SupplyChain PHILIPPINES

THIS IS
NO LONGER
DISRUPTION
THIS IS NOT
NOW
NORMAL

...and yet, despite shifting consumer behavior and
new technologies, some things remain the same

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SupplyChain PHILIPPINES

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NESTOR FELICIO
PRESIDENT'S MESSAGE

"There will always be a need to integrate, to see the big picture, develop and work with suppliers, manage product life cycles, and manage resources."

Will robots take over your job?

You can go to willrobotstakemyjob.com for fun. Last time I checked, light truck and delivery drivers have a 69% chance of being automated. No wonder as there is so much investment in developing self-driving vehicles. This is a snippet of the underlying march of technology to disrupt the way business is being done.

But there's good news for logisticians, those who are "responsible for the entire life cycle of a product, including acquisition, distribution, internal allocation, delivery, and final disposal of resources"—they only have a 1.2% chance of being automated, according to the same website.

Looks like supply chain and logistics managers will be around for some time. After all, who will figure out what kind of strategy supply chains need to have at a time when traditional retailers are entering into online fulfillment plays? When online players are going into brick-and-mortar stores? When orders can come from anywhere, and urban deliveries are expected within two hours? When customer needs shift so quickly that you need artificial intelligence to process big data to anticipate demand and plan production? When supplier risks are increasing from geopolitical tensions and natural disasters?

That's a lot to keep a supply chain person awake at night, not to mention the operational challenges of poor infrastructure, traffic congestion, and lack of coordination. Though sometimes one wishes that the headaches can be passed on to a robot, for better or worse, this function won't be automated soon. In fact, the complexity of managing supply chains will just be increasing.

But there's help to come. If technology is bringing disruption, part of the answer will also come from technology. Right now, businesses are already exploiting readily accessible technologies—social, mobile, analytics, cloud, the Internet of Things—and providing new ways to engage with customers and do business. It is a question of "how." Those who can figure it out will have a competitive advantage; those who can't will be disrupted.

If this seems all in the cloud (no pun intended) think of it this way: Filipinos spend the most time on social media in the world, and that's mostly on mobile devices. Each one's online behavior pattern is being subjected to big data analytics to be targeted and marketed precisely and individually. The challenge—and the opportunity—is converting this to purchases and fulfilling them with last mile logistics. Is it surprising that big local companies are now positioning themselves for this?

New solutions will require more than the usual approach, some innovation in the supply chain. If we go with history, supply chain innovations don't necessarily come with quantum changes (except maybe for the shipping container). Many are built over continuous improvements, incremental changes that add up capabilities over time.

The difference today is that it will require more science, less guesswork, and the adoption of tools to support decision-making. An example is the combination of GPS information with a track-and-trace dashboard for logistics visibility, or end-to-end supply chain analytics, or the use of AI for demand sensing, or algorithms to choose carriers on the go. It will give rise to new solutions, such as logistics on-demand, authentication using blockchain, connectivity and other cloud-based services.

All of this requires supply chain professionals who will not only make decisions but also design their supply chains to continuously evolve. Even if robots and algorithms will do a lot of the "heavy lifting", there will always be a need to integrate, to see the big picture, develop and work with suppliers, manage product life cycles, and manage resources. The future supply chain professional will not only have to be comfortable with technology but will also have to be a business manager.

Supply chains have been called "the backbone" of the global economy and of companies, but they do not exist in a vacuum. They are part of a business and the most critical job of the supply chain leader is to ensure that the supply chain is aligned to the business strategy. Supply chains will continue to be strategic.

Maybe a robot will eventually be able to do this way out in the future. I hope not, because it would mean everything else will be run by them. Including SCMAP. And that thought can keep anyone awake at night.


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HENRIK BATALLONES
CHAIN REACTION

"All they want is to be served, to feel that what they got is worth the money and effort they handed over."

One of the best parts of being with SCMAP is being surrounded by all this expertise. You have supply chain managers from across the spectrum—different functions, different industries—leading to meetings that become some sort of masterclass not just in concepts but also in applications.

This issue's cover story stemmed from one such meeting. Actually, it's not a meeting, but a group chat on Viber, a place where we swap industry insights and organizational reminders. I was going home from an event one afternoon (I was riding the bus) when the notifications started pinging furiously: the board members were talking about why malls aren't as popular as they were.

I love freewheeling conversations, especially when you can look back and trace how one topic leads to another, and yet another. That one went from malls to e-commerce to the demands for supply chain companies. All right, they're not really disparate topics, but the connections are fascinating all the same.

"This would make a good magazine cover story," I butted in, before continuing to watch.

Thus, this issue's cover story. It's another one on retail, yes, but ultimately it's more than that. It's easy to say that e-commerce is now king and traditional stores are dead, but things are more complicated than that. There are many factors—demographic changes, societal changes, urban challenges, even personal whims—and what initially looks like a disease can actually be a symptom.

Personally I enjoy writing these explanatory pieces, connecting the dots and showing the big picture. It's interesting how I come into these things expecting to learn something new, only to have an existing truth—one we may have set aside because of its ubiquity—underlined further. In this case, it is that serving customers is the one thing you should get right, whether you do it in a physical store or on a phone app. But how we get there may differ depending on what you're up to, what is available to you and what your customers want—and that can vary wildly.

It's easy to lose sight of this truth considering the many things moving about in the Philippine supply chain industry of late. The entry of major conglomerates into the sphere screams "there's lots of money to be made here!" and that becomes the top-level headline. You can spout out a litany of reasons why this is so: e-commerce is disrupting everything, a strong supply chain is more than a competitive edge now, whoever gets it all right gets dibs on the gold mine, and so on.

But then, supply chain is a thankless business. Customers don't really see everything that goes on here most of the time. (Of course, an exception is when they blame container trucks for the traffic.) All they want is to be served, to feel that what they got is worth the money and effort they handed over. If none of these are met satisfactorily, you have failed, no matter how well-designed your transport network is, no matter how excellent your people are. So, perhaps, don't think too much about how much money there is in the industry. Just keep serving your customers the best way you can.

That said, all these moves make the coming years very interesting times, indeed. It's interesting to see how the new (big) players move about this space, and how the veterans react. It's a nice thought, sitting back and grabbing some popcorn, but hey, we're in the industry too—we ought to stay on our toes. And none of these will be very obvious to most of the people we serve.


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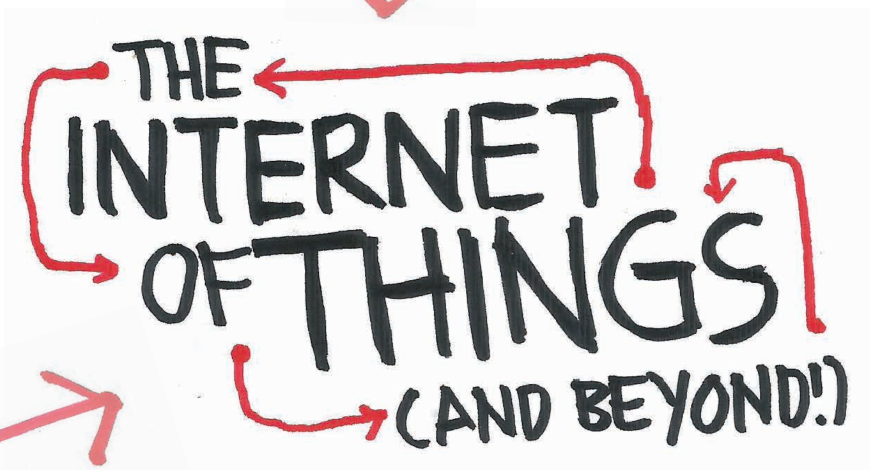


As customer expectations go higher, technology comes to the rescue to help supply chain deliver faster and serve better. Here's a crash course to these new innovations

Faster, better, now!

A wave of radical innovation is making it possible to respond to the clamor for faster delivery, better service and the pressures of a "I want it now!" society. RFID, robotics, drones, Blockchain... here we look at the technology remaking the supply chain and how it will impact procurement, inventory management and delivery.

THE INTERNET OF THINGS

The Internet of Things (IoT)refers to the ability of each individual manufactured item to be part of a network.

The key to understanding IoT is, first, to realize that every manufactured object can have its own Internet identifying number or IP address. Second, each of your items or SKUs can communicate with the network.

When you combine a unique identifier with the ability to communicate, you've got a network in which each item can be constantly broadcasting its presence. The result is that you've substantially increased the transparency and visibility of inventory within your supply chain.

Today, objects from lightbulbs to thermostats come with embedded systems, unique identifiers and the ability to connect to wi-fi networks so that they act as parts of the network and can be continuously visible and trackable. This also increases the number of trackable events within the logistics or supply chain process. This enhanced visibility in turn increases the flexibility of the supply chain because you have no need to wait for inventory to be checked in at a point in the distribution supply chain. Its location is always known.

By eliminating the need to perform manual inventory counts, you reduce the cost of managing the inventory and the costs in the warehouse. The number of process steps in managing the inventory is also reduced, making for a simpler network.

The Internet of Things continues to grow exponentially and, according to *Business Insider*, is expected to expand from 10 billion devices in 2015 to 34 billion devices in 2020.

RFID

RFID (or radio frequency identification) technology has been available for a long time, but it is only now starting to gain significant traction in more sophisticated adaptations.

At its heart, RFID consists of a "tag" that is inserted into a manufactured item. It can be placed or sewn in. Each RFID tag comes with a chip and an antenna, capable of being programmed with basic stock-keeping data and able to broadcast that data to a reader.

It is wrong to think of this technology as a new technology. Booksellers, among others, have been using RFID tags to prevent theft for decades. To understand why it has taken so long for RFID to become more widely adopted, it is best to think of the technology as an ecosystem. In order for this ecosystem to work, it needs:

- RFID tags embedded in each SKU or item.
- A standard way, or language, to manage the database and describe the product so that all inventory management systems can interpret the data the same way.
- Scanners and readers at points in the network or supply chain where the presence of the SKU needs to be inventoried.

The cost of the tag has been a barrier to adoption. As the cost of garments and other manufactured items decreases, the relative cost of the embedded tag has also had to decline. Otherwise, the tracking technology is a disproportionate share of the cost of the item and the manufacturing process.

RFID's role in the supply chain holds great promise because tag costs are declining, large manufacturers and retailers are mandating their use. As the ecosystem expands, it is easy to see why contactless scanning of an entire warehouse filled with RFID-tagged merchandise could reduce inventory management costs. Continuous inventory management at multiple points in a supply chain also enhances visibility and increases the track-ability of products.

SENSORS

Sensors are embedded components that help track the "state" of objects in the flow of the supply chain.

Today's sensors help measure and preserve any changes in state of inventory—temperature, for instance—sending alerts when an SKU ventures outside tolerance parameters.

State-aware sensors that change displays can be used to track whether or not a packaging container has been opened and whether or not the inventory has experienced temperature, humidity or other environmental factors that are outside certain ranges.

The use of sensors can help either with real-time tracing of such changes or for a permanent record of the impact being created by changes. The inventory owner gets visible evidence of integrity.

Sensors are of particular use in cold chain logistics, typically for high-value pharma and life sciences products, or for other fragile and perishable goods. These are goods for which ordinary visible inspection might not reveal that an unacceptable event occurred in the shipment or in the progression of the inventory through the supply chain.

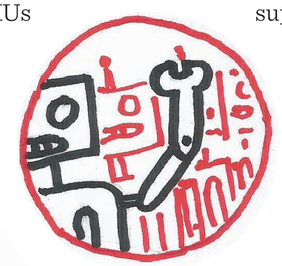
Use of sensors can cut inventory costs and increases reliability of supply chains, reducing supply chain risk at eventual point of consumption.

ROBOTICS

The use of machines to manufacture products has long been a feature in automotive manufacturing and other high-value production chains.

Sophisticated manufacturers in Japan, Germany and the United States have been using robots in production for years. Now though, the cost of developing and installing industrial robots is dropping significantly, so manufacturers in developing countries such as China and India are aggressively adopting robotic production.

In addition, the proliferation of cameras, processors and other underlying technology means that smaller, more mobile robots can now be deployed in warehouses and used for very specific purposes: picking specific SKUs and bringing them to a packing station. With the growth of companies like Kiva (now Amazon Robotics), there has been wider adoption and scale availability of robots in this segment.



At the same time, it's important to note that robotic systems in distribution centers are now able to pick and palletize stock, making it possible for DCs to prepare and ship "store ready" pallets that are specifically built with inventory required by a specific store. That reduces warehousing and inventory costs – not just at the DC but also within the store.

Robotics can improve warehouse and supply chain efficiency and dramatically lower costs.

