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"Logistics providers and 3PLs are spending millions of dollars on IT to provide firms with order and shipment visibility as well as accurate and timely performance measurement... In terms of performance, we're getting to the point where the bytes are more important than the atoms."

*— Evan Armstrong,
Armstrong & Associates
(LQ's May 16, 2007 Symposium)*



The Role of IT in Logistics:

**A REPORT ON HOW COMPANIES ARE LEVERAGING
INFORMATION TO FORECAST, CREATE FLEXIBILITY
AND ACHIEVE THE RIGHT LEVELS OF INVENTORY**

An Interview with Cameron Joyce

*President of
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Logistics
Solutions*

Questions for this interview have been prepared by:
Kurt Ritcey of *Deloitte*;
John Langley, Ph.D.,
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David Faoro,
The International Group;
David Closs, Ph.D.,
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LQ: How do you structure operation supply chain in order to deliver flexibility to your customer's needs?
(Kurt Ritcey)

Cameron Joyce: We rely heavily on operations planning. We look at budgets and projections to plan for peaks and valleys collaboratively with our clients. This ensures we're well informed on where they might expect peaks in their business, and we make allowances for the unexpected in our swing analysis. We're also able to draw on multiple facilities to pull resources together in order to balance all of those needs.

LQ: Could you elaborate on what the swing analysis encompasses?

Cameron Joyce: Generally our clients provide us with the average amounts of activity that they forecast for each month, as well as information on what constitutes a high-average day and a light-average day. We develop a map to show what the bookends of the activity might be

on any given day and then we conduct an analysis on the history of what has actually occurred. By continually tracking the actual levels of business we smooth out potential spikes to run the business efficiently. The client or market ultimately controls the actual activity, but we do our best to plan for and absorb the bumps.

LQ: What are the characteristics of your most successful customer relationships?
(Kurt Ritcey)

Cameron Joyce: In a single word it's "partnership." In those types of relationships we're fully integrated with the client,



and in regard to the supply chain, the line where they end and we begin becomes invisible in all aspects. The best relationships are where we can collaborate, share data both ways and effectively plan. We're helping our client be successful, which helps us to be successful.

LQ: In terms of governance in the relationship would you say that it's characterized by C-level management getting together on a monthly basis from your side and the client's?

Cameron Joyce: It's probably less frequent than a monthly meeting in terms of C-level management, assuming it is a mature relationship that's past implementation. We have a structure of communication through our Client Solutions Managers, at an operating level and at a customer service level that is much more frequent. There is an escalation information process to ensure C-level executives are well aware of

what's going on, and we generally meet quarterly with a strategic focus at our meetings.

LQ: What are the biggest challenges to cross-border logistics activity?
(John Langley)

Cameron Joyce: When it comes to cross-border activity, the first challenge is time and the second is unpredictability. The primary factors that cause unpredictability pertain to security and compliance or the lack of compliance by a carrier or a shipper and anybody along the supply chain can introduce delay and uncertainty. Managing all of the variables to

ensure there isn't any delay is probably the biggest challenge.

LQ: What are the advantages and potential disadvantages of one-stop logistics, where the customer counts on the 3PL to provide a range of integrated supply chain solutions? *(John Langley)*

Cameron Joyce: With a single source you have a known partner and one contract to manage a bundle of services. Operationally and administratively there are significant benefits. The principal disadvantage is that it may be difficult for one provider to be world class throughout their portfolio of services. If this is a client requirement, they may be hard pressed to find that level of expertise from a single source. A client should look at their priorities and ask themselves if they prefer a service provider capable of meeting all of their requirements completely versus some services at world class levels.

LQ: My concern is that the consolidated 3PLs will become less flexible with service offerings and less agile. *(David Faoro)*

Cameron Joyce: We see evidence of this as specialized and smaller 3PLs are consolidated into larger ones. They lose their identity and some of the things that made them unique. In some cases key people and their knowledge are lost with the centralization of management, particularly as the larger entity begins to set the strategy and direction. We think it's an advantage to maintain focus and maintain an identity within your target market. In a consolidation the resources dedicated to the smaller divisions within the larger companies can become restricted, losing flexibility, which was probably a hallmark of the smaller 3PL to begin with.

LQ: As compliance challenges continue to grow for shippers, do you see adjustments in 3PL fee structures based on compliance capabilities? And if a customer has invested in compliance and training and technology and had few cross-border problems, will this customer be rewarded with a low fee structure based on your lower cost to serve? *(David Faoro)*

Cameron Joyce: Yes. If it's a cross-border inbound shipment to us for domestic distribution, it's going to arrive on time and won't require overtime, special handling or outbound expediting, our cost to serve is lower and therefore our fees are lower. Our costs are lower when our client has good inventory management, good EDI [electronic data interchange] compliance and data integrity. The shippers that are late, non-compliant, don't manage their inbound supply chain or their raw materials for their manufacturing operations will continually require excessive management, which is a lot more expensive than having a predictable operation.

LQ: Given consolidation in the 3PL industry, what can a small 3PL do to enhance its long term sustainability? *(David Closs)*

Cameron Joyce: We see two schools of thought in our field. In some cases a company wants to do business with a global provider and have a single source supplier, in others they

want to select a regional or niche best-of-breed 3PL. It's a philosophical matter on the client's end. An advantage of a niche player is they develop expertise in a specific market and specialize in being world class in that area. Consolidations can create the opportunities for smaller 3PLs to stand out as being more flexible, having faster decision making capabilities and being strong regional players.

LQ: What are the primary requirements regarding visibility that firms expect from their 3PLs, particularly those involved in international movement? *(David Closs)*

Cameron Joyce: Even on domestic movements supply chain visibility has become more critical — and beyond just EDI or data integration. I think there is an expectation of good web visibility tools to enable logisticians to make ad hoc enquiries on a number of different status levels, whether it's on the operational side of the supply chain or on inventory management.

LQ: How have your customers increased their demands regarding security and sustainability? *(David Closs)*

Cameron Joyce: Certainly Sarbanes Oxley (SOX) compliance, SAS-70 reporting and this type of corporate compliance have increased demands on our business. Since we're also in health care and deal with controlled substances, this is especially important. There are many audits required by our clients as well as internal audits, and audits by external regulatory agencies are the norm. We just expect that to happen on a daily basis across our client base. Disaster-recovery plans have become kind of table stakes for any new clients. They expect to see robust and functional disaster-recovery and business contingency plans everywhere, in systems and in operations, including pandemic planning.

LQ: In what ways has your firm changed its business development efforts when approaching potential clients? How has the value proposition changed in recent years?

Cameron Joyce: Our company has transitioned itself and moved away from being a service offerings provider to being a solutions provider and a supply chain integrator.

LQ: How has the value proposition changed in recent years?

Cameron Joyce: We've really become integrated with our client's businesses and take pride of ownership in this approach, becoming an extension of their business, even in terms of our appearance to their customers. We are very aware that we cannot just be selling a service from a menu of services; we have to really understand their business and play an important role in it. We've also recast our company to become a provider of technology and infrastructure services. Our system is built specifically for supply chain execution for our clients and then they gain many benefits by using it, accessing this technology and infrastructure at a much lower cost through us than it would be for them to do it develop it themselves. That's been one of our differentiators and a key part of our value proposition. We've been a technology leader all along. We develop our own web visibility tools and several of our data integration tools.

Because a lot can happen from A to B

A

B

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