inbound logistics

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by Merrill Douglas

Riding Out the Storm

An import management system helps chemical distributor Biddle Sawyer navigate in the wake of Hurricane Katrina.

Even in the best of times, it makes sense to collect all the details you can about your inbound shipments. When a hurricane shatters the city where your cargo is bound, those details grow even more essential.

As Hurricane Katrina drew a bead on New Orleans last August, officials at Biddle Sawyer Corp. were glad they had an information system that told them all they needed to know about the goods they were shipping to that city.

"We were able to quickly isolate what products were coming into that port, what products we already had in New Orleans, and their value," says Andy Chavkin, chief financial officer at the New York-based chemical distributor. "We were able to react."

Biddle Sawyer obtains chemical products from suppliers around the world on behalf of its customers, about 95 percent of whom are located in North America. Its salespeople are traders, sourcing products that their customers need and negotiating deals with both suppliers and buyers.

The company imports most of its goods through the Port of New York and New Jersey and the Port of Charleston, but it uses the Port of New Orleans to serve one customer near that city. Depending on the terms of a sale, Biddle Sawyer either holds a shipment at a public warehouse until a customer needs it or delivers to the customer directly from the pier.

The Friday before Katrina struck the Crescent City, Biddle Sawyer had one containerload in port there and a small shipment in a nearby warehouse.

"If only I had known, I would have taken the products out of the warehouse, gotten a truck, and moved them," says Chavkin.

What he did know was the exact quantities of specific chemicals the company was holding in the warehouse, plus the contents of the just-arrived container. This information came from the *Venture Information System* (VIS), a web-based import management solution from Venture Information System Co. (VISCO), Kingston, N.Y.

Biddle Sawyer had been using this system for the past two years. Before that, it

used an older version of the software that operated in MS-DOS.

Designed for importers, VIS allows users to manage sales orders and purchase orders; manage logistics functions; track goods through U.S. Customs and generate customs documents; exchange information and documents with vendors and customers; and provide the company's sales and finance departments information they need about shipments.

The system also handles logistics, helping users monitor the status of in-transit goods by obtaining data such as bill of lading numbers, container types, import entry numbers, and letter of credit destinations.

VESSEL VISIBILITY

Having access to this information is especially helpful when something goes awry. "If a vessel is stuck at a port in Europe, the user can determine what shipments are on that vessel. They can then call the customers to whom they've allocated this inventory and let them know what happened," says Andy Peck, product manager at VISCO.

In August, the system gave Biddle Sawyer an instant view of shipments that might be affected by Katrina. "We did a sort-and-filter to pinpoint the affected ports and ships. Then we went to the ocean carriers to locate where the ships were," Chavkin says. "We don't have to fumble with paper."

In this case, the news was relatively good: VIS showed Biddle Sawyer had just one container coming in through New Orleans, and it had already landed and cleared Customs before Katrina hit.

"We got lucky because the shipping company took the freight to its container freight station in Alabama," Chavkin

Biddle Sawyer uses the *Venture Information System* to generate reports of inbound shipments. The reports provide vital information such as product name, estimated time of arrival, and destination port.

says. "So we didn't lose any products."

The company wasn't as lucky with its goods in the warehouse. As of late September, employees at that facility still weren't answering the phone, so Biddle Sawyer had no word on the condition of products stored there.

"My guess is, those products are lost," Chavkin says. But VIS immediately provided all the information he needed to file an insurance claim. The only holdup is "getting verification that it was all lost, because no one has been inside the warehouse yet," he says.

While Biddle Sawyer's losses were minor, the experience provided a dress rehearsal for the next time a major hurricane hits the Charleston area, potentially putting a lot more cargo in jeopardy. When that day comes, it will be easy to

find out what shipments might be affected and retrieve the information needed to decide how to handle them.

"Information about the vessels and their transit time is all at our fingertips on the computer," says Chavkin. "And we can react in any number of ways."

Most shipment data comes into VIS when shippers enter into the system information received from suppliers, carriers, and customers via e-mail or spreadsheet. Some information comes through electronic data interchange, but that mainly applies to shippers whose large customers, such as Wal-Mart or Costco, require them to use that technology.

Along with collecting, sorting, and presenting information on shipment status, VIS automatically generates documents such as purchase orders, instruc-

Next time a hurricane hits, Biddle Sawyer will have information about affected vessels and ports at the ready, so it can react quickly.

tions to customs brokers, credit memos, and packing lists – creating them in either Word or Excel. The system also manages documents that shippers receive digitally or scan.

VISCO has been developing management systems for importers since the 1990s. Its first target market was the chemical industry. It started working with the food industry about a year and a half ago and now has its eye on apparel importers, Peck says. Along with functions that apply to all importers, the company develops modules that are specific to individual markets.

For chemical importers, one module VISCO has built manages a document called the certificate of analysis. This gives the exact specifications for a chemical product – its contents, the amount of each component by percent, and the melting point.

"To get chemicals cleared through Customs, you need as much detail as possible," Peck says. "Having those details readily available when Customs calls is critical," Peck says.

The certificate of analysis is one of the documents built into VIS that Biddle Sawyer finds most useful. Another is the packing list, which allows the company to track the units delivered to a warehouse. When communicating with warehouses, it's often useless to describe shipments by weight, because the warehouse and the chemical company don't always use the same units of measure.

"I talk to them about drums and bags. If the warehouse is supposed to have 200 bags, they'd better have 200 bags. That's what the system allows me to do," Chavkin says.

VENTURE CAPITALIST

Another important feature of VIS is its ability to manage financial information. As a "venture" – VISCO's word for a shipment defined by a purchase order – makes its way from the supplier, the system collects the costs associated with importing those goods.

"I can add the duty costs, warehousing and freight costs, and various import costs," Chavkin says. "I can have an actual accounting of the costs for that particular inventory item. And I can track and get a good profit-and-loss statement for each shipment."

After Katrina, Biddle Sawyer did not have to provide information about its chemicals in New Orleans to the Federal Emergency Management Agency or any other branch of the Department of Homeland Security. But in the future, VIS and other systems of its kind could provide an important tool for communicating information that becomes vital during a disaster.

Besides using the system to file claims with their insurance firms, "companies could also forward information regarding materials that firefighters and other rescuers might come across," says Bill Salzmann, senior account executive at VISCO. "Today, there isn't a mechanism to do that.

"A system like this allows the government to require stricter controls," Salzmann notes. "Historically, this is the first time that a system designed to produce a return on investment for completely separate reasons can also help a company cope with more stringent regulations." ∎