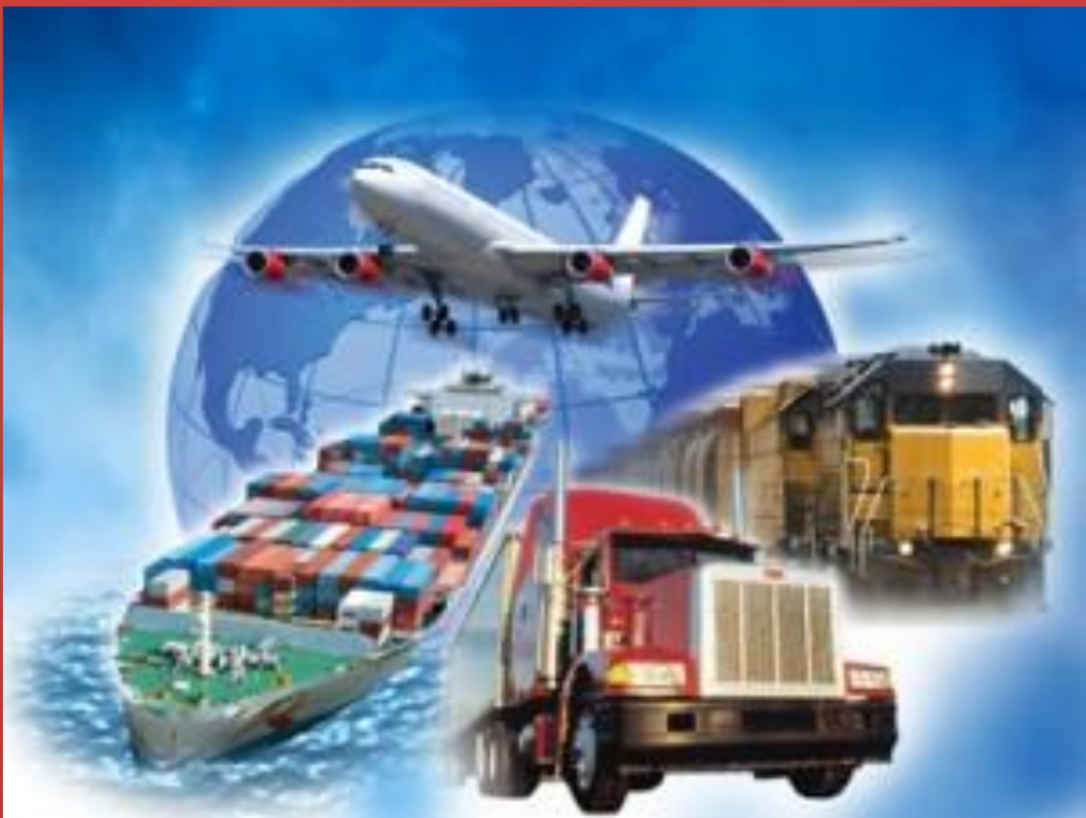
G D GOENKA UNIVERSITY
FROM FOUNDATION TO FLIGHT

The Chartered Institute of Logistics and Transport

# Centre of Excellence of Logistics and Supply Chain Management



**NEWS LETTER June 2016**

# *Message from the National Chairman*

*I am very happy to share with you all the 3rd issue of e-magazine brought out by the* ***Center of Excellence –Supply Chain Management****, a joint initiation of CILT and the School of Management, GD Goenka University, Gurgaon (India). The present issue of this e-magazine contains latest trends in supply chain and logistics area covering national as well as international domain. In one hand Inland Waterways Bill, First trial run of Dedicated Freight Corridor, E-Commerce in consumer perspective are major features in Indian context, on the other hand, Risks in Supply Chain, Status of Retail Supply Chain 2016, are the major highlights in the international context.*

*I congratulate faculty members of Center of Excellence and editorial board for bringing out innovative articles and updated news on transport, logistics and supply chain. I hope that readers will find this issue valuable and enrich with information.*

*Warm Wishes*

***Shanti Narain***

# Message from the National Vice Chairman

E-Commerce has seen an unprecedented growth and this trend is likely to boom in the coming years with the advent of mobile commerce. Consumers today are purchasing nearly everything online, from antiques to furnishings and grocery to electronics. The increasing access to internet & **broadband**, availability of Smartphones, **easing of norms** for business ventures, the push of the present government under Prime Minister Narendra Modi for **Digital India**, recent move of **SEBI to ease** listing norms, raise capital and create a dedicated platform for startups to list on stock exchanges in India, are some of the stimulating factors which are spearheading the growth of a new breed of online entrepreneurs in India. Even established retailers are augmenting traditional brick-and-mortar store sales with E-Commerce divisions. Having said this, it is no brainer that logistics will increasingly play a crucial role in the success of any E-Commerce venture. The E-Commerce players also need to establish a system for **reverse logistics** which comes into play when the customer requests for return of a product because it is damaged or they wish to exchange the product for its size, colour and other reasons thereof. The online ventures have to ensure a hassle free return and exchange policy because this will go a long way in building a bond of trust with the customers. The main role of logistics is to provide timely and efficient delivery of products so that the customer is satisfied and becomes your repeat customer, and also earns you more customers. An exceptional product delivery experience is critical in not just winning but retaining clients. So, it is in the best interest of the E-Commerce players to entail professional logistics services which would result in faster growth, success and dynamism for the company.

Now it gives me an immense pleasure to present 3rd issue of e-magazine which covers the latest national and international news/articles covering the area of logistics and supply chain management. We hope that the reader will enjoy while reading it. We congratulate our editorial board in coming up with very relevant information and issues.


**Prof.(Dr.) Pradeep Kumar Goel**

Professor & Dean, School of Management

GD Goenka University, Gurgaon

# National News

**June 2016**

## Inland Waterways Bill

The Parliament gave nod to a bill to convert **111 rivers** across the country into National Waterways, a move that would boost movement of goods and passengers via rivers and expectedly reduce the transportation costs substantially. The bill provides for enacting a central legislation to declare 106 additional inland waterways as the national waterways in addition to five existing national waterways. The legislation provides conversion of 15 rivers in West Bengal, 14 each in Assam and Maharashtra, 11 in Karnataka, 12 in Uttar Pradesh, 9 in Tamil Nadu and 6 each in Bihar and Goa and 5 each in Gujarat, Meghalaya, Odisha and Telangana, among others.

## Significance of Inland Waterways

Inland waterways comprising rivers, lakes, canals, creeks and backwaters extend to about 14,500 kms across the country. Five of the river-stretches, which have been declared as National Waterways are as follows:

- Allahabad-Haldia on Ganga (1,620 km),
- Brahmaputra's Dhubri-Sadiya (891 km),
- West Coast Canal Kottapuram-Kollam (205 km),
- Kakinada-Puducherry canals (1,078 km) and
- East Coast Canal integrated with Brahmani river and Mahanadi delta rivers (588 km).
- The proposal also includes plan to convert the Yamuna in Delhi and Haryana into a waterway.

This bill will boost the maritime trade of the states and augment their economy.
The declaration of National Waterways does not restrict the rights of state governments in any way. It only facilitates Government of India in developing the waterway for shipping and navigation. It will not infringe upon their rights on minerals and water etc. The waterways had taken a backseat in India, with only 3.5% of trade being done through the mode here as against 47% in China, 40% in Europe, 44% in Japan and Korea and 35% in Bangladesh.

Inland Water Transport is an environment-friendly and cost-effective mode of transportation, which on development will have the potential to establish an optimal modal mix and reduce logistic cost (currently as high as 18% in India).
However, it is irony that road transport, which is polluting and causes 5 lakh accidents per annum killing 1.5 lakh people, has been allocated Rs 55,000 crore whereas the environment-friendly shipping got a mere Rs 800 crore allocation in the budget. The work has already picked up regarding strengthening of the existing five National Waterways.

Three multi-modal hubs are being set up in the country including one in Sahibganj in Bihar and once completed, cargo could directly go to Bangladesh from Maharashtra, Madhya Pradesh, Chhattisgarh and states like Uttar Pradesh.
The inland Waterways is a much cheaper and environment-friendly mode of transportation as it costs only **25 paise per kilometer** to move cargo through waterways in comparison to **Rs 1.50** and **Rs 2.50** through **rail** and **road** respectively.

The government aims to garner Rs 1 lakh crore to fund projects for low-cost river transportation and seeks to develop national waterways to cut logistics cost, make Indian industry competitive and help developing smart townships along the rivers. The government has also planned to transport 300 million tonnes of coal to power plants and states through rivers.

There are five 'Ro-Ro' (Roll-on/Roll-off) services for freight transport being introduced at five places - Kolkata, Sahibganj, Varanasi, Patna and Bhagalpur besides setting up small terminals at a cost of Rs 1,000 crore.

**A River Traffic Control system** has been introduced on the pattern of Air Traffic Control system. In order to address the concern over pollution of river water LNG, which is considered as the ultimate fuel, will be used.

