

## Collaborate Your Way to Savings!

Recently, there has been an increase in the number of trade publication articles on collaboration, which is understandable given the implementation of CSA, the new HOS rules, pending EOBR rules and other regulatory challenges. These changes are expected to have a growing negative drag on U.S. truck transportation productivity, capacity and rates and collaboration is viewed as a viable approach to help offset this impact.

It is prudent to establish a baseline of what collaboration means. For this it is reasonable that we use CSCMP's definition as representative:

**Collaboration:** 1) Joint work and communication among people and systems - including business partners, suppliers, and customers - to achieve a common business goal. 2) A strategy for reducing per unit shipping costs by pooling shipments from multiple sources under an agreement between the shippers and the carriers. Examples of this method may include shippers who are otherwise competitors in their markets.

The focus of this commentary is a combination of both definition concepts.

They say a picture is worth a thousand words so I will try to paint one for illustration:



### Pre-Plan:

- Shipper A routes a shipment from Pittsburgh to Toledo (~ 232 miles) via Carrier ABC
- Carrier ABC schedules pick up for 0800 on Day 1 and allows for 1 hour for loading
- Carrier ABC allows for an average speed of 45 MPH (~5 hours and 10 minutes)
- Carrier ABC schedules delivery for 1500 on Day 1 and allows for 1 hour for unloading
- Carrier ABC schedules a Toledo area pick up after the scheduled delivery for 1700\*

### Actual:

- Carrier ABC arrives for the pick up on Day 1 on time and is loaded in 1 hour
- Carrier ABC departs for Toledo at 0900 with an estimated ETA of 1410
- Carrier ABC arrives for delivery at 1500 on Day 1 and is unloaded after waiting 3 hours

### Cost:

- Carrier ABC has missed his Toledo pick up appointment and must reschedule this truck
- The shipper in Toledo has missed their ship date and will likely be late for their delivery
- Carrier ABC will experience a domino effect on their existing load plan they need to reschedule

\* The Toledo receiver closes off receiving at 1800 hours

With some basic assumptions about available duty and driving hours this scenario translates into about 7 hours driving time (out of a possible 11) and 11 hours of duty time (out of a possible 14). While this is a simplified example it suggests this was hardly a productive day for the trucking company or the driver. In talking with several large carriers we have been told, however, that the situation is representative of one they face multiple times every day.

Imagine if the receiver and carrier were routinely collaborating and had figured out a way to ensure a one (1) hour unloading time. In this example, Carrier ABC would have been able to make the original Toledo pick up time and the driver could have logged an additional 4 hours of duty time and 3 hours of driving time - a considerable increase in productivity. Productivity that could translate into a lower cost to serve and help mitigate rate inflation.

This represents a key challenge in improving transportation efficiency – if everyone is not efficient as the other then everyone will continue to operate in a sub-optimal environment. When networks are not optimized they operate at a higher overall total cost to serve. This is where true collaboration (all parties benefit) can help.

Several examples of how collaboration could assist in this scenario include:

- The receiver has a process in place to routinely notify inbound carriers when they are running behind their unloading schedule. Such advance notice often can provide the carrier the ability to reschedule the second pick up to another truck or for the original truck on the next day (the same logic applies when the carrier is running late). Two way communication and subsequent cooperation can allow for more cost effective recovery activity through better planning and result in better network efficiency.
- If this receiver routinely takes 3 hours to unload, the carrier (or shipper) could send a representative to work with the receiver to evaluate their receiving process and determine if there are opportunities to improve that process. This approach could very well result in more consistent and efficient unloading times. This is a practice that often can have a clear and defined payback and involves the stakeholders working together to improve overall network efficiency.

In our experience we have found that changing legacy behaviors and attitudes is essential to successful collaboration. In the case of the transportation industry it is our belief that collaboration can provide a viable approach to efficiently deal with what many see a trend towards an increasingly capacity constrained market along with an inflationary rate environment. We have found sustainable cost and margin control is best managed through the elimination of inefficiency and not through pushing inefficiency up or down the supply chain or with rate adjustments. We have accomplished this by facilitating shipper, carrier and receiver collaboration and have delivered measurable financial benefits to all involved.

When taken in the context of total landed cost to serve there are hard dollar savings and cost avoidance opportunities that can result from effective cross stakeholder collaboration. Pick your logistics partners carefully and vet them for their ability and willingness to bring a mindset consistent with and commitment to achieving true collaboration. Done well, everyone's collective customer, the end consumer, will be the ultimate beneficiary as well as all the transportation chain participants.

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