



“Outside the Box” Distribution: Benchmarking Lessons from Other Industries

By:

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www.supplychainconsortium.com

RILA Session Agenda

Agenda

Introductions

- Bruce Tompkins – Supply Chain Consortium
- Bob Zukoski – Mervyns
- Jim Werner – Hallmark Cards Inc.

Supply Chain Consortium Background, Tools and Topics

Benchmarking Success Story Survey Highlights

Panelist Discussions

- Benchmarking Applications
- Hot Topics
- Leadership Forum

Q&A



Supply Chain Consortium

Brief Background

- Formed in 2004, the Consortium is an organization with the driving philosophy to identify gaps in performance and to implement initiatives to improve supply chain practices and processes.
- Participants include over 120 premium Consortium members (participate in all aspects of the Consortium) and an additional 60 contributing member organizations (complete one or two survey topics). A complete member list is in the Appendix.
- Leadership of the Consortium is provided by the Advisory Board that is made up of the following companies:



- Consortium members enter data into selected supply chain topic question sets and use analysis and reporting tools to meet their strategic needs.



Supply Chain Consortium

Tools

- Strategic Assessment Dashboard – Provides enterprise, functional and question level gap analysis and identification of opportunities for improvement.
- Search Tools – Provide ‘google’ type search capability of the database.
- Filter and Query – The system incorporates a data filtering tool based on 25 criteria with essentially unlimited analysis options. Queries can be completed on any question in the system with a click of the mouse.
- Hot Topic Survey – Special topic surveys on Consortium selected topics.



Supply Chain Consortium

Tools (continued)

- Focus and Hot Topic Survey Reports – Focus reports are prepared each month on topics of interest to Consortium members. Hot Topics are special surveys done at Consortium members' request with best practices reported to participants.
- PeerNet – PeerNet is a database of Consortium members which facilitates interaction between individuals from Consortium companies.
- Leadership Forum – The Consortium's annual conference highlighting breakout sessions used to present data on relevant supply chain topics and solicit feedback and discussion among members.



Supply Chain Consortium

Supply Chain Topics

Retail, Consumer Products, Industrial Commercial Manufacturers, and Wholesale/Distributors						Port and Carrier Operations	
Supply Chain Planning	Sourcing	Manu- facturing	International Trans.	Domestic Trans.	Distribution Center Operations	Ports / Terminal Operations	Carriers and 3PLs
Network Design	Supplier Management	Facility Design	Air	Parcel	Layout	Capacity and Throughput	
Network Planning	Vendor Collaboration	Quality Systems	Ocean	LTL	Operations	Government Regulations	
Demand Planning	Order Control	Production Scheduling	Domestic Ports	Truck	Functional Practices	Emergency Preparedness	
Sales Forecasting	Inco Terms	Human Resources	Order Control	Fleet	Labor Management		
Inventory Management		Information Tech	Third Party Services	Intermodal	Outsourced Distribution		
		Product Design	Customs Brokers		Outsourced Pool		
			Domestic Trade Management		Direct to Consumer		
Core Supply Chain Benchmarks							
Key Financial Benchmarks							
Technology							
Security							
Environmental / Sustainability							



Supply Chain Consortium

Benchmarking Success Story Survey Highlights

- Reductions in transportation costs and distribution costs were most noted as areas where benchmarking helped achieve performance improvements (74% and 70% of survey participants respectively)
- Benchmarking data was used for strategy development, gaining support for action and defining specific supply chain initiatives
- 79% of participants felt that benchmarking was either important or very important with respect to influencing improvement activities
- Despite achieving improvements with benchmarking, only 43% of participants thought their organizations were interpreting and using the data well and a mere 17% felt that top management understood benchmarking
- Benchmarking lessons learned of those surveyed were to 1) align with key stakeholders, 2) reduce scope to actionable issues, 3) maintain perspective, 4) seek industry specific data but also “think outside the box” and 5) summarize results for top management



Supply Chain Consortium

Appendix

- Why Benchmarking?
- Consortium Membership
- Dashboard
- Search, Filter and Query
- PeerNet
- Leadership Forum
- Focus Reports and Hot Topics



Supply Chain Consortium

Why Benchmarking?

