

Koch Quarterly

A logistics periodical from people who love logistics.

Pronounced "Cook" Quarterly

Q1 2018

JAN - MAR



VOLUME I

SMARTER SUPPLY CHAIN CONNECTIONS

Join us as we celebrate **25 years** in business at Koch Logistics!

WINTER IS COMING

Actually, it's already here. Cold weather safe driving tips we can all use. **pg. 1**

INSIDE:

FEATURE PROFILE ST. CLOUD WINDOW

Opening a window into one of Minnesota's most unique businesses

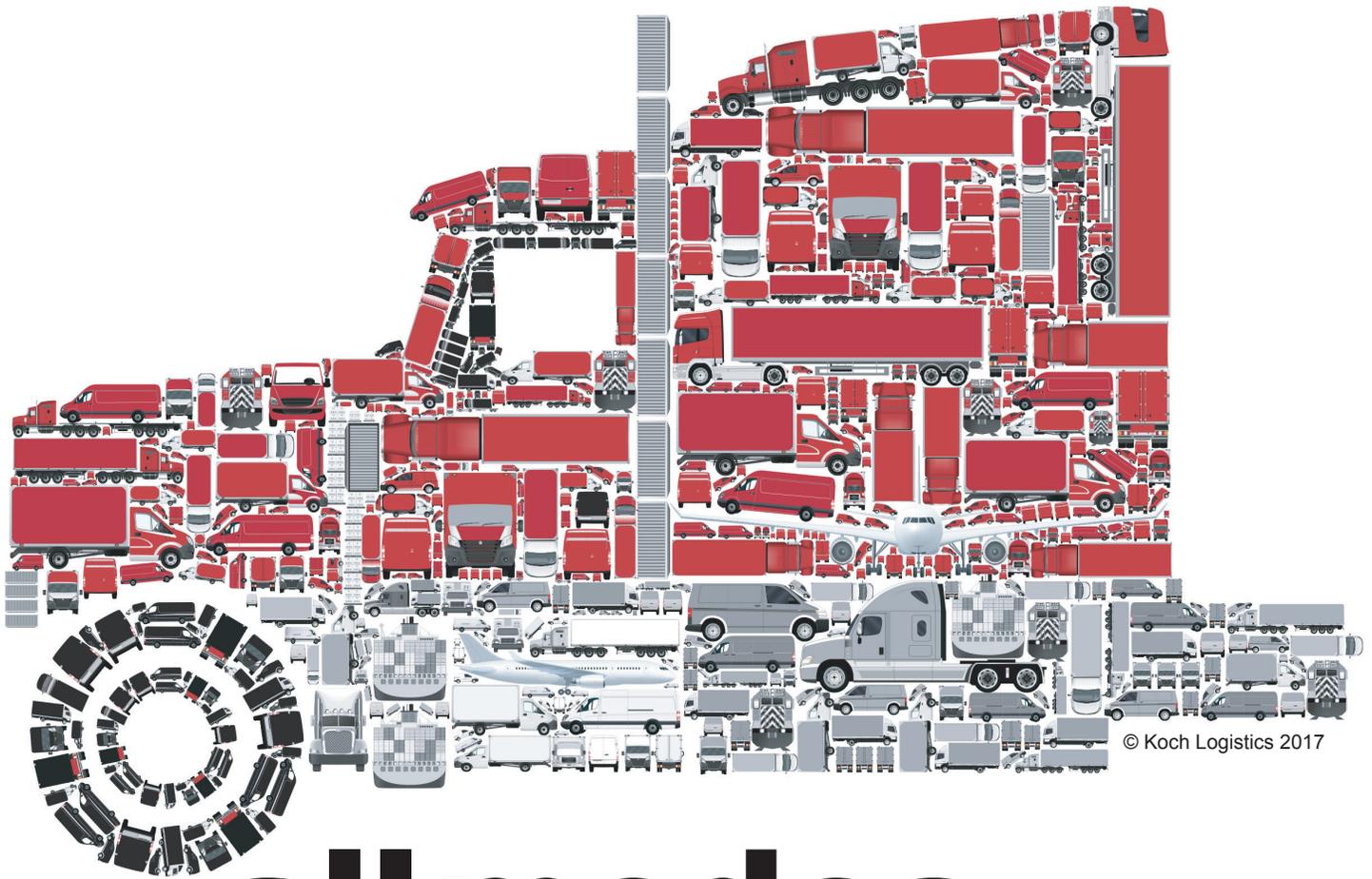
INTERVIEW:

