

3PL Executive

THE OFFICIAL PUBLICATION OF THE INTERNATIONAL WAREHOUSE LOGISTICS ASSOCIATION • www.iwla.com



IWLA 2007 Annual Convention

Marriott Hilton Head Beach & Golf Resort
Hilton Head, SC
March 4-7, 2007



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Staff and Leadership

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Catch the Wave at...



IWLA's 2007 Annual Convention, March 4-7, 2007

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Collaboration is not only the wave of the future, collaboration is key to success. According to a recent study, collaboration is a key driver of overall performance for companies around the world. In fact, its impact is twice as significant as a company's aggressiveness in

pursuing new market opportunities and five times as significant as the external market environment.

Collaboration with your customers, staff, colleagues, government agencies, trade groups and even your competition is crucial to running a profitable warehouse logistics business and is the theme of IWLA's 116th Annual Convention.

The event will stimulate your thinking, spark new ideas and reveal concepts that will enhance your business and positively impact your bottom line. An added bonus – the ability for attendees to personalize their convention experience through a flexible “track-based” schedule.

Register for one of three tracks

- **Convention +:** March 4-7, Option to arrive Saturday evening, attend Pre-Convention Conference *plus* Optional Golf Outing/Optional Activities *plus* convention networking and education events
- **Traditional Track:** March 4-7, Option to arrive Sunday evening, attend Golf/Optional Activities *plus* convention networking and education events
- **Fast-Track:** March 5-7, Option to arrive Monday late-day, attend convention networking and education events

This structure will allow you to manage your resource allocation and time out of the office more efficiently.

I want to highlight for you five reasons you should register for IWLA's 2007 Annual Convention today.

1. *Expand your industry intelligence.* You don't want to miss supply chain leaders presenting on the hot theme, *Collaboration – the wave of the future*. The featured line-up includes **Rick Blasgen**, CSCMP; **Ralph Drayer**, Supply Chain Insights; **Stewart Dunsmore**, Kuehne + Nagel; **Jay Fortenberry**, Honeywell Inc.; **Sam Geist**, Geist & Associates; **Dan Gilmore**, Supply Chain Digest; **Clifford F. Lynch**, C.F. Lynch & Associates; **Chip Scholz**, Scholz & Associates; and a panel discussion of collaboration by national warehouse providers chaired by **Bob Moran**, CLP, RJM Consulting and including **Bob Koerner**, Total Logistic Control; **Robert Auray**, GENCO and **Bruce Abels**, Saddle Creek Corp.
2. *Acknowledge the supply chain security reality.* You know that supply chain security isn't just about high value products anymore. Monitoring your warehouse operation for trouble and responding before it gets out of hand is a value-add to the bottom-line. You now must be conversant in the areas of security requirements, best practices and IT security. This year's Pre-Convention Conference, *The Bottom Line on Security*, addresses this critical topic.
3. *Get ROI on your membership.* Attend the convention and talk one-on-one with Pat O'Connor, IWLA's Washington lobbyist, about critical legislative issues affecting your business; keep your knowledge current on how to safeguard the warehouseman's reasonable standard of care from IWLA's retained legal council, **Kevin Phillips** and **Catherine Pawluch**; understand

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how to maximize customer exposure for your company through IWLA's new Logistics Services Locator and talk face-to-face with IWLA's new president and CEO, Joel Anderson.

4. *Get keyed up by the keynotes.* You want to be there when nationally acclaimed motivational speaker, **Sam Geist** charges the convention up with his message, *Execute or be Executed*, and when **Ralph Drayer**, Supply Chain Insights, discusses *Collaboration: The key to unlocking the supply chain's potential*.

5. *Connect with colleagues.* Take the opportunity to network with your friends and colleagues in the warehouse logistics industry at its premier event. "What if?" shakes hands with "We could do that." Imagine that occurring numerous times a day all around you. That's the IWLA Annual Convention. And that's why you want to be there.

I personally look forward to seeing you in Hilton Head!

John Zevalkink,
Columbian Logistics Network
Vice Chairman, IWLA
Chairman, Convention Planning
Committee

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What's Next for Supply Chain Security?

by Patrick O'Connor



There is no shortage of supply chain security initiatives coming from the federal government. Driven primarily by terrorist threats, these initiatives strive to combine the traditional practices of supply chain management with the security requirements of a post 9/11 environment.

C-TPAT

The Port Security Improvement Act of 2006, signed by President Bush in October, codifies the Customs-Trade Partnership Against Terrorism (C-TPAT). Section 212 of the act extends eligibility for C-TPAT participation: “*Importers, customs brokers, forwarders, air, sea, land carriers, contract logistics providers, and other entities in the international supply chain and intermodal transportation system are eligible to apply to voluntarily enter into partnerships with the Department under C-TPAT.*”

IWLA is working with customs to clarify exactly what a third-party warehouse provider will have to demonstrate to qualify as a contract logistics provider. Meanwhile, IWLA's International Trade Council continues their work drafting C-TPAT Best Practices that can be used by warehouses to demonstrate compliance with C-TPAT criteria. The objective is for customs to recognize these Best Practices as a basis for both formal participation by warehouse providers in C-TPAT and use by other warehouse providers to demonstrate C-TPAT compliance to their customers.

Domestic Cargo Security

The Transportation Security Administration (TSA) is developing its own supply chain security initiative for domestic movement of cargo. The objective is to secure the supply chain from the point of manufacture through the warehouse and on to the retailer. In two meetings between IWLA and TSA, the agency outlined the scope of a domestic supply chain security initiative. One approach is to pattern its proposal after supply chain controls adopted by the European Union. TSA is also considering incorporating portions of an ISO recommendation as a starting point for U.S. regulations.

