January 2010

GLOBAL SUPPLY CHAIN REVIEW

Published by the Global Supply Chain Leaders Group
www.gscreview.com

LEADER PROFILE:

INTERVIEW WITH BILLY CROTTY

VIRTUAL INSOURCING:

REDUCE COSTS AND INCREASE COLLABORATION

IMPORTER SECURITY FILING:

ARE YOU READY FOR JANUARY 26, 2010?

PLUS:

GSCLG LAUNCHES THE GLOBAL SHIPPER CONSORTIUM

Billy Crotty
Senior Vice President
Supply Chain Management
Superior Communications

Message from the President of GSCLG

The GSC Review Magazine starts out 2010 by profiling the fourth executive in a series of Supply Chain icons. As President of the GSCLG, I am delighted to present an interview with Billy Crotty, Senior Vice President, Supply Chain Management of Superior Communications. Billy has a unique set of skills ranging from sourcing, procurement, and product development. One of his distinctive capabilities involves cultivating and maintaining relationships with OEM and ODM partners to ensure both customer satisfaction and production excellence.

Billy exemplifies the best of the best in our industry. Armed with extensive international experience running large operations on three different continents, with a degree in Production Engineering, and an MBA, he is one of the most well rounded professionals in the Supply Chain industry. He is regarded as of a proactive leader with the passion and the talent to capitalize on opportunities with his unique combination of sales, organizational development, and worldwide operations background.

Billy was a recipient of the 2009 Top 25 Supply Chain Executives Award from the Global Supply Chain Leaders Group.

We have aligned the most influential, accomplished, and renowned executives from some of the better known corporations worldwide. As I've said in the past year, we 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, these are the individuals that will inspire both veterans and new hires in supply chain. These are the type of professionals most people would like to be when they reach their professional goals.

We will do our best to continue searching globally for those leaders that deserve to be singled out. I ask you to send me the names of those you would like to be profiled so we can learn from their views and accomplishments. We've already received a few names and we have a great lineup of individuals coming in the next few months.

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 delighted to present Billy Crotty, Senior Vice President, Supply Chain Management of Superior Communications and look forward to honoring many more like him in the year to come.

Sergio Retamal

Publisher, GSC Review
www.gscreview.com
President, GSCLG
www.gsclg.com

Complete Global Supply Chain Visibility...
in just one system
Part Numbers Status
Purchase Order
Shipment Status
Customs Clearances
Freight Charges
Document Management
Reporting
Suppliers
CMs
Vendors
3PLs
Carriers
Forwarders
Customs Brokers
4PLs
8:17 AM
Login
Search
MAWB/BL #
HAWB/HBL #
Container #
Entry #
PO #
Vendor Name
Item #
Origin
Destination
New! Get POHorizon™ On Your iPhone!
POHorizon™
POHorizon™
For more information, please visit our web site:
www.pohorizon.com

The Third Annual Global Supply Chain Leaders Group Conference

Come and meet 100+ VPs and SVPs of the Supply Chain Industry, and network with your peers.

October 21, 2010 in San Jose, California 7 AM - 9 PM

The SCM's Path to CEO

Senior Executives Only

If you attended the GSCLG's 2009 annual dinner, then you already know what a truly unique and valuable networking opportunity that was for a senior Supply Chain executive like yourself. Our next event promises to be bigger and better so mark your calendars. Details will follow in the months leading up to this event.

This conference is reserved for senior Supply Chain executives of non-service provider corporations only. This is a truly unique networking opportunity for senior executives at their level or higher. The GSCLG will make seats available to only five **Platinum** sponsors and five **Gold** sponsors.

Click Here To Register

Contact: andrea.kostelas@gsclg.com for sponsorship information.

GSCLG Supply Knowledge™ A Global Community of Practice

Top 25 Supply Chain Executive Award 2009 GSCLG

By Andrea Kostelas - Editor of the GSC Review Magazine.

As Senior Vice President of Supply Chain Management, Billy Crotty oversees Superior Communications' Sourcing, Procurement, and Product Development departments. One of his primary responsibilities involves cultivating and maintaining relationships with OEM and ODM partners to ensure both customers and consumers are provided with the most complete accessory solutions. Billy joined Superior in 2007 and brings over 20 years of experience in supply chain management, sales, business development, engineering, strategic planning, and product management. Prior to joining Superior, he served as COO at Cellon International, a leading mobile handset design company based in China.

Graduating from UCL Ireland with a Bachelors of Science degree in Production Engineering, Billy went on to earn an MBA from the Babson School of Business in Wellesley, Massachusetts. During his spare time, Billy enjoys playing golf, sailing, and is an avid fan of rugby.

Billy received the 2009 Top 25 Supply Chain Executives Award from the Global Supply Chain Leaders Group.

How important is supply chain management to Superior Communications' overall business strategy?

Supply chain management is one of the backbones of our company. Given the ever increasing demands by our customers for shorter development lead times, lower costs and faster fulfillment, the job of Supply Chain management is critical to the long term success of our initiatives.

