

29th INTERNATIONAL SUPPLY CHAIN CONFERENCE

Positive signals from Berlin

On October 19th, the 29th International Supply Chain Conference was closed after three highly interesting days of information and networking. In Berlin, around 3,300 participants from around the world came together to obtain information, to discuss a range of topics and to expand their networks, while some 190 exhibitors showcased their products and services at the parallel special-interest exhibition. Despite slower growth, the logistics sector in Germany is once again heading for a record year in 2012, with turnover forecast to reach between 223 and 228 billion euros, an increase of up to 3 per cent on 2011. In his opening address, Prof. Raimund Klinkner, Chairman of the Board of BVL International, said that the overwhelming feeling was currently one of uncertainty but that there were still clearly positive signals from key markets. The BVL Board Chairman emphasised the need for investment in Germany's transport infrastructure and outlined a catalogue comprising five recommendations for action, stressing that "maintaining the status quo is not enough". He said that, in view of the anticipated growth in the transport of goods, the future development of business in the logistics sector depends directly on the quality of the infrastructure. Citing a study by PricewaterhouseCoopers, Klinkner called for the doubling of investment in this area, adding that the 10 billion euros currently planned by the German government is not enough and that traffic jams in Germany cost 250 million euros every day.



After the opening of the Conference: The CEOs Dr. Heinrich Hiesinger (ThyssenKrupp AG) and Karl Gernandt (Kühne+Nagel International AG), the President of the Board of BVL International, Prof. Raimund Klinkner, and Dr. Ottmar Gast, CEO Hamburg Süd. Jubilation at the award ceremony: the team from Merck celebrating their success.

Vivid video-impressions from the Conference and lots of interviews are available on the internet:

<http://www.bvl.de/service/podcasts>

Among the interviews is one with Dr. Torsten Mallée, former Chapter Chairperson Singapore

This service is so far only available in German.

GERMAN AWARD FOR SCM

Merck is the 2012 "Supply Chain Champion"

Pharmaceutical, chemical and life science company Merck is the winner of the 2012 German Award for SCM. The award was presented on Wednesday evening during the gala event. Jury Chairman Prof. Bernd Gottschalk and BVL Board Chairman Prof. Raimund Klinkner handed over the award to Merck managers Rüdiger S. Grigoleit and Dieter Held and their team. The company converted the stocking strategy for the 3,500 packagings needed in Darmstadt to a provisioning system based on daily requirements. Grigoleit and Held focused on 20 of the 300 suppliers who were in a position to supply 75 per cent of the packaging volume. The central aim of the concept was to streamline quality assurance without lowering standards and to obviate the need for interim storage of the packagings by using them in the production and filling plants immediately after delivery. Instead of sampling every delivery as was previously the case, a random sample is now taken from each batch produced by the supplier. Whereas 15 inspection lots used to be needed for a production volume of 200,000 bottles, for example, now only one is required. Quality assurance agreements have been signed with suppliers, and the process duration has been reduced from three weeks to 24 hours.

SCIENCE AWARD FOR SCM

Two Dissertations focusing on Humanitarian Logistics

This year's Science Award for SCM goes to two dissertations focusing on different aspects of humanitarian logistics for the supply of provisions to famine-hit regions of Africa. Both dissertations were supervised by Prof. Helmut Baumgarten from the Logistics Department of Berlin University of Technology. The joint award winners are Dr. Martin Keßler with his dissertation on "Organisation of Logistics Networks for Humanitarian Aid in Developing African Countries – Concepts for Technology Transfer in Humanitarian Logistics" and Dr. Jennifer Schwarz with her work on "Humanitarian Logistics to Address the Supply Problems in Sub-Saharan Africa – Creating Logistics Capacities through Knowledge Transfer". Both award winners work as project managers for the Kühne Foundation. The dissertations were written independently of one another and are based on the complex research project entitled "Humanitarian Logistics for the Provision of Aid to Africa's Famine Regions" conducted in the period from 2009 to 2012. Although the cost of logistics accounts for up to 80 per cent of total costs in the field of humanitarian aid, the level of knowledge and expertise both in the scientific field and "on the ground" is still inadequate. On the scientific front at least, the dissertations of Keßler and Schwarz have closed this gap.

PANEL DISCUSSION

Customer proximity is a must

There are many reasons besides low wage costs why companies decide to relocate production operations in other countries. This was the finding of a panel discussion on "Networks of Excellence – the Changing Nature of Global Value Added" chaired by ZDF television presenter Kay-Sölve Richter. Dr. Karl May, Senior Vice President Logistics at BMW, emphasised the importance of moving production plants closer to consumer markets. "Companies who want to be part of the game have to play in the local markets". At the same time, however, Harald Vogelsang, Board member at family-run company Weidmüller Interface, said that production in target markets presents major challenges in terms of logistics and supply chain management. He outlined customer-specific product preferences and high protection tariffs in countries like Brazil as further reasons for the relocation of production outside Europe.