**CSCMP PRESIDENT & CEO
RICK BLASGEN**

AVOID SUPPLY CHAIN MELTDOWNS

AMID NATURAL DISASTERS,
CAPACITY CRUNCHES, DRIVER
SHORTAGES, & MORE





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Koch Quarterly is a publication of Koch Logistics. It is a collaborative effort featuring the input of our team of Directors with over 100 years combined experience in Logistics Management.

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What's in a name?

Koch Logistics is a division of Stan Koch and Sons Trucking, founded by Stan Koch in 1978. Koch Logistics was formed in 1992, and is a privately held, family owned business, with 2018 marking our 25th anniversary!

Over the last 25 years we have developed a stellar reputation for second-to-none customer service, and the ability to handle the most

complex logistics, with a core competency in Retail Store projects and long term partnerships with businesses of all sizes.

Usually, the first question we get is in regard to our name. Simply put, our name is pronounced "cook." So the next time you see a Koch truck on the road- think "cook!"



Winter Driving Tips

As cold, winter weather arrives to North America – it is a great time to brush up on some tips to keep you safe on the road. Whether you have been driving for 40 years or 40 days, it is always good to remember that weather impacts road conditions and should also impact the way we drive. These are some simple and easy tips that can help keep you and whatever cargo you are carrying safe.

Reduce Your Speed

Slowing down when roads are wet and icy may seem like common sense, and according to the National Highway Traffic Safety Administration (NHTSA), slower speeds when traveling are the best way to combat weather conditions. Traveling at a reduced speed greatly increases a driver's ability to read and react to road and traffic conditions. Winter weather typically results in decreased traction and visibility, making it harder to maintain normal vehicle operation than under good conditions.

Increase Your Following Distance

Allowing for more space between your vehicle and the vehicle in front of you is a great way to avoid the mistakes made by other drivers on the road. A greater following distance gives you more time to slow down if the vehicle in front of you loses traction and stalls. The added

distance will also help you come to a complete stop sooner, enabling you to avoid a collision or the need to maneuver quickly.

Keep Your Windows Clear of Ice & Snow

Brushing off snow and scraping ice is a chore all drivers bemoan, however keeping your vehicle clear of snow and ice is an excellent way to stay safe on the road. Keeping both the front and rear windshields clear allows for maximum visibility. Think of it this way, if someone is cleaning their glasses, they don't just clean part of a lens. Clearing the snow off your windshield is very similar, if you have all that square footage to look out onto the road, don't just clear off a tiny square! Brushing snow and ice off the roof and trunk also helps the vehicle behind you. Even at normal city speeds, chunks of ice and clouds of snow can become hazardous to the vehicles around you. Take the time this winter to clear your vehicle of snow and ice and even your vehicle will thank you – road salt, sand and other ice melting chemicals found on our roads in the winter can be harmful to your vehicles paint and undercarriage.

Understand Your Vehicle

4x4, AWD, FWD, and RWD – These are all common acronyms for vehicle drive-trains. Knowing the mechanics of your vehicle is a great way

to prepare for winter weather. Front and Rear-wheel drive owners know they only have 2 wheels producing power and as a result, will drive a little differently than owners of 4x4 and all-wheel drive vehicles. As a general rule, Rear-wheel drive vehicles have less traction on snow and ice since there is usually no engine weight above the rear axle. Take a few minutes and familiarize yourself with your vehicle and the best practices for handling that type of vehicle under hazardous road conditions. "Just because you have Four-wheel drive, doesn't mean you have Four-wheel brakes!" – I said from a ditch during my first winter driving experience.

Plan Ahead and Be Prepared

A good plan is like a road map, right? If you are traveling in the winter (at reduced speeds) it might take longer to arrive at your destination. Plan for longer drive-times to account for road conditions and slower traffic. Always make sure to know where you are going and let someone else know your plans in the winter. Take a hat, jacket and pair of gloves along, you never know - it could get cold waiting around for a tow-truck.