What primary areas of focus (or key initiatives) should Superior Communications be looking at for Supply Chain Management?

Faster time to market without jeopardizing quality and lowering overall costs through collaboration and innovation with our key partners and suppliers.

How has outsourcing enabled Superior Communications to be successful with these initiatives?

Superior has built out a network of suppliers and partners (domestically and internationally) that work in tandem to support our dynamic needs through online systems and personal one-on-one daily communications. Superior relies on its suppliers to collaborate and provide innovative solutions for continuous supply chain improvement.

How is Superior Communications addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?

We have taken our environmental stewardship initiatives from our products and packaging all the way through to our employee attitudes while not at work. Superior has taken a leadership role in working with suppliers to provide comprehensive and cost effective 'green' solutions in materials used to manufacture and package our products. We have analyzed the carbon footprint of our products and brought forth options for our customers’ consideration that allow for the balance of 'green', aesthetics and cost. This is a continuous and proactive effort.

What do you think the key Supply Chain Management priority for the coming 2-3 years is for Superior Communications?

Superior has laid the groundwork for constant improvement using Kaizan principles. Our drive to constantly meet and exceed our customer expectations will require closer collaboration and innovation from design, planning and execution coupled with better use of automation and online systems. Management of the supply chain all the way through to the end consumer is a key initiative at Superior.

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

Getting the right information at the right time and making the product right the first time.

If one does not achieve that, then no amount of automation, line efficiency and downstream supply chain (parts) management, will overcome being late.

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

Like all organizations, we are dependent on our partners and suppliers to achieve higher degrees of efficiency. Superior works with our supplier base in defining what is needed and how it can be achieved in a collaborative manner. We provide long term visibility to our demand and have personnel on site at their facilities to ensure there is no misunderstanding.

What are the supply chain challenges to which Superior Communications SHOULD be paying more attention?

I believe we at Superior have people and systems addressing the majority of the core supply chain challenges. One can always do more, but the key is to finish what you start and learn from it while moving on to the next initiative. Constantly adding value to the supply equation is a significant challenge we face with the push/pull of increasing cost pressures and expectations.

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

Within Superior we have several contingency plans that address issues from IT, transportation, supplier disruptions and factory fulfillment. These are generally consolidated by our operations management and finance groups.

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

Having worked in several industries (Pharmaceutical to Wireless), in varied disciplines (Engineering to Finance) and in many geographies (Europe to Asia) has provided me a unique view of how and why things work. Having worked in Supply Chain for over 10 years dealing with suppliers, partners and customers allows me to appreciate the need for a balance of trust and control to achieve your goals. The single most effective attribute is honesty with your team, customers, and supplier base such that everyone knows what is expected. If you don't have the trust of your team or supplier base you will not be successful.

How do you grade Superior Communication's supply chain overall performance in client satisfaction?

That is a difficult question. Our customer base is forever challenging us to be better while the competition is always looking for ways to take away our business one piece at a time. I believe our customers are satisfied with our constant drive to support their needs and to the degree they are successful we can say our performance is excellent.

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

Superior has been in business for over 17 years with many key employees having tenure of over 10 years. We have seen good and bad times and have weathered all with a belief we will succeed. Superior is extremely focused on the well being of its employees and their motivation stems from knowing Superior has their best interest at heart.

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

Superior already does a lot of insourcing in our development and fulfillment activities premised on the fact we need flexibility and speed which outweighs cost savings from overseas operations.

Who do you rely on for advice?

I certainly do not believe I know the answers to all of supply chain needs. I look to my team, peers, my partners and suppliers to work with me in a collaborative manner to achieve our mutual goals.

What have you learned as Senior Vice President, Supply Chain that has surprised you or changed the way you do business?

Leadership comes in many forms, from rolling up your sleeves and leading by example to defining strategy in a PowerPoint presentation. What I have learned in my tenure at superior is that change is inevitable and should be embraced and not cowered from. How fast one adapts to change is directly related to how successful you will be.

Turbulent times should 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?

I don't know if I agree with the statement that turbulent times are the best time to implement change. Change is inevitable and all organizations need to be constantly looking for ways to improve in good and bad times. I do agree that in turbulent times a company needs to act and act effectively to survive. In turbulent times companies like Superior need to ensure our customers' needs are addressed as much as looking after our own needs. If our customers are in trouble and we do not act to help, then regardless of what we do to help ourselves we will not be successful.

Are Your Financial Supply Chain Goals on Target?

Make your mark with *Global4PL Supply Chain Services*

Expert Resources
Customizes Solutions
Freight Post Audits
Compliance Programs
Financial Savings ROI
Import / Export
Training

What We Do: We help our clients save large amounts of money, improve efficiencies, and avoid costly errors in their global logistics operations.

Who We Are: We are a team of high-performance, hands-in industry veterans that come to the table with proven experience. We deploy experts in import / export compliance, multi-mode transportation, partner negotiations, third party logistics, and general operations 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.

