

# GLOBAL SUPPLY CHAIN REVIEW

Published by the Global Supply Chain Leaders Group  
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**LEADER PROFILE:**  
INTERVIEW WITH  
CRAIG MARTIN

**PLUS:**  
IMPROVING RETAIL  
SUPPLY CHAIN  
PLANNING

**SPECIAL:**  
WHAT YOU NEED TO  
KNOW ABOUT THE  
CERTIFIED CARGO  
SCREENING PROGRAM



Craig Martin  
Vice President, Supply Chain Operations  
Juniper Networks

## Message from the President of GSCLG

The GSC Review Magazine continues its series of profiling leaders in Supply Chain. This month, we feature another outstanding individual in California's Silicon Valley.

Craig Martin, Vice President of Supply Chain Operations at Juniper Networks has had a superb career at a senior level at companies such as 3Com Corporation, Good Technology, NeTpower, and Hewlett-Packard. These companies have challenged him and he has been rewarded with the experience on which Juniper Networks' relies.

Craig has a superb set of skills spanning the global supply chain - materials, procurement, CM management, manufacturing, and customer service.

He holds a Bachelor's Degree in Business Transportation Management from University of Colorado at Boulder.

We will do our best to continue to provide you with interviews of leaders that deserve your recognition. I ask our readers to send in the names of those you would like to see interviewed so we can learn from their views and accomplishments. We started this series in 2009 and we have an excellent lineup of individuals to fill out 2010.

You can find past interviews at [http://gscreview.com/home\\_com.php](http://gscreview.com/home_com.php).

We celebrate supply chain leaders with vision, passion, and care for their customers and employees. These leaders provide the value shareholders deserve; they ensure that their customers keep moving forward while dealing with global challenges affecting the day-to-day operations. If we recognize great performance and leadership potential, we will promote our capacity to lead both operationally as well as at the C-level. As senior-level supply chain leaders, the senior executives featured in our magazine should be recognized by their peers and by the industry. We hope to see them grow and become the future CEOs that we all deserve and admire.

We are honored to present Craig Martin, Vice President of Global Supply Chain at Juniper Networks and look forward to honoring many more like him in the Global Supply Chain Review.

We are also pleased to present "Improving Retail Supply Chain," a great article written by Ray Whitley. Ray has worked in the retail industry for over 20 years for companies such as Cost Plus, as their Senior Vice President of Supply Chain; Williams-Sonoma as Vice President of Supply Chain Optimization and Store Operations; and other leadership positions in companies such as Gap, Inc., Mervyns, The Clotheshime, and Robinsons / May Department Stores, Ernst & Young, LLP and PricewaterhouseCoopers, LLP.

Finally, we continue to emphasize "What You Should Know about the Updated Certified Cargo Screening Program" which will be in full effect by the time this issue is sent to our readers.

Sergio Retamal

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# CERTIFIED CARGO SCREENING PROGRAM (CCSP)

You've spent time thinking outside the box.  
**Do you know what's inside the box?**



**Think outside the box**

**Look at what's inside the box**

Does supply chain security keep you up at night? First, US-bound ocean containers were subjected to the reporting requirements of the 24-Hour Advance Manifest rule, and then to the Importer Security Filing. Now, air shipments transported on board passenger aircraft will need to be screened.

At Global4PL we are able to stay up at night for you, or work right alongside you as members of your team as you become certified in the Certified Cargo Screening Program ("CCSP") as authorized by the U.S. Transportation and Security Administration.

Come August 1, 2010, 100% of cargo transported on passenger aircraft will need to be screened. Large companies have expensive equipment to conduct cargo screening, but that does not relieve the medium-size and small businesses from the screening requirement. Manufacturers and shippers are encouraged to become certified cargo screeners.

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## Interview with Craig Martin, Vice President, Supply Chain Operations, Juniper Networks

Craig Martin's supply chain management experience spans over 27 years. He is currently the Vice President of Supply Chain Operations at Juniper Networks. Prior to his current position, Craig served as Vice President of Operations and Customer Service at Good Technology. He was Vice President of Materials and Semiconductor Technologies at 3Com Corporation for over five years. Prior to his experience at 3Com, Craig was the Co-Founder and Vice President of Manufacturing and Customer Service at NeTpower. Craig started his supply chain career at Hewlett-Packard, where he worked for over 12 years in a variety of positions. Craig started HP's Personal Computer Distribution Operations in Roseville, CA.

Craig Martin holds a Bachelor's Degree in Business Transportation Management from the University of Colorado at Boulder.



### **How important is supply chain management to Juniper Networks' overall business strategy?**

Supply chain management is integral to Juniper's performance in many dimensions. Our customers expect world class quality delivered at an exceptional value with predictably short lead times. Delivering on these dimensions gives us a competitive advantage which helps fuel our aggressive growth. From a shareholder's perspective, the degree of efficiency we establish in delivering on these criteria will favorably impact overall revenues, product margins and our balance sheet.