Air Cargo Security

TSA also is taking steps to regulate air cargo. One proposal would preclude a 3PL from qualifying as a known shipper under federal air cargo rules. As a result, packages from a third-party warehouse could not be shipped on a passenger airplane. TSA is also tightening requirements for indirect air carriers. New requirements would, for example, require pallets to be built under continuous video monitoring. Where no video monitoring exists, 10 percent of packages on the pallet would have to be screened.

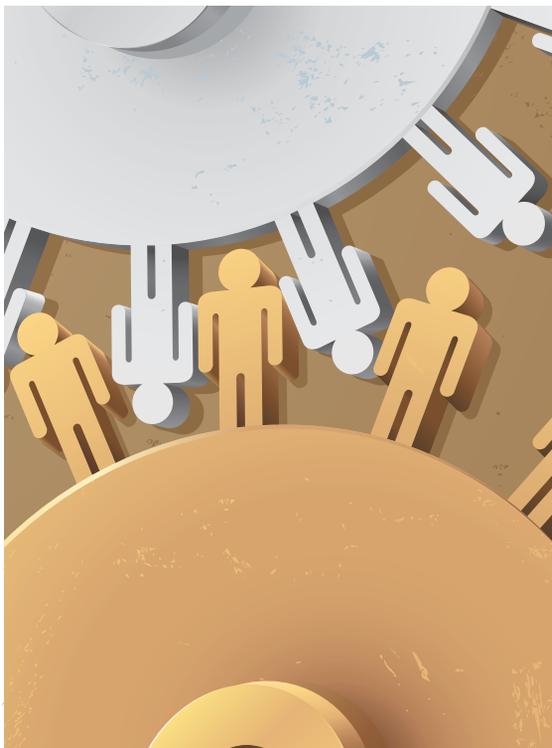
TWIC

TSA's proposed Transportation Worker Identification Credential Card (TWIC) requires the implementation of processes to positively identify transportation workers entering secure areas at the nation's ports. TWIC has been delayed due to questions about the estimated cost of installing biometric readers at port facilities. Looking ahead, many observers expect that TWIC will eventually be extended to require warehouse-based 3PLs to confirm a driver's credentials.

Supply Chain Visibility

There is also more interest in the “visibility” of products moving through the domestic supply chain. A case in point is the U.S. Food and Drug Administration's requirements for drug pedigrees. A drug pedigree is a statement of origin that identifies each prior sale, purchase or trade of a drug, including the date of those transactions and the names and addresses of all parties to them. Under the pedigree requirement, each person who is engaged in the wholesale distribution of a prescription drug in interstate commerce who is not the manufacturer or an authorized distributor of record for that drug must provide a pedigree to the person who receives it. ✦

Patrick O'Connor is president of the Washington, D.C. law firm Kent & O'Connor and serves as IWLA's Washington representative. For more information about the above issues or IWLA's government affairs activities, contact him at patocconnor@kentoconnor.com.



Collaboration: The Key to Success in the Future

The meaning of a new business buzzword describes what associations have been doing for members for years.

by Michael Fickes

During the cold war, the word collaborator described people who sympathized with the nation's enemies. Back then, the word conjured up images of spies and traitors. But no longer. Today, the business world has adopted the term to define, or perhaps redefine, cooperation between potential competitors to achieve ends important to one or another of the collaborators, or even to an entire industry.

While the concept of collaboration has only recently gained traction in the business world at large, associations have always taught, practiced and fostered collaboration among potential competitors for the good of an industry.

Collaboration among members of associations takes many forms. It might be an informal exchange of information between executives from two companies. It might be a more formal cooperative purchasing arrangement. A group of members of the International Warehouse and Logistics Association (IWLA) have even formed a cooperative marketing group to help build all of their businesses. Sometimes informal collaborations flourish and grow into more formal organizations. That is the case with IWLA's councils.

The International Trade Council (ITC), for example, began as an informal gathering of logistics executives concerned about import/export issues. Today, the ITC has become a valuable source of information for IWLA members.

Do Me a Favor

Back in early 2005, Robert Carwell, chairman and CEO of MTE Logistix Inc. in Edmonton, Alberta, rang up Tony Becker, vice chairman of Port Jersey Logistics in Monroe, N.J., to ask for advice about some container handling equipment. Both companies were members of IWLA. Carwell knew Becker through the association.

Carwell explained that he was developing an inland port facility and needed container handlers and reach stackers. As it happened, the Port Newark-Elizabeth Marine Terminal was selling a container handler. Becker's firm had a warehouse right next to the terminal. Carwell asked Becker to provide a top line assessment of the equipment? How much? What was its condition? Was it a good buy?

"I sent my maintenance manager over to the port to look at the equipment," Becker recalls. "He wrote up a report for Bob. The equipment was in pretty good shape and appeared to have been well maintained."

Carwell eventually purchased the handler and had it shipped to Edmonton. The informal collaboration saved MTE the cost of sending someone 3,000 miles to New Jersey to see whether or not the deal was worth pursuing to begin with.

"We get a couple of calls per year like that," Becker says. "On another occasion, an IWLA member in our area — a competitor — was restructuring his business. He was

leasing a building in our area that he wanted to close. He asked if I could help. I needed more space, and I told him I would take the building. We met at lunch and put a deal together within an hour.”

Sometimes two logistics firms will collaborate as a way of providing service to a mutual customer. According to Becker, Port Jersey Logistics customers have asked for the names of logistics firms in other areas of the country. Becker has responded by providing a handful of names. “And once the customer has chosen a firm, it isn’t unusual for us to send a couple of warehouse managers to the new facility to review how the customer prefers to do business,” he says.

These examples of informal collaboration between companies occur every day. Sometimes when association members collaborate, informal meetings and conversations can lead to formal initiatives that provide service to members.