Customized Supply Chain Solutions to Help You Succeed

See how our results speak for themselves

Transportation Cost Savings

We conduct a 1-2 day no-cost audit of your transportation spend and identify opportunities for cost savings in areas such as rate reduction, coding errors, commodity code reclassification, or service level requirements. At the conclusion of this audit, we present you with our findings and recommendations, including a quantifiable cost savings opportunity.

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, BIS, and SOX 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 develop and document a comprehensive import / export program proven to pass muster with CBP and / or BIS in the event of an audit or error. We will ferret out errors to avoid costly fines. We will identify any duty savings opportunities.

a. Review existing operations
b. Set up compliance programs
c. File rulings
d. Review products, classification, create databases
e. Free trade agreements – qualifications / reviews
f. Create policies and procedures
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 products' HTS commodity codes and uncovered a classification error. Then, to rectify the past errors, Global4PL prepared thorough documentation of the errors, calculated duties owed to US CBP, and prepared the post-entry filing for submission to US CBP. The self-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 reverse logistics functions, both domestically and internationally. We identify inefficiencies and opportunities for cost savings.

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 53% 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 (PO Horizon™) 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
Infinera Corporation

GLOBAL4PL SUPPLY CHAIN SERVICES

Contact Global4PL today.
E-mail us at info@global-4pl.com or call us at 866.475.1120 to arrange your free assessment.

www.global-4pl.com

By Donald Atwater, PhD, Peter Knox, and Ross Atwater

Reprinted by permission from the Graziadio Business Report, Vol. 12, Issue 4, 2009
http://gbr.pepperdine.edu/094/virtualinsourcing.html

As global economies rise, managers are reassessing the benefits and costs of different business service models. In the past, inefficiencies in corporate business units and high costs led organizations to choose shared service or outsourced alternatives. Other choices emerged with the advent of Web 2.0 technologies and global service options. Today, virtual insourcing is becoming a viable option because it showcases the efficiencies of corporate business units and maintains costs near or below those of shared services.

A case study of a corporate business unit at Nestlé in the United States demonstrates the potential of virtual insourcing. While the benefits of sharing information and services will vary across organizations, the authors believe virtual insourcing deserves to be added to the list of service models being assessed.

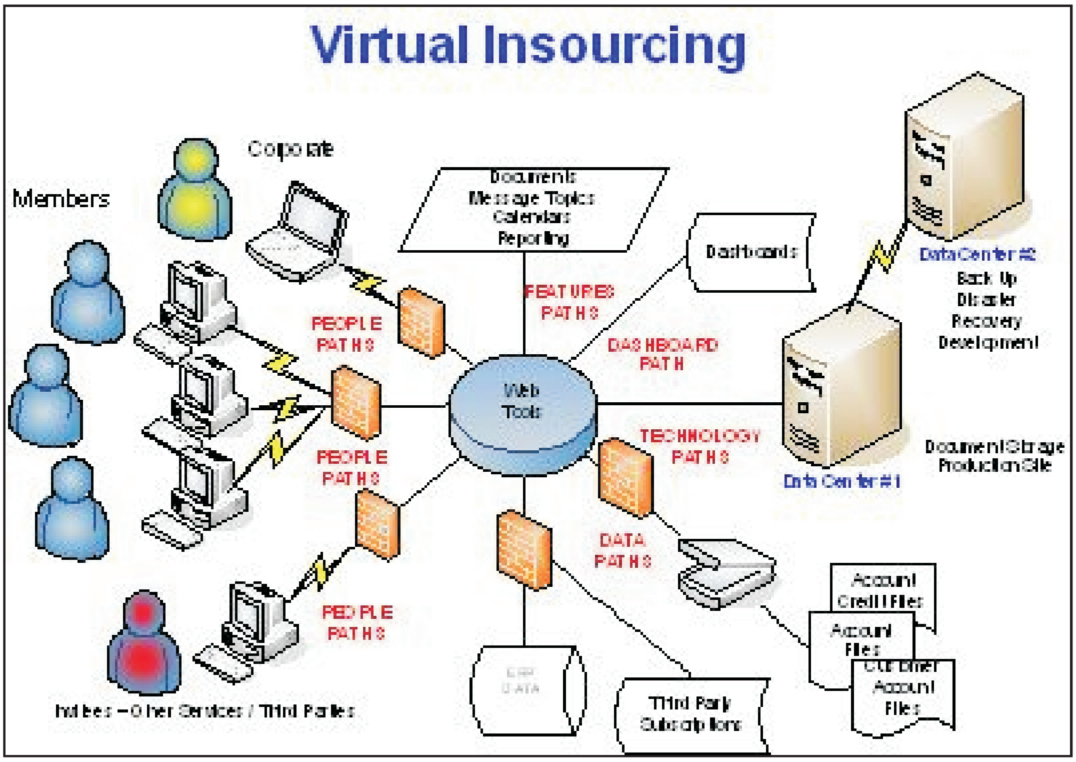
In an effort to increase efficiency and cut costs, current business service models for credit and collections, product manufacturing, and even research and development are being compared with offshored, outsourced, and shared-service alternatives. This article identifies an emerging business service model that increases worker efficiency and reduces costs even below shared-service levels. This model, which uses Internet technologies to showcase the contributions and cost reductions provided by employees who share information and services, is referred to as virtual insourcing.

