RUSCA NEWS

Rutgers University Supply Chain Association | November 2018

WHAT'S NEW THIS MONTH

RUTGERS UNIVERSITY BUSINESS SCHOOL

RUSCA NEWSLETTER - NEW

Starting from October 2018, the following issues of the RUSCA newsletter will have a fresh new format, along with additional sections and special articles coming up in the November issue. To stay updated with release dates and information, visit (pg. 8) for our social media platforms and contact information. Feel free to leave us any feedback or suggestions as well.

ALUMNI SPOTLIGHT: ANASTASIA PALUCH

By Somik Shah

Background & Overview of Professional Career:

Anastasia, who also goes by Anya, was the President of RUSCA during the 2015-2016 academic year. Upon graduation from the Rutgers Business School in 2016 with a dual bachelors of science in Finance & Supply Chain Management, Anya joined Intel as a Supply Line Manager in Hillsboro, OR. During her time at Intel, she managed a team of 5 on-site contingent workforce for a vendor managed inventory account. Anastasia worked with both the supplier account as well as the Intel engineers to procure items such as laser probers and clean room supplies. Because of her performance in managing the account, the vendor managed inventory supplier program grew by 30%. As a result, Anastasia received the Intel Divisional Recognition Award in 2017 and was encouraged to move to Arizona to manage the same account, solely, across 3 manufacturing sites: Oregon, Arizona, and New Mexico.

SCM Professional Profile: Anastasia Paluch, Deloitte Consulting, LLP– Supply Chain; RBS 2016

Looking for a change from procurement to sourcing, Anastasia joined Bristol-Myers Squibb in February 2018 as a Sourcing Associate where she led an aggregate of $81M in sourcing projects related to Marketing, R & D and other functions.

Most recently, Anastasia was recruited by Deloitte Consulting, LLP to join their new supply chain consulting offices in Gilbert, Arizona.

Could you give me an overview of your current job and how it is different from previous jobs?

Anya: Right now my client is a luxury jewelry retailer in New York City that is currently revamping their entire system for sourcing and procurement. From my time so far, I have noticed that consulting is defined by milestones achieved while industry roles are defined by progress and how well things are managed. For example, at Bristol Myers Squibb my job was primarily focused on contract management, such as monitoring whether contracts are up to date or expiring soon. However, with Deloitte it became more important to develop a holistic view regarding projects, which includes analyzing industry trends and actions of other consulting firms, rather than focusing on just a single contract. Furthermore, it became necessary to tailor strategies to individual client needs so as to avoid extending deadlines for project completion.

What do you like about your current job?

Anya: I like being able to work with different clients and teams as that affords me the ability to have broad experiences and increase my set of skills. Consulting is great for people who enjoy traveling, as it is often necessary to meet clients face to face. I really enjoy working for Deloitte because the company culture really encourages people to continue learning and diversify experiences.

> "I really enjoy working for Deloitte because the company culture really encourages people to continue learning and diversify experiences."

What do you wish that you knew before joining Deloitte as a sourcing analyst?

Anya: Before entering Consulting it would have been helpful to learn how the staffing process works. In order to be successful in Consulting, you really have to be able to create your own career and take on the right projects with the right client and the right fit.

It's also not uncommon for consultants to be 'on the bench' - waiting for a project - for a while. Therefore, it is helpful to develop a varied skill set and be able to serve dynamic client needs. In industry jobs, people often have very specific tasks and performance metrics to achieve; however, because consulting is so diverse it becomes necessary to be able to network internally within Deloitte to find teams and projects. With that said, many of the hard skills associated with consulting positions can be learned on the job or while waiting for a staffing engagement. Since joining Deloitte, I have become certified in SAP Ariba, SAP HANA and Salesforce in order to be more helpful and diversified for future clients.

What advice would you give to college students looking to enter supply chain consulting?

Anya: Someone who wants to enter Supply Chain Consulting should have an existing passion for Supply Chain Management. It is definitely a good idea to research the responsibilities of roles beforehand so that you know what the position entails. Also, have try to have varied internships with different companies and industries to better prepare oneself for the job. I would strongly recommend that college students or recent college graduates should work in industry roles before entering consulting. Entry level jobs are crucial in learning about how to interact with teammates as well as bosses and managers. I often use the skill sets I acquired from working in the technology and pharmaceutical industries at my current role, and it is one of the biggest reasons I was recruited by Deloitte.

