SUPPLY CHAIN

How Wal-Mart Beat Feds to New Orleans

BY BEN WORTHEN

The hurricanes that flattened the Gulf Coast in August and September tested corporate logistics and supply chain operations, as companies struggled to move after each storm. One lesson from these storms is that having procedures for communicating quickly about what needs to be done is as essential for compar

“Resilient companies communicate obsessively,” says Yossi Sheffi, director of the MIT Center for Transportation and Logistics.

Wal-Mart, for example, was able to move food, water, generators and other goods to areas hit by hurricanes Katrina and Rita following each storm because around the clock by decision-makers who have access to all of the company’s systems.

Under normal circumstances, a six- to 10-person staff at the center responds to everyday emergencies, such as a fire in a store or a shooting outside one. Wal-Mart senior representatives from each of the company’s functional areas, says Jason Jackson, Wal-Mart’s director of business continuity. The center is equipped to handle each storm made landfall, company managers were already planning their response.

The emergency response team works in a large, open room that is designed with efficient communication in mind. When a district manager calls from the field, trucks of water, the operations manager can turn to the person manning the replenishment systems.

The replenishment manager then checks his supplies. “He says, ‘I can get you eight [trucks] today and two tomorrow,’” says Jackson. “He then tells the logistics team to pre-allocate trucks to areas.”

As a result, Wal-Mart trucks were distributing aid to Katrina’s victims days before federal relief arrived. During a less destructive hurricane, Wal-Mart shipped 2,500 containers to the region and delivered another 517 containers post-Rita. Wal-Mart also set up service so that they could stay connected to headquarters; Wal-Mart stores in areas that were without power for weeks were able to keep generators in stock.

Starbucks was also able to get aid to hurricane-ravaged areas quickly. When the company got a request from the American Red Cross to donate coffee, man discus how they could help. Starbucks determined that it could donate 30,000 pounds of coffee, 235,000 bottles of water and 44,000 pastries without affecting many companies avoid losing goods in the storm. MIT’s Sheffi notes that GM was able to contact its dealers in New Orleans about moving their inventory out

Sheffi says the long-term implications of this year’s hurricanes will be that companies will now pay more attention to building redundancy and flexibility into quickly are well positioned to weather any storm.