The Transportation Load Control Center Continues to Evolve

Many Companies Now Morphing Traditional LCC to "Shared Services" Model

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The following is an excerpt from our recent Supply Chain Digest Letter on Transportation Management. An electronic copy of the full Letter, plus an array of other information on transportation management and technology, is available at our Transportation Management Resources page.

Transportation is inherently an area that can benefit from at least a modest and sometimes high level of centralization. The concept of the centralized "load control center" (LCC) has been around for more than two decades. Most credit industrial giant 3M as building the first LCC in North America.

Over time, hundreds of other companies have followed suit, but many others still operate in a decentralized mode. What is a load control center? As seen in the graphic below*,* it is an approach to transportation in which most transportation planning and sourcing functions, and some execution processes, are pulled together into a single group, rather than being managed regionally or at individual ship sites.

The benefits of the LCC concept are many, and include:

- Ability to centralize transportation sourcing and better leverage total freight spend
- Development of standard processes that are consistent, rather than the disparate transportation processes found inherently in decentralized operations
- Greater efficiency – generally, a fewer number of planners are needed in total than when transportation is being managed at each site
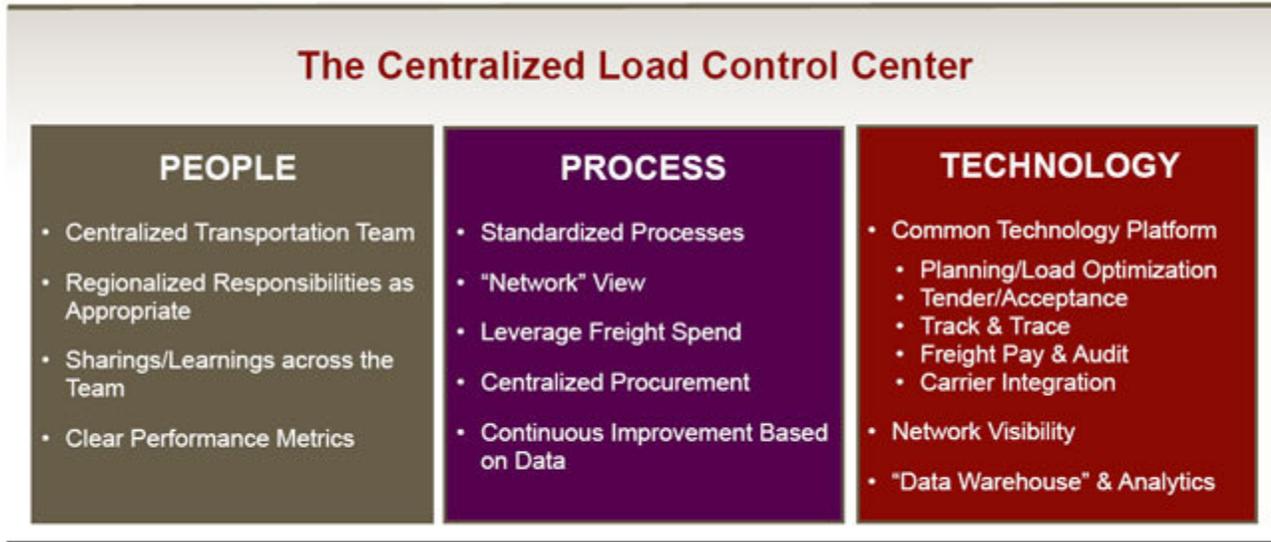
The decision to build a centralized transportation function remains the most common driver of adoption for Transportation Management Systems (TMS). But as many companies now have years of experience in a centralized model, the concept is continuing to expand and evolve.

- Improved opportunities for optimization through combining shipments or loads that were not visible to the planners previously
- Improved overall professionalism
- Improved electronic integration with carriers
- Opportunity for improved overall network visibility
- Improved metric management and therefore the chance to spot opportunities and drive continuous improvement

In fact, the decision to build a centralized transportation function remains the most common driver of adoption for Transportation Management Systems (TMS). But as many companies now have years of experience in a centralized model, the concept is continuing to expand and evolve.

For example, many Load Control Centers were first developed to support a given business or division of a corporation. But now, the concept is expand-

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The Centralized Load Control Center

PEOPLE
- Centralized Transportation Team
- Regionalized Responsibilities as Appropriate
- Sharings/Learnings across the Team
- Clear Performance Metrics

PROCESS
- Standardized Processes
- "Network" View
- Leverage Freight Spend
- Centralized Procurement
- Continuous Improvement Based on Data

TECHNOLOGY
- Common Technology Platform
  - Planning/Load Optimization
  - Tender/Acceptance
  - Track & Trace
  - Freight Pay & Audit
  - Carrier Integration
- Network Visibility
- "Data Warehouse" & Analytics

Source: The Supply Chain Digest Letter

ing in some companies to a "shared services model," in which a single centralized transportation group is set up to service the needs of multiple business units or divisions.

The "shared services" concept makes sense, as there are often many efficiencies to be gained by leveraging people, transportation spend, and load linking across more volume.

But it's not that easy. Just as with plants or DCs that are reluctant to give up shipping control to a centralized LCC, business units may be reluctant to give up their own logistics destiny to a shared services group – especially if it grows out of another business unit that may deal with very different products or customers.

Consider an aluminum company, for example, that ships consumer products to retail and also rolls of aluminum to manufacturers on flatbed trucks. Should those two transportation operations be combined? That's much less clear.

So, a shared services LCC may need to acquire and build a very diverse set of transportation planning and execution skills – and to operate truly "independent" from the division from which it arose.