**Issues to be addressed**

- The public private participation (PPP) model and what will be the participation of foreign companies in it, commercial targets and share of the states.
- The status as well as utilisation of the land on both sides of the river
- The nature of transport that will take place on the rivers once they are converted into national waterways.
- The need for constant checking of the water level in the rivers, including seasonal, so that transport is not impacted.
- The protection of interest of the fishermen to ensure their livelihood.
- The need for transport police to maintain law and order

# First Trial of Dedicated Freight Corridor

While the nation was busy celebrating the launch of Gatimaan Express, India's first semi-high speed train a month back, Indian Railways was busy scripting history on a parallel front. The government quietly conducted the trial run of the country's first Dedicated Freight Corridor (DFC) to come up between two districts in rural Bihar.

On March 30, Dedicated Freight Corridor Corporation (DFCCIL), the railway ministry's arm implementing the ambitious Rs 82,000-crore DFC project, ran India's first goods train on a freight-specific track. The train carried 5,265 tonne of clinker, a raw material for cement manufacturing, loaded on 58 wagons on the 56-km new stretch between **Durgawati** and **Sasaram**, the bastion of first Union labour minister Jagjivan Ram.

The trial run brought India a step closer to joining the select club of nations, including the US, China, Australia and South Africa, with operational dedicated freight-specific lines. The double line electrified Durgawati-Sasaram section is being commissioned with an investment of Rs 1,000 crore entirely funded by Indian Railways' equity. The pilot stretch on the eastern arm of the DFCC project would divert largely coal freight from the existing rail network. DFCC has eliminated 18 level crossings on the 56-km stretch by building road over- bridges. The section is being constructed with an average investment of Rs 20 crore per km.

The DFCC is currently building more than 3,350 km of double-track freight-specific lines from **Ludhiana** in Punjab to **Dankuni** in West Bengal as the Eastern DFC, and from **Dadri** in Uttar Pradesh to **Jawaharlal Nehru Port Trust (JNPT)** in Navi Mumbai as the Western DFC. The entire project is aimed at relieving the congested railways network by separating freight traffic from passenger lines. The DFCC has acquired more than 89 per cent of the 11,550 hectares of land required for the project and tied up complete funding from the World Bank for the Eastern

DFC and Japan International Cooperation Agency for the Western DFC. Contracts worth Rs 24,102 crore were awarded in 2015-16 as against contracts worth Rs 13,000 crore finalised in the previous six years. The DFCC has finalised civil contracts for 2,138 km (76 per cent), electrical contracts for 1,786 km (63 per cent) and signalling & telecom contracts for 1,356 km (48 per cent) of the length of the project," the official said. Apart from the small 56-km Durgawati-Sasaram section, the project will be commissioned in phases between March 2018 and December 2019.The DFCC will purchase 200 locomotives for the western arm of the project from Japan and that order is being finalised by the Railway Board level. When commissioned, the eastern and the western arms of the DFCC will divert up to 40 per cent of freight traffic from Indian Railways and push rail's share of freight from the existing 36 per cent to 45 per cent by 2019.

Source: Business Standard

## Indian Oil Ties up with Start Up Firm Fortigo

Indian Oil Corporation, the country's largest oil marketing company, announced its partnership with logistics Start-up Fortigo, aimed at providing technology-based solutions to small truck owners. Fortigo is funded by various venture capitalists including Infosys co-founder Nandan Nilekani.


The partnership between Indian Oil and Fortigo, a first-of-its-kind in the industry, would help small truck owners manage the inventories and plan operations effectively, saving time and reducing transportation costs, a company statement said. Small truck owners with small fleets can manage logistics issues. The tie-up with Fortigo would also help Indian Oil tap fuel business from fleet operators covered under the Fortigo platform. During the current financial year, Indian Oil has signed similar tie-ups including rural e-commerce platform StoreKing and e-commerce portal Amazon.

Source: The Economics Times

# Kandla Port Gets Special Award from the Ministry of Shipping for Handling 100 million tones

Kandla Port Trust has been conferred a special award by the Ministry of Shipping for crossing 100 million tonnes (mt) in cargo handling.


V. O. Chidambaranar Port Trust, Tuticorin, bagged two awards - for achieving 'Higher Growth Rate in Cargo Handling' and for fulfilling the 'Results Framework Document Targets (RFD)' for 2015-16. According to a Port communiqué, for the first time in the history of shipping in India, the Union Ministry of Shipping announced the Annual Achievement Awards for Major Ports, for 2015-16.

They were conferred for achieving 'Higher Growth Rate in Cargo Handling', fulfilling 'Results Framework Document Targets (RFD)' and for achieving efficiency parameters. Cochin Port Trust too received a special award for achieving the highest growth rate in operating surplus.

The awards were declared by the Secretary (Shipping), Ministry of Shipping on May 12, 2016. It is pertinent to note that V. O. Chidambaranar Port handled an all-time high cargo traffic of 36.85 mt in 2015-16, surpassing the previous year's 32.41 mt and registering an increase of 13.70%. The Port also crossed the set target of 36.80 mt by handling 36.85 mt.

It also performed exemplarily in achieving the various parameters of the Results Framework Document targets—augment capacity, provide efficient, prompt, safe and timely port service at optimum cost, enhance throughput, continually improve services to meet the expectations of Port users, employees and society, and bring about improvement in financial parameters and administrative reforms, the communiqué highlighted.

Source: [www.transporter.com](http://www.transporter.com)

# India’s E-Commerce Wars: A Consumer Perspective

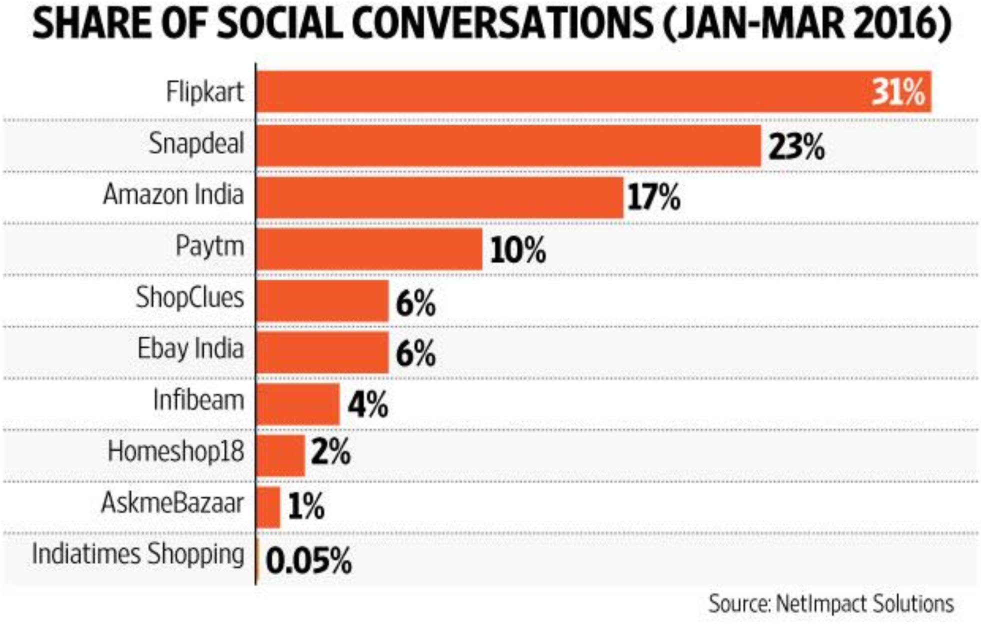
A first-of-its-kind analysis of over 1.8 million social media conversations over January, February and March across the top 10 e-commerce brands. High stakes, an increasing emphasis on efficiency, customer service, even profitability, and a new policy regime—this was the Indian e-commerce market in the first three months of 2016.


**Consumers feeling about the strategies of the companies**

In a first-of-its-kind analysis, it was tried to measure these using the lens of social analytics. It was analysed over 1.8 million conversations over January, February and March across the top 10 e-commerce brands (horizontal brands that sell across all product categories; the analysis excluded vertical players and second-hand marketplaces).

**Flipkart and Snapdeal lead the social buzz followed by Amazon**

Three companies stand out at the top in terms of the absolute volume of social conversations. Flipkart had the maximum social buzz with 31% of the total share. Snapdeal was second with a 23% share and Amazon was in third position with 17%. While the GMV (gross merchandise value) shares and absolute social conversation volume shares aren't a mirror image, there is a correlation between the two: the top 3 account for more than 70% of the social buzz and also more than 70% of the GMV shares as per various reports.




Paytm is at No. 4 in terms of the social buzz followed by ShopClues and eBay jointly at No. 5. Infibeam and the others form the long tail.

**Sales and deals remain the most popular but key category leadership battles also rage**

Sales and discounts continue to be the most popular strategic tool to grow traffic and stickiness. However, the deployment of this strategic weapon is not plain vanilla—significant sub-clusters exist showing different strategies.

The time-bound, across-categories sales by the firms evoked strong consumer social buzz. While some had more than one sales festival, each of the big three had one that stood out in terms of the maximum social buzz. Amazon had the Great Indian Sale in January 2016—which was well magnified socially too, with an invitation to fans to recreate the #AmazonGreatIndianSale audio tune with a personal twist. Flipkart's biggest festival sale in terms of consumer response was the #BigShoppingDays in March 2016. For Snapdeal, #RepublicofSavingsSale generated the maximum social buzz.

