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Case Study: Johns Manville Transportation Initiative

Building Products Giant Johns Manville Achieves Major Improvements in Transportation with Load Control Center

Company

Johns Manville, a multi-billion dollar manufacturer of building products and other engineered products for the building, construction, aerospace and other industries. Headquartered in Denver, it is a division of Berkshire-Hathaway.

Logistics/Supply Chain Profile

- ❑ Four divisions
- ❑ Dozens of ship sites, most plant direct
- ❑ Nearly 200,000 loads per year
- ❑ \$240 million in annual freight spend

The Issue/Opportunity

Like many companies, Johns Manville had traditionally operated a very decentralized transportation program across its four divisions and dozens of North American ship sites. This meant local facilities controlled most transportation decisions, and there was little opportunity to leverage overall corporate volumes, collaborative shipping and “continuous moves” even within the company’s own supply chain network.

In some cases, Corporate Transportation Manager Duane Charbonneau said different divisions shipping from the same manufacturing plant would still operate totally independently.

With significant transportation volumes and spend, there were lots of opportunities for achieving savings and service improvements through process re-engineering and automation, better leverage of freight spend, and use of more advanced technology. Johns Manville moves \$240 million worth of freight annually, across nearly 200,000 outbound loads.

Delivery requirements can also be challenging. “Big box” home products retailers have short order-to-delivery cycle times, and very regimented appointment processes. Building contractors may need to have very precise delivery times to synchronize with the need for materials given the construction schedule.

“In many cases, we’re an exact on-time type of business,” Charbonneau said. “This is a major challenge.”

According to Charbonneau, Johns Manville knew there were many hard and soft savings opportunities. By centralizing transportation spend, using a more aggressive core carrier program, and optimally selecting mode and specific carriers, the company expected it could save as much as \$5 million annually.

Centralization and process re-engineering would allow for much more efficient administration, saving another \$500,000 annually.

Service could also be significantly improved. There were many opportunities for disconnects in the current process between customer service, ship sites and customers. Processes were inconsistent across the company. Visibility to shipment status was mediocre. And in an era of tight capacity, it might be possible to look across the network for “continuous move” opportunities, lock in capacity and use one carrier truck across several shipments.

The Solution

Johns Manville, a multi-billion dollar manufacturer of building products and other engineered products, has achieved substantial cost and service improvements from a number of inter-related transportation initiatives.

It re-engineered its entire transportation infrastructure and processes to centralize the Transportation function in a key corporate facility in Denver, “de-allocating” this function and resources from individual ship sites and some transportation responsibility from customer service.

To make this transition required the use of new technology. Johns Manville adopted a new Transportation Management System (TMS) solution from RedPrairie and Shipper’s Commonwealth.

In phase 1, the TMS was configured to provide the following benefits:

- Automatically optimize loads and determines the best carrier for planned shipments, factoring in cost, transit time, equipment, performance and required service levels
- House and manages carrier freight rates and contracts
- Tenders loads to preferred carriers simultaneously, thereby finding the most qualified trucks sooner, while leveraging the full value of pre-negotiated prices and terms
- Prevent “maverick buying” by using best practices to select carriers according to the company’s business rules and contract terms
- Look for intra-company continuous moves

In the next phase, in process now, Johns Manville is implementing a load consolidation function to optimize LTL shipments into multi-stop truckloads, which will drive significant additional transportation savings.

Key Results Drivers

- **Centralization of the Transportation function from control by individual ship sites**
- **Working with a cross functional team to manage this transition**
- **Building a strong financial and service business case**
- **Implementation of new Transportation Management (TMS) technology (RedPrairie/Shipper’s Commonwealth) for mode/carrier selection optimization, execution automation, management of core carrier programs, and now optimized load consolidation**
- **Leadership in a Collaborative Transportation Consortium (Caravan/Shipper’s Commonwealth to link loads**

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In parallel, Johns Manville is also a key sponsor of a Collaborative Transportation Program called Caravan, developed by Shipper's Commonwealth. A small but growing number of shipper's participate, interacting with Caravan's web site to see planned shipments/moves by other consortium participants, and the opportunity for cross-company continuous moves. This provides the opportunity not only for potentially lower costs by utilizing existing truck availability, but just as importantly in this environment as a way to secure capacity.

In the Caravan consortium, which is seeking additional members, there are opportunities to create "dedicated loops" among members, in addition to more opportunistic linkages. The web application includes an interesting "carriers to consider" function, highlighting potential load linkages available if say the carrier used by another member also had contract rates in a related lane for Johns Manville.

As always, the change management element was both the initial challenge and the key to success. Customer service at Johns Manville has traditionally carrier a number of transportation responsibilities, and was initially not thrilled with relinquishing those functions. For example, customer service was responsible for "load building" processes, looking across order for potential opportunities for consolidation.

Now, however, everyone is seeing the benefits of the centralized load control center, systematic optimization, and focused responsibility, according the Charbonneau. "We're now providing world-class customer service at substantially lower costs," he said.

"We started this project to control costs, deliver better customer service, and know precisely what we spend and who we spend it with," he added. "We've been able to achieve those goals."

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