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Five ways to build a competitive advantage in Asian import logistics

How to guard against inventory peaks and valleys by juggling transport strategies

By Brooke Baldwin

As more U.S. woodworking manufacturers import components from Asia, carefully planning and managing a process where their hands are not on the product for 20 to 40 days becomes a challenge. In order to compete in this Asian import arena, manufacturers must have "agility" when it comes to logistics, believes Tom Craig, president of the LTD Shippers Association. Craig points out five ways to survive managing inventory 10,000 miles away.

1. Manage the situation in order to better serve your customer.

"Our whole manufacturing base — our whole way of doing business — is changing with everything being customer-driven now," says Craig. "What we've got to determine in the forecast for our customers is, 'What does my customer want and how do I meet that requirement?' not 'How does this customer fit into the way I do business?"

Craig cites the cheaper freight rate versus longer transit time issue as an example. "The old way is for the manufacturer to be concerned about the freight costs on his books," he explains. "The newer way is to manage the situation in order to better serve his customer, even if it means more money. Slower transit creates hidden impact and costs throughout the supply chain that include inventory, service, cycle time and meeting customer requirements."

Cost by container size

Hong Kong to Charleston port

	Price	Inside Capacity (Cubic meters)	Cost per cubic meter
48 ft container	$3,470	67.3	$51.56
40 ft high cube container	$3,795	76.0	$49.93
45 ft container	$4,135	85.7	$48.25

2. Integrate all involved in the supply chain.

It is integration that is needed for the process to work, not the old way of thinking with organizational silos, says Craig. "Supply chain management must be horizontal, not vertical," he explains. "You must integrate accounting, manufacturing and sales and find out how it all affects you as far as service goes."

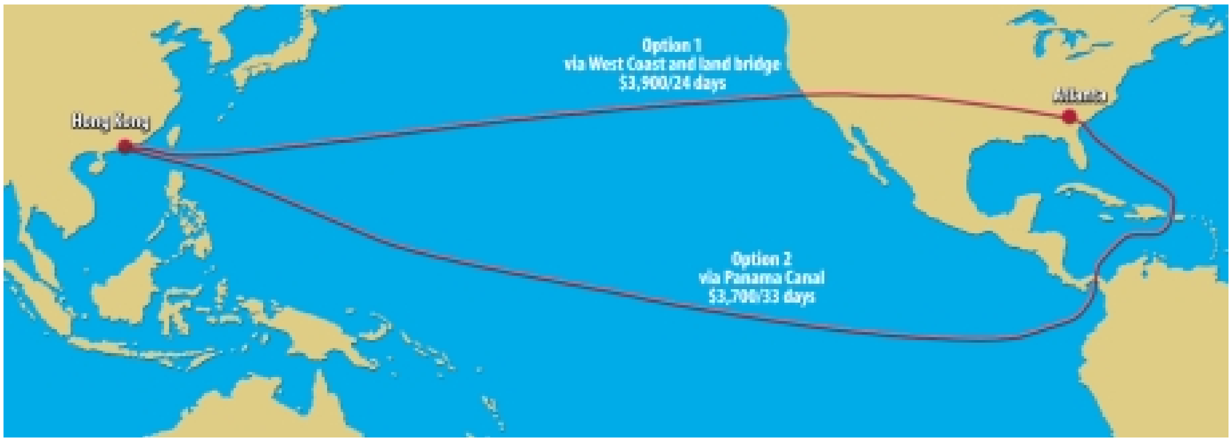
Integration must include those outside the company as well — suppliers, distributors, packagers, transport carriers and warehouses. "Alliances are mandatory for success," believes Craig. "Everyone must understand their role and work together in a partnership."

