

8 REASONS

Why Your Inbound Trailers are Underutilized

- 1 SUPPLIERS PROVIDE INACCURATE DATA
- 2 MILK RUNS AREN'T OPTIMIZED
- 3 SUPPLIERS DON'T STACK PROPERLY
- 4 SUPPLIERS DON'T USE THE TMS
- 5 BAD 3PL ROUTING DECISIONS
- 6 SUPPLIERS BEHIND ON PRODUCTION
- 7 REPLENISHMENT NOT ALIGNED
- 8 LAST MINUTE ORDER CHANGES

Introduction

LARGE SHIPPERS WASTE MONEY ON UNDERUTILIZED TRAILERS. With transportation costs rising every day due to the driver shortage, increasing demand, and new regulations it's now more expensive than ever to ship nothing but air.

Trailer underutilization is particularly prevalent on the inbound side due to the decentralized nature. Optimization here requires the input of thousands of different suppliers, 3PLs, internal buyers and planners. When any of these key players fail to perform their function efficiently, the result is higher transportation costs.

There are 8 different reasons why this happens, but savings can be redeemed from every one of these situations through Automatic Load Sharing.

Let's take a look.



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ABOUT US

Logispics is a startup formed in Columbus, Ohio, by experienced supply chain specialists. We saw trends leading to empty trailers, and we wondered how to find profit in otherwise unused space.

Logispics has created apps to push a new revolution in shipping: Automatic Load Sharing. Rather than letting empty space stay empty, we allow large shippers to sell their unused trailer space to smaller companies who need it. Big shippers don't waste cash on empty trailers. Small shippers don't waste cash getting their own trailers for less-than-truckload routes. Everyone wins.

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REASON 1

Suppliers provide inaccurate data

If you don't trust your data, you're not alone. PricewaterhouseCoopers estimates less than 20% of supply chain managers are confident in the accuracy of their logistics data.

You can't find savings in an inbound transportation network if your supply base doesn't provide accurate shipment data.

Incorrect data at the supplier level leads to spreadsheets showing full truckloads, but which in reality are underutilized. For example, a supplier may request a 53' trailer for what ends up being 20' of material, but no one updates the logs. Making matters worse, these inaccuracies often go undetected.

Suppliers provide inaccurate shipment data for three main reasons:

1. Manual TMS data entry errors
2. Poor training leading to incorrect cubic or linear feet calculations
3. Lack of awareness and compliance to business rules

These are the most basic and preventable causes of inbound trailer underutilization.

Compounding this is a lack of accountability. Measuring compliance can be challenging, so suppliers are rarely called out for non-compliant behavior. Further exacerbating this is high turnover within the supplier's shipping department. Most suppliers



aren't concerned about data integrity —“just send in a truck and get it off my dock.” They have no skin in the game, so often lack the motivation to get it right.

As long as you're reliant on manually-entered data by suppliers into a TMS, your company is at risk of inaccurate data leading to increased transportation costs.

To fix the problem, you first need the ability to identify when it occurs. Ideally this needs to happen right when the truck arrives at your dock. After you've identified the problem, look for a way to convert that unused trailer space to create savings.

REASON 2

Milk runs aren't optimized

Milk runs, or dedicated round trips, are an effective way to fill trailers while guaranteeing capacity.

When first designed and then implemented, chances are they do just that. The inherent challenges of aligning the suppliers on the route and ensuring returnables are available for the backhaul are overcome by people closely monitoring the situation. Once the implementation is deemed successful the milk run is handed off to operations and assumed to be running efficiently.

However, production schedules change, parts are sourced to different locations, and balancing the individual supplier volumes with available space on the truck begins to break down. These alterations build up over time and can cause the milk run to become inefficient, resulting in partially full deliveries and empty return trips.

This problem can be further complicated by lack of entry into a TMS. Since the capacity is already assigned and it is assumed to be running like clockwork, there is little need for the cube and weight to be captured. As such, supply chain managers have no visibility on its true cost-effectiveness.

