

ILAM Newsletter

Dec, 2009



Institute of Logistics and Aviation Management

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Dear Readers,

We invite you to contribute articles, stories, research papers, opinion pieces based on Logistics and Supply Chain Management. We also welcome you to send us information on events and happening in the industry.

We look forward to your feedback and suggestions for our newsletter.

You can send in your inputs to Anchal Vashista

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From COO's Desk :



Dear Friends,

Our commitment to advanced research of the highest quality has resulted in a series of innovations emanating from ILAM and now being used by the students. It is indeed our close collaboration with the industries which differentiates us from other institutes. We see ourselves as providing a link between academia and industry.

In response to the rapidly changing economic environment and the process of globalization, the Institute has made sustained efforts to bring an international perspective to all its activities. We feel proud of our achievements, but we are not contented. Our vision is to emerge as a top-ranking management school in the world which provides specialized training in the field of Logistics & Supply Chain Management.

ILAM's monthly newsletter is yet another initiative to keep everyone of us abreast of the latest events and happening in the Logistics arena.

Rajiv Verma, COO - ILAM

From the Academic Head Desk :



Dear Friends,

When I look back at the end of the current semester of our newly launched MBA/BBA Logistics and Supply Chain Management, it is a matter of great Satisfaction to me that we have come quite far on this road within a very short time. Apart from Class room studies, our multifarious activities towards Industry interfacing in terms of Guest lectures, Factory visits, mentor –Mentee program, academia – Industry interface are a testimony to our commitment in imparting education through 'out of Box thinking'.

But we must not rest on our laurels. World of Logistics and Supply Chain Management after globalization is changing at a fierce pace in becoming a Border less World and as such demands from the industry from world of Academia are rising at equally fast pace if not less. To this endeavor, our faculties are delivering the contents in a most adaptable and simple manner through audio visual aids supported by internet, Wi-Fi and video clips.

We, the faculty at ILAM apart from regular teaching filter this information explosion and make it easy to assimilate for the students in a most customized manner drawing a 'connect' to the Industry. Further to give a three hundred sixty degree touch of all round development, we have enabled the capabilities of our students through our Personality development lectures. I would conclude with Robert Frost's following encouraging lines - **'Woods are lovely dark and deep, and miles to go before I sleep'**

Prof. Akhil Chandra, Academic Head - ILAM

INFORMATION BITE

GLOBAL SUPPLY CHAIN MANAGEMENT

In an era of globalization, global supply chain Management is contributing most significantly towards GDP of a country through enhanced efficiency and productivity of the nations. The world is said to be a global village or rather flat because of national boundaries and barriers destroyed through internet and PC driven globalization in today's knowledge based economy as pointed out by three times winner of the Pulitzer Prize Thomas. L. Friedman in his famous book 'The World is flat'. In fact Global supply chain management coupled with Information technology and telecommunications has opened floodgates of progress for developing countries so as to come at par with developed countries.

Company like Wal-Mart applied the rules of Global supply chain Management successfully and rose to become number one company in the world after beating big Conglomerates like K-Mart and Sears in their own game. Wal-Mart chose their suppliers globally from countries like China and Far East and cut down its procurement and manufacturing costs and could sell every item cheaper than their nearest competitor. Wal-Mart carried out computerization with heavy use of ERP (Enterprise Resource planning) software throughout their value chain and shared the customer's information liberally with their suppliers, distributors and dealers through IT networks resulting into complete transparency throughout their value chain. The information concerning the buying behavior of customer, purchase orders, prices and inventory flowed both way along the value chain resulting into reduction of inventory carrying costs both for finished goods and raw material. Wal-Mart could thus supply what customer exactly wanted at the right place, at the right time and at the right price.

With customer centric approach, Wal-Mart set up huge distribution centers in every city where merchandise in cartons were received from various suppliers chosen globally shipped by sea, Air or Rail Road and trucks and then unloaded on the network of conveyer belts installed at the distribution centres. The merchandise was redistributed despatching and transporting it once again to the various Malls located throughout the city. The history of content of the cartons was identified by RFID tags with information like country of origin, technical details of the content, source and destination, expiry dates of the goods inside and temperature to be maintained. This enabled the concerned handling staff to properly prioritize the cartons carrying perishable items or items like medicines and deliver it to Malls before the expiry date. This way they could make most of the items including FMCG goods always available on the shelves for the customers who came to Wal-Mart in huge numbers because of lower prices being offered. Wal-Mart was also ahead of their competitors in reducing the lost sales arising due to non availability of goods on the shelves.

