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**Rutgers University Supply Chain Association**

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**RUSCA**

Rutgers University Supply Chain Association



*Shaping the world's future Supply Chain leaders*

## Welcome Back!

Welcome back RBS students! RUSCA is excited to provide readers with student perspectives on supply chain current events for the spring 2016 semester. Our club also has some exciting events planned, so come & network with professionals!



**RUSCA IS NOW CORPORATELY SPONSORED BY J.B. HUNT!**

*FOR RUSCA SPECIFIC EVENTS, SEE PAGE 13*

**Sources:****Main Article:**

Ostrower, Jon. "Boeing to Cut Production of 747s." *WSJ. The Wall Street Journal*, 21 Jan. 2016. Web. 25 Jan. 2016. <http://www.wsj.com/articles/boeing-to-cut-production-of-747s-1453412741>

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## A Ground Stop for Air Freight

By: Jessica Lee

The aerospace company Boeing Co. recently announced that, starting in September 2016, it plans to halve the production of its 747-8 planes. Boeing will thus be producing only six of these jumbo jets per year. Created back in 2008, the 747-8 model is the third generation of the Boeing 747 series, whose aircraft design is engineered to hold large capacities for transportation. The 747-8 jets can be used for transporting both passengers and freight, but since past passenger travel trends have shifted towards smaller and more fuel-efficient aircraft, primary demand for 747-8's lies in the air-cargo market. However, recent global economic conditions have strained the air-cargo market: "air freight contracted during November [2015], with volumes declining by 1.2% compared with the same period [in 2014]" ("Boeing"). As a result of this market strain and decreased demand for air freight transportation, Boeing plans to respond with 747-8 production cuts ("Boeing").

This would not be Boeing's first production cut for the model. Declines in global air-cargo business also occurred back in 2013, leading to decreases in the jumbo jet's production. In April 2013, Boeing cut 747-8 production "to 1.75 airplanes a month in 2014 from two a month...because of weaker demand for large passenger and freighter planes" ("Left Behind"). Subsequent production cuts occurred over the last three years: Boeing had gradually reduced its production rate to 1.5 747s a month, then 1.3, and then once a month. As a result of its latest decision, Boeing will soon be producing at a rate of 0.5 planes a month ("Boeing").

Boeing has not been and will not be the only aerospace company affected in this market, for the overall air cargo industry has been, and is predicted to continue to be, negatively impacted. Evidence of these difficulties is the recent air freight load factor, a measurement of filled cargo space, which has been at its lowest point in six years. This decrease has been primarily caused by an abundant supply of available

capacity in transportation. Since the growth of air freight business has been slow, many companies, in an effort to reduce costs, have been utilizing the increasing number of passenger planes as their major air shipping channel for their cargo. Companies have been employing the “belly cargo” tactic in which they utilize the extra space found in the baggage hold, or the “belly,” of passenger airlines to ship goods and transport the cargo based on the airlines’ scheduled flight times (Wall; “What is Belly Cargo”). Since many companies have been using this method of transporting goods, demand for freight-specific aircraft has decreased.



Unfortunately, the source of this excess capacity problem-- the stagnant condition of global commerce-- is predicted to persist. In December 2015, International Air Transport Association stated that “a tough global economic environment and feeble world trade,” evidenced by the economic recession in China, falling commodity prices, and the recent U.S. interest rate increase, “have subdued air cargo demand” and will continue to do so in the near future (Wall).

Despite the struggling air cargo industry, Boeing’s decision to cut 747-8 production shows that the company is being responsive to the recent industry performance and trends. In deciding upon this business direction, it is apparent that Boeing is utilizing a reactive strategy to adapt the company to changing conditions. While decreasing production of the model is not ideal for the company, Boeing is taking initiative in responding to current demands, allowing them to efficiently use their resources. This will allow Boeing to service demands elsewhere and remain a key player within companies’ supply chains as the air freight industry continues to evolve.

## Relocation is a Challenging Sport

By: Brandon Daley (*Class of 2019*)

Moving a sports team from one city to another is an enormous challenge. For one, the fans have been loyal for years and they’ve already bought jerseys of their favorite players. For better or for worse, the team has transformed the culture of the entire region. But, relocating a sports team also poses a major logistical issue as well; from the front office to those on the gridiron.

