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Ocean Fast Facts

In 2008, which Argentine port saw nearly 1.8 million TEUs of container throughput volume that represented an increase of nearly 800,000 TEUs from their 2001 TEU container throughput volume?

- Ushuaia
- Buenos Aires
- Puerto de la Casa Rosada
- Port of Rosaro

[Click here to see the answer!](#)

Correct Answer: B - Buenos Aires. The port of Buenos Aires saw an increase of nearly 700,000 TEU between 2001 when the port handled 1.04 million TEU and 1,713,000 TEU during the year 2008. In 2008, Buenos Aires ranked as the 68th largest container port in the world and saw a 5.5% increase in TEU volume from the year 2007. It is the second largest port in South America behind the Port of Santos, which was highlighted in the "Ocean Fast Facts" section of last month's AIT eNewsletter.

Source: <http://www.cargosystems.net/freightpubs/cs/top100/68-buenos-aires-throughput-1713800teu-55/1218405663099.htm> and http://www.revistainterforum.com/english/articles/060302collins_panama.html



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BUZZ WORD

Freight All Kinds (FAK)

A carrier's rate classification that usually refers to a consolidated cargo shipment where items of different classes (weight, bulk or value) are shipped in a single container, but charged at a single rate. This rate classification is used only for establishing shipping rates and is not acceptable on customs documents, which must detail the specific contents of a shipment.

Source: *Directory of International Trade, 7th Edition; 2006 Edward G. Hinkelman.*

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Just the FAKs - Freight All Kinds

Often times, importers and exporters may hear their ocean freight sales representatives comment that their rate quotation covers "FAK" rates. FAK, also known as freight of all kinds, covers several different commodity descriptions that apply at a single rate level.

Normally, ocean rates vary slightly on a given "same" origin / destination pair based on cargo value. For example, high value plasma televisions generally move at a higher freight rate than recycled paper. Obviously, shippers of both these products have different cost margins to consider and the

cost of transportation is typically figured into the unit price of these products. Plasma televisions move as a higher end, fully-manufactured consumable product, while recycled paper almost always represents one portion product used in the manufacture of low to middle priced consumable goods.

Individual importers or exporters frequently utilize ocean freight as a mode of transportation to ship multiple commodities that their individual companies distribute and sell. For example, an office supply importer may move staplers, office chairs, papers and pens. Often times, these companies "combine" their mixed commodities into an FAK rate, which merges the individual commodities at a given rate level rather than paying an individual freight rate for each specific commodity. While this may save the importer/exporter on ocean transportation charges, the importer practicing this process must ensure their commercial documents meet international customs law requirements and individual commodities are declared to customs lawfully. For commodities destined to or from the United States, importers must also properly file commodity descriptions within their ocean carrier's tariffs to satisfy Federal Maritime Commission (FMC) requirements.

Should you have questions about FAK rates and how they may impact your existing or planned shipping methods, please contact your local AIT representative.

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Original Documents - Handle with care; get your freight there!

At AIT, we handle a significant amount of freight to and from door locations throughout the world. Shippers have increasingly begun to attach original documents to the actual shipment itself, or given to a driver rather than being sent directly to AIT.

Certain countries, in fact most United States trading partners, require presentation of these documents prior to arrival of the cargo overseas. Additionally, original documents (commercial invoice, bill of sale, packing lists, shipper's export declaration, etc.) are required documents, some of which are used by U.S. Customs for AES purposes and many customs entities around the globe to determine the true transaction value of goods.

It is important that these documents are appropriately sent to AIT to ensure prompt handling of cargo. If this is not done just after booking and prior to receipt of cargo, your shipments can be subject to delays and additional costs due to expedited courier charges, re-printing/signing, etc. In order to guarantee your cargo will move expeditiously and without impediment, please always remember to prepare your documents and get them into the hands of your AIT operations or customer service representative in a timely manner.

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July - a month of celebrating red, white and blue around the world.

Don't be blue if your freight incurs delays due to one of the few major "patriotic" holidays being celebrated throughout the world in July. As those in the northern hemisphere are enjoying the long "dog days" of summer, especially those in extreme northern climates like Scandinavia, Siberia, Northern Canada and Alaska, it is important to remember July is also a significant time for holidays, especially in the United States and France.



American Independence Day falls this year on Saturday, July 4th.

However, take note that many ocean carriers, pier terminals, trucking companies and railroads will be closed on Friday, July 3, in observance of this holiday. In France, Bastille Day will be celebrated in June. Office closures in these countries may be in effect during July as well as bank holidays in the United Kingdom. Should you have questions regarding holiday closures throughout the world during the month of July, please check with your AIT representative.