A significant sub-cluster of discounts and offers were those targeted at specific categories. The top 3 categories where this played out were fashion, smartphones and televisions. Snapdeal opened January 2016 with a fashion festival called "Full On Fashion Sale" which generated high social chatter . Flipkart also had a dedicated fashion sale in January and February called "The Flipkart Fashion Sale" (#FashionForEveryone). Amazon followed suit in March with a fashion thrust that leveraged its sponsorship of the India Fashion Week.

What consumers liked about these sales were the deep discounts and the fact that a wide variety of brands were covered— a few consumers claimed they had changed their entire wardrobe! The fashion category is likely to remain important given its higher profit margins, and repeat purchases on account of both low prices and changing trends.

The second focus category for discounts and special offers was smartphones, with interesting brand tie-ups and significant consumer interest. Flipkart's significant and customized big brand launches were with LeEco and Motorola. Snapdeal's launch of TCL Pride in January and Samsung Galaxy J3's teasers in March had the maximum consumer buzz. Amazon had some exclusive offers with Motorola, Lenovo and Redmi Note 3, though these did not get the same amount of social buzz.

Interestingly, the Chinese phone makers are showing superior leverage and skill in using online sales to outflank the traditional leaders (see NetImpact analysis in *Mint* on 24 February 2016 titled *Xiaomi, LeEco open 2016 with a bang*). Moving beyond fashion and smartphones, The Big TV Day Sale by Flipkart saw strong consumer interest. Snapdeal followed up in March with a campaign on televisions with an eye on the cricket T20 World Cup (#BringHomeTheStadium).

Besides the big sales, basic discounts on individual items were magnified not just by the companies, affiliates and coupon sites, but also by consumer shares. Interestingly, Flipkart gift vouchers seem to be becoming a standard redemption prize and a lot of social comments are shares of such voucher-led offers. This will no doubt help Flipkart drive upselling and frequency of purchase.

Going forward, in light of the new regulations by the government on discounts, it will be interesting to see the response of companies as well as consumers.

**Flipkart and Amazon drive the category expansion and customer satisfaction charge. Amazon leads with a steely focus on brilliant basics**

Going beyond discounts, Flipkart and Amazon both had strong initiatives around category expansion and reinforcing the perception of convenience. Flipkart launched an ad campaign around the theme of #EveryoneOnFlipkart in January which resonated well with consumers. While all e-commerce firms swear that flawless consumer experience is a key priority area, Amazon fired a big first shot in this direction in 2016 with a strong campaign *Apni Dukaan* which emphasised important aspects of efficient e-commerce—easy returns, 100% genuine products and on-time delivery. The campaign also saw a clever attempt to appropriate the emotional space of the trusted neighbourhood shop. It created strong consumer traction and was one of the top 2 conversation clusters of Amazon last quarter.

Flipkart responded later in the quarter with its own *Bilkul Pakka* campaign in March which focused on genuine products (*Bilkul Pakka*) and easy returns. This also got traction but an analysis of the chatter reveals that the campaign could do better with a more tangible reason for consumers to believe.

A key metric of customer satisfaction is the proportion of negative social comments by the consumers around service and other issues. An analysis of the same throws up some interesting points and shows that some pain points are yet to be resolved. One is the speed at which refunds are made and customer care issues, closed. A faster turnaround time, along with an even more sensitized customer care interface would help.

Snapdeal did not run a mass ad campaign, but posted an interesting video showing its top management reading out consumer complaints—sending out the signal that they are focused on addressing them.

Amazon, followed by Flipkart, had the least negative comments as a percentage of overall comments in this period. For Amazon, these accounted for less than 2% of overall comments; for Flipkart, it was 4%. Perhaps the quiet confidence exuded by Amazon about its long-term prospects in India stems from its relentless focus on a flawless consumer experience where it has built up an edge.

**Paytm: Balancing the muscle of 100 million digital wallets and a focus on two businesses**
With more than 100 million consumer digital wallets, if there is one company that can alter the rankings as well as the dynamics of the industry, it is Paytm. The extent to which it can leverage that advantage also depends on the speed of mastering the drivers of e-commerce. This is evident in the social conversation analysis which shows a significant positive buzz around Paytm's deals and attractive cashback offers. These, though, are countered by a significant cluster of negative comments (spanning payments and e-commerce) around delays in refunds, forfeited transactions and returned goods. It will be interesting to track the speed at which Paytm gets to the best-in-class customer experience on the e-commerce side while continuing a marketing focus on expanding its basic payments business (#PaytmKaro).

**A potential Nirma vs Surf battle: Paytm and ShopClues focus on attacking from the lower price points of the market**
One would imagine that with such a big focus on penetrative pricing by the top 3, there would be little space for further differentiation on price. However, one of the pricing strategies used by Paytm involves going bottom-up by creating and promoting an interesting property called "Sunday Bazaar", which flags off everyday goods with prices starting from as low as Rs.29. This has the ability to open up the belly of the e-commerce market, similar to the manner in which Nirma outflanked Surf and created a new market.

ShopClues had also started a similar property called the "Sunday Flea Market" in 2012.

In conclusion, clearly, the stakes are high in India's fast growing e-commerce market. Companies will likely intensify their efforts going ahead and also try and innovate. It will be interesting to see how the companies and consumers react to policy guidelines regulating discounts.

Source: www.livemint.com

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# International News

**June 2016**

## Containerized Shipping Turns 60

From its origins in the first seaborne transportation of containers on board Malcolm McLean's Ideal-X in1956, containerized shipment has become the glue that holds together today's globalized economy.

**Tanker to Container:** The man acknowledged to have been container shipping's true pioneer, Malcolm McLean, a trucking magnate, used a converted tanker to move the first containerized cargo by sea from New Jersey to Houston, 60 years ago. Four years later, Sea-Land introduced the first Transatlantic service, and in 1969, in the UK, Overseas Container Lines launched its first service. Landmarks indeed, and the benefits have been widely felt ever since. Containerization enabled the standardization of port handling equipment, increased speed of cargo handling, and flexibility of location of stowage and unpacking which all changed the way that manufactured goods are shipped around the world. It also improved cargo security, and facilitated intermodal integration to provide an inter-connected transportation system.

**Pass The Parcels:** Today, containerized transport links up just about every corner of the world, even if cargo might need to be transshipped from one vessel or service to another to reach its final destination. Reflecting this, the liner network has seen rapid increases in volumes. Across the last 40 years the compound annual growth rate in global container trade volumes stands at 9%, and this year world box trade is projected to surpass **180 million twenty-foot equivalent units (TEUs).** Following the first 20 years of container shipping history, the next 20, 1977-1996, saw the addition of an estimated 41 million TEU of box trade per annum, and the most recent 20 years have seen the addition of a further massive 136 million TEU of annual loaded container trade.

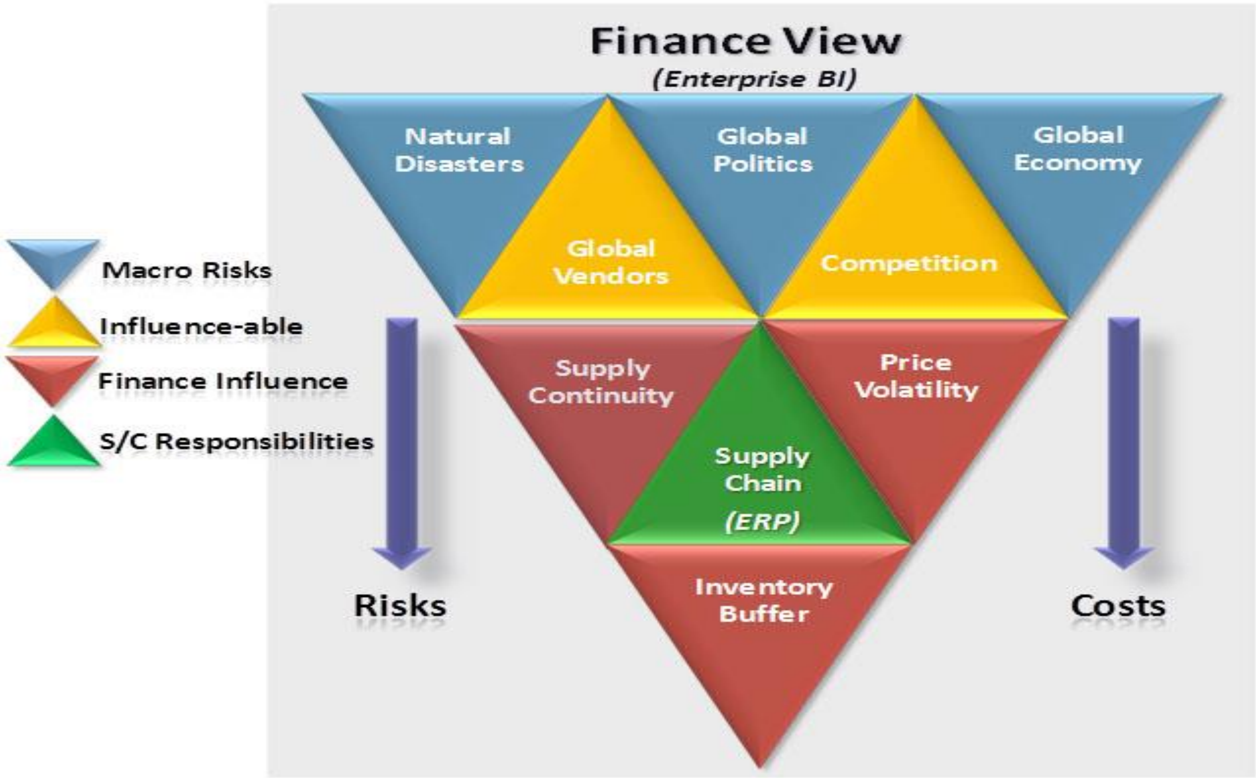
The network has also provided cheap "per unit" shipping. With around 400 flat screen TV sets in one box, every $100/TEU of freight cost equates to just $25 cents per unit. Given the type of vessels introduced, per TEU costs of operating ships have dropped too. Across 1976-96, three million TEU of capacity was delivered, with an average ship size of 1,673 TEU. In 1997-2016, 20 million TEU was delivered with an average size of 4,363 TEU, taking today's fleet capacity to 19.9 million TEU.

