the idea of having companies bring a large number of people to the event, tying WERC presentations into and around internal company meetings. That idea was in turn enhanced with the notion of having WERC presenters deliver custom or more interactive presentations privately for specific companies having these meetings, a bright idea WERC helped to coordinate. In others words, if John Deere did a presentation on slotting optimization, which it did, a company might have arranged a private discussion with the Deere presenter to drill deeper into specific issues or practices.

Michael January of food distributor Ben. E Keith and **Allen Kohl**, CEO of consulting firm KOM International, gave an outstanding presentation on Keith's evolution in terms of managing slow movers in the DC. The most recent approach involved traditional pick lines using pallet jacks for high movers, and very narrow aisle storage for thousands of slow moving SKUs. Slow movers in the VNA aisles were selected using order picker trucks, including the uncommon approach of picking the first three levels on the way down the aisle, and the top three on the way back, to reduce up and down truck movements. The general problem: the time it took to merge the fast movers and slow movers on the dock, and associated errors.

The new approach, to be unveiled in a new DC in Houston set to open by year's end, involves use of an automated "mini-load" robotic picking system for slow movers, integrated directly with the picking flow for fast movers. Hope this makes sense, but the picking flow, all headed towards the dock, will be: traditional picking of heavy fast movers, then automated mini-load picking for heavy slow movers, then regular picking for light fast movers, then automated picking for light slow movers. First time this type of mini-load approach has been used food/grocery Kohl said. Very interesting.

I later zipped across the street to the NRF supply chain conference to host a panel discussion on the role of vendor compliance programs in creating efficient retail supply chains. The panelists were **Dr. Brian Gibson** of Auburn University, **Tim Duvic**, VP of Distribution at Stage Stores, and **Greg Holder**, CEO of Compliance Networks, a provider of compliance management software.

It turned out to be a lively and well attended session, on a topic that can be controversial in some circles, especially if you are a consumer goods company getting hit with chargebacks. As he has done before on these pages, Duvic made a strong case that compliance is indeed as an essential tool to drive supply chain improvement, with a strong focus on quickly identifying issues and communicating them extremely well to vendors so that the underlying problem can be addressed. That said, if there is a problem (goods aren't marked correctly, wrong carrier is used), Stages Stores, like others, expects to have its extra costs covered by the vendor that caused those costs to be incurred. Holder discussed how compliance data can be leveraged to provide visibility to the full PO lifecycle, and eventually drive "predictive" supply chain analytics.

But clearly, some retailers are more focused on the chargeback than on supply chain improvement, and this is an issue. One attendee, from a very well-known apparel company, said they have excellent processes, and can often document that given orders were packed and shipped correctly. No matter, he said, they are assessed chargebacks from some retailers, who won't take their calls or react to the evidence. The issue of multiple and sometimes contradictory carton labeling requirements came up, a subject we first publicized in 2010 as an important issue that has started to raise its truly ugly head in recent years. My bottom line: there is still just too much variability in the consumer goods to retail supply chain.

MIT's "The Future of Manufacturing in the US" conference was a major event that has been in development for some 18 months. It included presentations from CEOs or major executives from companies such as GM, Amgen, Spirit Aerosystems, General Electric, J&J and more, and much research coming out of MIT on the subject. On day 2 (which I had to miss), the event included a presentation by Secretary of Commerce **John Bryson**.

So, can manufacturing in the US see a renaissance, as many are predicting, and millions more are at least hoping? Well, if it does, one thing made clear at the forum is that it will be a different kind of factory, what is being called "advanced manufacturing" in many circles. That approach will generate lots of "value added" in the US, but employ fewer, more skilled factory labor, not thousands of workers per site doing repetitive unskilled work. Those days are just gone.

MIT's **Dr. Rodney Brooks** persuasively predicted a game-changing wave coming soon of much more person-friendly robots that will operator right alongside humans in the factory – Brooks has some credibility, having creating the company that makes the "Roomba" robot sweepers and another that will launch a new generation of industrial robots (think Star Wars' 3-CPO) later this year. The presentation included video of one of these robots reaching out to grab a hammer, and moving it around, sort of testing its weight and feel just like a human might.

Spirit Aerosystems CEO **Jeff Turner**, in some comments to me at lunch after a fantastic presentation on its approach to labor relations, said Spirit has rejected offers from China to build there in large part because China demands access to key intellectual property in return. More companies need to think this way.

Finally, RedPrairie held an upbeat RedShift 2012 user conference at the famed Westin Diplomat Hotel in Hollywood, where again a record crowd of 1000+ was achieved. From a company perspective, new CTO **John Kopcke** described his plans for a new cloud-based architecture that connects RedPrairie's growing solution footprint (a slew of retail applications acquired through acquisition added to the core logistics execution suite) in a way that will allow very flexible integration and workflow across the entire product line.

Two quick notes of interest on this: (1) the prime orientation of all RP apps will become role-based. This is a big change, and means that any given role will be configurable to access any solution that the company has acquired and the user has permission to use from the same screen. Second, Kopcke noted that even with a traditional on-premise deployment, the system might reach into the public cloud and a given set of web services to augment the on-premise system in peak transactional periods, reducing the need for hardware power locally. Kopcke also says that RP is simply done with software modifications. It will be (1) base product, (2) extensions added to the base as needed, or (3) some kind of path ("user exits") where changes that absolutely must be made can be achieved without impacting the base code.

The highlight of the presentations was without question a fantastic session from Kraft's Tom Drake on how the food giant is using RedPrairie's revolutionary but still little known Flowcasting solution that is most succinctly described as store-level DRP. That's not surprising, since the concept was developed by Dr. Andre Martin, the inventor of traditional, distribution center-based center based DRP more than two decades ago (and who has been working for RP for the past couple of years).

In a nutshell, Flowcasting calculates individual store replenishment based on very simple math, tied to POS data, on-hand inventory, and a few more inputs. I am over simplifying dramatically, but conceptually it is not far from "sell one, ship one," modified a bit for efficiencies in ordering and transport.

Drake said the solution, now live with a couple of retail customers, has delivered the biggest single improvement in forecast accuracy in the history of Kraft, while noting that in a sense Flowcasting has upended Kraft's existing thinking about the value of traditional forecasting and accompanying resources. The benefits naturally enough include lower inventory, increased sales, etc., with an ultimate path, Drake said, to a significant amount of money that could be added to the bottom line. More on this soon.

A hectic but fulfilling week. More detail on all this next week and beyond. Would be happy to see a little less event concentration in future years.

Dan Gilmore