DRONES

You're aware of the small unmanned aerial devices that are self-powered, guided remotely or self-guided, and capable of carrying and delivering small(ish) payloads over relatively short distances.

You can tell that a technology has achieved mainstream recognition when a government body regulates it. In June of this year, the US Department of Transportation and Federal Aviation Administration announced regulations for the licensing of Small Unmanned Aircraft Systems, known to teenagers and YouTubers everywhere as drones.

Implied in the growth of this technology is a significant – but still distant – disruption of the last-mile delivery model. Drones have limited range. Their most immediate promise is in delivering small packages from a relatively close inventory storage facility to a customer's place of consumption.

Currently, drone technology is limited by:

- Adoption and regulation—chaos to be prevented by regulated use of a spectrum
- Shorter range
- Lifting capacity or size of package

The most likely place in the supply chain for this technology is in the last mile or final leg of delivery. Amazon and others are experimenting with it. Clearly, the most significant impact in the medium to long term will probably be to lower the cost of transportation in the last mile.

AUTONOMOUS VEHICLES

Like all disruptive technologies, self-driving cars and trucks appear to have arrived on the scene all of a sudden.

Volvo and other companies are conducting trials with self-driving trucks while auto manufacturers such as Ford, Tesla and Audi are developing cars that operate by computer with no human driver needed.

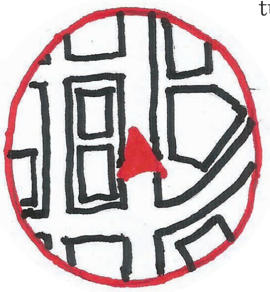
The reality is that development of self-driving and self-navigating vehicles has been under development for a long time—Google's self-driving cars have driven over two million miles in four cities. Progress is underpinned by the simultaneous arrival of advancements in the underlying component systems: cameras, GPS and the ability to interface with cellular towers, amongst others.

Currently, the wide-spread deployment and availability is constrained by the need to develop legal and insurance frameworks. Who is responsible in the event of an accident? Another issue is the ability for the vehicle to communicate with sensors and guidance equipment embedded in the roadways. This requires statutory and government involvement, as well as financing and construction.

The most likely impact of this technology innovation is in the reduced cost of the road transportation leg of the supply chain. Those savings are achieved by removing the human driver. To some extent, predictability of the supply chain is also enhanced by this development.

GPS AND GIS

These are two different but interrelated technologies that are sometimes confused with one another or thought to be the same thing.



A Global Positioning System (GPS) is a space-based radio navigation system made up of multiple satellites that transmit timing and geographical location information. Ground receivers such as the navigation system in your car use signals from multiple satellites – typically three for latitude and longitude, and four to add altitude – in order to develop a precise location of the receiving unit. Like many major technology advancements, the system had its basis in military needs and today supports commercial positioning and a more precise, government positioning option.

Geographical Information System (GIS) is software and database technology that uses the data from GPS. Different GISs are set up for different purposes. They provide the databases showing what exists in the surrounding area. An interface to the GIS allows the use of that database. The database of "what is around you" is derived from a GIS or mapping database while a GPS tells you "where you are in relation to what is around you". The two work together to provide location specific technology uses.

In the world of logistics, the ability to track the location of freight is clearly valuable: you are increasing visibility. Expect the continuing proliferation of devices that allow real-time tracking of assets in motion – for example, container seals. A GPS-enabled container seal has the advantage of being able to identify where the container is at all times. When combined with GIS, a history of the movements of that seal can be visually inspected. In this way, these multiple but related technologies combine to resolve complex logistics problems.

The use of GPS/GIS-enabled devices also provides an ability to ensure that anytime a container leaves a space designated by a range of latitude and longitude, alarms are generated (or at least tracked and saved for later access). This increases security and lowers costs arising from loss. Similarly, higher visibility reduces the need to reposition freight as often, reducing associated transportation costs.

However, current GPS technology has inherent technical and security shortcomings. GPS signals are weak due to distance between satellites and terrestrial applications, making them vulnerable to jamming. A $10 jamming device powered by a car lighter could render a GPS-dependent port inoperable. Current GPS systems are controlled by countries, giving governments the ability to deliberately degrade signal quality and accuracy if they choose. Finally, GPS technology is ineffective in urban, indoor and other settings that multiply reflection of errant signals – places that include ports and warehouses. Hence, the need for GPS 2.0.

WEB 2.0

Web 2.0 refers to the evolution of the Internet to allow for more participation and collaboration between internet users. It expands the definition of "the web"—used interchangeably by many people with "the Internet"—beyond a static place to find information.

It changes the nature of the interaction from one-way communication by a "publisher" for a "consumer" of information, to a two-way interactive dialog with ongoing updating for a community of users.

Underpinning Web 2.0 has been the emergence of social media and the creation of web sites that allow interaction between internet users. Both factors have pushed the underlying technology of the web to evolve into newer programing models.

With the growth in interactive participation has come the opportunity for disruptive business models that involve crowdsourcing, or the ability to outsource to a large number of people simultaneously. The so-called "gig economy"—the ability for non-traditional players such as Uber and Airbnb to enter and compete in established industries—is another outgrowth. Closely tied to the disruption made possible by Web 2.0 are some underlying trends:

- Cloud computing—the ability to access a software application over a browser rather than having to install the software on your own computer (think Google Docs)
- The Software as a Service (SaaS) business model—the ability of companies to make the use of their software available for a periodic fee per user. This makes software costs for a business variable in nature, rather than fixed, capital investments
- Mobile computing and smartphones—devices with a software application or app ecosystem so that the interaction can occur over a choice of wi-fi and cellular, making access to the information more or less ubiquitous. Supply chain executives can monitor worldwide developments that affect their businesses—say flooding in a critical supply center location—allowing them to respond quickly to minimize risk and avoid losses.

Web 2.0 makes it easier for supply chain executives to have continuous

visibility, regardless of location of goods or time of day. At the same time, use of social media such as Instagram expands the number of sales channels for a company's product.

WEB SERVICES

One of the best ways to eliminate inventory bottlenecks that require clearance or the stock-outs caused by improper demand forecasting is to better connect the participants in the supply chain.

As integration increases, supply chain participants are able to quickly increase or decrease their order levels based on upstream and downstream visibility. That prevents the creation of obsolete stock or unsatisfied demand that goes off in search of substitutes.

There are two ways to increase integration and communication. One is unstructured human-to-human communication, such as emails. The other is structured integration that is system-to-system. Systems and applications that are programed to take action by, for example placing or cancelling orders, rely on system-to-system communication, which in turn calls for structured data to pass between systems.

Electronic Data Interchange, or EDI, is a long-established method of conducting system-to-system communication. Typically, it involves two trading partners adopting one of many published standards and implementing a protocol to have their computer programs talk to each other, without needing to both be using the same programs and applications.

Web services is a more modern implementation of the same system-to-system principle, except that it is based on internet protocols and standards. Web services typically consist of one web-based application, say a tracking system that needs to get the latest carrier schedule, sending a message using coded internet protocols to another web-based system. In response, it gets the information back in the same coded internet protocol.

In logistics, there is a large body of communication that takes place via EDI. In all likelihood, that will remain the case and perhaps even be expanded. Adding a new trading partner to an existing EDI implementation represents a fractional, incremental cost and provides scalable integration. However, where web services are available, it makes sense for new trading partner relationships to be implemented using web services.

Over the next few years, most organizations will continue to implement and maintain both forms of structured communication and integration. There is generally less sizzle associated with these technologies but they still play a strong, integrative role in smoothing supply chains.

BLOCKCHAIN

Blockchain technology is often confused with or used interchangeably with Bitcoin. In fact, Bitcoin, the digital payment "currency" is an application that is based on underlying Blockchain technology.

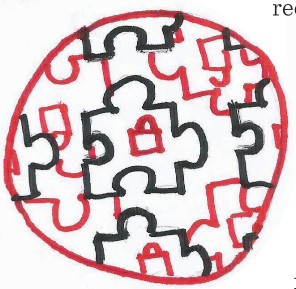
Blockchain technology relies on five key components that give it the strength to form a platform for applications that require a high degree of trust, such as finance:

- A historical transaction-tracking database (also called a "ledger"), which is stored on thousands of distributed computers, thereby avoiding a single point of weakness
- Peer-peer transactions that eliminate a middle man (most certification authorities and financial institutions are middle men)
- Constant synchronization—say, every 10 minutes—across the distributed network
- Heavy use of cryptography for security
- Public inspection of the records to ensure integrity

The term itself comes from the fact that every computer on the distributed network stores transactions in a "block" and these blocks are synchronized in a "chain" across the computers on the network.

The net effect is that making an unauthorized change to the data on any one computer puts it out of synch with the synchronized blocks on the other computers. Further, due to the constant synchronization, it becomes impossible to alter the historical record.

The result is a highly secure way of proving trust in transactions. It is foreseeable that Blockchain (or Bitcoin) technology could be used on a large scale to make financial payments and to keep real estate records, online ID verification and even voting records. Currently, stock exchanges such as NASDAQ and the Australian ASX are experimenting with Blockchain for securities transactions; and countries such as Estonia are working with governance programs ranging from identity cards to marriage certificates.



Wide adoption is slowed down by the speed of the system and risks associated with early adoption; however, the next decade should see continuation of the excitement generated by Blockchain and wider adoption.

In the logistics world, the most immediate application includes self-settling invoices, payments systems and ultimately verifiable devices in the Internet of Things. Further, the use of Bitcoin can make previously inaccessible applications, like online payment for freight forwarding transactions on a website, a distinct possibility.

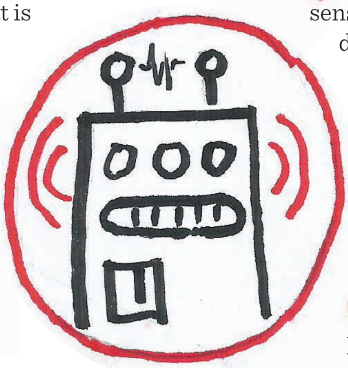
BIG DATA

Everything we do online or on our smartphones generates data. Additionally, Software as a Service (SaaS) and cloud computing are getting more ubiquitous.

Enterprise Resource Planning (ERP) systems are becoming more widely available to businesses of all scales and sizes, and these businesses are using web-based technologies to deepen integration of their supply chains.

All of these trends generate lots of data that require ever-bigger databases, which is where the term "big data" originally comes from. They also require newer ways of thinking to cope with and manage the explosion in data volume.

By one account, our accumulated data will have grown from 4.4 zettabytes at the end of 2015 to nearly 44 zettabytes by 2020. That is equivalent to 44 trillion gigabytes. It means we will be adding 1.7 megabytes of new information every second for every human being.



The proliferation of data is both a problem and an opportunity. There are two obvious questions it raises:

How do we manage this data explosion? That's a technology answer that involves the use of specialized databases like Hadoop and the evolution of skills sets and professions like "data scientist"

What do we do with the data? That's something that explains the growth in the fields of data science and predictive data analysis

Currently, data science and predictive data analysis are growing as a discipline. Universities and other educational institutions are coming to grips with the value of the algorithm in business and as organizations learn to manage and go beyond the "business intelligence" wave of the last decade.

Logistics and supply chain planning is an area particularly amenable to the application of Big Data methodologies. Predictive analysis and data modeling are helping with development of algorithms that maximize demand forecasting, inventory balancing and route optimization.

Additionally, supply chain organizations are able to leverage Big Data to create better service opportunities. This could range from generating customized discount offers for each retail shopper to making "on-the- fly" recommendations from prior history for what else the consumer might find of interest.

MACHINE LEARNING

Machine learning is a newly popularized term in the supply chain world, one closely linked to the Big Data trend.

The term refers to the concept of a computer learning to make sense of patterns from data analysis without necessarily being programed to do so.

Machine learning is focused on the algorithm, rather than the data itself. The focus is to generate those algorithms that can both learn from and then turn around and make predictions based on the data.

Logistics and supply chain problems are especially amenable to solving through machine learning, particularly as the size of the data sets grow. Network optimization, demand forecasting and supply planning are all problems that can use large data sets to reduce risk in the supply chain.

PAPERLESS TECHNOLOGIES

Paperless technologies continue to evolve, even if they have become pushed aside by sexier technologies such as drones and machine learning.

The incorporation of paperless technologies continues to help logistics providers and their customers reengineer process flows, reducing process friction through streamlined administration. The benefits are felt through the entire supply chain as document repositories can be shared with trading partners and customers.