**Icing On The Cak**e: So, while growing up, container shipping has been busy connecting the world via the liner network for the movement of goods in a speedy and secure fashion. Though partially separating vessel ownership and operation, it has enabled cheap door-to-door transportation of manufactured goods, and the connection of consumers with the lowest cost production locations, facilitating the great outsourcing boom and enabling multi-location processing. Supply chains have been optimized and specialist port infrastructure has been established and connected to the distribution network.

All in all, containerization has been one of the greatest facilitators of change in the world economy in the last century.

## Risks in Supply Chain Management: A Survey by Allianz Risk Barometer

Every type of business risk has an impact on the supply chain. And when risk becomes reality, risk managers and supply chain managers work in tandem to keep goods and materials flowing.




In 2016, companies need to be prepared and ready to meet the following top 10 risks, according to the fifth annual *Allianz Risk Barometer*, which surveyed 824 risk managers and insurance experts from 44 countries.

1. **Theft, fraud, and corruption.** While they rank tenth for corporations overall, theft, fraud, and corruption are the top risks for the transportation industry.

2. **Political risks.** Refugee crises, terrorist attacks, and wars number among the many political factors that stress risk managers. These events can drastically disrupt the supply chain.

3. **Fires and explosions.** The average fire and explosion incident costs a company $1.8 million, the Allianz report states. With that sort of price tag, you can bet the thought of a facility or equipment fire keeps risk managers tossing and turning.

4. **Loss of reputation or value.** Corporations risk financial losses if their global reputation takes a plunge. To mitigate this risk, many companies focus on environmental initiatives and social responsibility programs.

5. **Macroeconomic developments.** Cheaper commodity prices and inflation are impacting the United States and many of its global trading partners in unexpected ways. Lower oil, gas, and steel prices are actually stressing the supply chain in some ways, the report notes.

6. **Changes in legislation and regulation.** Governments sometimes enact economic sanctions and protectionist policies that leave businesses trading with those countries at a disadvantage.

7. **Natural catastrophes.** Losses due to natural catastrophes were at their lowest since 2009, according to the report, dropping the category down two places from its number-two position in 2015.

8. **Cyber incidents.** The risk of cyber-crimes, data breaches, and IT failures gets higher year over year, and is the greatest long-term future risk, according to the report. Many companies don't have the resources to keep up with this rapidly changing threat, making it one of the most difficult to prepare for.

9. **Market developments.** Non-traditional competitors and startups wielding new methods and technology have also become a concern, with 34 percent of respondents citing market developments as a top issue.

10. **Business interruption.** Business interruption (BI), including supply chain disruption, holds its place at the top of the list for the fourth year in a row. While on the surface, this issue may not seem larger than some of the others, the fact is that BI is the end result of most of the other risks on the list.

While the other risks are the cause, seriousness interruption is the effect that many business leaders lose sleep over.


## Top 25 Ports: West Coast Continues to Dominate

The Panama Canal expansion is set for late June and may soon be attracting more inbound vessel calls to the East and Gulf ports. In the meantime, trans-Pacific trade is still keeping market share clearly concentrated on the West Coast.


CaroTrans USA Network
Seattle
Olympia
Portland
Salem
Helena
Boise
Bismarck
Fargo
Fort Pierre
Minneapolis
Milwaukee
Detroit
Cleveland
Lansing
Montpelier
Augusta
Concord
Albany
Hartford
Boston
Providence
Chicago
Des Moines
Omaha
Lincoln
Cheyenne
Denver
Salt Lake City
Carson City
Sacramento
San Francisco
Bourbonnais
Springfield
Indianapolis
Columbus
Cincinnati
Philadelphia
New Jersey
Harrisburg
Trenton
Baltimore
Dover
Annapolis
Kansas City
Jefferson City
St. Louis
Frankfort
Charleston
Richmond
Norfolk
Santa Fe
Oklahoma City
Memphis
Nashville
Charlotte
Raleigh
Little Rock
Columbia
Los Angeles
Phoenix
Dallas
Atlanta
Jackson
Montgomery
Charleston
Austin
Baton Rouge
New Orleans
Tallahassee
Jacksonville
Houston
Miami
Gulf of Mexico
Container Freight Stations (CFS)
Offices

# Top 25 U.S. Ports

| Ranked by March 2016 Import TEUs | | March 2016 | | March 2015 | | March Difference | | January-February 2016 | | January-February 2015 | | January-February Difference | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rank** | **Port** | **TEUs** | **% of total** | **TEUs** | **% of total** | **TEUs** | **% change** | **TEUs** | **% of total** | **TEUs** | **% of total** | **TEUs** | **% change** |
| 1 | Los Angeles, CA | 285,841 | 19.15 | 427,520 | 22.89 | -141,679 | -33.14 | 737,062 | 21.66 | 508,069 | 18.43 | 228,993 | 45.07 |
| 2 | New York/New Jersey | 252,774 | 16.94 | 290,218 | 15.54 | -37,444 | -12.90 | 511,404 | 15.03 | 474,368 | 17.20 | 37,036 | 7.81 |
| 3 | Long Beach, CA | 209,826 | 14.06 | 297,705 | 15.94 | -87,879 | -29.52 | 589,519 | 17.33 | 438,214 | 15.89 | 151,305 | 34.53 |
| 4 | Savannah, GA | 128,738 | 8.63 | 151,262 | 8.10 | -22,524 | -14.89 | 267,595 | 7.87 | 244,029 | 8.85 | 23,566 | 9.66 |
| 5 | Norfolk, VA | 90,757 | 6.08 | 97,407 | 5.22 | -6,650 | -6.83 | 183,637 | 5.40 | 158,264 | 5.74 | 25,373 | 16.03 |
| 6 | Charleston, SC | 74,195 | 4.97 | 70,579 | 3.78 | 3,616 | 5.12 | 135,355 | 3.98 | 126,508 | 4.59 | 8,847 | 6.99 |
| 7 | Houston, TX | 65,992 | 4.42 | 76,458 | 4.09 | -10,466 | -13.69 | 131,120 | 3.85 | 136,115 | 4.94 | -4,995 | -3.67 |
| 8 | Tacoma, WA | 59,742 | 4.00 | 71,218 | 3.81 | -11,476 | -16.11 | 150,900 | 4.44 | 90,517 | 3.28 | 60,383 | 66.71 |
| 9 | Oakland, CA | 54,529 | 3.65 | 79,658 | 4.27 | -25,129 | -31.55 | 145,359 | 4.27 | 78,842 | 2.86 | 66,517 | 84.37 |
| 10 | Miami, FL | 37,644 | 2.52 | 39,136 | 2.10 | -1,492 | -3.81 | 72,210 | 2.12 | 62,277 | 2.26 | 9,933 | 15.95 |
| 11 | Port Everglades, FL | 33,326 | 2.23 | 35,090 | 1.88 | -1,764 | -5.03 | 59,001 | 1.73 | 56,099 | 2.03 | 2,902 | 5.17 |
| 12 | Baltimore, MD | 31,846 | 2.13 | 35,716 | 1.91 | -3,870 | -10.84 | 69,333 | 2.04 | 51,552 | 1.87 | 17,781 | 34.49 |
| 13 | Seattle, WA | 26,342 | 1.76 | 53,566 | 2.87 | -27,224 | -50.82 | 80,033 | 2.35 | 84,800 | 3.08 | -4,767 | -5.62 |
| 14 | Philadelphia, PA | 23,470 | 1.57 | 21,676 | 1.16 | 1,794 | 8.28 | 42,008 | 1.23 | 37,181 | 1.35 | 4,827 | 12.98 |
| 15 | Jacksonville, FL | 15,093 | 1.01 | 13,433 | 0.72 | 1,660 | 12.36 | 32,780 | 0.96 | 26,989 | 0.98 | 5,791 | 21.46 |
| 16 | Wilmington, DE | 14,813 | 0.99 | 17,809 | 0.95 | -2,996 | -16.82 | 29,268 | 0.86 | 28,075 | 1.02 | 1,193 | 4.25 |
| 17 | San Juan, PR | 13,159 | 0.88 | 11,968 | 0.64 | 1,191 | 9.95 | 22,044 | 0.65 | 22,472 | 0.82 | -428 | -1.90 |
| 18 | New Orleans, LA | 11,161 | 0.75 | 10,059 | 0.54 | 1,102 | 10.96 | 18,592 | 0.55 | 17,765 | 0.64 | 827 | 4.66 |
| 19 | Boston, MA | 9,116 | 0.61 | 9,255 | 0.50 | -139 | -1.50 | 20,519 | 0.60 | 17,104 | 0.62 | 3,415 | 19.97 |
| 20 | Wilmington, NC | 8,601 | 0.58 | 11,757 | 0.63 | -3,156 | -26.84 | 20,221 | 0.59 | 17,785 | 0.65 | 2,436 | 13.70 |
| 21 | Chester, PA | 8,533 | 0.57 | 6,959 | 0.37 | 1,574 | 22.62 | 11,849 | 0.35 | 7,620 | 0.28 | 4,229 | 55.50 |
| 22 | Mobile, AL | 5,889 | 0.39 | 6,147 | 0.33 | -258 | -4.20 | 13,783 | 0.41 | 12,344 | 0.45 | 1,439 | 11.66 |
| 23 | San Diego,CA | 5,357 | 0.36 | 4,978 | 0.27 | 379 | 7.61 | 12,502 | 0.37 | 8,683 | 0.31 | 3,819 | 43.98 |
| 24 | Gulfport, MS | 5,019 | 0.34 | 5,694 | 0.30 | -675 | -11.85 | 11,822 | 0.35 | 8,287 | 0.30 | 3,535 | 42.66 |
| 25 | Port Hueneme, CA | 4,434 | 0.30 | 4,939 | 0.26 | -505 | -10.22 | 7,405 | 0.22 | 8,976 | 0.33 | -1,571 | -17.50 |

