

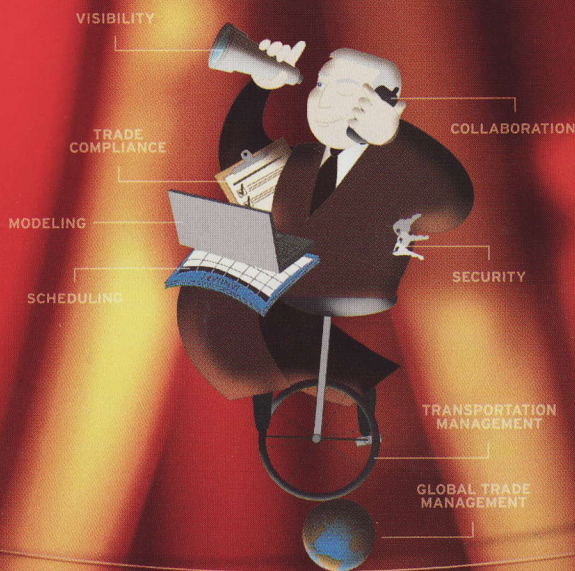
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## HIGH-TECH HIGH-WIRE ACT

**Juggling Supply and Demand**  
**Taming Transportation with TMS**  
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## [ **SNAPSHOT** ] BEVERAGES

rates by as much as half, says Karin Bursa, vice president of marketing at Logility, an Atlanta-based supply chain management software provider. But the door remains open to more forecasting and collaboration up, down, and across beverage supply chains.

"Many good forecasting systems are available, but they don't always include the input of key customers, which can hamper forecasting

efforts," says John Spain, senior vice president, global supply chain services for Tompkins Associates, a Raleigh, N.C.-based supply chain consulting firm. "Manufacturers have to guess, based on distribution."

"Communication, collaboration, forecasting, and trust all have to be in ready supply," says Kevin Brady, president of Houston-based Satellite Logistics, a 3PL specializing in beverages.

### Operating Within Legal Limits

**For alcoholic beverage companies, gaining supply chain efficiencies means navigating a complex and overlapping web of sometimes-archaic federal, state, county, and city regulations.**

Despite a trend toward consolidation among alcoholic beverage giants, eliminating overlap is hampered by myriad laws, such as the requirement to maintain a physical presence in states where a company sells.

"When it comes to regulations, other types of beverages hold an advantage over wine, beer, and liquor," says John Spain, senior vice president, global supply chain services for Tompkins Associates.

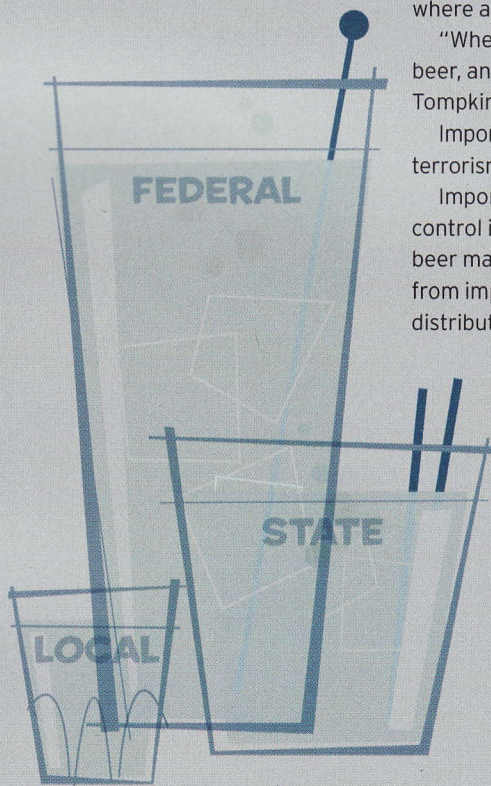
Importing product further complicates the issue. In addition to customs clearance, "anti-terrorism and theft regulations concerning alcohol abound, and more are on the way," he says.

Importers are turning to global trade management solutions to better manage and control inbound inventory movement. Speed is also an issue. For example, when domestic beer manufacturers debuted born-on, freshness dating to differentiate their brands from imported beer companies, Heineken implemented a multi-stage plan to shorten the distribution process as soon as product hit the port, says Karin Bursa, vice president of marketing, Logility.

