



February 2019 - Issue #155

## Welcome from Lisa

During January, I spent quite a bit of time thinking about where I should focus in 2019. Since I always recommend this activity to clients, I figured I should do it for my business as well. At the high level, I invested in the appropriate infrastructure to scale my business last year as well as took advantage of two rare opportunities that arose. Thus, my focus this year is to do exactly what I do for my clients - create bold customer promises & profits resulting in scalable, profitable growth.



This picture relates to the unique opportunity that arose to be integral to a potential supply chain and advanced manufacturing consortium in the Inland Empire. As we toured facilities such as Shamrock Foods, Amazon and UPS, we got the chance to sit in the pilot's seat of a plane. Who wouldn't enjoy that?

You'll see slight changes roll out over the next month. For example, I plan to upgrade this newsletter to be mobile friendly and have modified the timing and cadence of all of my newsletters. I will be introducing a predictions document to my clients only newsletter, Inner Circle soon, and you'll see it roll out broadly after that. I'm re-focusing on priorities and scaling back on my multitudes of volunteer activities to those with the greatest impact to creating win-win bold customer promises and profits and contribute to the future of the profession. As I'd like to continue to focus on these large impact initiatives, I am automating and improving efficiencies wherever it makes sense (such as our APICS-IE back office processes). And, I'm even saying 'no' :-).

This month, my articles are going to focus on lessons learned from tours, clients, companies and speeches. You can pick up valuable ideas wherever you look. Are you?

One of my priorities and passions is manufacturing. Thus, I will be leading the innovations awards at the Manufacturing Council of the Inland Empire's Manufacturers Summit on Feb 14th. Join us there. Manufacturers get a steep discount.

## **IN THE NEWS**

Check out my latest speeches, articles & quotes:

- Presented at the [A&D Forum](#) on "The Resilient Supply Chain". If you are a member, you will have access to the archives.
- Presented at the Professional Women in Healthcare event on "[The Amazon Effect](#)".
- Quoted in *Global Manufacturing's* article, "[Manufacturing expert Lisa Anderson discusses the key areas to ensuring manufacturing success.](#)"
- Quoted in *InlandEmpire.US's* article "[Manufacturing Council Calls for Submissions and Nominations of Top Industry Innovations](#)".
- Quoted in ERP Solutions Review "[Predictions of Resilient Supply Chain Will be Key to Manufacturing Success](#)".

Enjoy!

Lisa

[Email](#)

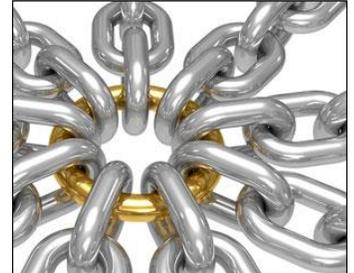
LMA Consulting Group, Inc.

P.S. If you know of anyone who could benefit from improved service levels, decreased lead times or increased levels of cash due to improved inventory processes, please refer them.

The Strongest Link in Your Supply Chain

**Have you Thought about Increasing Demand?**

If you are reading our newsletter, I have no doubt you are interested in increasing demand. Whether an owner, executive or key player, increasing demand for your products and services has to be top of mind. Let's put it this way. No matter the position of my client (typically a CEO, Owner, CFO, General Manager or Board member), he/she is interested in increasing demand, and the project we are brought in to focus on relates to increasing demand, either directly or indirectly.



I was on a panel about increasing demand at the [Anti-seminar Executive Luncheon](#). We had interesting discussions about demand from several diverse points-of-view. Thanks to Chase Photography, you can see them as a livestream on Facebook - [video 1](#) and [video 2](#) (about 60 minutes total). In thinking about how to increase demand, a few highlights include:

**1. Observe how your customer uses products and services** - An often-overlooked gem is to follow Apple's lead and observe how your customers are using your products and services and look for ways to enhance their experience. Have you taken a step back lately to look for areas where you can further help your customer? Do you make working with your company onerous? That's an obvious one yet commonplace. Imagine if you looked further!

**2. Do you provide a superior customer experience?** If you 'shopped' your business, would you want to buy from it? Do your customers receive their products and services as ordered and in good quality/condition? On-time? Quicker than the competition? Do you allow for easy returns? Hopefully you answered yes to each of these. We've found that this solely achieves a base level of customer service. Thus, the question becomes, "What are you doing to go over and beyond to make your customer compelled to return to you?".

**3. Are you referable?** First, people buy from people; not companies. Are you people referable? The #1 strategy to increase demand is referrals. No matter whether we are talking about a manufacturer, distributor, transportation partner or service organization, referrals can generate more business than any other method. Just as much as we enjoy buying the latest technology based on the referrals from our friends, the people working at companies also refer. When is the last time you attended an industry event or conferred with local CEOs? You better believe business gets done based on word of mouth.

