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TRANSPORTATION TRENDS

Cutting LTL costs:
Going to the bench

BY **JOHN D. SCHULZ**, CONTRIBUTING EDITOR

Savvy shippers are realizing substantial LTL savings and improved supplier relationships with an assist from some newfound "bench strength"—their 3PL partner. Here's how two recently saved more than 10 percent on their LTL rates and by putting their secret weapon in the game.

Everybody is struggling. The nation is in the second year of recession, bankruptcies abound, storefronts are closing, credit is tight, and budgets are pinched.

But we're finding that savvy shippers are using these tough economic times to squeeze inefficiencies and costs out of their supply chains. Sometimes it's through direct involvement with their core carriers; but increasingly new efficiencies, as well as some substantial cost savings, are coming about through closer partnerships with third-party logistics (3PL) providers.

"The thing that our 3PL does very well is figure out how to use information," says Josh Creasman, senior director of supply chain and sourcing for Yakima Products, a manufacturer of vehicle racks for bikes, boats, ski equipment, and other gear. "It's really an information clearinghouse. Not only does our provider give us the best-in-class freight rate, but it's able to give us best-in-class advice to wrap solutions for our supply chain."

The following two shippers recently found new cost savings solutions through the 3PL option. Besides saving more than 10 percent on their LTL rates, these shippers are enjoying ongoing efficiencies in their supply chain, continuous improvement with vendor and supplier relationships, and are planning for even greater savings in the future. Here are their stories.

ACE MITCHELL BOWLS FOR DOLLARS

Cuyahoga Falls, Ohio-based Ace Mitchell Bowlers Mart is a wholesale distributor of bowling supplies and accessories. Established in 1959, Ace Mitchell does about $30 million of business annually, carries over 40,000 products, and services hundreds of bowling centers and pro shops throughout the U.S. and abroad.

According to Todd Williams, the company's vice president, Ace's recent transportation transformation began about two years ago. At that time he thought he was managing his network of one national and seven regional LTL carriers pretty well, but he decided to have C.H. Robinson bid on his approximately $1 million in annual transportation spend—and give him a better look at what was actually happening.

"We were working mainly on price," Williams says. "We thought we had a pretty good handle on things." But he soon realized that there were unseen problems due to inefficiencies in the company's existing LTL network, as well as a lack of shipment coordination by its vendors; and, to top it off, they unveiled some costly carelessness by freight workers on the docks.

The reality was that vendors were shipping Ace Mitchell's products on their own schedules with very little coordination, which in turn created an inefficient network of LTLs hauling very small loads. There was also congestion on loading docks; but worst of all there were damages. Workers were stacking skids of bowling balls on top of each other—some were even being delivered in damaged condition. Worst yet, some lift truck operators were actually puncturing the product skids, but those damages were not discovered until final delivery to customers.

"The lift truck operators were puncturing the boxes and then turning the damaged side to the inside of the pallet," says Williams. "That way, it looked fine from the outside of the pallet. But when the skid was being dismantled, there were all these damaged boxes inside."

Ace's 3PL partner first conducted an examination of its vendor network. Immediately the team designed a coordinated delivery system to combine LTL shipments into more cost-efficient truckload moves. Besides saving money, it cut down on handling; and thus damages sharply decreased. Some direct-to-customer intermodal movements were planned as well, further increasing efficiencies.

"We were beginning to get multiple shipments coming on one truck," says Williams. "Our freight was not being routed through as many hubs and it wasn't being touched by as many people."

While both Ace Mitchell and its bowling center customers were pleased with the reduction in damaged freight, Williams was most pleased with the bottom-line savings. Overall, Ace was saving 21 percent on its annual transportation spend, not counting customer service gains.

As a result, Ace has turned most of its freight over to its 3PL partner, which Williams says has worked well. On top of the rate savings, Williams says that the somewhat surprising secondary benefit was the shipment scheduling improvements that let directly to damage reductions. That initial cost savings turned into more because of consolidated shipments. "We now have fewer trucks showing up," Williams adds.

Overall, Ace saved 21 percent on its annual transportation spend, not counting customer service gains, by simply improving shipment scheduling.

Creasman drove $1 million in shipping inefficiencies out of Yakima's supply chain in two years.

YAKIMA RACKS UP THE SAVINGS

Josh Creasman, senior director of supply chain and sourcing for privately-held Yakima Products of Beaverton, Ore., turned to his 3PL back in May 2006 for assistance in organizing inbound logistics.

At the time, Yakima was paying 13,00 bills a year, including 2,000 inbound. Yakima was using just three LTL carriers back then; but because the company was negotiating directly with the carriers, the process was creating a ton of paperwork.

"The challenge with inbound was that we had more than 300 suppliers and vendors in North America," Creasman explains. "Some were prepaid and some were collect. Freight we paid for was very difficult to administer."

Besides these challenges with payments, there were inefficiencies in routing. Even though Yakima wanted to transform its supply chain, it had no internal systems to manage suppliers and it had no ability to track freight because it fell outside the company's systems. "It was just a big mess," Creasman says.

Creasman soon realized that in order to achieve efficiencies Yakima needed to reduce delivery total cycle time. In order to strengthen margins, there needed to be consolidation of both domestic and international inbound logistics. Like Williams at Ace, Creasman decided to turn to his 3PL for a network analysis to identify any new ways to consolidate his inbound logistics network. What Creasman ended up with was a way to deploy purchase order (PO) management technology through C.H. Robinson as well as a new hybrid LTL strategy that addressed key geographic markets, particularly on the East Coast.

As a result, Creasman and the logistics team at Yakima were able to drive more than $1 million in shipping inefficiencies out its supply chain in two years—a 28 percent savings. In addition, on-time delivery performance jumped by 8 percent, and for the first time ever the company enjoyed integrated end-to-end logistics visibility across the enterprise. A second level of savings came from suppliers, who were consolidated into combined orders to reduce paperwork.

Yakima also began implementing precise shipping cycles for its deliveries. It was using a variety of suppliers, some very small. Those contracts were renegotiated so today all those suppliers call the 3PL, using a consistent PO number, resulting in coordinated inbound deliveries.

Before, Yakima was using three LTL carriers, but it didn't really qualify as a "Tier 1" supplier to get rich discounts. Today, Yakima's LTL volume is pooled. It gets one healthy national discount from the likes of FedEx Freight and UPS Freight as well as other regional LTL carriers. But Creasman adds that the big savings today are coming from efficiencies throughout the entire supply chain—not just by beating up carriers over a nickel a mile rate. As he says, "There's more money to be saved in supply chains than just rates." L

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