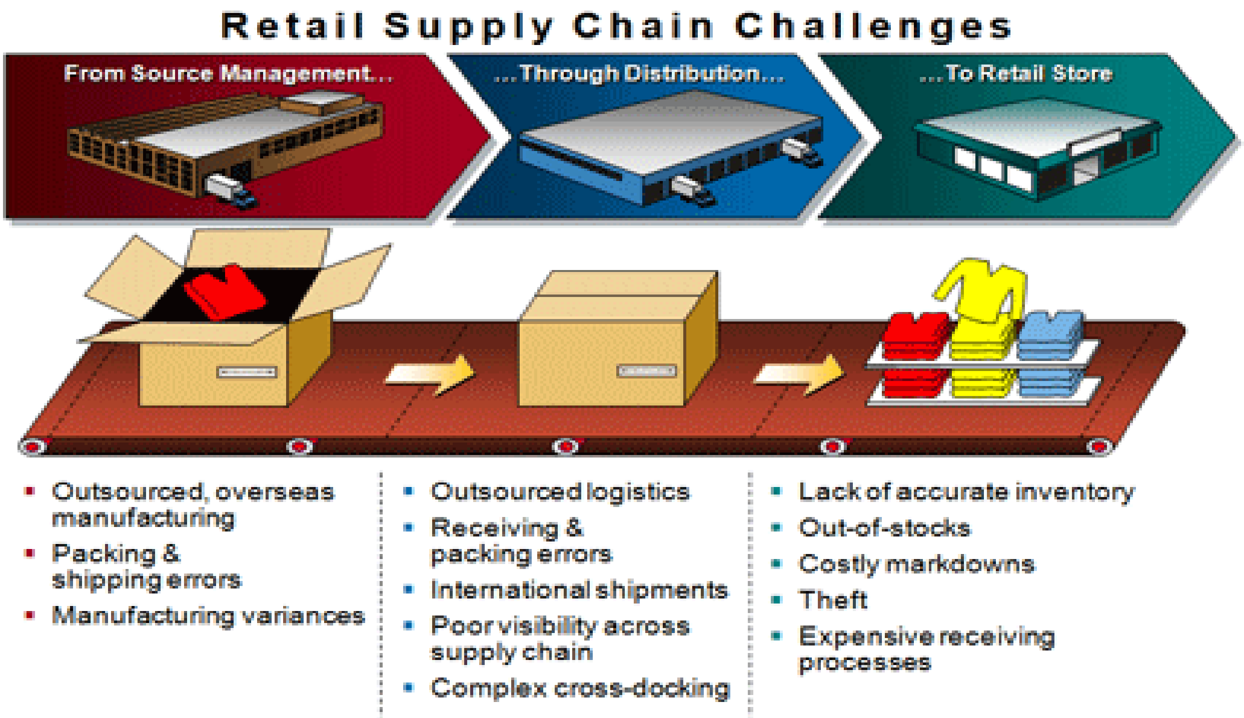
Source: Datamyne

# Articles/Cases

**June 2016**

# State of the Retail Supply Chain 2016

Research indicates increasing availability without increasing stock holding is North American retailers' top issue regarding supply chain planning and execution




The second annual supply chain research study: "State of the Retail Supply Chain 2016" is published, highlighting the key priorities for North American retail supply chain executives. The study has been conducted by research firm Martec International and commissioned by RELEX, the first supply chain solution provider to offer retailers, wholesalers and manufacturers the power of in-memory computing.

The new research asked retailers from North America, UK, Germany and the Nordics, with annual sales exceeding 110 million dollars, about the top issues affecting supply chain planning and execution; the challenges they face with forecasting, the visibility they have of their supply chain, whether they operate a single stock pool across all sales channels and how productive their staff are.

Some of the key findings for North American retailers include:

· **The top business issue cited by North American retailers is increasing availability without increasing stockholding (67%)**

· **North American retailers are most concerned about forecasting for new products (73%)**

· **Retailers in North America are more efficient than retailers in other countries in terms of staff productivity**

According to Mikko Kärkkäinen, Group CEO, RELEX Solution, it is interesting to discover that while 64% of retailers globally highlighted forecasting for promotions as one of their main challenges, only 35% have a system in place that can build automatic demand forecast for promotions and only 22% have a system that can manage promotion stock run to clear fixtures for the next promotion.

The top issues regarding supply chain planning and execution for North American retailers are similar to the global average. However, the second largest issue is better collaboration with suppliers and these retailers have a higher priority than the average retailers in the other countries examined for the report. When questioned, some retailers mentioned that they had worked on supply chain issues internally and feel that external supply chain improvements will be the most beneficial.

The report discovered 73% of North American retailers are most concerned about the forecasting of new products, which is well above the global average (58%). The United States tends to be the country where most of the new products are developed and launched, which causes greater problems for North American retailers than elsewhere where there is typically a lower proportion of new products in an assortment.

North American retailers rated the visibility of their supply chains a 6.5 out of 10, which was just behind the highest rating of 6.6 for German retailers. The UK represented the poorest visibility rate of retailers (5.4), while, Nordic retailers rated slightly higher (6.0). Retailers of those countries recognized that they have a way to go before their supply chains are fully visible.

North American retailers with more than one sales channel are marginally less likely than average to operate a single stock pool (39% of retailers vs the all country average of 43%). German retailers with more than one sales channel are however marginally more likely to operate a single stock pool than the average at 46% and Nordics based retailers are even more at 48% against the international average.

Retailers in North America are more efficient than retailers in other countries surveyed for the report in terms of staff productivity. The average full time equivalent employee forecasts and replenishes an average of just under 270 million dollars of sales. This compares very favorably with the overall country average of just below 190 million dollars of sales.

The likely reason for that finding in the report is caused by the larger average size of the North American retailers that were interviewed who are able to realize greater economies of scale than in smaller countries. It's easier to grow a big chain and achieve economies of scale in the United States, simply because there are so many cities where a retailer can open a store.

According to Fran Riseley, Deputy Managing Director, Martec International, the report provides valuable insight into how countries compare in terms of the issues and challenges supply chain executives face and the visibility of their supply chains. Overall, it highlights that, for many, current systems, processes and technology are not supporting effectively supply chains. This is reflected by a high proportion (20%) of the retailers interviewed confirming that they have plans to replace or implement for the first time supply chain planning and execution systems.

According to Kärkkäinen the research makes clear that while there are some regional variations, overall retailers globally share the same supply chain challenges. Updating systems and processes will prove key to addressing these issues in coming years, he adds.

Worryingly, 26% of retailers also claim that they do not invest in new systems due to the perceived complexity of them and 23% due to investment ties within existing ERP or in-house solutions that can offer no flexibility and can be complicated to improve.

Today's advanced forecasting systems make it possible to manage several overlapping forecasts for different purposes. Additionally, Software as a Service (SaaS) business models offer the flexibility needed to streamline implementation and have the ability to adapt to changing requirements during, or even after, the implementation – without additional coding.

As a result, organizations rarely need help managing or configuring the system:

When looking to replace or implement new supply chain planning and execution systems, it will be those that rethink their supply chain planning processes and lead their people through change that will be most successful.

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# Measuring to Manage or Barely Managing to Measure?

According to Bain & Company survey companies run their supply chains only half as efficiently as top supply chain performers such as Toyota, Dell, and Home Depot. In fact, top-quartile performers spend just 4.2 percent of revenue on supply chain costs, compared to almost 10 percent for average performers in the same industry.

What might explain this? While most respondents feel their supply chain gives them a competitive advantage, 45 percent say they have only little or basic supply chain data. While lack of critical technology can contribute to that dearth of data, it can also be due to a variety of other issues such as not aligning your supply chain with the overall company strategy, being too focused on your internal supply chain, or coping with the challenges of omni-channel marketing.