Click to see AIT's Independence Day eCard:

<http://www.aitworldwide.com/cards/fourthofjuly.aspx>

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Express your freight - a reminder that "LCL Express" is here!

Last month, AIT announced the launching of a new LCL program from Shenzhen/Yantian/Hong Kong and Shanghai to the United States west coast. More destinations will soon follow. The program, called "LCL Express," offers industry leading LCL transit time on dedicated weekly vessels using Cosco vessels via Los Angeles through our vendor partner, COSCOEx.

The service combines direct dedicated weekly boxes with expedited delivery services to door

locations throughout the Continental United States. "LCL Express" offers an economic alternative to air freight, or expedited LCL solution at a small price premium. The service was introduced to supplement AIT's successful FCL Ocean Express program. Ask your AIT representative for more details and service specifics!

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U.S. exports containers remain in demand - plan ahead!

As reported in the June edition of AIT's eNewsletter, export volumes remain steady. This overall market stability has resulted in high container demand, especially at depot locations within the United States interior. Intermodal markets such as Minneapolis and Kansas City report "deficits" in the availability for containers.

AIT continues to recommend that exporters plan early for booking export shipments; this remains especially critical when planning for multiple full container load (FCL) bookings and ensuring equipment availability within your supply chain. Less than container load (LCL) booking availability remains wide open.

As always, AIT would like to remind our customers moving special equipment to allow for ample planning and booking time for special equipment, such as refrigerated and flat rack / open top equipment. Speak with your AIT representative to address your specific container and commodity considerations.

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Piracy and liability - a brief follow up

In previous editions of the eNewsletter, AIT reported on war risk insurance and its relation to piracy. AIT advised customers to investigate insurance requirements and determine adequate cargo coverage in high risk regions, such as the Gulf of Aden near Somalia. The Journal of Commerce recently provided commentary which specifically addresses acts of piracy and where the "liability" falls for the carrier: <http://www.joc.com/node/411647>.

While the subject matter does not provide a 100% clear response, the reader is provided with governing laws and possibilities as where liabilities start and end when piracy is involved.

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India - Port of Cochin strike ends

A brief strike on June 26 at the Port of Cochin has ended. The strike involved a dispute between local labor unions and port management relating to hiring additional manpower at the port. Delays of cargo were not reported at press time.

Source: <http://www.joc.com/node/412108>

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Schedules, schedules, schedules - how long does it take and when does it sail?

Importers and exporters frequently request to get a basic idea of how long it takes their shipments to get from Point A to Point B.

Several websites can assist in providing estimated transit times and landed cost of transportation; www.jocsailings.com or www.oceanschedules.com. Try these tools if you need a basic estimate, yet please keep in mind that they exclude specific cargo cutoffs. Contact your AIT representative to get optimal routing alternatives and detailed cutoff information, as schedules are often subject to change.

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The 2009-2010 Trans Pacific Import Shipping Season is here ... well, almost!

As earlier reported in the June AIT customer eNewsletter, the question was recently raised on whether or not there would be a Peak Season and corresponding Peak Season Surcharge (PSS) during the 2009-2010 shipping season.



As of press time, the Transpacific Stabilization Agreement (TSA) member carriers servicing the Asia to USA trade have not yet announced a PSS charge for the 2009-2010 shipping season, which historically has commenced by midgame of each shipping season.



Peak Season generally lasts through October or November of each year, depending on the routing (United States west coast, Minilandbridge (MLB) or All Water Service (AWS) via the United States east coast). Additionally, while TSA carriers are finalizing new contracts through April 2010, it currently appears that rate levels will remain relatively constant in the short term, as they have been in the trade for the past 30 to 45 days; meaning there is no significant increase planned into August. However, this does not mean that the rates will remain constant at historically low levels seen from May into June of this year.

Due to recent increases in the price of fuel, the fuel adjustment factor (FAF), also known as bunker adjustment factor (BAF), charged by the TSA carriers will be passed along to customers. This charge will result in a minor increase in the bottom line ocean transportation spend per container, or per LCL shipment.

Earlier in 2009, the TSA carriers proposed to help recoup costs and stabilize revenues by proposing general rate increases. As of press time, considering the lack peak season volumes as the middle of June approached, flat market conditions, and feedback from the shipping community, the TSA has been able to pass along previously proposed increases or corresponding "minimum" rate levels. As the 2009-2010 shipping season commences, ocean freight levels on the Trans-Pacific eastbound service remain at historically low levels. Some ocean carriers claim to have non-compensatory rate levels, meaning the carriers are losing money on certain trade lanes.