The pace of growth has been exponential, supported by three main underlying trends:

• Advent of scanning technologies to the desktop

• Continuously dropping costs of data storage

• Cloud and web-based access to stored images

The resulting paperless environment from electronic document management systems is making it easier to provide self-service opportunities to customers and trading partners in the supply chain.

IT OPS—AGILE

Clearly, the array of new technologies on the horizon demonstrates that the pace of change and adoption is quickening.

First, the arrival of new technology is itself driving demand for even more advanced innovation and applications. Second, developers and implementers are under incredible pressure to deliver the benefits of technology sooner.

One result has been a change in organizational behavior. Companies are adopting new ways of working in order to speed up systems development and technology implementation. Since the turn of the century, information technology has seen an increasing reliance on "lighter development methods" called Agile methods. While some of these methods have been around longer, it's clear that nearly everyone is using them in some form.

Agile calls for cross-functional collaboration between the day-to-day business and the technologists, working together in the simultaneous development of new applications. Agile methodology emphasizes speed to market and an iterative approach to technology development, particularly software development.

A number of Agile approaches are available for organizations to use. Each places an emphasis on collaboration and short bursts of iterations to reduce risk, particularly in high-cost technology development and deployment fields. •

This article originally appeared on *Tradelanes*, the company magazine of Agility Logistics. Thanks to Eric Briones.

Cebu faces its own traffic problem

Plans are afoot to remedy the worsening traffic in the Queen City of the South. **John Chin** looks at upcoming infrastructure projects for the Philippines' second city

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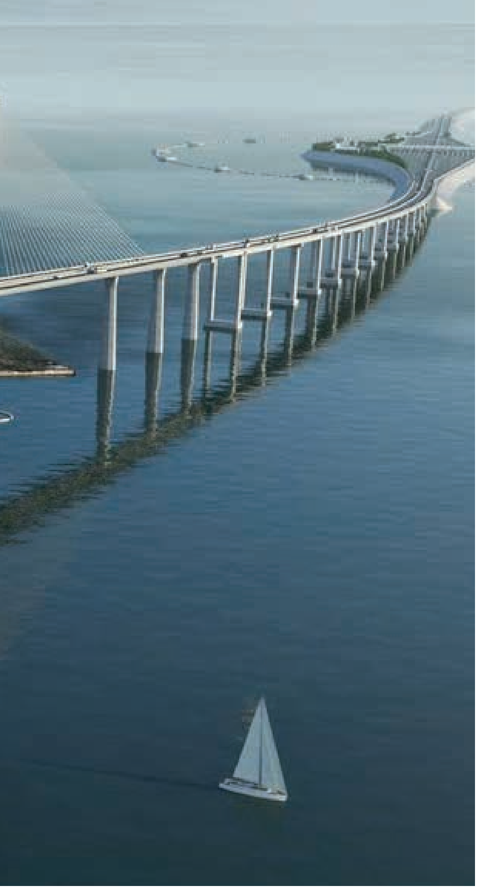
1—An artist's impression of the proposed Cebu-Cordova Link Expressway **2**—The Cebu port is being pegged for expansion **3**—Traffic at the Marcelo Fernan Bridge, the second link between Cebu and Mactan



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Three billion pesos a day—this is the estimated economic loss from Philippine traffic jams, as cited in a study by the Japan International Cooperation Agency (JICA), in conjunction with the National Economic Development Authority (NEDA). This amount is practically 0.02% of the country's 2016 gross domestic product.

Traffic, regardless of density or severity, remains to be one of the top problems of almost every Filipino, particularly for all supply chain practitioners in the country. Compounded with issues on road quality, road safety, and other socio-economic factors, it continues to burden every economic activity with delays and costs.

The same problem is also present in Central Visayas, particularly in Cebu City. It has been identified that at least PHP 132 million worth of man-hours is wasted and economic opportunities lost in one day in Metro Cebu because of traffic congestion. The growing economic stability and the steady 10-12% increase in the number of passengers of the Mactan-Cebu International Airport may be attributed to this increase in traffic for this rising metropolitan. Could this city be a victim of its own success?

This becomes even more alarming, as the Queen City of the South was also tagged by the traffic and navigation application Waze as the worst city to drive in (or worst urban area in the world to be a driver). Living up to its name, which means "a place for trading", the country's main domestic shipping port ranked as the worst out of 186 cities around the globe. Interestingly, Cebu got a zero rating in the socio-economic factor, which is practically translated to the total number of cars and the gas price ratio in the city.

WHAT IS BEING DONE?

There exists a National Transport Policy (NTP), recently adopted by the NEDA Board, aiming to unify all transport-related projects in the country. This is said to be an actualization of the Duterte administration's Philippine Development Plan for 2017 to 2022. The NTP incorporates the solving of traffic with various infrastructure projects that is directed towards a "safe, secure, reliable, efficient, integrated, intermodal, affordable, cost-effective, environmentally sustainable, and people-oriented" transport system.

Aside from national efforts to solve the worsening traffic conditions in the country, there are also a good number of initiatives that are being put up by the Department of Public Works and Highway's Region VII office. A PHP 683 million underpass is being constructed to connect two major roads in Cebu. Another PHP 1 billion, two-kilometer road artery is also expected to start construction by 2018 connecting two of the busiest roads in the city, V. Rama and Gorordo Avenue.

As these projects are expected to be a one step backward, two steps forward process, re-routing simulations has already been conducted in the city to foresee the possible increase in traffic and prepare interventions during the course of the infrastructure projects.

There are also great plans for sea transportation. The New Cebu International Container Port Project led by the Department of Transportation and the Cebu Ports Authority is expected to start on the third quarter of 2017. The expansion of the existing Cebu International Port is expected to double its capacity to around 14,400 twenty-foot equivalent units.

Another highlight in Cebu's infrastructure development projects is the Cebu-Cordova Link Expressway (CCLEX), a PHP 27.9 billion bridge, spanning to around eight kilometers, connecting the city of Cordova to Cebu. This is expected to serve about 40,000 vehicles daily as it will be completed by the second quarter of 2020.

THE CHALLENGE

At the end of the day, various stakeholders face certain challenges in overcoming the problem of traffic.

For the government: change has always been difficult, considering all these projects underway, how much could we lessen the traffic while the projects are ongoing? Moreover, resolving Philippine traffic through grand projects are great, but let us not forget the basics. The intensification of the training and coordination of traffic enforcers, the imposition of traffic laws consistently and completely, and other simple day-to-day habits could contribute as much to lessen the traffic.

For supply chain practitioners: Delays caused by traffic will remain to be one of the leading problems for professionals involved in supply chain management. However, as it remains a challenge, it also is built with the hope that the solutions implemented in our respective institutions be aligned and cascaded to the community for a better transport system in the country.

For readers: At the end of the day, the bottom line will depend from the discipline of all drivers, passengers, and pedestrians, regardless of whatever infrastructure to aid traffic will be built. Will you care enough to stop this congestion and be part of the solution? •

John Chin is a management trainee for LF Logistics, working from their offices in Cebu City.

Is hands-free the future?

Driverless trucks are seen as the future of transporting cargo on our roads. **Henrik Batallones** looks at how far the technology has come—and how it can affect both managers and drivers

For years now we have been enthralled by the idea of driverless cars. Several tech firms have not just flirted with the idea, but have begun testing models with the view for public consumption in the near future. Google begun testing such a vehicle in 2009, and last year, parent company Alphabet founded Waymo to continue development. On the other hand, has released vehicles with semi-autonomous driving functions; its founder Elon Musk expects the company to unveil a fully-autonomous vehicle by the end of 2017.

The quick progress in self-driving cars has led some to wonder whether other self-driving vehicles are next. How about trucks, some ask? Is that next?

Well, progress is being made on that front, too. Several companies have begun testing technologies that would allow for these behemoths of the road to be autonomous to some degree. One such company is Otto, cofounded by Anthony Levandowski, who previously worked for Google's self-driving car project. Rather than create its own vehicle, it creates hardware kits—including radar, lidar (which uses lasers to approximate the distance of a target) and cameras—which are then installed on existing trucks. It tested one of its trucks in the most high-profile way possible: out on the roads, carrying cases for Budweiser beer. Just months after it was founded, the company was acquired by Uber, and it is suspected the ride-sharing giant is aiming to roll out automated vehicles transporting not goods, but people as well.

Otto is not the only entity looking to autonomous trucks. In 2014 auto manufacturer Daimler set the stage with the unveiling of the Mercedes-Benz Future Truck 2025, a concept vehicle; its subsidiary Freightliner later began testing on the optimistically-named Inspiration Truck. Meanwhile, another manufacturer, Volvo, started tests on an autonomous garbage truck—not exactly one for transporting cargo, but arguably the technology for that can be easily transferred to that realm.

Just last year, the two manufacturers, alongside Volkswagen subsidiary Scania, took part in the European Truck Platooning Challenge. This is not exactly self-driving trucks, but this system might be more feasible in the

short term. In platooning, a convoy of up to three trucks are deployed, all with drivers. But only the driver of the lead vehicle has control for most of the trip, setting the route and the speed of the convoy, while the other trucks follow its lead. (Critically, the trucks cannot steer themselves; that's for the drivers.)

The system was deemed a success and tests are now rolling out across Europe; just in August the United Kingdom decided to allow testing for such platoons on its highways.

The driverless truck movement is taking hold, and for good reason. Many see potential cost savings when these vehicles are fully rolled out. One obvious target is fuel: proponents say autonomous trucks use less fuel than manually-driven ones, and trucks can drive that cost further down by co-ordinating with each other remotely, potentially reducing the impact of wind drag and other environmental factors on fuel consumption.

Another clear advantage is safety. Most accidents involving trucks are caused by human error; the thinking is, if you remove the human element, the frequency of accidents can be decreased. Significant investment has been put in other technology that can process so much information coming in from a various range of sensors, and quickly decide on a path of action, without it affecting both the truck's physical performance or that of other vehicles. However, self-driving cars still get involved in accidents, and while rarely are they caused by the technology itself (so far), the blurring of lines between when the driver is in control and when the vehicle is may prove tricky.

Not that there won't be anybody in the trucks. Daimler's concept vehicle envisions a truck where the driver's area is more like a lounge, allowing the driver to lean back once he gives control of the vehicle to its computers. All concepts have options for drivers to take back control when needed—Otto's, for one, is as simple as a couple of red buttons for the self-driving system to disengage.

This is another element of safety touted by proponents of autonomous driving. Drivers do not have to spend many hours at the helm of their trucks—and anybody who drives, whether it be a car or a truck, knows that long (and often monotonous) distances can lead to sleepiness, which can lead to impaired senses and decision-making process, and ultimately, to accidents. Also, when drivers are not driving, the truck can calculate for itself the best way to get to its destination, optimizing fuel use while ensuring the cargo it carries can be delivered on time.

Again, all exciting stuff—but there are downsides, of course. One is the cost of the technology itself. Although its proponents are working hard to not just ensure the technology will not fail, but also to keep costs at an optimal value so it can be snapped up by customers, it will take a while before self-driving trucks become commonplace. The costs lie not just with acquiring new vehicles or systems, but also in transitioning from one kind of truck to another—retraining drivers, for instance.

A second hurdle is on government regulation. Governments across the world will have to decide on how to deal with these trucks once they hit the roads on a more permanent basis. How will these vehicles be licensed? What restrictions should be in place, if any? Who will be held responsible if one such vehicle is involved in an accident?

Finally, it raises the questions of whether self-driving trucks can replace truck drivers, possibly putting thousands of people out of work. There will still be drivers, sure, but if all they'll do is press buttons and watch as the truck does its thing, will they still be worth how much they are paid now? Will cost savings also be found in budgets for training drivers? That would be unfortunate.

Then again, these developments are mostly centered in the United States and Europe, where companies are increasingly turning to automation to minimize costs. These places also have long highways that are well-mapped and monitored—a place where driverless trucks can drive free (almost).

In the Philippines, these conditions are far from met. Companies are reluctant to embrace automation, sometimes due to cost, and other times because of its commitment to its labor force. Also, while we may have long highways, our trucks often drive through congested urban streets—and our geography does not work well for these kinds of trucks to be feasible, too.

Are autonomous trucks not going to land in the Philippines, then? Maybe not in a few decades. But the technology is lurking around. The first such trucks are expected to hit the market in five to ten years' time, according to *MIT Technology Review*. When critical mass is reached, everything will fall into place., and development on other disruptive technologies affecting transport may continue in earnest. Maybe soon we'll be talking about automated closed vans. That seems more apt here. Again, in a few decades, perhaps. •

Tax reform and supply chain

The government's first proposals to overhaul our tax system could impact supply chain in the country in many ways

Why reform our tax system?