A supply chain's performance is the result of policies and procedures that drive various critical segments of the operation. The challenge is designing metrics to manage organizations that are comprised of complex and interconnected systems. This challenge is rapidly gaining importance as supply chain managers face increased pressures on customer service and asset performance.

Sony, for instance, is acutely aware that its products at Best Buy and Walmart ultimately affect profitability the longer its products sit on the shelf. As a result, the electronics company changed its delivery metric from "sell-in" to "sell-through." Sell-in allows its sales department to chalk up a sale when product is shipped to the retailer; sell-through chalks up a sale only after the product is sold and paid for.

As competition increases, and market forces continually change, supply chain performance management is a critical area to help companies sustain and gain competitive advantage by enabling an agile, lean, and efficient customer-oriented supply chain. One step in the Lean journey is to identify objectives that tie to overall business strategies and goals, including metrics to measure whether or not your company is successful in attaining these objectives.

The old saying, "If you can't measure something, you can't improve it" is especially true in a Lean supply chain. Even if you are measuring performance, you may be measuring the wrong things in some cases. Here are a few examples:

- Engineering designs products without a Lean supply chain in mind.
- Accounting focuses on measures for individual processes, but does not consider the performance of the entire process, internal and even external.
- Sales focuses primarily on booking orders without regard for what product mix the company planned to be sold and produced.

- Plant management focuses on shipping dollars, and uses efficiency, utilization, and overhead absorption metrics that go head to head with the goal of reducing cycle time and customer satisfaction.

It is critical to set meaningful, relevant, and attainable targets based on a holistic strategy for internal and external networks to ensure that everyone is focused on a Lean supply chain. At the same time, don't create paralysis by analysis, where people end up focusing more on the numbers than on the customers.

Source: www.inboundlogistics.com

# 25 Ways to Lower Supply chain Costs

*The prime objective for all supply chains is to provide clients with what they want, when they want and how much they want it. Inventory management plays a central role in every supply chain's need to satisfy its clients*

Inventory policies drive two types of costs: period operating expenses and working capital requirements. The latest Logistics Cost and Service Report published by Establish Inc./Herbert W. Davis and Company, indicates that, while total logistics costs as a percent of sales are falling and most individual companies have succeeded in reducing inventory levels; total logistics costs per hundredweight are increasing, and inventory costs as a percent of total logistics cost are increasing.

In many organizations, however, the opportunities to reduce inventory costs are often not addressed at all or are not completely exploited. If your organization needs help taking money out of inventory there are strategies you can employ today that will provide payoff.

Some of these strategies address having less active inventory, others how you acquire active inventory, and still others require transferring inventory or relying on vendors for better inventory management. Regardless of which you choose to explore, proactive inventory management policies will make a difference in your operations. Here are some of the most common techniques for lowering inventory levels.

1. **Base Cycle Stock on Economics:** For purchased products, getting a handle on your acquisition transaction costs will either reduce average inventory or allow for reducing purchasing and receiving labor. For manufactured products, if production equipment changeover costs are in a similar state, getting them in place will either reduce average inventory through shorter runs or allow for reducing changeover and receiving labor through longer runs.

2. **Reduce Order Transaction Costs:** In the office, use the computer to generate purchase orders (POs), EDI for PO transmission, advance shipping notices (ASNs) to reduce expediting, and historical vendor performance to prioritize expediting to lower purchasing costs. In the manufacturing plant, pre-planning; pre-staging of needed parts or materials;

use of special tools or equipment; changeover initiation prior to completion of the previous run; teamwork and work-division; maintaining equipment temperatures; and minimizing QA / QC work all reduce cycle stock inventory. In the distribution center (DC), pallet manifest-based receiving processes, counting scales, statistics-based inspection and checking, bar code scanners for data entry, certifying key vendors to eliminate receiving functions, and stocking forward storage locations first and reserve locations second can all reduce purchase transaction costs and cycle stock accordingly. Purchase transaction costs are not normally SKU-specific. However, reflecting any extraordinarily low receiving costs associated with specific SKUs will serve to reduce inventory for them. The opposite, of course, is also true.

3. **Lower Inventory Holding Costs:** Improve space utilization in leased, contract, or public warehouses (or to minimize or delay expansion of owned facilities) through narrow aisle handling equipment, mezzanines, layout, or more appropriate storage modes.
4. **Base Safety Stock on Customer Service:** Prioritizing SKUs consistent with corporate objectives, using the appropriate number of product classes, establishing class sizes that leverage the investment to maximize fill rates, updating safety stock levels dynamically and basing the service levels for each class on the financial goals of the business all serve to either reduce safety stock inventory, reduce out-of-stock situations or increase revenue.

5. **Forecast Routine Demand Forecasting:** Using manually edited, naïve, arithmetic / stochastic forecasting models to reduce forecast error will reduce overstock, backorders, and the need for lateral or reverse logistics, holding inventory levels closest to only that required to support the desired customer service level. Editing history to eliminate non-recurring promotions and to compensate for out-of-stock situations is key.

6. **Forecast Future One-time Events Based on Past Events:** Future promotions and other one-time events can be best forecast from extensive data on similar events from the past. Holding records in a centralized database avoids the issue of the data leaving with the last sales representative. Extending the data format to include not just SKU, retailer, date and lift, but also relative degree of advertizing, duration, price reduction, if any number of locations, or other factors, makes the information infinitely more useful for the future.

7. **Think Postponement:** For parent products from which multiple SKUs can be manufactured, only partially completing manufacturing, placing semi-finished product in inventory, and then completing manufacturing of the final SKUs to order reduces total inventory. In a similar manner, component products from which final SKUs may be assembled can be purchased to inventory and then the final SKUs assembled to order, providing that the time for assembly doesn't exceed the customer lead time.

8. **Rationalize SKUs:** Removal of inappropriate product from the product line can be a controversy-ridden process, but may reduce inventory significantly if handled in a constructive manner, as follows:
   - **Develop consensus on the objective of maximizing profit**

   - **Develop activity-based costs for each SKU and separate them into three groups:**
     1. Those with selling prices that create positive gross margin

     2. Those with selling prices that cover their variable cost but do not completely cover their fixed cost

3. Those with selling prices that do not cover their variable cost

- **Quantify the sales volume correlations between SKUs, based on the analysis of both individual orders and aggregate order patterns by customer**

- **Identify the combination of SKUs which maximizes profit on a fully-absorbed basis**

9. **Reduce Acquisition Lead Times:** For either manufactured or purchased product, any reduction in lead time, whether supplier lead time, transportation time or receiving cycle time, provides a one-time, permanent reduction in cycle stock inventory proportional to the throughput level of the SKU and the degree of lead time reduction. In a similar manner, reducing lead time variability and increasing inbound unit-, SKU-, or order-fill rates both increase supply reliability and reduce safety stock inventory for a given customer service level.

10. **Implement Joint Procurement for Purchased Products:** Joint procurement of multiple SKUs from a common supplier serves to effectively reduce unit purchase transaction costs and thereby reduces both cycle stock inventory and annual purchase transaction expenses. In a similar manner, joint procurement of multiple SKUs from different suppliers located in close physical proximity and consolidation of inbound (LTL) volume to form full TLs serves to reduce the incremental transportation cost portion of purchase transaction costs and reduce cycle stock inventory.

11. **Minimize Purchase Minimums:** Comparing the total cost of ownership, including inventory holding costs (i.e., not just landed costs) for purchased products' quoted prices with no order quantity limitations with reduced prices requiring minimum order quantities (MOQs) will help determine if the reduced prices really provide savings. An uninformed purchaser's interaction:
    Purchaser: Can I buy **_____** at the same volume but at a lower unit cost?
    Sales Representative: Sure, we can reduce your cost by **__**% if you purchase in minimum order quantities of **_______**.
    Purchaser: Sure, no problem!
    (When the annual holding cost for the increased inventory due to the minimum order quantity more than offsets the annual purchase cost reduction, the higher unit cost with no minimum order requirements has a lower cost.)

12. **Get Downstream Forecasts and Send Forecast Upstream:** Hard information on upcoming needs from customers reduces demand variability and forecast error, thus reducing the safety stock required for a given customer service level. Sharing demand forecasts with suppliers is more indirect; however, in the long run it will serve to reduce the supplier's finished goods inventory and associated costs and, with effective negotiation, yield lower unit purchase prices.

13. **Don't Stock It, or If Some Stocking is Required, At Least Not Everywhere:** For a single storage location, manufacturing or purchasing product to order when the acquisition and customer lead time relationships and order quantity relationships allow it is a very direct

way to reduce inventory, providing that the acquisition capacity exceeds the potential short-term demand rate. Likewise, in a network of storage locations, not stocking every SKU in every location can reduce both inventory and transportation costs.

14. **Cross-dock Customer Shipments:** With effective use of joint replenishment, the potential increases in inbound transportation costs associated with purchasing to order can be mitigated. Cross-docking customer shipments can facilitate purchasing to order even when the order quantity relationship would have otherwise dictated purchasing to inventory. In a similar manner, aggregating purchase requirements for multiple DCs into a single order and cross-docking to multiple DCs effectively reduces purchase transaction costs and reduces cycle stock inventory.

15. **Extend Payment Terms:** When negotiating long- term purchase agreements, getting the best payment terms at a given unit price is the most direct way to increase the portion of inventory funded by the vendor. If improving payment terms can be coupled with increased turnover, then the improvement in working capital effectiveness is significant.

