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Industrial Companies Starting to Take Control of Inbound Freight

Reducing Costs are Key, but so is Improved Visibility; Getting the Buy-In from Manufacturing and Procurement

SCDigest Editorial Staff

Retailers have for many years taken the lead in gaining control of inbound freight, first in terms of published routing guides (and penalties for non-compliance) and increasingly with dynamic routing for each shipment, as companies such as The Bon-Ton Stores, JC Penney, Dillard's, Stage Stores, and many others have implemented (see SCDigest Videocast on the Bon-Ton inbound TMS case study).

Industrial companies have been comparatively late to the party. But, perhaps as some of their customers take control of the shipper's outbound freight, and also to reduce transportation costs and achieve better overall supply chain performance, an increasing number of manufacturers are also making the move.

That was the story from three manufacturers at the recent CSCMP 2008 conference in Denver: equipment maker John Deere, gaming system manufacturer WMS, and consumer baking products company Continental Mills. Each is in the early to mid-stages of taking control of inbound freight.

The catalysts were somewhat different in each case.

Keith Conway, director of logistics and traffic for WMS, said for his company that the key was the hiring of a new VP of Procurement who "shared the same thoughts about the opportunities for taking control of inbound," that he did, versus the control procurement traditionally had at the company in terms of buying components and commodities with bundled freight from suppliers.

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For example, **Jonathon Peebles**, Manager of North American Logistics for John Deere, said his company had little visibility into inbound freight arrival from its 3300 suppliers, a theme the other two panelists also echoed.

Eric Petterson of Continental Mills said that by controlling inbound freight, the company could achieve improved visibility and notification of shipment delays or problems "so we could develop a plan B as opposed to shutting down a line."

All three agreed that by showing how the new level of visibility could benefit the manufacturing operation, it made the change in the process an easier sell than one based on freight cost savings alone.

Each found different approaches to getting the projects going.

WMS originally had visions of taking control of inbound across all shipments, but later decided to focus on just a new generation of products and

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then other new products going forward. Conway said that focused the program and made it seem like a part of something new; the strategy was also wrapped up in a plan to have some parts delivered direct to production lines instead of storage.
Deere was the only one of the three companies that had an existing routing guide for suppliers – it just had very little visibility into the level of compliance or means to enforce it, so that in the end suppliers often shipped goods anyway they wanted to.

"I think there was a lot of the "a load for lunch" going on, and a lot of the suppliers' decisions were not in our best interests," Peebles said.

He also said Deere rolled out its program in phases, and started with a pre-paid program based on the routing guide rather than jumping straight to full dynamic routing, though that is the goal. That pre-paid first approach is also the way WMS is starting.

Deere planned an initial roll-out over 8 months, and conducted meetings in 34 areas of the country with different groups of suppliers to communicate the new program.

Peebles said having your data together at the beginning and over time is essential to a successful program.

"You need to be able to tell suppliers how well they are complying, and what the actual cost to you is if they aren't," he said. He added that

Deere thought it could save 5% on inbound freight costs in the first year of the program, and even more later – a sizable amount, given Deere's huge freight volumes.

Pettersen also said it was smart to get with purchasing and use the strategy as a lever in negotiations for new procurement items or the next year's round of contracts.

"Compliance with the new inbound freight strategies should be a key part of supplier negotiations," he said. "You need to make it clear that you are looking for vendors that will be on board with this program."