

10 ways to recession-proof your supply chain

The pros let you know how to save cash without compromising performance

The economy's in rough shape, but that doesn't mean your supply chain has to suffer. We asked 10 industry experts to come up with tips and techniques that can help your operation survive the financial crisis unscathed.

Deborah Aarts compiles the answers.

1. Don't waste any trips

Isabel Alexander, president and founder of Phancorp Inc and chair of ie Canada's board of directors



Negotiate containers and rates for closed-loop freight strategies. Evaluate the potential to round-trip containers or align with a partner whose routing requirements are the reverse of yours.

Expand your sourcing options by building relationships globally. Go where the traffic is tipped in one direction and negotiate an offsetting balance to the trade.

Be innovative while doing this. Look at alternate modes of transit and alternate shipping routes, ports and transfer points. When ISO containers are shorted in an area, we look at options to ship liquid bulk cargo in flexi-bags in 20-foot containers, or intermediate bulk containers (IBCs), or tote tanks and drums.

2. Reorganize inbound freight

Wayne Wood, vice-president, long haul and intermodal at Armour Transportation Systems



De-stuff, or deconsolidation, programs at the port can help. As an example, if you're bringing containers into a port, you can deconsolidate at your local terminal, ship some product direct from the port to individual stores in

Atlantic Canada, and ship the rest to a DC, usually in Toronto or Montreal. If you have multiple FEUs coming into a port and the goods are not too heavy, you can put the contents of five containers onto four 53-foot trailers, capitalizing on the cube.

You can capitalize on quicker turn-arounds of impex boxes, which normally can be done within a 48-hour period and then returned to the same port. This leads to improved utilization for the steamship lines and creates cost savings for the importer.

3. Make each truckload count

Melissa Gracey, president of DTA Services Ltd

Consolidate your shipments. Especially inbound shipments from your vendors. You don't have to be getting an LTL shipment on Monday, Tuesday and Wednesday. You can consolidate those shipments into one and save.

On the outbound side, it's harder; your customers will demand product. If it's a regular shipment to a customer, talk to them. Say 'look, I can reduce the cost of my product to you if I just consolidate and ship to you weekly.' They'll get it. By consolidating, your costs can decrease by up to 30 percent.

Also, audit every invoice. Every one. Errors, including duplicate invoices, can cost you up to three percent. Either audit in-house or hire a third party who knows what they're doing.



4. Make your green move now

Alan Berdowski, president of the GreenLight Corporation

Contrary to popular belief, times of belt-tightening can be quite beneficial to the environment. We have been encouraging and supporting our clients as they implement comprehensive emissions tracking systems in their operations. This has the double benefit of tracking where all the energy, delivery and other inefficiencies in the supply chain are so that they can be more easily reduced, as well as being more easily reported as both cost reductions and emissions reductions.

Remember, you can't manage what you don't measure!



5. Eliminate unnecessary inventory

Manuel Melo, eastern distribution manager at Vincor Canada

One of the things we've done in the company is looked at last year's production scope versus our sales, and used it to become more realistic with our actual planning.

Because of that, we've reduced inventory, which has helped us quite a lot. Last year, at this point, in one DC we had approximately



900,000 cases of inventory. Now, we're at approximately 725,000. We've actually reduced activity on 3,500 pallets. So that itself is a cost-saver. That equates to about \$14,000 of savings per month.

Automatically, there's our funding for our fuel surcharge costs. All we've done is take a look at our actual schedule and asked 'do we really need to build this?'

6. Consider the O word

Mike Croza, managing partner at Supply Chain Alliance Partners

Companies are looking for cost reductions and savings to get through a down cycle, but still want to be able to meet customer service requirements.



One strategy is to evaluate your distribution competency. Difficult times have many C-level executives seeking ways to offset infrastructure and fixed commitments. The O word—outsourcing—invariably comes up at these times. Each business needs to be very clear about where its core competencies lie and where it can leverage those capabilities through a partnership with the right third-party provider. This process, by the way, may not lead to a lower cost line per se, but it can offset assets and risk. This is a desirable thing in an economic downturn.

7. Measure total landed costs

Claude Germain, executive vice-president and COO at Schenker of Canada Limited



My advice is to spend the time to understand total landed costs. Model it according to different country scenarios or different manufacturing locations.

When we talk about total landed cost, it includes raw materials, processing and assembly, logistics, inventory carrying costs, duties, taxes and quality issues. Now, when you take a hard look at this, you start figuring out where your total landed costs could be lower.

For instance, because of high inflationary costs, fuel, wage inflation and quality issues, your total landed costs tend to be higher than you might think coming out of China, for certain goods.

Once you understand your total landed cost and model it for different countries, you may find that you're actually better off nearshoring your supply chain to countries like Mexico, or fundamentally onshoring it back to North America.

8. Let your technology pay for itself

Art Mesher, CEO of the Descartes Systems Group Inc

In these difficult economic times, there's a tendency not to want to spend money to improve things. But I think that people have to look at technology as something that pays, not something that costs money. The reality is that technologies generally save money.

I think the key to investing in technology in a recession is to stop trying to do big-bang investments that cost a bunch of money all at once. Break your investments down into the small, bite-sized things that can save you money the fastest. Do those first, and use the money you save to fund other things.

Instead of asking everyone for money, you'll be generating it, which is what you want to do in a recession. The best companies go to work in the worst of times.



9. Give a little to get a little

Sandro Caccaro, vice-president and general manager, Canada at Schneider National Inc

Carriers are making decisions to stay alive these days. If you develop a better relationship with your carrier and understand what your carriers need, in the end that's going to help push the savings back to you.

See if you can give the carrier an option to move a load at a time when the carrier can move it more efficiently.

It really comes down to being able to plan and forecast. If the shipper has the ability to do that, and to give us some sort of advance notice, that would help a lot. Our business is about utilizing our assets. I can move product at a lower rate if I can use my equipment to its fullest extent, and I can do that better if I have more notice. That will help us gain efficiencies, and in the end, the shipper will pay less.



10. Stay the course

Mike Tierney, president of UPS Canada

Facing an economic downturn, it's easy to fall into the trap of cutting a few corners to save a few dollars. But the economy will eventually rebound, and it's important to keep that as your point of focus. You must have a long-term strategic approach to how you conduct business in this industry. That approach should be one that's proactive, not reactive.

If you're currently doing everything you can to improve your efficiency, if you're investing in the business and looking for innovative solutions to help your customers grow, and if you're communicating with all your partners to see how you can help, then you really don't have to do anything different to get through these challenging times.



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