All too often, milk runs represent a data black hole. Is the route still saving money over the LTL direct option? Perhaps it was established based on inaccurate data and nobody confirmed it was doing what it was supposed to be doing in the first place: optimizing trailers and saving money.

Similar to the supplier data entry problems we discussed above, being able to accurately measure a milk run's efficiency is absolutely critical. This starts with establishing a process that allows you to monitor utilization in real time. As metrics are gathered and analyzed, low utilization trends are easily identified. This allows an organization to make sound business decisions on accurate data. The milk run might be disbanded altogether, or another supplier—even another unaffiliated shipper—may be added to the route to fill wasted space.



The picture that led to 6-figure savings for a Fortune 100 manufacturer

One picture. That's all it took for people to start asking the right questions and discover that this milk run had been running underutilized for years. The waste ended up costing this company over \$100,000!

Why didn't anyone notice? Because inaccurate data suggested the milk run was still running efficiently. Simply put, the right people weren't looking in the right place—inside the trailer itself.

REASON 3

Suppliers don't stack containers correctly

The proper utilization of your trailers hinges on the definition of "full"; What one supplier calls "full" may be 50% underutilized.

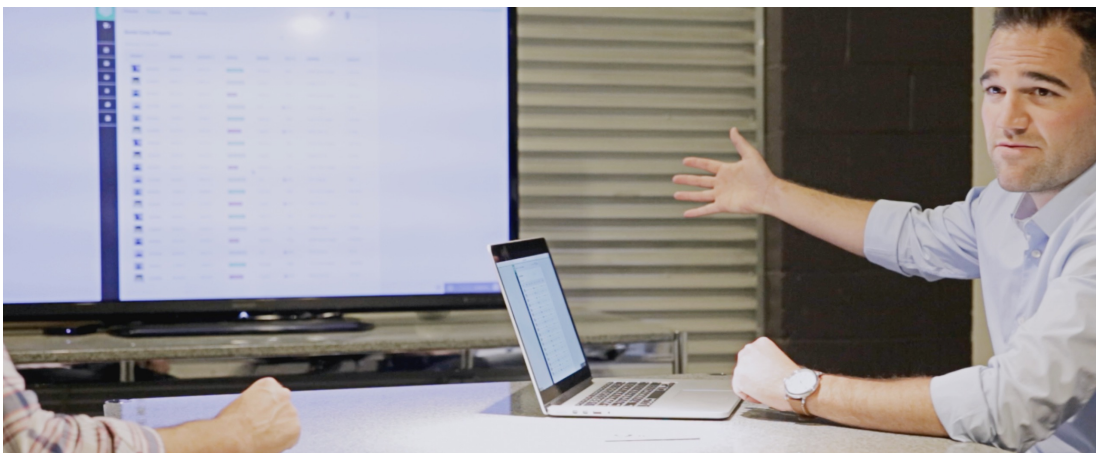
Manufacturers spend millions of dollars a year on returnable shipping racks designed to maximize space while minimizing product damage.

Many are custom made and play an integral part in maintaining flow and supply chain efficiency.

However, in order for their design and

it accordingly, leaving the upper half of the trailer completely underutilized. The data will indicate that this trailer is full because the supplier is using an incorrect definition of "full," but the trailer could have been merged with neighboring freight or moved via a more cost effective mode.

To ensure the racks are correctly loaded,



intent to be maximized, your supply base must utilize them correctly. More specifically, they must double stack whenever possible instead of floor loading.

The following example illustrates the limitations of simple spreadsheet data for detecting incorrect stacking, and the impact it can have. A vendor orders a full 53' trailer based on what they consider to be 53 linear feet of product, not taking into consideration that the racks can and should be double stacked. The truck arrives and the supplier loads

you must measure the utilization level by actually looking inside the trailer itself. You'll then be able to identify which suppliers are not using the racks correctly so they can be trained and educated on the importance of proper loading. You can also take note of the additional unfilled space and look for further stops or load sharing opportunities to profit from it.