Special thanks to staff writer and seasoned winter driver Eric Jay for producing this article.

Questions or comments about our publication? You can email them to the editor: cgowin@kochlogistics.com, or contact us via our website: www.kochlogistics.com.

WHAT A YEAR!

NATURAL DISASTERS • DRIVER SHORTAGES • ELD MANDATE • CAPACITY ISSUES

For many of us 2017 was an eventful 365 days. In our industry we saw tighter capacity due to numerous natural disasters, driver shortages, coupled with a robust shipping economy. Words and phrases like “the Amazon effect”, reverse logistics, ELD mandate, and driver-less trucks appeared in virtually every logistics publication, blog, or newsletter. While we managed to survive the ups and downs of 2017, no doubt there were supply chain meltdowns in most every segment of the economy at one time or another. Hopefully, most of you avoided any serious disruptions, and were able to recover quickly if there were any.

2017 was also a year many 3PL’s (Third Party Logistic Providers) had to adapt to change, whether that meant increased technology, re-evaluating processes, or hiring new talent. Not surprisingly, more so than ever before, companies started looking closer at outsourcing their supply chains. It seems the more complicated the logistics get, the more it makes sense to hire experts to manage them. As shipping grows more complex, coupled with shrinking margins and higher rates, the supply chain is one of the last places company leadership can look to increase efficiency and add to the bottom line- and avoid meltdowns!

However, that does not mean everyone is ready, or needs, to use a 3PL. There are some simple things any shipping manager can do to make sure they are getting the most out of their transportation spend. If you already have a logistics expert on your team, odds are they are already doing some of these things, but it can never hurt to take another look. The following is a list of simple tips that can help when managing your supply chain.



AVOID SUPPLY CHAIN MELTDOWNS

1. Pick the right provider for the right job.

If your shipment requires special care or considerations, make sure you pick a transportation provider that understands what those are, and has experience working with similar loads. If you are simply picking a provider based on cost, you may risk putting your shipment in jeopardy, or have an increased chance of service failures. If you are shipping food products or items that require refrigeration, you will have the most success with a provider that specializes in those lanes. In the event of unforeseen issues like accidents or mechanical issues, they will also have more resources and experience to rescue your cargo before it “melts.” If you are transporting fragile goods or sensitive equipment, it is preferable to work with someone that has a proven track record of carefully handling and moving that type of cargo. The more expertise they have working with similar shipments, the less likely you are to have supply chain disruptions. We have found that it is well worth doing some extra research to find a provider that understands and fits your specific needs.

2. Know your route and delivery requirements.

There can sometimes be an overwhelming amount of detail to consider when trying to get a shipment from point A to point B. For example, we recently did a bid for delivery to an office in the middle of New York City. While actual transit time was only 2 days, when we factored in the final mile and other requirements, it turned out to be a 4 day job, unless you pay substantially more to expedite. The product had to be transferred to a smaller vehicle to meet ordinances for weight and size for in-city delivery. The elevators in the building were only open for commercial deliveries at a specific time. The driver was not allowed to unload the product, so coordination with an in-house crew had to be scheduled. A lift gate was also required for this particular location as they did not have forklifts on-site. The list goes on and on....so if you wait until the last minute to book your shipment, not only will you end up paying more (a lot more), it *STILL* might not make it in time. Knowing all the ins and outs of your route will help ensure a greater chance of on-time delivery, and avoid any last minute “surprises.”

3. Carefully weigh risk vs. cost

It can sometimes be quite the balancing act when trying to determine who will be shipping your goods. There are many things to consider, and highest among them is the value and importance of your load. Most providers will offer some sort of insurance (another thing to examine very closely) but you can't replace a missed deadline, one of a kind items, or any truly "precious cargo." If you are opening a new store, the price of missing a delivery window in regard to construction can break a budget- instantly eliminating all the savings achieved by going with the lowest cost provider. Hey, let's be honest, if you are shipping a truck full of paper towels, odds are the world will not end if the shipment gets lost. A truck full of expensive furniture, electronic equipment, or designer dresses- that is another story altogether.