Sharing information is a maturing process. In the last decade, Web 2.0 technologies have emerged to support business models that connect internal business units with external, organizational entities and customers in order to achieve common goals in communities. For example, Procter & Gamble has a website and program called "Connect + Develop" that allows consumers and external partners to submit ideas directly to their product development group; if an idea is used, the submitter is compensated.

This article introduces virtual insourcing as a viable business service model and explains why managers should consider it as an option for the volatile and uncertain times ahead.

What is Virtual Insourcing?

Figure 1 is a visual representation of how virtual insourcing options works: Basically, an Internet communication platform stores information in a single place (Data Center #1) where geographically dispersed employees in a business unit can access the files and programs they need to perform their daily work. It allows employees to be in different corporate offices or work from home because they have the same level of access to their work files and programs regardless of their location.



Ideally, digital copies of paper files, working files from desktops, emails, enterprise resource planning (ERP) data, dashboards, and third-party information should all be available over the communication platform. Daily work activities (services) are performed using calendars, assignment and workflow tools, message boards, and chat rooms. Communication paths, which connect users to the information they need to perform their tasks, can also be customized.

The "people paths" feature allows users to share both information and services (such as new customer applications, financial analyses, risk ratings, approvals, and decisions) while corporate auditors and executives can view outcomes and findings. In addition, employees from other business units can be invited to participate in select two-way communications.

Sharing both information and services across an organization can generate cost reductions and efficiency improvements and even support wealth creation. With virtual insourcing, knowledge is created and stored digitally and transparently; the high visibility of user contributions encourages learning and facilitates sharing. Examples of "off-the-shelf" virtual insourcing solutions include Google Apps and Microsoft SharePoint; however, they may not offer the security or customizations that a particular organization may need.

Strengths and Weaknesses

Organizations with strong local-market customers, suppliers, and business connections are often subject to scrutiny with respect to costs and inefficiencies. Inefficiencies often occur when managers make decisions based on incomplete information. Searching for paper files and connecting information across emails, paper files, desktop files, and telephone conversations only increases labor costs. Management consulting firm McKinsey refers to these costs as interaction costs and has reported that they can account for half of total labor costs. Over the past two decades, Fortune 100 companies that managed and reduced their interaction costs created $30,000 more wealth per employee than their competitors, according to McKinsey.

Sharing information and services can be viewed as a hybrid approach that combines the strengths of other organizational options while minimizing known weaknesses, such as high interaction costs. The following table summarizes the key strengths and weaknesses of the three core organizational options:

	Strengths	Weaknesses
Status Quo	Local Connections	High Infrastructure Costs
Outsourcing	Low Corporate Cost	High Interaction Costs
Shared Services	Low Interaction Costs	Loss of Local Decision-Making

In this situation, "status quo" refers to a group of employees within a business unit who work with other business units within the organization. They form a local team with strong ties to the market and use an assortment of paper files, desktop files, emails, voice messages to do their work. As they are often located in key metropolitan markets, employee labor costs are high.

Outsourcing is often seen as a cost-saving option as labor costs are low compared to employee costs. However, the interaction costs for dealing with external vendors must be included in the total cost of outsourcing, and they can significantly close the cost gap between this option and others.

In an outsourcing situation, customer and supplier relationships are often more complex and require additional checks and balances to manage. One company recently noted that invoices submitted by suppliers had to go through local offices to a national scanning and coding center in the United States, then to an outsourced accounts payable systems center in Puerto Rico, and then to a control center in Europe before finally arriving at a local bank for payment. In addition, local office staff was required to spend a significant amount of time checking that the scans and codes were done properly, confirming that system notices, such as blocks and denials, were not being encountered, and answering vendor questions regarding payments.

Shared services comprises of a centralized business unit in a low-cost labor area that performs a business function across several local business markets, dramatically reducing the costs of repetitive services or transactions. Some centers are offshored while others are located in rural communities; the information they use is available and stored on corporate ERP systems. The downside is that when automated corporate controls are implemented, talent chains are disconnected and frequent communications with suppliers and buyers are eliminated, which can cause relationships to suffer. Another key disadvantage is that business units lose their autonomy in decision making and their flexibility to do things differently from other units.

Virtual insourcing emerges as the best option as it retains valuable local-market connections and relationships by keeping employees in one business unit in the same space as employees from other units. This solution can also help encourage business units to adopt best practices (through high transparency and audit standards), reduce interaction costs, and recognize employee contributions.