REASON 4

Suppliers don't use the TMS

In recent years, many large companies have implemented a TMS to cut inbound transportation costs. Whether it is a simple routing guide or a fully integrated 3PL solution, these help control cost and service.

However, suppliers don't always have your best interests at heart. The only thing worse than inputting inaccurate data into a TMS is not inputting anything at all. Lack of vendor compliance to the preferred shipping method is a major challenge facing every large organization. When suppliers ignore your requirements and don't enter data into the shipping interface, it increases both cost and risk. Here are the big five:

1. Bad mode selection (Cost)
2. Use of non-contracted carriers (Cost & Risk)
3. Missed optimization opportunity (Cost)
4. Loss of valuable data (Cost & Risk)
5. Lack of visibility for tracking and tracing (Risk)

Unfortunately, the lack of compliance is typically only uncovered when someone combs through old freight pay invoices. Since carriers generally don't process invoices until weeks after a shipment has arrived, this is an extremely reactive approach. By the time the problem is identified, it is often too late, and the window to be able to drive real change has already closed.

REASON 5

Bad 3PL routing decisions

In 2014, North American companies spent \$187B on domestic transportation management services. Along with increased supply chain visibility and improved service levels, shippers using 3PLs reported an average logistics cost reduction of 9%.

Much of this savings is achieved by utilizing sophisticated TMS optimization platforms that dynamically build multi-stop truckloads, ensure best cost mode, and convert LTL freight into truckloads through cross docks and pool points. Specifically on the inbound side, where lack of visibility often leads to higher costs, optimization tools help shippers leverage network volumes to gain efficiencies and better manage costs.

However, most inbound optimization platforms are flawed and can often lead to the very thing they are supposed to prevent: waste and increased costs. We've already discussed in Reason 1 how inaccurate data leads to underutilized trailers, so let's now assume all of the data inputted into the TMS by the supply base is 100% accurate. Even with such accurate data, here are three ways 3PLs can still make bad routing decisions that lead to underutilized inbound trailers:

Bad optimization logic

Most software programs gather load data and run complex algorithms based on origin, destination, weight, and the amount of space the material will take up in the trailer (usually linear feet). This seems pretty straight forward, but the last requirement can really complicate the whole process.

For instance, let's say a supplier has four standard sized pallets all consigned to separate locations. They would enter four separate shipments into the TMS with each requiring four linear feet of space (the length of a standard sized skid). The optimization software would interpret that as needing 16 feet of space by summing it all up. But in reality, the four skids could go side-by-side and be double stacked, equating to a total of four linear feet. The overestimation of how much space is needed will almost certainly lead to underutilized truckloads.

Incorrect rates uploaded

Having accurate and up-to-date rates is also needed to optimize an inbound network. This may sound like a simple task, but with thousands of LTL zip-to-zip combinations and innumerable truckload lane pairs, it can be a challenging exercise. First, 3PLs must be aware of when procurement exercises are taking place and when new rates go live. Second, they must show due diligence and care when updating the many carrier rate tables being housed in their optimization platform. Any mistakes during this process could possibly lead to years of bad routing decisions and higher costs.

Inexperienced employees

All 3PLs sell themselves as the logistics "experts." However, due to constant pressure to remain competitive in the marketplace, 3PLs are forced to fill many positions with entry-level candidates. This includes much of the personnel responsible for day to day operations—including network optimization, lack experience and knowledge in key transportation concepts. Even automated processes usually require some form of manual checkpoint to ensure good business decisions are being made. Furthermore, the 3PL industry as a whole is struggling to retain top talent. This inexperience can lead to bad routing and modal decisions that cost your company money. The more automated the system, the more opportunity to catch cash-saving corrections.

REASON 6

Material replenishment not aligned to transportation

Despite all the talk about breaking down supply chain functional silos over the past decade or so, the silo mentality is still alive and well in most large companies.