INFRASTRUCTURE

Ramsauer demands more money for transport route expansion

On day one of the International Supply Chain Conference, German Transport Minister Peter Ramsauer called for greater investment in the expansion and maintenance of transport and traffic routes. "The lack of funding for our transport infrastructure is increasingly a matter of concern", the politician from the Christian Social Union complained. As in the previous year, he therefore called for an additional sum of at least 1 billion euros for the transport budget.

He added, however, that money alone is not the answer to all the desires and needs that are being voiced. "We must clearly set out our priorities", emphasised Ramsauer, and said he wants to do everything he can to ensure that companies can transport their goods by road under optimum conditions, stressing that in order to achieve this goal transport operations need to be viewed not from a national but from an international perspective.

POLITICS

Frank-Walter Steinmeier: "Germany is a logistics power"

During his speech in Berlin, Frank-Walter Steinmeier, Chairman of the Parliamentary Party of the Social Democrats in the German Bundestag, praised the achievements of the German logistics industry. "Very few people outside this room are aware that Germany has become a major logistics power", he said and described the forecast sector turnover of 228 billion euros in 2012 as impressive. "We are, however, facing tough times", he warned, in view of the crisis in the eurozone but added that Germany has excellent prospects of mastering the challenges ahead. Steinmeier said that the key strengths of the German economy are that it has a front-to-end supply chain as well as a strong SME sector and a high number of small high-tech firms who ensure a regular flow of innovations along the entire chain. At the same time, however, he admitted that the need to reduce the budget deficit means that additional funds to expand infrastructure will probably not be available in the near future. "If we want to tackle the backlog of reforms, we need a more effective prioritisation strategy", he told his audience and said that it is also of major importance that local people are involved in infrastructure projects at an early stage in order to once again underpin acceptance for such projects among the public at large.

INDUSTRY

Employees need to build networks

In his presentation at the 29th International Supply Chain Conference in Berlin, Dr. Heinrich Hiesinger, CEO of Thyssen Krupp, said that internal networking is one of the biggest challenges faced by his company and that Thyssen Krupp employees will be expected to show a high degree of independent initiative and responsibility. "If we are to meet these new challenges, then people need to behave differently", Hiesinger explained; "they must engage in a process of worldwide networking with others in order to work together to achieve the corporate goals." Hiesinger added that the necessary IT infrastructure needs to be put in place so that they can do this. He outlined Thyssen Krupp's plans to invest hundreds of millions of euros in this area in the coming years. "Harmonising the data flows and business processes for all business transactions is an enormous task", said Hiesinger.

BVL STUDY

Ever-increasing complexity

On the Thursday of the conference, Supply Chain Professor Robert Handfield from North Carolina State University provided some initial insights into the ongoing "Trends and Strategies" study that he is heading on behalf of BVL. He said that, since August, the researchers have conducted 60 interviews with high-ranking managers of companies in the US, Europe and the BRIC states in sectors like the automotive, chemical, consumer goods, IT and clothing industries. 200 consultants' reports were also analysed and evaluated during this period. "Wherever you look, processes are becoming more and more complex" is the first conclusion drawn by Handfield. He said, for example, that companies are faced with increasing supply chain disruptions and infrastructure bottlenecks, with many of them also experiencing problems in recruiting suitable personnel. According to Handfield's interim report, local content regulations in some growth markets are forcing companies to step up their local production and procurement operations. In his presentation in Berlin, Handfield also described the rise of nearshoring, in other words production close to the home market; he added that BVL members will soon be able to take part online in the study, which is scheduled for completion in February. The findings of the study will then be outlined at the 2013 conference.

TRANSPORT MANAGEMENT

The many facets of efficiency

In view of rising transport costs and increased sustainability requirements, efficient transport management is more important for industry than ever before. For Kai Rabe, European Aftersales Logistics Manager at Opel, cooperation with a 4PL plays a key role in ensuring successful and efficient transport operations. The service provider used a sophisticated IT concept complete with data warehouse and transport planning software to help the car maker achieve greater transparency. The operational aspects of transport management were organised decentrally from the start of this cooperation. Evrim Övünc talked about the importance of network design. He is responsible for infrastructure planning at Coca-Cola Erfrischungsgetränke AG and convinced that the best transport management in the world is of little use if the network infrastructure is less than optimum. To arrive at the ideal design, he and his colleagues first asked questions like "Where are the delivery locations?". A production and supply matrix was then used to determine where which of the 1,000 different items are produced, for example. This process resulted in many millions of equations in the system. These equations are computed once a year, and the underlying assumptions are reviewed every quarter.