The TSA member list of carriers includes the following carriers: APL, Ltd., China Shipping Container Lines, CMA-CGM, COSCO Container Lines, Ltd., Evergreen Line, Hanjin Shipping Co., Ltd., Hapag Lloyd AG, Hyundai Merchant Marine Co., Ltd., Kawasaki Kisen Kaisha, Ltd. (K Line), Mediterranean Shipping Co., Nippon Yusen Kaisha (N.Y.K. Line), Orient Overseas Container Line, Inc., Yangming Marine Transport Corp. and Zim Integrated Shipping Services.

Customers who have not yet received their post July 1 rate levels will soon receive their rates for the upcoming shipping year. Finally, as reported last month, the "signs of life" and some moderate market recovery continued through June. There was talk in the marketplace of some spot situations in China over the past two weeks, when very large importers scheduled last minute "slugs" of bookings, which caused a lack of available space to the United States, ultimately causing some customer's containers to "roll" to later vessels.

For those customers seeking new rates for the 2009-2010 shipping season, please bear in mind the shifting market conditions on the Transpacific trade lane and contact your AIT representative to clarify rate validity as needed.

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[The Parting "Wave"](#)

The AIT Ocean Systems team would like to thank you for your support during this very busy month of July. Rate requests are at an all-time high and we would like to take this opportunity to thank existing and new customers for giving AIT the opportunity to quote on your perspective ocean freight. It's too early to tell if it will be a peak season during 2009, but AIT is prepared to assist with your shipping volumes, high or low, during the upcoming shipping season.

Preview August 2009 AIT Ocean eNewsletter:

Summer heat ... and a HOT port - Miami!

If you have any questions or comments regarding the Ocean eNewsletter, please contact [Kevin Krause](#) from the AIT Ocean Department.

COMPLIANCE

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[FDA - Food Safety Enhancement Act](#)

[Lacey Act as Amended by the Food, Conservation, and Energy Act of 2008](#)

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House Climate Change Bill

The National Customs Brokers and Freight Forwarders Association has noted that the climate change bill in its form of late June includes provisions which could be "very dangerous to the international trading system."

The final bill could quite possibly impose significant costs to some US industries. This is leading to a call to "level the playing field" by protecting the US industry "with an array of allowances and rebates" or by imposing a "carbon tariff" that would act as a "carbon tax" against the foreign industry.

This bill is not close to final, but depending upon its final version, there could be "the potential for damaging trade wars."

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FDA - Food Safety Enhancement Act

An additional bill that is currently working through Congress is the Food Safety Enhancement Act. As of late June, the bill is with the House Energy and Commerce Committee.

One of the provisions would require all importers of FDA products to register with the FDA and pay an annual registration fee (currently \$500). Brokers would also be registered.

The bill in its current form could impose fines of up to \$250,000.00 and suspension or cancellation of FDA registration upon anyone who submits inaccurate information to FDA.

Trade associations are contacting the house members on the committee regarding these and other provisions of the bill.

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Lacey Act as Amended by the Food, Conservation, and Energy Act of 2008

The following announcement serves as an addendum to an article published in the November edition of AIT's eNewsletter on the Lacey Act.

The Lacey Act declarations have been required since April for some wood products, with more wood product and wood pulp to require the declaration beginning on October 1st. Starting next April 1st, some paper products will require the declaration. Thankfully, printed matter is not yet listed on the schedule.

Various associations of brokers and importers are working with the USDA to make this process more "manageable."

To follow is the "Phase in Schedule of the Declaration Requirement for Goods of, or Containing, Plants or Plant Products" as required by the Lacey Act as amended:

Effective April 01, 2009:

Chapter 44 Headings (wood and articles of wood)

- . 4401 / Fuel wood
- . 4403 / Wood in the rough
- . 4404 / Hoopwood, poles, posts, stakes
- . 4406 / Railway and tramway sleepers
- . 4407 / Wood sawn or chipped lengthwise
- . 4408 / Sheets for veneering
- . 4409 / Wood continuously shaped

- . 4417 / Tools, tool handles, broom handles
- . 4418 / Builders' joinery

Effective October 01, 2009, for these additional items:

Chapter 44 Headings (wood and articles of wood)