The most effective supply chains achieve the greatest possible availability of goods at optimal levels of inventory, transportation, and warehousing dollars. **Specifying goals for improvement** in these areas **requires knowing where you stand** now. **A CEO** ought to be able to list and explain the factors affecting availability, working capital, and cost; she **should push the organization to do supply chain benchmarking and best-practice analysis** – and should review the results personally.

- Excerpt from: *Are You the Weakest Link in Your Company's Supply Chain*

-- Reuben E. Slone, John T. Mentzer, and J. Paul Dittman

September, 2007



Harvard Business Review



Consortium Membership

Apparel, Fabric & Accessories

Chico's FAS	Ann Taylor Stores	Aramark
Blair Corporation	Limited Brands	Eddie Bauer Fulfillment Services
Lerner New York	Levi Strauss & Co	Nordstrom
Polo Ralph Lauren	Ross Stores	Saks
The Gap	Timberland	TJX Companies
Too, Inc.	Wolverine World Wide	Charming Shoppes Inc.*
Cornerstone Brands, Inc*	Helzberg Diamonds*	Land's End, Inc.*
Shoe Carnival*	Vans, Inc.*	

Automotive & Truck Parts

Honeywell	Advance Auto Parts	AutoZone
ExxonMobil	Faurecia Exhaust Systems, Inc* .	O'Reilly Automotive
The Pep Boys	Swagelok Company	Tractor Supply Company*
Ducati North America*	NACCO Material Handling*	



Consortium Membership

Department Store and Discount

99 Cents Only Stores	Army & Air Force Exchange Services	BJ's Wholesale Club
Bon-Ton Stores	Dillard's	Dollar General
Family Dollar Stores	Fingerhut	Fred's
Hudson's Bay	J.C. Penney	Kohl's
Pamida Holdings Corp., Inc.	ShopKo	Target
Value City	Beall's Department Stores*	Big Lots, Inc.*
Navy Exchange Service Command*	Von Maur, Inc.*	Meijer, Inc.

Electronics

Best Buys	Hewlett-Packard	Ingram Micro
Insight Enterprises	Newegg.com	Phillips Electronics
Sony Logistics America	Tech Data	THQ, Inc.
Andrew Corporation	Samsung	McAfee, Inc.*
Nintendo, Inc.*	Osram Sylvania Products, Inc.*	Warner Music Group*
Trans World Entertainment Corp.*	Newark*	Canon USA, Inc.*



Consortium Membership

Food & Beverage

ACH Food Companies	Bar-S Foods Company	Brach's Confections, Inc*
Campbell Soup	Coca-Cola Company	Driscoll Strawberry
Florida's Natural Growers	Fresh Brands	J.M Smucker Co.
Kraft Foods	Miller Brewing Company*	Molson Coors
Stonyfield Farm, Inc.*	Tootsie Roll Industries	Tyson Foods
Perdue Farms		

Grocery & Convenience

7-Eleven	Albertson's	Bear Creek Corporation
Giant Eagle	Great Atlantic & Pacific Company	H.E. Butt
Harris Teeter	Kwik Trip Stores	Loblaw Companies Limited
Metro-Richelieu, Inc	Nash Finch	North West Company
Publix	Safeway	Smart & Final, Inc.
SuperValu	United Supermarkets	Winn Dixie
AJC International, Inc.*	Bozutto's, Inc.*	K-VA-T Food Stores, Inc.*
Kerry, Inc.*	Schnuck Markets, Inc.*	The Golub Corporation*
Tree of Life, Inc. *		



Consortium Membership

Hardware & Home Improvement

Ace Hardware	Home Depot	Home Hardware Stores Limited
Marvin's	Stock Building Supply	TrueValue
Do it Best Corporation*	Famous Supply Companies*	Orgill, Inc.*
American Gypsum Company*	Stihl Incorporated*	W.W. Grainger