But these are simply the promises of virtual insourcing-can its potential be realized in the real world? The following section attempts to answer this question by documenting a successful case of virtual insourcing implementation.

The Problem

In an uncertain world characterized by volatile markets, innovation is critical. Executives in successful, global companies stress that they want their managers to propose new ideas, even if there is a chance that they will fail. At Nestlé, innovation includes discovering new business service models. This case study focuses on a virtual insourcing model implemented within the company's credit and collection units.

In 2004, the credit and collections groups at Nestlé companies across the United States knew they were facing some significant challenges. There were five separate credit and collections units-Nestlé USA, Dreyers, Alcon Labs, Purina Pet Care and Nestlé Waters, and so, customers and suppliers often addressed and resolved issues in different ways with different units.

The director of Nestlé USA's credit and collections reviewed their current operations and reported that account paperwork and information were scattered, which made files hard to find. Phone call messages, emails, attachments, desktop and laptop working files, credit files, and other materials were located in multiple places, making it difficult for employees and the company as a whole to move quickly in response to market changes. While the necessary outcomes were achieved, the process of achieving them was time-intensive and uncertain. Clearly, the monthly phone call to discuss high-risk and high-value accounts was not going to be enough going forward.

At the time, Nestlé USA was launching its new ERP program in the United States, and all IT resources were being directed to its rollout. Discussions were also under way with the chief financial officer regarding shared-service options, with a central location serving all five U.S. credit and collections units. There was a dire need to quickly discover what other options existed beyond the status quo and shared services.

The Solution

An outside advisor with experience in shared services was brought in to discuss alternatives. He told them that the best option in terms of cost would be shared services but the best option in terms of service would be one that shared information as well as services.

The virtual insourcing business service model would create a single place where information could be shared and services, such as financial analyses, could be stored. This would mean that only one application and one financial analysis would need to be performed for each account, minimizing duplication of efforts. A primary difference between the virtual insourcing and shared-services options was that using virtual insourcing allowed professionals to remain with their companies and retain valuable connections with customers, sales, and other units.

A set of analytics was prepared to compare the costs related to subscriptions, duplicated services, staffing, and working capital. The results showed that virtual insourcing held the potential to reduce costs to near the level of the shared-service cost model. In fact, consolidating subscription fees into a single, shared fee and eliminating duplicate services generated savings large enough to cover the basic costs of putting the solution in place.

The related technology, interface, and user risks were also assessed. Of these, the user risks-namely, user adoption-were determined to be the most significant. A recent corporate-wide sharing solution had only seven logins across the entire global company in six months.

A team was formed to meet for two hours, once per week, for eight weeks to work out the details. Four "people paths" were set up for ongoing credit, unauthorized deductions, red flags, and invoice collection discussions. Documents, email programs, subscriber notes, news, references, and working desktop files were all moved to the virtual insourcing solution. Chat rooms were opened to share information on services.

The Results

Once communication lines opened among the five units, customers began to view them as one entity, rather than as separate organizations. Junior analysts learned from seasoned professionals. Employees shared customer contacts and job opportunities opened up for those who could now be recognized as strong contributors. Performance reviews now included sharing activities and survey responses indicated what was working well and what needed to be improved, such as the timeliness of responses to information requests. User activity was tracked and rose steadily.

Over the next three years, credit and collections activities rose, but headcounts remained stable; however, in some cases, open positions caused by normal turnover and voluntary retirements did not have to be filled. Each unit shared in the cost of the sharing solution; once the value of the sharing solution was shown, the path to a shared-cost formula was easy to establish.

In retrospect, the risks taken to implement an innovative sharing solution for credit and collections across Nestlé in the United States were manageable, the outcomes exceeded expectations, and the big question became why had it not been done sooner.

Keys to a Successful Sharing Solution

As part of a well-orchestrated campaign, significant benefits and value can be created by implementing virtual insourcing within an organization. Below is a summary of key findings to stimulate discussion.

Successful sharing solutions can:

- Pay for themselves by eliminating duplicate costs (such as multiple subscriptions to third-party publications like Dun & Bradstreet), reducing redundant work, and decreasing working capital and days-to-order results.
- Open the door to having employees work at home, thus reducing office rental and utility costs as well as employee expenses, such as parking and travel costs.
- Improve the daily work activities of all users. Benefits include reducing time lost due to duplicate work, email, telephone tag, and file or document searches.
- Allow users to go from usage (seeing what is being shared) to participation(taking part in discussions) to contribution (posting information, analyses, and recommended actions), all of which serve as steps along the path to self-engagement.
- Support users with various access and security privileges. Not all users need to be equal. Some can be restricted to discussions with selected accounts so that confidentiality is maintained in accordance with privacy agreements.
- Provide clear audit trails. Notification is automatic and one click should take a user to a new message or document when it is posted for an important account. Documents, discussions, and actions are stored in one place. Search engines make it easy to find and access accounts, documents, and messages.
- Facilitate continuous learning as more information and expertise is centrally and transparently collected.

