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COLLABORATIVE DISTRIBUTION

TAKING OFF THE TRAINING WHEELS

To break the cycle of needless, duplicative logistics costs, many competitors are choosing to work in tandem. by Lisa Terry

A small but growing number of shippers now view the infrastructure required to move product from manufacture to retail as an opportunity to collaborate, rather than compete. That opportunity lies in cutting expenses that are needlessly duplicated across shippers: transportation planning, warehousing, exception management, accessorials, less-than-truckload shipments, underused capacity, and other supply chain costs.

Collaborative distribution has long been the no-brainer idea that no one acts on, with obstacles mostly related to entrenched investments, cultures, and hidden agendas. While the group of early adopters is small, the tide is beginning to turn. Promising case studies and compelling research prompted some market leaders to open their minds to new ways of moving product, satisfying customers, and boosting the bottom line through both savings and increased sales.

3PLs Take the Lead

One early proponent of collaborative distribution is Kane is Able. The Scranton, Pa.-based 3PL first got involved 14 years ago, working with a group of competing confectioners shipping to wholesaler McLane Company. "Even though they were in the candy business together, they realized they couldn't steal anything that they don't already have. They both shared the same customers," recalls Dave Ward, load planner and consolidation manager at Kane is Able.

One benefit was to eliminate the need for mixing centers, where manufacturers brought together multiple product lines to consolidate into retailer shipments.

Since then, the 3PL has built its collaborative distribution practice around moving dry goods to mass merchants and grocery stores. Customers include Sun-Maid Growers, which saw its cost per hundredweight decrease by 62 percent for consolidated vs. non-consolidated freight. Collectively, shippers participating in KANE's collaborative distribution program report shipping costs dropping by 35 percent year over year, with as much as a 70-percent drop in some lanes.

"The program is basically a cooperative," notes Alex Stark, director of marketing at Kane is Able. "We pull freight together from different shippers to fill an entire truck, with each shipper paying for what it uses. It's a fluid operation. We set ourselves up as the matchmaker. We're the eHarmony of matching shippers to retailers." Consolidation strategies include merge in transit and cross-docking.

To stimulate more interest, Kane is working with retailers to urge their suppliers to adopt collaborative distribution. Instead of receiving many small shipments from lower-volume manufacturers, collaboration enables retailers to receive those goods more efficiently, without having to change their processes.

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