



Why Do I Need a Diversified Supply Chain?

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The supply chains of today are filled with various levels of risk and complexity. We live in a global economy, so the level of global influence across the supply chain is greater than ever. As a result, this creates uncertainty and risk that supply chain experts need to manage. Additionally, the complexity will only increase as global “game changers” occur. Examples of these include the Panama Canal expansion and the use of natural resources (oil) as they shift and/or are depleted.

So, that leaves shippers, manufacturers, and 3PLs in an interesting position to manage and design global supply chains. Companies are using various optimization models more than ever before as supply chains have flexed and condensed. Supply chains started to move to North Asia years ago, and parts of that activity have shifted to Southeast Asia and even low-cost Eastern European countries. Now, there’s a flow back to the Mexico market for manufacturing, etc., driven by labor cost in Asia along with the cost of oil that impacts transportation fuel cost. That’s causing a total reevaluation of supply chains.

Some other risks and complexities that are being evaluated by various organizations:

Business continuity planning—disasters such as the Japan tsunami have forced companies to evaluate sourcing models and plans to shift to other suppliers in the case of a natural disaster

Natural resources—large global discussion given the ongoing risk in the Middle East along with alternative fuel discussions in various regions

Supplier risk assessment—are suppliers financially healthy?

Water infrastructure—Panama Canal and the ability of the East Coast ports to accommodate these ships; can the North American ports continue to automate themselves so that we can increase the throughput (to meet the productivity of European ports)?

Land infrastructure (U.S. and Mexico)—Class 1 railroad expansion to accommodate regional intermodal along faster throughput on transcontinental business (land bridge for West Coast ocean containers)

General supply challenges—Reduction of asset-based freight forwarders or integrators; North America-based truck drivers who are being reduced due to demographics, regulations, etc.

Inventory levels—What are the optimal levels to hold? What’s the risk of a stock out to rev/customer retention?



All of these factors are driving the need to evaluate the entire supply chain to understand the ways companies can position themselves for the future.

Most companies should step back and assess five primary areas:

Infrastructure evaluations—to include land- and water-based challenges/opportunities

Supplier evaluations—to include risk assessment, business continuity planning, placement of these suppliers in their current supply chains

Physical infrastructure—driven by inventory requirements and proximity to suppliers/ports and customers; Do you have a robust demand planning model that helps to build a forecast to properly identify physical footprint needs for multiple years?

General supply challenges—how do shippers, manufacturers, or 3PLs move into a transportation model that allows for use of multiple modes to mitigate risk? What impact will oil play in the future transportation market? How can you mitigate the pending driver shortage in the U.S.?

Customer delivery—how can you ship smarter and increase service/lower cost? Direct import opportunities, adjust customer order sizes to lower freight to sales cost, consolidation opportunities for various customers.

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