**4. What can you take over for your customer?** We have found that whether the industry is aerospace and defense, food and beverage, building products or healthcare products, there are opportunities to take over tasks for your customer. One common and prevalent one is to figure out what your customer needs at each of their branches/ facilities for them and keep them replenished so that they have the 'right' inventory at the 'right' place at the 'right' time. We see this as gaining relevance as distributed inventory is becoming an essential element of your end-to-end supply chain plan as customers expect Amazon-like service and will find someone else if you cannot meet their needs.

When at PaperPak, we won supplier of the year for two years in a row with our #1 healthcare products customer because we implemented vendor managed inventory and were able to maximize their service levels while minimizing their inventory levels (cash tied up throughout their system). It didn't hurt that we also grew the business by partnering further with them while reducing our costs and inventory levels as well. Have you thought about taking a request from a customer and turning it into increased demand for you?

Our most successful clients will be thinking about these types of strategies to increase and manage demand. Why not spend a few minutes to listen to the expert panel and walk away with a few insights? If you'd like an expert to assess your situation to partner with you to achieve these types of results, [contact us](#).

**Did you like this article?** [Continue reading on this topic:](#)

[UGG Founder, the Amazon Effect in Healthcare & Why Demand is Key](#)

The Systems Pragmatist

**What do UPS, Shamrock Foods, Amazon & a 3PL Have in Common?**

In touring multiple facilities, ranging from package shipments to cold storage food service delivery to the e-commerce behemoth to 3PL organizations, it became clear that as many conversations that take place about labor costs and other daily concerns, the #1 concern across the board is transportation costs. The numbers support this sentiment. According to CSCMP, transportation costs are 65% of total logistics spend.

Logically, it also makes good sense. No matter your business, materials, parts sub-assemblies, and/or products need to arrive at your facility. Often, especially in industries such as aerospace, the parts make multiple trips around the area (unless you are unlucky enough to require sourcing outside of your local area) for outside processing services such as anodizing and painting. Lastly, every work-in-process part or finished good must go to the next stop along the way to the customer such as a final assembly customer, your distribution center, your customer's distribution center or the end customer. That makes for quite a lot of transportation, often involving multiple modes of transport from air freight to ocean freight to rail to trucking.

Given these alarming statistics about transportation costs, the question becomes what can we do to proactively manage these costs as well as reduce the impact on the environment? After listening to



several experts on these tours as well as experts from Georgia Tech, [APICS](#) (learn more about the critical importance of logistics in our [APICS-IE CLTD](#), certified in logistics, transportation and distribution certificate program) and [CSCMP SoCal](#) (at the state of the industry event), a few ideas emerged.

**1. Collaborate with strange bedfellows:** As recently published in an [I've Been Thinking article](#), collaborating with strange bedfellows can achieve  $1+1+1 = 25$  minimally. In terms of transportation, there is no doubt maximizing the space used in your truck, container or plane is vital. Why not collaborate with another business to increase your utilization?

**2. Take the holistic or systems view:** It is quite challenging to see the forest for the trees as the old slogan goes. We have all been there! I have worked with clients for extended period of time and found myself with this same issue, and so I have to deliberately shake it up so that I can maintain the systems or bird's-eye view. For example, don't worry about saving a few pennies on a non-essential element of your transportation infrastructure when you are missing the key point that your mix of modes of operation or something like that is costing you millions.

**3. Utilize technology that focuses in on the critical transportation factors:** In every case (at every tour, event and in every conversation), leveraging technology where it makes sense came up. Certainly, artificial intelligence is the new craze since it has the potential to transform entire industries including logistics. However, robotics are being considered even in industries such as 3PL where they never were previously due to the nature of managing different customers and products. Of course, IoT is prevalent in the world of logistics and transportation as well as topics such as alternative fuels and automation. And what about the basics of a solid ERP system and TMS (transportation management system)? Don't panic over the [horror stories](#). Contact us if you want to overcome them.

**4. Be customer friendly:** Interesting how often being customer friendly arises, no matter the industry or size company (small family owned to private equity backed to large complex organizations). With rising truck rates and a shortage of drivers, if you aren't a preferred shipper, you might just be out of luck no matter how much you spend. What does it take to be a preferred shipper? It depends on your business, carriers, locations and more. However, it starts by thinking about what is important to your carrier; not you. Are they looking for flexibility? A quick turnaround time? Fast payment? Good treatment for their drivers?

