

Embracing the know

Sheldon R. Kershner and Stefan Reidy consider the importance of improving supply chain visibility

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Lenovo develops, manufactures and markets high-quality, secure and easy-to-use technology products and services worldwide and is dedicated to building the world's most innovative personal computers. Formed by Lenovo Group's acquisition of the former IBM Personal Computing Division, Lenovo's heritage in both emerging and developed markets has resulted in a New World Company business model where ideas, operations and resources are borderless and mobile.

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In these uncertain times, with issues such as global terrorism and a worldwide economic crisis, almost everyone you encounter will openly share their feelings of insecurity and anxiety based on a fear of the unknown. Fear, as defined in *Webster's Dictionary*, is 'a feeling of uneasiness or apprehension; concern'. Regardless of our status in society, chosen profession or outlook on life in general, everyone seems to possess an innate fear of this uncertainty – commonly referred to as fear of the unknown. In many cases, this fear causes sleepless nights, long days in the office and general anxiety about things to come. Whether personal in nature or related to business, the economic and financial uncertainties we all face today mandate that we work through this fear, remain calm, and use whatever tools are available to us in order to move forward, mitigate risk, enhance security and eliminate anxiety.

Supply chain challenges

Supply chain security professionals are no exception. Insecurity and anxiety within a business environment may fan the flames of uncertainty and create tension among business units striving to achieve the same goals – the end-to-end efficient, timely and secure movement of freight. Insecurity within a company can manifest itself in many ways and cannot simply be addressed by classic or traditional security management techniques. This article will focus on security and insecurity from a trade management and supply chain point of view and provide insights into how secure supply chains have a positive impact on the overall effectiveness of the entire supply chain. We will demonstrate how some of the uncertainty may be eliminated by increasing visibility into the supply chain and by creating the end-to-end transparency we would all like to achieve.

The challenges we face today, in terms of managing trade and the supply chain, are global in scale. In this global environment, companies typically move

freight longer distances, with higher volumes and with much higher cargo values than ever before. Global trade increases the risk of loss or damage to the freight, both financial and operational risks, while moving through the supply chain. In addition, the current global economic downturn has the potential to spark an increase in criminal activity as well as create operational concerns should transportation carriers take shortcuts in order to increase profits. The inherent uncertainty and variability of global trade is a major source of real and perceived risk, which may result in higher costs when executing a trade. Many importers' sourcing strategies underestimate the magnitude of hidden costs associated with a longer global supply chain, including decreased flexibility, delivery delays, and cargo loss. The results are increased costs of goods, production disruptions, and lost revenue from missed sales.

Lenovo, the fourth largest personal computer vendor in the world, is an innovative, international technology company which understands these global challenges and has developed and deployed a comprehensive supply chain security and asset protection programme. Lenovo recognises that a secure supply chain is also a more efficient supply chain. Lenovo ships millions of computers, equipment and parts around the world each year with an ever-increasing focus on delivering the freight in a timely, cost efficient and secure manner.

Lenovo measures its supply chain performance, mitigates risk, and reduces loss in large part due to the visibility it has into the supply chain. This has been accomplished by fostering strong relationships with its suppliers, carriers and internal departments in addition to developing a global asset protection programme with worldwide visibility to loss and damage incidents in near real-time. Lenovo utilises a global, highly-customised, web-based incident management and claims tracking system to achieve this visibility. The system allows Lenovo to analyse trends, identify

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risks, mitigate impact to customers, investigate and perform root cause analysis, initiate corrective action plans, and recover loss through a robust claims process. In addition to the supply chain data capture and analysis features, the system electronically pushes incident data to the appropriate Lenovo team on a daily basis which facilitates incident management, mitigation, and resolution.

The result: Lenovo has reduced loss and damage within its supply chain by 24% over the past two years, as measured utilising a parts per million (ppm) calculation and methodology based on total units shipped. Additionally, in June 2008, Lenovo was awarded the *Customs-Trade Partnership Against Terrorism (C-TPAT)* Tier III status by the **US Customs and Border Protection (CBP)** and the Lenovo incident management and claims tracking system was identified as a CBP 'Best Practice' for exceeding the C-TPAT security criteria.

What differentiates big brands like Lenovo from others? Managing end-to-end trade by collaborating with its carriers and suppliers, rapidly resolving problems and utilising risk analysis methodologies is the key, and can become the differentiator and competitive advantage. Visibility into the supply chain through real-time collected data is one way that companies like Lenovo ensure their products are available at the right time, to the right client. The ability to identify the risk, identify the problem, and proactively take corrective action allows Lenovo to look beyond the fear of the unknown and face challenges from a position of strength through knowledge.

