

Managing Your.....



International Supply Chain

*..... What companies are saying about
international supply chains, trade
compliance and organizational processes*

A Survey by Centrx, BDP International and St. Joseph's University

Research Objectives

Supply chains have undergone many changes as companies have realized they are key to survival in an ever-evolving global economy. Organizations and their processes have had to adapt to remain competitive in this environment.

To better understand these issues Centrx conducted a study to:

- Evaluate common challenges to global supply chains
- Identify strategies companies are using to meet these challenges
- Determine how supply chain decisions are currently being made

Methodology

The study utilized an online survey which was distributed to a select list of individuals. The list comprised clients and other contacts with global supply chain responsibilities across a variety of industries. A total of 220 individuals received invitations to take the survey, with a total response rate of 35%.

Respondents came from a number of industries, including chemicals, consumer goods, industrial and retail. Two-thirds of the participants' companies are headquartered in North America, 20% in Europe and the rest in Asia and the Middle East. Almost half of the companies represented had annual revenues in excess of US\$10 billion, and an additional 20% had revenues of greater than \$2.5 billion.

Highlights

Globalization of supply chains and significant increases in supply and delivery points have inevitably resulted in longer lead times. This, combined with continued pressure to reduce costs, calls for greater supply chain visibility and better understanding of the regulatory climate in other countries. To date, companies have been responding to these challenges by increasing inventories, utilizing more technology, and outsourcing and intensifying their focus on regulatory compliance.

The survey found that companies that have applied high levels of technology to the customer order process have seen a decrease in their lead times, enabling them to speed deliveries to their customers.

A particularly interesting finding of the survey is that many companies consider their supply chains to be global, when in fact the decision-making is done on a regional basis. The reasons for this vary, with some companies indicating they were forced to a regional approach by new source points, while others cite faster decision-making for better control over service and costs.

The continued evolution of supply chains to accommodate the demands of global trade can provide the impetus to find ways to operate and manage them as global entities as opposed to often loosely-integrated regional or local chains.

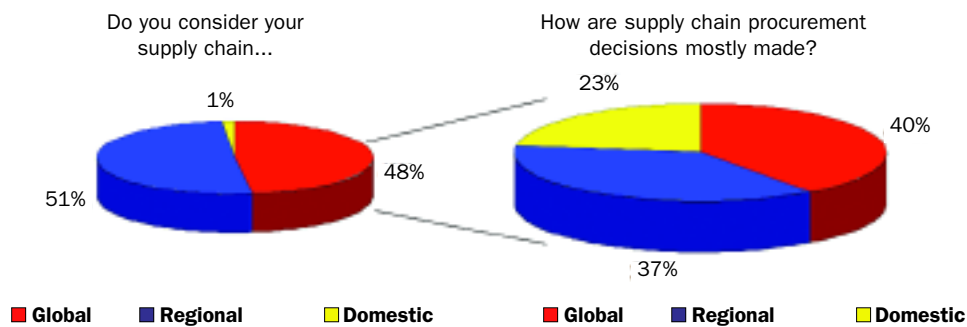
GLOBALIZATION AND REGULATIONS

Nearly half (48%) of respondents indicated their companies are global, but management of their supply chains would indicate otherwise. Most operate their supply chains based on country-specific needs, which is more characteristic of multi-domestic than global supply chains.

Overall, 45% of respondents indicated supply chain procurement decisions are made on a regional basis.

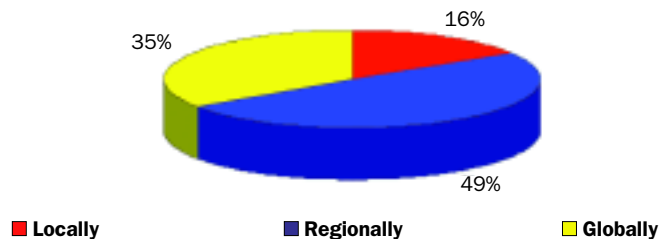
Even among the nearly half of respondents regarding their supply chains as global, 37% make such decisions regionally and 23% locally.

When looking at the responses from just those who answered that they have a Global supply chain:



When queried about the management of their supply chain transportation networks, almost half of respondents indicated their networks are managed regionally and just 35% globally.

How is your supply chain transportation network managed?



Respondents agreed that compliance with government regulations calls for even greater financial commitment than either supply chain visibility or deployment of RFID technology.

