

Jump in the Pool: Shippers of Temperature-Controlled Freight Collaborate to Save

If you need to get across town fast and your choices are a taxi cab or public transit, you'd likely prefer the cab. Times being what they are, however, the price of that cab ride might drive you to the bus stop. But what if you could share an air-conditioned cab ride with others going to the exact same place, and pay about the same as the cost of the bus ride?

Welcome to pool distribution. Direct car service for a mass transit price.

Shippers of temperature-controlled freight, particularly those that ship smaller orders, continue to rely on national less-than-truckload (LTL) carriers for deliveries across the U.S. Instead, they should consider a pool distribution strategy that consolidates freight with like shippers and delivers it in truckload volumes directly to key markets – no stops – for final-mile service.



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Companies with temperature-controlled freight that don't have the volume to ship direct, full truckloads must rely on a limited number of LTL carriers who specialize in temperature-sensitive freight. Because demand exceeds freight capacity, particularly in the chilled and frozen category, freight costs are high. Also, shipments can take as many as 9 days to make a cross-country trip as product moves through the LTL terminal network. That's a lot of extra touches, with the likelihood of increased damage and product loss.

Inflexibility is another downside to a national LTL solution for temperature-sensitive freight. Sailing schedules may be infrequent as carriers struggle to combine various bookings to reach a full truckload (TL). As a consequence, retail customers can get frustrated with longer, unpredictable delivery times. And internal customers, namely your finance team, don't like the lengthy order-to-cash cycles that come with national LTL service.

Bottom line: If a retailer across the country submits a small, 7,000 pound order for your temperature-controlled products, it's tough to economically execute this shipment.

Pool Distribution: Ideal for Short Shelf Life Products

An alternative exists to address many of the service and cost shortfalls of LTL networks. A pool distribution strategy combines freight moving to the same place at the same temperature range. You can arrange this collaboration yourself, but most often it's managed by third party logistics providers (3PLs) who have relationships with multiple shippers with like products and can play matchmaker.

There is nothing new or revolutionary about pooled shipments, but many food shippers cling to the national LTL

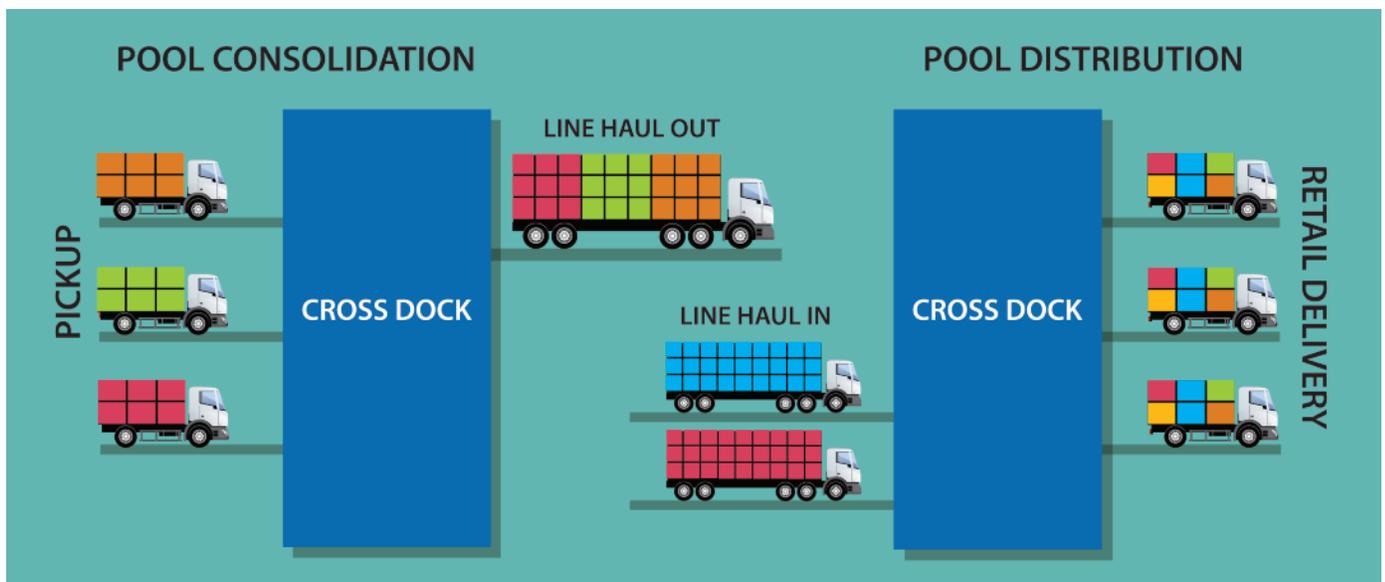
model because, frankly, it's easier. National LTL is an on-demand model. Get an order on Tuesday, you make a call to a carrier, you ship. Get an order on Wednesday, you ship. Get an order on Thursday... A pool strategy moves from on-demand shipping to more of a pre-planned, coordinated shipping schedule.

