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5 Supply Chain Trends for '10

Looking to the future, Brad Mitchell, president of distribution and logistics for UPS, offers advice for dealing with five developments on 2010's horizon.



months as part of a focus on doing more with less.

At the same time, companies will be looking for new growth opportunities, which requires flexibility across the supply chain. Flexible supply chains that allow for business growth and low costs do not have to be an either/or choice. Companies can achieve both by taking advantage of external assets, such as multi-client distribution centers operated by third-party logistics providers, which allow them to share distribution space with others. By sharing facilities, companies don't have to invest in storage space all year when they may only need full capacity during select months.

This is just one example of doing more with less. Others include adopting multi-modal transportation strategies to ensure that shippers have the right mode in place to get the right products to market efficiently and cost-effectively; and redesigning the supply chain to ensure the most effective sourcing and distribution strategies.

1 Security will be a top supply chain focus: Issues such as theft and counterfeiting are always on the radar for companies that manufacture high-value products and equipment, especially in a down economy. Businesses can expect security to be just as important in 2010, driven by continued economic challenges and factors such as globalization, which lengthens the supply chain and creates more opportunities for breaches.

Companies should ensure that they have full visibility across the supply chain to know where products are at all times and build in protective measures such as system redundancy and strategies for reducing hand-offs.

2 All "green" eyes will be watching Washington: Any doubts whether green supply chains matter will be wiped away in the coming year. Industry is preparing for a future where sustainability will rank high on government and consumer agendas.

Companies anticipate green legislation out of Washington in 2010, so now is the time to prepare. Supply chains play a significant role in the "greening" of a

company. How companies get their products to market, and their decisions about whether to invest in/build infrastructure or leverage existing assets, can have a large impact on the environment.

3 Outsourcing will be in—in a new way: Companies across industry have long realized the benefits of divesting logistics functions, from supply chain design to warehousing and distribution. In 2009, more companies turned to outsourcing to free up working capital and focus on core capabilities that drive sales. Industries that have been slower to embrace the idea—notably healthcare—reached new levels of proficiency.

In 2010, expect outsourcing to be in as a key supply chain strategy to help companies increase flexibility while focusing internal resources on core business areas.

4 Doing more with less will continue as the new normal: Even as economic conditions improve, companies will continue to maintain the lower-cost structure they've put in place over the past 18

5 Companies will take a vested interest in vested outsourcing: Market experts have noted a new trend emerging where more companies are looking to structure relationships with suppliers based on a system of shared risks and rewards when executing supply chain services. In short, companies pay for outcomes rather than specific tasks.

Known as "vested outsourcing," this strategy is not appropriate for every third-party partnership, but when implemented under the right circumstances, it can result in a win-win proposition for both parties.

The key to making vested outsourcing relationships work is collaboration. It's crucial that companies and their vendors, suppliers, and service providers work closely together to establish appropriate goals based on business objectives, then create realistic and measurable supply chain outcomes that will advance these goals.