### **What primary areas of focus (or key initiatives) should Juniper Networks be looking at for Supply Chain Management?**

We are focusing on two dimensions of our supply chain in parallel - scaling to support our projected growth (including a number of new go-to-market initiatives) and doing it in a way that provides the maximum flexibility and resiliency to ever-changing market conditions. We have a very aggressive lead time reduction program, for instance at the component level which allows us to respond quickly to upside within our quarter and maintain short lead times to our customers.

### **How has outsourcing enabled Juniper Networks to be successful with these initiatives?**

We have established an excellent set of relationships with our contract manufacturing partners. Collectively, they address our breadth of product manufacturing and fulfillment requirements across a global footprint with manufacturing sites and fulfillment locations strategically located based on supply chain modeling simulations we maintain. Effectively, we utilize three supply chain simulation tools factoring customer demographics, product physical characteristics and service level requirements into a range of scenarios to come up with the optimal model to meet targeted service levels with the lowest landed cost in the most environmentally conscious manner.

### **How is Juniper Networks addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?**

Juniper Networks is very active in this area, and has partnered with the Carbon Disclosure Project's Supply Chain Leadership collaboration since 2008. The Project extends awareness of an organization's carbon footprint, moving beyond the measurement of direct greenhouse gas emissions to include climate change risks and opportunities across the supply chain. As part of this initiative, we provide a global process for supply chain greenhouse gas emissions disclosure. Juniper has also voluntarily adopted the principles of the EICC industry consortium and the EICC Code of Conduct and abides by its principles which place



heavy emphasis on green initiatives. We have assessed compliance with the EICC Code by our top 100 suppliers (based on total spend) and work closely with each of our CM sites to ensure compliance, and that proactive efforts are in place to be as environmentally conscious as possible in our daily operations. We also have relationships with industry thought leaders doing work in this area, such as Professor Hau Lee from Stanford University.

In addition to our supply chain modeling efforts, we can now calculate and monitor our carbon emissions through available industry tools. This visibility helps us reduce them further, and allows us to simulate emissions under different scenarios when making supply chain decisions in the future. Juniper Networks' goal is to credibly account for our emissions and work to significantly reduce the carbon footprint of our own operations, business travel, commute and supply chain. Though it's an exceedingly complex and multi-year process, we're measuring the energy efficiency of each of our products, as well as the carbon emissions inherent in their production and delivery to the customer.

## What is the key Supply Chain Management priority for Juniper Networks in the coming two to three years?

In our case, we are participating in a market that is projected to continue experiencing strong growth over the next few years. To capitalize on this opportunity, we are embarking on a number of new initiatives, extending our footprint into new markets, engaging with new partners, creating an ecosystem around the JunOS architecture and pursuing fast growing emerging markets. All these will create new requirements on the supply chain, so our challenge is to address these capabilities within the structure of our network, adapting as needed.

## What is the key Supply Chain Management priority for Juniper Networks in the coming five to ten years?

Aside from supporting new market initiatives, staying abreast of the dynamic world we live in is required to staying nimble and responsive. Seeking to optimize volume efficiencies while supporting unique country requirements is one challenge for example, particularly in emerging markets where the formulas and criteria aren't well established. Like driving a car, we're always adjusting the steering wheel to adapt to new challenges, whether they are requirements for local presence, shifting labor costs and global economics, supply and demand variations, oil prices or competitive factors. Each of these have been major factors in the past two years, and all will continue if not accelerate in the future.

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**Client Large West Coast contemporary clothing retailer**  
Concern: The client company was concerned that its global transportation expenditures were escalating and they could not pinpoint cost savings opportunities. The company also desired to establish a best-practices import compliance program to eliminate non-compliant entries and subsequent risk of fines and penalties.  
**Results:** Global4PL conducted a post audit of recent freight invoices and shipments, and discovered transportation cost savings totaling over 27% net cost savings. Global4PL reviewed the company's import compliance program and documented required changes to achieve best practices status, and identified classification changes to comply with US CBP regulations.

**CBP, ISL and SOI Compliance**  
We offer a comprehensive set of services to ensure compliance with import / export regulations and to improve the efficiency of your compliance processes. We identify and document a comprehensive import / export program, prepare to perform audits with CBP and / or ISL in the event of an audit or error. We will alert our clients to avoid costly fines. We will identify any duty savings opportunities.

- Review existing operations
- Set up compliance programs
- File rulings
- Review products, classification, create databases
- Free trade agreements - qualifications / reviews
- Create policies and procedures
- Draft disclosures

**Client Mid-size computer company**  
Concern: The client company had a small logistics staff with limited import/export compliance expertise and a potential risk of non-compliance in import/export operations.  
**Results:** Global4PL compiled a best-practices import/export compliance program that detailed compliance procedures, documentation formats and record retention methods and requirements. Global4PL reviewed all product HTS commodity codes and uncovered a classification error. Then, to rectify the past error, Global4PL reviewed thorough documentation of the error, classified duties owed to US CBP and prepared the post-entry filing for submission to US CBP. The tariff disclosure was accepted by US CBP with no assessment of penalties and no further action.