- . 4402 / Wood Charcoal
- . 4405 / Wood Wool (excelsior)
- . 4410 / Particle Board
- . 4411 / Fiberboard of Wood
- . 4412 / Plywood, veneered panels
- . 4413 / Densified wood
- . 4414 / Wooden frames
- . 4415 / Packing cases, boxes, crates, drums
- . 4416 / Casks, barrels, cots, tubs
- . 4419 / Tableware & kitchenware of wood
- . 4420 / Wood marquetry, caskets, statuettes Chapter 47 Headings (wood pulp)

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- . 4701 / Wood pulp
- . 4702 / Wood pulp
- . 4703 / Wood pulp
- . 4704 / Wood pulp
- . 4705 / Wood pulp

Effective April 01, 2010, for these additional items:

Chapter 44 Headings (wood and articles of wood)

- . 4421 / Articles of wood nesoi (not elsewhere specified or indicated in HTSUS) Chapter 48 Headings (paper and articles of)

Chapter 48 Headings (paper & articles of)

- . 4801 / Newsprint
- . 4802 / Uncoated writing paper
- . 4803 / Toilet or Facial tissue stock
- . 4804 / Uncoated kraft paper
- . 4805 / Other uncoated paper and board
- . 4806 / Vegetable parchment, etc.
- . 4807 / Composite paper and board
- . 4808 / Corrugated paper and board
- . 4809 / Carbon paper
- . 4810 / Coated paper and board
- . 4811 / Paper coated, etc other than 4803, 4809, or 4810 Chapter 94 Headings (furniture etc)

Chapter 94 Headings (furniture, etc.)

- . 940169 / Seats with wooden frames
- . 940330 / Wooden office furniture
- . 940340 / Wooden kitchen furniture
- . 940350 / Wooden bedroom furniture
- . 940360 / Other wooden furniture
- . 94039070 / Wooden furniture parts

Both Customs and the USDA have thorough websites with the most current information on the Lacey Act provisions:

http://www.cbp.gov/xp/cgov/trade/trade_programs/entry_summary/laws/food_energy/amended_lacey_act/

http://www.aphis.usda.gov/plant_health/lacey_act/

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GOING GREEN

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Green Logistics: House signs off on Markey-Waxman energy legislation

The U.S. House of Representatives signed off on legislation earlier today that has the potential to have a profound impact on shipper supply chain operations and planning for years to come.

The legislation-introduced by Representatives Edward Markey (D. Mass) and Howard Waxman (D-Calif.)-is entitled the American Clean Energy and Security Act of 2009. It calls for reducing emissions by 17 percent below 2005 levels by 2020, as well as:

- A new low-carbon transportation fuel standard to promote advanced biofuels and other clean transportation fuels;
- A focus on transportation efficiency, which would order the EPA to set emissions standards for locomotives and marine vessels and a requirement for states to establish goals for reducing global warming pollution from the transportation sector; and
- Authorizing the EPA to carry out the SmartWay Transportation Efficiency Program to increase highway trucking output and efficiency.

A report in the Wall Street Journal indicated the bill would impose the nation's first limits on greenhouse gases linked to global warming and shift the country away from reliance on fossil fuels.

A component of the bill that has been met with some opposition due to the potential increased costs for businesses and consumers has to do with "cap and trade," a form of emissions trading, which is used to control pollution by offering economic incentives in order to achieve reductions in emissions pollutants. Cap and trade would put limits on emissions from motor vehicles, coal-fired plants, and factories.

The U.S. Chamber of Commerce came out against the bill, saying that it fails to ensure that an adequate amount of renewable or alternative energy sources are developed and deployed to compensate for the bill's declining cap on fossil fuel emissions.

And the American Trucking Associations said earlier this month that the bill threatens to significantly increase fuel costs and jeopardizes the economic viability of trucking companies. ATA First Vice Chairman Tommy Hodges recently told a Congressional Committee that provisions in the bill's cap and trade program grant oil refiners two percent of the carbon allowances between 2014 and 2016 to help mitigate refinery greenhouse gas emissions. Hodges said this amount is inadequate and will result in major price increases for refined products.

If this bill becomes law, shippers will have to re-think their supply chains, which will require supply chain modeling to devise supply chains that are "lean as possible" to reduce transportation usage, noted Brittain Ladd, director of logistics and manufacturing at Cognizant Technology Solutions.

"A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials; transformation of these materials into intermediate and finished products; and distribution of these finished products to customers," explained Ladd. "Therefore, every new regulation restricting the production of GHG will have a direct impact on supply chains, as supply chains are major contributors of GHG.