IWLA’s Collaborative Purchasing Clout

Through the IWLA Member Advantage program, association members and vendors collaborate to leverage purchasing power. Some members report that purchasing through this program has saved them enough cash to pay their annual association dues.

Products and services currently available to IWLA members through the program are:

- Drug and alcohol testing and educational programs
- Insurance
- ISO certification
- Legal services
- Lighting
- Location and site selection services
- Office products
- Propane services
- Staffing and headhunting services
- Technology development

- Unemployment services
- Warehouse lighting

How valuable can this kind of collaboration be? Greg Johnson, senior vice president of Meritex Logistics in Memphis, TN, reports cutting the firm’s energy use by 36 percent after installing a new lighting system designed by Preston Lighting.

In addition, David Pettit, president of Salt Lake City-based American Distribution Centers, says his company has slashed monthly expenses by \$700 per month through the propane purchasing program.

Marketing Collaborators

You’ve heard of Distribution Centers of America or DCA, haven’t you? For nearly 20 years, DCA members have received recognition for service excellence across a national network of companies. Together, 15-plus regional members offer 12 million sq. ft. of warehouse space, state-of-the-science systems and decades of experience achieving customers’ logistical objectives.

Individually, each DCA member provides strong regional service in a particular area of the country. Together, Team DCA markets strong national service capabilities. “We’re in 15 major metro areas around the U.S.,” says Jere Van Puffelen, president of Danville, CA-based PRISM Team Services Inc. and a longtime DCA member. “Each area is covered by an independently owned regional operator.”

The group advertises together in the trade press, running as many as 16 ads in one magazine. “We’ll run a full page talking about DCA,” says Van Puffelen. “Then we’ll run 15 half-page ads with a header about DCA and text that highlights one member. Below, in smaller type, we’ll list the other members. In a magazine where we do this, members will be listed 16 times in DCA ads.”

Member news releases also promote individual companies and the DCA team. A recent release from Dallas-based Shippers Warehouse Inc., for example, noted that

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Communication Paves Road to Better Understanding

One of the keys to optimal collaboration is effective communication, whether it be between business partners, warehouse and client or inter-related industries. In fact, an important part of IWLA’s mission is to communicate the warehouse-based logistics industry’s positions and concerns to ancillary industries.

What follows is a prime example of how this outreach can create dialogue with other industries, yielding

better understanding of how sometimes opposing forces operate in opening the door to better cooperation.

This past summer, IWLA President & CEO Joel Anderson was asked to submit an editorial to *Transport Topics* explaining the warehouse logistics industry to its readers: primarily trucking companies. In response, Joel received an e-mail from a trucker explaining his interactions with warehouses. (see sidebar on page 10)

continued on page 10

The editorial, “Warehousing: Driving Growth in the Supply Chain” was published in the July 17 *Transport Topics*. It took the position that truckers many times take warehouses “for granted. It’s merely a destination. The place you go to pick up or drop off a load,” Joel wrote. It went on to point out, however, that in many respects truckers “owe the boom times they are currently enjoying to the modern warehouse-based logistics company. That’s because there would be no interregional and international commerce without warehouses, which have made transparent global commerce a reality.”

Joel continued: “The modern third-party, or public, warehouse-based logistics firm is the strongest link in the world’s supply chain and a key partner for the trucking industry. The warehouse’s storage function creates a buffer against shocks to the

chain, smoothing out the flow of goods. It also increasingly acts as traffic cop, directing the flow of goods to ensure that trucks have something to pick up or drop off in the above scenario. Such companies are increasingly getting into light assembly, cross dock warehousing, contract warehousing, import and export services, pick/pack operations, freight brokerage operations and trans-loading services. All of which create more opportunities for trucking.”

The piece went on to point out that both industries face many of the same challenges, stating there is no need for an adversarial relationship between warehousing and trucking.

It concluded: “So the next time you pull up to a crowded warehouse, stop and think a minute before honking that horn and appreciate the planning that goes into making

sure a load is ready for you. Through collaboration, there are many as yet untapped opportunities the trucking and warehousing industries can take advantage of as the global supply chain continues to stretch.”

Almost immediately, Joel received a response from one long-time trucking executive, Danny Schnautz, of Clark Freight Lines (see sidebar at left).

This, in turn, engendered responses from several IWLA board members (Joel shared the letter with the Board of Directors), who welcomed the trucker’s insight. In fact, board member Jere Van Puffelen of PRISM Team Services admitted that: “We share his [Schnautz]’ pain when we are making deliveries to some warehouses.”

Van Puffelen says that his company tries to make their experience as efficient and pleasant as possible. “However, there are instances where we do not get treated like the customer when truckers come to our facilities for pick up or delivery,” he said. “Both industries could use improvement on our working relationships. Bottom line is that we are both for-hire industries that need to work together for the benefit of both in servicing our common customer. Both of our industries work hard to run profitable operations in a labor-intense, tight-margin business, and we need to work together and be supportive of each other to effect efficient and profitable business.

“I am glad to read Danny’s response and see the communication channel opening up. It will serve both industries well.”

The communication channel opened further when IWLA Board Member Larry Kelley of Wilson Warehouse Co., suggested that IWLA “invite Danny to our next annual convention” – a point that was immediately agreed to by Joel.

A TRUCKER’S RESPONSE

Joel Anderson’s July 17 *Transport Topics* editorial provoked the following response by a trucking industry veteran.

Mr. Anderson:

I have read and then reread your column, but I have too many real-life experiences as a trucker to fully embrace your ideas beyond your first two paragraphs. In the spirit of improvement, I want to share my experiences with you.

I have good friends that run warehouses, and they understand that there are two sides to the shipping equation: the truck and the warehouse. But my many years of truck driving and 17 years in trucking operations (still with a few trips per year behind the wheel) reveal to me this clear fact: few warehouses make any meaningful effort to treat the trucker like a customer.