Hobby, Toys, Arts & Crafts

Berwick Industries	Cabelas, Incorporated	Dick's Sporting Goods
Galyan's Trading Company	Hallmark	Jo-Ann Stores
Michael's	Party City	Toys 'R Us
Polaris Industries, Inc.*	S.P. Richards & Company*	The Foranzi Group, Ltd.*

Home Furnishings & Appliances

American Standard	Crate & Barrel	Croscill
Mannington Mills	Shaw Industries	Tempur-Pedic
Whirlpool	The Bombay Company, Inc.*	Electrolux Home Products*
Home Interiors & Gifts, Inc.*	KI*	Steelcase, Inc.*
Lifetime Brands*		



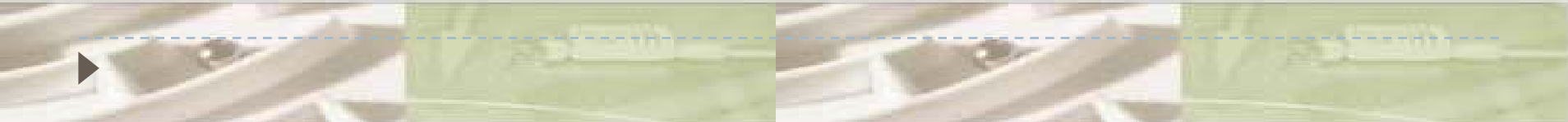
Consortium Membership

Personal Care & Drugs

Avon	Coty	Herbalife
Kimberly-Clark	Long's Drug Store	Regis Corporation
Rite Aid	Unilever Home and Personal Care	Walgreen
Beiersdorf, Inc.*	Burt's Bees, Inc.*	

Specialty

Barnes & Noble	Borders	Cracker Barrel
OfficeMax	Staples	West Marine
1-800 Flowers.com, Inc.*	Harcourt Education*	Simon & Schuster*
The Standard Register Company*		



Dashboard

Consortium Tools – Strategic Assessment Dashboard

The Dashboard provides a top down view of supply chain performance. It answers the question: How efficient and effective is my supply chain?

- The Dashboard provides performance and capability scores using detail benchmark data entered through the Supply Chain Consortium’s online interview process.
- The Dashboard compares your company’s scores to peers and best practices to highlight gaps and centers of excellence.
- The Dashboard assesses opportunities based on the value of gaps and the difficulty in closing the gaps.
- The Dashboard supports drill downs from overall functions to specific metrics and processes.
- The Dashboard links summary scores in each function to the names of companies performing in the top quartile.