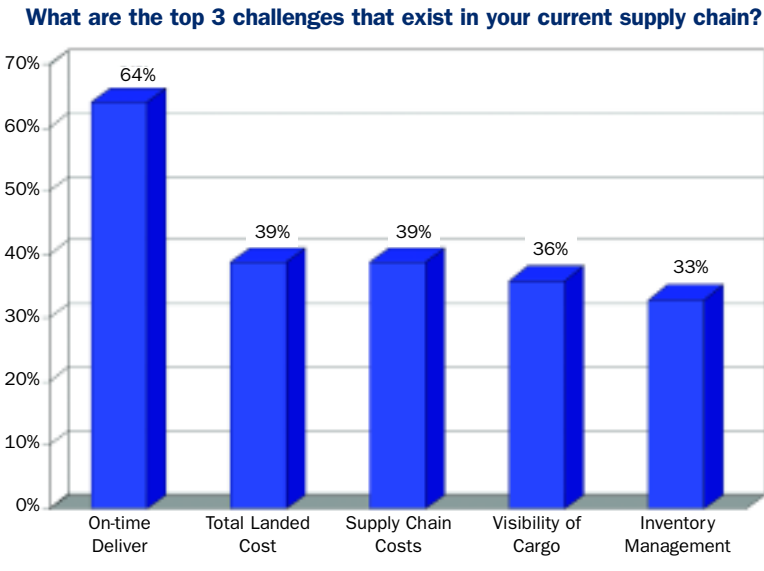
TRADITIONAL CHALLENGES

Even as supply chains have become more complex, the focus on delivery and costs remains intense.

Asked to select their top supply chain issues, respondents overwhelmingly cited on-time delivery (87% of European-based respondents and 55% of North American respondents).

The second most pressing challenges were total landed costs and logistics costs, each cited by 39% of respondents. Most respondents, except those in the chemical or industrial sectors, cited total landed costs as an even bigger challenge than on-time delivery. Significantly, 82% of respondents from the chemical industry who identified inventory management as their greatest challenge have seen their supply chain costs increase over the past two years.

Forty-three percent of survey participants reported shorter lead times in their companies' supply chains, while 32% saw increases and 25% no change. However, the majority of respondents who decreased their lead times had implemented supply chain management systems and technologies; companies who experienced increases had not.



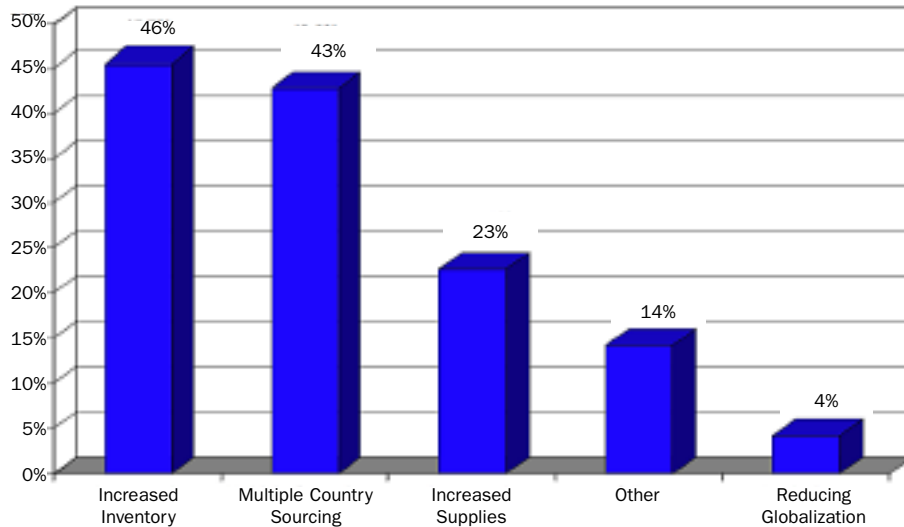
ADAPTING

To hedge against the uncertainty and risks associated with global supply chains, companies are increasing inventory levels, sourcing from multiple countries, increasing outsourcing, and investing in compliance and security (see first graph on page 6). At the same time, they continue to implement technologies to improve productivity, visibility and lead times.

According to the survey, 46% of respondents increased inventory to deal with the vagaries of their global supply chains, and 43% are sourcing from multiple countries. Among respondents from medical and pharmaceutical companies, fully three-quarters are using multiple-country sourcing.

