



**SUPPLY CHAIN AGILITY:  
FROM A COST CENTER TO  
A PROFIT CENTER**



## Four Reasons You Need to be Agile

Time-sensitive deliveries, lean supply chains and shorter product life cycles demand that companies adapt quickly to changes within the supply chain, and today's shippers have an increased expectation for supply chain partners to have processes in place so they can react as soon as change arises. Seizing these efficiencies can turn logistics from a cost center to a profit center.

To ensure their needs will be met, shippers have to plan ahead with their supply chain partners versus waiting until a problem arises to react, Andy Moses, senior vice president of global products

for Penske Logistics, said. "It is all part of assembling the readiness to act when the bell rings," he explained.

All parties within the supply chain need to work closely to outline potential disruptions, review shippers' past experiences and get contracts in place. "That way when the need arises, we're set up to do it and not sitting down and negotiating a contract," Moses said.

**"It is all part of assembling the readiness to act when the bell rings."**

- Andy Moses, senior vice president of global products,  
Penske Logistics

The sharing of information, such as inventory and production plans, also helps improve agility. So does a network

of supply chain partners and the ability to utilize data. Four reasons companies need to be agile:

### 1. Market Opportunities

As product development cycles continue to compress over time, companies are trying to be quicker to seize upon opportunities as they observe them.

Those opportunities can range from seasonal promotions to new product lines and acquisitions. "Then there is a

lot from an execution perspective that has to follow to turn that opportunity into a reality," Moses said.

## 2. Disruptions in the Supply Chain

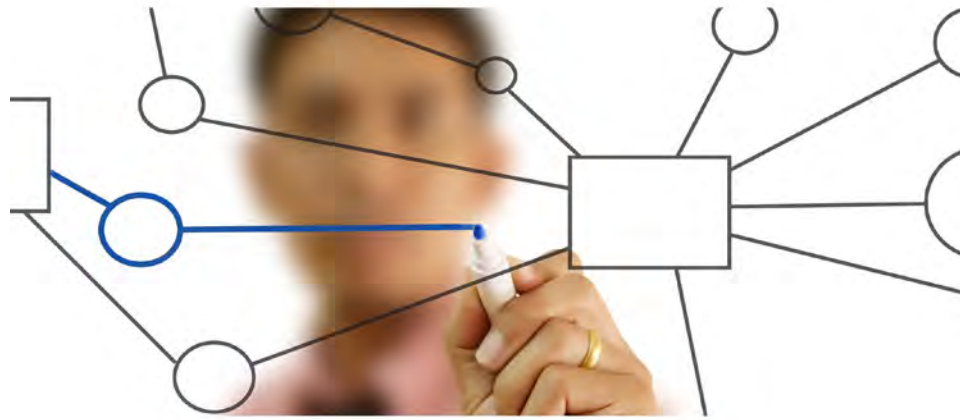
Natural disasters are a meaningful concern shippers have and a major point of reckoning for operations as they go back and review what happened, Moses said. Disasters can also create a surge in demand and market opportunities in certain areas, such as the need for bottled water when a hurricane strikes.

Having multiple sources of capacity and being able to leverage them quickly can help mitigate supply disruptions and get product where it needs to be. Penske Logistics signs up three to four new carriers each day and has a network of 2,000-plus carriers under contract today. "We have the processes in place to add in new carriers in 30-45 minutes," Moses said.

## 3. Changes in Regulations

Government regulations can have a meaningful impact on how companies and supply chains operate. "A prominent one in the industry has been the fluctuating hours-of-service regulation," Moses said, adding that the HOS rule alters carriers' productivity and planning.

Having an accessible driver pool as well as a network of carriers in place ensures shippers have capacity.



## 4. Reduced Fixed Costs

An agile supply chain gives companies greater ability to keep their costs variable. Shippers are constantly investing in their networks, operating facilities and warehouses. "Typically you're dropping anchor and digging in. There tend to be a lot of fixed costs that go with that," Moses said, adding that when companies are agile, they're able to leverage other infrastructures without taking on long-term fixed costs.

It is possible for a company to drive efficiencies as they reduce fixed costs. "It is not service at any cost," Moses

Rick Blasgen, chief executive officer of the Council of Supply Chain Management Professionals, said, "At one point, logistics was a cost to be managed, and now we're on the revenue-generating side. Our leaders are becoming increasingly responsible for bigger parts of the company, and that is great to see."

Blasgen says supply chain leaders have become a more significant part of the development of the supply chain strategy. "It is not about only the horizontal flow of inventory and information, but it is about the financial end of things. Our leaders are becoming much more financially astute about how

**"Our leaders are becoming increasingly responsible for bigger parts of the company, and that is great to see."**

- Rick Blasgen, chief executive officer of the council of supply chain management professionals

said. "It is, 'Let's be prudent with the service that we can deliver.' There is a difference in the mindset."

companies operate because they can impact so much," he said while speaking at the CSCMP annual conference.



The shift comes at the same time as supply chains become more agile. To keep up with demand, logistics providers are investing in new technology and top supply chain talent. During the CSCMP conference, Penske Logistics President Marc Althen said, "Unfortunately, people really don't know what supply chain management is." To increase profitability, it's essential to educate and attract people who can help keep the supply chain agile.

To attract such people, Penske offers competitive wages and benefits. "That is a given," Althen said. "Then we have to enhance our training efforts. We have to enhance our recruiting efforts and our staffing. We want to make sure we have robust career planning and development

programs so that when people do enter into Penske, they see a career path."

Penske Logistics has experienced a growth of 24 percent this year with growth across all of its segments, Althen said.

Blasgen said he sees continued growth opportunities for the industry. "For me,

I think an effective supply chain is a market share opportunity. It is a growth opportunity."

**"Today, logistics is a \$1.45 trillion industry, which is 8.3 percent of the U.S. GDP."**

- Marc Althen, Penske Logistics President



Rental  
Leasing  
Logistics