The Philippine government is looking to overhaul the country's tax system for two reasons

The first is to simplify the tax system, making it easier for taxpayers to pay their dues to the government. It looks to prevent people taking advantage of myriad tax regulations so they can pay less than they should. They also aim to lessen the tax burden on the lower and middle classes, with the highest rates targetted towards those who earn more and, therefore, can spend more on items such as vehicles.

The second is to raise additional funds for government initiatives. The Duterte administration is rolling out ambitious social programs, including the upgrading of medical and educational facilities and expanding PhilHealth coverage to 100% of the country. There is also its bid to boost infrastructure spending, with several new road projects in the books, as well as upgraded facilities and roads.

The government estimates that an additional PHP 2.2 trillion needs to be raised up until 2022 to fund its initiatives. Apart from changes to tax system, it looks to raise these funds through reforms in the government budget process, as well as in customs and tax administration.

What are they planning to overhaul?

We have yet to see the full scope of the government's proposals to overhaul our tax system: instead of attempting to pass one big reform package, the government is looking to roll out smaller packages.

The first package's headline proposal is a simplification of personal income tax brackets, with those earning PHP 250,000 and lower annually having to pay no income tax, and those in the highest brackets—earning over PHP 5 million annually—being paid PHP 1,450,000 plus 35% of the excess over PHP 5 million. This is with the view of increasing the take-home pay of most workers.

Also planned are a reduction in value-added tax (VAT) exemptions, limiting them to basic necessities, as well as health and education-related expenses. Among those targetted for removal of exemptions include lease of residental units, domestic shipping importation, power transmission and most cooperatives.

Controversial are plans to increase excise tax on petroleum products (including, for the first time, a tax on diesel) as well as an increase in automobile excise taxes, targetting those who purchase more cars.

How will it affect supply chain?

An immediate impact would be on fuel prices: when fully implemented diesel would be at PHP 38 per liter (from PHP 32) while gasoline would be at PHP 56 per liter (from PHP 46). As fuel is a significant expenditure in supply chain, especially in transportation, transport costs could go up, with consumers bearing the grunt.

The imposition of VAT on domestic shipping, as well as the removal of zero-rating to entities that are not direct exporters, can also impact on total costs.

There is also an expected impact on power costs, especially for those served by diesel power plants. (The removal of VAT exemption will be offset by the removal of the franchise tax.)

The increase in excise tax for automotives may not affect those who have already invested in their own transport fleets, but with the question over whether trucks older than 15 years old should be let on our roads, this can be a question in the future.

On the flipside, the increase in take-home pay caused by reforms in personal income tax may spur consumption, which is good news for the Philippine economy, which is heavily reliant on consumption.

Connected, disrupted

As the world saw a series of widespread ransomware attacks affecting businesses, **Henrik Batallones** stresses the importance of security—and literacy—in technology

Many, if not all, things in our lives revolve around technology. For instance, I'm writing this column on a computer. The sentence I just thought of does not quite work, so I hit backspace several times and replace it. You could not quite do that with a typewriter, unless you're okay with spending time applying liquid corrector and blowing on it to dry. And with the advent of cloud technology, I can edit this column anywhere, even if I don't have my laptop with me.

It's this boom in technology in recent decades that has allowed to the rise of supply chain as an important element in doing business. As our reach grows wider—suppliers, distributors and customers are no longer limited to your local area—we rely on technology to help us keep track of every moving element of our supply chain. We also rely on technology to make understand what's happening quicker, and to make decisions quicker. Also, technology has allowed the growth of complex supply chains that are responsive to local needs, and can serve even the most specialized of needs.

Technology has made many things possible, and it doesn't matter whether it's good or bad. Recent events seem to highlight the latter. You have talk of elections being hacked from outside a country's borders to influence its results. You have talk of "fake news" spreading on social media and disrupting civil discourse. You have, in recent days, ransomware attacks disrupting industries across the world.

Viruses infecting computers aren't a new thing. Viruses infecting networks aren't a new thing, either. But the scale of recent attacks—WannaCry affecting medical and manufacturing services in Europe; Petya spearing even wider and also impacting the energy, manufacturing and shipping industries across the world—illustrates how one vulnerability in one dot in a global network can bring down an entire company, disrupting its processes, potentially disappointing its customers, and leading to high costs in the short and medium term.

Imagine the impact on your supply chain. Many parts of the chain are now aided by technology, from supplier management, to production planning and analytics, to storage systems and distribution tracking. When just one of these aspects are hit, the disruption can be massive and costly. It's one thing if it's caused by an error you can trace to within your organization. It's another if it's from the outside, and if solutions are hard to find, if not impossible. WannaCry was only stopped when a programmer accidentally found the kill switch - and while that prevented the malware's further spread, it did not immediately provide an answer for recovering data that was locked into infected computers. Unless they were willing to pay the hackers, that is.

Supply chains utilizing more and more technology to increase efficiencies and serve customers (and the bottom line) better is the norm. However, these incidents should remind us to ensure that our networks are safe from any such attacks, and are resilient if ever something goes wrong. Constant backups, duplicate systems, regular updating of softwares as vulnerabilities are found… and the good old "don't just open any attachment in your email" advice.

Here's another thought: maybe we should invest more in technology literacy for everyone. Vigilance is important in prevent disruptions caused by vulnerabilities in technology, and vigilance goes hand in hand with knowledge. When one knows what to avoid, one can help everyone. And perhaps one can have the solution when something does go wrong. Some children these days are being taught how to code in schools—perhaps they'll grow up to become programmers who can scan and patch vulnerabilities in even more complex supply chain networks in real time. Perhaps soon. •

This article originally appeared in the July 10, 2017 issue of *PortCalls* as part of SCMAP's fortnightly column, SCMAP Perspective.

SSI SCHAEFER Philippines 25th Anniversary: **Our Continuous Commitment to Provide Quality Products and Services**


Photo of the new Tech Center in Kunshan, China


The Conveyor System of SSI SCHAEFER is integrated with the other automation systems to showcase its efficiency and flexibility


The Pick-by-Light System is one of the featured products of SSI SCHAEFER at its new Tech Center in Kunshan, China

First founded in 1937, SSI SCHAEFER, the company of German heritage, started with producing everyday sheet metal goods and over 80 years, emerged as a global active intralogistics provider with more than 70 operating companies around the world. Following the values of the Schaefer family and combined with entrepreneurial spirit, the world-renowned specialist in intralogistics has constantly been able to derive ingenious new solutions to fulfill the requirements of its customers.

As a company offering highly sophisticated, turnkey systems, the group can deliver one-stop solutions worldwide with comprehensive portfolio encompassing design, planning, consulting, and customer-specific aftersales services and maintenance. In Asia-Pacific, the group has serious dedication to customer satisfaction which is evident with the 18 offices set up and more than 1,000 people employed in 15 Asian countries.

"The key to our success is our commitment to our customers. Besides continuous innovation, it is essential for customers to be able to reach out to us and be there for them when they need us. Our growth in Asia-Pacific has been tremendous over the past 30 year. Having local offices with the ability to produce and manage solutions means customers can expect shorter response time and receive ready support when needed," explains Mr Brian Miles, Regional Managing Director, APAC, Middle East and Africa.

In addition, to cater to the growth in this region, the company diversified its product range offered from its manufacturing facilities in Malaysia and China, from standard industrial storage solutions to profiles for automated storage and retrieval systems and conveying systems so that competitive Asian price can be maintained.

The establishments of Tech Centers in both Kunshan, China and Singapore further the aim of being in close proximity to the customers. Live demonstrations of products including the mobile racking, channel storage systems, automated vertical lift storage, order picking technologies, automated storage and retrieval system, A-Frame and the Schaefer Carousel System are available at these technology centres, giving customers the opportunity to come face-to-face in contact with the broad spectrum of products offered by the SSI SCHAEFER Group.

Celebrating the 25th anniversary of its Philippines office this year, SSI SCHAEFER Philippines has over the years helped many local customers fulfill their warehousing objectives since setting its foot here in 1992.

"We have completed thousands of installations over the past two and a half decades and we appreciate the unwavering trust that customers have in the quality of products and services that the SSI SCHAEFER brand brings. Going forward, it is our plan to introducing more automated warehouse systems to the market here. With dedicated commitment from all our staff, we are confident that we can continue to provide quality service and value not just to our existing customers, but to our future customers as well," expressed Mr Querico Alfonso, Country Manager, SSI SCHAEFER Philippines.

SSI SCHAEFER Philippines will celebrate its Silver Anniversary this coming October 2017.

For more information on SSI SCHAEFER, visit ssi-schaefer.com

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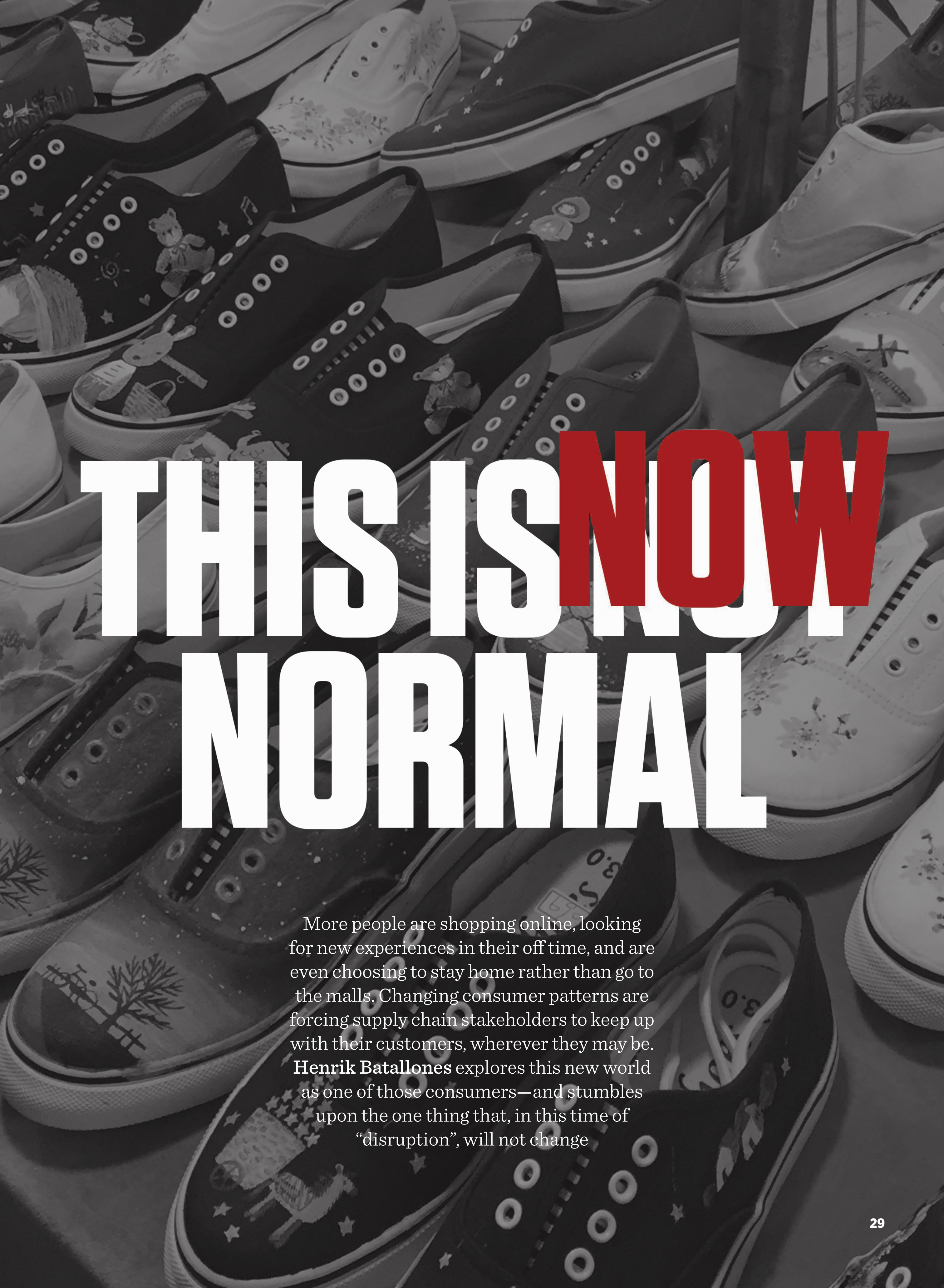

THIS IS ~~NOT~~ NOW NORMAL

More people are shopping online, looking for new experiences in their off time, and are even choosing to stay home rather than go to the malls. Changing consumer patterns are forcing supply chain stakeholders to keep up with their customers, wherever they may be. **Henrik Batallones** explores this new world as one of those consumers—and stumbles upon the one thing that, in this time of "disruption", will not change

THE FIRST MALL in the United States, the Southdale Center in Edina, Minnesota, opened in 1956. The ideas were a bit more noble: bring a semblance of urbanity to the suburbs, with an indoor shopping mall inspired by European shopping districts, anchored by department stores that one used to find in downtown areas. The formula became a hit, and in the next fifty years around 1,500 opened across the country.

