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Green at the gills

Food, glorious food, nothing quite like it except, er, diesel. The bio-fuel industry has been heavily blamed for the recent increases in the price of staple foods, which came to a head over the last week with food riots erupting across the globe.

While only a multitude of factors could bring the situation to such a head – ongoing droughts in Australia are decimating wheat crops; the increasing tendency of Chinese consumers to eat more meat, requiring grain for animal feed; and the high price of fuel itself, which is forcing up farmers' costs – there is no doubt that bio-fuel production is also partly to blame, because it reduces supply at a time of unprecedented demand.

Bio-fuels are not the answer to climate change – they release the same amount of emissions as conventional diesel. They are however, an answer to dwindling oil reserves because they are renewable, hence the high US appetite for their production.

Globalisation has brought real economic benefits to many in producing countries, and yet it is a crazy paradox that it may be this same process – so fuel-intensive as it is – which has brought about much of these pressures. A textile factory in Bangladesh pays much-needed wages to its workers, but the socio-economic cost of transporting those garments back to western shoppers is putting the price of rice beyond those workers' pockets.

It would be ironic that at a time when the transport industry is genuinely trying to go green, that it may be about to be further vilified for using what is essentially food resources to transport consumer goods.

Bumpy takeoff

The ink hasn't touched the paper yet, but there is already blood on the carpet.

Delta's proposed merger with Northwest may be described as combining carriers with complementary networks, but there were job losses just the day after last week's announcement of the deal, long before its approval by the US authorities.

The airlines aim to generate $1bn in annual revenue and cost synergies through the merger, which is bound to mean staff culls. With airline fuel bills doubling over the past 15 months, this may be the only way to survive.

in the diary

21-24 April
European Road Transport Research Arena
Ljubljana, Slovenia
www.tra2008.si

22-24 April
Multimodal 2008
NEC Birmingham
www.multimodal.org.uk

12-14 May
Tiaca executive conference and AGM
Copenhagen
www.tiaca.org

13-15 May
Global Distribution Strategies 2008
Amsterdam
www.transportintelligence.com

20-22 May
RoRo 2008
Gothenburg, Sweden
www.roroex.com

3-5 June
Automotive Logistics Russia
St Petersburg
www.automotivelogisticsrussia.com

5-6 June
6th ASEAN Ports & Shipping
Windsor Plaza Hotel,
Ho Chi Minh City
www.transportevents.com

17-19 June
TOC Europe 2008
Amsterdam RAI International Exhibition and Congress Centre
www.tocevents-europe.com

Decision-makers must break out of their comfort zone

Jeff Screeton believes the Holy Grail of supply chain management is available to all managers prepared to think outisde the box

Everybody has a comfort zone – some bigger than others and for various reasons – but in business, especially dealing in a global economy, can anyone really afford to remain there if it means loss of business, disjointed operations or missed opportunities?

The answer is a resounding "no", but still too many senior managers remain reluctant to step outside their comfort zone, think more holistically and accept (free) advice and guidance on how doing things differently will dramatically improve their cost base, operational efficiency and market share.

Debate has raged recently about whether 4PL operations are a superior approach to the tried and tested 3PL model. There are a great number of arguments – for and against, for both 4PL and 3PL – and of course, the outcome very much depends on how the 3PL or 4PL provider approaches the challenges placed in front of it.

However, the biggest barrier to many senior managers making vital changes is the concept of perceived risk, and the fear of money subsequently disappearing by the truckload.

But, suppose risk could be contained and the benefits clearly demonstrated before a penny was spent or the first wheel turned?

The biggest advantage offered by fourth-party logistics is its independence. It has no assets and, therefore, has no vested interests whose costs have to be recouped from the customer, irrespective of whether the proposed solution is in the customer's interests in the medium to long term.

Put simply, the 4PL model is flexible and adaptable and not tied to specific physical assets such as warehouses. As the customer's business profile changes, supply chain changes can quickly – and cost effectively – be implemented without recourse to lengthy and expensive tendering and wasted time and opportunity.

Likewise, as the 4PL builds its business with key suppliers that meet its key service criteria, so it is increasingly well placed to negotiate more favourable rates based on variable rather than fixed asset costs.

The second greatest advantage is the in-depth knowledge of markets, suppliers, equipment and rates that accrues from working directly at the "coal face" across all transport modes.

The 4PL is not embroiled in corporate policy or supplier/location/equipment favouritism, and is more aware and more able to respond quickly to changes in service provision and costs and so on.

This knowledge comes to the fore when customers are faced with exploiting new markets or seeking increases in market share. It allows them to contain costs and compete more effectively with the incumbents.

Likewise, many new businesses are emerging that have no in-house supply chain expertise. In these cases, the ability to remain very lean and mean during the early growth years is vital to success. The 4PL approach can quickly empower these businesses to shape their own destiny.

But, returning to the comfort zone, the biggest issue is persuading supply chain decision makers to do what they're paid to do: look more closely at the alternatives.

It is too easy to throw tender documents at 3PLs and hope that what they propose and implement sees the business happily through the contract period. The danger is that there will be a competitor who *can* see the 4PL wood for the trees and has recognised an easier route to market share and profits – quite possibly at the expense of the manager who is dozing in his comfort zone.

Surely loss of business and redundancy are enough to wake up even the deepest sleeper. I sincerely hope so.

A good 4PL should be able to think entirely "out of the box" and dare to go where most 3PLs won't in order to eliminate most of the risk associated with change, and in the process assemble the various supply chain components to provide the customer with the means to achieve their cost, service, efficiency and environmental targets. And, would you believe, all without the customer spending a penny. This is the supply chain Holy Grail and the good news is, it's available to all.

A prime example of where 4PL has come into its own is the transfer of significant traffic volumes from road to rail, purely as a result of taking a more holistic approach to the various constraints and applying large amounts of creativity to enable profitability across the board.

This has also gone a long way towards meeting the growing demands for higher levels of corporate, social and environmental responsibility by reducing road journeys and CO_2 emissions (by up to 66% per intermodal unit). Here, knowledge is king, and the number of experts able to assemble these solutions are few and far between.

The obvious caveat is that while that expertise exists, it cannot be effective as long as supply chain decision-makers remain in their comfort zones and fail to put their heads above the parapet to consider the low-risk offer.

Jeff Screeton is director and co-founder of Aceona Management

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on holiday

April

25	Egypt, Italy, Portugal
25-28	Greece
26	Israel
29	Japan
30	Netherlands, Vietnam

May

1	Bahrain, Belgium, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hong Kong, Italy, Korea, Latvia, Malaysia, Netherlands, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Singapore, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Ukraine, Vietnam
1-3	China
3-6	Japan
5	Korea, Netherlands, Thailand, UK
8	France, Israel
9	Russia, Ukraine
12	Belgium, Denmark, France, Germany, Hong Kong, Korea, Netherlands, Norway, Switzerland
17	Norway
19	Canada, Malaysia, Singapore, Turkey

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