

# Menlo's rapid response warehouse

BY ERIC KULISCH

**T**hird-party logistics company Menlo Worldwide has an answer for companies like Folgers that have centralized distribution operations susceptible to a catastrophic event.

The warehouse-in-a-box.

Ready to go in 30 days.

It's designed to plug a hole in a company's logistics operation until facilities and inventory can be restored in the wake of a hurricane, tornado, flood, or other disaster.

Menlo, the contract logistics subsidiary of San Mateo, Calif.-based Con-way Inc., has developed an action plan to help companies restart their distribution operations and quickly get their products back into the market to reduce the damage from lost sales.

The concept is to establish a predetermined set of resources and actions that automatically kick in, because trying to figure out how to reconfigure a supply chain in the post-event environment is extremely difficult.

"It all involves planning. Can you imagine trying to do this cold turkey? It would be really difficult to do efficiently and you'd lose a lot of time," said Joseph Dagnese, vice president for Menlo's consumer and industrial group.

The Menlo solution requires the highest-level commitment from shippers because hard decisions need to be made, he said.

The manufacturer or retailer needs to set priorities on what customers to support, at

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Joseph Dagnese  
vice president,  
consumer and industrial  
group,  
Menlo Worldwide

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what volume levels, and which products to make available, because an emergency operation cannot serve everybody equally, Dagnese said.

That may mean, for example, picking the fast-moving products with the most consumer appeal, or the most profitable ones. Trying to do too much can also be cost prohibitive.

"It's triage for your supply chain," said spokesman Gary Frantz.

The customer's choices drive the plan.

It starts with Menlo running every quarter a roving availability check for warehouse

space within a certain radius of a customer's distribution center, Dagnese said. Menlo might prepare for a tornado in Columbus, Ohio, for example, by searching logistics parks within 400 miles in cities like Chicago, Indianapolis, Cincinnati, Nashville or Pittsburgh. Once it has a feel for facilities that meet its customer's need, Menlo will approach commercial landlords with a preliminary lease that has some level of scripted terms and conditions and a ballpark price predetermined in advance.

The detailed planning is designed to help insulate customers from price gouging.

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A project manager is in daily contact with leasing companies about upcoming vacancies or space that has been filled.

Every quarter Menlo will refresh the list to reflect buildings that have come on or left the market, so it will know where to place the first phone call when the customer's facility is knocked out.

Menlo's next step is to set up a pre-scripted labor plan. Based on the customer's standard order, Menlo knows what headcount it would need to run the operation. Management would contact temporary agencies and make contingency plans to get floor labor.

The Menlo team will also scout out equipment providers in each city so it knows where to find pallets, forklifts and other resources to run a warehouse.

On the systems side, Menlo will provide a preconfigured server loaded with a simple warehouse management system, the

customer's stock keeping unit numbers and other product data. The server is stored in Menlo's information technology department in Portland, Ore., where it is periodically tested to make sure it works, and can be shipped out on an overnight express plane at a moment's notice. The vanilla WMS system would enable the temporary distribution center to receive orders and track what has been picked and shipped.

The project manager also makes arrangements ahead of time to make sure phone lines are quickly installed. By contacting the voice and data service providers, and working out price ranges and feasibility for each potential location ahead of time, Menlo anticipates significantly cutting the normal 60-day lead time and getting much faster

hookup than if it waited until a crisis.

The customer's responsibility is to shift its inbound transportation from the old distribution center to the new one. Diverting product can take anywhere from two weeks to a month, according to Dagnese. By that time, Menlo will have its operation ready to go, he said.

"As that comes in, we've said that we could start some level of shipment support within 30 days, with skeletal orders. And then we'd scale up over the next 60 to 90 days," Dagnese said.

The warehouse-in-a-box comes fully equipped. Menlo would lease a building, bring in a management team, ship the server, hire labor and prepare to fulfill customer orders.

Menlo could build an emergency truck transportation package to serve pre-identified customers if the shipper wants that too, Dagnese added.

He emphasized that the success of the contingency plan rests with the customer.

"If the customer is not committed to the discipline on their end that it requires, it's just not going anywhere," he said.

Similarly, Menlo has to be selective in how many of the disaster recovery jobs it can take on.

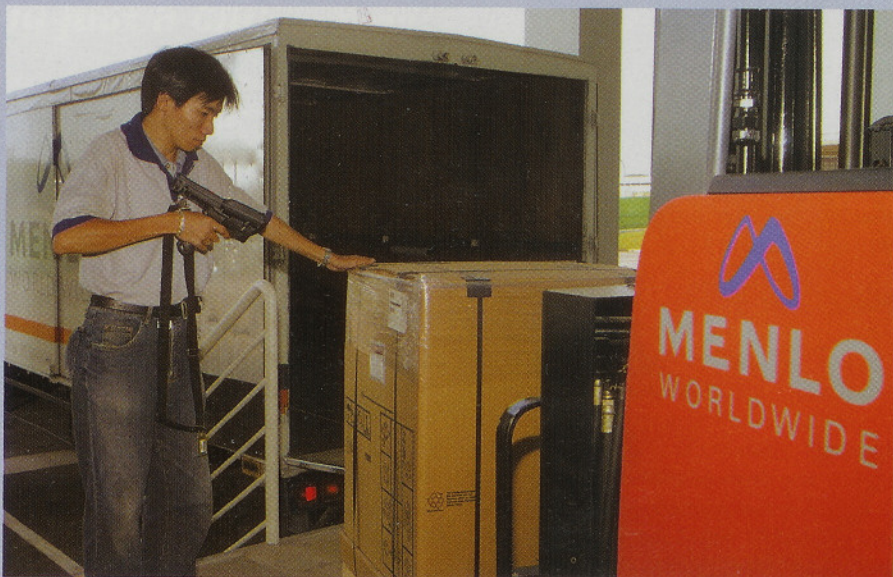
"We can't do this for everybody. At some point you will have overextended yourself to execute," Dagnese said.

Menlo has one customer in the program so far, he said.

Menlo receives separate payments for the startup and development costs, ongoing program management costs and operational costs if the plan is ever activated. Menlo can give a good cost estimate because it has figured out all the cost up front with a predetermined markup.

Any company could use Menlo's operational insurance policy, "but the more facilities you operate, the less likely that this would be needed because you could use the other facilities as cutover capacity," Dagnese said.

Meanwhile, in a similar vein, a large East Coast municipality is looking for a logistics provider to put together contingency plans to support disaster recovery operations. The goal is to have a logistics provider preposition bottled water, meals ready to eat, shelter materials and other essential items in a facility outside the city and to deliver them to the city in the event of a catastrophe, Menlo officials said. The initial phase would support 70,000 people.



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