**Logistics Strategy**  
We conduct a complete review of your supply chain management that spans all movement and storage of raw materials, work in process inventory, and finished goods from point of origin to point of consumption. We provide a complete assessment of your inbound & outbound distribution, warehousing and storage management techniques, collaborative communication infrastructure, and technologies. Frequently produce savings of 15% to 25% of a company's logistics spend.

**Client Large telecommunications manufacturer**  
Concern: The client company modified its supply chain footprint as the market and strategies shifted over time.  
**Results:** Global4PL executed the project to rationalize the company's logistics strategy and to optimize the revised supply chain strategy. Global4PL's assessments (including geopolitical and process risks) and solutions improved the company's intra-Asia shipping efficiency. Global4PL set up customized import / export compliance programs, having met with officials at contract manufacturers and conducted packaging redesign which resulted in 50% overall cost savings without compromising engineering requirements. Global4PL revamped transportation provider relationships, resulting in 20% reduction in transportation costs. Global4PL developed and implemented an operational strategy to minimize EU VAT Charges (including reverse logistics considerations). Last, but not least, Global4PL provided a supply chain visibility tool (IPO Navigator™) that tracks product movement at the part number level.

"In the first month we engaged Global4PL we were able to implement three cost reduction projects which will result in millions of dollars in savings over the next five years."

**JB Delaney**  
Director, Supply Chain  
Infineon Corporation

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## What are the biggest INTERNAL challenges for manufacturers to achieve supply chain excellence?

Probably the biggest internal challenge is the classical challenge of getting accurate forecast visibility, while at the same time buffering ourselves from the impact of poor accuracy. In addition, we are putting emphasis on Design for Manufacturability, complexity reduction and sourcing for new products to develop the simplest, lowest cost and most resilient supply chain possible. An additional challenge for Juniper is getting a scalable systems infrastructure in place that can stay ahead of our growth.

## What are the biggest EXTERNAL challenges in achieving supply chain excellence?


The biggest external challenges are those related to the global nature of our business and the ever changing dynamics of regional market performance, managing supply risks associated with regional and political factors.

## Who is responsible for planning your company's business continuity when facing natural disasters, major disruptions or other geopolitical issues?

Supply Chain Operations is responsible for developing our manufacturing network design that incorporates risk management as a key ingredient. As such, we have designed our system working with top tier CM partners with sites located in multiple geographies so we're not too reliant or exposed to any one market. We also have the ability to build any of our products in multiple sites should there be a local situation that impacts supply continuity. All this is done in concert with our Environmental Health and Safety organization who is our primary interface into the EICC, and with our Tax and Treasury Department to make sure we're satisfying our insurance carriers' need for disaster recovery procedures, redundancies and records retention processes as appropriate.

## How do you grade Juniper Networks' supply chain overall performance in client satisfaction?

That's a measure that's probably best answered by our customers. In the past year, we've received a prestigious award as Supplier of the Year from a major US service provider, been recognized by a large European service provider/reseller as their benchmark in supply chain performance among their suppliers and passed several customer audits. The past 18 months have been the most challenging in my career, with customer audits focusing on how we were insuring our supply chain partners would survive the downturn at the beginning of 2009, to wanting to insure we could support the faster than expected recovery in the second half. In all cases we satisfactorily met their



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expectations. Of course, from an operating perspective we can always do things more efficiently, and the bulk of our initiatives are driven around scaling our systems and processes to continuously improve in this area.

## **During this economic downturn, how do you keep your entire organization motivated?**

While we certainly weren't immune from the economic downturn, Juniper actually increased our investment in new product development last year, so there was a huge amount of very exciting activity going on to support those efforts. During the course of the year we introduced a flurry of new products in our key market areas of routing, switching and security. All the hard work our people put into them resulted in market share gains in many areas which created a lot of satisfaction. And, even though the economy was down, it was an extremely busy period managing all the associated dynamics in our supply chain. Personally, it represented a situation unprecedented in my career, and I found it incredibly challenging and stimulating to chart the best course for our business.

## **How important are the Contract Manufacturers (CMs) for Juniper Networks' overall strategy?**

Juniper outsources 100% of our manufacturing through top tier contract manufacturers whose performance is essential to our success.

## **What are the key factors to ensure a successful CM relationship?**

A relationship so fundamental to our success has to be based on trust and mutual respect. This builds a foundation for active and open dialog on ways to continually improve how we jointly compete in the market. Hand in hand with trust is fairness. Both Juniper and our partners are in business to make money, and they would describe us as aggressive, but fair. We need them to succeed so they can grow with us, and we need their "A" team to bring the best out in our products and services.