Strategic Assessment Dashboard - Enterprise Summary - Current Year Print										
Disregard	Comparison versus "All" Foundation - Function	Top Quart	Variance	Your Score	Percentile	Quartile	Value	Opportunity	Difficulty	Rating
<input type="checkbox"/>	Profile		425							
<input type="checkbox"/>	Supply Chain Profile	TOP	425	94%			H	H		<div style="width: 100%;"><div style="width: 100%;"></div></div>
<input type="checkbox"/>	Plan		(5)							
<input type="checkbox"/>	Network Design and Optimization	TOP	(5)	50%			M	M		<div style="width: 100%;"><div style="width: 50%;"></div></div>
<input type="checkbox"/>	Source		237							
<input type="checkbox"/>	Supplier Collaboration and Relationship Management	TOP	213	76%			M	M		<div style="width: 100%;"><div style="width: 76%;"></div></div>
<input type="checkbox"/>	Inbound Orders - Products/Components/Raw Materials	TOP	24	60%			M	M		<div style="width: 100%;"><div style="width: 60%;"></div></div>
<input type="checkbox"/>	Transport		(111)							
<input type="checkbox"/>	Truck Transportation	TOP	125	83%			M	M		<div style="width: 100%;"><div style="width: 83%;"></div></div>
<input type="checkbox"/>	Ocean Transportation	TOP	(98)	29%			M	L		<div style="width: 100%;"><div style="width: 29%;"></div></div>
<input type="checkbox"/>	Air and Parcel Transportation	TOP	(138)	13%			L	M		<div style="width: 100%;"><div style="width: 13%;"></div></div>
<input type="checkbox"/>	Store/Sort		988							
<input type="checkbox"/>	Operations	TOP	227	100%			M	M		<div style="width: 100%;"><div style="width: 100%;"></div></div>
<input type="checkbox"/>	Functional Practices	TOP	321	100%			M	L		<div style="width: 100%;"><div style="width: 100%;"></div></div>
<input type="checkbox"/>	Labor Management	TOP	172	100%			M	M		<div style="width: 100%;"><div style="width: 100%;"></div></div>
<input type="checkbox"/>	Outsourced Distribution Centers	TOP	138	86%			M	L		<div style="width: 100%;"><div style="width: 86%;"></div></div>
<input type="checkbox"/>	Warehouse Management Systems	TOP	130	72%			M	M		<div style="width: 100%;"><div style="width: 72%;"></div></div>
<input type="checkbox"/>	Control/Technology		111							
<input type="checkbox"/>	Process Management Technology	TOP	89	84%			H	M		<div style="width: 100%;"><div style="width: 84%;"></div></div>
<input type="checkbox"/>	Status Tracking	TOP	22	79%			L	H		<div style="width: 100%;"><div style="width: 79%;"></div></div>
Summary										
Combined Functional Score			1,645	na	na					
<small>(Show All) (Hide Checked) (Reload Report)</small>										



Search, Filter, and Query

Consortium Tools – Search, Filter, and Query

- A database search capability allows you to find questions through the use of keywords much like an internet search.
- You can select from 25 different filter criteria which creates thousands of different filtering scenarios.
- Filters can be saved and reused as needed.
- The filters focus results on operations “like me” when searching for best practices or performance metrics.
- Query results provide totals, averages, medians, lows, highs and quartiles, depending on what might be appropriate for the question.



The filters that you select are saved as "scenarios". To create a scenario, type the name that you want to assign in the box below. Once you have selected the appropriate filters, click the "Save" button at the bottom of the page. You may modify an existing scenario by selecting it from the list below. To delete an existing scenario, check the delete box below and click the Save button.

Save this filter scenario as:

Filters	Evaluation Factor	Must be equal to or greater than this value
Company		
<input checked="" type="checkbox"/> Company size	Annual revenue in dollars	<input type="text" value="3,000,000,000"/> (From \$0 to \$100B)
<input checked="" type="checkbox"/> Industry	Match to industry in list	<input type="text" value="Retail"/>
<input type="checkbox"/> Segment	Match to industry in list	<input type="text" value="Please Select"/>
Sales channel		
<input type="checkbox"/> Commercial sales	<input type="text" value="Please Select"/>	<input type="text" value=""/> (% of total sales from 0% to 100%)
<input type="checkbox"/> Consumer sales	<input type="text" value="Please Select"/>	<input type="text" value=""/> (% of total sales from 0% to 100%)
Supply chain spend		
<input checked="" type="checkbox"/> Transportation	<input type="text" value="Please Select"/>	<input type="text" value=""/> (From \$0 to \$100B)
<input type="checkbox"/> Distribution operations	<input type="text" value="Please Select"/>	<input type="text" value=""/> (From \$0 to \$100B)
<input type="checkbox"/> Overhead and other	<input type="text" value="Less than truckload freight"/>	<input type="text" value=""/> (From \$0 to \$100B)
Supply Chain Network		
<input type="checkbox"/> Distribution centers	<input type="text" value="Please Select"/>	<input type="text" value=""/> (From 1 to 1,000)
<input type="checkbox"/> Manufacturing plants	<input type="text" value="Please Select"/>	<input type="text" value=""/> (From 1 to 1,000)
<input type="checkbox"/> Purchases from	<input type="text" value="Please Select"/>	<input type="text" value=""/> (From \$0 to \$100B)
<input type="checkbox"/> Sales to	<input type="text" value="Please Select"/>	<input type="text" value=""/> (From \$0 to \$100B)
Product characteristics		
<input type="checkbox"/> Value	<input type="text" value="Please Select"/>	<input type="text" value=""/> (% of outbound shipments from 0% to 100%)