As the United States basked in prosperity at the end of World War II, malls were seen as a symbol of the rise of the middle class. The framework was laid out long before, however: the emergence of the automobile in the early part of the 20th century afforded Americans a new degree of mobility. The development of the interstate highway system added further mobility. New families suddenly had an easy decision to make. Why live in a cramped apartment in crowded cities when you can live in your own home, with your own yard, somewhere else? It's easy to get to work or school anyway—you have a car!

Take Los Angeles, for example. It was a center of manufacturing during the war, supplying aircraft and other vehicles for the troops fighting Japan in the Pacific front. At the end of the war, the city saw rapid growth. The construction of new highways saw residents settle around the San Fernando Valley to the north, and Orange County to the south. The suburban boom led to the demise of the city's electrified rail system, once the world's largest, as residents chose the new freedoms afforded by the automobile. Now, over sixty years later, the city is widely known for its traffic jams, with residents from the farthest suburbs enduring journeys of roughly two hours to get to work in the city center. The city has failed to adequately invest in public transpor-

tation throughout the decades, although it has recently opened a new rail line.

The inconvenience of having to drive two hours to a big complex is just one reason for the seeming demise of the American shopping mall. There are changing demographics in the communities they serve. There is the early shift of customers to big box stores such as Walmart, which have put a strain on department stores such as Sears and JCPenney—that resulted in them closing thousands of stores, impacting on the many malls they used to be in. There is the later emergence of online retailers, which meant customers no longer have to go out to just shop, instead putting in their orders through a computer—or, increasingly, their phones—and waiting for it to be delivered to their home. The result: no new malls opened in the country since 2006, and existing ones are either being redeveloped to mixed-use developments, or are shut down and abandoned altogether.

Now, those empty buildings are the subjects of several news reports and YouTube videos, showing shuttered department stores, dilapidated elevators and vines creeping into the floor. Ruin porn, as some might call it.

"THIS WOULD NOT happen in the Philippines," I thought, as recommendations for videos of abandoned malls came up on my YouTube feed. "We love our shopping."

I was immediately proven wrong. I was riding a bus along Roxas Boulevard, and the moment I had that thought, I saw what remains of Coastal Mall. I have been there a few times as a kid—we've gone bowling there, and I remember exploring a branch of National Bookstore there—but now it's mostly empty: a massive building now sitting idly, a portion of it being leased by the government as a bus terminal. But then, it is an exception. The mall's owner, Uniwide, found itself bankrupt after the 1997 Asian financial crisis, and its empire of supermarkets had to go, alongside its two malls.

On the contrary, malls are still being put up across the country. It seems we have only just begun. As a young boy I had a dream of going to every mall established by SM. Already it was an impossible dream—of the five malls, one was in Cebu, and I wasn't going to fly there any time soon. Now the developer has 63 across the country, and they're planning to open a dozen more in the coming year. (An impossible dream, indeed.) It's not just SM, however: other real estate developers such as Ayala Land, Robinson's, Filinvest and Megaworld have also become aggressive, putting up malls in different urban centers across the country.

However, there is recognition that consumer patterns have changed. What used to be big boxes containing everything under one roof—a template set with the opening of SM's first mall, then called the SM City, in 1985—has evolved into places of entertainment. Malls are being developed with a stronger emphasis on entertainment such as cinemas and event spaces, as well as restaurants, particularly with al fresco spaces, often surrounded by natural features, and specially-branded sections. They're also bolstering their retail offerings with an emphasis on specialist stores, or luxury retailers. Existing malls are being redeveloped not to add more leasable space, but to make more meaningful space—take the example of SM Southmall in Las Piñas, which actually shrunk in size as it accommodated a new "food walk".

Also, malls in the Philippines are no longer standalone establishments. Perhaps it helps that most mall

developers in the country are also residential developers. The newer malls are now part of multi-use developments, as added value to high-rise condominiums emerging across Philippine cities. Some are reverse-engineering their malls, building condominiums around them, with SM being the most prolific example.

Developers are also moving away from big malls and choosing to develop smaller establishments in more places, designed to serve an immediate community. Take Ayala Malls, who are building a new mall that's only a little over a hectare in Marikina. While this strategy goes hand-in-hand with the trend towards mixed-use developments, this also serves to bring retail closer to communities that would otherwise have to sit in traffic for hours to do their shopping (and, increasingly, entertaining), especially in areas where building high-rises are not feasible. This has led to a scenario where malls are being built next to each other, more often than not containing the same shops.

This is also prevalent in more rural areas, where existing malls are really far away: take the expansion of WalterMart and the Villar-owned Vista Malls in provincial towns. Often these malls are smaller and have more basic contents—a supermarket, a couple of quick-service restaurants, perhaps a department store. For their customers, however, it is more than enough.

THE PHILIPPINES IS home to three of the largest malls in the world: SM City North EDSA in Quezon City, SM Megamall in Mandaluyong, and SM Seaside City in Cebu. (SM Mall of Asia has fallen to number 11.) This should suggest the Philippine retail sector is in rude health, but in reality, conditions are shifting—and, like elsewhere, it is changing consumer preferences that are leading the charge. While developers are managing this through their aforementioned efforts to reorient malls as entertainment centers, some newer establishments are suffering from less than expected foot traffic. Simply put, there are more things we can be doing in our free time.

My girlfriend and I still go to malls on weekends. Sometimes we go window-shopping—wouldn't these leather backpacks be nice?—and sometimes we try out new restaurants. (We've taken a liking to Tim Hortons' donuts.) But, for us, increasingly there is little to do out, and the costs associated with it—toll fees, gasoline, parking, the possibility of an impulse purchase—means going to malls isn't exactly worth it. Most weekends we just stay home, stocking up on snacks (again, those donuts) while she fires up her Netflix account. We'd watch a stand-up comedy special, or, perhaps, Okja, that film taking a swipe at increasing consumerism in the world.

Not everybody is choosing to stay in, of course, but those who go out have become savvier. The "everything under one roof" template transformed malls in the Philippines into community town centers, in most cases replacing parks, markets and other public spaces. To an extent, this ties in with the rise of the concept of "third space"—a place outside the home or office where social engagement and community building is done. But the homogeneity of these malls—and, to an extent, mixed-use developments such as Eastwood City—has led some to venture out of them. Experts would say the so-called millennial demographic crave authenticity—perhaps that has led to the popularity of food districts such as Maginhawa Street in Quezon City, Lilac Street in Marikina, and Barangay Kapitolyo in Pasig, home to mom-and-pop restaurants that definitely offer something different to the usual (overpriced?) restaurants you'd see in malls.

It used to be that you'd only know of these places through word-of-mouth—a friend recommending a place to another friend, or perhaps, friends meeting up for little reunions at more intimate places. But now word-of-mouth is amplified by social media, from your usual posts on Instagram or Twitter, to review sites like Zomato or Yelp. Also, despite increasing traffic congestion (and lack of parking spaces) in Metro Manila, more are making the trek to these places due to the advent of ride-sharing services like Uber and Grab. The thinking is, if I were to make an effort to go out, it has to be worth it. Why go to the usual places? You either go to places

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THE “EVERYTHING UNDER ONE F” SET-UP LED BY DEPARTMENT ORES AND SUPERMARKETS ARE ALSO BEING UPENDED, TO SOME XTENT, BY NEW RETAIL MODELS

you have not tried before, or you go to places that has built a community of like-minded people around it—it's why some people still go to gigs.

This has also reflected in retail. The “everything under one roof” set-up led by department stores and supermarkets are also being upended, to some extent, by new retail models. Experts would also say millennials put more emphasis on the experience, whether it be in dining or in shopping. They put a premium, they say, on the “story” of the product they are buying—where it is sourced, how it is made, what is its context alongside other items sold in a particular store. I always thought it's more of a concern among affluent millennials—the idea of a “brand story” still seems quite ridiculous to me. But more “curated” retail stores are starting to show up. Kapitolyo is home to Heima, a lifestyle store selling bespoke furniture alongside hard-to-find independent magazines and greeting cards, as well as Craft Carrot, an art store targeting the self-described creative class.

This trend is also being reflected in malls. Primer Group now operates several concept stores, housing its many brands but targeting particular demographics, such as Grind (for the skaters), Bratpack (for the younger demographic) and the Travel Club (for, well, travellers). National Bookstore has spun off its Workstation concept to a standalone store, while launching two more concept stores: Art Bar, housing art materials and other supplies for the creative crowd, and Noteworthy, housing stationery options and other related items. Finally, Satchmi—who used to just sell vinyl records and players—has positioned itself as a lifestyle destination, with two stores in Manila containing fashion and photography items, as well as a restaurant. (That hybrid of dining and retail has long been around, however, although it's taken on a more luxury feel in recent years—take Sunnies or Harlan+Holden, both local labels.)

Our malls have yet to take the extra step seen in other countries, however. In Singapore, for instance, malls along Orchard Road—the country's most popular shopping district—have taken on different niches to differentiate themselves from each other. Orchard Central is different from Ion Orchard, for instance, and there's a smaller chance you'll find the same store in both. In Bangkok, malls have taken an active stance in supporting local businesses: the recently relaunched Siam Discovery, in the trendy Sukhumvit district, focuses on Thai products and fashion labels, wrapped around its design-driven “lifestyle laboratory” concept.

ARGUABLY THE SHIFT towards lifestyle—the shift of focus towards the “experiential” and the “authentic”—is partly a response to what is perhaps the most disruptive movement to shape consumer habits today: the rise of e-commerce.

It started, innocuously enough, as another means to buy things. Instead of buying at a store, you buy at the comfort of your own home. A few clicks and you can get an item sent to you. Fast forward a couple of decades, and online retailing is a behemoth that has shuttered not a few traditional retailers, while also forcing the rest to adopt. And it has opened a myriad of possibilities for consumers too, changing their habits and preferences as well. However, it must be noted that e-commerce is not the direct cause of the “death” of the shopping mall. There are many factors: increasing congestion, high prices, low service levels. But it has become the biggest beneficiary.

When it was founded in 1994, Amazon.com was seen as a novelty: an online bookstore operating out of Jeff Bezos' home in Seattle. Fast forward over two decades and it is now the most valuable retailer in the United States by market capitalization, continuing its growth as other American retailers, like Walmart, have struggled and been forced to downsize. It has significantly expanded its retail offering: moving beyond books and other media to sell clothing, appliances, and even food. In recent years it has even moved past its traditional turf on the Internet, opening brick-and-mortar bookstores, and more recently, acquiring grocery chain Whole Foods Market.

Amazon has set the template for other e-commerce operations to follow. Essentially it's all about technology, providing every player along the value chain—suppliers, sellers, customers—better efficiency and more control. For the customer, the website has become a viable alternative to traditional retail channels by offering a wider range of products. Payment processing is also easier, not just within its website but in other stores who use Amazon's platform on their own websites. Myriad delivery options also provide customers better control over when and how they get their purchases, from the usual avenues, to guaranteed free two-day shipping—and even drone delivery—for those who are part of their Amazon Prime service.

Behind the scenes, they have deftly used technology to improve their service levels without impacting their physical supply chain operations. Being an online operation means they can, in theory, offer virtually every item to customers without having all, or any, of them on stock. They use data to determine which items to stock in their many fulfillment centers across the United States (as well as in other countries they operate in) the same way they use data to provide the customer a more refined—"curated", if you may—offering whenever they browse the website. Within their facilities, items are stocked randomly, rather than allocating a dedicated place for particular items, ensuring every inch of space is utilized; every item is logged on a computer, and software is used to track these items down when an order is placed, with employees aided by robots and other automation. In some cases, there is no need for inventory, minimizing stocks by giving publishers the option to print copies of books only once an order is made.

Amazon's dominance is such that they have begun to take control of avenues not just for the purchase of items but of its consumption. Its introduction of the Kindle e-book reader meant a "walled garden" where it controls where a reader buys and reads its items. Apart from offering downloads of movies and television shows, it now makes its own. And with its foray into brick-and-mortar stores, they are also looking to

E-COMMERCE IS NOT THE DIREC CAUSE OF THE "DEATH" OF THE SHOPPING MALL, BUT IT HAS BECOME THE BIGGEST BENEFICI

control the environments in which their products are experienced, like Amazon Go's cashless checkouts—not to mention the obvious benefits to their supply chain of, say, the physical network of the Whole Foods grocery chain, especially with regards to its AmazonFresh grocery service.