As one example, I just returned from a four day strategic planning meeting with my team that manages our Asia operations through our four CM partners. We reviewed a number of "Thinking Team" projects in which each of our team members identified a challenge they wanted to address, created a team of Juniper and CM employees and drove efforts to improve. The unique thing about this meeting is that we invited the four CM site managers that support Juniper's business, and openly shared the results of each project to all of them in one large forum. In fact, the four competing CM site managers were asked to hold their own break out session to address questions regarding how we are positioned in the market, and areas we can improve on. Each of them added great value to the meeting, and were very appreciative of the trust we placed in them to participate - a first for all four of them to work directly with their competitors at this level. And the best part is I think they actually liked each other!

## **How do you prepare for the upturn now that the economy is showing improvements?**

We are in the middle of a tight supply market, which is when it becomes clear where your real partnerships are. Having strategic relationships with key suppliers is the foundation for our ability to deliver great products, so we treat them with a high degree of respect. As such, our suppliers know there is a reward for them to support our needs in a tight market, which is to continue winning new business with us.

## **When do the fuel cost / dollar exchange and / or geopolitical factors make insourcing a viable option?**

I don't see insourcing as a viable option regardless of the external factors mentioned due to the heavy capital and labor investment that would be needed to create the capability internally. By having top tier partners with a broad global footprint, I am confident we have enough moves on the chess board to adapt to changes in oil prices, exchange rates or political/geographic factors with our current model.



## **What are your thoughts regarding globalization?**

I think it's going to happen! Seriously, it's a part of daily life in my job, and is one of the most exciting aspects I manage. Every day there are new economic, political and geographic considerations that come into play. Staying abreast of everything going on in the world that can affect our supply chain is a very stimulating challenge - from oil prices to volcanoes to labor management challenges to environmental and human rights considerations, all factor into our tactical and strategic management of the business.

## **What attracted you to supply chain management?**

I would hope the picture I've painted in this interview answers your question. What an incredible perspective you get on the world we live in by managing an operation so tied to all that's going on. When you combine that with the fact you get to work with so many bright and talented people within a great company making a major impact in our industry like Juniper, it's pretty hard to beat! And I really, really enjoy the personal relationships with our partners and suppliers. It's extremely satisfying to find that formula that works for both of you, manifested in demonstrated market success.

## **What are the main skills and personal attributes that have helped you reach your current position?**

I'd say I have a creative streak that makes managing the status quo very unfulfilling. The dynamic nature of our business demands continuously looking for better ways to do business, so I get that creative fix on a daily basis. I have been successful in developing strong teamwork within my team and with our partners that fosters innovation and creative thinking. The overriding set of values based on integrity, mutual respect and trust is paramount.

When you think about our supply chain network, we have over 30,000 parts, 1,000 suppliers and 2,500 people between our Juniper team and our CM partners spread across the globe. Our engineers entrust Operations to manufacture the great products they develop, and we in turn rely on our partners to execute against a demanding set of customer expectations. All this has to come together for us to successfully deliver to support our customers. There's no way to succeed without having total trust in the people who make it happen, supported by a robust process and systems environment.

## **What would you say is the most rewarding experience you've had in your career?**

I've been fortunate to have a number of very rewarding experiences in my career, so it's hard to identify one. However, they all have a consistent theme - gathering a bunch of bright people to attack a problem that didn't seem achievable, mobilizing and enabling them through a lot of brainstorming and program management structure, identifying success criteria and providing all the necessary resources needed to succeed. It's very energizing to know that you are expected to take risk in order to solve the challenge, and incredibly satisfying when it all comes together.

## **Who do you rely on for advice?**

The Juniper management team is incredibly talented and supportive, and I rely on them daily. Our CM partners and logistics providers are also a wealth of knowledge about manufacturing technologies, and I'm in constant dialog with them. I've also developed a great network of former colleagues and friends that between them have probably faced similar challenges, so I'll seek them out on occasion.

## **How do you balance your work life with your personal life?**

As much as possible, I try to separate work time from family time, and to make those times really count. I try to sneak in a little golf and exercise, and we enjoy traveling and experiencing other cultures. My wife and I are doing a lot of vicarious living these days through our two children as they prepare for college and high school, starting to look at colleges, supporting their interests and making sure they're getting the most out of their summer experiences.



**Turbulent times can be the best time to implement changes. However, companies tend to paralyze due to uncertainty in the market or their human capital. What is your advice to maximize the opportunities to implement changes during tough times?**

Turbulent times demand swift and often bold actions. I can't think of a better situation to tap into the skills and resources of your people in navigating through uncertain waters. I firmly believe talented people rise to the challenge, and it can be very stimulating and motivating to be part of developing the strategy and driving execution during these times. Done correctly, this is a great chance for a manager to provide his employees opportunities to deliver their best contributions.

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We are a group of the most influential, accomplished, and renowned executives from some of the better known corporations worldwide. We continue to seek those individuals who have made the most significant contributions to the advancement of the supply chain industry at the same time helping their companies' bottom lines. In other words, the Top 25 Global Supply Chain Leaders LinkedIn group seeks individuals that will inspire both veterans and new hires in supply chain. These are the individuals people would like to be when they reach their professional goals.