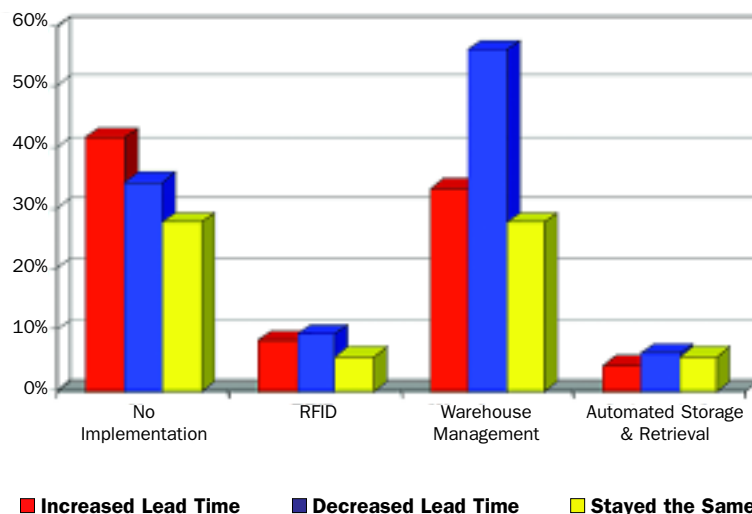
ADAPTING

How is your organization dealing with the inherent risk associated with a global supply chain?



While survey results show outsourcing is increasing, 60% of respondents cited quality issues as an impediment to expanding their outsourcing activities. More than half of the respondents from chemical companies found quality service providers as the most challenging outsourcing issue, compared with 34% of other respondents. Interestingly, consumer goods companies reported dramatically increasing the use of external compliance specialists (83%), compared with only 55% of the overall survey population.

Which of the following technologies have you implemented? Segmented by "Over the past 2 years, the lead time in your supply chain has..."



Over three-quarters of those surveyed have increased spending on supply chain compliance and security programs, and not a single respondent reduced spending in these areas over the past two years.

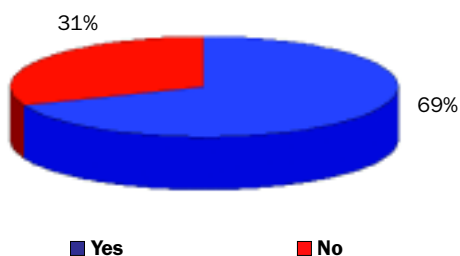
More than a third (35%) of respondents had not implemented advanced technology in their supply chains. Among those who had, 42% have deployed warehouse management systems. Another 30% are using ERP and TMS systems. Only 8% said they use RFID technology (see second graph on page 6).

The primary reasons given for implementing advanced technologies were increased productivity (45%) and improved service (29%). Significantly, those companies that invested in supply chain management systems and technologies reduced their lead times, whereas most of those who did not experienced longer lead times.

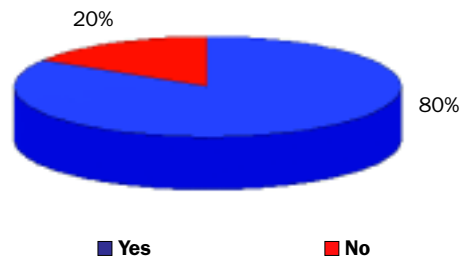
On-time delivery and visibility remain the key challenges in supply chain management, and companies are putting metrics in place and working with their partners to improve both. Eighty percent of the participants said they can measure on-time delivery to customers, and 69% said they can measure on-time delivery from vendors. However of those respondents relying predominantly on ground transportation, only 31% had metrics for measuring vendor delivery performance.

The majority (82%) of respondents collaborate with carriers on shipment visibility, while 41% also collaborate with suppliers, and 20% with customers.

Do you have metrics in place for measuring vendor 'on-time' delivery?



Do you have metrics in place for measuring 'on-time' delivery of shipments to customers?



ABOUT THE COMPANIES



Centrx, a BDP Knowledge Venture®, is an executive resource that helps clients discover and deploy successful global strategies and processes. Centrx delivers client-specific results, by combining business imperatives and process needs with technology and hands-on global experience. Centrx clients enjoy an array of tangible values including: singular global supply chain process, improved alignment of resources to risk, and mastery of regulatory compliance.

The Centrx® service portfolio includes; global supply chain/logistics design and assembly; compliance program design and training; and, collaborative planning enablement. For more information please visit:
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Founded in Philadelphia by the Society of Jesus in 1851, Saint Joseph's University is home to 3,500 full-time undergraduate and 3,000 graduate, executive and non-traditional students. One of just 142 schools nationwide with a Phi Beta Kappa chapter and AACSB business school accreditation, St. Joseph's challenges students to exceed their highest ambitions, fosters the mature development of values and deepens their desire to help shape the world. The acclaimed Masters of Science in International Marketing Program is a specialized program designed to equip students with an advanced level of academic expertise in international marketing, and with the critical personal skills to function effectively in a diverse, ever-changing global environment. The MS in International Marketing (MIM) Program provides students with a unique opportunity to develop the skills and perspectives to become the future business leaders in our increasingly competitive global arena. For more information please visit: www.sju.edu.

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