We have had some very good experiences with warehouses over the years, and some consistently work with us to make the best from the situations that the world throws at us all. The rest, however, show little or any interest in making things work, perpetuating some childish “shift the blame” game.

Drivers are often treated as second-class citizens who are at best an interruption to the day. Warehouses are frequently staffed for minimum activity levels, so that the normal day involves extended delays for trucks.

To add insult to injury, poor warehouses have no place for trucks to park while they wait, and then treat drivers as the culprit, for having to wait.

The fix for this is for warehouses to treat trucking companies, and drivers, like they are customers. This is what we are all supposed to be doing, anyway.

Sincerely,

Danny R. Schnautz

CLARK FREIGHT LINES

“Danny happens to be a personal friend and a class act operator,” Kelley said. “His company has received a number of safety and quality awards. He also is active professionally and an industry advocate. We work together and service a couple of common customers.”

Kelley further noted: “Even though most of the IWLA membership provides transportation ser-

vices, I think it would be beneficial to foster some common ground with truckers. Think back through the veiled threats of transportation carriers following the hours of service rule changes. There was a quick division and an effort was made to put the onus on the warehouse/shipper. The reality is: we cope. We work through it and figure out a way to make it happen.

“Building a bridge is a good

idea... at least one that facilitates two-way traffic.”

IWLA is convinced that it is through a two-way, free exchange of ideas such as this that industries can gain a better understanding of how the other works, resulting in the possibility of smoother relationships that benefit all parties. The Association stands committed to continue the outreach effort for the benefit of its members. ✦

continued from page 9

Bissell Homecare had awarded Shippers a contract to operate Bissell’s distribution center. The text noted other recent contracts won by Shippers, and provided thumbnail sketches of both Bissell and Shippers.

The last paragraph of the release promotes DCA and the philosophy of combining the capabilities of strong regional logistics companies around the nation.

Many of these strengths reside in the individual companies that make up DCA. But some are the product of collaboration. For example, DCA provides customers with a full menu of transportation services at negotiated rates with common carriers strategically located throughout the U.S. These include import/export services, truckload and LTL, intermodal and piggyback drayage, route and load planning, express freight, private courier service, freight consolidation, pool shipments, cross-dock operations, just-in-time plant replenishment services, complete inbound vendor programs and local market knowledge.

From Collaboration To Council

Sometimes collaborations among members lead to formalized association relationships. Take the IWLA International Trade Council (ITC) for instance.

“It started informally,” says Linda Hothem, CEO of Pacific American

The International Warehouse Logistics Association (IWLA) is pleased to announce the launch of the IWLA CareerCenter, a new online resource designed to connect third-party warehouse-based logistics companies and other industry employers with the largest, most qualified audience of warehouse logistics industry professionals.

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Services LLC in Oakland, CA, and co-chair of the ITC. “Logistics executives in the association began discussing customs regulations, foreign trade zones, customs warehousing, import/export and port security – a number of issues that went beyond the scope of the old Bonded Warehouse Council (BWC).”

Eventually the group took over the BWC and formed the ITC to represent the interests of customs/bonded warehousing and Foreign Trade Zone

operators as well as members operating in the import/export arena.

The ITC’s first challenge led to a collaborative effort with the shipping industry and the Department of Homeland Security (DHS) in connection with an initiative called the Customs-Trade Partnership Against Terrorism or C-TPAT. “We identified C-TPAT as a program that confused customers and decided that we should try to remedy that,” Hothem says.

The source of the confusion involved a belief among some customers that warehouses could be certified under the C-TPAT program. As a result, customers had begun to ask whether a warehouse was certified or not. In fact, warehouses were not included in C-TPAT. “It is a program for shippers, freight forwarders and trucking companies, but not for warehouses,” Hothem says. “The ITC met with Customs and suggested that warehouses be included.”

Customs was reluctant to do that, but said that if the ITC would draft a set of warehousing best practices, the agency would endorse them and essentially create a warehouse program that customers could use to grade warehouse security.

Meanwhile, a port security bill has been enacted by Congress and signed by the president. According to Hothem, this legislation does incorporate 3PLs. “So in the end, with this bill or with our best practices, or with both, we’re going to get to where we need to be,” she says.

For Hothem, the experience with customs has raised the profile of collaborating. “I’ve become very interested in this kind of public-private collaboration,” she says. “Typically businesses operate separately from the government, with government often viewed as a necessary evil. But I’ve found that when there is public to private collaboration, really good things can happen, things that promote the greater good of our communities. I like that.”

To learn more about both the art and science of collaboration, make plans to attend IWLA’s 116th Annual Convention March 4-7 in Hilton Head, SC. The theme is “Collaboration: The Wave of the Future.” For more, including a complete brochure listing speakers, hotel and registration information, go to www.iwla.com and click on the Convention icon.



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Zen and the Art of Warehouse Management

by Pat Kelley and Ron Hounsell

This article's authors recently published a book called "Zen and the Art of Warehouse Management." What follows are some key concepts contained in that work.



"Can you snatch the pebble, Grasshopper?"

Getting "art," "Zen" (enlightenment by direct intuition - Webster) and "warehouse" in the same sentence isn't easy. It makes more sense when understood as the product of many years of observing and working with some great distribution managers who "get it done, well." Without quibbling about the extent of our enlightenment, we think we've identified some critical differences between the good and the great which can be shared and learned.

We've divided the subject into three broad areas – space and people, congestion and ideas for improvement. We've used a multi-site distribution center network with 40,000 SKUs in each facility, orders with a large variety of SKUs and fixed route deliveries as our model. Nonetheless, the principles dis-

cussed here are treated in such a way that they can be applied to almost any set of circumstances. They may, in fact, be best suited to third-party warehouse environments where the challenges are highly varied and dynamic. We've called the principles "Zen Advice." A sampling are highlighted below.