This is a template that Alibaba, Jack Ma's e-commerce titan in China, follows—but with some significant exceptions, reflecting conditions unique to the Chinese market. The group's B2C website, Tmall, provides a platform to 50,000 sellers housing 70,000 brands, both Chinese and international. They developed in a mobile payment system, Alipay, allowing customers to provide payment only when they are happy with the products they have received. Another one of their platforms, Aliwangwang, is used to allow buyers and sellers to communicate (and perhaps haggle) before a purchase is made. This, combined with high levels of mobile use, propelled Alibaba to dominance in the Chinese e-commerce market, with its annual Singles Day promotion breaking all records and collecting USD $17.2 billion in sales last year.

NOW BOTH E-COMMERCE giants have their sights set on Southeast Asia. Alibaba, anticipating Amazon's entry, has been busy shoring up its investments in the region, notably acquiring 83% of Lazada

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Group—which had already expanded into online groceries and an Amazon Prime-style membership scheme. In recent months, Amazon quietly opened its Prime Now service in Singapore, guaranteeing two-hour delivery time on groceries, home items, electronics and other products.

Conditions in the region have long been ripe for an e-commerce revolution. With improving access to mobile phones and the Internet, as well as increasing consumer spending, e-commerce is expected to be worth USD 88 billion by 2025, according to a report by Temasek Holdings and Google. In the Philippines, there are 60 million Internet users, and while most of them access via desktop PCs or laptop, mobile use is slowly catching up. The country's population is young, and are also becoming more affluent, with recent sustained economic growth—initially buoyed by the BPO boom—leading to a powerful middle class.

Online shopping has become a viable option for many Filipinos because of the convenience it offers, particularly in urban areas grappling with congestion (and long travel times) and populated by those with more discerning tastes and preferences. It has also broken down a significant barrier for entrepreneurs and small traders, allowing them to sell their items—whether it be something they produced, or a product from abroad that they import—to a wider audience. One no longer needs to fork up enough money to get a space at a mall, where most shops are concentrated, or perhaps at a bazaar which only run for a few days at a time.

There are still some significant hurdles, however, before e-commerce can truly become a viable option for everyone. One is limited Internet connectivity in the country: the Philippines has one of the slowest Internet speeds in the region, and while efforts are underway to remedy this, realistically it will not happen overnight. Another is limited infrastructure, particularly in rural areas, which could pose difficulties in ensuring speedy delivery. Smartly, local e-commerce players—from dedicated websites such as Lazada and Zalora, to "traditional" retailers such as Bench—have tapped logistics companies who have experience in reaching the farthest corners of the country.

Perhaps the most important hurdle to cross is the need to replicate the offline experience. Filipinos are used to shopping in stores, after all: they are used to inspecting an item, perhaps fitting several, before deciding on what to buy, if they do buy something. While some items easily transition to the online marketplace—for example, you can easily look up a smartphone's specifications and reviews online—other items demand a degree of interaction that cannot be replicated on a screen.

E-commerce sites have responded by guaranteeing a robust logistics network—the best way to merge the possibilities of online shopping with the familiarity of offline shopping. It poses a particular challenge for a country like the Philippines, whose archipelagic nature and limited infrastructure demands a considerable investment in logistics to be competitive, not just in physical facilities but in technology to assist its personnel. Take Zalora: apart from partnering with logistics firms to ensure nationwide delivery, they invested in their own last mile logistics network, with at least fourteen hubs across the country. They also invested in their own delivery fleet, to enable their "try-on" service—where customers can fit what they bought online—as well as allow payments on delivery. Again, this isn't just investing in people and vehicles, but also in technology to enable visibility across the network.

There lies yet another hurdle: there is limited access to financial products in the Philippines. 75% of Filipinos do not have bank accounts, while 40% do not have physical access to banks. While e-commerce firms have stepped up by allowing cash payments—either cash-on-delivery, or by paying through accredited partners—here it is an effort for everyone to get behind on. There is some progress: services such as PayMaya and GCash (backed, recently, by Alibaba) are introducing mobile wallet systems powered by phone apps, while banks are partnering with other institutions such as pawnshops and convenience stores to enable wider access to financial products to far-flung areas.

WHILE THERE IS still a long way to go, e-commerce is slowly gaining ground in the Philippines. Talk all you want about how technology is enabling this boom, but ultimately it's service that brings people into the fold. For one, my girlfriend recently bought a lipstick set and a Rick and Morty shirt for me online—things she would not usually find in stores, but with quick delivery and wide payment options, it's like she

SELLING GAMOT ONLINE: ARE YOU SERIOUS?

There are many steps to take before you can sell online—more so if you want to see medicine, as **Roselie Tubeo** explains

In this Internet era where social networking and going mobile have become a way of life to most Filipinos, just as they keep pace with the rest of the world, the digital platform has gained predominant traction as a shopping marketplace. For instance, the mobile Internet penetration rate in the Philippines is growing at a rate of 1.5 times (or 30 million users) every year. An average adult spends about 3.2 hours on mobile and 5.3 hours on desktop and tablet. Top online activities are 47% social media, 19% watching videos, 15% online games, 13% location-based search and 29% online shopping.

E-commerce is gaining ground. Five in 10 Filipinos have recently bought something through their phone. Internet growth in the Philippines has started in 2010 at 182% growth and it has continued hike after hike of Internet users thereafter. In 2015, its growth rate is at 47% versus the previous year.

Despite this exponential growth rate, the country is still faced with an Internet connection malady which tends to hold up continuous, uninterrupted growth as compared to its neighboring countries. The main reason is the slow Internet connectivity and lack of government support for the past 5-10 years in the e-commerce business. The good news is, as of last year, the e-commerce roadmap 2016-2020 has finally been released by the Department of Trade and Industry.

The pharmaceutical industry has kept pace with the changing times and considered selling medicines online. Digitizing the pharma market through online purchases of medicines has started to gain acceptance because social forces has been gearing towards shopping convenience.

Although most pharmaceutical companies started their D2C (direct-to-consumers) online platforms at the turn of the century, mostly with the brands facing online costumers, they have to be more creative in introducing strong brands and competitive prices and offers—not to mention flexible payment options and strong last mile logistics for it to propel in the digital world. The strategy is to develop individual brand websites that will create an online market that is not yet saturated by the traditional market. The online market is a new channel of distribution that is readily available, reliable, inexpensive and good quality channel.

Creating a separate marketing website for each of the banner brand will entail development as well as administrative costs. More so, it will also need a website designer and evaluator that will see through the website's creation and completion end-to-end.

Each brand website has unique value propositions to the consuming public and each will work independently in terms of marketing. However, in terms of fulfillment and last mile logistics, these sites could tap only one in-house fulfillment arm—the consolidator. Prudence is the rule of the game, in almost any business, much more so if this arena is not a competitive advantage or ones core competency. Breaking even financially is almost beyond reach for most online operators because of multifarious challenges and risks attached to it.

But selling pharma products online is not a walk in the park. Unlike personal care, food, fashion, gadgets, home appliances and practically everything else, selling pharmaceuticals online needs to be regulated by the Food and Drug Administration (FDA). This license to operate (LTO) is not your typical runaway license that could be obtained in as short as a few weeks. Securing an FDA-LTO to sell medicines online usually takes months to even a year, and prior inspection after adhering to rigorous requirements in the area of operations juxtaposed complete processes and prescriptions verification are necessary.

Once the LTO is secured, the online store is not entirely free to sell anything in the web, just yet. For prescription medicines, this should only be shown in the website after the consumer has been registered and valid prescription is uploaded electronically upon check-out. In short, pharma products are not allowed to be advertised and freely-browsed across your website, unless they are over-the-counters (OTCs).

The potential of the online stores is huge anchoring on the known fact that customers are more and more willing to buy online due to convenience. Another challenge for most online stores nowadays, however, are the payment options and last mile logistics. Cash payment is still of prevalence in the country as most people would not trust to enter their credit card information in online shops. Only about 5% of the Philippines is cashless.

Indeed, there is still an opportunity on how to make online shopping compelling while removing that fear of being exposed, financially. If jitters like

this happen in the consumer market, like fashion, appliances, home care, personal care and even gadgets, how much more for medicines purchased online. Consumers would definitely want to see for themselves that they will receive the right medicines with the correct format or dose before laying out that cash. In return, pharma website operators are often faced with numerous returns whose reasons would range from wrong order or change of mind of the customers. What can the lowly rider do, but go back to base and return the item because the consumer did not want to purchase the product after all.

Then again, these are the exceptions. 95% of the time, experience will say that consumers choose the product they want, at the right quantity. That's the beauty of online purchase. Orders are quality orders at source.

Of the exponential e-commerce revenue growth of 12,684% increase from Jan 2014-June 2016, only 5% have gainful access to healthcare products and benefits. There is a huge underserved market there. Despite the tough playing field in the online platform for pharmaceutical market, the way consumers behave and the level of acceptance online purchase is gaining, eventually, online selling 'gamot' and gamot-equivalents will become commonplace.

Roselie Tubeo is the team lead for supply planning for the corporate planning and logistics management division of United Laboratories Inc.

IF YOU CAN'T BRING YOUR PRODUCT TO YOUR CUSTOMER, IT WILL FAIL, NO MATTER HOW GOOD IT IS, OR HOW STRONG YOUR MARKETING EFFORTS ARE

bought them at her nearest mall—and she doesn't have to get on a cab to do so.

Me, I'll admit to still being a bit uncomfortable with online shopping, but arguably I am already dipping my feet in the pool. I have always planned my purchases ahead of time, but now, when I go to a store, I am already armed with loads of information gleaned online: reviews, product comparisons, perhaps some details on what that touch screen does, so I can ask better questions to the sales staff. (Whether they can respond satisfactorily is another question.) The Internet is changing the way we shop, whether we choose to do it online or offline.

My first impression is that the two movements in retail today—the rise of e-commerce, and the rise of the "curated" experience—suggest that two silos are forming. The easily commoditized or mass-produced—say, groceries, footwear, even medicine—are moving online, as businesses see investing in the Internet as a way to ultimately save by cutting, or eliminating, increasingly costly brick-and-mortar presence. On the other hand, items that demand more "care"—where more emphasis is put on an item's provenance and premium attributes—are finding a home at traditional shops, where sellers can control not just how buyers experience their products, but their entire brand as well. One side for the masses, another for the more discerning crowd.

But it's not really the case. Customers are more savvy than that. Provided all conditions are optimal, they will go online for some purchases and offline for others. To mangle Marshall McLuhan's words, the medium is not the message—all this merely provide new means to an end, and not the end itself. For every scare story about how e-commerce is killing off the mall, you have a story of how giants like Amazon are entering the brick-and-mortar business, or how traditional brands are tying up with e-commerce sites to provide a new channel for doing business. (I imagine it will be more keenly felt here in the Philippines, a country where the mall is the center of retail habits.)

Rather, the future is omnichannel. The conditions may be different, but the challenge remains the same: keep customers satisfied, whether it be through a department store, a shop off the high street, or a smartphone. Maybe it's a robust returns policy; maybe it's a wider range of customization options; maybe it's having your sales staff not hover around anybody who's browsing their shelves.

One important element highlighted by these changes is the critical role supply chain plays. If you can't bring your product to your customer, it will fail, no matter how good it actually is, or how strong your marketing efforts are. E-commerce giants like Amazon also sell dud items, but customers now know they don't have to live with it—and return policies have become a selling point for online shopping websites, particularly those that do their own fulfillment, rather than just provide a marketplace for small sellers. Also, with more information readily accessible at their fingertips, customers are more exacting when it comes to what they buy.

First question: how can you make your supply chain more responsive? Customers are demanding more flexibility, especially as lifestyles shift and people have less time (and patience) to shop. Can your distribution network assure the products get to the customer when he needs is, whether it be through personal delivery or through a convenience store? Can it also ensure these products get to them at its best conditions? Can it be of help when the customer thinks the product you just delivered is not of the quality he expects? (E-commerce return policies are forcing traditional retailers to up their game, after all.)

Second question: how can you make your supply chain more efficient? Arguably we already know the answer to this—and yet, it still remains to be seen whether we are using technology correctly and properly to ensure not just efficiency, but flexibility. There are already a myriad of options, from technology assisting human workers (think of RFID, assisted picking systems, and the like) to fully-automated solutions—and yet, no one solution fits all. Manufacturers and retailers of different stripes have unique demands when it comes to planning, inventory and fulfillment. Amazon's random stocking method, where different items mingle on the same shelf to maximize available space, is not applicable for everyone. How are you ensuring efficiency in your supply chain, and are these efforts still applicable as consumption patterns and habits shift?