It is important to note that value must be established before implementing cost-sharing formulas. Ideally, an organization should treat first-year efforts as a corporate investment to discover the benefits of sharing both information and services and to verify that the expected benefits are recognized by business units. Only afterwards should discussions and implementation of cost sharing begin taking place. Also paramount to success is having a clear leader who recognizes the risks and value from sharing solutions and is willing to spend time tracking and managing activities.

The proportion of successful virtual insourcing solutions remains around 15 percent-consistent with other Internet applications. Usage risk, that is, getting employees to engage in sharing information and services, remains the most difficult hurdle to overcome.

Conclusion

Business service models are only as good as the costs they reduce and the benefits they provide. Virtual insourcing is an emerging alternative that uses Internet technologies to enhance the contributions and value of employees. In today's uncertain economy, and with the great need to create competitive advantages, virtual insourcing offers managers a viable new cost-saving and wealth-creating option.

About the Authors:

Donald Atwater, PhD, is a practitioner faculty of economics at the Graziadio School of Business and Management. Previously, he served as chief executive for a southern California technology company, the chief financial officer of an international, value-added software company, a principal in the human resources and compensation practice at William M. Mercer, and a director and co-founder of several start-up companies. He has created decision-support technologies and implemented them in a number of Fortune 100 companies, including AT&T, Intel, Dell Computer, Apple Computer, and Nestle USA. Dr. Atwater has also worked with many public organizations, including the U.S. Navy, the General Accounting Office, the state of California, and both the county and city of Los Angeles. His work has been published in the Monthly Labor Review and he has co-authored numerous papers. Today he owns and operates a company dedicated to building goal-driven communities.

Pete Knox is the head of credit and accounts receivable administration for Nestlé USA. He has been in the credit field for 25 years. Knox has a B.S. in business administration from Ashland University and an MBA from the University of Akron.

Ross Atwater is Division Manager of the Accounts Management Group for the Satorian Group, LLC, in Charlotte, North Carolina, where he is responsible for marketing and sales for the group throughout the United States. His primary role is to deal with customers and showcase their contributions. Ross regularly works with Fortune 100 companies that utilize web insourcing solutions to help them achieve cost savings. He has also provided voiceover for interactive, online demonstrations and co-authored a macroeconomic analysis textbook. Ross has a degree in economics from the University of California-Davis and has worked for Micronomics, Inc., and DMA, Inc. in southern California.

The Global Supply Chain Leaders Group (GSCLG) has launched the Global Shippers Consortium, which enables its members an opportunity to achieve significant cost reductions on global supply chain expenditures.

If a company is already a member of the GSCLG, membership to the Global Shippers Consortium is automatic. There is no cost to become a member of Global Shippers Consortium. A company will enjoy the benefits of the Consortium's negotiations and it may choose to participate, or opt out, at any time.

About Global Shippers Consortium

Global Shippers Consortium offers small, mid-size, and large businesses a significant opportunity to negotiate transportation rates by combining the membership volume and spend. The additional purchasing power will reduce costs in key expense categories such as international and domestic transportation and corporate travel expenditure. Global Shippers Consortium successfully combines the buying volume from companies into a single, multi-million dollar purchasing group. This considerable buying power enables Global Shippers Consortium to negotiate large-volume pricing contracts, as well as increased service levels for member companies through their expert content and negotiation consultants.

The contract pricing is based on a multimillion dollar aggregate volume, which assures discount levels virtually impossible to obtain by an individual company. However, each Consortium member is free to use its other service providers.

Strict confidentiality is maintained because the Consortium does not share individual members’ pricing information.

The Benefits of Group Purchasing

Members benefit not only by receiving significant discounts. Through a selection of personalized services and tools, members receive unmatched savings of both money and time. Each member will gain the following benefits:

- Up to 75% cost reduction on transportation spend by utilizing the Consortium's expert negotiation personnel
- No minimum purchase requirements
- Effective streamlining of company purchases

The Power of Group Purchasing - Strength in Numbers. Join us and save.

Contact: andrea.kostelas@gsclg.com before April 1, 2010 for a chance to save substantially.

GSCLG

Jeff Chiu, Vice President, Global4PL Supply Chain Services
Reprinted from January 2009

In the past year, United States Customs and Border Protection ("CBP") issued the Proposed Rule on the Importer Security Filing ("ISF" or "10+2") to satisfy section 203 of the Security and Accountability for Every Port Act of 2006. CBP received and reviewed comments from the import community; the Office of Management and Budget officially signed off on the Proposed Rule; and on November 25, 2008, CBP published the interim Final Rule in the Federal Register.

http://edocket.access.gpo.gov/2008/pdf/E8-27048.pdf

The requirements of the Importer Security Filing - unofficially named "10+2" for the 10 data elements supplied by the importer and the two elements supplied by the ocean carrier - will take effect on January 26, 2009. The interim Final Rule allows for public comments (on six of the importer's data elements) to be received on or before June 1, 2009, and provides a compliance date of one year from the effective date.