Break your problems into their most elementary parts. While on its surface this seems like a restatement of the obvious, we've often found it not only necessary, but important to inject this idea into the situation. Smaller problems are often easier to solve and early wins fuel the drive to attack other problems head on.

Keep your space percentages pure: 10 percent space in the forwards and 20 percent space in reserves. To operate in any warehouse, you need empty space to work with. When utilization is above 85 percent of capacity, the facility is full. To efficiently operate in dedicated forward or home pick areas, about 10 percent of the locations should be empty at any given time. Similarly, about 20 percent of reserve locations should be available. In many situations, it will require some serious ef-

fort and ingenuity, Zen or otherwise, to maintain that space.

Whenever you eliminate touches . . . you gain labor dollars. Not to mention saving time and reducing both damage and inventory errors. The corollary: automation does not necessarily equal fewer touches. While conveyors can move high volumes of goods from one point to another quickly and accurately, they do not eliminate touches. Every carton that goes on a conveyor has to be taken off the conveyor at the other end. It's touches, not technology.

Congestion, either inbound or outbound, indicates a failure of local management; it's always under the DC's span of control. The first step toward the resolution of many a congestion problem is to accept local responsibility for it. While managers contend that its causes are imposed from outside (by purchasing, vendors or sales), the Zen insight is that the facility owns the problem. The sooner that acceptance happens, the sooner effective action can be taken to resolve things.

Keep the inbound docks squeaky clean. This sounds easier than it is. It also sounds less important than it is. It sometimes takes real ingenuity to finish everything every day (or within 24 hours), but it drives a number of important aspects of performance – inventory turns, dock to stock cycle time, trailer or container demurrage

charges and dock space requirements, to name a few.

Outbound flow is the weather of the DC. Everything upstream from shipping has the potential to be impacted by what goes out and when. That includes trailers, drivers and docks, staging areas, aisle space, fork lifts and labor requirements to perform all the tasks that lead to a shipment. Make the right kind of weather in shipping and things elsewhere will

work better, especially in high volume, high velocity environments.

There are thousands of labor hours in hourly worker decision-making waiting to be harvested. Operations is a labor intensive function and warehouse workers make thousands of discretionary choices every day. Motivating them to make the best choices is a significant cost control opportunity, second only to transportation in size. The corollary: the

hourly workforce lives in an entirely different dimension of time; harnessing that resource requires skill and insight into how time is perceived.

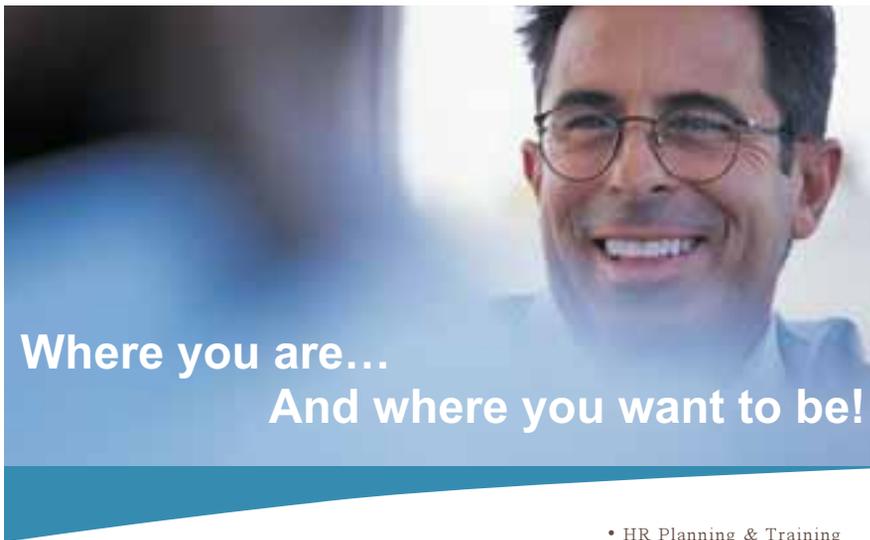
Brainstorming - perform it incessantly, track it relentlessly, forgive readily. Although the technique has been around for a long time, and despite its value, it is seldom done well. It is a very Zen process, with many advantages. There is very little capital investment or training cost. It is also very efficient, time-wise. Most importantly, it taps the creativity of the most well-informed people involved in the operation – those doing and managing the work!

In the simple example here, a group of supervisors generated 53 ideas for freeing up carts used to pick outbound product for transport to the shipping dock in a 30-minute period. After the session, participants were asked to rank the ideas taking into account the likelihood of the idea working; and the potential impact or value of the results (1 to 4 points, the latter being most valuable).

The results of their ranking were tallied and the data sorted by total points earned. The 15 ideas earning the most points are shown in the chart on page 15. Management then selected five items with the most promise (*italic* and **bold** - 19, 16, 28, 36 and 57), developed an implementation plan, calculated the anticipated ROI for each, and then implemented the changes in order of potential benefit. *Note:* It is important to distribute the sorted and processed list to the group so they are aware of the results of their efforts.

Based on our experience, there's a million dollars in savings to be gained in almost every warehouse by taking this approach.

To summarize, Zen of warehouse management begins ultimately with the attitudes of managers and supervisors. The



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great ones believe there is no obstacle that cannot be overcome and that every aspect of their operation has the potential for another improvement of as much as 30 percent. The Zen of successful

managers, 3PL or otherwise, lies not so much in their objective knowledge as it does in the way they use their minds.

“You CAN snatch the pebble, Grasshopper.” 

