

CHEAPER
BY THE DOZEN
TRUCKLOAD CONSOLIDATION

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VOLUME
III

IN THIS CLASSIC TALE OF ECONOMY BY SCALE, BUSINESSES TACKLE TRUCKLOAD SHIPMENTS HEAD-ON TO CAPTURE RETURNS IN COUNTLESS WAYS. THE MORAL? DON'T COUNT YOUR SHIPMENTS UNTIL THEY'RE MATCHED.

Building complete truckloads is a transportation best practice that nurtures efficiencies and economies in the best of times and the worst of times.

Converting less-than-truckload (LTL) shipments to full truckloads (TL) helps companies optimize and reduce transportation costs, rationalize asset utilization, and provide better service to end customers. Fluctuating demand, variable capacity, and speed-to-market requirements often challenge shippers to find economies of scale by consolidating freight. Pooling like shipments together en force can help mediate these same volatilities.

Fundamentally, consolidation drives simplicity and consistency. Companies often leverage this balance to underpin business process improvements that have far-reaching impact elsewhere in the supply chain. By merging shipments and delivering more frequent truckload volumes, shippers can increase turns and reduce inventory. This flexibility drives just-in-time, continuous flow strategies—from production to sale—allowing businesses to pull product at each pooling point and more efficiently match supply to demand.

Why drive alone when you can take mass transportation? The same theory applies to businesses sourcing transportation. Why have two trucks deliver half-full when one can carry the entire load?

Consolidating freight is a simple way for shippers to net considerable cost savings by finding a shared network that meets their transportation requirements.

Bethlehem, Pa.-based Just Born, a family-owned candy manufacturer of cottage brands such as Peeps, Mike and Ike, and Peanut Chews, has been pooling freight with other confectionery companies for about seven years.

Just Born is among a handful of companies, including Topps and DeMet's Candy Company, that participate in the Candy Kane Consolidation program offered by Scranton, Pa.-based third-party logistics provider Kane Is Able. With the 3PL's oversight, confectioners partner to transport consolidated product in a climate-controlled environment to major retailers, food wholesalers, and consumers around the United States.

Load consolidation is far from novel. It became trendy in the 1970s when the LTL market was regulated, non-competitive, and therefore expensive, says Chris

Kane, vice president of sales and marketing for Kane Is Able. Consequently, consumer product goods (CPG) companies built campuses to share warehousing and transportation resources.

In the 1980s and 1990s, as merger and acquisition activity picked up and TL volumes ran rife, many businesses began using large single-box warehouses to anchor their distribution networks.

Today, retailers and wholesalers are turning back the clock and turning to each other to more efficiently allocate and manage resources. Kane sees collaborative warehousing as the wave of the future as shippers and consignees look to reduce inventories. The same may hold true for collaborative transportation.

"Akin to European models, our customers demand more frequent deliveries, with more SKUs and fewer quantities, moving to the same retailer," he says.

In Scranton, Kane Is Able operates a three-million-square-foot campus with dedicated space for companies to hold and stage product for pool distribution.

"Most customers place inventory with us and we ship as demand dictates. Others work on a more demand-driven, JIT basis, and crossdock product into the network," he says.

Just Born and its confectionery pool partners exercise collective mindshare to capitalize on shared volumes and Kane Is Able's resources. More than anything else, the program allows the candy manufacturer to streamline its transportation needs.

"Load consolidation saves money in two direct ways: it improves TL utilization, resulting in lower costs per shipment; and it converts LTL shipments into less-expensive TL shipments," says Alan Sargent, supply chain/logistics manager for Just Born.

Companies can reduce freight transport costs anywhere from 20 to 35 percent by converting LTL to TL, adds Kane. In terms of trailer utilization, Just Born has increased efficiency by 70 percent.

Beyond economy, working in a consolidation-minded transportation network allows companies to tap into a greater pool of carriers, which is critical when capacity ebbs and flows.

The confectionery industry presents unique transportation challenges specific to the shipments' sensitive nature. Temperature-controlled transportation is expensive and a robust national refrigerated LTL network does not exist to support broad coverage. Gathering

critical mass among a local group of like companies serves a similar purpose.

While the value of consolidating shipments is inherently simple and patently clear, it sometimes invokes a latent fear that it means holding product until inventory builds up. For consignees with ultra-tight delivery windows, such infrequency would be intolerable.

Concerns about predictability and cycle time consistency also arise. If orders drop at the last minute, it is difficult to consolidate these anomalies with other products. Businesses that struggle with unreliable or infrequent deliveries, and lack upstream visibility, are circumspect about exacerbating existing conditions.

These apprehensions, however, are largely transparent. Working with customers, intermediaries, carriers, and other shippers to execute freight consolidation programs can often aggregate, then massage, some of these inventory and visibility inconsistencies, while uncovering other deep-rooted inefficiencies.

When C&M Foods, a Birmingham, Ala., company that distributes and sells marinades to retailers and wholesalers such as Walmart and Kroger, first explored the idea of freight consolidation with CaseStack, a Santa Monica, Calif.-based 3PL, there was some inertia.

"We were not sure if we would benefit," recalls David Bell, president of C&M Foods. "But after CaseStack analyzed our freight volumes from previous years, the decision to consolidate became a no-brainer."

At the insistence of one of its major customers—Walmart—and with assistance from CaseStack, Bell revamped the distributor's tactics for sourcing freight.

