First Thoughts
by Dan Gilmore, Editor

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May 3, 2007 - Supply Chain Digest Newsletter

It was Working at WERC 2007

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I had the chance last week to attend and speak at the annual Warehouse Education and Research Council (WERC) conference in Nashville. It has been a few years since I've attended this event, and my sense was that the conference itself is on an upswing; some excellent material was presented.

My review and comment is below, including summaries of several sessions. We'll have some detailed reports next week.

There were somewhere north of 1000 attendees, and it seemed that the attendee level and the overall "energy" of the event are trending positive. I enjoyed very much the Council of Supply Chain Management Professional's (CSCMP) conference in San Antonio last year, but noted a somewhat lack of sessions around core distribution issues in favor of global sourcing/supply chain, transportation and other topics. WERC promptly wrote us at the time to suggest we head to Nashville in 2007 to get our fill of distribution related subjects, and that's certainly what I found.

I was again reminded here of what interest there always is in "foundational" sessions, on topics such as comparing different order picking approaches, where and when to use automation in the DC, etc. There were a number of these sessions at WERC, and they all seemed to be very well attended.

I also give my hats off to WERC for having the presentations available as handouts for the start of most sessions, and the promise by the moderators when they were not to promptly get copies out to requesters. This is the number one gripe I hear from attendees at events – no handouts to begin with, and failure to receive emails of the presentations after submitting a business card in the traditional bucket.

I also give a tip of my hat to Prologis, a 3PL and facility provider, which seems to be sponsoring valuable, genuine industry research with no hidden agenda. That includes current work by **Tom Speh** of Miami University and **Arnie Maltz** of Arizona State on "Import-Driven Warehousing." The two spent many months visiting a number of U.S. ports and import warehouses to better understand how the rapidly growing movement of offshore goods can be improved.

Key findings: Total efficiency varies significantly from U.S. port to U.S. port, driven in part by differing longshoremen work rules but also many other factors. The lack of a "single window" into inbound container processing info creates huge challenges, and it is extremely difficult for import DCs to deal with the sharp ebb and flow of the number of containers coming at them. As such, access to a pool of temp labor can be critical. Much more so than regular warehousing, import warehouses are dependent on managing a wide array of relationships (ports, drayage carriers, ports/terminals) to be effective, often using non-electronic means. If you can't manage these relationships, it's hard to be effective.

Laurie Copeland of Home Depot gave a nice presentation on the use of metrics to drive and improve 3PL performance. Home Depot had something of a mess of a 3PL strategy until a few years ago, characterized by a very decentralized operating environment and great variance in policies and results. Copeland and her team first developed a more integrated, standardized approach, and then started the use of a strong performance measurement system to drive and in some cases "partner" with 3PLs to improve results.

Some key takeaways: Home Depot has built a powerful dashboard to let its own team and the 3PLs see performance results along a number of key performance indicators. Somewhat unusually, the dashboard shows the performance of both 3PL-run and Home Depot run DCs within a category (cross dock facilities, etc.), availble to both sides. There are significant financial penalties and rewards built into the contract for 3PLs depending on whether they meet, exceed, or fail to achieve metric targets (fines and bonuses, if you will). When a 3PL fails to meet targets, Home Depot executes a standard, consistent "Process Improvement Program" with that 3PL provider to get the metric going back in the right direction.

I also very much enjoyed the roundtable discussion on global supply chain, moderated by Honeywell's **Jay Fortenberry**, VP of Supply Chain Integration. He was prepared, highly experienced, and had some materials to drive the discussion. I heard a few of the other roundtables floundered a bit from a lack of strong direction by the moderator.

As we've noted many times before, it's clear so many companies are still in the very early stages of global supply chain execution. Common themes from participants in this roundtable session: challenges from asking domestic buyers to suddenly start executing global supply chain programs, without the requisite expertise; the much greater level of disconnects in activities in global supply chains and a lack of internal communication; rising inventory levels; and the temptation to just say "Forget it" and let an outsourcing do it all.

My take on the last point: outsourcing should be the result of a strategic decision, not a panicked one, and you still have to be able to manage the outsourcers, lest you be shorn like a sheep.

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Omer Rashid of KOM International did a very nice job of demonstrating the potential improvement in space utilization and labor cost savings that companies can achieve from digging into their data and reslotting their warehouses (including changes in storage modes). It's clear to me many more companies could be benefitting from this. One issue for Rashid and it seemed most of the audience: finding slotting software that really worked well in "maintenance" mode.

Jim Barnes of enVista and I did a presentation on the impact of consolidation on the WMS industry and potential WMS buyers. In case you haven't noticed, there's a lot of that going around, not just in WMS but every other supply chain software category. Our message in part: any vendor potentially can be purchased, noting the apparently semi-serious talks between Microsoft and SAP a few years ago.

So what do you do? First, recognize almost every vendor funded by VCs or private equity will be looking to cash out, and the "going public" route is a lot more difficult or even impossible for many today. That means a sale to someone is likely.

You should evaluate whether a vendor you are considering is likely to be purchased as a "strategic buy" – meaning it will largely be acquired for its products and level of growth, or (as is increasingly common) to acquire its customers on the relative cheap. In the former case, the acquired product is likely to get lots of support and development. In the latter, don't expect much of either no matter what they say when the deal is announced.

Your best bet? Require source code to be escrowed in somewhat in the event of a lack of support and development, and that the technology is something your IT team could in fact take on itself.

Did you attend WERC 2007? What was your experience? What makes import warehousing different, and what are keys to success? Can we do a better job of using metrics to drive 3PL performance without it being only a club? Should more companies be looking at the data to drive reslotting programs? Let us know your thoughts.

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