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Firing Up a New Industry BY ROGER PARLOFF

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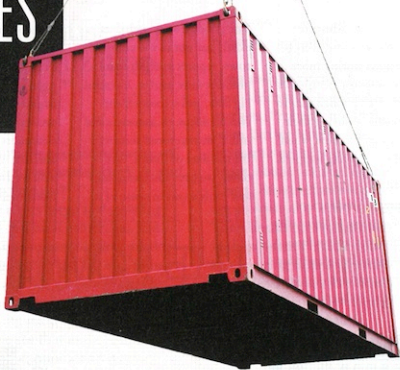


ACKMAN
AND
LAMPERT:
RETAIL'S
WRECKING
CREW

BY JENNIFER REINGOLD
AND ALLAN SLOAN
WITH DORIS BURKE

SCIENCE COMES TO SHIPPING

Applied technology is taking the guesswork out of supply chain management, one of the most critical parts of doing business.



In partnership with:



Fuel now represents

37%

of average per-mile trucking costs, up from 26% in 2009.

Source: Breakthrough Fuel

MANAGERS responsible for turning raw materials into finished products go to work every day knowing that some factors will be beyond their control. No amount of planning can eliminate hurricanes, and the same goes for spikes in fuel prices.

But the universe of uncertainties is shrinking, particularly when it comes to supply chain management. More and more companies are tapping technologies and expertise that allow for better risk management in areas that once were seen as simply costs of doing business. "The functionality that now exists in our supply chain world is outpacing the people who are trying to utilize it," says Rick Blasgen, president and CEO of the Council of Supply Chain Management Professionals. "It's a matter of how we use it."

Fuel costs are a perfect example. Whether a company is shipping bullets, bugles, or bamboo, volatility in the fuel market can lead to vexing fluctuations in transportation costs. Fuel now repre-

sents an estimated 37% of average per-mile trucking costs, up from just 26% in 2009, and prices could climb even higher this summer.

But companies are finding ways to overcome. Firms like Procter & Gamble, Georgia-Pacific, and Whirlpool have partnered with Breakthrough Fuel, a Green Bay, Wis.-based firm that works with shippers across the country, helping them transform their approach to fuel management through a strategic, customized process.

Instead of paying traditional surcharges that rely on imprecise estimates, Breakthrough Fuel's clients reimburse bills based on actual diesel prices for particular routes on particular days. They also buy wholesale at rates negotiated by Breakthrough Fuel. "You might have an opportunity to ship from one of two locations, and you've always managed your supply chain based on which one is closer to the market or which has lower trucking costs," says Breakthrough Fuel CEO Craig Dickman. "Now you can overlay your actual fuel costs and come up with a 100% solution."



THE PROBLEM WITH A LOT OF SUPPLY CHAIN SOLUTIONS IS THAT THEY DON'T FIRST DEFINE THE PROBLEM.

Today, global logistics providers must have the tools to manage customer supply chains. A global office network, transportation and distribution services, integrative IT platforms, and so on. With these tools in place, one might think that is enough. It isn't. However, they all have to be in the "cart."

At MIQ, we believe what should come first is a customer partnership based on a deep understanding of their core business. Thus, we hire the best talent in the industry to analyze each customer's needs/problems, then dip into the cart

for solution tools specifically designed to address them.

Today, it isn't only about providing a cart full of logistics services. It's about understanding each customer's individual business, supply chain requirements and problem areas that lead to intelligent solutions.



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Just as real-time data from thousands of fuel stations is now available with a click of the mouse, powerful tracking systems that provide new levels of transparency and real-time location data are also just a click away. GPS tracking and radio-frequency identification (RFID) technology enable shippers to know where a container is at any given moment. And by using RFID to its fullest, managers can actually track the individual items inside a container.

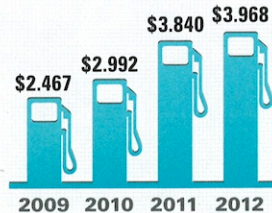
This, says Blasgen, can help eliminate surprises when parts arrive at factories. It can also help retailers at a supply chain's terminus manage their stock. "Item-level RFID enables retailers to precisely count their inventory and understand where it is within their stores," Blasgen says. "It could be a game-changer at the store level."

Tracking technology is helping large shippers, as well. The average shipment handled by Con-way Freight, the largest business unit of Con-way Inc., a \$5.6 billion transportation and logistics company based in Ann Arbor, Mich., weighs in excess of 1,200 pounds. To deal with freight variables, the company provides their driver sales representatives with "Mobile SCO" handheld computers. Combining reliable information systems with some of the safest, most professional people in the trucking industry enables companies of all sizes to make informed supply chain decisions with confidence.

And while speed is important, it is just one part of the equation. "If every shipment has to be expedited," says Dan Bentzinger, chief information officer for MIQ Logistics, a global provider of transportation and logistics services based in Overland Park, Kans., "that gets expensive. You don't want to design your supply chain around that. You want to design a supply chain based

Diesel Prices

The domestic per-gallon cost climbed 61% in the past four years.



Source: U.S. Energy Information Administration

on precision, so orders can be consolidated, shipments can be combined, and the right carriers can be involved to make deliveries more precisely."

Nor does maximizing opportunities necessarily involve costly technical upgrades. MIQ Logistics ensures that all communications technologies integrate smoothly with customer networks, even in difficult environments like Asia. Information technology budgets are tight, Bentzinger says, and MIQ customers shouldn't have to choose between an IT overhaul and communicating seamlessly with business partners.

QUICK TURNAROUND

Whether companies are wringing the variables out of costs or using transparency to do sharper analysis of routes and schedules, the result is greater efficiency with less risk. But intelligent design only works if partners are prepared to execute according to plan. Firms that ship in less-than-truckload (LTL) amounts need to be sure they're moving goods quickly and efficiently as orders increasingly require quick turnaround. They can't afford to wait on carriers that lack capacity to offer

prompt service to key locations.

"First and foremost," says Tom Clark, senior vice president of operations at Con-way Freight, "customers want reliable, safe, and consistent operations. They want their shipments delivered damage-free, on time, and fast." To hold down inventory levels and maximize just-in-time manufacturing processes, Con-way Freight offers customers the LTL industry's largest and fastest single network, consisting of 425 locations in North America, with one-day and two-day service to more locations than any other carrier. That scale, plus its 30 years of LTL expertise, helps maximize supply chain compression and minimize supply chain uncertainty for customers.

Right-sizing inventory continues to be a challenge for supply chain managers. Inventories were contracting at the end of last year, then jumped a full 8% in January, according to the Institute for Supply Management. Stocking just

Powerful tracking systems that provide new levels of transparency are just a click away.

the right amount is never simple, even in an age of big data and sophisticated forecasting. But today's tools and techniques are taking nearly all the guesswork out of supply chain management, as handling freight becomes more of a science all the time. More information leads to better decisions, particularly when the right partners are on hand to help guide the way. ●

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Without fuel insights, you only see 63% of your supply chain transportation costs.

That's one heck of a blind spot.

Get the whole picture. FuelCostSecrets.com