> "Entry level jobs are crucial in learning about how to interact with teammates as well as bosses and managers"

CUSTOMIZATION AND SPEED

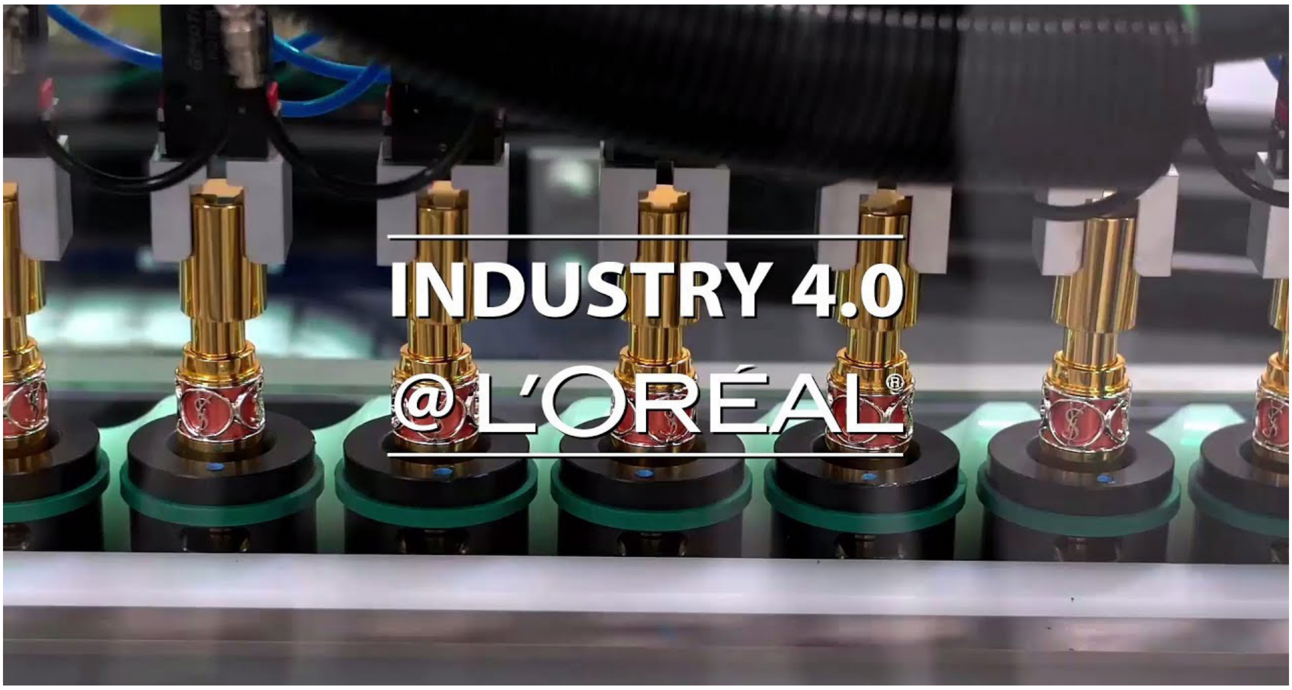
By Mike McGuire

Agility is defined as the ability to move quickly and easily. Many companies are using this word to describe the way they want their supply chain functions to be. Companies want to model their supply chain to be "agile" because in today's world, customers can buy a product with a single click of a button. This gives the consumer power because they can purchase varieties of products in different sizes, colors, models, etc. L'Oreal, a cosmetic company , is taking action to create a supply chain that can meet every order they receive in any color, size, or product.

"Companies want to model their supply chain to be 'agile' because in today's world, customers can buy a product with a single click of a button."

L'Oreal is adapting to today's market to try to reach consumers' needs. This customer-centric company is working on making a supply chain that can reach almost any product that they offer to customers in a timely manner. As a cosmetics company, this is a difficult task because the market for products changes so frequently. For example, seasons can inspire new products, celebrities can influence consumers, and even competitors can drive the different wants of customers. This customization of products is a new trend in the supply chain world, which is different than the make to stock approach. Make-to-stock is when manufacturing produces a standardized product in large quantities and it is expected to sell out fast. L'Oreal's supply chain will face many more problems due to their market and is relying on agility to deal with them.