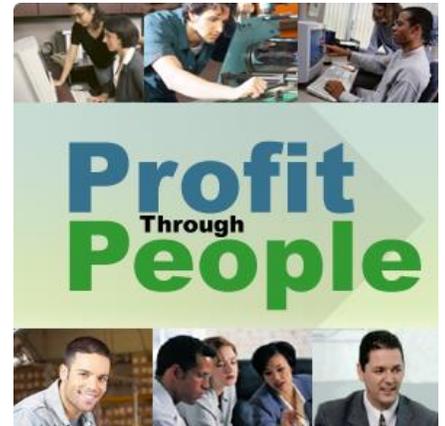
Since transportation costs are 65% of your total logistics spend, at the very minimum, it requires further thought. With the vast amount of technology options available, it seems as though you should start with your foundation (your ERP system) and ensure it is stable. Once you have a scalable base, find the 'right' technology for your situation to maximize the value of your logistics infrastructure. However, remember the 80/20 goes back to people. What are you doing to develop strategic partnerships and to ensure you are customer friendly and a preferred shipper? Given the impact, don't leave this to chance or make assumptions. We all like to think we are preferred but what can we do to take it an extra step further?

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[\*\*The Sheer Relevance & Impact of Transportation \(a Billion Here, a Billion There\)\*\*](#)

As we toured several e-commerce facilities such as UPS and Amazon, it became obvious that the sheer volume during peak season presents a huge dilemma. For example, UPS goes from 250-300 containers per night to 450 during peak season. Now that is quite a surge! Amazon has similar surges and stated facts such as 68 million orders on Cyber Monday.

Peak season occurs in other industries as well. For example, building products companies tend to have a summer season since there are more issues to navigate in winter conditions. Since we've worked with a large number of these companies, we've seen it range from a low of around 10-20% surge to almost 70% of the year's volume was sold during the summer. That can definitely be a challenge to navigate!



In this case, we are talking about labor but the same issues relate to machine capacity, storage capacity, transportation capacity and many others. We find that this topic alone can achieve a significant return on investment as companies better align demand with supply. In fact, in 80% of our clients, these types of programs do the best job of achieving bold customer promises and profits simultaneously.

We have found several ideas to fill peak capacity periods. Of course, there is no formula for success as each company has unique circumstances that lead us to recommend different solutions for like-companies. However, a few ways to meet peak capacity include:

**1. Hiring temporary workers for the peak season** - of course, this strategy sounds like an easy win. If only it were that easy! UPS starts hiring seasonal workers prior to the holiday season in order to provide training. In 2018, they expected to bring on 100,000 seasonal workers. Over the last 3 years, 35% were hired into a full-time role after the peak season, creating an interesting enticement. Since every e-commerce related business needs seasonal workers, you need to provide some sort of benefit or enticement to fill these positions.

**2. Overtime** - of course, this is commonly used throughout manufacturing and logistics organizations. We've seen many aerospace firms running at high rates of overtime for many months, even years, in a row. It can be a tricky issue as employees become accustomed to higher paychecks, and the costs add up. On the other hand, people get tired and can get less productive and want a break. Counterintuitively, it can also be the better financial decision given the learning curves associated with complex manufacturing roles. Of course, the answer is, "It depends".

**3. Hiring people with developmental disabilities** - as our Inland Empire Economic Partnership leadership regional academy toured [Goodwill](#) and we have worked with clients such as [Oparc](#), we have learned that people with developmental disabilities can be an ideal solution to fill peak capacity. Thanks to Oparc for their research statistics: 1 in 7 people have intellectual or developmental disability; however, only 19% participate in the labor force, leaving a significant opportunity to supplement the labor force. Studies show that these folks rate higher in reliability, productivity and loyalty. For example, a DuPont study showed that 90% of employees with Disabilities rated average or better on job performance. According to Walgreens, disabled employees had 40% lower accident rate, 67% lower medical treatment costs and 78% lower overall costs associated with accidents. And Marriot shows a 6% turnover rate vs. 52% overall. It is worth checking this option out! Please [contact us](#) for a referral.

**4. Partnering with companies with counter cyclical peak seasons** - again, have you thought about [partnering with strange bedfellows](#)? Why couldn't an e-commerce company with a winter peak season

collaborate with a building products industry with a summer season? In a way, the 3PLs follow this model. Having counter cyclical clients is an important aspect of maintaining a strong workforce as a 3PL.

**5. Outsourcing** - one of the advantages of outsourcing and overflow capacity is that you can use it when you need it. Of course, you'll pay a premium but it can still provide maximum value in several cases and meet the peak season requirements.

**6. Leveraging your extended supply chain** - you never know what collaboration might make sense with your suppliers, customers and other supply chain partners until you ask. Explore the possibilities.