Although much has been said and published on this subject, many have remained on the sidelines contemplating the resources in preparing for the implementation. CBP has granted a 12-month informed compliance period, during which importers are expected to gradually comply without the threat of full enforcement and monetary penalty. What do importers need to do to get ready? Who has the responsibility of gathering, validating, and transmitting this information? How will this latest security initiative affect importers' businesses?

The importer is required to submit these "10" data elements:

- Manufacturer (or Supplier) name and address
- Seller name and address
- Buyer name and address
- Ship-to name and address
- Container stuffing location
- Consolidator name and address
- Importer of record number
- Consignee number
- Country of origin
- Commodity HTSUS number (minimum 6 digits)

The vessel carrier is required to submit these "2" data elements:

- Vessel stow plan
- Container status messages

The Importer Security Filing initiative states that the electronic transmission of the data elements must be executed no later than 24 hours prior to the loading of cargo onto a vessel destined to the United States. Chronologically, this requirement shifts the transmission to an earlier stage of the supply chain. An importer may designate, with the proper power of attorney, its freight forwarder to submit the data elements. A freight forwarder normally receives shipping documents with the cargo. Thus, it has access to, and may be familiar with, six of the "10" data elements: manufacturer (or supplier) name and address, seller name and address, buyer name and address, ship-to name and address, container stuffing location, and consolidator name and address.

Many mid to large importers employ the services of a Customs broker. In the course of electronically filing a Customs entry, the broker normally transmits eight of the ten data elements: manufacturer (or supplier) name and address, seller name and address, buyer name and address, ship-to name and address, importer of record number, and consignee number, country of origin, and HTS number.

The Customs broker may be asked to submit the information to CBP. A Customs broker normally transmits electronic entry summary information to CBP while an ocean vessel is on the water. The Importer Security Filing, as noted above, would shift the transmission of data to an earlier stage of the supply chain. CBP will allow for a single transmission of the ten data elements and entry summary information by the importer or a licensed Customs broker to help in reducing the amount of data entry.

The Importer Security Filing initiative states that the importer is the party ultimately responsible for the submission of (the "10") data. Between the freight forwarder and the Customs broker, the importer should have all of the data required. It would be a simple exercise of providing the appropriate party the respective missing elements. The freight forwarder and Customs broker would require the respective balances of data elements.

CBP provides some flexibility in the reporting of four of the importer's data elements. Importers are allowed to provide a range of responses for the manufacturer / supplier, ship-to party, country of origin, and commodity HTSUS number. Although this helps in meeting the filing deadline for each shipment, it requires the additional work of submitting one or more subsequent update(s) to the original filing.

CBP provides additional flexibility in the reporting of two additional importer's data elements. Importers are allowed to provide the container stuffing location and the consolidator name and address no later than 24 hours prior to arrival of the vessel at a U.S. port.

All of the required data elements exist; that is certain. Whether the data is transmitted by the freight forwarder, the Customs broker, or the importer, there remains an uncertain level of burden in the exercise of data collection.

Taking the "10" data elements and turning them into questions is the very first step. How many suppliers / vendors do I have? How many manufacturers do my suppliers / vendors represent? With how many manufacturers do I deal directly? From how many countries do I import? What are the products' countries of origin? What are the tariff numbers for those products?

An importer must be able to answer this set of questions with practically 100% certainty as the penalty for the submission of false information to CBP would result in a penalty of 100% of the value of the shipment. That was the penalty under the Proposed Rule; the penalty under the Final Rule is $5,000 for each violation of the Importer Security Filing. (100% accuracy of the data elements has the additional benefit of contributing to overall import compliance.) Whatever the penalty amount, with which department should the responsibility lie within each importer's organization? Who will take charge?

An importer's organization may include both Customs compliance and logistics departments. These groups are heavily involved in the daily operations and generally do not have the time nor the perspective to execute this data collection. Even when the data is easily accessible, the task of validation could be daunting. For example, Accounts Payable has an address for a vendor to which it sends payment, but is that vendor the actual manufacturer? Is that vendor's mailing address the physical location at which the goods were made or stuffed into the ocean container?

Some other questions to consider are:

- How many Customs brokers does an importer employ? Does each broker have the authority to classify product independently or does the importer supply all classifications?

BECOME AN *EDUCATION TO BUSINESS* PARTNER COMPANY.

