

SUPPLY CHAIN MANAGEMENT: SPECIALIZED TRANSPORTATION CAPACITY MANAGEMENT CREATES IMPROVED CUSTOMER SERVICE, LOWER SHIPPING COSTS

Schneider Supply Chain Management (SCM) and a Building and Construction Commodities Manufacturer and Solutions Provider

BACKGROUND

Specific to its building materials and solutions business unit, one of the largest manufacturers and shippers in North America sought to create a fully integrated transportation model built around a common set of consistent, measurable and actionable processes to drive efficiency within its supply chain. The manufacturer's vision was to establish an order-to-delivery solution to improve distribution and job-site coordination. The company also strove to meet or exceed delivery requirements and keep up with seasonal demand.

SITUATION

Slowdowns in the housing market and related manufacturing industries over the past several years have caused a significant culling of flatbed truck capacity. It has become much more difficult to find trucks that can make specialized, time-sensitive deliveries. The decrease in overall specialized shipping capacity not only created a major constraint during the peak construction season - March through October - but also caused transportation rates to skyrocket.

According to the Morgan Stanley Flatbed Market Index, incremental demand for specialized freight services compared with supply during the 2010 and 2011 peak construction seasons was nine times greater than the 2009 busy period.

Servicing the commercial and residential construction industry - builders, designers, architects and home/building owners - the leading building materials manufacturer is responsible for delivering its products directly to construction sites. Owing to the lack of receiving docks at these sites, specialty equipment is required to off-load the product.

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During the peak construction season, capacity tightens and freight volume can increase by as much as 40 percent, making it difficult for the manufacturer to get products to its customers on time. Dramatic capacity constraints and volume swings such as these demand a proactive and reliable transportation model that meets and exceeds delivery and safety requirements while avoiding premium shipping costs. Struggling to effectively meet seasonal demands, the manufacturer turned to Schneider Supply Chain Management (SCM) for a solution.

TIGHT CAPACITY + **FREIGHT VOLUME** =  **DIFFICULT ON-TIME DELIVERIES**

SCHNEIDER'S SCM SOLUTION

Schneider SCM and the building manufacturer collaboratively devised a set of measurable and actionable transportation and scheduling processes to be implemented across the company's breadth of manufacturing facilities in North America. Those processes included:

- **Core Carrier Program:** Schneider SCM identified a core network of premium carriers to provide a wide range of coverage. Qualified carriers were selected on the basis of service performance, safety record, driver reputability, delivery times, transportation costs, tender acceptance, range of specialized truckload services and more. Once the carrier base was established, monthly volume commitments were agreed upon with each carrier, and each carrier's performance is measured monthly.
- **Master Lane List:** Supportive to the core carrier program, Schneider SCM created a Master Lane List to ensure capacity within the manufacturer's key distribution/delivery areas. The Master Lane List is a transportation network management tool that allows for the balancing of capacity needs, service performance and cost at a site-to-state level by transportation mode. Based off freight forecasts provided by the manufacturer, Schneider SCM procures volume commitments from the core carrier base in order to secure sufficient capacity.
- **Network of Transload Solutions:** Across a number of regions, Schneider SCM implemented a network of transload solutions that enable the manufacturer to run the length of its shipments by the most cost-effective transportation modes – truckload or intermodal – into the region that the shipment must be delivered. Once in the delivery region, Schneider SCM has the product transloaded from the initial transportation mode onto specialized equipment such as flatbed trucks for final-mile delivery.

RESULTS

Leveraging its expertise and experience in dynamic and challenging job-site deliveries, Schneider SCM was able to improve the customer's delivery service and lower transportation costs through effective specialized transportation capacity management.

Partnering with Schneider SCM helped the building and construction manufacturer achieve many great results, including:

- Delivery service improved from 96 percent to 98 percent. The core carrier program creates year-over-year performance improvement because regional providers are able to operate within the regions where they compete best, not getting strung out beyond their core network.
- The company realized \$1 million of savings by matching carrier capacity with forecasted lane volume, making transportation lanes more predictable.
- The manufacturer achieved \$1.6 million of savings through the transload network - eliminating the premiums required for specialized providers to run beyond their desired region/network.
- The company attained 98 percent capacity coverage in hard-to-service regions, leading to improved customer service and on-time delivery.

The set of transportation and scheduling processes that Schneider SCM was able to put into place not only led to increased financial results but also provided the leading manufacturer with a competitive edge by enhancing the effectiveness of its supply chain. Through capacity optimization, Schneider SCM was able to work closely with the carrier network to share shipment information and scheduling to create a better balance of deliveries during the peak construction season and all year round.

\$1.6 MILLION SAVED THROUGH

TRANSLOAD NETWORK



98% CAPACITY COVERAGE

IMPROVED

CUSTOMER SERVICE **ON-TIME DELIVERY**