One thing is definitely true. You will not succeed during peak season if you wait until it hits to address your capacity shortfalls. Be clear on your strategy and make sure to build it into your plans. It isn't all about peak season. Perhaps off-peak is "the time" to upgrade your infrastructure such as your ERP system, your business processes and to explore your customer collaboration opportunities. If you'd like an expert to weigh in on your plans, [contact us](#).

**Did you like this article?** [Continue reading on this topic: \*Are You Achieving Profitable, Scalable Growth?\*](#)

Eagle Eye

## What is at the Cross-Section of Success?

In thinking back to the tours and events we've participated in, spoke at or led in the last 30 days, it provides a great cross-section of manufacturing and logistics industries and company sizes:



- **Professional Women in Healthcare** - spoke on the Amazon Effect
- **Aerospace & Defense Forum** - spoke on the resilient supply chain
- **Anti-seminar themed Executive Luncheon** - was a panelist on the topic of increasing demand
- **CSCMP state of the industry event** - listened to the president of CSCMP discuss the latest statistics and timely topics in logistics
- **ProVisors manufacturers and distributors event** featuring a City National Bank expert discussing an economic forecast
- **The Founder of UGG brand** talking about how he created the UGG brand and grew the company from the back of his van to what it is today
- **Tours of UPS, Amazon, Pacific Mountain Logistics, Shamrock Foods, Goodwill, Lifestream, ESRI and more.**
- **Meetings with 9 academic institutions** in the Inland Empire and surrounding areas
- **Harvey Mudd executive roundtable** event on M&A and preparing for sale.
- **Webinars** with **APICS-IE** on IoT and with the **Society for the Advancement of Consulting** on overcoming obstacles, leveraging PR and more.
- And more...

So, what is at the cross-section of ALL of these tours, events and/or interactions?  
**The need for a resilient end-to-end supply chain!**

What is in common is the sheer amount of volatility and disruption. Whether the disruptor or the disrupted, entire industries are transforming the way business is done. Some are preparing to have artificial intelligence and automation take over. For example, according to research performed at the University of Redlands, 60%+ of jobs are subject to automation by 2025. Others are dealing with massive benefits or disruption from changes in trade, depending on their role while others choose to ignore the hoopla and are growing while everyone else is caught up in the chaos! And this is just the beginning. Trade wars or not, many companies are near-sourcing, and looking at additive manufacturing and vertical integration. What's next? If you develop a resilient supply chain, the idea is you don't have to worry because you'll successfully navigate disruption to achieve peak performance. [Contact us](#) if you'd like to find out how to create a **resilient supply chain**.

**Did you like this article?** Continue reading on this topic:  
[What's Ahead for Supply Chain?](#)

## Connections

Connections and relationships are the 80/20 of success!



### THIS MONTH'S REQUESTS:

- My nephew graduated from a top rated computer boot camp and is a full stack developer with a specialty in Node. If you know anyone in Southern CA looking for a developer, please **contact him**.
- A recent University of LaVerne graduate in computer science is interested in combining her knowledge of computer science with logistics for a job in the supply chain field. Please **contact her** with opportunities or connections.
- An Information Technology leader and experienced CTO specializing managed cloud line-of-business and e-commerce software quality is searching for his next opportunity. **Contact him** with referrals.
- A key colleague is looking to hire a solid HR professional in the Inland Empire. If you are interested or can refer someone, please contact **Tami Sipos**.
- A bright, young mechanical engineer is looking for a job in the Inland Empire or surrounding areas. His wife just joined Harvey Mudd. He has received high accolades. **Contact him** if interested.
- One of the best execution-oriented, common sense (which is in short supply) P&L owners or COO/ Operations-type resources I've worked with in the aerospace industry is looking for her next opportunity in the San Fernando Valley and surrounding areas. If you have an introduction, please **contact her**.
- A client is looking for a senior analyst, supply chain in Pasadena. If you know anyone who might be interested in working for a great company, please refer them to **Brian Lause**, VP Retail Execution & Fulfillment.
- A continuous improvement expert with planning/ buying experience is interested in getting back into a job geared towards continuous improvement - a great find for an Inland Empire company! **Email me** with referrals.

Do you know a top notch labor attorney in the Inland Empire or surrounding area? My ProVisors group is looking for one. Please introduce **me**.

**NOTE:** To submit an item for this section, please send me an email with a short description of your needs and an email address. Please note that NOT all requests will be published as it must fit the guidelines and align with the Profit through People brand.

## What is Profit through People?

I've used the Profit through People brand since my newsletter's inception in 2006 as it resonated with me. Although I consult on topics within each of my service lines--Eagle Eye Strategic Focus, The Strongest Link

in Your Supply Chain, the Systems Pragmatist & Profit through People--I find that people are key to success in every situation. If you are interested in elevating your business performance, please [contact us](#).



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