Third question: how integrated is your supply chain policy with your overall strategy and direction? Amazon rose to the top because of how it adapted its entire supply chain towards serving their customers better—it's in the investment in fulfillment centers, delivery methods and technologies making every facet of customer experience easier, from browsing to payments to actual receipt of the item. Same thing with Alibaba, whose Singles Day promotion is as much a feat of logistics as it is a feat of marketing. But not everyone has supply chain strategies that are aligned with their overall strategies—and some do not even have them. Some might argue that it isn't important, especially if you're a small enterprise, but the goalposts have changed. While large companies can invest in a dedicated supply chain, smaller outfits have to turn to the expertise of logistics providers—and providers must also be ready to deliver. With even the smallest retailer practically having access to the biggest of markets, a strong supply chain is a necessity to stand out from the crowd.

THE FINAL QUESTION is one of collaboration, between every player in the supply chain—from those creating the products, to those selling the products, to those delivering the products in between, and even to the customers themselves. Never before has this been more important—and the changes in the retail landscape have only served to highlight this need.

Again, the slow move away from offline in favor of online does not mean the victory of one channel over another. While e-commerce may seem poised for dominance at the expense of malls (and the shops in it), it only provides further opportunities for everyone to up their game in serving their customers. Sure, online shopping is "killing" a lot of traditional retailing, but I don't see our smartphones completely and permanently replacing our high streets, if not our malls.

But consumers becoming savvier in their preferences and demands—where they seek out what's convenient for them, no matter what channel—means the best way to adapt is to reach out to other stakeholders and involve them in every step of the decision.

What do stakeholders expect from each other? What can each party deliver, and what does each party need help in? Only then can bespoke solutions be crafted, tested and refined, one that encompasses each player's capabilities while addressing customer demands wherever they may be.

Technology has made all of this easier. Every player has collected information on their own patches, sure, but nowadays the amount of data collected has expanded—and the connections that can be made between different data sets, from previously disparate fields, have grown, too. It's in these connections where unique insights that help serve the customer can be found—but to get to that point, stakeholders must be open and transparent. It's a bit of a tall order, but it's not impossible, and there are some examples of this already going on—say, between FMCGs and supermarkets, or between e-commerce players and logistics companies.

The success of Amazon and Alibaba is in how they have harnessed this information to understand what their customers are thinking, feeling and buying, and

WITH EVEN THE SMALLEST RETAILER PRACTICALLY HAVING ACCESS TO THE BIGGEST OF MARKETS, A STRONG SUPPLY CHAIN IS A NECESSITY TO STAND OUT FROM THE CROWD

adapting their services in response. It may sound like something only someone with high technology at their disposal can do, but it can be done with the right synergies between the right players. Any takers on what the end goal of, say, SM acquiring a significant stake in 2GO, or Ayala acquiring almost half of Zalora Philippines, can bring not just to the retail giants' physical malls, but also in their end game towards online shopping?

Malls in the Philippines may not be dying yet, but changes are afoot—and it's sooner rather than later when this sea change arrives in our shores. It is making its way through the region, the way it has made its way in other major markets. The best response is not a knee-jerk one: remember that customer service remains king. Do that well—and keep in touch with all involved along the way—and the rest will follow. •


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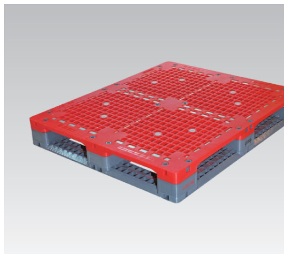
Loscam Introduction

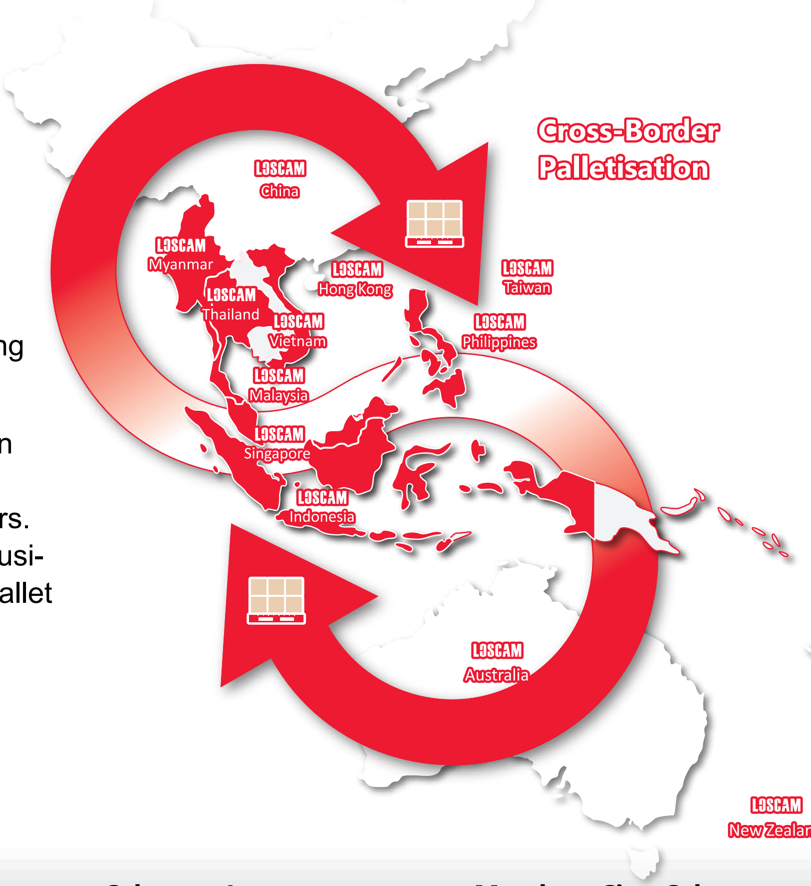
Loscam, one of the world's largest pallet and packaging equipments pooling organisations, was established in 1942 in Australia. In Southeast Asia, Loscam has established strong networks and business positions in the Philippines, Thailand, Malaysia, Singapore, Indonesia, Vietnam and Myanmar.



Pallet Rental & Pooling Service in Philippines

Loscam (Philippines), established in 2001, provides pallet rental & pooling services for storing and moving products through supply chains.

Loscam (Philippines) has set up service depots in Laguna, Cebu, and Pasig City, ensuring fast and sufficient supply of quality pallets to our customers. Our entrenched expertise and well established business network enable us to become the leading pallet rental service provider in the Philippines.



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THE DEBRIEF

2

1—A group photo from MV St. Michael the Archangel's deck **2**—SCMAP officers with Iloilo City mayor Jed Patrick Mabilog **3**—A quick overview of Iloilo's ports

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Revamped Immersion heads to Iloilo

SCMAP's annual weekend-long event sees delegates get a better understanding of supply chain with a mix of seminars and tours

As planning for this year's Supply Chain Immersion was under way, we thought, our delegates are giving us a whole weekend, with Sunday falling on Mother's Day at that—why not really make it worth their while?

It's not that previous iterations of the annual event haven't been worthwhile, but we saw an opportunity to make it all even better. The clue was in the name: "Immersion".

So, this year's Supply Chain Immersion was truly loaded. From May 12-14 we brought over sixty delegates a weekend of interactive workshops and insightful tours, with the help of supply chain experts and local business leaders. The destination: Iloilo City, the trade center of western Visayas, currently seeing an economic renaissance with the development of new businesses and resurgence of existing ones.

As always, it all began on a Friday morning, with delegates gathered at the Manila North Harbor for an initial mixer (and a personal welcome from MNHPI boss Richard Barclay). Then it was off to MV St. Michael the Archangel bound for Iloilo, where a whole day of workshops and seminars on supply chain fundamentals awaited (but not after another personal welcome from 2GO's Bimsy Mapa).

The day's talks were delivered by various supply chain experts: Johnson & Johnson's Clarisse Castillo, Unilab's Nestor Felicio and Roselie Tubeo, XVC Logistics' Cora Curay, and SCMAP executive director Norman Adriano went through supply chain from end to end, from procurement to inbound logistics to integrated business planning. Anchoring the first day was the










Top row, from left: SCMAP's Norman Adriano, Johnson & Johnson's Clarisse Castillo, Unilab's Roselie Tubeo and Nestor Felicio, and XVC Logistics' Cora Curay

Bottom row, from left: Iloilo Business Club executive director Lea Lara, REID Foundation's Ronilo Balbieran, Iloilo City mayor Jed Patrick Mabilog, Philippine Foremost Milling's Engr. Terence Uygongco, and Rustan Supercenters' Christine Pardiñas

beer game—the classic activity providing an understanding of supply chain processes, although at times it was both exciting and stressful for delegates.

The second day was packed. Upon arrival in Iloilo early in the morning, delegates were toured at the city's three ports with help from the Philippine Ports Authority; at the facilities of Philippine Foremost Milling Corporation, one of the country's leading manufacturers of flour and wheat products; and at the Iloilo Business Park, situated at the site of the city's former airport in Mandurriao.

In the afternoon, at the newly-christened Supply Chain Perspective, delegates from both Manila and the Visayas listened to talks from various experts. Anchoring the event was Iloilo City mayor Jed Patrick Mabilog, who provided an overview of how Iloilo has taken advantage of its recent economic boom. Also providing a local perspective was Philippine Foremost Milling's Engr. Terence Uygongco, who talked about logistics challenges from Iloilo.

Also speaking was REID Foundation's Roni Balbieran, who provided an updated glimpse at the state of the Philippine economy, and Rustan Supercenters' Christine Pardiñas, who looked at the impact of retail on supply chain.

It wasn't all work, however. There were cocktails (and singing and dancing) on the first night on board the vessel to Iloilo; there were dinners and lunches at popular Iloilo restaurants; and there was a tour of the city's tourist destinations on the Sunday before departure. Of course the delegates also had free time to explore the city on their own—and, as it was May, many attempted (and succeeded) to get the famed mangoes from nearby Guimaras, which were on season.

We're pretty confident we have delivered on our aims for this year's Supply Chain Immersion: an event that truly lives to its name, an immersive look at supply chain management both in principle and in practice. It may have been a long time since the first ever event—back in 1992, back when it was called Shipping Immersion Course—and happily we have kept up with the times.

Finally a bow of gratitude to those who have helped make the event possible: our sponsors, Manila North Harbour Port Inc. and 2GO Travel; and our friends at the Iloilo Business Club, led by its executive director Lea Lara, for arranging our itinerary in Iloilo—down to the Dinagyang performers who welcomed us as we arrived in the city. •




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1—From the top **2**—The beer game was educational… and frantic **3**—Selfies on day three, blue ternate ice cream at hand **4**—A personal welcome from MNHPI boss Richard Barclay **5**—Inside the tour bus

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Henrik Batallones on the renewal of Iloilo

Your first impressions of Iloilo would depend on how you get there. Most likely you're flying in, which means you'll touch down at the new Iloilo International Airport—a modern facility, and in my nascent experience in this country's airports, perhaps the most comfortable I've been in. From there, you take a drive through newly-expanded roads, first snaking through rice fields, before hitting new residential areas, and then, the city's new business district, which new commercial developments now call home. (Or perhaps you'll pass by the Iloilo Business Park, site of the old airport—the old control tower still stands if you look closely.)

If you're coming by sea, though, you'll be getting off Fort San Pedro, still the home of passengers coming in from different destinations by sea. The first thing you'll see when you get out of its gates is a new mall, established by the company of Edgar Injap, one of Iloilo's homegrown (although his empire definitely stretches wide across the country) business titans. Travelling along Muelle Loney you'll see the city's long-time locators, still doing business after all these years. You might see an old vessel or two docked along the coast. But then you look ahead and see—and sense—a city that's poised forward and looking to take advantage of what is ahead of it.

We chose to go to Iloilo for this year's Supply Chain Immersion in recognition of the city's, and the region's, booming economy. We were trying out some new things with one of our flagship events, and what better place to do so than Iloilo? We wanted to give our delegates a more immersive experience, with a rethought agenda on board our trip by sea to our host city, and tours of local businesses who can provide insight not just into supply chain opportunities and challenges, but also local experiences. Certainly Iloilo—and by extension, the whole Western Visayas region—had a lot to show us.

But beyond our scheduled stops I got a sense of what is really up in Iloilo. You can feel it, whether you're in the old downtown (where shops still close early), or in Mandurriao, home to developments from national conglomerates like Ayala and Megaworld.