Global supply chain management is now imitated by most of the companies in the world after the success story of Wal-Mart who starting from a small place called Bentonville, Arkansas in United States is now world's largest company in the world with innovative approach of Sam Walton , the man behind the success of Wal-Mart.

India has opened its economy after 1991 and is now recognised as among fastest developing countries. Goldman Sachs, the leading Investment bank in one of their report has categorised India among the BRIC countries (Brazil, Russia, China and India) , which are to be watched seriously due to their potential of competing with developed countries in next decade. Indian business conglomerates are now expanding their operations beyond the frontier of the nation and many like Tatas have taken over foreign companies. In this background of Indian expansion of trade in foreign countries, Global supply Chain Management shall play a very vital role towards long term sustenance and growth of Indian business.

 Prof. Akhil Chandra, Academic Head, ILAM

NEWS FROM THE INDUSTRY

LOGISTICS INDUSTRY SET FOR HIGHER GROWTH TRAJECTORY: CRISIL*

CRISIL believes that third party logistics (3PL) service providers will offer phenomenal advantages to the logistics industry. The major benefits would arise from reduction in inventory, lower infrastructure space and reduction in transportation cost, the research wing of the rating agency says having carried out a cost bench marking across sectors to highlight the same.

CRISIL Research expects the revenues of the 3PL segment to grow strongly (27 per cent CAGR) over the next 5 years from an estimated Rs 48 billion in 2008-09 to around Rs 162 billion in 2013-14.

A major deterrent to the 3PL story is the poor state of infrastructure in India. Further, the Indian logistics industry is highly fragmented, with several small truckers manning the scene and numerous players in the warehousing segment, as a result few players can provide pan India services. Also there is limited scope for value-addition in some sectors and usage across the value chain is not uniform.

On the whole, 3PL has great potential, which will be realised through a change in the mind set of user industries and the ability of logistics players to offer integrated solutions encompassing modes, infrastructure and IT networking, it says in a report.

The report states that given the flourishing economy and growing EXIM levels, Indian companies need to enhance the efficiency of their supply chain operations in order to lower their logistics spend and gain a competitive edge. The supply chain management needs to transform from activity based function to service oriented function. The need for efficient logistics operations is creating a demand for third party logistics (3PL) service provider who can integrate operations across segments and minimize inefficiencies.

Currently, big corporates and MNCs are the major users of 3PL services in India as additional investment in IT integration across facilities, vendors and service providers is required to migrate to 3PL. Going forward, the 3PL market is expected to pick up as more and more companies embrace this concept owing to the logistics efficiencies it provides.

CRISIL Research has estimated the overall Indian logistics spend at Rs 2.7 trillion in 2008-09, which includes only primary transport modes and infrastructure, equivalent to around 8.2 per cent of the Gross Domestic Product (GDP). And if the secondary movement (from the hub to the various depots) is also included, this shoots up to 10.7 per cent, which is significantly higher than those of developed nations where it averages 5-7 per cent. Higher logistics spend as percentage of GDP can be attributed to the overall inefficiency in logistics operations, multiple tax structures, inadequate infrastructure and unorganized nature of the industry in India.

Maersk India opens container freight station near Chennai

Maersk India has established a state-of-the-art container freight station (CFS) at Ponneri, close to the Ennore Port in Chennai. The facility will provide storage and stripping of laden import container and consolidation of export cargo. It also has a warehousing capacity of 3,000 sq m with over 6,000 sq m of dedicated trailer parking facility.

* Source: Economic Times

NEWS FROM THE INDUSTRY

Nissan Appoints WWL as Outbound Logistics Provider in India*

Automotive manufacturer Nissan has awarded Wallenius Wilhelmsen Logistics (India) Pvt Ltd a contract to provide yard management services and inland transport for vehicles destined for the domestic market from Nissan's vehicle manufacturing plant in Chennai, India. From May 2010, Nissan's Chennai plant will start with an annual production capacity of 200,000 vehicles. WWL will work closely with local trucking and logistics companies to develop a vehicle distribution network in India.