Pat Kelley is the director of logistics for True Value Hardware, the corporate umbrella for three hardware Co-ops: True Value, Servistar and Coast to Coast Hardware. He has been with True Value for 29 years, performing nearly every position in the logistics organization. Currently, he oversees seven DCs with dotted line responsibility for the other six DCs in True Value's network of 13. He can be contacted at 603-494-4526 or Ward708@aol.com.

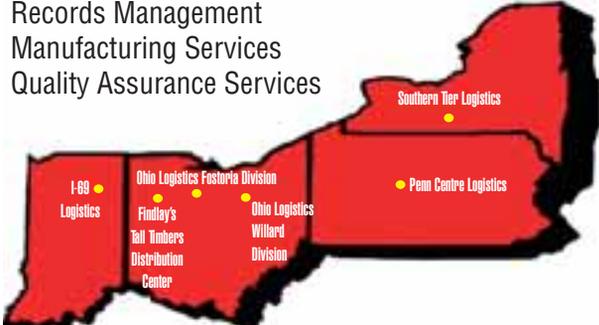
Ron Hounsell is vice president and chief operating officer of The Labor Development Group. He has spent 24 years in supply chain operations and consulting with concentrations in strategic planning, productivity improvement, technology, purchasing, inventory and project management. Roughly half of that time was spent as a logistics consultant in three different positions, working with clients from \$50 million to \$8 billion in annual revenue. He can be contacted at 847-328-8269 or ron.hounsell@comcast.net.

| Question of the Day: How to Improve Availability of Carts | | | | | |
|---|----------|----------|----------|---|-----------|
| Item | VALUE | | | | Total |
| | 4 | 3 | 2 | 1 | |
| 14 Turnover carts. | 9 | 1 | | | 39 |
| 19 Do drop in pick sequence. | 9 | 1 | | | 39 |
| 64 Ask employee for ideas. | 8 | 2 | | | 38 |
| 16 Speed up drops. | 9 | | | | 36 |
| 28 Stock bins ahead. | 6 | 4 | | | 36 |
| 5 Consolidate off carts. | 8 | 1 | | | 35 |
| 29 Stock bins the night before. | 5 | 5 | | | 35 |
| 37 Pro-active on drops and communicate with dock. | 6 | 3 | 1 | | 35 |
| 55 Use Min/Max in bins. | 6 | 3 | 1 | | 35 |
| 36 Constant dock supervision. | 7 | 2 | | | 34 |
| 1 Multi-stop/carts (same trade). | 5 | 4 | 1 | | 34 |
| 11 Fix broken carts quickly. | 5 | 4 | 1 | | 34 |
| 20 Resize bins. | 7 | 1 | 1 | 1 | 34 |
| 57 No filled carts pass shipping. | 4 | 5 | 1 | | 33 |
| 2 Mark carts. | 5 | 4 | | | 32 |

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The Seven Deadly Sins of WAREHOUSE SECURITY

by Barry Brandman



Recently, I was called in as an expert witness in litigation between a third-party warehouse and their customer. Unfortunately for the 3PL, the end result was that they agreed to pay a multi-million dollar settlement for the loss of stolen inventory that had been in their custody.

These types of court cases are on the rise and more often than not, it's the logistics provider who ends up taking the financial hit, and it's not just the expense of the stolen inventory. Typically, there are significant sums spent on attorney and expert witness fees, damage to a 3PL's reputation, significant disruption to the daily operation, insurance rate increases and even the potential loss of the customer that no longer feels confident in their logistics provider's ability to safeguard their inventory.

It's estimated that the cost of business crime in the U.S. now exceeds \$70 billion a year and is responsible for nearly one-third of all corporate failures. In a survey conducted by a national accounting firm, nearly 25 percent of the responding companies reported that employee theft in their firm exceeds \$1 million a year.

A large percentage of companies that find themselves victimized by theft share a common denominator: they have committed one or more of what I refer to as the *Seven Deadly Sins of Security*.

Is your company guilty of committing any of these critical mistakes? Trust me, the best time to ask yourself these questions is *before* a loss takes place.

1. Are you relying on safeguards that are more cosmetic than meaningful?

Ask most 3PLs how they protect their inventory from internal and external theft and they will usually respond by saying that they have an alarm system and closed circuit television.

The reality, however, is that most alarm systems are easily circumvented by professional thieves. Dishonest employees have no difficulty with them, because alarms are typically turned off during operating hours when internal theft takes place.

The majority of video systems are improperly designed, seldom used and consequently offer little or no real value.

2. Do you make it easy for dock personnel to work in collusion with truckers?

Because they don't know how to effectively prevent internal theft, many distribution companies inadvertently make it convenient for dishonest drivers to work in unison with shippers, receivers, checkers and loaders. When these collusive thefts take place, pallet loads of product can quickly disappear, with no bells or whistles going off to alert anyone.

3. Do you effectively check your checkers?

Too many companies make the mistake of not holding their checkers accountable. Because of this lack of

oversight, a percentage of checkers become negligent or dishonest over time, and that's when large-scale theft can take place.

4. *Does your company weed out substance abusers and distributors?*

Nearly 90 percent of all employee drug users either *deal or steal* to support their addiction. As many executives have learned, once you develop a drug problem inside your company, you can expect to have a theft problem as well because employees will typically convert stolen inventory into cash to support their addiction. (*Editor's note:* IWLA Advantage partner CDTA offers substance abuse testing and background screening. For more information, contact IWLA COO Alex Glann at 847-813-4699.)

5. *Do you have an effective way for concerned employees to report security problems?*

Many companies still rely on methods of communication that are ineffective for security-sensitive issues, such as open-door policies or suggestion boxes. As a result, employees who become aware of security threats remain silent.