There is a stereotype that Ilonggos are "malambing" and it's in full display as the city sees good times. Cooperation between stakeholders have gone a long way here. The local government is proactive in selling Iloilo as a good business destination, and considerable investment in infrastructure has helped them along. The local business community has also been proactive, constantly working towards some sort of feedback loop where each stakeholder lets their concerns known—and listens to others, too.

I'm certain this thing happens in other cities, too. However, the impact is definitely amplified in Iloilo, a city that boomed during the heyday of the sugar trade, but saw its fortunes slide as the spotlight shifted back to Manila, and to an extent, Cebu. The cooperation has led to what I'll call a renewal of Iloilo, one that has put both the city and the region in stronger footing as the country rides an economic wave. And the feeling in it is so infectious, I did something I don't usually do in Manila; go on a night out, laugh with colleagues, while watching a band play somewhere in Smallville.

An extended version of this article appeared on the May 29, 2017 issue of *PortCalls*.

‘Sharpening’ Visayas SCM practitioners

SCMAP Visayas holds day-long seminar updating skill sets of supply chain managers

SCMAP Visayas organized Sharpening the Supply Chain Practitioners, a day-long seminar gathering esteemed supply chain managers providing insight into new developments and challenges in the profession.

The event, which saw 70 delegates from 35 companies take part, was held at the Golden Prince Hotel in Cebu City last April 21.

Speakers tackled a diverse range of subjects, from operational excellence to honing leadership qualities. Transfluent Management’s Ninoy Rollan kicked off the event with a look at what he calls “D.I.G.O.N.G.” leadership, followed by former SCMAP president Ike Castillo, who discussed implementing S&OP processes to supply chain operations.

Jong Fernandez, the head of AGF Consulting Group, joined to look at how the new ISO 9001:2015 certification affects those in supply chain, particularly its focus on performance. Mondelēz Philippines’ Cris John Garcia returned to Cebu to discuss new developments in customs and shipping, while LF Philippines country head Santi Gutierrez tapped on his decades of experience to look at the “eight deadly sins” of a supply chain professional.

The event also served as the induction ceremony of the newly elected SCMAP Visayas board. The organization’s national president, Nestor Felicio, flew in from Cebu to swear in the new board.

The chapter’s reelected president, Gilbert Cabataña, envisions the seminar as a regular event, reiterating their commitment to further the supply chain industry in the region. •

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1—A full crowd **2**—The newly-inducted SCMAP Visayas board **3**—SCMAP Visayas president Gilbert Cabataña thanks… his boss **4**—Transfluent Management’s Ninoy Rollan **5**—Former SCMAP president Ike Castillo **6**—AGF Consulting’s Jong Fernandez **7**—LF Logistics’ Santi Gutierrez **8**—Mondelēz Philippines’ Cris John Garcia **9**—SCMAP national president Nestor Felicio


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#GoSubic campaign kicks off

SCMAP North Luzon opens discussion positioning Subic as an alternative shipping hub

The newly-established SCMAP North Luzon chapter gathered supply chain stakeholders in a focus group discussion aiming at promoting the use of Subic port.

It was held on May 9 at the Widus Convention Center at the Clark Freeport, and saw over 50 delegates representing not just major locators in Clark, but also stakeholders from Manila, and government agencies from the local and national level.

Among the organizations represented were the Department of Trade and Industry, Bureau of Customs, Subic Bay International Container Terminal and the Philippine International Seafreight Forwarders Association.

Ronnie Yambao of the Subic Bay Metropolitan Authority kicked off the morning with a presentation on development plans for the free port, including new routes and expanded capacity. It was followed by another presentation from chapter director JB Brinas, who broke down the costs of shipping in Manila compared to shipping with Subic.

Dr. Henry Basilio, currently head of the National Committee for Transportation and Logistics of the Export Development Council, then presented the initial findings of a survey on transport costs, with a focus on international shipping, before presenting updates on the recently launched ASEAN RORO project and proposed amendments to the Build-Operate-Transfer Law.

Chapter president Frankie Villanueva described the event as the opening salvo to the chapter's advocacy to develop the region as a logistics hub. •

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1—A class photo (for documentation, as they say) **2**—In the heat of discussion **3**—From left: SCMAP North Luzon director JB Brinas. EDC-NCTL's Dr. Henry Basilio, and SCMAP North Luzon president Dr. Frankie Villanueva **4**—Subic Bay Metropolitan Authority's Ronnie Yambao **5**—Any questions? Yes, we do

NEW MEMBERS
SCMAP welcomes its new members: **Atshell Enterprise Partners**, represented by Edward Diwa; **Grand Chamonix Marketing**, represented by Marc Diaz; **MMG Corporation**, represented by Jardine Gerodias; **PTC Commercial**, represented by Stanley Choi; **Tritek Reverse Logistics**, represented by Armando Famini; and **88 Sunfreight Express**, represented by Darwin Segusmindo.

COMING UP
Two more **General Membership Meetings** for 2017 will be held on October 19 (at the Discovery Suites in Pasig) and November 16 (venue TBC)—the last one being the election of the new members of our board… our annual **Christmas Fellowship** on December 1 at the Makati Sports Club… and our look ahead to 2018, **Supply Chain Outlook**, will be on February 8. Updated information will be posted at scmap.org, as well as on our Facebook, Twitter and LinkedIn pages.

SCMAP calls for better connectivity after LEI results

At the unveiling of the results of the first Logistics Efficiency Indicators survey, conducted by the Department of Trade and Industry with assistance from the World Bank, former SCMAP president Cora Curay called for stronger efforts to enhance connectivity, through better infrastructure—particularly with ports—and streamlined processes, as well as efforts to formalize supply chain education.

She made her remarks during an event last August 1 at the Hotel Jen Manila, where she was named one of the reactors. SCMAP was one of the organizations who supported the DTI in validating the survey questions and results, which aimed to gauge the performance of the country's logistics capabilities for monitoring and improvement.

NCRPO deputy director graces GMM on resiliency

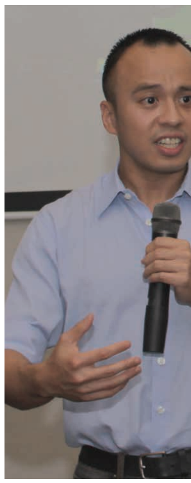
Philippine National Police NCRPO deputy director PSSupt Amando Espino spoke at our General Membership Meeting last June 22, discussing the police force's efforts to ensure stability and security in the country. The meeting centered on supply chain resiliency, with other talks from SCMAP president Nestor Felicio presenting an overview, director Carlo Curay providing a logistics provider's perspective, and Globe Business' Apol Salud Jr. discussing the importance of data resiliency.

Transportify, OpenPort talk new SCM platforms

SCMAP's General Membership Meeting last August 17 focused on new tech-based platforms looking to change how supply chain managers work. Paulo Bengson, co-country head of Transportify, talked about how the app-based transport marketplace provides more options for businesses, particularly MSMEs. Later, Johanne Lim, vice president for product management of OpenPort, talked about how the platform provides transparency to shippers and carriers through analytics and other cloud-based tools.

SCMAP at APEC supply chain events in Vietnam

SCMAP took part in two APEC workshops at Ho Chi Minh City, Vietnam, devoted to supply chain. On August 18-19 there was a workshop on promoting policies and regulations to improve resilience in supply chain; on August 26 there was another workshop on integrating SMEs into global value chains. SCMAP director Carlo Curay and former president Cora Curay took part in these events, with the elder Curay being a moderator and speaker on the latter event, relaying lessons learnt in integrating small businesses into global logistics networks,



1—Cora Curay talks to Vietnamese media **2**—PNP NCRPO deputy director Clifton Empiso with SCMAP's Norman Adriano and Nestor Felicio **3**—Globe's Apol Salud Jr. **4**—Transportify's Paulo Bengson **5**—OpenPort's Johanne Lim **6**—Welcoming our new members

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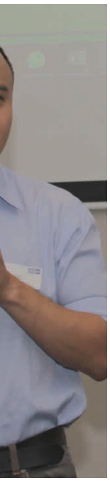

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Asian Logistics and Maritime Conference returns

The seventh edition of the Asian Logistics and Maritime Conference will be held on November 23-24 at the Hong Kong Convention and Exhibition Centre.

As with previous years, it will spotlight the Belt and Road Initiative of the Chinese central government, with a focus on ASEAN and railway logistics. Also to be tackled are e-commerce, smart logistics, cold chain logistics and cargo security.

Confirmed speakers as of press time include Dr. Hans Lombardo of Chain of Things, Jeff Steilen of UPS and Brett Marshall of Zuellig Pharma.

The event also features an exhibition of major logistics suppliers and providers in the region, as well as business matching sessions.

Last year's event saw over 2,000 delegates from 35 countries, including the largest ever Philippine delegation—and, for the first time, a Filipino company among the exhibitors.

A 30% early bird discount is available to those who register to the event on or before September 29. Visit almc.hk for more details and to register.

The event is organized by the Government of the Hong Kong Special Administrative Region and the Hong Kong Trade Development Council, with SCMAP once again suiting up as a media partner.

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Supply Chain Philippines is the official magazine of the Supply Chain Management Association of the Philippines.

Published twice a year, it contains a briefing on trends and developments affecting the country's supply chain industry and the national economy as a whole, as well as updates on SCMAP's advocacies and activities.

The magazine is distributed to all SCMAP members, corporate and individual—this includes the country's biggest manufacturers, retailers and service providers—across the country. It is also distributed to members of the academe, government and the business community.

ADVERTISE WITH US

Supply Chain Philippines is a platform for you to promote your products and services to the biggest players in Philippine supply chain.

Our ad rates are as follows: *outside back cover*—PHP 18,000; *inside front cover*—PHP 15,000; *inside back cover*—PHP 15,000; *whole inside page*—PHP 12,000; *half inside page*—PHP 6,500; *advertorial*—PHP 14,000 per page.

Deadline for all submissions for our next issue, which will be out in September, is on August 25. Rates are subject to change without prior notice.

For updated rates, ad specifications and to become an advertiser, visit our website at scmap.org.

BE A CONTRIBUTOR

We'd love to hear your ideas on what should be on the magazine, whether it's a piece on best industry practices, or a feature on technologies that couild change the way we work. Email hbatallones@scmap.org with a synopsis of your article idea and some information about yourself. Writers who will get published will get freebies and perks.

We are a community that moves the global competitiveness of the Philippine supply chain industry.

The Supply Chain Management Association of the Philippines is the premiere supply chain organization in the country, playing a key role in supporting the industry through advocating for reforms, communicating developments and educating practitioners of every rank.

SCMAP was founded in 1989 as the Distribution Management Association of the Philippines (DMAP). The organization is currently composed of over 190 members, both companies and individuals, from the manufacturing, retail and logistics sectors. All members are committed to improving supply chain processes and professionalizing their supply chain workforce.

SCMAP's members are spread across the national organization based in Manila, as well as regional chapters based in Cebu, Clark Freeport and Cagayan de Oro.

The organization is led by a ten-member Board of Directors, elected annually by the membership among all official corporate representatives. The Board later elects, amongst themselves, the officers. The Executive Director works alongside the Board by supporting their initiatives, overseeing the Secretariat, and representing the organization in events and activities.

SCMAP'S THREE PILLARS

The work of SCMAP centers on three main pillars, helping position the country's supply chain industry towards competitiveness, and enhancing its role in nation building.

Advocate—Throughout its history SCMAP has advocated for policy reforms involving the supply chain industry. The organization frequently represents the private sector in consultations and discussions with government agencies, industry groups, non-government organizations and other stakeholders, leading to policy reforms and other initiatives.

Communicate—SCMAP strives to keep its membership up to date on industry trends, developments and opportunities. Regular events such as General Membership Meetings serve as a venue for discussion between stakeholders, while its flagship events, such as the annual SCMAP Supply Chain Conference, connect major players in industry, business and government with supply chain professionals of all stripes. *Supply Chain Philippines* magazine also provides background on industry issues and developments.

Educate—SCMAP is committed to equipping supply chain professionals with insight, tools and techniques to help them work better, through events such as Supply Chain Immersion. The organization also works with groups such as TESDA and GoNegosyo in formulating programs aimed at enhancing supply chain capabilities for everyone—from those working in the front line, to entrepreneurs, to middle-level and corporate-level supply chain managers.

WHY JOIN SCMAP?

SCMAP members have benefitted from the organization's efforts to improve supply chain practices, from reducing logistics costs to preventing disadvantageous regulations and impositions.

SCMAP members also get opportunities to connect and network with their peers through regular events; for training and advancement; and for representation in policy formulation through surveys, FGDs and the like.

Membership is open for both companies and individuals. Visit our website at scmap.org for more details.