As more and more environmental regulations are implemented, [shippers] will be challenged to shorten their supply chains and introduce new technologies and business models in order to adhere to the new regulations."

Source: *Logistics Management*

<http://www.logisticsmgmt.com/article/CA6667710.html?industryid=48465>

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If you have any questions or comments regarding the Going Green eNewsletter, please contact the [AIT Marketing Department](#).

PARTNER NEWS

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German Reinforcements

In an effort to strengthen AIT's position in Germany, we are proud to announce a new cooperation with Munich-based GROUP7 International Logistics.

In May of this year, AIT Worldwide Logistics and GROUP7 agreed to become international partners and strategically develop the USA - German market.

"GROUP7 distinguished themselves with a very personal and innovative service for our needs," explained Larry Georgen, director of AIT's global network. "Together, I am confident we can deliver fast, reliable and realistic solutions for the benefit of our customers in this particular region of the global logistics marketplace."

GROUP 7 are represented at the economic centers and strategic locations of Germany with their own branch offices. Locations in Munich, Frankfurt, Bremen, Hamburg, Nurnberg, Stuttgart and Düsseldorf provide a comprehensive network to meet the requirements of AIT and its customers.

GROUP7 was founded by Petra Sperber as an international provider of logistics services with headquarters in Munich. GROUP7 stands for a group of experienced logistics professionals who regard innovative customer service as their top priority.

Intelligent logistics solutions for airfreight, sea freight, sea-air, road haulage as well as individual concepts for the outsourcing of logistics services represent, in short, the range of services offered by GROUP7.

GROUP 7 is driven by the entrepreneurial thinking of a privately-owned and owner-managed company that successfully implements goals-oriented processes with a dynamic and experienced team.

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GROUP7 and Going Green Logistics

The topics of disposal and the management of packaging materials take center stage for GROUP7, which is why the company makes prudent and sparing use of recyclable packaging materials, considers ecological aspects in the selection of third party service providers, and adheres to the most stringent safety standards in disposal.

GROUP7 examines all the possibilities and options for creating energy-efficient and environmentally compatible buildings. In the construction of the new logistics center at Munich Airport, for example, wooden roof frames were employed, while rolled concrete was chosen instead of armored concrete. In addition, a number of efficient energy management options were also implemented. The building will be eco-certified in 2009.

To learn more about GROUP7, please visit their website: <http://www.group-7.de/>

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Passport to Partnership: Q and A with Volker Hellweg, GROUP7's Vice President

During a recent visit to AIT's corporate headquarters, Volker Hellweg, GROUP7's Vice President, sat down with Larry Georgen, director of AIT's global network, to discuss Volker's philosophy on selecting global business partners.

Larry Georgen: What are some of the qualities you look for from a potential partner?

Volker Hellweg: We are looking to work with a professional staff, a financially stable company and a



company with which we can grow. Additionally, we take into consideration which markets the potential partners are doing business and their potential for growth in each of those specific markets. Ultimately, you must ask yourself, "Can I count on this company to grow business together?"

For me personally, the most important quality to consider is the corporate culture of the potential partner. Their core business philosophies must be aligned with ours in order to make those joint beliefs the foundation of our partnership.

Larry Georgen: This is your third time visiting AIT in the past year. Why?

Volker Hellweg: Yes, this is my third visit this year. From the first moment I walked into AIT, I had a great feeling about partnering with this company. It starts with the "director of first impressions" sitting at the front desk and goes through the whole operational set up.

The AIT culture in Chicago is special and you can instantly feel this when walk around the office and interact with the staff.

Larry Georgen: What factors can improve our partnership's effectiveness?

Volker Hellweg: We will need to develop programs and products together moving forward, which will separate us from the other forwarders who only have agent relationships.

We agreed to make regular visits to our respective markets and strategically develop our business relationship through sales calls and leveraged marketing efforts.

Lastly, we will work with the same partners in other areas of the world, which will bring additional synergies to our cooperation.

Larry Georgen: What role will technology play in our collaboration?

Volker Hellweg: It plays a large role - the advancement of technology is a "must" in global corporate collaboration.

We need to improve the number of shipments per employee, as profits per shipment are shrinking. Therefore, the number of orders we are processing must increase, and this goal can only be accomplished through enhanced IT systems.

I feel an EDI link between our companies can be very beneficial in terms providing our customers timely status updates, supply chain visibility and efficient document availability in today's global marketplace.