Wallenius Wilhelmsen Logistics (India) Pvt Ltd was founded in January 2009 to establish a long term presence in India covering the company's five product portfolio - Ocean Transportation, Terminal Services, Technical Services, Inland Distribution and Supply Chain Management (SCM).

WWL has worldwide experience in inland logistics for finished automobiles, RoRo and break-bulk cargo. The company has been responsible for the entire distribution of finished vehicles for Nissan and Infiniti in the US, Mexico and Canada. The company intends to use the experience it has gained working with Nissan in the Americas and build on that success for the Indian Market. WWL (India) opened a new office in the central business district of Chennai in July 2009 to support this project, and the expansion of all five of its products with customers and suppliers across India.

Railways cold chain pilot project to come up in Singur**

The Railways' ambitious Kisan Vision Yojana to set up cold chain facilities across the country for fresh fruit and vegetables got underway with work on the first pilot project due to start at Singur in West Bengal.

“Our aim is to provide linkage between production clusters with consumption centres. As much as Rs 35,000 crore worth of farm produce is wasted every year due to lack of proper storage. If this pilot project is successful, Railways will build similar perishable cargo centres at Nashik, Azadpur Mandi in Delhi, New Jalpaiguri, Dankuni and Mecheda. In the process, we will help create a market for farmers across the country,” Railway Minister Mamata Banerjee said in Singur on Sunday.

“The project at Singur will come up at a cost of Rs 3 crore. Some 30% of all fruit and vegetable produce gets wasted every year due to lack of adequate storage facilities. These temperature-controlled warehouses will serve as collection and distribution centres for farm produce,” member (traffic), Railway Board, Shri Prakash said.

Container Corporation of India (Concor), which operates inland container depots for Railways, will provide container facilities between production clusters and consumption points. Concor's subsidiary, Farm and Health Enterprises will provide infrastructure support to these facilities.

INFORMATION BITE - LOGISTICS FUNCTIONS IN SAP*

SAP is the number one vendor of standard business application software and the third largest software supplier in the world. SAP delivers scalable solutions that enable its customers to further advance industry best practices. SAP is constantly developing new products to help their customers respond to dynamic market conditions and help them maintain their competitive advantage.

The current versions of SAP are the result of the nearly forty years of development that has been driven by the needs of customers. This article will examine the elements of logistics within SAP, and the logistics functionality and how it can help you manage key logistics activities.

There are many components to the logistics functions in SAP. The components include the following SAP areas:

- **Materials Management (MM)** – the materials management component is the foundation for the logistics functions of a company. The component includes purchasing functionality, inventory movements, accounts payable and the material master file, which contains the information on all materials and services used at a company.
- **Sales and Distribution (SD)** – the sales and distribution component incorporates the processes from customer order to the delivery of the product to the customer. The component includes the sales functions, pricing, picking, packing and shipping.
- **Quality Management (QM)** – the quality management component is used to ensure and improve on the quality of your company's products. The functions of this component include the planning and execution of quality inspections of purchased and finished products.
- **Plant Maintenance (PM)** – the plant maintenance component is used to maintain the equipment that is used in the production of your company's finished products. The component focuses on the planning and execution of preventive maintenance on equipment and tools used in the production process.
- **Production Planning (PP)** – the production planning component manages a company's production process. The functions of this component include capacity planning of a company's production, master production scheduling (MPS), material requirements planning (MRP) and the shop floor functions of producing a company's finished products.
- **Customer Service (CS)** – the customer service component manages a company's service that it provides to customers for repairs and warranties. Items can be sent back for repair or visits made by staff to customer facilities. If a company makes finished products that are sold with warranties, then the SAP customer service component will help a company to service and repair those items with maximum efficiency.
- **Warehouse Management (WM)** – the warehouse management component helps companies to accurately manage inventory and maximize storage capacity. This component can reduce time it takes to place and remove items from the warehouse by suggesting the most efficient location to store a material and the most efficient way to place and remove that material from the warehouse.