Our group of leaders come from various industries such as: Automotive, Aviation & Aerospace, Computer and Network, Security, Computer Chips, Computer Hardware, Computer Industry, Computer Networking, Computer Security, Computer Software, Consumer Electronics, Consumer Goods, Cosmetics, Food, Furniture, IT and Services, Leisure, Travel, Medical Devices, Oil and Energy, Pharmaceuticals, Renewable & Environment, Retail, Semiconductor, and Telecommunications.

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# Improving Retail Supply Chain Planning

By Ray Whitley

Detailed merchandise plans developed by the inventory management (merchandise planning & allocation) team should be the starting point of any retail supply chain planning process. This article reveals an improvement opportunity in the crucial budgeting and planning process of many retail supply chain organizations and examines approaches to capitalize on that opportunity and improve dramatically the process of supply chain planning.

## **CURRENT STATE:**

The functional areas of distribution, inbound logistics, and outbound transportation rely on good supply chain volume plans (units or cartons to be processed) as a starting point to build a budget and then to organize and orchestrate resources (e.g., capital, people, 3rd party providers) to handle the planned volume.

Without a really good idea of what to expect in terms of supply chain volume from the merchants or inventory management teams (who often report up to the chief merchant), distribution and logistics teams take it upon themselves to develop company unit volume plans. This process of estimating supply chain volume is done as a necessary evil to provide a starting point from which to build an annual budget.

As distribution and logistics teams are oftentimes geographically distant from the corporate office, they tend to be hazy on the details of go-forward merchandise strategies. Left to their own devices, the supply chain team plans volumes based on last year actual volumes employing a scaling factor if overall business increases or decreases are projected. A nod is given to planned product mix changes by scaling volumes (by type) up or down depending on high-level insight from the merchant teams.

Once these supply chain volume plans are developed, the meticulous process of converting planned unit volumes to budget dollars ensues. First the annual budgeted volumes are developed before the planned year begins. During the planned year the supply chain team re-forecasts unit volumes based on trend and any anecdotal evidence they can obtain from the merchant and merchandise planning teams. Supply chain resources are initially deployed based on the annual budget. In-season forecasts take precedence as the company marches through the year.

## **THE PROBLEM:**

As the supply chain team created inventory volume plans and forecasts are inaccurate, sub-optimal use of DC space, DC labor, and container and truck utilization result in unnecessary expense for the company. To the extent actual supply chain volumes exceed projected supply chain volumes, customer service suffers as products are hung up in the supply chain network (worst case) or rushed through the network thereby increasing DC costs (overtime) and potentially incurring significant incremental costs to expedite product. Moreover, secondary effects like miss picks result in incremental transportation costs and data integrity degradation.

## **THE OPPORTUNITY:**

Much of this can be alleviated through better upfront supply chain volume planning. The problem lies in the inability of the supply chain team to internally project volumes accurately. This is not due to a lack of analytical ability or facility with modern forecasting methods. It comes down to a form of information asymmetry. In many retailers the supply chain teams simply do not possess access to what is planned by the business in terms of product purchasing and allocation of inventory to the stores. However, they are expected to process and move the very real inventory receipts and allocations expeditiously and in a fiscally responsible manner.



Detailed volume plans for the business do exist. The unit plans exist, or can easily be derived from existing data. They are buried in the merchandise planning process. In this process sales, gross margin, inventory levels, and receipts are planned in detail. The merchandise planning process is usually performed in a merchandise planning system, but many retailers still conduct merchandise planning in turbo-charged Excel spreadsheets. Getting complete access to the merchandise plans and converting the merchandise plan volume numbers into a format useful to the supply chain team will improve supply chain planning accuracy enabling a smoother flow of goods through the supply chain network.

## IMPROVE INBOUND PLANNING:

For the inbound logistics side of the supply chain, the first step is to obtain the planned monthly receipts directly out of the merchandise plans. It is important that the receipt plans are pulled and then converted at the right level for the supply chain teams. The right level for the supply chain depends on product characteristics. If the company's product offering isn't diverse, then the merchandise plans can be converted into one large bucket of estimated units. To the extent the product offering is diverse, the product merchandise plans can be divided into smaller buckets based on similar characteristics affecting processing from a distribution/logistics perspective (e.g., conveyable, electronics, hard goods, perishables, etc.). The resultant data should be receipt units by (selected) bucket, by month for the year.

If product dimensions (i.e., height, length, width) are available for all SKUs, one can calculate the cubic feet or "CUBE" of the receipts. This provides a good base for the inbound logistics team to budget inbound container volume more accurately and to negotiate more confidently with inbound carriers. This inbound receipts data is particularly valuable to the distribution team in their efforts to plan capacity and labor in the DCs. Merchandise plans are dynamic so once the year has begun, the latest merchandise receipt plans should be converted and then used to update the supply chain forecast at least once every month.