The pool concept works at both origin (pool consolidation) and destination (pool distribution). At origin, 3PLs or carriers managing long-haul TL moves establish a regional consolidation center where companies ship finished goods from the factory for distribution to other regions of the country. The 3PL works with multiple shippers of temperature-controlled freight to fill freight capacity. Through this collaborative strategy, the 3PL coordinates with participants, who agree on a schedule of outbound shipments and delivery dates.

Long-haul pool shipments may deliver direct to a large customer, like Walmart, or the shipment may stop at a retail DC and then continue to a local pool distributor for large-scale distribution within a region. Most often the full trailer goes direct to a local pool distributor that sorts and segregates products based on purchase order information and arranges final delivery to consignees to meet agreed arrival dates.

Larger companies may not need to worry about origin consolidation if they are moving full truckloads into a region. For these companies, local pool distribution still adds significant value (See sidebar: "Candy Consolidation: Sweet Savings on Last-Mile Delivery")

Pool distribution is ideal for short shelf life products, such as confections, that can't afford to be stored for long periods. With a pool strategy, retailers submit orders and requested



arrival times and food shippers arrange delivery to meet these requirements. It's the perfect strategy for a zero inventory model.

Benefits of Pool Distribution

Cost savings, time savings and predictability are the main advantages of a pool strategy.

- **Cut freight costs 8% to 10%.** This is achieved by leveraging the economies of TL shipments and cost-sharing across pool participants.
- **Speed delivery times up to 4 days.** Instead of making multiple stops as it travels through the LTL terminal network, product ships direct to the destination region. There, pool distributors sort and segregate products and prepare shipments to specific retailers.
- **Meet retailer RAD dates.** Unlike national LTL carriers for temperature-controlled freight, who must wait to build full loads, pool shipments combine freight for known participants on an agreed shipment schedule.
- **Ease your administrative burden.** The process of identifying, vetting and managing multiple LTL carriers sucks up time, with little reward other than a stiff LTL bill. Working with a pool distribution partner who has established carrier relationships is far easier to manage.
- **Reduce carbon emissions.** Whenever you combine freight to create fewer, fuller loads, you take trucks off the road. You can then calculate these carbon reductions and include them in your environmental progress reports.
- **Reduce damage.** The less touches in transit, the less damage. A pool shipment should result in a *minimum* of 2 less touches per trip compared to LTL.

Pool distribution is a collaborative strategy. As pressure increases to reduce freight's impact on greenhouse gas emissions – and it will – that pressure will trigger more interest in shipper-to-shipper collaboration to combine loads. As with most green freight initiatives, pool distribution helps meet both sustainability and cost cutting goals.

Candy Consolidation: Sweet Savings on Last-Mile Delivery

It's like a scene from a candy lover's dream. A giant door opens on a truckload full of chocolates, lollipops, bubble gum and other candy.

But instead of a dream, it's the loading dock at Weber Logistics' Rancho Cucamonga, CA distribution center outside L.A. Today, multiple candy brands arrive together after a trip from the East Coast, all the while travelling at a comfortable 62 degrees.

This scene at the Rancho Cucamonga warehouse is repeated daily at two other Weber DCs – in Northern California and in Phoenix. These pool distribution centers receive inbound shipments from multiple companies, sort and segregate products based on the retailer orders provided by the shippers, and then load trucks for final delivery.

According to Dave Vennard, Logistics Manager, Ferrero USA, "For a number of years Ferrero has used the Weber network of pool distribution centers. We ship into these centers, where Weber performs our order preparation and consolidates our outbound shipments with other freight. This allows us to share the cost of full truckload shipments with Weber's other confectionery customers."

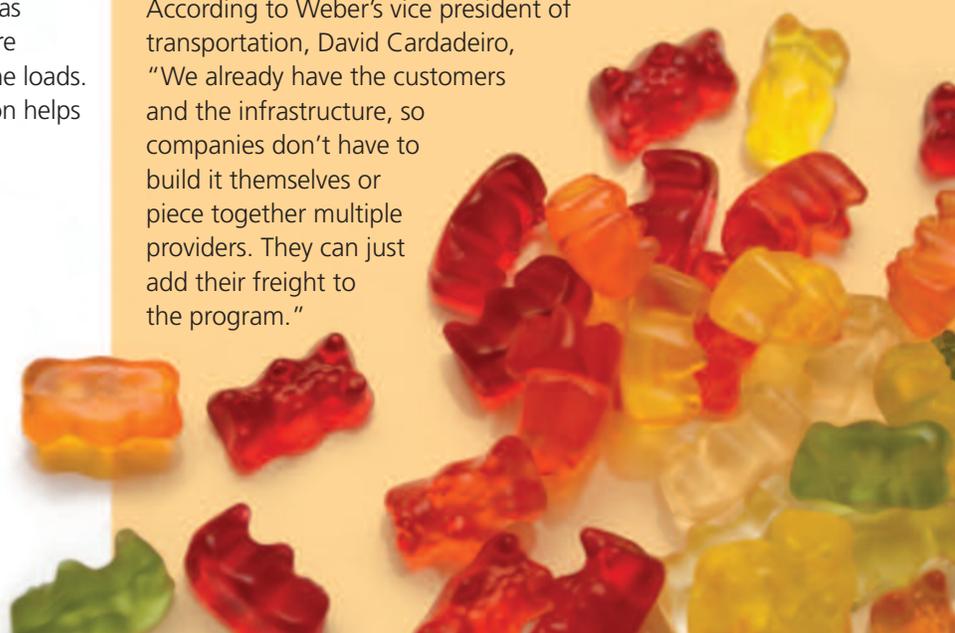
"The solution saves significantly over non-consolidated LTL, but we're also reducing truck miles."