For L'Oreal's supply chain to recognize the changes that they needed make, can be credited to all the data and customer service that they offer. They do not shy away from change. In his article, Gravier talked about three things



that agile supply chains have in common: alertness and accessibility, decisiveness, and flexibility (Gravier). L'Oreal has shown that they possess all three of these. They were alert and accessible by realizing the changing consumer needs. They were decisive on finding a new plan to reach their markets needs, which was turning to technology and breaking away from the old style of supply chain management, such as standardization and mass production. They showed their flexibility by being able to change the way they produced products and learned to adapt to using more technology.

L'Oreal faces everyday challenges such as over producing products that fail to sell as expected or under producing products that sell out quickly and have a high demand. They are working towards avoiding these discrepancies. L'Oreal is using technology to reach the maximum production of custom products in a fast production. They are incorporating this state of the art technology in manufacturing the products. For example, they have set up a manufacturing line in France that combined sensors, magnetic conveyors, laser vision, and laser measuring, which help fill up perfume bottles.

These combined technologies help one line of production produce up to 30 different formats of perfume bottles, while being able to switch formats in less than 15 minutes. According to Brett Brune's article, the process of switching bottle formats use to take up to 4 hours. This shows the strides that L'Oreal has already made towards the agile supply chain (Burne). This is substantial because the company is leaning on technology to meet the needs of the customer. It is critical that these technologies can keep up to customer demand and work efficiently to meet the requirements needed. This model of supply chain relies on speed and customization, meaning any

"L'Oreal is using technology to reach the maximum production of custom products in a fast production."

setbacks, such as a technology breaking, can really hurt your production. This is just another hurdle for L'Oreal to figure out and create a backup plan for. This is where the flexibility of your supply chain can be put to the test.

Many companies are going to try to mimic the way that L'Oreal is running their supply chain. This smart way of producing products is perfect for this generations consumers, who can purchase anything they want from the click of the button. L'Oreal did not resist this change; they adapted to their consumers, which is a reason they are successful and will continue to be the best cosmetic company in the world.

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GEOFFREY'S SPECIAL APPEARANCE

By Ameer Ali

The hearts of children, customers, and suppliers are still broken after the liquidation of Toys R Us in June 2018. Toys R Us was known for its showroom feel of thousands of toys and games that filled children with excitement, especially during the holiday season. With this integral market share of the toy industry gone, the holiday shopping season is looking glum as suppliers like Mattel and Hasbro struggle to find retail space for their products. However, it is also extremely competitive for retail spaces like Target and Walmart who will attempt to fill the void Toys R Us left behind.

Companies such as Walmart and Target are expanding their toy sections this holiday season. According to an MRT article, shoppers will find more places to buy toys this year due to the increase in competition for toy retail space. As retail companies compete with each other for sales this season, consumers are likely to see prices drop because an increase in competition leads to lower prices. Although customers will benefit from lower prices, Toys R Us was an integral part of society. It was the "it" place to find the hottest toys in town, and now to many, it is just a memory.

However, is Toys R Us truly gone? Due to a recent partnership with Kroger, Toys R Us plans to open 600 pop up locations named "Geoffrey's Toy Box" after their beloved giraffe icon. It is difficult for retail companies to come back after bankruptcy, especially "since the chain's leases and distribution centers were sold in the liquidation. While a few retailers have found a second life after liquidating, it's usually been online only or as a section in another store." (Ronald-Hannon, Coleman-Lochner, Boyle 1) And that is exactly how Toys R Us plans to present themselves this holiday season. Will it be enough to revive Toys R Us? Probably not. With competitors jumping at the acquisition of market share, Toys R Us will have trouble gaining enough to establish itself in the toy industry again. As for Kroger, this powerful partnership is a great tactic to gain a competitive edge over its competitors.

"With a significant retail space gone from their supply chains, these toy vendors must quickly recover and establish new retail spots for this upcoming season."

