



Special Services from Your LTL

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Less-than-truckload carriers are taking an integrated look at the entire supply chain, finding innovative strategies and partners to move products faster, more efficiently and cheaper. This new approach to LTL deliveries results in leaner, more efficient operations and, in 2011, contributed to revenue gains of nearly 12 percent, according to SJ Consulting Group Inc.

Averitt Express Inc. is a case in point. As a member of The Reliance Network (TRNet), it teamed with fellow member Pitt Ohio to develop a solution for entertainment industry distributor Technicolor Distribution Inc. By collaborating, Averitt and Pitt Ohio each won business they would not have had otherwise and improved Technicolor's service.

The challenge for Averitt – and the reason for crafting the deal – was geographical. Technicolor is one of the largest distributors of DVD and Blu-Ray discs in the United States. Its distribution warehouse was in Detroit while Averitt's area of operations is the South. Averitt tapped the capabilities of fellow TRNet member Pitt Ohio, which provides truckload and LTL service for the Midwest and Mid-Atlantic regions.

As Tony Allison, regional vice president for Averitt Express, elaborates, "We talked with Pitt Ohio, which handles that region, and set up a line haul from Detroit to Cincinnati, our northernmost service center. From there, we distributed the shipments through our network."

Initially, Averitt and Pitt Ohio piloted their solution for Technicolor with a 1,500 shipment release. "It was very successful. Our on-time delivery rate was 99.8 percent. Studio executives expect 99.5 percent, and a typical LTL is 97 or 98 percent," Allison elaborates. The solution leverages the strengths of each player, combining truckload and LTL services for seamless distribution. It also provides a backhaul for Pitt Ohio that lowers costs for each of the parties.

From the customer's perspective, the handoff is transparent, as if only one carrier is involved. This eliminates the need to negotiate with multiple carriers, and also enables Technicolor to use only one portal – Averitt's – to track shipments from pickup through delivery and also to handle any claims.

Running the project as part of the TRNet also generates a single bill for the customer. "That's groundbreaking," Allison says, and meets the specific needs of Technicolor's accounting application.

“The ability to generate a single bill is one of most critical pieces of the solution. We worked a couple of years to put this together.”

A pooled approach like Averitt and Pitt Ohio developed is only effective for high volume shipments, Allison cautions. “A studio release, for example, may involve anywhere from 500 to 6,000 pallets at one time.” With such volume, the products can be maintained on relatively inexpensive line-hauls as far as possible before handing them off to distribution centers and more costly LTL carriers. That move alone can significantly reduce costs per mile.

Asset pooling effectively creates a virtual transportation solution that enables carriers to grow their businesses, expanding their influence and assembling projects collaboratively that none of the individual companies could have accomplished alone. For Averitt, collaboration with carriers through TRNet has generated some \$150 million in additional revenue.

Trends

The growth of collaboration is an indication that LTL carriers are beginning to see themselves as transportation specialists, rather than strictly LTL carriers. “You can’t be in LTL only. You must be in transportation,” stresses Ken Weinberg, founder, Carrier Logistics Inc.

A company that considers itself a “transportation solutions provider” positions itself to respond nimbly to whatever transportation requirements the customer presents, calling upon a network of known partners to provide expertise as needed. Weinberg calls this the “supermarket approach,” noting that supermarkets sell not only food, but magazines, pharmaceuticals, cosmetics and other products. “Transportation companies need to do that. Customers want one solution.”

The past few years of LTL industry consolidation has increased the capabilities of the acquiring companies. “The companies left are more sophisticated. They are adjusting their businesses now, acquiring or expanding capabilities. At the same time, the shippers themselves have changed,” Weinberg adds. “They often don’t have sophisticated traffic departments, so they rely more heavily on their carriers.”

That situation has contributed to the growth of logistics providers that function like in-house logistics departments, arranging LTL and truckload carriers. Companies that have remained independent are turning to collaborative partnering to compete, using their partners’ capabilities to help reduce costs. For example, Weinberg says, “A non-stop rather than a hub-and-spoke approach,” may reduce handling and mileage.

