

Creative cargo

Placing a premium on logistics creativity during a down economy

All eyes are on the dismal state of the economy these days — company budgets are being squeezed, consumer demands are on a decline, market conditions are suffering, and the laws of supply and demand are forcing companies to re-examine the ways in which their businesses operate. It's no wonder, then, that declining supply chain activity continues to reflect these worrisome trends.

While a slowing supply chain drives many integrators, logisticians and shippers to simply linger in the marketplace waiting for the economy to recover, others refuse to play the dreaded "waiting game." Instead, they look to the future, focusing their synergies on finding opportunities for innovation by keeping ahead of the curve and building supply chains based on collaboration and creativity.

"Creativity is the key to survival for transportation and logistics businesses," says Ron House, Chicago station director for AIT Worldwide Logistics. "By employing innovative strategies to scrutinize supply chains, cut unnecessary overheads, drive down costs, eliminate errors, increase productivity levels and optimize technological processes, companies will undoubtedly discover that they can not only survive but thrive in today's weakened economy."

Smart Business asked House why logistics organizations must put a premium on creativity in order to remain profitable in a turbulent economy.

How is logistics creativity challenged during a recession?

The biggest challenge to creativity, hands down, is becoming too comfortable — both in terms of establishing and maintaining customer relationships and in your own attitude and approach toward the daily grind. Without putting yourself in a constant pursuit of adapting, adjusting and acclimating to market conditions and the swings in your customer's business needs, you aren't providing value.

Let's face it, it's not just the transportation and logistics industry that is operating much leaner than we have in the past; our long-term customers, vendors and partners are also experiencing drastic reductions in



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product flows and profit margins. As they look to find ways to retrench and compensate for their business losses, their list of supply chain priorities has been dramatically modified and revised, placing affordability at the very top of that list.

For most companies, acquisition is not an option — they don't have the money or the manpower to launch new product lines, implement new operating systems or open additional facilities to supplement their growth and profitability. Quite simply, they've got to make the best of their existing infrastructure, just as logistics providers must capitalize on theirs. Therefore, creativity becomes a joint responsibility between you and your customer base.

How can this joint responsibility be realized and these challenges overcome?

First and foremost, you must continue being a consultant to your customers. Engage them in consistent dialogue, listen to their concerns, probe and analyze each and every point of their operations in order to enhance, accelerate and improve their existing SOPs and supply chain processes.

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Perhaps they can add an extra day to their transit time; maybe there is a more cost-effective service option they can schedule or a step that can be removed from their transportation plan. Where can you pass on value by providing your customers cost savings in areas such as cartage, warehousing or distribution?

Currently, there's an extreme sense of urgency attached to having these consultative conversations. These companies that are in precarious positions are suddenly putting their processes under a microscope, challenging their logistics providers to assist them in overcoming their supply chain setbacks. They are ultimately becoming more efficient in their own operations just as you are in your relationships with them, but these conversations should be taking place day in and day out, regardless of economic conditions.

The IT data reports that logistics companies provide for their customers is a critical component in this consultative relationship. In being able to measure and track the visibility, variability and velocity of their commodity flows and shipment life cycles, they acquire a much better understanding of how they can optimize their internal and external business processes.

How do you stay ahead of the curve?

Assessing each account and forecasting customer demands, buying trends and shipping patterns, both now and in the future, is the only way to stay ahead of the curve. After all, those demands are always evolving. What are customers' needs in six months, and what are their needs in two years? Chances are they are dramatically different.

As logistics providers, your mission in serving customers will always remain the same: to continue providing quality and value without sacrificing service. Only, the trick is that you've got to make it work with less — through technology advancements, productivity enhancements, vendor management improvements and all-encompassing investments in creativity. <<