PeerNet

Consortium Tools – PeerNet

PeerNet offers the opportunity for executives to have one-on-one conversations with their peers on topics of mutual interest. You can:

- Select how you want to be contacted (phone, email or through your Administrative Assistant).
- Select who can contact you based on job level.
- Select the topics you would be willing to discuss.
- Submit queries to search for executives willing to share their ideas and experiences on specific topics.

Contact Information The following information has been automatically provided based on your user profile and the login information you used to access this session of the best practice review. Contact information provided through PeerNet will be based on this profile. If this information is not correct or this is not you, please contact the Review Administrator at review.administrator@tompkinsinc.com to have your user profile updated. Note: This information will be kept in strictest confidence and will only be shared through PeerNet based on approvals you provide.

My Profile

First Name: John
 Last Name: Traendly
 Company: Tompkins Associates
 Department: Benchmarking
 Title: Senior Director
 Phone: 678-309-9046 Do not share phone number
 Email: jtraendly@tompkinsinc.com Do not share email
 City: Smyrna
 State: GA

My Executive Assistant

Name:
 Phone Number:
 Email:

My Contact Preferences (check all that apply)

Schedule contact through my Executive Assistant **Acceptable Alternatives**
 Contact me through my email address
 Call me at the number provided
 Provide access to executives at or above the following level only Senior Director

Select all

Planning

Demand planning and forecasting
 Supply chain network design
 Supply chain investment policies

Organization

Organization roles and responsibilities
 Compensation and incentives
 Staffing levels

Inbound Orders

Supplier/vendor selection
 Supplier/vendor collaboration
 Order management
 Freight routing
 Returns

Inbound Orders International

Order Management
 Freight routing and Incoterms
 Third party services/global 3PL's
 Customs and customs brokers
 Security

Order Fulfillment

Transportation

Truck and intermodal
 Dedicated fleets
 Ocean
 Rail, excluding intermodal
 Air
 Parcel

Distribution Centers

Operations practices
 Labor management and productivity
 Investments and operating costs
 Material handling systems
 Warehouse management systems
 Outsourced distribution centers

Inventory Management

Inventory policies and practices
 Product identification and classification
 Inventory reduction initiatives

Supply Chain Technology

Transportation management systems
 Supply chain event management systems
 Supply chain performance management
 Application suites and integration
 Bar coding



Leadership Forum

Leadership Forum

The forum, sponsored by the Supply Chain Consortium, features breakout sessions that will allow you to network with other executives and share your best thinking on key supply chain issues through facilitated discussions and access to benchmarking results. **Below is a sample of an agenda at the Leadership Forum in 2007.**

Tuesday, September 11th

Time	Event
7:00 am	Continental Breakfast
8:00 am	Welcome and Expectations
8:30 am	Breakout Session 1
9:30 am	Break
9:45 am	Breakout Session 2
10:45 am	Breakout Session 3
12:00 am	Break
12:15 pm	Lunch Buffet
12:45 pm	Lunch Keynote <i>Dr. James A. Tompkins</i> <i>"Bold"</i>
2:00 pm	Breakout Session 4
3:00 pm	Break
3:15 pm	Breakout Session 5
4:30 pm	Full Conference Session - BBP User Success Stories
6:00 pm	Reception
7:00 pm	Dinner

Wednesday, September 12th

Time	Event
7:00 am	Continental Breakfast
7:00 am	Advisory Board Breakfast
8:00 am	Breakfast Keynote <i>Michael Zachary</i> <i>Port and Maritime Expert - COAC Member</i> <i>"Supply Chain Visibility - Which White Elephant Will be Exposed"</i>
9:00 am	Breakout Session 6
10:30 am	Break
10:45 am	Breakout Session 7
11:45 am	Breakout Session 8
12:30 am	Lunch Buffet
1:30 pm	Adjourn
1:45 pm	Emerging Technology Center (RFID / TCS Demonstration) <i>(Optional)</i>
3:00 pm	Transportation Directly to the Airport (3:15 Arrival)