Technological advances

Advancements in the technology supporting real-time, in-transit visibility and the transparency of the supply chain are a viable reality. 'Smart containers' and interoperable trade management systems are the next steps in improving global supply chain security, when deployed in conjunction with programmes like Lenovo's. A certain level of supply chain

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visibility can already be achievable as Lenovo is demonstrating. However, information technology (IT) can have more impact on trade management by overcoming still existing impediments like proprietary systems, manual updates, incompatible transaction systems, minimal adoption of effective track and trace technology and/or the reliance on infrastructure-dependent and costly solutions.

Security and efficiency are achieved through trade transparency. Transparency is achieved through knowing the stuffing, shippers and stripping stakeholders of a trade and through end-to-end monitoring of a transaction and a container. Defining risk requires identification of stakeholders and monitoring cargo through a variety of means, including:

- verifying the source at origin (stuffing)
- tracking changes of custody (in transit handoffs)
- near continuous monitoring of the cargo status (security breaches and condition)
- knowing and monitoring the planned route (track and trace)
- alerting consignees and authorities of security or route deviations, and
- verifying the consignee (stripping) authenticity.

These actions create transparency through visibility. This visibility allows a company to model and analyse the inherent risk of a trade and take appropriate measures to mitigate that risk. Knowing where goods are located at any point in time and the ability to monitor the condition of the goods, such as humidity, temperature, moisture and light, allow traders to leverage visibility as a management tool in addition to maintaining cargo security.

A stumbling block to achieving transparency, and its allied benefits of efficiency and security, is the dependency of all the players to capture and provide data in order to efficiently manage and execute a trade. The importer, attempting to manage the supply chain, is dependent on an information chain which is only as strong as its weakest link – dependence on manual data updates and paper-based information.

Today's technology allows an importer to get independent, end-to-end, real-time data for managing his supply chain. The new generation of trade monitoring devices and services will become the basis for increased transparency and visibility into global trade. Devices will deploy sensing functionalities which communicate through mobile phone or satellite networks. These devices will autonomously monitor, analyse, and report the position, status, and security of the cargo and contents across the entire intermodal transportation network (ship-rail-truck) anytime, anywhere on the planet.

Reliable real-time information, combined with trade transaction and fulfillment performance analysis and reporting capabilities, can easily be integrated with clients' existing trade management and financial systems. Real-time data from cargo on sea, road, rail or air, in combination with other client-specific data sources, enable client-tailored analysis and reporting capabilities, such as performance dashboards, ad hoc reporting, online analytical processing, and statistical tools. This functionality enables the client to make use of the enhanced transparency

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and empowers them to make smarter and faster business decisions by providing detailed, accurate, and timely data based on customised business rules and performance metrics. This capability allows the client to correct adverse events or negative trends before they become costly problems.

Embracing the known

The key point – it’s all about transparency and visibility into what is actually occurring. Transparency and visibility into the supply chain enables individuals within an organisation to see what is happening, have confidence in predicting what is going to happen, and trust in the fact that their supply chain is secure. Trust is a foundational principle. Trust is about security and

the freedom from risk, danger, doubt and anxiety. Trust, in turn, will lead to customer loyalty, increased revenue, and profitability.

Understanding the challenges we are faced with and deploying visibility into the supply chain are key ingredients to the success of any company. Maintaining a fear of the unknown is counter-productive. Visibility into the supply chain and transparency of trade management is achievable. Operating a global supply chain without really knowing where the cargo is, that cargo’s condition, who has custody of it, or when a major event occurs, is experiencing the supply chain, not managing it. Simply put, you can’t manage what you don’t know – embrace the known!

Global Trade Management Service



arviem is the only independent Global Trade Management Service provider which offers ‘pay-as-you-use’ end-to-end trade monitoring for containers, pallets and packages.

arviem’s services bundle reliable, proven and market ready components into unique and tested service packages, which clients buy, on demand and as required, for a specific period of time, at their self selected level of need.

A comprehensive, client customizable sensor suite communicates via a mobile phone network or satellite in real-time anytime, anywhere on the planet, monitors container conditions including door security, temperature, humidity, shock, movement, light, and more. The device generated sensor data in combination with other data sources enables analyzing and reporting capabilities, such as performance dashboards, ad hoc reporting, online analytical processing and statistical tools, enabling the client to make use of the additional visibility and empowering them to make smarter and faster business decisions by providing more detailed, accurate, and timely understanding of their selected performance metrics. The resulting outcome is to correct negative trends before they become costly problems.

arviem’s services enable clients to get end to end, in-depth real-time visibility from an independent, trustworthy source, which enables them to address the macro challenges as well as their critical strategic supply-chain goals, including trade cost reduction, improved customer service and a faster ‘go-to-market’ capability.

Operating a supply chain without really knowing where the cargo is, its condition, who has custody of it, or when a major event occurs, is experiencing the supply chain, not managing it. Simply put, you can only manage what you know which is why arviem offers its independent Global Trade Management Service.

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