Larry Georgen: Why did you select AIT as your partner in the USA?

Volker Hellweg: There are, of course, a lot of other companies that "talk the talk," but don't really have the network in the USA or the quality of operations that AIT has established. AIT's complete USA market coverage was an important element in our partner selection.

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If you have any questions or comments regarding the Partner News eNewsletter, please contact [Larry Georgen](#), Manager Global Network.

Information and inventory

How IT solutions enhance warehousing and inventory management

Warehouse planning and inventory management processes in today's global logistics business environment are critical success factors to effectively manage your organization's corporate collaboration, peak performance, job efficiencies and bottom line.

"While every warehouse is undoubtedly unique — each with its own set of purchasing, inventory, order fulfillment, tracking systems and pick-and-pack procedures — the importance an integrated software system plays in streamlining the tailored data within each warehouse cannot be underestimated," says Bill Reichman, vice president of information systems for AIT Worldwide Logistics, Inc. "Using IT solutions to automate your warehouse and inventory processes optimizes efficiencies and improves access to information across every aspect of a logistics enterprise."

Smart Business spoke with Reichman about the relationship between information technology and inventory management and about how to maximize it in your organization.

What impact does IT have on warehousing and inventory management effectiveness?

Utilizing methods including automatic data capture and barcode scanning to track inventory levels allows your employees, customers and vendors to effectively sort, view and manage information flow, providing a real-time window into your warehouse operation.

Inventory is essentially like cash sitting on a shelf because you are paying for those items and that storage space. The longer it sits there, the more it depreciates in value. When you use technology to group tens of thousands of goods within any given warehouse, the software solutions will analyze data sequences and track the historical demand of each product to ensure the most optimal on-hand availability, order replenishment and efficient processes of your merchandise.

In addition to tracking the supply activity and shelf life of your inventory, IT solutions will also sequence the data in order to provide the most efficient layout and product placement plans within the warehouse. That way, the most high-demand products are closest to your organization's pick-and-pack operation, supporting workflow agility, lowering staff requirements and limiting job redundancies.



Bill Reichman
Vice president of information systems
AIT Worldwide Logistics, Inc.

It is quite literally a physical and mental impossibility for a human to perform these functions. Technology dramatically increases and enhances warehouse productivity, utilization and profitability.

Describe warehousing in a just-in-time (JIT) environment. What are the advantages and difficulties associated with that environment?

Implementing a just-in-time warehousing environment allows supply chain professionals to order and purchase inventory before it is needed, making your production operations more cost effective and streamlined. If properly implemented, it can enhance business value and warehouse efficiency while cutting down unnecessary steps in the movement of materials.

However, unpredictability is an important variable to consider when touting the benefits of a JIT environment. For example, delays along the supply chain, such as port strikes or inclement weather, are inevitable. When these emergencies occur, they dramatically disrupt the JIT operations of your business, sometimes with extremely costly consequences.

If you haven't allocated alternate resources to compensate for those delays,

you aren't just running the risk of losing profits, you run the risk of losing crucial customers.

Similarly, while technology can report downward trends of inventories, it can't predict unforeseen consumer demand fluctuations. In some instances, you can buy inventory in anticipation of forecasted demands, only to discover that by the time the product actually arrives, the demand for that product in the consumer marketplace has either regressed or no longer exists. Suddenly, because of the abrupt swings in buying patterns as dictated by the laws of supply and demand, you are left with obsolete, excessive or slow-moving stock and its associated inventory carrying costs.

The challenge then becomes maintaining adequate inventory levels without staging an overabundance of goods.

What system challenges are involved in inventory management?

One challenge involves conflicts or breakdowns in communication in getting two operating platforms to speak to one another. For example, our inventory is our customers'. Synchronizing our software systems with theirs, the customer accesses all product descriptions and quantities with a few clicks of the mouse.

Upon selecting a product ID, a purchase order is printed, the barcode is scanned, the system is updated, and the order is packed and sent directly from the warehouse. However, if the two systems aren't integrated correctly, or there is an internal glitch in either system, the information exchange will be inaccurate.

Another primary challenge involves receiving companywide commitment and follow-through to the various resources involved, particularly from a cost of implementation, training and maintenance standpoint.

However, it's imperative to point out the hard-to-quantify future gains and benefits of effective inventory handling. It maximizes the productivity of your staff, reduces transcription errors and ultimately improves customer service metrics. You can't ignore the definitive advantage; it drastically improves your bottom line. <<

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