16. **Take Advantage of Price/Quantity Breaks:** Taking price/quantity breaks into account when purchasing for replenishment seems an obvious way to reduce the inventory investment, but seems to be frequently overlooked. Often this is a result of either not quantifying breaks at the time of sourcing or negotiation, not having an effortless way to take them into account, or through lack of understanding of the impact of purchasing larger quantities at reduced unit cost.

17. **Transfer Instead of Purchase:** When an overstock SKU in one location needs to be purchased to replenish inventory in another location, transfers are a smart way to reduce inventory, provided that the additional warehousing and transportation expenses are not so high that the reduction in holding cost does not exceed the cost to transfer.

18. **Liquidate:** Although there will always be a short-term price to pay on the profit and loss (P&L) and the balance sheet, when it is absolutely clear that the value to be gained through liquidation –whether through sale at reduced price, sale as distressed product, salvage, or charitable donation – is greater than the most optimistic estimate of future gross margin from conventional product sales, then liquidation is the best decision.

19. **Merge-In-Transit:** The concept of in-transit product merging-where, for example, two things are shipped from different locations and then married in transit so that they reach the customer as a single shipment-can be seen as a technique for reducing inventory if the need for the customer to simultaneously receive multiple SKUs is taken as a requirement. If the need for simultaneous receipt is a given, then the concept eliminates the need for inventorying the individual SKUs together. To some extent, merge-in-transit represents an extension of postponement beyond the distribution center walls.

20. **Get Help From Friends:** Collaborative Planning and Replenishment (CPFR) is an open set of pre-defined business processes and IT/communications standards created to facilitate collaboration between supply chain partners. CPFR can reduce inventories through inventory balance, forecast, demand and other data visibility and associated collaboration in the planning area.

21. **Use Vendor-Managed Inventory (VMI) and Vendor Stocking Programs (VSP):** With the appropriate incentives, allowing VMI suppliers to assume the responsibility for replenishment of your inventory, because of their visibility into both their own inventory and production schedule and your demand data, can almost always reduce your inventory. Used primarily for maintenance inventories but applicable to all, VSPs require a supplier to commit to an extremely high service level for delivery of specific SKUs within a fixed time at a pre-defined mark-up over cost. VSPs can reduce or eliminate inventories for slow-moving products.

22. **Estimate Reserves Accurately:** Accurate estimating of reserves avoids year-end surprises. Estimates should be based on a realistic view of both inventory accuracy and the viability of product sale.

23. **Maintain Accurate Inventory Balances:** Inaccurate inventory balances undermine the very best forecasting and safety stock management processes. They can always be addressed with effective cycle counting and issue root cause identification efforts.

24. **Exploit Sales and Operations Planning (S&OP):** At their very best, effective S&OP programs facilitate good decision-making to compensate for the real life issues, which will always occur above and beyond the best planning efforts. At the least, they begin to get everyone on the same page regarding the capacity, timing and other issues between actual demand and available supply.

25. **Measure Performance:** Reporting, posting in public locations internally, and reviewing performance results with natural work teams lay the groundwork for continuous improvement. In highly seasonal businesses, providing last year's results along with this year's facilitates same time last year comparisons, which may be much more meaningful than this month versus last month.

There are numerous ways to take better control of inventory and decrease its associated costs. Many of these strategies may seem challenging to implement; however, they have all been used successfully for years. The key to managing inventory successfully is to continuously measure your performance and look for new ways to improve.These 25 strategies should get your organization thinking about what it can do to lower inventory costs.

## CASE STUDY
## Alpha Machinery

It's monsoon time and Mr.Ranjit, C.E.O of Alpha Machinery Manufacturers located out of Pune was struck at Bangalore after he missed out a evening flight to Pune, thanks to the traffic jam. He went back to his guest house and gathers his thoughts for the next day Board meeting wherein he needs to address some serious concerns the Board has on the performance of the company. Mr.Ranjit was made the C.E.O four years back when this engineering machinery company was growing because of a buoyant economy. Alpha manufactures specialty equipment in this industry and its fortune hinges on the engineering industry performance.

Alpha's current sales are about Rs.288 crores. But there is tremendous pressure on sales. Mr.Ranjit had projected growth in sales for his Board but the last quarter results (which is to be shared with the Board on the next day) shows declining trend in sales. However, the pressure on costs is going up compounding the problem of "squeezing margins". Mr.Ranjit is worried from many angles including his prospects as C.E.O., his moral responsibility to stakeholders and future of employees. He decides to take on the issue and picks a discussion with his finance controller Mr.Jose. Mr.Ranjit knows that Mr.Jose is a seasoned professional of high caliber. In fact, he is the man waiting for the C.E.O slot if a change were to happen! Mr.Ranjit tells Mr.Jose that the losses currently happening need to be plugged. Can any one disagree! But the time frame fixed was next quarter. He advises to revise the estimated numbers for the next year at 5 per cent profits, a 20 per cent increase in sales and he is not contended. He defined that the profit contribution should happen by controlling costs especially through reduction in labor, material and overheads. He suggests to Mr.Jose every rupee saved is every rupee earned as profit.

Mr.Ranjit suggests that inventories are high and recommends at least 10 per cent reduction in inventory by improving the manufacturing process and discipline. Mr.Jose responds stating that one cannot be ad -hoc in determining the percentage of reduction. Mr.Ranjit responds harshly that ad hoc or scientific, the target must be achieved. Rather he states that he would be happy if scientifically proven that more of inventory could be reduced.

The company has inventory worth Rs.48 crores and 10 per cent reduction in inventory means release of Rs.4.8 cores. A better management practices could reduce carrying cost of Rs.1.2 crores a year. Apart from this, Mr.Ranjit also recommends reducing the size of purchase department. He tells Mr.Jose that there is a trend to outsource a number of activities and also to deploy right kind of technology and people with supply chain perspective and current level of staffing could be reduced. Mr.Jose is shocked, but refused to react immediately. Sensing his discomfort, Mr.Ranjit comforts him stating that we may lose some good people for the overall interest of the organization.

Mr.Ranjit ends the telephone conversation stating that some of the issues may crop up at the next day's Board meeting and Mr.Jose must meet him at Pune office by 9 a.m with details and a plan to manage the future of the company. Mr.Jose digs at his desk and laptop at office immediately after the conversation. He also catches up a conversation with his colleagues informally on the

pretext of the next day's Board meeting on operations review. He finds that the purchases aggregate to Rs. 172.80 crores for the above project turnover. The company buys a wide variety of materials from few kilograms of rare material to tons of specialty steels. A big part of the purchase budget goes on foundry castings, forgings stamping, fasteners and subassemblies. Many of these are currently supplied by vendors who have been nurtured over years. Some of them are exclusive suppliers and their fortunes are tied with the company.
The purchase department is responsible for buying, vendor coordination, in-bound material movement and so on. The department has a general manager and a team of vendor coordinators, engineers and support staff. The current cost of the department covering their salaries and benefits is about Rs. 1.48 crores.

Mr.Jose calls his new management trainee from a premier school to help him to resolve some of the issues and support his boss, Mr.Ranjit.

**Questions:**

1. Discuss the actions that Mr.Jose may take on reducing inventories by 10 per cent and is it good to reduce inventories and does Mr.Ranjit sound ad hoc?
2. How would you manage the cost of goods purchased?
3. What are the steps to be taken for reducing the payroll cost? Develop options for the same.

# Event Highlights @Center of Excellence

**June 2016**

## INDIA MULTIMODAL LOGISTICS SUMMIT -2016

A two day conference was organized by CILT-INDIA in collaboration with Infinity Exhibition & conference Pvt. ltd on the **19th** and **20th May 2016** at the Bombay Exhibition Centre Goregoan, Mumbai, on "**India Multimodal Logistics Summit-2016"** enabling the "Make in India" concept. The conference was inaugurated by Addition Member Traffic, Shri A.K.Gupta , Railway Board and Mr. Shanti Narain, Chairman CILT-INDIA.

A Large number of delegates had the opportunity to listen to stalwarts from the industry on various topics relating to multimodal transport during the different sessions and discuss issues on one to one basis. The different sessions during the two days were:

- Rail transport as the backbone of efficient multimodal network- conducted by Shri A.K.Gupta , Add. Member Traffic
- Road & Ports transport-improving efficiencies , reducing costs and enhancing last mile connectivity in next decade -- Mr. Vinod Asthana , Treasurer CILT-India, Ex –MD CWC
- Agri –logistics & warehousing-the emerging opportunities for logistics players- Shri Harpreet Singh, Chairman CWC
- Startup opportunities in Logistics – Shri Sanjeev Shivesh , founder, the entrepreneurship school

Air freight logistics – Mr. Dinesh Kumar, Managing Director-Asia Aviation Associates


India
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Summit 2016


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INDIA LOGISTICS EXPO 2016
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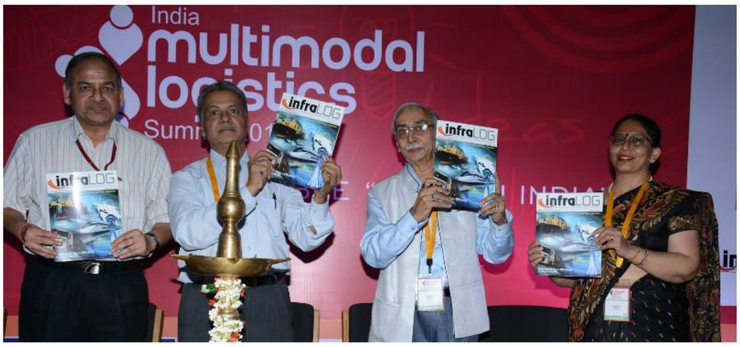
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# Industrial Visit at IRCTC Ltd.