“Sometimes, this allows a northeast carrier to consolidate freight and run directly to California, which enables carriers to price their services more competitively and attract more business. Therefore, LTL companies are partnering with other small carriers to give the appearance of a national carrier,” he observes.

“Vertical integration is also becoming more important, as small carriers try to expand their service offerings to compete with national and international players.” For example, Weinberg points out the ability of LTL carriers to provide warehousing for clients and to integrate technology throughout the supply chain to increase visibility.

Averitt Express, for example, this spring launched a solution designed specifically for retailers that lack their own regional distribution centers. Targeting large southern markets, Averitt Retail Distribution Services is separate from its traditional LTL cross-dock service centers. The service blends its retail knowledge and distribution expertise to expand the potential market. The new service aims to improve speed-to-shelf, product availability, inventory turns per store replenishment, shipment integrity, vendor-to-store management, order-to-cash cycle, chargeback reduction and “must arrive by” date compliance.

The company has also expanded its value-added warehousing and distribution services for customers in multiple vertical markets, including medical devices, apparel and automotive. Averitt offers customizable warehousing options, enabling customers to receive the benefits of a warehousing partnership without a long-term contract.

“Shippers are looking for solutions, and for carriers to implement them. If you’re in position to design solutions, you control your market,” Allison says. “Since the recession of 2009, inventories are churning and buying trends change overnight, so the supply chain must be flexible.”

Customers are challenged and have become more exacting regarding the goods and services they buy. To be competitive, companies must be quicker to market, bundle products or shave price. All of these changes trickle into the supply chain, which must find ways to service customers without passing on their own increasing costs of fuel, insurance, labor, etc. As a carrier, Allison says, “If you’re not bundling assets and developing solutions, you won’t survive in this market.”

Global Solutions

LTLs are taking this to heart. Some of the trends, according to Carrier Logistics, include LTLs partnering with connecting carriers, truckload carriers, warehouses and software providers. That approach provides seamless delivery, lower costs, right-time delivery, and greater visibility.

As, Paul Hoelting, senior vice president, sales, UPS Freight, acknowledges, “As companies trim inventories to reduce costs, they are demanding faster transit times. The ability to deliver by noon is becoming more critical.” He continues “At UPS, we offer our customers maximum flexibility in their supply chain operations, giving them access to an overnight network for expedited shipments that helps them adapt quickly to new market demands.”

To meet increasingly critical timeframes, UPS collaborates with its in-house contract logistics services to coordinate an extensive, integrated transportation network. That network includes multi-modal freight services, one of the world’s largest ground transportation fleets and one of the world’s

largest airlines. UPS also is a top non-vessel operating common carrier (NVOCC) in ocean freight. It operates 32 million square feet of distribution and warehousing space in 823 facilities throughout the world.

The concern for specific delivery times extends to international, transoceanic shipments. Several years ago, Con-way Freight partnered with APL Logistics to create its "OceanGuaranteed" services. This collaboration ensures expedited, last-on, first off treatment and designated day of delivery service.

"APL has their services perfectly aligned with our service centers," according to Tom Clark, senior vice president of operations. "The APL collaboration expands our capabilities."

It is designed for cargo entering the United States. Cargo is tendered to APL in any of 11 Asia ports and moved on an expedited basis, receiving last on, first off treatment. Depending on the port, delivery time is 25 to 30 percent faster than usual. Con-way Freight has 365 operation centers in North America, offering regional and long-haul LTL services. It also provides trans-border service to and from Canada, Mexico, Asia, Europe, the Caribbean and other locations.

Technology

During the past few years, companies have made significant investments in technology for customer-facing application and to enhance the safety and efficiency of their employees. Con-way Freight looks within its internal network to design improvements. As Clark notes, Con-way is focused heavily on using technology to enhance safety for its drivers and its freight.

"During the past two years, Con-way has invested in Safe Stack, a flexible decking system that secures freight in trailers, thus optimizing trailer space and lower shipping costs. We've seen a 40 percent reduction in defects," Clark says.