And of course there is additional functionality that integrates with the Logistics area, such as Transportation Management, Batch Management, Handling Unit Management, Logistics Information System (LIS), Variant Configuration, Engineering Change Management, Project Systems (PS) and Environmental, Health, and Safety (EHS). All of these can be important in the Logistics area, depending what a company requires.

News from the Industry*

Logistics stocks safe long-term bets; sector to grow 12-15%

The logistics space seems to be picking up pace especially with private equity players making a beeline to spruce up their portfolio in the supply-chain industry. Market experts say even though the valuations of logistics stocks are stretched at the moment, they are best bets in the long term as the sector is poised to grow at a CAGR of around 12-15 per cent.

"The sector shows immense growth potential. The industry has a very high co-relation with the overall economic development. If the economic growth is seen at 6 per cent, the industry is likely to clock a compounded annual growth rate of 12-15 per cent," said an analyst with Kotak Securities.

"We believe India is fast emerging as a global manufacturing hub with strong growth in infrastructure. Logistics is expected to be one of the biggest beneficiaries of growth in economy, with the increasing penetration of organised retailing and outsourcing of logistics to third party logistics service providers," he added.

CRISIL has forecast that the Indian logistics industry, valued at Rs 3.6 trillion, is poised to grow 11 per cent annually on strong economic fundamentals. Government measures such as development of logistics parks and investment-linked tax deduction will help the industry become more organised and accelerate its growth.

"A strong growth is expected on the back of favorable regulatory environment, greater thrust on logistics infrastructure spending and the changes which we expect from organised players gaining a larger market presence in the industry," said Manoj Mohta, head, CRISIL Research.

Backed by these insights, the sector, which was largely underrated among other sectors has suddenly discovered a new-found interest for PE participation. Lately, the Blackstone Group, a financial advisory services provider, has planned an additional investment of \$23 million in All Cargo Global Logistics, taking its total commitment to \$75 million.

FOUNDATION STONE LAID FOR INDIA'S FIRST AUTO LOGISTICS HUB

Railway Minister Mamata Banerjee laid the foundation stone for the country's first Automobile Logistics hub near howrah and announced that nine more such centers will be set up at different places. "After this, we will set up automobile hubs at Siliguri, Guwahati, Chennai, Pune, Mumbai, Ahmedabad, Kerala, Bangalore and Delhi as a pilot project in collaboration with Society of Indian Automobile Manufacturers (SIAM)," Banerjee said while laying the foundation stone near Shalimar railway station.

The hub would be a major logistics station where automobiles would be brought from factories across the country for local distribution, it is expected to generate a revenue of Rs 1,000 crore annually once it became operational. Similar hubs could be constructed in all railway zones across the country if the automobile industry evinced interest.

Once these hubs became operational, the railways would be able to increase its revenue share from the automobile sector to 15 per cent from present two per cent. "This can go up to 50 per cent in future." Representatives from a number of automobile companies, including Maruti, TVS, Hyundai, Hero Honda and Tata Motors were present at the function.

INFORMATION BITE - Warehouse Best Practices*

Companies are constantly trying to find ways to improve performance and warehouse operations is area where supply chain managers can focus to gain maximum efficiency for minimum cost. To get the most out of the operation, a number of best practices can be adopted to improve productivity and overall customer satisfaction. Although best practices vary from industry to industry and by the products shipped there are a number of best practices that can be applied to most companies.



When considering the level of effort involved in warehouse operations, the greatest expenditure of effort is in the picking process. To gain efficiencies in picking the labor time to pick orders needs to be reduced and this can be achieved in a number of ways. Companies with the most efficient warehouses have the most frequently picked items closest to the shipping areas to minimize picking time. These companies achieve their competitive advantage by constantly reviewing their sales data to ensure that the items are stored close to the shipping area are still the most frequently picked.

Warehouse layout is also important in achieve greater efficiencies. Minimizing travel time between picking locations can greatly improve productivity. However, to achieve this increase in efficiency, companies must develop processes to regularly monitor picking travel times and storage locations.

Warehouse operations that still use hard copy pick tickets find that it is not very efficient and prone to human errors. To combat this and to maximize efficiency, world class warehouse operations had adopted technology that is some of today's most advanced systems. In addition to hand-held RF readers and printers, companies are introducing pick-to-light and voice recognition technology.