The School of Management, GD Goenka University, organised an industrial visit at India's leading **Miniratna** and the largest E-Commerce player **Indian Railway Catering and Tourism Corporation Ltd (IRCTC Ltd), New Delhi** for MBA-II Semester students on 12th April, 2016. The visit was coordinated by the faculty in-charge Prof.(Dr.)Tanuja Kaushik and Dr.Gyanesh Kumar Sinha. The students visited company's Ticketing center located in the premise of Northern Railway Headquarter. The company extended a very warm welcome and hospitality to students. The visit covered all major departments of IRCTC. It started with diagrammatic presentation and overview of various operations performed by IRCTC.

Students visited the department in batches which were led and demonstrated by respective functional head. The students learnt about IT support and infrastructure, Internet Ticketing process, Financial transactions process, TDR filing system, Network and Data Security system, mobile applications. They saw IRCTC's main and application servers providing internet ticketing and other support services catering the demand of millions of customers and passengers daily. The Students understood historical background of the company's state-of-the art integrated IT system and its present status. The students had very interactive and learning session with officials.

# Awards & Honour

**Mr. Suraj Ranjan** (Associate Member of CILT-India)from Ahmadabad has been awarded the "**Young Achiever Award**'' of CILT International for the year 2016.

His **career profile,** in brief, is as under

- Computer Engineering from Anna University, Chennai
- Executive Programs from IIM Ahmedabad
- First job was of Counter Executive at Baskin Robbins, Chennai at the age of 18
- At the age of 22 joined Family Business of Custom Broking at Suraj Forwarders Pvt Ltd as a Documentation Executive
- At the age of 25 he setup his first startup Suraj Logistics India which provides Freight and Logistics Solutions to customers who are importers and exporters
- At 27 setup my second startup SR Container Carriers which provides Transportation services for containerised Cargo
- At 29 setup his third Startup was Paramount Flexipack Pvt Ltd (www.pfpstore.com) which is an online store for packaging and shipping consumables as well as caters to customer with environment friendly packaging machine and solutions for Multinational and Export Companies.
- Awarded as Youth Transport Personality 2014 from Mahindra Excellence Awards for his second Startup SR Container Carriers in the year 2014.
- Represented the Commonwealth Asia Alliance of Young Entrepreneurs in Mumbai, India 2012.
- Selected as an Indian Delegate to be part of the G20 YEA Alliance in Australia, Sydney 2014.
- Felicitated as Young Achiever by Shri Adoor Prakash, Minister for Finance, Kerela State

Currently acting as a Chairperson for CII's Young Indians (Ahmedabad Chapter).

# CILT: Office Bearers

| | |
|---|---|
| ***Mr, Shanti Narain*** | ***National Chairman*** |
| ***Dr. Pradeep Kumar Goel*** | ***Vice Chairman*** |
| *Mr. Rajeev Bhardwaj* | *Vice Chairman* |
| *Mrs. Veni Mathur* | *Vice Chairman* |
| *Mr. Amit Shankardhar* | *Secretary General* |
| *Mr. Vinod Asthana* | *Treasurer* |
| *Mr. Ramesh Krishnan* | *Member* |
| *Mr. Sumant Jha* | *Member* |
| *Mr. Vikas Shekhar* | *Member* |
| *Mr. Sanjay Priye* | *Member* |
| *Mr. Vershal Sudeora* | *Member* |
| *Mr. C.V. Kumar* | *Member* |
| *Mr. Suresh Bansal* | *Member* |
| *Mr. Prem Prakash* | *Member* |
| ***REGIONAL HEADS*** | |
| *Mr. R.R. Padmanabhan (Chennai)* | *Honorary Vice Chairman* |
| *Mr. Susanta Mukhopadhyay (Bangalore)* | *Vice Chairman* |
| *Mr. Kwaja (Kochi)* | *Vice Chairman* |
| *Mr. Sameer Shah (Gujarat)* | *Vice Chairman* |
| ***WILAT FORUM HEAD*** | |
| *Mrs. Ragini Yeshuri* | *Head of WILAT* |

# CILT: Corporate Members

*Konkan Railway Corporation Limited, Navi Mumbai*
*IRCON International Limited, New Delhi*
*Central Organisation for Railway Electrification, Allahabad*
*Integral Coach Factory, Chennai*
*Central Warehousing Corporation, New Delhi*
*RDSO, Lucknow*
*Indian Institute of Foreign Trade, New Delhi*
*Bharat Heavy Electricals Limited*

*Air India, Mumbai*

*Airport Authority of India*

*Jessop & Co, Limited, Kolkata*

*Balaji Infra Projects Limited*
*JSW Infrastructure Limited, Mumbai*
*J.M. Baxi & Co.*

*Indian Railways Catering & Tourism Corporation Limited*
*Gujarat Maritime Board, Gandhinagar*

*National Highways Authority of India, New Delhi*
*Paradip Port Trust , Orrisa*
*School of Logistics Management & Technology, Kochi*

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*Delhi Metro Rail Corporation Limited, New Delhi*
*Inland Waterways Authority of India, Noida*
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*Reliance Logistics Private Limited, Mumbai*
*Chakiat Agencies Private Limited*
*Essar Steel Limited*
*Hazira Port Private Limited, Ahemdabad*
*Yak Institute of Management Private Limited, Mumbai*
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*APL Logistics India Private Limited*
*Axis Bank Limited, Mumbai*
*Innovative B2B Logistics Solutions Limited*

# CILT: New Members


## Life Fellow Members

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| • Mr. Vishal Sharma | ASS. Vice President VEDANTA Ltd |
| • Mr. Kishor Nathani | Sr. Vice President, Urban, Mass transit Company LTD |
| • Mr. Vaibhav Shah | Sr. Executive , Container Corporation of India Ltd. . |
| • Mr. Anees Prabhu P.A | DGM \| BSES Kerala Power Limited, Kochi. |
| • Mr Amit Mittal | Senior Manager-Transport |

## Life members

| | |
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| • Mr. Pavan Kumar Kaul | Executive Director , Container Corp. of India |
| • Mr. Suman Chopra | Editor - In - Chief. |
| • Sonia Chauhan | Transport Economist |

## Annual Chartered Member

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|---|---|
| • Mr. Vivek Saxena | CC & D Head (UT) |
| • Mr. Avineesh Arora | Quality Analyst [logistics] Times Internet Limited |
| • Mr .Deepak Kumar Rastogi | Manager-System Integration |

## Annual Fellow Members

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| • Mr. Shankhya S Mookherji | GM Million Minds Management Services Ltd |
| • Mr. Srinivasa Rao Durbha | GM - Head Supply Chain Application Practice ITC Infotech |

### Affiliate Members

| | |
|---|---|
| • Sreejith Sreedharan | Operations Executive-DTDC Express ltd |
| • Vishnu Ravichandran | Management Trainee |

# CILT India - Vision

***To be the first choice professional body for Supply Chain, Logistics and Transport industry and professionals nationally and be a premier knowledge sharing platform in the field of supply chain, logistics and transport management.***

The Chartered Institute of Logistics and Transport

The Chartered Institute of Logistics and Transport (CILT) is the international professional body for all sectors of the Logistics and transport industry. Founded in the United Kingdom in 1919 and granted a Royal Charter in 1926, it was established to promote knowledge of the science and art of logistics and transport and to provide a source of authoritative views for communication to government, industry and the community. CILT is currently operating in 31 countries globally and has over 30,000 logisticians as it members. CILT India, the India chapter of CILT, was formed in 1993 and has more than 1000 practicing professionals and a large number of corporate organizations as its members. CILT India is fully involved in spreading awareness about Logistics and Transportation industry in India and also organizing training programmes for students and Management Development Programmes for practicing professionals, apart from Research and Studies on Logistics and Supply Chain Management.

The Chartered Institute of Logistics and Transport

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Website:
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# Center of Excellence at G D Goenka University

**Vision:** **School of Management, GD Goenka University aims to *be a premier institute known for holistic development of future managers, leaders and entrepreneurs.***

**Center of Excellence at School of Management, G D Goenka Univesity** is an initiative jointly undertaken by the G D Goenka University and CILT.

We at Center of Excellence believe that a lot can and shall be done on our part to create, disseminate and proliferate the knowledge and learning's in above mentioned field. We are undertaking some endeavours in these broad areas, which are as follows:

- Carry out extensive, path breaking and relevant research in the area of supply chain management, logistics and transport.
- Develop and propagate latest technologies and models in the area of supply chain and transportation.
- Undertake executive trainings, bespoke trainings, and short courses in this area.
- Jointly conduct seminars and conferences for the convergence and reflection on new ideas and findings.
- Get connected to best Supply Chain Management professionals across the globe.
- An access to global research and knowledge in U.K. knowledge centre.

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