“It is extremely important to not only calculate what you save when things go **RIGHT, but what you might lose when things go **WRONG**.”**

4. Plan ahead, waaaaay ahead.

Rarely have we ever seen something bad happen with a shipment as a result of *too much* planning, however, more often than not when something does go wrong, it is because of *too little* planning. If you turn on the news, and see they are predicting a hurricane in the coming weeks- start contingency planning now. One of the biggest causes of supply chain disruptions is lack of capacity. When there is a natural disaster, trucks get diverted from their usual lanes. Companies with existing contracts and relationships will get dibs on the remaining trucks, leaving others left to scramble to cover their loads, and paying much higher rates to do so. If you don't have access to thousands of carriers like the best 3PLs do, it can be a real problem. Today, there is already a driver shortage, and the shipping economy is very strong further reducing capacity, along with the new ELD mandate which can limit hours of service for most drivers. Now more than ever, it is a time to plan ahead, and be flexible whenever possible- any extra time you can allow for a shipment will make it easier on everybody, including you!

5. Stay calm, and thank a trucker.

There are some jobs that are tough, and some jobs that are really tough. Trucking falls into the latter category. The typical trucker is a good person, and a great driver- but years of stereotyping and misconceptions about the industry has greatly diminished the reputation of the trucking professional. Keep in mind most service failures are not the result of the driver. Most incidents of damaged cargo are caused at the warehouse or dock, or due to poor packing and crating. Missed deliveries are usually the result of improper planning, or issues with suppliers or vendors getting product produced on time. The drivers are simply following directions, and they usually get fined if they are early or late, and when they are on time- they often have to wait hours for the warehouse or distribution center to unload them. Respect for truckers is ingrained in our culture here at Koch, and we have found it goes a long way in building trust and lasting relationships.

Interview:

CSCMP President & CEO



Rick Blasgen, who heads up the Council of Supply Chain Management Professionals, sheds light on some common themes in 2017 and 2018.

Q: The boom of ecommerce has greatly expanded the home delivery market – how do you foresee this delivery model in the future? Does it continue to grow and expand into other industries?

Rick: We do see this as a growth area. Consumers are fascinated by the options they have to acquire goods and services. The home delivery market, supported by ordering tools on just about any device, offers new ways to excite and delight consumers. This poses market growth opportunities for those manufacturers/retailers who can take advantage of this channel at a cost that is acceptable. Therein lies challenges as well – inventory management, transportation, what happens to existing real estate where consumers once ventured for goods – challenges that new innovations and supply chain creativity promise to meet. That's one of the exciting aspects of our discipline, we are there on the forefront to connect the puzzle pieces and see the entire picture.

Q: Natural Disasters like hurricanes and fires in 2017 have had a direct impact on local areas, how do these events ripple through a typical supply chain?

Rick: As we write this, the headline, "Bomb cyclone winter storm brings snow, fierce winds to Northeast as bitter cold to follow". Supply chain managers are certainly dealing with this and will figure out how to get back on line as soon as possibly can be done. In the not too distant past, the focus on supply chain risk management and resilience were not as prominent in our lexicon as they are today. We dealt with, recovered from disruption, more after the fact than thoughtfully planning for it. Today, supply chain leaders anticipate (as best they can) weather related incidents where the probability is high(er), and have plans in place as a normal course of business. Certainly no one can predict natural and man-made disasters, but smart leaders plan for inventory redundancy or alternate source points for example hurricane season in those areas typically affected. Scenario "what if" planning with key constituents representing every supply chain node will undoubtedly prove beneficial when the inevitable disruption occurs.

Q: What do you think will be the biggest development in supply chain operations in 2018?

Rick: Ecommerce, omni channel, multi-channel – whatever your favorite buzzwords, will continue to drive new ways of consumers going about their business, and therefore, supply chains must accommodate. Transportation management will continue to be an area of great concern and focus. Will autonomous vehicles, artificial intelligence, blockchain, drones, etc., etc., all be a force in 2018? Likely not, but these technologies and new processes will certainly evolve and begin to fill in gaps. Collaboration between competitors should (and needs to) become more prevalent as supply chain leaders better utilize capacity and fight it out at the shelf (or on line). Smaller, more nimble and incredibly creative companies will become more and more mainstream, bringing their responses to common problems to those who can benefit.