In a pick-to-light system, an operator will scan a bar-coded label attached to a box. A digital display located in front of the pick bin will inform the operator of the item and quantity that they need to pick. Companies are typically using pick-to-light systems for their top 5 to 20% selling products. By introducing this system companies can gain significant efficiencies as it is totally paperless and eliminates the errors caused by pick tickets.

Voice picking systems inform the operator of pick instructions through a headset. The pick instructions are sent via RF from the company's ERP or order management software. The system allows operators to perform pick operations without looking at a computer screen or deal with paper pick tickets. Many world class warehouse operations have adopted voice picking to complement the pick-to-light systems in place for their fast moving products.

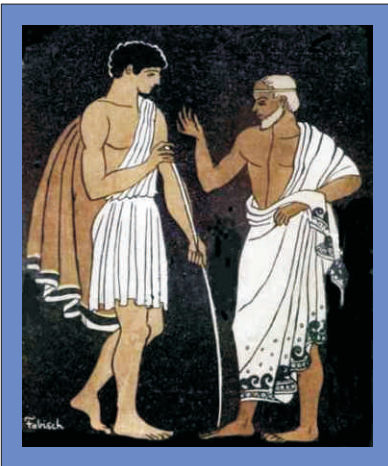
Although many companies will not be able to afford new technologies for picking, we've seen here that there are a number of best practices that can be adopted to improve efficiency and reduce cost.

◀ Learning from the Guest Lecture ▶



A guest lecture was organized for the students of MBA and BBA - Logistics on 12th November. The topic of the session was “ Shipping & Logistics – its advantages, procedures and current development in the shipping Industry”. The session was delivered by Mrs. Meena Yadav, Head - Key accounts, MGH Group. Mrs Meena talked about Transport Considerations, Vessel Operating Carriers, Insurance, Terms of sale, Purchase order, Letter of credit, Types of cargo, containerization, Documentation, shipping lines and the opportunities and future in the Shipping Industry. The students described this session as a phenomenal session which helped them gain insight into shipping Logistics operations.

Student’s Mentorship - An ILAM Initiative



Dear Readers,

On behalf of ILAM, I would like to thank all the people from the industry for putting in efforts at making the Mentorship Mentee program a success. We hope for the continued support from the industry in future.

About Mentorship:

Mentorship is a program long activity in which a student gets attached to a function specific expert for gaining real life experiences during his/her program. It provides an excellent opportunity to a student to value add his/her class room learning with real life learning from finest industry experts. Under the program, a student gets attached to an expert and he/she is required to spend mutually agreeable time with his/her mentor every month. The student is required to submit a detail report to his/her faculty summarizing his/her learning from such meetings with in seven days of meeting with the mentor.

Below mentioned is the list of students selected in the Industry for the Mentorship Program in the month of November:

Company	Mentor	Mentee
CMA CGM	Capt. Bawa	Aayush Saxena
Safexpress	Pradeep Mishra	Atul Ranjan Dash
Fed Ex	Vimal Rawat	Firoj Ansari
Ceva	Rajiv Nair	Jeetendra
DIPL	Arvind Sharma	Gaurav Kr. Sharma

Company	Mentor	Mentee
Connect2consult	Pooja Sharma	Ria Haty
UTI	Yuvraj Sharma	Surbhi Arora
AFL	Satish Lakkaraju	Tushar Agarwal
Safexpress	Pradeep Mishra	Vijay Bhadauria

Vijay Singh, Head - Corporate Interface, ILAM

ITC's E-choupal, a Supply Chain Management system for Rural Development

ITC (Indian subsidiary of British American Tobacco BAT) is one of India's largest diversified conglomerates and has its presence in cigarettes, hotels, paperboards and specialty papers, packaging, agri-business, branded apparel, packaged foods & confectionery, greeting cards and other FMCG products. With a turnover of US\$ 2.6 billion, ITC has transformed India's rural landscape with its Chaupal Sagar (retail) and e-Choupal (online) initiatives.