Individual players and those around them are affected the most because they have to leave behind their family, houses, and other valuables. This is specially for players who aren’t the quarterback or the star point guards: franchise relocation can be particularly challenging. When Matt Stover, a punter for the now Baltimore Ravens, relocated to Baltimore in 1996 from Cleveland - moving was a major financial predicament. There were no rules in the Collective Bargaining Agreement (the Constitution of the NFL) that would reimburse his expenses (Kart). These players were the ones losing money, and that is why players are now partially covered during team

relocation. Unfortunately, there is still no mention of financial packages being offered to players during the process.

However, that does not paint the entire picture. Players additionally have to worry about changes in tax rates. Most recently, the St. Louis Rams relocated to Los Angeles, where there is a six percent differential between what players pay in Missouri (6 percent) and what people pay in the heart of California (12.3 percent) (Kart). For someone making in excess of \$14 million dollars annually, that's the equivalent of handing over \$1 million dollars more in tax payments (Kart). In the event that players want to hire brokers, individuals who handle one's expenses, those not making six figures a year would face extremely lofty expenses.

As for the housing market, Los Angeles is significantly more expensive than in St. Louis. The median price for a house in L.A is \$506,800 compared to only \$160,000 in St. Louis (Kart). For obvious reasons, square footage is significantly less as well, which means players are putting in more money for less space. Players may also not be accustomed to the city their families will also have significant adjustments to make.

Management also has to heavily adjust during relocation. \$1.8 billion dollars were put into the state-of-the art complex in Inglewood, California. Team owner Stan Kroenke also had to get by the voting process, which he did handily, and outbid 2 other competitors, San Diego and Oakland, for the location. International architectural giant HKS Inc. has been put in charge to construct the 300-acre stadium, which will feature a 19-acre transparent canopy made from extremely sturdy ETFE plastics and end zones that change color depending on which team is competing against the Rams (Ponsford). The project is set to be complete in 2019, with the Los Angeles Rams playing in their old home, the L.A Memorial Coliseum, until then (Pros/Cons).

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*Dubbed the NFL Disney World, the New Rams arena is set to be the most expensive one in the world, estimated at \$2.66 billion dollars, \$1 million dollars more than the previous high MetLife Stadium.*



While only a part of the supply chain, logistics is an extremely complicated process that involves many things being put into motion all at once (What's the Difference). Especially in the sports world, logistics requires a great deal of planning. The Rams' move back to the sunshine of L.A has been going on for years behind the scenes in the form of negotiation, planning, and networking. Now it has all come out in the form of players shipping boxes to tiny condominiums and having to reboot a whole new lifestyle. Regardless, let's hope one thing is for certain. The Rams are here to stay.

## Procurement Rising to the Top

By: Kriti Sinha (*Class of 2019*)

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***“Procurement is not the same thing as supply chain management, but is part of the process”***

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Many individuals today get confused between Supply Chain Management and Procurement. They think that procurement, purchasing and supply chain management are the same. Not quite. Procurement is the process of purchasing goods and services the company needs in order to function as a successful organization. According to azcentral.com, “Some of the tasks involved in procurement include developing standards of quality, financing purchases, negotiating price, buying goods, inventory control and disposal of waste products like packaging.” The procurement process of the company is over when the company has attained all the goods and services it needs. In order for the company to be able to make a profit, the company's sales must be higher than its expenditures which includes procurement (purchasing of goods and services). On the other hand, supply chain management is the entire process from getting the product to the consumer. It includes gathering raw materials to manufacture products, shipping these products to wholesalers, then to retailers and finally to the customers. All in all, procurement is a small element in the supply chain management process.

Procurement is a very important step in the supply chain management process, which is why it is quite a significant job. This key step in the supply chain management process has a huge impact on the bottom line and reputation of the business. Jobs in procurement are in high demand, as many supply chain management jobs want more buyers to be able to purchase the organization's products. Indeed, procurement can make or can break a business.

