

# Transport Topics

## Collaborative Distribution

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Drive safer. Pollute less. Maintain capacity. Articles on these and other industry pressures — particularly dire predictions of a driver shortage — fill the pages of transportation industry publications. But I believe there is no looming capacity shortage and there are plenty of truck drivers, even after we lose more than 200,000 drivers through CSA, as some 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 trucks across America are driving around half empty. Why? Because the small and mid-sized companies that account for a huge portion of shipments lack the scale to ship in full truckloads.

The current company-centric model for consumer packaged goods (CPG) product distribution is broken. Tens of thousands of manufacturers create their own separate, inefficient lines of supply — all moving to precisely the same mass retailers. The waste inherent in such a model is appalling. It's like taking an expensive limo to the airport, only to find that six of your friends were booked on flights the same afternoon, and you could have shared a shuttle bus.

We need to abandon this fractured, company-centric model and create its 21st-century successor — a shared infrastructure for product distribution. I call it simply "collaborative distribution." That's when manufacturers share warehouse and trailer capacity for products destined for the same retail distribution centers (DCs). Done right, the strategy can cut distribution costs up to 35% and will take enough trucks off the road to reduce carbon emissions dramatically and ease the driver shortage.

True collaborative distribution is a great deal more than consolidating loads for the last leg of the journey to the retailer. It means major changes for all parties up and down the supply line.

Manufacturers must agree to allow their goods to be warehoused and distributed with the products of other manufacturers — even competitors. They must accept that products competing on the store shelf don't compete on a warehouse rack or in the back of a truck. While co-locating inventory is an element of collaborative distribution, it bears fruit mainly when retailers combine orders for different companies' products.

Retailers who order stock with consolidated deliveries in mind hold the key to making collaborative distribution work. But to do so they need to close the communication gap that exists between the people who order stock, and the people who arrange its delivery.

Replenishing the fruit juice aisle at the same time as the paper goods aisle creates a cost-efficient, fully stuffed trailer shipment that's within cube and weight limitations. But, right now, retail

buyers don't get rewarded for maximizing truck utilization and lowering freight costs. Their job is to look for fruit juice and paper towels at the lowest price. Coordinating deliveries and unloading 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 guys — the front door and the back door operations of a retailer — to come together.

Collaborative distribution also suggests a new role for third-party logistics providers who, because of their relationships with multiple shippers, are in a perfect position to act as neutral matchmakers for manufacturers whose distribution operations could be combined. 3PL pricing models would need to change in this new model. Savings from collaborative distribution will come from shared storage space, pooled shipments, increased backhauls and other efficiencies, and 3PLs need to determine an equitable way to allocate costs and share these savings.

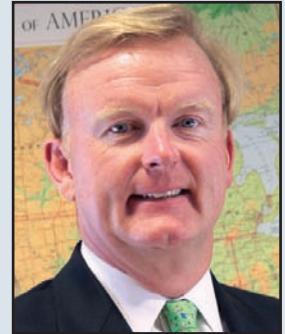
As I've traveled the country discussing collaborative distribution at industry conferences, I've found overwhelming support for the concept. Philosophically, everyone's invested in sustainability. Everyone agrees it's a good thing. Practically, the building blocks for collaborative distribution are in place, as far as the technology to consolidate orders, consolidate freight, allocate costs fairly, and maintain visibility to inventory throughout.

The barrier to broad adoption is really the inertia created by years and years of implementing the current distribution model. Moving in another direction is the toughest kind of work because it involves getting multiple companies to work together to change longstanding practices.

But do we have a choice? The challenges we face today in the shipping industry — from creating safer, less congested roads to contributing to a sustainable planet — are monumental. We can't conquer them through individual company efforts that yield only incremental improvements. There must be an elemental shift in thinking to figure out the smarter way forward. At the top of our list of options, as far as I'm concerned, is collaborative distribution.

This is not some idealist's dream. We're already making collaborative distribution happen at my company, working with manufacturers and their retail customers to create a more sustainable, cheaper supply chain. What I'd like to see is a nationwide, across-the-board roll-out of this way of thinking. We owe it to our future to take the opportunity now to forge a better, smarter way ahead.

*Kane Is Able is a third-party logistics provider based in Scranton, Pa., that helps consumer packaged goods companies warehouse and distribute goods throughout the United States.*



Opinion

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The CPG Logistics Specialists