ITC's International Business Division, one of India's largest exporters of agricultural commodities, conceived e-Choupal as a more efficient supply chain aimed at significantly enhancing the competitiveness of Indian agriculture. e-Choupal empowers Indian farmers through the power of the Internet and thus, builds a huge rural distribution infrastructure for ITC. The e-Choupal model launched in the year 2000, aims to remove bottlenecks present in the Indian agriculture distribution chain, which is characterized by fragmented farms, weak infrastructure, poor agricultural practices, significant wastages, low quality produce and the involvement of numerous intermediaries. By virtually clustering all the value chain participants with the help of information technology, ITC has set up village Internet kiosks managed by a Choupal Sanchalak, himself a local farmer, who acts as an interface between the computer and the other villagers. These kiosks provide the agricultural community with real time global information on weather, prevailing market prices, price trends, scientific farm, practices and risk management, facilitate the sale of farm inputs and purchase farm produce from the farmers' doorsteps all in the local language.

Though access to crop specific websites, the smallest individual farmer gets the benefit of expertise on the cultivation of his crop e-Choupal services reach out to more than 3.1 million farmers, growing crops, ranging from soyabean, coffee, wheat, rice, pulses and shrimp in over 31,000 villages through 51050 kiosks across six Indian states. The e-Choupal assists the farmer in the following ways:

- 1) Provides farmers with real time information and customized knowledge, enabling them to improve productivity quality of produce and price realization.
- 2) Allows for aggregation of demand for farm inputs from individual farmers thus giving them, access to high quality inputs from reputed manufacturers at competitive prices.
- 3) Eliminates middle men multiple handling multiple transportation and wastage hereby significantly reducing transaction costs.

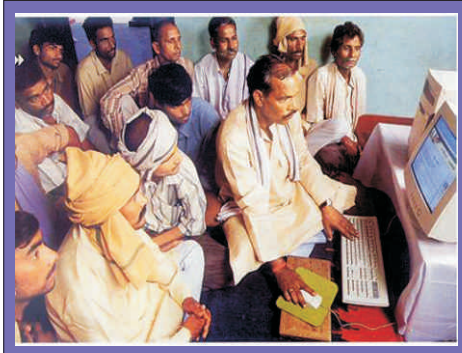
The e-Choupal also provides valuable information for demand forecasting and real time communication to other marketing companies catering to the rural markets through this channel. This business model can boost the competitiveness of Indian agriculture through higher productivity, higher incomes for farmers, enlarged capacity for farmer risk management, larger investments and higher quality of produce. Having eliminated costs in the supply chain that do not add value, ITC benefits from the lower net cost of procurement (despite offering better prices to the farmer).

The enthusiastic response from farmers has encouraged ITC to plan for the extension of the e-Choupal initiative to altogether 15 states across India, covering over 1,00,000 villages in the next few years. On the anvil are plans to

ITC's E-choupal, a Supply Chain Management system for Rural Development

channelise services related to micro-credit insurance, entertainment, telemedicine, education and e-Governance through the same e-Choupal infrastructure.

Choupal Sagar is the second phase of ITC's noteworthy retail initiative to capture rural markets. It is one of the first organized



retail forays by any retailer catering for rural India. The Choupal Sagar is a rural hypermarket (each store is about 7,000 square feet) which provides multiple services under one roof. Besides being able to buy quality products at fair prices for both farm and household consumption, farmers can also sell their produce in these hypermarkets. It aims to provide farmers with invaluable additional services like soil testing, banking, insurance, medical facilities, training and restaurant. The stores stock everything from toothpastes to tractors hair oils to motorcycles mixer grinders to water pumps, shirts to fertilizers. The building also serves as a warehouse for ITC to store produce that it buys through its e- Choupals. ITC plans to open 50 such hypermarkets over the next two years.

ITC has invested over Rs 800 million (US\$ 18 million) over three years for its retail initiative. To keep its own investment to the minimum, ITC is encouraging the samyojak – a local broker or middleman co-opted by ITC to pick up equity and manage these shops as part owners. Assisted by four ITC salesmen, the local owners will assess demand ensure just in time delivery manage customer service and keep accounts.

With e-Choupal and Choupal Sagar initiative, ITC has solved one of the biggest problems faced by Indian rural marketers. It has provided the last mile infrastructure to access rural markets. Clearly, ITC's retail foray is a great example proving the benefits of modern trade. It has helped increase employment, improve supply chain and enhance sourcing from India's heartland, the region that needs it the most.

 Reyaz Ahmed, Professor, ILAM