In order to be able to take upon such a role, it is important to display few key strengths. These strengths include phenomenal communication skills, creativity, integrity independence, and understanding with others. It is important to know topics about the procurement and supply chain process. All in all, we can see that procurement is not the same thing as supply chain management, but is part of the process. Procurement is an exciting, interesting and high demand field so hopefully individuals will begin to apply soon!

## Supply Chain Challenges for Retailers and Electronics Companies

By: Miranda Wei (*RU Class of 2017*)

A piece of news saying that more Americans shopped online than in stores during the 2015 Thanksgiving holiday wasn't a total surprise to many people. According to Adobe System Inc., “consumers spent an estimated \$4.45 billion online Thursday and Friday, with Black Friday sales rising 14% from a year ago”(Online). And more than half of the sales came from mobile devices by estimation. How retailers are going to

**Sources:**

<http://yourbusiness.azcentral.com/difference-supply-chain-vs-procurement-vs-sourcing-20772.html>

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embrace the integration between brick-and-mortar stores and online shopping websites has always been a hot topic for several years. Now we can see strong signs that consumers' buying habits are changing rapidly and it's urgent for companies to start moving too.

Although retailers are trying really hard to solve problems and outperform their competitors, there aren't many impressive examples due to various reasons. Retailers are looking for help to maintain their growth under the new environment; at the same time, technology companies that own advanced products are waiting for experimentation opportunities in the real world. From there, it makes perfect sense for retailers and technology companies to work together. The concept of innovation as a service "goes beyond the simple use of technology: it's more about how to change businesses' thinking about how they'll sell products 5, 10 or 15 years down the road" (Faced). Retailers typically don't have huge R&D budgets and they can't really afford the cost of failure, while technology companies invest heavily on innovation. The collaboration between these two industries is expected to bring revolutionary outcomes to supply chain.

Not only are the retailers facing supply chain challenges but also the electronics industry. Knowing that many consumers pursue innovative technology, electronics companies have to keep that freshness by constantly introducing products with new functions or novel capabilities to the markets. Moreover, "it's up to the supply chain to make sure those innovations reach the market quickly, efficiently, and at a price that will keep both customers and shareholders happy" (2016). One of the challenges is to balance the high cost with the level of service customers are asking for. Globalization enables companies to reduce their manufacturing cost and mixed model transportation allows manufacturers to deliver products to enterprise customers and retailers based on their different time requirements. Another challenge for the big players is the lack of agility. Unlike most startups and small companies that have more flexibility, big companies have complex supply chain and are less likely to be able to move as quick to adapt to rapidly changing markets. This situation urges big electronics players to simplify legacy processes, develop efficient end-to-end supply chain, and make the best use of their supply network to be more competitive.

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***“Retailers typically don't have huge R&D budgets and they can't really afford the cost of failure”***

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## WTO Tariff Removal

**By: Sophia Zhou (RU Class of 2018)**

During the December 2015 Tenth Ministerial Conference in Nairobi, Kenya, the World Trade Organization's (WTO) agreed to remove tariffs from 201 information technology products. This means that 201 IT products will now be covered by duty-free trade and have zero tariffs. Beginning in 2012, this agreement expanded on the 1996 Information Technology Agreement and combined the efforts of 53 WTO member countries, which increased the number of IT products covered. According to the WTO, the product list encompasses GPS navigation system, new-generation, semiconductors, medical product with magnetic resonance imaging machines, printed satellites and circuits (EBN).

"The original WTO Information Technology Agreement – or ITA – was agreed in 1996. It was an innovative agreement, boosting trade in an important emerging sector. Since 1996 exports in products covered by that agreement have more than tripled in value. But, of course, since then new products and technologies have continued to emerge at a phenomenal rate, and this sector has continued to evolve," states WTO Director-General Roberto Azevêdo (EBN). This agreement is larger than global trade in

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**“The removal of tariffs on trade is valued at 1.3 trillion each year”**

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clothing, textiles, steel, and iron combined. The Director-General also mentions in a statement that adding that the value of trade involved was worth seven percent of the global total, more than the industry of cars traded worldwide (Reuters). Moreover, this deal is estimated to eliminate tariffs on roughly 10% of global trade. The goal in 2016, is for 65% of tariffs to be lifted and within the next seven years, 100% removal of these taxes.