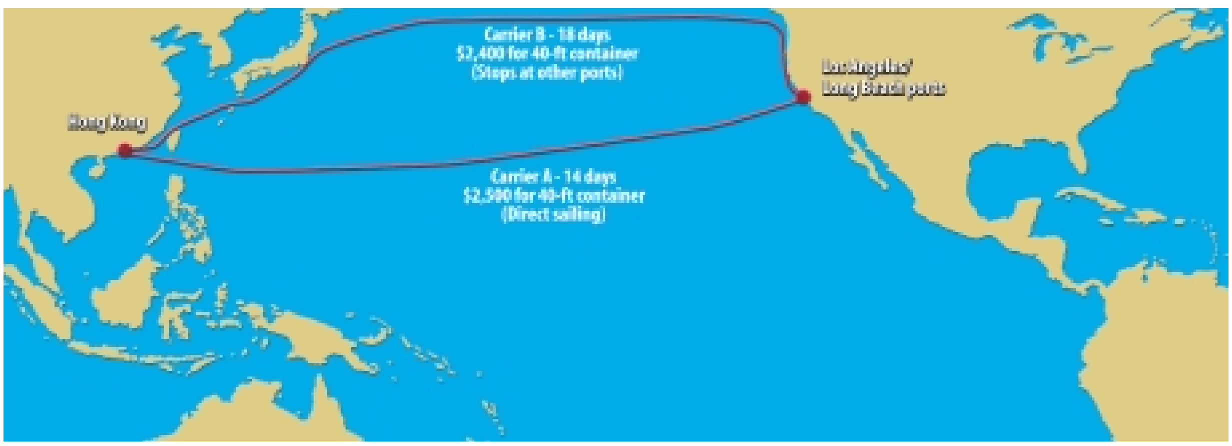
3. Buffer against inventory peaks and valleys.

"Ships, unlike trucks in domestic transport, do not move every day," he says. "This creates a surge effect with peaks and valleys, rather than a daily stream of product movements. In-transit inventory can become both a benefit and a problem with the longer distances. Today, I might be buffering myself against peaks and valleys with more inventories on the water. What worked today might not work tomorrow, however. Extra inventories may be needed at certain times. Again, you've got to be flexible and have agility.

"Product movement includes more than transportation. Pallets, specifications and the fact that different size containers have different prices are some considerations. Cost per unit per pallet can change depending on your container size. To manage better, ask yourself, 'Do I want more inventory on the water because of the larger container, or do I want to string it out because I want a steady flow of inventory?'"

Airfreight is another great buffer, if it's not too expensive, notes Craig. "I call it a two-mode strategy," he explains. "You use ocean freight and a





Looking only at price in overseas shipping is a mistake, says Tom Craig, president of LTD Shipper Association. Time cycles and how they affect customer service also should be considered.

select amount of airfreight. A ship might arrive every 40 days. What if a situation arises where you need more inventory between those 40 days? That's where a select, wise use of airfreight would come into play beautifully.

"Another challenge with international logistics will be the emerging emphasis on E-commerce, placing even more emphasis on speed. Customer order sizes are reduced. This means smaller shipments to ship, the impact of which ripples through the other key logistics issues."

4. Use software technology that will allow information to flow both ways throughout the logistics chain.

Craig says it is important to get software technology that allows you to share logistics information not only internally, but also with your customer and your supplier. "One way to do this is with Enterprise Resource Planning (EPR) software," he notes. "Everybody needs to be working off the same sheet of paper and this lets you do it because it fits over the entire organization."

Craig notes different pallet or shipping carton specifications between shippers as an example. These can slow down order preparation, shipping or receiving. Also, countries have different requirements for documentation, for both exporting from one country and importing into another. Then add in language and time-zone differences.

Truckers who move containers or cargo to and from seaports or airports, customs brokers, carriers and forwarders each have their own operational particulars and idiosyncrasies that can hinder the efficient movement of shipments, says Craig. Appropriate software can handle the complexity of the involvement of multiple parties.

5. Understand what you are paying for.

There are great differences in the prices of the services you are buying, says Craig. "If all you look at is the price, you may be making more profits, but you can't expedite anything if it's on the water. You've really got to understand what you are buying and why because it affects the whole time cycle.

Hong Kong offers the base rate for freight prices in Asia, Craig points out. If a shipment comes out of Shanghai or Indonesia, it will cost more. Different carriers might have different transit times because they stop at a different number of ports. Transit times with the same carrier may vary as well, and you still may be paying the same price." MW