Q: In your opinion, what would you consider to be the biggest mis-perception of Third Party Logistics providers? (3PLS)

Rick: One for sure is that the company that outsources to a 3PL "loses control". All too often the company doesn't provide adequate expectations, shipment history or product characteristics, and therefore the relationship suffers. Successful outsourcing comes from letting the 3PL do what they do best, delivering the return as to why the relationship was created in the first place. Once outsourced, one must manage the relationship, not the outsourced function.

"To lead the supply chain profession by connecting, developing, and educating the world's logistics and supply chain management professionals throughout their careers" To learn more about the CSCMP and how to become a member check them out at www.cscmp.org

Profile: St. Cloud Window

When you first view the factory from above, while standing on the mezzanine at St. Cloud Window, it becomes very obvious that this is a growing business. The entire place seems to be in constant motion with moving parts, supplies, and equipment tucked into every corner. Using space to maximum efficiency, it's clear that each station has a very specific function. When you talk to the craftspeople on the floor, you also come to learn that everyone understands the importance and value each step in the process has in the final result. And the final result? Some of the most amazing, beautiful, and high-quality custom built windows you will ever see.

So how did a small startup franchised in 1952, grow to become one of the largest manufacturers of custom aluminum windows for some of the most historic and unique buildings in the world? We sat down with company President Casey Mahon to find out.

Often times you hear of people "being in the right place at the right time", but according to Mahon, that is sometimes only half the battle. The real magic occurs when you are in the right place at the right time. . .AND can do something about it. More often than not, being able to do something about it requires one thing- cash.

For example, a person can approach you with the deal of a lifetime, perhaps offering to sell stock in a start-up that will eventually pay millions in dividends. However, if you don't have money to buy the stock, it doesn't actually matter that you were in the right place at the right time. Throughout the development of St. Cloud Window, Mahon has always made a point of keeping enough capital around (or at least access to enough capital) specifically for those "right moments."

Whether it was a chance to work with high schools and colleges to replace outdated windows, or jump into the acoustic and hurricane impact markets, they have always made a point of being prepared for an opportunity. In addition to being ready, it is also important to have the foresight and willingness to take a risk and put in the work after the decision has been made to "go for it". The execution, follow-through, and the ability to work outside of their comfort zone has been a critical factor in the success of St. Cloud Window.

The start of their foray into the acoustic window market is a great story, and another example of recognizing the chance to be something bigger when the moment arrives.

They were at a trade show in Chicago in the early 90's that was attended by a lot of reputable

architects. Most of them were too involved in other activities to spend much time at their booth. At one point during the show a well-known architect was running past their table, and suddenly stopped, staring at a window on display. After taking it in for some time, he proclaimed, "That is the nicest acoustic window I have ever seen!" It was a great compliment, only there was one small problem- they didn't make acoustic windows."

The window that the architect was referring to at the time was a thermal window, which was something St. Cloud Window already had a reputation for. Increased focus on energy standards created a high demand for better windows. Most older buildings had very inefficient windows, which added significant cost to building maintenance. It may seem like common sense today, but back then the concept of using windows as a way to save money was a relatively new idea. Today, instead of adding storm windows over existing windows, complete replacement has become the preferred method. These fancy new acoustic windows, however, were a new "ball of glass," and they were eager to learn why they were so special.

“That is the nicest acoustic window I have ever seen!” It was a great compliment, only there was one small problem- they didn't make acoustic windows.

