

5 New Trends for 2010 and Beyond

2009 Strategic View – American Shipper

By Deep Parekh

As we close out on 2009, we have been talking to our clients about 2010 and beyond and about what the top trends that we are seeing are, and so in our last column with American Shipper, the beacon of publishing the Logistics industry, we decided to share these with our readers. This year has been an interesting one, in terms of downturns, upswings, false starts, bankruptcies, marginal growth, and global shifts in trade. I am on a plane returning from a trip to India as I write this column, where I was reviewing the markets and the latest economic and business trends, and will head to Panama once again, tomorrow, to do the same for Latin America. We have seen markets behave very differently in different parts of the globe, and these visits to India and Latin America have highlighted this vast disparity. These visits in addition to watching the US market closely through the eyes of our clients have helped us to note these trends for the next year and some years to come.

Looking Back to Look Forward

When conceptualizing this article, the first thing I wanted to do is to go back to an article I wrote in January 2008 for the Top 10 Trends for 2008 and beyond, to see which of these came to fruition and which we were way off on, to keep ourselves honest. So, we decided to publish the list once again, and give us a report card on it:

January 2008 Top 10 Trends	What We Have Seen Through 2008 and 2009
#10 – The Greening of Supply Chains	We see this as a growing trend, with some of our own new projects relating to considering the carbon footprint of supply networks
#9 – Use of information & technology to drive competitiveness	According to AMR research, supply chain software sales have been climbing once more
#8 – Hard infrastructure becomes a priority	In countries such as India and Brazil, spend on infrastructure has gone up by 10%
#7 – Outsourcing becomes a way of life	More firms are outsourcing their non-core business functions to third parties, down to the billing department for my Manhattan co-op!
#6 – S&OP becomes more prevalent and global	More companies throughout the Americas are getting interested in developing stronger S&OP processes, including our own clients
#5 – Global sourcing drives network redesign & optimization	Partly because of increased M&A activity and because of cost-cutting, we see companies consolidating networks, and truly taking a hard look at their customer and product base to lower costs
#4 – Global visibility and decision-making becomes a necessity	SAP, Oracle, JDA, i2, and other vendors are providing better tools to improve cross-business and supply chain visibility, with new generation tools that include executive dashboards
#3 – Supply chain collaboration requires more touch-points	As outsourcing and third party involvement grows, we observe companies needing to connect with more parties
#2 – SC risk management becomes even more critical	This is one area that we think was mentioned too early for its time, as companies scramble to desperately cut costs and execute short-term oriented actions without a hard look at longer term risk – we expect this area to grow rapidly in the next few years
#1 – Talent, skills, knowledge badly needed and immediately	This area is still at center stage, even though the job market is soft. People have decided to switch careers and re-think their lives in light of this economic downturn

The Trends in the Previous top-10 List Still Stand

We continue to stand by the trends that we discussed last year, and see some of them shifting positions. We believe the greening of supply chains (#10 moves up considerably, as the focus and funding of governments and companies shifts more towards this area). Supply Chain Risk Management (#2) moves up to the number one spot, because companies are going to need to really examine their risk profile in order to capture the market during the inevitable upturn. Outsourcing (#7) moves up as well, because more it is becoming more of a necessity as opposed to an innovation in the business world. We are currently pioneering the outsourcing of core supply chain functions such as statistical sales forecasting and demand analytics with some of our clients.

#1 – Latin America is Heating Up

Tyler Bridges, of McClatchy Newspapers, mentioned, “as economists survey the past year and look ahead, they can't help but marvel at how Latin American countries, after years of being lectured to get their fiscal houses in order, mostly managed to swerve around the global economic pileup precisely because they followed that advice.” In spite of swine-flu, the economically influential countries and blocks such as Central America, Chile, and Brazil, are looking up. Their economies have hardly been hit, when compared with the US and Europe. Flights to Sao Paulo are packed (first hand experience) and the number of routes have increased, mostly for business travel. We ourselves have seen our Latin American revenue grow significantly and not due to emergency cost-cutting initiatives either, but for multi-year structured improvement programs. Bridges further underscores, “Before the crisis hit, the Economic Commission for Latin America and the Caribbean, a Santiago-based United Nations Agency, expected Latin America to grow by 4 percent in 2009. Now it projects a 2 percent contraction. Indicating its faith in a turnaround, however, the group is now forecasting a 3.1 percent growth rate in 2010 for Latin America.”

#2 – India is looking bullish as well

While most countries are licking their wounds, India is poised for 6.5% year-on-year growth. The number of new shopping malls, arcades, new car sales, new home construction, and new companies emerging in India is chasing away any ghost of recession that may be headed its way. It was fascinating to see it at close range, as I shopped in Mumbai, and drove around between the crowded roads meandering through the multiple construction sites for mega-apartment buildings, corporate parks, and new shopping malls. Real-estate in Mumbai is higher than Manhattan prices and this is AFTER the bubble apparently burst. According to the *Business India* magazine, here are over 10 million new mobile phone connections per month, and people are leapfrogging brick-and-mortar stages, where mobile banking is about to launch country-wide, so that people in rural areas don't even need to visit a branch, and where farmers can actually turn on water pumps and irrigation gates through their mobile phones. Imagine the production and productivity increases that are imminent.

#3 – Significant upheavals in the US business structure

Besides the regular M&A activity, we anticipate that companies will begin to ‘shed’ their non-competencies even more, and start shedding some of what they consider their ‘core’ competencies as well. Whereas we have seen this phenomenon in the High Tech industry, Consumer goods companies such as Nike are truly ahead of their time. They have recognized Brand Building as their core strength, and have made no bones about the fact that they have outsourced everything else. However, this is not just plain vanilla cost-induced outsourcing, but they have truly found a way to ‘partner’ with their vendors to create a seamless organization that can quickly respond to the marketplace. We see multiple industry sectors such as Consumer Goods, Chemicals, Agro-Products, and Life-Sciences (including both Pharma and Hospitals) going down this road.

#4 – Supply Chains expertise is going to become more necessary prevalent in Healthcare

Who best to talk to about cost of delivery, cost to serve, customer service levels, order management, and opportunity cost tradeoffs than supply chain folks. Healthcare in the US is at a crisis point, and besides the policy-wielding politicians, grass-roots healthcare improvement can only be done through supply chain improvement. We're not talking about the cost of drugs, but the actual process of planning hospitals, number of beds, type of care, systematizing this into coherent methodologies, with costs associated to it. The insurance companies are looking at it through with their lenses of Accountants, but what is needed is the lens of a supply chain specialist. Healthcare transforms into the demand and supply of healthcare, where healthcare is a product that must be delivered at the lowest cost, at the right time, at the right place, and by the right people.

#5 – Companies begin to abandon the US

The US has been the friend of business for many years, but the pendulum is swinging too far to one side, where Government wants greater oversight. Companies have taken it so far but they too are going to lash out, and move their companies to other places such as Panama, where regulation is less stringent. We have learned of some companies who are strongly looking at options to base their companies from other locations, and even setting up whole entire 'supply chain companies' which deal with the parent company through tax-efficient structures, and where entire blocks of functions relocate to different countries to both avoid unnecessary and expensive scrutiny as well as be tax-efficient.

In summary, new trends are emerging, which call for action on the part of the Logistics industry, to cope with, change with, and perhaps head off or take advantage of these new trends. The previous trends continue to shape and form with every passing year, and these new trends are to be considered in addition, as we see countries, companies, and the world go through a new economic beginning.

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