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**Client: Large West Coast contemporary clothing retailer**  
Concern: The client company was concerned its global transportation expenditures were escalating and they could not pinpoint cost savings opportunities. The company also desired to establish a best-practices import compliance program to eliminate non-compliant entries and subsequent risk of fines and penalties.  
**Results:** Global4PL conducted a post audit of recent freight invoices and shipments, and discovered transportation cost savings totaling over 27% net cost savings. Global4PL reviewed the company's import compliance program and documented required changes to achieve best practices status, and identified classification changes to comply with US CBP regulations.

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g. Draft disclosures

**Client: Mid-size computer company**  
Concern: The client company had a small logistics staff with limited import/export compliance expertise and a potential risk of non-compliance in import/export operations.  
**Results:** Global4PL compiled a best practices import/export compliance program that detailed compliance procedures, documentation formats and record retention methods and requirements. Global4PL reviewed all product HTS commodity codes and uncovered a classification error. Then, to rectify the past error, Global4PL prepared thorough documentation of the error, classified duties owed to US CBP and prepared the post-entry filing for submission to US CBP. The full disclosure was accepted by US CBP with no assessment of penalties and no further action.

**Logistics Strategy**  
We conduct a complete review of your supply chain management that spans all movement and storage of raw materials, work in process inventory, and finished goods from point of origin to point of consumption. We provide a complete assessment of your inbound & outbound distribution, warehousing and inventory management to implement innovative solutions with immediate, measurable results. Our resources, along with our supply base management techniques, collaborative communication infrastructure, and technologies frequently produce savings of 15% to 35% of a company's logistics spend.

**Client: Large telecommunications manufacturer**  
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## IMPROVE OUTBOUND PLANNING:


Improving the outbound (DC to store) planning process is trickier. A subgroup of the merchandise planning team (i.e., allocators) usually controls the size and timing of product movement from the DC to the stores. Theoretically, estimated store allocations can be derived mathematically by factoring in sales volumes in the stores, optimal inventory levels in the stores, available DC inventory, and replenishment cycle times. In practice I have not come across any retailer that projects store allocation volume with a high degree of accuracy. There are a number of reasons for this but I think trying to forecast what an allocator is going to do as they react to ever-changing business conditions will always prove more difficult than forecasting the (purchase order date-driven) inbound side.

My recommendation at the total company level -- if DC and store inventory is not planned separately -- is to get the overall company inventory unit plan by month, obtain a historical DC/store split by month to calculate "planned" store level inventories beginning of month (BOM). Subtract the current month's BOM inventory from the following month's inventory level and add current month's sales unit plan to arrive at an estimate of how many units will need to be allocated, processed in the DC, and transported to the stores in the current month to be in the stores by the beginning of next month.

This simple methodology can also be applied to derive outbound units at a level lower than overall company (e.g., conveyable vs. non-conveyable, perishable, fragile, heavy, etc.) to aid in estimating DC labor for picking and shipping. If product dimensions are available, the outbound units can be converted to cubic feet enabling more accurate projections of outbound trailers. With little input from the inventory management team, the supply chain team can update monthly sales units projections to reforecast their monthly allocation unit estimates as the year progresses. Note: Case pack and pre-pack logic can also be factored in to arrive at estimated packages that will be processed and transported to the stores each month.

## SYSTEM APPROACH FOR OUTBOUND PLANNING:

Another approach to improving outbound planning requires input from the allocators in the inventory management team and a user-friendly tool or system allowing each allocator to manually adjust monthly allocation estimates based on their individual thought process as they employ allocation strategies that may have a significant effect on the supply chain teams. This tool could be a spreadsheet loaded with previously developed merchandise plans converted to units and organized in the



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merchandise hierarchy structure. Using the straightforward methodology outlined earlier, allocation units by month, by type can be calculated as a starting point. For the annual budget, each allocator can adjust the estimated allocation unit volumes up or down based on their planned individual allocation strategies by month within their merchandise hierarchy. The final allocation estimates are automatically converted and organized into the unit buckets important to the supply chain team (e.g., conveyable, hard goods, perishables, hard-to-handle, etc.). Every month, the allocators can reforecast their allocation numbers as sales roll in and different allocation strategies emerge. The supply chain team can wait for the re-forecasted allocation numbers before they in turn adjust their supply chain volume plans, labor plans, and expense forecasts.

## **IMPROVE DC CAPACITY PLANNING:**

At this point DC inbound and outbound unit volumes by month and by type are known. Attaching height, length, and width dimensions of the units will enable one to calculate the CUBE of the product buckets enabling better labor planning within the four walls of the DC.

Knowing the inbound CUBE, and the outbound CUBE and factoring in the DC on-hand CUBE enables a DC team to estimate DC storage capacity needs for the planning horizon (1 year). This is critical where the DC is estimated to be at or close to storage capacity in any given time period. Similar to inbound and outbound forecasting, the DC capacity forecasts can be updated monthly as the new merchandise planning numbers are updated.

Throughout the year, should storage capacity approach 85% to 90% in any month, the DC team should work cross-functionally to move purchase orders forward or backward, bring in more labor, cancel purchase orders, modify purchase orders, arrange for DC offsites for any spillover, convince the stores to hold more inventory, or employ some combination of these tactics to avoid locking up the DC in a classic bottleneck situation.

