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Editorial



A Key Link in the Supply Chain

After the events of September 11, supply-chain logistics will never be the same. Much like when we travel to the airport, there will be tighter security, more restrictions and slower clearances. A recent article in *Fortune* magazine (Feb. 18, 2002) highlighted DuPont's logistics near-crisis one month after the attacks. According to the article by Anna Bernasek, on Oct. 7, 2001, when the U.S. government stopped the shipment of hazardous materials by rail, which included feedstocks for many of DuPont's plants, Jerry Donnelly, DuPont's director of its \$1.6-billion-a-year logistics operations, feared that this would result in the costly shutdown of several plants. "Luckily for DuPont, the government called off the red alert by Wednesday [Oct. 10] afternoon. Yet for Donnelly, the lesson was so clear that he's been planning for threats to the company's supply chain ever since. 'Things that we thought would never happen have, and we need to adjust,' he says. And that means considering shipping chemicals by trucks or barges — and in the case of chlorine, deciding whether to relocate the entire supply chain, a far more costly enterprise."

The *Fortune* article also indicated that costs associated with supply chains, transportation and inventory storage can increase by an additional \$65 billion. This agrees with a recent study done by the ARC Advisory Group (Dedham, MA), a market research and consulting firm. According to John Moore, vice president at ARC, strong growth in global logistics solutions is predicted, as companies are forced to address a more-stringent customs environment and new security measures are enacted. Supply-chain execution software and services (e.g., inbound, outbound and reverse logistics), which represents about a \$2.7 billion market, are expected to increase at a combined annual growth rate of about 17% over the next five years to nearly \$6 billion.

To make the most of your logistics choices, I. A. Karimi, Rajagopalan Srinivasan and Por Leng Han from the National University of Singapore discuss in this issue of *CEP* what chemical manufacturers should be aware of, as well as trends for the future (pp. 32–38). They share their personal experience on a consulting project they participated in that involved a major chemical producer with sites in five different countries across Southeast Asia.

Although logistics may not have the glamour of other supply-chain aspects, such as e-hubs or hardwired ERP-to-ERP connections, it is the key link that keeps the supply chain moving.

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