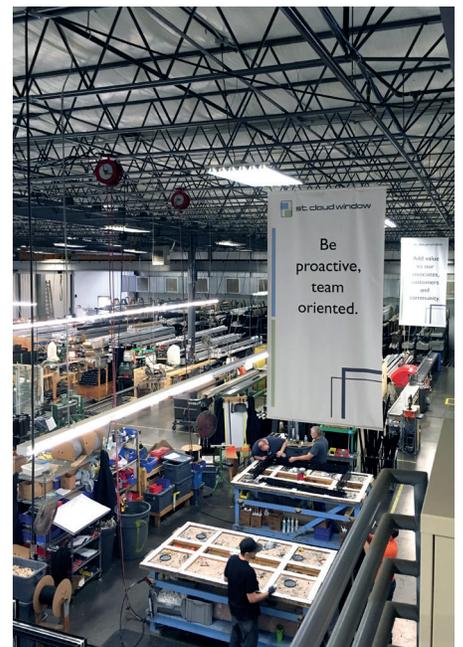
So the team went back and researched acoustic windows, and it turns out it was something they could do, and do it really well. Back in the 80's and 90's acoustic windows were just emerging as a way to enhance various buildings and venues. They are essentially designed to keep bad sounds out and good sound in. (Think airports, orchestra halls, museums, etc.) It did not take long for them to expand into the acoustic window market, which opened up exciting new locations and challenges. While it did not happen overnight, they are recognized today as a leader in high performance acoustic window products.

Another market that they excel in is *landmark* windows. Part of the mission of St. Cloud Window is upgrading historic buildings with high quality, modern replacements

that keep the building looking, well, historic. Maintaining the original beauty and aesthetic of these places is not easy, and St. Cloud Window has made an art form out of it. Countless examples of this can be found throughout the United States, including many in our home state of Minnesota. (And some Internationally) These are all custom jobs, no pre-fab here, and to successfully complete them takes an incredible amount of teamwork and attention to detail. Samples of their amazing products in action can be seen on the next page.

A smaller niche they are incredibly proficient at are storm windows. Not the typical old storm windows we all have seen, that provides some extra insulation in cold weather- but *real* storm windows- the type that can hold up to category 5 hurricanes!

St. Cloud Window got into the *Hurricane Impact Window* business when the opportunity presented itself down in Florida. At the time, there was little knowledge and regulation of what constituted a window that could be certified as hurricane impact proof. Even local officials were not fully aware of any concrete testing or certification that is required. To be sure they would hold up, Casey and his team simply made the best windows they could, even if though they surpassed the standards that were "loosely" in place. Nowadays, you can't even ship a window to Florida without a certification, and strict requirements for the use of hurricane impact windows has spread up the East Coast and to the Gulf. Although there are now very scientific and exacting ways of



Current location of St. Cloud Window in Sauk Rapids, MN, since 1998.



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testing them today, (including pretty cool high impact air cannons) there is no substitute for the real thing. If there was any doubt these windows work, all you need to do is look back at 2017. As Hurricanes Harvey, Maria and Irma ripped across Florida and the Gulf Coasts, all 7000 plus windows recently installed reported no failures.

Which brings us back to the mezzanine, watching widows move step by step through an intricate but deliberate process. The other key component to St. Cloud Window, like many other successful businesses, is their people. Throughout the manufacturing

facility you will see banners hanging from the rafters that speak directly to the culture and core philosophy of St. Cloud Window. Whether promoting community involvement, teamwork, or proactive behavior, the message is always positive. Casey strives to keep a “drama free” workplace, and is careful to hire good people looking for a career at St. Cloud Window, not just a job. Evidence of this can be seen on the plaques hanging in their lobby highlighting length of service. The majority of the workforce has been there 5-20 years or more! Employees are treated as the valued team members they are- everyone has an important position to fill,

there are no exceptions.

As they move into 2018, St. Cloud Window will continue to look for areas of innovation in the world of windows, while still pushing the boundaries of customization. One thing that will not change is the commitment to their employees and their product- I know I will never look at a window the same way again!

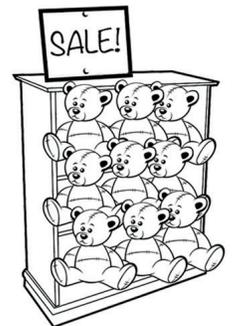
St. Cloud window is a valued customer of Koch Logistics. To learn more about St. Cloud Window, check them out at www.stcloudwindow.com. Special thanks to Casey Mahon and Pam Maurus for taking the time to tell their story.



Foshay Tower, Minneapolis, MN



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