Collision avoidance and roll-over prevention systems have been added to a high percentage of Con-way trucks. As Clark says, "Trucks with those systems are 50 percent less likely to be involved in a safety related incident than trucks without that technology." The systems were added initially as a University of Michigan Transportation Research Institute pilot project. It was so successful that Con-way is expanding the implementation.

Con-way also equips its drivers with mobile, hand-held computing technology that provides customers with visibility throughout the transportation network. Consequently, shippers have dynamic information that allows specific packages be extracted en route. "It also lets us automate workflow, so we don't have to send manifests to our drivers anymore," Clark adds. Therefore, drivers have more time to ensure freight is properly loaded and secured.

Con-way is using LEAN methodologies throughout its system. As Clark says, "Forty-six buildings are on the LEAN journey, leveraging internal and external resources to solve problems." That includes working closely with customers to identify issues, thus handling shipments more effectively.

UPS Freight is applying customer-facing technology to not only enhance customers' track, trace and billing experiences, but also to reduce time and expenses, Hoelting says.

"Most recently, we introduced a customer notification system to the LTL sector that allows for unprecedented notification prior to pickups, granting customers greater visibility for themselves and for their customers in near-real time," he adds.

UPS Freight also has increased productivity by introducing handheld devices to record shipments as they enter the UPS system, along with a dispatch planning system to optimize equipment schedule and route planning.

YRC Worldwide Inc. also is scrutinizing internal operations. But unlike companies that are expanding their capabilities, YRC is focusing upon its core competencies. After barely averting bankruptcy two years ago, it has brought in new management and is divesting itself of non-core assets to concentrate upon its North American LTL operations. Most recently, in March 2012, it signed an agreement to sell its interest in China-based Shanghai Jiayu Logistics Company Ltd., with closing expected in the second quarter of 2012.

The renewed emphasis on North America is triggering significant increases in on-time service and a renewed emphasis upon customer service, according to CEO James Welch, in a press statement. Part of the improvement may be attributed to technology. YRC's LTL subsidiaries (Holland, New Penn and Reddaway) launched a new mobile app for their customers in February that provides instant, real-time shipment tracking and monitoring, service alerts and the latest carrier news.

Consequently, customers can be more proactive, responding more effectively to changing shipping conditions. The app is available in iOS, Android and mobile web versions. Additional features, including a service center locator, will be added soon. The web app comes on the heels of an email service alert feature launched by New Penn.

"Partnerships are a very important aspect of expanding the window of service a carrier provides," Weinberg says. The goal of collaborations in the LTL segment is to streamline the supply chain and improve visibility.

UPS Freight, for example, works with its customers to optimize truckload, LTL and small package transportation to create efficiencies and savings for customers. "Unless you have the ability to streamline a customer's costs you cannot hope to retain their business," Hoelting says.

The same type of partnering that occurs among carriers also is occurring among technology providers. Carrier Logistics, for instance, develops partnerships as needed to package complete

transportation management solutions for its client. It partners with Royal Four, to present a robust warehousing package and with Cheeta for wireless capabilities, building an integrated, best-of-breed software solution.

Making Collaborations Work

For collaborations of any kind to be successful, there must be mutual advantage. “It takes a collaborative effort by shippers and their network to develop a sustainable solution that creates value for each party. That doesn’t happen overnight. It takes a lot of research, trial and error, and meetings,” Allison says.

Beyond mutual advantage, collaborating companies also need compatible technology networks that allow their computer systems to communicate easily with one another. That capability is a key factor in enabling small companies to compete against large national or international LTL carriers, Weinberg says.

“The technology becomes the controlling factor. It allows carriers and their clients – in real time – to monitor the shipment,” alerting the companies and clients to any difficulties and thus allows issues to be resolved quickly. As Craig Lis, marketing manager, Carrier Logistics, emphasizes, “When considering collaborations, look at the technology the other potential partners have. They are carrying your reputation.”

Regardless whether the collaboration is among carriers or among technology providers, such partnerships open the door to greater trade opportunities. Success, ultimately, is based upon each partner performing wonderfully, treating each customer as if it was their own. Weinberg describes this as, “Doing the right job and providing first class service.” **wt**