Logistics and Manufacturing run independently from each other, complete with their own objectives and performance metrics.

Despite all the talk about breaking down supply chain functional silos over the past decade or so, the silo mentality is still alive and well in most large companies.

However, supply chain managers are starting to realize that in order to drive real cost savings, production schedules need to be aligned to transportation wherever possible. If this is not done, for example, the result can be three partially full trailers instead of two fully utilized truckloads on high volume inbound lanes. Since order fulfillment and transportation priorities are rarely aligned, this is a common scenario.

The most likely solution to optimize the extra space in the partially full trailers today is to build multi-stop truckloads with neighboring freight. But why not work with the buyer directly to create two fully utilized trailers and avoid the out of route miles and stop off charges? Not to mention the time and effort incurred when coordinating multiple pick-ups and drop-offs. Looking for other shippers to share loads with can also help you complete your trailers.

The impact on inventory must be carefully considered, but orders can usually be adjusted to bring them more in line with optimal transportation. Often the buyer just needs to be educated on how their job impacts transportation costs. Once the right cross-functional conversations begin to happen, the two sides can collaborate and figure out a solution.

Like in our other reasons, these types of scenarios first need to be identified in order to be fixed. A sustainable solution needs to be implemented so both sides have the data needed to make good business decisions that positively impact both departments, and most importantly, the organization as a whole.

REASON 7

Suppliers behind on production

Occasionally, suppliers enter the need for a 53' trailer into the TMS, but when the truck arrives they haven't produced enough to fill the order. Consequently, the truck leaves half-full and you end up paying more in transportation unnecessarily.

In an ideal world, the supplier would give advance notice to their buyer or 3PL so the appropriate action can be taken to optimize the trailer. This could be as simple as changing the mode to LTL, or finding other shippers to share that trailer space with.

Unfortunately, this doesn't always happen and you pay to ship nothing but air. And since the supplier didn't notify anybody of the change in quantity, the data still shows the trailer as being full based on the supplier's initial request. Once again, the non-compliant behavior goes undetected.

REASON 8

Buyers or planners changing orders last minute

Due to shifts in production, manufacturing lines may not always need all the parts that were ordered. If the order is changed the same day, transportation doesn't have time to react and underutilized trailers will be the result. Changes in production schedules are bound to happen, but when they lead to increased costs, they need to be identified and addressed.

As we discussed in Reason 6, buyers and planners don't always understand the impact to transportation. For example, perhaps the buyer knew about the production change the day before, but didn't notify the 3PL until the day of because they didn't think the timing mattered. If the 3PL would have known the day before, they could have made adjustments to the load plan and optimized the trailer.

A simple, polite phone call to the buyer is all it takes to ensure proactive notice happens moving forward. A little education and diplomacy can go a long way.

TAKE ACTION

Addressing these 8 reasons

Underutilized trailers cost significant money. For a large operation the wastage can add up to millions, making this a challenge worthy of attention.

To address the 8 reasons you need a solution that:

- ✓ Gives a visual record of every trailer's utilization level to guarantee data accuracy
- ✓ Provides a sustainable process that scales throughout the entire organization
- ✓ Ensures supplier compliance by identifying non-compliant behaviors
- ✓ Gives you control over your data, avoiding complete dependence on suppliers and 3PLs
- ✓ Provides reporting capabilities that summarize key metrics
- ✓ Leads to real cost savings
- ✓ Involves and collaborates with all key stakeholders
- ✓ Streamlines supply chain processes
- ✓ Identifies waste and non-compliance in real time
- ✓ Does not add additional work to current logistics functions
- ✓ Offers opportunities to use underutilized space and create savings.

Logispics is an innovative new approach that uses pictures to monitor trailer utilization and create Automatic Load Sharing opportunities to cut costs. By combining brand new mobile technology, a proven process, and a team of logistics experts, we give you the true visibility needed to optimize your inbound network. Come take a look at logispics.com and we'll show you how we can optimize every problem identified in this report.



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