

Who does it for you?

Logistics providers can keep you concentrated on your core | BY SEAN JOHNSON

“They can focus their capital and resources on their core competency. Take a paper company for instance. Instead of paying for a building and people to do their distribution, they can put those resources back into making paper.”

— Dan Allen,
WOW Logistics

IT SEEMS SO EASY: A CUSTOMER orders a product and the product is delivered on time to the right place. It's the quintessential business proposition. Its success or failure is often the difference between a business failing or succeeding. Do it right, and the company will prosper.

Dan Allen makes his living making sure it's done right.

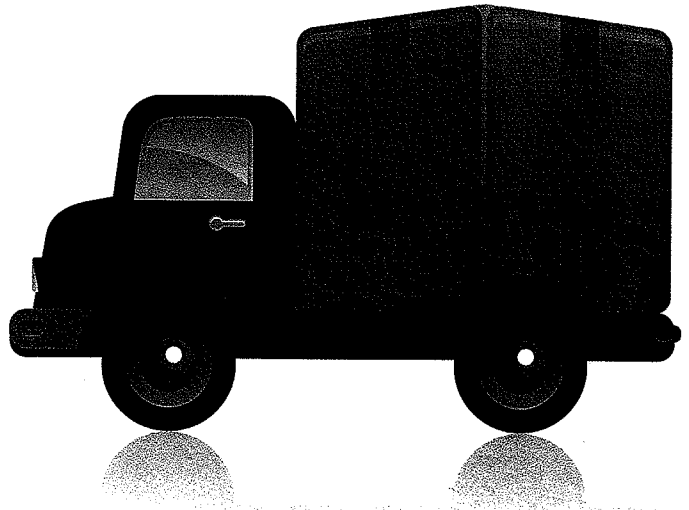
“We have thousands of products and thousands of codes for many companies,” Allen says. “It's very important we know what we have, where it is and where it's going.”

Especially important because Allen's company doesn't make any of the products it stores and ships. Allen is the national accounts manager of WOW Logistics, a Wisconsin warehousing and shipping company that has tapped into the growing trend of manufactures outsourcing their logistics operations.

Started in 1977, WOW now has 13 locations in Wisconsin with an average of 7.5 million square feet of warehouse space in each location.

The company's job is simple in its premise – make sure their client's products get to their client's customers on time and in the right place. That frees the client up to do what they do best – make their product.

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building and people to do their distribution, they can put those resources back into making paper.”

Outsourced logistics, or third party logistics has seen tremendous growth in the past several years, and is expected to continue growing the next few years despite the recessionary pressures on the economy. Industry revenues grew to \$122 billion in 2007, according to the most recent report from Armstrong & Associates, a supply chain consulting firm based in Stoughton. That growth is expected to continue through 2009, with revenues exceeding \$150 billion in 2010, according to Armstrong.

Much of that growth can be attributed to the fact that major companies have decided to outsource their logistical operations, whether that's shipping, warehousing, packaging or even inbound materials and handling, says Steven Evans, president of Leicht Transfer & Storage, part of RGL Holdings.

In fact, the industry has grown so much that there are now 4PLs, he says – fourth-party logistics providers that specialize in managing other logistics providers.

RGL handles shipping, warehousing and other services for companies such as Proctor & Gamble, Georgia Pacific and Tufco. In fact, with Proctor & Gamble, RGL had even taken over inbound materials handling within the plant.

“We can do the inbound and the outbound, *continued >*

and help them get it to their customers," says Bob Johnson, president and CEO of RGL Holdings.

The business has become much more than shipping, storing and receiving, Evans says, noting the logistics providers can sometimes help clients improve another aspect of their business.

Recently, one of the companies was expanding its plant. After an RGL representative made a comment about the layout of the expansion, the company came back to RGL and asked for their input on how the building should be configured.

"Sometimes we are a fresh set of eyes," Johnson says. "We are not married to their core competencies. Improving the working of that building, that's our core competency."

One of the toughest challenges facing companies such as RGL and WOW is keeping track of their customers' products and materials and making sure they get to the right place

on time. For that, logistics firms employ a sophisticated array of technology in their warehouses that track an item from the minute they take possession, all through transit to the delivery point.

"Every single point of our facilities is logged into that computer system," Allen says. "We need to be able to find something at any point at any time. It's very important that we know."

As impressive as the growth in the sector has been, those in it say there is plenty more that can be done to assist their clients. One current trend is the practice of co-packing, the practice of taking a customer's original packaging and reconfiguring it to meet the needs of different customers.

Yet, there are still efficiencies outside logistics companies can provide for their clients, Evans says. He still sees plenty of opportunities for logistics companies to help their clients improve their supply chain management, from raw materials coming in to finished products going out to transportation brokerage services.

Indeed, the projected economic downturn could hasten greater involvement.

"There is still a lot of room for greater integration," Evans says. "Difficult times can often prompt a company to look at their sacred cows. All the pieces are not integrated as well as they could be." ■

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