When an order came in, C&M would call three freight companies to get rates,



which proved to be a haphazard way to cost out transportation. Walmart's preference for full truckload shipments presented another challenge for the small company because it rarely had sufficient capacity to ship more than LTL.

"During the peak holiday season, a tremendous volume of shipments moves into Walmart's warehouses," Bell says. "Our LTL loads took a back seat to TL freight, and sometimes took days to deliver."

Adding further insult to inequity, C&M would often incur extra charges for these late deliveries.

With the help of CaseStack's retailer-driven consolidation program, C&M simplified its transportation operations, complied with Walmart's directive for TL shipments, and now delivers similar value to other customers.

The company currently distributes products from CaseStack's Texas, California, Georgia, Illinois, and Pennsylvania locations, thereby extending its national reach while capitalizing on greater economies of scale.

"We used to ship out of our packing facilities. Co-packing partners would make a large run all at once and inventory would sit in storage for a while," says Bell. "Now, with a more just-in-time frequency, our marinade products are much fresher. They get to store shelves in four weeks, and sometimes as fast as two weeks during the peak summer season."

Instead of creating product for storage, C&M Foods matches product to demand, proactively monitoring inventory levels at CaseStack's five warehouses.

"The load consolidation program has helped us manage inventory more effectively," Bell explains. "We used to hold upwards of 10-week inventories; now we work with a four-week stock."

Aside from transportation cost efficiencies, leveraging CaseStack's capabilities empowers C&M Foods to reallocate resources to better manage inventory and



PARTNERING WITH YOUR PEEPS: Kane Is Able's consolidation program allows small candy manufacturers such as Just Born—famous for its Peeps and Mike and Ike brands—to pool freight with other confectionery shippers.

improve its own business.

"Bringing in a freight consolidator allows us to focus on creating and marketing our products," Bell says.

Finding peer and third-party partners that can execute consolidation programs demands willingness to collaborate and explore a common good. Smaller and sometimes competing companies can work together to be more

competitive within a broader space.

Kane Is Able's consolidation program includes six small Pennsylvania confectioners. Coordinating a system that manages each partner's asset needs and customer delivery requirements warrants organization and commitment, much of which the 3PL supports as the architect of this unique arrangement.

Specifically, pooling freight places a great deal of pressure on driving

visibility into forecasting and demand so that vested partners know what their needs are and can plan ahead.

“Successful pooling or consolidation requires a higher level of customer, manufacturer, and carrier communication than single shipments from one manufacturer to a customer,” says Sargent. “Joint understanding of order lead times, required delivery dates, specific customer requirements, and EDI transactions is a must.”

While organizational hubris can ambush attempts at collaboration, the potential rewards are considerable. The bargaining play small companies wield, beyond what they could achieve on their own, helps mediate marketplace fluctuations as well as support broader corporate and supply chain efforts.

“Participating in Kane Is Able’s load consolidation program helps Just Born offset some increased costs associated with smaller and more frequent customer orders, fuel and oil expenses, and higher freight rates,” explains Sargent.

In line with C&M Foods’ example, end customers are welcome beneficiaries, too. Holding vendors in compliance to specific transportation requirements, be it a preference for TL shipments or specific carriers, helps them meet their own inventory replenishment needs.

“The program gives Just Born and other shippers a customer service advantage by increasing the number and frequency of our collective shipments to specific customers or regions of the country,” adds Sargent.

Shippers can leverage incremental tonnages and amplify shipment frequencies into specific regions, from one or two times a week to four, if necessary.

Buyers are equally engaged in supporting their vendors’ delivery needs. Kane recalls a small consolidation client reaching out to a customer to see if

it could realign delivery schedules and seize an opportunity to consolidate freight and reduce costs.

“Retailers know there is value in consolidation. From a scheduling perspective, TL is more reliable than LTL,” he explains.

As with other logistics fundamentals, embracing load consolidation as a best practice invites other opportunities to affect change—sometimes to the point of breaking out shipments even farther downstream to reap economies of scale.

For single-source manufacturing facilities and networks, certain-sized orders can be consolidated into TL for direct delivery to customer. Elsewhere, small orders can be drop-shipped at a pool

point for consolidation before delivery to the customer.

Within Kane Is Able’s regional consolidation program, Just Born merges direct customer shipments from Pennsylvania to customers nationally.

“The program enables us to ship consolidated loads of small and medium-sized orders (less than 5,000-pound shipments) to a network of regional consolidators located in multiple markets all over the country,” explains Sargent. “These regional consolidators aggregate small and mid-size shipments from various manufacturers and execute the local and/or regional deliveries.”

Just Born has even consolidated pool points, paring down its network of regional distributors from 28 to 22.

Alternatively, businesses can use freight consolidation networks and third-party consolidators to help scale growth by matching demand to resources. More volume in the system creates exponentially greater opportunities to build full truckloads, and deliver shipments more frequently.

Kane Is Able, which serves other CPG consolidation customers outside the candy space, has also added food companies into the mix where product characteristics and transportation requirements are similar.

“There is the potential to combine air-conditioned shipments of confections with ambient, dry goods. In most cases, this is less costly than shipping the dry goods through a national LTL provider,” explains Sargent.

Whether businesses are scaling supply to demand or balancing growth or reduction options against available resources in a shared transportation network, consolidation programs tap the collective whole to optimize the individual parts. Be it shared pain or shared gain, businesses are finding greater strength in numbers. ■