As an E2B (Education to Business) Partner Company, you'll receive expertise from Pepperdine's world-class faculty as well as fresh, practical insight from up-and-coming business leaders. The many benefits to participating in our exclusive E2B program include:

- Faculty guided case development to define strategic issues
- Three to six competing teams of MBA candidates, investing 13 weeks of class time to research, analyze and develop recommendations for resolving a partner company's specific business issue
- A substantial consultative deliverable, both oral and written, at the end of the trimester
- Third-party perspectives with fresh objectivity
- Networking opportunities with top-quality students and faculty
- Relevant management information and vast library database resources
- Built-in project checkpoints that allow the professor and company executives to monitor and guide student progress
- Strict confidentiality

PEPPERDINE UNIVERSITY
Graziadio School of Business and Management

For more information about the E2B Applied Learning program, please contact Doreen Shanahan, E2B Program Director, at **310.568.5700 Ext. 9042 or E2B@pepperdine.edu.**

- Does the Customs broker have the support and coverage overseas to avoid lengthy delays due to time zone difference and the timing to correct those issues at origin?
- Does the vendor know how to classify products correctly and does it provide the information timely and consistently?
- Does the contract manufacturer provide support needed for its products?
- Do the procurement, logistics, import and trade compliance groups work together to coordinate the information and avoid Customs delays? Is there an inefficient inbound of materials due to lack of information from origin?

An importer's current processes may work well, but without a clean and efficient operations model, including the documentation with the required information from contract manufacturers, vendors, suppliers, etc. at origin, not only will an importer subject itself to potential delays and penalties under the Importer Security Initiative, the import supply chain will suffer. Now is the time to assess and correct any deficiencies before they affect a company's import compliance record as well as its bottom line.

About the Author:

Jeff Chiu is Vice President at Global4PL, a supply chain management consulting company that assists clients to reduce costs and achieve their full operational potential. Mr. Chiu, a licensed US Customs Broker, possesses over 13 years of experience in import operations and compliance, with emphasis on internal Customs audits, commodity classification, tariff engineering, trade programs, and training.

Global Supply Chain Leaders Group Webinar Series Complimentary Training Programs

The Global Supply Chain Leaders Group (GSCLG) is pleased to provide you with access to our complimentary Import Compliance and Essentials of Export Controls webinars. The programs offer 10 hours of all-inclusive training and can be taken at your own pace. These programs provide you with a free-of-charge and time efficient opportunity to gain knowledge critical to your company's import and export operations.

Import Compliance

Module 1: The Harmonized Tariff Schedule of the United States

Module 2: Duties & Tariff Engineering

Module 3: Import Compliance

Module 4: C-TPAT Security Awareness

Essentials of Export Controls

Module 1: Export Control Basics

Module 2: Classifying your Item and Determining if you need a license

Module 3: General Prohibitions including Prohibited End-users and End-uses & activities

Module 4: Using License Exceptions

Module 5: License Application and Supporting Documentation

Module 6: Export Clearance and Record keeping

Module 7: Introduction to BIS Deemed Export Policies

Module 8: Overview of the Antiboycott Provisions of the Export Administration Regulations

This program is sponsored in part by PO Horizon and by Global4PL Supply Chain Services.

We hope you enjoy these training programs. All we ask is that you complete a short survey at the end.

Thank you for your continued support of the GSCLG. If you have topics for additional training programs please submit your ideas in the suggestion box at **http://www.gsclg.com/eCollege.php**.

To begin, please select: **http://www.gsclg.com/eCollege.php**

GSCLG

More reasons to join GSCLG

- Reinforce your company's commitment to support educational efforts by aligning your organization with GSCLG and its mission to provide high quality Supply Chain programs and resources.
- Capture the attention of managers and other decision-makers by exhibiting at GSCLG conferences. Members realize significant discounts and are given priority when selecting their booth location.
- Obtain member discounts on GSCLG conferences and network with the most innovative people in the industry.
- Gain participation in the Global Shipper Consortium program for qualifying companies.

Membership Levels & Dues

Senior Executive Membership - By Invitation Only

(For Supply Chain executives at VP / SVP / C-Level)

This membership is by invitation only, for senior Supply Chain executives of non-service provider corporations. This is not intended for sales or business development, but rather it provides a truly unique networking opportunity for senior executives at their level or higher. Membership is contingent on confirmation of the applicant's senior executive position for a non-service provider and subject to approval by the GSCLG Membership Director to ensure a balance of industries and networking opportunities.

Platinum Sponsor ($25,000)

(Includes individual member benefits for two senior executives)

- One free exhibit space (10' x 10') at GSCLG's annual conference ($2,250)
- Four annual conference registrations ($800 each)
- Four pre-conference workshops at annual conference ($400 each)
- Two seats 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 $48,000)

Gold Sponsor ($15,000)

(Includes individual member benefits for one senior executive)

- 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@gsclg.com for pricing information

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

Click Here To Register!

GLOBAL SUPPLY CHAIN REVIEW

Publisher	GSCLG Publishing
Editor	Andrea Kostelas
Guest Contributors	Donald Atwater, PhD, Ross Atwater Jeff Chiu, Global4PL Supply Chain Services Peter Knox
Advertising Director	
Photo Editor	Sean Moore - GSC Review Photographer

How to reach us:
2953 Bunker Hill Lane
Suite 400
Santa Clara, CA 95054
800.354.8579

Web Site:
www.gsclg.com

The Global Supply Chain Review is a publication of the
Global Supply Chain Leaders Group