Focus and Hot Topic Reports

Consortium Tools – Focus Reports and Hot Topic Surveys*

- Focus reports are published for numerous topics throughout the year to highlight benchmarks and best practices.
- Hot Topic surveys address topics identified by Consortium members which are of immediate interest to supply chain leaders.
- All reports use data from the benchmark on-line interview to identify the best practices utilized by Consortium members.

BENCHMARKING & BEST PRACTICES
SUPPLY CHAIN CONSORTIUM
March 16, 2007

Focus Report:
Core Carrier Programs and Strategies

Points of Interest

- 85% of consortium participants state that they have a **core carrier program** in place.¹
- Core carriers handled 71% of **truckload volume** and 74% of LTL shipments for consortium participants in 2006.²
- The average consortium participant utilized **20 core truckload (TL) carriers**, 13 approved TL carriers, and 13 other (non-approved) TL carriers.²
- The average consortium participant utilized **\$ less than truckload (LTL) core carriers**, 2 approved LTL carriers, and 6 other (non-approved) LTL carriers.²
- Participants' core carrier programs have been established for an **average of 8 years**.⁴
- Average duration between **freight bids** was **1.9 years in 2006**, down slightly from an average of 2.2 years in 2005.⁵

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Introduction

There has been an evolution in core carrier programs. In the 1990s, many companies initiated efforts to develop core carrier relationships with the intent of improving service, reducing rates, and eliminating administrative costs. The premise was sound. Concentrating shipping activity with fewer carriers would create a more partnership-oriented relationship and leverage aggregate freight spending. As a result, carriers would have incentive to provide low rates in exchange for anticipated volumes.

By working with fewer carriers, shippers would realize a reduced administrative burden in terms of managing operations, accounts payable, and regulatory compliance issues. Additionally, shippers hoped to take advantage of core carrier technology, freight networks, and expanded service offerings.

Although most shippers realized some of these anticipated benefits, very few meaningful "partnerships" have come to pass. Because it was a shipper's market, carriers were often on the less favorable end of rate and service negotiations.

Then the early 21st century came along and everything changed. Driver shortages, hours of service changes, and expanding import volumes all contributed to a carrier capacity crunch. Suddenly, it was a carrier's market. The tables turned in terms of negotiating rates and service levels. Accessorial fees, often ignored previously, became a significant factor in terms of total freight costs. Faced with rising rates and less flexibility from core carriers, many shippers added new carriers in search of capacity at reasonable rates.

With the "peak" shipping season of 2006 recently concluded, we might be at a crossroads in terms of shipper-carrier relationships. The peak or lack thereof in 2006 contributed to less than stellar financial performance for many carriers. Rising fuel costs are eating away at retailers' and manufacturers' profits and driving up the price of goods for their customers. At the same time, today's shorter delivery lead times and reduced inventories demand a higher level of transportation service throughout the supply chain.

Although organizations cannot control fuel prices, they can cut transportation costs by ensuring that they have the most effective carrier sourcing process and rates possible. A recent Supply Chain Consortium benchmarking and best practices survey of 100 top retailers and retail suppliers found that nearly a third were off target concerning their carrier shipping rates.

It will be interesting to see how carriers respond as 2007 unfolds. Is 2006 an anomaly? A year from now, will we be talking about how lack of capacity hurt shippers in the 2007 peak? Will carriers be forced to reduce rates significantly in search of business?

This report focuses on the recent state and strategies of Supply Chain Consortium core carrier programs as indicated by responses to surveys in 2006. It also offers thoughts and suggestions as to how companies should prepare for the continuing evolution.

Detailed information on superscript references may be found in the Appendix, Interview Resources, where section, topic and question references point to online benchmarking content that can be explored for additional insights into report conclusions.





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