

Q: The current crunch in trucking capacity has made mainstream news lately. How should the transport industry solve this problem?

KANE: The truth is there is no capacity shortage. Also, there are plenty of truck drivers, even after we lose 100,000 drivers through CSA 2010, as industry experts predict. The problem is not capacity or manpower or the number of tractor trailers or how much weight they're allowed to carry. The problem is that half the trucks in America are driving around half empty. Why? Because small and mid-sized manufacturers lack the scale to ship in full truckloads. So you end up with thousands and thousands of separate, inefficient lines of supply—all moving to the same mass retailers.

The waste inherent in such a model is shocking. We have got to wake up and start treating our distribution infrastructure as shared infrastructure. Think of riders on the New York subway. Nobody expects to ride in their own personal subway car. If they did, the subway would be big enough to shake every apartment in New York, and it would cost \$100 a day to get to work.

Q: You're talking about collaborative distribution. Hasn't that been tried already?

KANE: I'm talking about a much deeper and more radical change in supply chain thinking than consolidating cargo on the last leg of the journey. Collaborative distribution needs to go right to the heart of retailers' and manufacturers' operations. It's a fantastic opportunity to take trucks off the road and cut distribution costs by 35 percent. Getting manufacturers to warehouse their products with other manufacturers' products, even competing ones, would mean deliveries to a retailer would take the form of full trucks of blended goods.

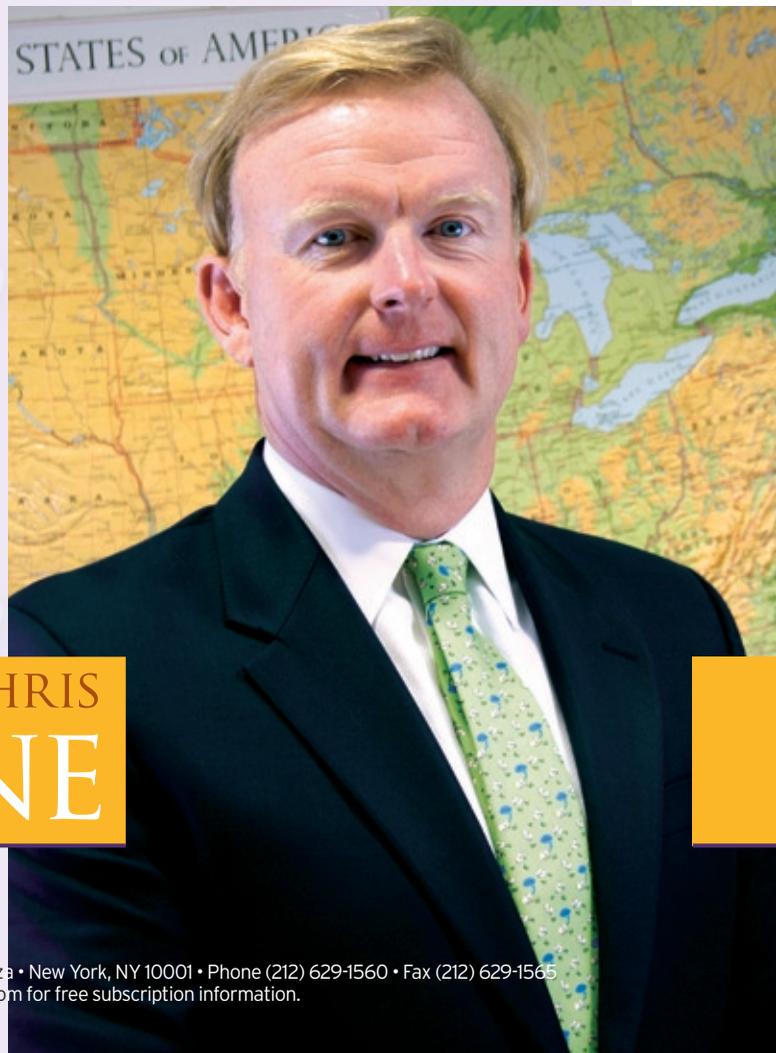
On the retailer side, we need to educate buyers that, if they only ordered mustard,

for example, to arrive on Tuesday instead of Monday, the shipment could be consolidated with paper towels and arrive in a single truck. Right now, buyers don't get rewarded for lowering freight costs. Their job is to look for mustard at the lowest price. Reducing freight is the job of the guy at the DC, and he has no idea about ordering cycles. It's a question of getting these departments working together. It's not an easy shift, but 3PLs can act as matchmakers.

Q: This sounds like a major change. Is it actually possible?

KANE: Collaborative distribution is not some idealist's dream. We're already making it work on a small scale here at Kane. But when fully implemented, it could revolutionize how we distribute consumer goods by simply shipping freight on fewer trucks and saving billions across the CPG supply chain.

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