Complicated taxation laws also figure heavily into the mix. Beverage 3PL Satellite Logistics, for example, has tweaked its WMS, TMS, and import/export documentation systems with specialized code to accommodate legal nuances in various jurisdictions.

Some states require retailers and restaurants to pay for alcohol in cash or through complex credit systems, complicating the supply chain through the last mile. Penalties for non-compliance can be particularly harsh in states with felony laws, so those handling alcohol must be vigilant about meeting these guidelines.

"Service providers looking for a foothold in the alcoholic beverage industry face a learning curve about new regulations," notes Kevin Brady, president of Satellite Logistics. Shippers, therefore, need to be diligent in finding partners with appropriate experience.



# SNAPSHOT

BEVERAGES

Beverage companies are also scrutinizing their transportation operations. Rising costs are driving them to use transportation management systems that provide better visibility, control over expenses, and more efficient routings for both inbound and outbound shipments. Some companies combine their forecasting and transportation systems to move product directly from production to retailer, removing the distribution step entirely. Consequently, some beverage companies are turning to 3PLs to help manage distribution to market.

SKU proliferation remains a major driver

## The Toast of the Town: Beverage 3PLs

**AFN Advantage  
Freight Network**  
Deerfield, IL

**C.H. Robinson Worldwide**  
Eden Prairie, MN

**Jacobson Companies**  
Des Moines, IA

**J.B. Hunt**  
Lowell, AR

**Kelron Logistics**  
Montreal, QC

**Ozburn-Hessey**  
Brentwood, TN

**Ruan**  
Des Moines, IA

**Saddle Creek**  
Lakeland, FL

**Satellite Logistics**  
Houston, TX

**TLC**  
Zeeland, MI

**Wagner Industries**  
North Kansas City, MO

**Weber Distribution**  
Los Angeles, CA

behind warehouse management system (WMS) upgrades. About 20 percent of all beverage warehouses use WMS today, but that number will jump to 50 percent over the next decade, estimates Chad Collins, vice president global strategy at HighJump Software, a supply chain execution solutions firm based in Eden Prairie, Minn.

"Paper-based systems provide total inventory numbers, but can't track the products to individual locations," he notes. "WMS can tell users exactly where their product is," boosting productivity by as much as 15 percent.

Beverage companies also rely on WMS to help manage code dates. "Almost all beverages have expiration dates," says Spain. "Turning inventory quickly is critical."

Beer, in particular, requires greater attention to reverse logistics processes when it passes sell-by dates and kegs have to be transported from the reseller back to the bottler.

Recalls are also an issue that can be addressed with WMS. "If, for example, a bottled water company discovers a problem occurred in production between 2 p.m. and 4 p.m. yesterday, it can quickly track where those bottles were delivered," says Kozenski. "More detailed product genealogies and tracking capabilities to the case level are the next phases of WMS sophistication."

For wine, the bottle is also a marketing vehicle, so varied shapes and sizes present another obstacle. M.S. Walker, a northeastern wine and spirits distributor, for example, sells 11 different product sizes for each of its SKUs – from nips to 1.5-gallon bottles. The industry standard unit of measure is a nine-liter equivalent, though cases can vary considerably in size, complicating automated handling. Non-alcoholic beverages also use packaging as a sales gimmick, introducing new complexities into their distribution systems as well.

The last mile can be the most costly link in the beverage supply chain. While some beverages move through traditional streams, from production to a retail warehouse then on to stores, a sizable percentage of beverages are delivered direct to stores, bars, restaurants, vending machines, and other venues by manufacturers or distributors.

Generally, beverage companies start picking and staging orders for next-day delivery the afternoon before to optimally configure loads for truck transport. The following morning, drivers set out to service their routes.

Even for large customers, direct store delivery is common. So beverage companies are throwing technology at the complexity of managing this challenge – including route optimization, load planning, and automated delivery transactions – to shorten the order-to-cash cycle. They are also tapping global positioning systems to facilitate real-time status of inventory in transit.

One worry beverage companies don't dwell on is the economy. While purchase patterns may shift during a slowdown, and seasonal trends persist, beverages are recession-proof. People will always get thirsty.