RISK MANAGEMENT

Automotive industry equipped to handle challenges

The automotive supply chains of German manufacturers have become far more robust since the 2009 economic crisis, and the various players in the supply chain have made great strides in terms of their speed of response. This was the focus of the presentation by Matthias Wissmann, President of the German Association of the Automotive Industry (VDA) in Berlin. He talked about emergency concepts, new supplier assessment systems and supplier audits, emphasising that "the companies have massively expanded their supply chain expertise in the years since 2009". Wissmann said that complexity and risk management have improved many times over and underlined how important it is for the German economy that the share of industrial production, which currently accounts for around one third of gross value added, is maintained at a high level. He stressed the key role of logistics as the lubricant in the economic engine and the resulting importance of increased investment in infrastructure. "If we fail to modernise our infrastructure, then we will lose ground as a leading logistics nation in the long term."

TRADE LOGISTICS

Increasing automation in the trading sector

Against the backdrop of falling margins and increasing competition from new suppliers in the trading sector, many companies are under increasing pressure to cut their logistics costs. For the speakers in the special-topic sequence "Focus on Trading Logistics", automation plays a central role in boosting efficiency in the supply chain. For Swiss trading group Migros, which currently has to absorb foreign exchange differences of up to 30 percent, quantum leaps are the only way to achieve increased efficiency of this magnitude. Migros has successfully implemented this idea by fully automating the two national distribution centres in Neuendorf and Suhr. In the optimisation of its processes, Münch is focusing on branch logistics (53 percent), the key cost driver ahead of distribution (32 percent) and procurement logistics (15 percent). "Streamlining the flow of goods" is the successful recipe of food retailer Tegut. For Andreas Persigehl, optimisation is based on the further development of automatic store replenishment, which allows reliable stocking forecasts 30 days in advance.

COOPERATION

Simple instruments with a big impact

Simon Barrett from semiconductor manufacturer Intel employed a simple measure to increase delivery punctuality by 20 percent. He defined a target that could only be achieved by two departments working together. There had previously been over 100 solution concepts for improved punctuality which were developed by the departments on their own and which had never seen the light of day. Barrett said that acceptance coupled with clear targets is in his view the best way to achieve productive cooperation within a company. Automotive technology company Benteler and toy manufacturer Lego adopted a similar approach in their cooperation with logistics service providers. Charlotte Kiss Kjaerulff Johansen explained that suppliers who exceed their targets have the potential to move up a level and therefore become part of a deeper business relationship, while those who fail to meet the targets are aware of the consequences. She calls this her "carrot and stick model". Dr. Klaus Hauschulte pursues a similar concept at Benteler. In his assessment review, he focused on the 10 best and 10 worst service providers. Walter Faßbender from Ford said he was also open to future cooperation with other manufacturers in the area of spare parts logistics.

TRANSPARENCY

Cloud solution cuts costs at Deutz

Engine manufacturer Deutz has implemented a cloud-based IT solution to increase the tempo, transparency and quality of its worldwide supply chain. Within the space of two years, the company says that it succeeded in increasing pallet throughput in the incoming goods department by 40 percent to up to 1,400 pallets a day. Yesterday in a special-topic sequence in Berlin, Senior Vice President Logistics Pascal Männche outlined the concept. With the help of logistics platform AX4 from Axit, Deutz speeds up its logistics processes and avoids supply bottlenecks. According to Männche, the introduction of the cloud solution enabled Deutz to cut costs by 20,000 euros a year and to avoid investments of just under 1.5 million euros, because Deutz now uses just one container label for the entire supply chain and backsources labelling to the upstream supplier. A further major advantage is that each partner along the supply chain is provided with the same shipment information at the same time. Today, Deutz already handles 80 percent of incoming goods using this IT solution.

FUTURE

The power of megatrends

In his keynote on day one of the conference, Karl Gernandt, Chairman of logistics group Kühne + Nagel, addressed the question of whether the logistics sector is a trend follower or a trendsetter. He said that he could not answer this question, but that what he did know was that managers at the helm of companies in the logistics sector need to keep their eye on megatrends. "Looking beyond the borders of the company in order to develop an awareness for the power of megatrends should be the credo for the future", Gernandt emphasised: "No one can say today what the situation will be like in five years' time", and this is why Gernandt sees strategic flexibility as a key success factor. He stressed that globalisation, technical progress and increasingly specific customer preferences call for flexible networks and flexible management, adding that it must be possible for several "truths" to co-exist within a company. He said that the megatrends of urbanisation, digitalisation, demographic change and scarcity of natural resources have a major impact on the future development of logistics systems.

BVL WORKING GROUP

How to create a lean warehouse

The principles associated with "lean production" have become well established in industry. The idea of transferring this idea to warehouse management is new, however. It was with this thought in mind that BVL set up the "Lean Management in Warehouses" working group. The findings of the group's work were presented in the special-topic sequence of the same name. Instead of a room with chairs, attendees found a "Knowledge Market" with eight market stands. Each stand addressed one of the core themes that depend on lean processes in the warehouse, ranging from value stream mapping and leadership principles all the way through to workplace organisation and cooperation with customers.

Publishing details: BVL International – Bundesvereinigung Logistik (BVL) e.V.

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The LOG.Letter for the 4th Quarter/2012 will be available on December 14th