The constant rumors and attempts to revive Toys R Us has created tensions among suppliers to the point where "Many toy vendors now say they've simply moved on"(Ronald-Hannon, Coleman-Lochner, Boyle 1). The holiday season is where many companies generate the most revenue and suppliers, such as Hasbro and Mattel, cannot wait around for Toys R Us to revive itself to generate revenue. An analysis in a Bloomberg article discusses the instantaneous drop of stock prices for both toy suppliers after their largest customer declared bankruptcy. Mattel suffered a 10% drop while Hasbro dropped to its lowest price all year. With a significant retail space gone from their supply chains, these toy vendors must quickly recover and establish new retail spots for this upcoming season. It is predicted that the sudden drops with recover within the fourth quarter of their financial year for both suppliers. However, the toy industry itself is declining, and it is forecasted to drop 12% this year. After this downfall in revenue and shift in market changes, seeing how suppliers are adjusting to the changes and attempt to rectify the disconnect in their flow of goods is being done as quickly as possible and will hopefully lead to a steady stock price and revenue contribution for this holiday season.

Having Toys R Us around, even as a small pop up shop, is comforting to many customers and suppliers because it provides a financial buffer to suppliers who need to sell merchandise this season. Even though the employees and longtime suppliers of Toys R Us were hurt by its liquidation, the market will bounce back with competitors taking action and other business opportunities. Evidently, there will be a toy market this season that will provide customers with all their childhood dreams.

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THE FUTURE OF DELIVERIES

By Kiley Williams

A recent collaboration between UPS, the world's leading logistics company, and the Seattle Department of Transportation brings a major change in the way we view delivery systems. UPS, along with Silver Eagle Manufacturing, developed e-bikes with detachable cargo containers. These bikes are intended to provide a solution for city congestion and carbon emissions; they are also made to reduce noise and hopefully improve air quality in cities across the world.

According to a recent study done by UPS about two-thirds of the world's population will live in cities by 2050, which means that businesses across the globe will need to adapt to the urbanization. Delivery trucks are a major cause of city congestion, considering that that distribution centers such as Amazon provide inexpensive delivery methods which are utilized on a daily basis; these trucks are the cause of about 7% of traffic in cities across the country. The congestion that comes with urbanization creates issues with logistics

operations due to the fact that it makes logistics more difficult to predict and control. UPS is finding innovative ways to adapt to the urbanization of our global community.

UPS has previously implemented "cycle logistics programs" to tackle issues that come along with urbanization while creating a sustainable delivery method for these areas. The e-bike was originally introduced in Hamburg, Germany in 2012. It consisted of four containers strategically placed throughout the city to store packages between deliveries; deliveries were made either on foot or on e-bikes. UPS also operates "inner-city delivery projects"(pressroom) throughout over 30 cities across the globe including Paris, France and Dublin, Ireland. The original e-bike became a prototype for the updated model implemented in Pittsburgh, Pennsylvania which led to the newest model made specifically for Seattle, Washington.

The Seattle e-bikes are designed with removable cargo containers that adapt to different deliveries. These bikes run not only on the traditional human pedal but also by a battery-powered motor which allows the drivers to choose the most efficient method of delivering, depending on terrain. The cargo containers on the bike can hold up to 400 lbs and are 95 cubic feet in size (pressroom), making it possible to still carry large loads of deliveries. The UPS e-bikes have the ability to use sidewalks and designated bike lanes to make their deliveries more efficient, while also creating room on the streets for traffic flow.

These e-bikes are starting out in Seattle's downtown area and will be monitored by UPS and the University of Washington Urban Freight Lab, a group of transportation engineers and urban planners who manage public spaces while creating transportation solutions. Over the next year, these bikes will be assessed on their reliability, design, and integration into Seattle's infrastructure. The Urban Freight Lab focuses on "improving first delivery attempts and reducing dwell time" (pressroom). These objectives help reduce congestion in the city and pollution while creating a more efficient system of deliveries.

Overall, the e-bikes will not only improve efficiency in major cities but also benefit the environment in the process. With urbanization increasing drastically over the years, it is time for businesses to become more well-rounded in terms of their impact on the environment while still keeping the customer in mind.

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"It is time for businesses to become more well-rounded in terms of their impact on the environment while still keeping the customer in mind"

DOES BIGGER MEAN BETTER? HOW CONSOLIDATION IS RESHAPING SUPPLY CHAINS

By Jonathan DiPippa and Kevin Reshamwala

One of the most prevalent trends in today's business environment is corporate consolidation through mergers and acquisitions. These transactions can have profound consequences for the operations and supply chain performance of the companies involved. Two industries that have seen increased consolidation in recent years are the consumer foods and container shipping industries.

