



Freight Consolidation Program Pays Off Big for Sun-Maid

The fruit processor needed to reduce or eliminate its LTL costs in the Northeast and Mid-Atlantic. A 3PL focusing on CPG companies had just the ticket.

As a cooperative, Sun-Maid Growers of California is without a doubt best known for its raisins produced by family farmers who grow raisin grapes all located within 100 miles of each other in the Great Central Valley of California, midway between Los Angeles and San Francisco. But its line of products includes currants, apricots, plums and other edibles as well. And its reach—its market, if you will—is worldwide.

In the United States, the cooperative distributes to retail customers through a nationwide network of distribution centers. When one of its warehousing partners went bankrupt some years ago, Sun-Maid sought a distribution partner for the Mid-Atlantic and Northeast regions. A freight consolidation program was to become a key part of its relationship with its transportation provider.

“We are a medium-sized company that needs to ship with other companies to minimize higher-cost LTL shipments,” says John Slinkard, vice president of supply chain services for Sun-Maid. “We found many 3PLs that would consolidate freight if they saw an opportunity but only one, Kane Is Able, out of Scranton, Pa., that had a formal consolida-



tion program matching our needs.”

Sun-Maid had a pre-existing relationship with Kane dating back to about 2007, and the 3PL's focus on the consumer packaged goods market and its asset-based transportation abilities were well known to Slinkard and his supply chain team. The consolidation program began in 2008 when Chris Kane, now a board member at the 3PL, called Slinkard in to discuss the program's launch.

Slinkard was highly interested. “Sun-Maid is a mid-sized grocery and ingredient food processor with over 2500 ship-to locations in the U.S.,” he says. “The vast majority of our grocery business is less-than-truck load deliveries with an average order frequency being weekly. We are continually looking for opportunities to reduce our costs and dependence on LTL deliveries.” The Kane program seemed like the ticket to those savings.

Kane took over distribution of Sun-Maid's product line in the Mid-Atlantic and Northeast regions and immediately integrated everything into its freight consolidation program, which includes products from candy, pet food, condiment, and other grocery manufacturers.

“One of the bright spots in our efforts has been aggressively pursuing consolidation opportunities through our third-party warehousing and transportation partners,” Slinkard says. “It's built around the premise that our freight can commingle on a truckload basis with other food companies products coming from the same warehouse. This ‘truckload consolidation’ reduces our freight costs and streamlines the receiving process for the retailer who's receiving several POs on the same truck.”

Itemized Invoices

Shipment requests from Kane customers are entered into the 3PL's LoadCon system, which automatically builds full truckload shipments based on ship-to points and

requested arrival dates (RADs). The beauty of it from Sun-Maid's standpoint is that it pays only for the portion, by weight, of the truckload shipment that its products represent. Itemized invoices reflect both the total cost of the truck and Sun-Maid's portion.

Sun-Maid has consolidation agreements with other providers in different parts of the country, according to Slinkard, but the Kane program is distinct in that it adheres to RAD requirements. Many 3PLs lack Kane's large concentration of CPG customers, therefore shipping in full truckloads requires that they hold small shipments until a full load can be built, says Slinkard. This waiting game requires changing arrival dates at the retailer, creating inefficiencies at the receiving end. In addition, some of the other programs are geared toward just one retailer.

In fact, both Slinkard and Kane feel that retailer participation turns consolidation into true collaboration, but frankly some retailers are not interested. Slinkard says that retailers and distributors must be involved to achieve maximum value from load consolidation. Both Sun-Maid and Kane executives have aggressively courted retailers, a strategy that has paid off a number of times. A major distributor now consolidates orders for Sun-Maid products with orders for several other Kane customers. It's this downstream participation that turns simple load consolidation into a full-fledged collaborative distribution strategy where companies benefit from sharing a distribution infrastructure.

“Kane has been proactive in trying to push more retailers to look at order consolidation,” says Slinkard. “I've worked with them on this effort because it's good for Sun-Maid, and it's where the industry needs to go.” However, the reality often finds that retailers' receiving and buying departments don't see things the same way. Receiving

departments may appreciate receiving one truck rather than five, Slinkard says, but the buying side, which has no incentive to cooperate, often carries the day. “That's where Chris and I and others are trying to present the program as attractive, but it's difficult sometimes.”

Sun-Maid has also worked with Kane's sales department to attract more CPG companies to the provider's Northeast, collaborative distribution campus. “The addition of just one customer to the program can increase my consolidations by 5 percent to 10 percent, bringing down my cost per hundredweight,” says Slinkard.

A Sun-Maid comparison of consolidated versus non-consolidated shipments has shown a 62-percent reduction in Sun-Maid's CWT for outbound freight. “These savings drop straight to the bottom line,” says Slinkard. “A successful consolidation program like this requires a willing and fully engaged third-party logistical partner working with us to make it a reality. Kane is just such a partner, where we are able to consolidate over 65 percent of our delivered weight shipping from Kane with a cost reduction of approximately 40 percent when compared to LTL rates.”

It's Slinkard's view that retailers also benefit from Kane's freight consolidation program with Sun-Maid and others since they can receive the same volume of products in fewer, multi-vendor shipments. Among other things, that means the program takes trucks off the road, so it's both a greener and a cheaper solution.

According to Slinkard, retailer interest in collaboration is starting to trickle down to mid-tier vendors, opening the door to even more cost-saving opportunities.

“The landscape in logistics will be very different in five years,” he says. “Collaboration will go from a ‘wish list’ item to a core strategy across the CPG industry.”

Kane Is Able, Inc. provides logistics services specially designed for
consumer goods companies and their retail customers.
KANE-operated distribution centers are located in every region of the country.



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