Dave Vennard, Ferrero USA

Vennard adds, "The solution not only saves significantly over non-consolidated LTL, but we're also reducing truck miles, an important component of Ferrero USA's sustainability efforts."

Food shippers are drawn to Weber because of its temperature-controlled warehouses and fleet of refrigerated trucks. But the biggest draw is Weber's dense concentration of customers who share temperature range requirements and consignees.

According to Weber's vice president of transportation, David Cardadeiro, "We already have the customers and the infrastructure, so companies don't have to build it themselves or piece together multiple providers. They can just add their freight to the program."



Requirements for Success

So, if the value proposition for pooled shipments of temperature-controlled freight is so clear, why isn't the strategy more prevalent among small and mid-sized food shippers?

It's because the strategy requires change.

Some of that change may involve working with retailers to create more defined ordering and delivery schedules. To go back to our car service analogy, a transportation company might offer very attractive rates to take 4 passengers to and from the airport on a weekly basis. But if two of the passengers regularly cancel and another is regularly late, the solution falls apart. The company's service and price commitments were based on a predictable number of passengers on a predictable schedule.

But most of the change is in the shippers' internal operations and the need to synchronize inventory availability, orders, shipping schedules and final deliveries in a way that meets retailers' RAD dates at the lowest possible shipping cost. Typically, retailers will provide a wide enough shipping window to allow time for consolidation at the front end.

Other requirements for success in pool distribution for temperature-controlled products include:

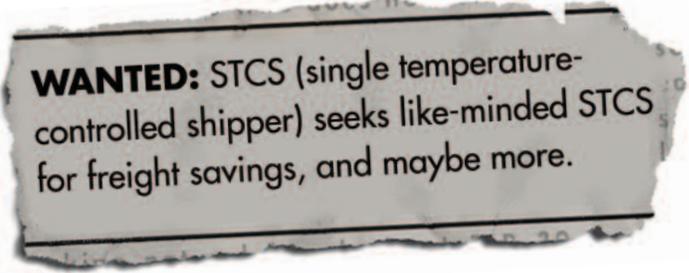
- **Density of like shippers.** Look for pool providers with a dense concentration of customers whose freight is similar to yours, with like temperature requirements.
- **Cold chain integrity.** Pool distribution providers must ensure an unbroken cold chain as product moves from trailer to warehouse dock to trailer. Make sure your pool provider has the equipment and strict protocols for temperature monitoring in the warehouse and the trailer.
- **Compatible products.** Confections are a good example of like products that have similar temperature requirements. But temperature control isn't the only criterion for compatibility. For example, certain products, like mint-flavored items, have an odor that makes it more difficult to combine with other products, like chocolates.
- **Systems to automate the process.** It's important that you or your transportation provider have systems that can automate the load building process, combining like shipments that are going to the same place in the same timeframe at the same temperature range.

- **In-transit visibility.** Your pool distribution provider should give you 24/7 visibility and control of freight in transit. Providers that offer a door-to-door solution should have direct connectivity with local pool distributors so that, regardless of who is handling the freight anywhere in the country, up-to-date delivery data is available through a single web portal.

Is Pool Distribution Right for You?

If you are delivering direct in full truckloads to consignees across the country, then pool distribution is not for you. But even for the largest companies, most shipments are LTL or multi-stop truckload shipments. In these cases, pool distribution can save you money and time. The key is to find like shippers who share your temperature-range requirements.

How do you get started? Well, you could take out an ad:



WANTED: STCS (single temperature-controlled shipper) seeks like-minded STCS for freight savings, and maybe more.

Or, find a 3PL that has relationships with other food shippers and can coordinate the freight collaboration on your behalf.

One of the most appealing benefits of a pool strategy is the ability to realize immediate freight savings and to determine a clear ROI. Collaborating with other food shippers takes time and effort. 3PLs can facilitate these arrangements since they have relationships with other food shippers and visibility to where and when their freight is moving.

Are you experiencing slow, costly and inflexible national LTL service for temperature-controlled shipments? If so, what are you waiting for? Jump in the pool.

Founded in 1924, Weber Logistics is a third party logistics company that provides warehousing, transportation and port logistics services throughout the Western U.S.