A good hotline program can expose individual theft, collusion, fraud, workplace substance abuse and a host of other problems. For a tipline to be successful, however, it needs to be outsourced so workers can speak with people who won't recognize their voices.

Also, callers should never have to provide their name. Offering employees complete anonymity almost always increases the response rate.

6. *Do you provide security-related training for your key personnel?*

All too often, losses occur because managers and supervisors are not educated on how to recognize the subtle ways that theft takes place in a distribution center. Simply put, if your key people don't know exactly what to look for, they probably won't see it when it occurs.

7. *Is your company too reactive?*

A large percentage of 3PLs that incur shrinkage are victimized because they did little to prevent it from happening in the first place. By the time they decide to do something, they have already incurred a loss.

It's been repeatedly proven that taking a proactive approach to asset protection by having security assessments and unannounced audits performed is not only more effective, but considerably less expensive than reacting to a theft-related loss after the fact. ✱

Barry Brandman is president of Danbee Investigations, a Midland Park, NJ, company that provides investigative and security consulting services to hundreds of firms globally, including many of the top names in the logistics field. Barry will be a featured speaker at the 2007 IWLA Annual Conference. He can be reached at 201-652-5500; Danbee Investigation's Web site is www.danbeeinv.com.

An Insider's Tips For Getting The Best ROI On your Security Expenditures

- Relying on cosmetic controls creates a false sense of security, which typically precedes a theft-related loss. That's why you should take a critical assessment of your asset protection program every three to five years to determine if your safeguards have become antiquated or ineffective.

Just because you haven't incurred a significant loss doesn't necessarily mean your security program is that good. You may simply have been lucky. But what happens when your luck runs out?

- Don't invest in security technology unless you know exactly what you're buying and who is going to be using it.

Keep in mind that your investment is not always the upfront cost. If, for example, you're purchasing a new digital video system, have you determined who is going to view live and archived activity? If you're not going to regularly utilize the new video system, it will not prevent or detect theft, regardless of how many state-of-the-art features it offers.

- Perform unannounced audits to flush out complacency and negligence.

The reality is that asset protection has a tendency to drop down on the list of daily priorities for many managers and supervisors.

A top caliber loss program is a strategically designed blend of state-of-the-art technology and diligently followed Best Practices. Periodically auditing the level of adherence will expose vulnerabilities before they can be exploited, raise awareness (especially if results are factored into annual performance reviews), and ensure that the security dollars you've already invested are not being wasted.



Warehousing Web Sites: Time for a Tune-up?

by Jim Bierfeldt and Jonathan Hochman



Things mechanical tell you they need maintenance. Doors creak. Shutters rattle. Cars sputter when they should surge.

Not so with Web sites, which limp along quietly even when they need attention. As a result, this critical part of your marketing mix gets ignored as you address “noisier” issues like nervous customers and slippery start-ups.

What are some symptoms of a neglected Web site? Inaccurate content, dated design, slow-loading pages and few site-generated sales leads. If you haven't taken stock of your Web site in a while, consider a tune-up.

Update Your Content

Have you ever apologized for incorrect content on your

site? Join the club. Most times, you're too busy to notice. But your site's visitors *do* notice outdated content. For many, it's their first (and last?) interaction with your company. A neglected site portrays a neglectful approach – not an image an inventory management business can afford.

When developing content, consider going beyond “brochure-ware” copy that simply describes your services. What “How to...” articles can you or your company's experts write? Content that helps visitors solve problems can be far more valuable to them than a bulleted list of features. And it can differentiate you from competitors by positioning you as an expert.

Update Your Design

In Web sites, as in personal interactions, first impressions count. Sites that are attractive and easy to navigate communicate professionalism and will reduce your bounce rate (percent of people who visit your site but quickly leave via the back button). Not sure whether your

Buyer Beware

Spot the top five web marketing scams

1. **“For just \$29.95 per month, we'll submit your site to 10,000 search engines.”** There are three search engines that matter to your business: Google, Yahoo! and Microsoft Live.
2. **“Your site doesn't rank.”** Rankings depend on what keyword phrase you choose, so more reliable performance indicators are the number of visitors to your site and where they came from.
3. **“You need our \$449 maintenance package to keep your search engine rankings.”** Many so-called Web marketing “experts” do all the real work up front, but charge monthly fees for ongoing search optimization. In reality, this ongoing work consists of pushing a
- button to run a ranking report and sending it to you monthly in a pretty package. Fees for these canned reports can run into the thousands and may be the highest-margin business since pet rocks. You *should* invest in an ongoing search marketing program, but seek firms that deliver real value.
4. **“We'll tell you the secrets Google doesn't want you to know.”** There are no secrets. Professionals know how to rank, but it takes time, money and effort.
5. **“We guarantee top rankings.”** Nobody can control the search engines or the competition, so beware of guarantees. Anyone can get a site ranked high for an obscure, unused search term.

site design passes muster? Ask somebody with marketing expertise for an honest, critical opinion.

One of the common design problems we see in warehouse-related sites is overuse of photos. While photos add context and visual interest to the site, most visitors don't need to see multiple large photos of warehouse aisles and forklift trucks to believe your facility can handle its goods. More importantly, search engines assign little weight to photos. Their spiders, used to index your site's content, skip over photos and go to the next place they see words.

If your site design is truly outdated and the menu structure is no longer relevant, a complete makeover, rather than a tune-up, may be in order.

Update Your Code

HTML, the authoring language used to create Web content, is constantly evolving. Outdated code can result in slow loading pages and sites that don't work across all browsers. In contrast, pages coded by an experienced Web developer improve user experience by loading quickly and reliably. They also cost less to maintain and produce better search engine visibility.