On June 27th, 2018, Conagra Brands announced its acquisition of Pinnacle Foods in a transaction that would combine two of the largest and most successful consumer foods companies in the market. The combined entity will represent the second-largest player in the frozen food market specifically (Gasparro). As the companies have described in press releases, this $10.9 billion transaction will generate significant synergies due to complementary brands in frozen goods, shelf-stable grocery goods, and snacks (Conagra Brands). Major brands Pinnacle brings to the table include Birds Eye frozen vegetables, Duncan Hines cakes, and Vlasic pickles. Conagra Brands will use Pinnacle's brands to complement its extensive portfolio, which includes Healthy Choice and Marie Callender's frozen meals, Orville Redenbacher's, and Reddi-wip.

The acquisition of Pinnacle Foods is indicative of a broader trend of consolidation in the consumer foods industry. Due to slow growth in the industry, larger companies have used mergers and acquisitions as a means to drive sales and spur innovation. Consolidation has also been driven by a lack of access to capital in the foods industry. Banks are reluctant to give loans to food companies because much of their cash is tied up in inventory (Allen).

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Conagra Brands stands to benefit from this industry trend as it proceeds with its integration of Pinnacle Foods.

Conagra's acquisition of Pinnacle Foods will generate significant cost savings in its supply chain over the long-run. Due to the similarity of brand categories, existing manufacturing facilities can be utilized to combine the production of various brands from both companies. The combined organization will be able to save money and negotiate better prices with retail customers such as Walmart and Kroger due to its increased size (Gasparro). The agricultural procurement function is similar between the two companies, representing an additional opportunity for cost savings. By aggregating its supply base, Conagra can scale more efficiently and reduce procurement costs through larger bulk shipments of crops. However, with any acquisition comes significant challenges. Conagra will have to focus on eliminating redundancy in the combined organization and driving cost savings, since short-term revenue growth is typically difficult to achieve immediately after an acquisition (Marion). Overall, this transaction represents both a tremendous opportunity and a sizeable logistics challenge for the firm.

Meanwhile, mergers and acquisitions have also become commonplace in the container shipping industry. Carriers around the world are making moves to expand their size and capability. CMA CGM, the third largest container shipping company in the world, recently acquired Containerships, a Europe-based logistics provider, as well as a twenty-five percent stake in CEVA Logistics, a well-known freight management and contract logistics company (Lopez). These deals signal CMA's intention to not only expand their trade network, but also bolster its service functions, such as customs brokerage. But CMA is not the only one shaking up its corporate structure to improve its business.

This type of consolidation has become a fact of life in the container shipping industry. For quite a while, the most powerful players have been leveraging their financial resources to jockey for better positioning on the totem pole. The top ten shipping lines now own about eighty to eighty-five percent of the total market share. In the period from 2000-2016, the amount of twenty-foot equivalent unit containers (TEUs) in the market increased by fifteen million. In the same time frame, the percentage of TEUs owned by the top five carriers increased from thirty-five percent to fifty-five percent (Saxon). Moreover, the formation of three major alliances

(2M, Ocean Alliance, The Alliance) has essentially turned the container shipping industry into an oligopoly.

An interesting debate has developed around the supply chain implications of these container shipping mergers, acquisitions, and alliances. Large carriers, small carriers, and shippers are all affected by this industry concentration in different ways. On one hand, large shipping liners can grow their port networks, pool fleet and cargo, share financial assets, and invest in more varied services and technologies (UNCTAD). In addition, they can achieve significant cost synergies (two to six percent) and leverage their power in negotiations to improve their margins. Interestingly, alliances help small carriers by having them provide its services to the alliance while remaining an individual legal entity. However, consolidation marginalizes these small liners because they are finding it increasingly harder to match the capacity or services of large carriers. From a shipper's perspective, alliances increase operational complexity because more entities are involved for any shipment of cargo. Conversely, shippers welcome consolidation because it creates price stability, more efficiency, and better variety of services to choose from (Saxon).

Overall, in both the food and container shipping industries, mergers and acquisitions have become par for the course. Companies of all sizes in both industries will embrace the cost savings, reduced risk, and increased capabilities that come with these moves but at the same time, they will have to grapple with the operational challenges that these changes present.

Rutgers University Supply Chain Association

ABOUT RUSCA:

We are a student organization dedicated to inspiring our RBS students to learn 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 sutdent in the pursuit of a successful intership, co-op, or full time offer, espeically for our Supply Chain majors.

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