So what does this mean for the everyday user of technology? The removal of tariffs on trade is valued at \$1.3 trillion each year thereby boosting the world economy by \$190 billion. As consumers, we should expect prices of game consoles, touch-screen devices, laptops, computers, and the alike to be decreasing. This is a win-win as companies will see reductions in the manufacturing costs, especially the cost for the cost of production such as machine parts and tools. The reduction will ultimately have a positive impact on the supply chain when it comes to lowering inventory holding costs. This means that the space utilized for handling and storing technology parts will be improved as the space will be in constant use rather than left for idling parts on the storage shelf.

United States Trade Representative Michael Froman says in a statement, that the agreement/expansion "is great news for the American workers and businesses that design, manufacture and export state-of-the-art technology and information products, ranging from MRI machines to semiconductors to video game consoles." Froman declares that more than \$100 billion of the U.S. exports along will be secured by the agreement along with support of up to 60,000 additional jobs (EBN).

## Optimizing Supply Chains

By: Somik Shah

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"Defense Logistics Agency Initiative on Packaging Supplies Saves Agency \$33 Million." *Recently Filed RSS*. N.p., n.d. Web. 26 Jan. 2016.

[http://www.scmr.com/view/defense\\_logistics\\_agency\\_initiative\\_on\\_packaging\\_supplies\\_saves\\_agency\\_33\\_m/finance](http://www.scmr.com/view/defense_logistics_agency_initiative_on_packaging_supplies_saves_agency_33_m/finance).

"How to Reduce Costs through Supply Chain Network Optimization." *How to Reduce Costs through Supply Chain Network Optimization*. N.p., n.d. Web. 26 Jan. 2016.

<http://www.industryweek.com/planning-amp-forecasting/how-reduce-costs-through-supply-chain-network-optimization>.

An ever-growing area of study, supply chain finance involves using capital in the most efficient way possible. Companies are constantly researching ways to increase cost reduction and maximizing the potential of their existing resources. A good way to optimize resources is to have a strong network design, giving companies a means of clearly defining their "end-to-end supply chain cost, including purchase, production, warehousing, inventory and transportation" (How). With recent technological advances, supply chains have become more and more complicated and the need to analyze costs is constantly growing more prevalent. Corporations are more willing than ever to devote resources to enhance their value chains, leading to the development of teams to redesign supply chains.

The Defense Logistics Agency (DLA) is a service that provides the Air Force, Marines, Army, etc. with several logistics services. In one instance, the DLA focused on reducing costs and trying to standardize many products the agencies needed to use. They projected a 10% decrease in costs; however, the results were far greater. For example, they reduced the cost of packing list envelopes from \$17 to \$3 and the cost of boxes were reduced from \$250 to \$115. They predicted a total amount of savings of \$3.9 million, but they exceeded their goal with a whopping \$34 million (Defense). Such fantastic progress has spurred the DLA to work on trying to standardize gloves that are used with hazardous materials. The process improvement coordinator, Julie Callahan, believes their success is owed to excellent teamwork and constant group participation (Defense).

Until recently, many universities did not offer a supply chain management program; however, organizations like the DLA show the necessity of one. Companies in the past may have felt that cost reduction was impossible or just not feasible, but the above example shows that it is possible to optimize efficiency. Lately, companies have

begun to notice the important role of value chains, and it may become necessary to enhance them in order to maintain a competitive edge. Though the initial cost may be large, for multinational conglomerates, the savings can be huge when mass producing millions of products. Every time a corporation makes an advancement, the competition must respond likewise, or risk running out of business. Reforming supply chains is more than an amenity, it is essential to survive in our capitalist economy.

## We Have a New 2016 Newsletter Team

**Name: Jasmine Kumar**  
**Year: Senior (Class of 2016)**  
**Major: Supply Chain Management**

As a supply chain major, I am looking for opportunities to grow and learn more about procurement & sustainability. I have a passion for volunteering and would like to blend that with the world of business. I look forward to working with the writers of RUSCA for this semester to educate readers about the world of supply chain. For new RBS students, I would say to network as much as possible and try to find like-minded individuals. There are plenty of ways to get involved in projects that interest you as long as you are willing to talk to people.

