



Are You Ready for a Shock to Your Supply Chain?

After Hurricanes Katrina and Rita, vulnerability to a growing number of potential disasters and disruptions has US manufacturing execs turning to sophisticated 3PLs to safeguard their brands at the end of the supply chain

“Major quake in California. Avian flu in Chicago. Dirty bomb in New York. THE NEXT BIG ONE,” reads the cover of a recent BusinessWeek magazine. With Hurricane Katrina costing an estimated \$200 billion and displacing up to a million residents throughout New Orleans and the Gulf Coast, followed by Hurricane Rita, the business disruption caused by recent natural disasters is immense. So too is the disruption caused by acts of terror such as 9-11 with its immediate nationwide airport lockdown, followed by stricter security measures for passengers and shipping.

While the likelihood of any single disaster wiping out your manufacturing capacity is still slim, the probability of a disaster or series of disasters seriously disrupting your supply chain and damaging your brand is disturbingly evident today. And let’s not forget the disruptions caused by labor strikes, blackouts, the absence of key employees, or other sometimes unavoidable incidents.

With the high cost of disregarding potential disaster in mind (building a category 3 levee when a category 5 levee is required - as in New Orleans for instance), US manufacturing execs are increasingly aware that their logistical supply chains, and ultimately their brands, must be safeguarded against whatever shocks may come. Where the cost of building/upgrading in-house warehouse management systems is excessive and logistics expertise is needed, they’re turning to sophisticated third party logistics (3PL) providers to ensure the prompt delivery of finished goods to customers at the end of the supply chain, for the sake of their brands.

“Executives typically focus on strengths and opportunities while glossing over weaknesses and threats in analyzing ventures,” says Kathy Krueger, CEO of Kenakore Solutions, a sophisticated 3PL which devises supply chain management solutions for manufacturers. “But recent disasters vividly show how such threats can disrupt the supply chain - causing missed deadlines, stock outs, botched delivery, or other brand-damaging mistakes that spur customers to go elsewhere. That’s why shock-proofing the supply chain and optimizing inventory to protect your brand in the marketplace is so important today.”

Sophisticated 3PLs such as Kenakore can do much to shock-proof the supply chain to prevent revenue disruption, unexpected expenses, and brand damage. They go far beyond typical in-house production planning and do far more than just offload, store, and ship product - the routine functions of a standard third party logistics provider. Instead, they literally partner with the company to protect the performance of its brand, ensuring that customers receive what they ordered, when and how they need it.

To safeguard customer commitments and optimize inventory levels, sophisticated 3PLs coordinate supply line variations from global, domestic, and regional sources to ensure on-time production and shipment. They do this transparently, so the company’s brand receives all the attention. To achieve this, they integrate fully with customers at all the touchpoints of shipment, including invoicing, inventory management and reconciliation.

“When a company orders from us in today’s competitive JIT environment, it’s critical that they get what they need on time, the first time - not late or in multiple shipments due to unexpected disruptions or problematic logistics,” says Terry Holcomb, General Manager of Betts Spring Company’s vehicle component manufacturing division. Betts Spring, a manufacturer of vehicle suspension components, truck parts, and accessories, has a 138-year history and is based in San Leandro, California.

“There’s no room for stock outs or delays and customers must not get the mistaken impression they’re dealing with a disinterested third party operator,” adds Holcomb.

“With Kenakore we’ve achieved a 98% first time order fill rate in one day even though

we're based on the West Coast. Operation is seamless and Kenakore can provide product with all the necessary labeling, paperwork, and customer-requested extras."

Sophisticated 3PLs like Kenakore can achieve high order fill-rates while insulating a company from supply chain shocks through optimized logistics and inventory analysis that can also maximize inventory turns and ROI. They do all this and more for a company, so the company doesn't have to make its own ongoing capital investments in logistics, which can run an initial half-million dollars or more for sophisticated 3PL capability.

Dana Corporation, a partner to automotive, commercial, and off-highway vehicle customers with employees in 28 countries, understands the importance of optimizing the supply chain to better service its customers, who made \$9.1 billion in purchases in 2004.

"To succeed in the future, companies will have to master their supply chains," said Vicky Black, Vice President of Dana Corporation's Service Parts Division. "It's not just a matter of being efficient, but of satisfying the customer at the two main points of contact - at the point of sale and point of delivery. Since so many products are becoming commodities with global competition, product availability and on-time, error-free deliveries are becoming essential differentiating factors in making the sale."

Recently, Dana Corporation relied on sophisticated third party logistics for warehouse management, product consolidation, kitting, and packaging. In analyzing order patterns and product in/outflow, Kenakore was able to identify Dana Corporation's fastest selling items at a distribution center.

"While we had good product availability, we wanted better," explains Black. "With all the resources that go into R&D, production, and marketing, we certainly didn't want to miss the last link of the sales chain. In a competitive marketplace, that could be the difference between making the sale and giving it to a competitor."

“Acting on inventory analysis, we improved the product availability of our fastest selling products by 30%,” continues Black. “Further analysis of our order and product in/out flow patterns also helped us to automate order entry, allowing us to cut the lead time on thousands of products.”

In a business landscape left uncomfortably vulnerable after Hurricanes Katrina and Rita, not to mention 9-11 and its aftermath, US manufacturing executives can rest easier knowing that in safeguarding their supply chains with sophisticated 3PL partners they can also help maximize inventory turns, ROI, and ultimately brand satisfaction.

For more info on sophisticated 3PL providers, call 419-661-1233; fax 419-661-1251; visit www.kenakoresolutions.com; or write to Kenakore Solutions at 487 J Street, Perrysburg, Ohio 43551.

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