Seek Inbound Links

A properly coded site with solid content will help increase visitor traffic. But for consistently high search engine rankings you'll need other Web sites to link to your site. Search engines monitor links to your site and use the quantity and quality of these links to assign an importance rating to your site. In general, the more links you have from high-quality sites the better you'll rank. To determine the number of inbound links to your site and those of your key competitors, go to the link popularity check at www.marketleap.com.

Securing inbound links is an ongoing process. You can tackle it yourself or get help from a Web marketing firm. If you want to get smart quick on link building, visit the link building section of www.netconcepts.com.

Promote Your Site

Many Web site owners seem to subscribe to the theory "if we build it, they will come." Not necessarily so. Your marketing program must include a plan to promote and drive traffic to your site. The primary means of Web site promotion are:

- search engine optimization (SEO) – the science of getting your Web site to rank high on searches for specific keyword phrases
 - online advertising
- SEO can be highly effective, but it may be difficult for you to outrank your competitors for popular search

terms. In these cases, paying for search traffic can work. For example, pay-per-click (PPC) programs allow you to pay for certain search terms like "food-grade warehouse in Chicago." Your ad appears next to the natural search results and you pay a small click charge every time a searcher clicks on the link to your site. For a simple article on the differences between SEO and PPC, go to <http://en.wikipedia.org> and do a search on "search engine marketing."

Web sites don't tell you they're sick. Occasionally you need to bring them in for a check-up to make sure all systems are in good working order. If you haven't had a check-up in a while, make it happen. Your sales pipeline will thank you for it. ★

Jim Bierfeldt has directed marketing for major 3PLs and today is president of Logistics Marketing Advisors, a firm that helps 3PL companies drive revenue and profit through improved marketing strategy and communications. Contact him at jim@logisticsmarketing.com.

Jonathan Hochman is a Web marketing specialist who has built Web sites since 1994. He's a Google Adwords Qualified Individual, a Yahoo! Search Marketing Ambassador and a member of the Search Engine Marketing Professionals Organization. Contact him via www.jehochman.com.



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ODW Celebrates 35 Years

Long-time IWLA member ODW Logistics Inc., Columbus, OH, celebrated its 35th year in business Sept. 14. Throughout its growth from 89,000 sq. ft. in 1971 to the more than two million sq. ft. it is today, the company has been guided by the principles of “quality service delivered by quality people who are compensated fairly and feel a part of the process.” Co-founder Robert Ness, who in 2003 turned responsibility for day to day operations over to his son, John, adds: “If you always make the customer your first priority, and you create a culture that goes beyond what is expected, you set the stage for success.”

Benchmarking Study IDs “High Profit” Warehouses

The typical IWLA member had a pretax profit of 5.2 percent and a return on assets of 13 percent, according to the 2006 IWLA Financial Benchmarking Report. However, it also identified what it referred to as “high profit” companies, which reported pretax profits averaging 10.1 percent and an ROA of 32.3 percent, and the distinguishing characteristics that made them so.

The report, which was underwritten by IWLA as a member benefit, analyzed 2005 balance sheet, income statement and operating data provided by 34 IWLA member companies. Conducted by Profit Planning Group, it provides comprehensive, yet straightforward, guidelines for analyzing profitability of companies in the warehouse logistics industry. Study participants received personalized Profit Improvement Profiles and access to Profit Toolkit Online to help in future forecasting; however, the aggregate survey results can be viewed on the IWLA Web site at www.iwla.com.

IWLA Adds to Member Advantage Program

IWLA has formed partnerships with two more companies through its Member Advantage program. One, **CDTA**, offers IWLA members a quality, streamlined substance abuse testing and background screening program at a reduced cost. The California-based company specializes in cost-effective corporate drug and alcohol abuse prevention programs and background checks. It offers highly experienced personnel who can tailor programs to best fit the needs of IWLA member companies, typically at a 20 percent savings.

“Sky-rocketing insurance costs, the litigious nature of society and federal regulations make substance abuse testing a necessity for the warehousing industry. Many member companies lack the resources and legal expertise to develop and implement such testing programs. Therefore, IWLA has decided to bring this valuable, exclusive benefit to our members,” says Association Chief Operating Officer, Alex Glann.

For more information on the CDTA program, contact Robert Carey, IWLA’s Account Executive at 858-467-7685.

The other new Member Advantage partner is **Location Management Services** (LMS), a leading provider of world-class site selection, incentive negotiation and compliance services. This partnership gives IWLA members access to LMS when securing state, local and federal credit and incentive programs at no upfront cost. Such programs can substantially offset the cost of expansion or new construction in the rapidly growing warehouse and distribution industry.

2007 IWLA Education & Training Schedule

- | | |
|--------------------|--|
| Feb. 8-9 | Costs, Rates, RFP Responses Orlando, FL |
| March 4 | Pre-Convention Conference – the Bottom Line of Security Hilton Head, SC |
| March 5-7 | 116th Annual Convention Hilton Head, SC |
| July 18 | Marketing and Sales Conference Chicago, IL |
| Sept. 19-20 | IT Conference TBD |
| Oct. 14-17 | Essentials Course Chicago, IL |
| Nov. 7-8 | Safety and Risk Conference Chicago, IL Front Line Logistics e-learning – available anytime online |

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Corrections to 2006 Buyers' Guide & Directory

Due to technical difficulties, several listings in the *IWLA Buyers' Guide & Directory* contained errors; specifically, the listings for Kuehne + Nagel on page 31 and Ozburn-Hessey Logistics on page 35. In addition, the listing for Associated Warehouses Inc. was left out of the Industry Suppliers section. Below are the corrected listings. We regret any inconvenience this may have caused.

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3PL Executive Correction

The e-mail address of Preston Lighting was misprinted in the sidebar box on page 13 of the fall issue of *The 3PL Executive*. It should be info@hardingeotech.com.

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