**Name: Miranda (Chuyao) Wei**  
**Year: Junior (Class of 2017)**  
**Major: Supply Chain Management**

I am an international student from China. It is my second year in Rutgers and I am really enjoying myself here! I am excited about experiencing different culture and meeting new people. During my spare time, I like reading a lot. Being a newsletter writer for RUSCA enables me to share some interesting articles and my insights on them. My suggestions to RBS student are to take advantage of career service that the business school provides and to make as many connections as you can when you are still in college.

**Name: Somik Shah**  
**Year: Freshman**  
**Major: Accounting and Supply Chain Management**

Professionally, I enjoy research based and informative writing and I hope to further improve my written communication skills during my time here. I also find market trends fascinating, which helps to spur my passion for writing about supply chain management. My goals are to join the E-board of a club and to land meaningful internship experience during the summer. I would advise people to become active in at least two Rutgers organizations: one related to their career and one to explore a passion.

**Sophia Zhou**  
**Year: Class of 2018**  
**Major: Finance**  
**Minor: Philosophy**

I am part of the Rutgers Mock Trial Association as an opening attorney and an expert witness. This club has provided me with great knowledge and understanding of the law while pushing myself in improving my public speaking and critical thinking skills. I am lucky enough to have coaches and mentors to constructively criticize and nitpick my performance every step of the way. I am an avid reader and spectator of any TV or movie brimming with drama, horror, and even a combination of two. My favorite shows include Dexter and Scandal. I enjoy staying active and challenging myself to rock climbing. I plan on attending law school upon graduating from Rutgers University and



pursuing a career in International Human Rights Law.

I've realized how things will come to fruition in due time, yet our time is limited. So try to find your niche in something worthwhile. It may even be something totally foreign. You will more likely than not find little to no reason of why you shouldn't try something new. Yes, you will have to go out of your way to do it, but it will be worth it.

**Name: Jessica Lee**

**Year: Freshman (Class 2019)**

**Major: Supply Chain Management**

Aside from RUSCA, my extracurricular activities on the Rutgers campus include Rutgers Business for Youth, in which I participate as a mentor, and Companion Animal, a club that focuses on rehabilitating shelter dogs to become service animals. During my free time, I enjoy reading books from comedy and history genres, and I also like to watch award-nominated or -winning movies in cinematography for the purpose of observing their filming techniques. I plan on majoring in the supply chain field because I find the logistics aspects of domestic and international trade and business to be very engaging. In studying supply chain, I hope to explore more of this area and someday work in global logistics networks. My advice to future RBS students is to be comfortable with being uncomfortable: whether it's networking, attending a career fair, or exploring a new field, placing yourself in unfamiliar and challenging situations can lead to new opportunities that can help define interests that you would like to pursue.

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## RUSCA EVENTS

What has RUSCA been up to this past month? The following are events RUSCA has held during this past month of February, as well as those we will intend to host for March. Each information session highlighted the company's internal structure, culture, strategy, philosophy, and last but not least, employment opportunities for our fellow RBS students. Each event concluded with the chance to network with the respective recruiters and representatives.



### February Events listed as follows:

2/2/2016	JPMorgan Chase Information Session
2/3/2016	Cintas Information Session
2/4/2016	Deloitte Information Session
2/8/2016	Johnson & Johnson Information Session
2/26/2016	Fundraising Event at 21 Burgers

### Upcoming Events for March:

3/2/2016	Supply Chain Management Career Fair
3/9/2016	NFI Information Session
3/23/2016	ISM Information Session

### RUSCA's Mission Statement:

To inspire our RBS students into learning more about Supply Chain Management and its opportunities, as well as to serve as an intermediary organization on behalf of the RBS student and support the student in the pursuit of a successful internship, co-op, or full-time offer, most especially for our Supply Chain majors.

*Want to know more and stay up to date with RUSCA events?*

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