To sum up, leveraging a retailer's merchandise plans can provide the perfect starting point to develop better supply chain plans. Either developing a process to convert the detailed merchandise plans and forecasts to a format useful to the supply chain teams or integrating both processes and planning tools used by the two functional areas will enable a retailer to solve this problem and ultimately garner the benefits associated with better planning in the supply chain.

## About the Author:

**Ray Whitley** is the owner of Shibumi Consulting, LLC, a management consultancy focused on improving the supply chain and inventory management areas for retail companies specifically through leveraging data and analytics in innovative ways. Altogether, Ray has worked in the retail industry for over 20 years. Most recently, Ray transformed the supply chain and inventory management areas for Cost Plus, Inc. as their Senior Vice President, Supply Chain. Prior to that, Ray was Vice President, Supply Chain Optimization and Store Operations for Williams-Sonoma, Inc. where he drove numerous change initiatives in the supply chain and inventory management areas. Ray possesses previous industry experience at Gap, Inc., Mervyns, The Clotheshime, and Robinsons/May Department Stores. Additionally, Ray spent several years as a retail industry focused management consultant at Ernst & Young, LLP and PricewaterhouseCoopers, LLP.

Ray has a B.A. from University of California at Berkeley, and an MBA from Indiana University at Bloomington. He can be reached by email at [whitley\\_ray@yahoo.com](mailto:whitley_ray@yahoo.com).



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# What You Should Know About the Updated Certified Cargo Screening Program

By Douglas Brittin,  
General Manager, Air Cargo Programs  
Transportation Security Administration

## Why should shippers join the Certified Cargo Screening Program (CCSP) if forwarders and airlines can screen the cargo?

Any company who ships on passenger aircraft will be affected by the 100 percent cargo screening mandate contained in the 9/11 Act. The decision on how to screen cargo, whether through a freight forwarder, cargo screening facility, or through the airline, is ultimately up to the shipper. It is important for all industries to understand how this mandate affects their companies.

Shippers of difficult to screen goods (large skids of any product, pharmaceuticals, perishables, chemicals, powders, and others) or those who want to ensure the integrity of packages throughout the supply chain, should strongly consider joining the CCSP. CCSP distributes screening throughout the supply chain to avoid potential bottlenecks of cargo at the airport while allowing participants to screen cargo offsite and transport it to the airport securely. Shippers should understand that in most cases, shipments they tender on skids or pallets will be taken apart and screened at the piece level by others, as the law requires.

Participation in CCSP means cargo screened by shippers will avoid delays, and the airlines conducting screening will not have to open containers jeopardizing sensitive cargo. By joining CCSP, shippers can avoid voided warranties on electronics, the spoiling of fresh products, and the contamination of pharmaceuticals.

The 100 screening mandate will go into effect on August 1, 2010. If a facility has not become certified through CCSP or planned for another entity to screen their freight, it will not be uplifted on a passenger aircraft.

## We are already validated by C-TPAT. Do we still need to screen the cargo?

Yes, CCSP requires actual cargo screening, and because of that the background checks for personnel must be done through TSA's Security Threat Assessment process. TSA built the basic structure of CCSP around the C-TPAT model- physical, IT security, background checks- but there are key differences including cargo screening. In addition, C-TPAT is "company-wide", whereas CCSP is site-specific due to the need for specific security requirements around the screening area, which are typically more stringent than C-TPAT. CCSP also requires specific levels of training, especially in regards to screening processes.

## We have multiple shipping facilities. Does each location need to be CCSP certified, or just the last facility where cargo was located before being delivered to the airline?

Cargo screening may take place at any point in the supply as long as the screening facility is a CCSF and the chain of custody requirements are met. Some shippers may choose to certify one, while others may decide to certify each facility. The decision is unique and must be based on a number of variables including size, volume of cargo shipped on passenger aircraft and the type of products shipped. Most companies select the last facility where the cargo is located before shipping.



The US Department of Homeland Security has provided an overview of the CCSP. Click on the link below to view the file.

[Link to PDF](#)

# What You Should Know About the Updated Certified Cargo Screening Program

Continued

## Does the TSA or US government have funds available to help pay for the screening equipment or will screening operations be an added expense to companies?

The 9/11 Act, which included the 100 percent cargo screening mandate, did not appropriate funds to offset the cost of security screening.

## Do parcel shipments shipped via international courier (FedEx, UPS, etc.) need to be screened?

All cargo tendered on passenger aircraft must be screened. Cargo shipped on all cargo aircraft is not subject to the Congressionally mandated 100 percent screening requirement. Some "all-cargo" carriers regularly tender their shipments to passenger airlines at US export gateways, and that cargo must then be screened before being placed on a passenger aircraft.

## What if cargo is booked for transit on a cargo aircraft but is bumped and then loaded onto a passenger aircraft? Is screening then required? Which party (airline, freight forwarder, or shipper) is then responsible for screening?

Starting August 1, 2010, all cargo transported on passenger aircraft must undergo security screening. The passenger airlines are responsible for ensuring all cargo carried on their aircraft undergoes screening.

## What about cargo that is inbound to the US? Are there plans to expand such screening requirements, similar to CBP's implementation of the ISF in ocean shipments?

The scope of the 9/11 Act requirement for inbound passenger air cargo presents significant challenges in the international air cargo environment and requires an approach that increases the security of the global supply chain without unduly impeding the flow of global commerce. TSA has recently increased the percentage of cargo to be screened before entry to the USA, and will continue to work closely with industry and its international partners to achieve this requirement as soon as possible.

## Are there different levels of training for the airline, the freight forwarder, and the shipper, in order to become CCSP certified?

Specialized training is required for all persons who will conduct screening, handle cargo, or have access to designated screening areas. Shippers should visit [www.tsa.gov/CCSP](http://www.tsa.gov/CCSP) to get information on CCSP requirements.

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## Does the TSA conduct random, unannounced, audits of screening procedures and records of airlines, freight forwarders, and shippers?

In addition to meeting initial certification requirements, CCSFs are subject to routine and unannounced audits, inspections and spot checks.

### About the Author:

**Douglas Brittin,**  
General Manager, Air Cargo Programs  
Transportation Security Administration

Doug Brittin joined the Transportation Security Administration (TSA) Air Cargo Office in June 2007. He has held executive level sales, marketing and operations positions within the transportation and logistics industry at companies such as BAX Global, Panalpina, Emery and Menlo Worldwide. Doug has over 30 years of experience in the industry, including the rail and trucking sectors. In his capacity as General Manager of Air Cargo Programs at TSA headquarters in Arlington, VA, Doug manages a staff of over 90 security experts, program managers and contractors. In addition to leadership and management responsibilities for the air cargo Technology, Indirect Air Carrier (IAC) Program and Policy branches, he is responsible for developing, staffing, training and equipping the Certified Cargo Screening Program.

Doug is a graduate of the University of Denver.

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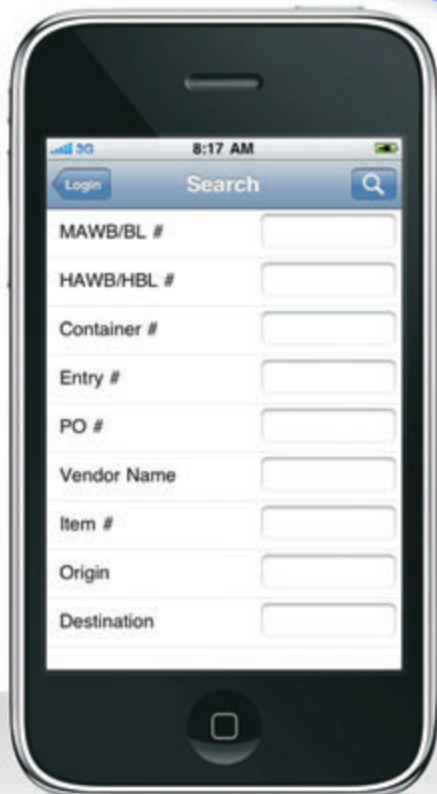
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- One free exhibit space (10' x 10') at GSCLG's annual conference (\$2,250)
- Two annual conference registrations (\$800 each)
- Two pre-conference workshops at annual conference (\$400 each)
- One seat at each of the Senior Executive Networking Dinners
- Listing in sponsor directory distributed at all GSCLG specialty conferences
- Company profile and web link
- One full page advertisement in monthly GSC Review (valued at \$24,000)

### Gold Corporate (\$5,000) (For companies with up to 500 employees)

- Includes individual member benefits for 20 employees
- One free exhibit space (10' x 10') at GSCLG's annual conference (\$2,250)
- One annual conference registration (\$800 each)
- One pre-conference workshop at annual conference (\$400 each)
- Listing in sponsor directory distributed at all GSCLG specialty conferences
- Company profile and web link

## Standard Corporate (\$2,000)

(For companies with up to 20 employees)

- Includes individual member benefits for 10 employees
- One annual conference registration (\$800 each)
- One pre-conference workshop at annual conference (\$400 each)

## Individual (\$225)

- Includes member benefits allowing for opportunities for growth so that the individual may become a future corporate member
- Up to fifty percent discount to all GSCLG events
- Access to members-only events

## Media Partner (Call for additional information)

(For Print media companies with Monthly or Quarterly distribution)

- Two annual conference registrations (\$800 each)
- Two pre-conference workshops at annual conference (\$400 each)
- Listing in sponsor directory distributed at all GSCLG specialty conferences
- Company profile and web link
- Cross-advertising program

Contact: [andrea.kostelas@gscclg.com](mailto:andrea.kostelas@gscclg.com) for pricing information

We welcome your company's involvement as a GSCLG sponsor, a corporate, or an individual member!

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