Co-loading for Logistics and Shipper Companies

A Glance at Clean Freight Strategies

CASE STUDY

An international marketer of entertainment products joined a 3PL's pool distribution program. The 3PL was already serving several candy manufacturers, which enabled the consolidation of freight loads that require the same kind of handling and truck technology. Shipments were able to go through a national network of pool points, which processed bulk shipments into individual orders for local delivery.

The 3PL managed real-time electronic order transmission to pool points, allowing the local carriers to prearrange outbound shipments. Ultimately, this program reduced freight costs and transit time for the shipper and reduced yard congestion for retailers. Other benefits include a reduction in the company's emissions through fewer truck miles, decreased chargeback fines through predictability in scheduling, and a 20% reduction in lead times.

To increase efficiency, third-party logistics providers (3PLs) can use collaborative logistics strategies, including active or passive co-loading and pool distribution. Multiple organizations can work together to transport loads.

WHAT IS THE CHALLENGE?

Shippers often need to transport a product that does not take up a full truckload. Empty space in trucks is inefficient, especially for long-distance shipments. When many companies are shipping less-than-truckload (LTL) shipments to similar locations, they can consolidate loads.

WHAT IS THE SOLUTION?

Collaborative logistics occurs when two or more organizations work together to optimize operations. Such collaboration can include sharing vehicles, equipment, information, or carriers and may involve consolidation agreements. Collaborating companies may adjust delivery windows, shipment timing, or inventory management to create opportunities for shipment consolidation.

Co-loading, either passive or active, is a growing form of collaboration. Passive co-loading is opportunistic—it occurs when shipment size, timing, and other factors happen to line up. Active co-loading involves planning, is more intensive, and affects inventory decisions throughout the supply chain.

Some 3PLs specialize in co-loading because their customers move similar types of freight. For instance, one SmartWay Partner has customers in the power sector that use the same vendors. This 3PL can consolidate loads from the transformer yard using a single truck to deliver to multiple customers.

And 3PLs can potentially create a more scalable co-loading network or consortium with even greater benefits because of their understanding of freight markets.

Co-loading is different than LTL in that the shipments do not go through the hub-and-spoke network of the LTL carrier for consolidation. Rather, loads are consolidated using multistop truckloads.

Co-loading is similar to pool distribution, but pool distribution may also apply to shipments within a company, as when a company has multiple shipments going to a single region, it can consolidate the shipments at the origin.

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COSTS

Co-loading may involve coordination and information-sharing costs. And the more stops there are in a multistop truckload, the greater the risk for delay (although a transportation management system can mitigate the risk).

30%

This strategy can reduce transportation costs by up to 30% on certain lanes.

SAVINGS AND BENEFITS

Co-loading and similar collaborative logistics strategies provide benefits for shippers, recipients, and the environment:

- **For shippers.** A reduction in transportation costs of up to 30% on certain lanes, shorter lead times, and lower likelihood of product loss or damage.
- **For recipients.** A reduction in the amount of inventory that has to be kept on hand and in receiving costs.
- **For both shippers and recipients.** Increased visibility and collaboration, better capacity utilization, and enhanced shipper and vendor accountability.
- **For the environment.** Reduced vehicle miles traveled and associated greenhouse gas emissions, thanks to full truckload shipments with more direct routes from origin to destination.

NEXT STEPS

1. Assess shipment schedules, sizes, time constraints, and product handling requirements, identifying loads that could potentially be combined with other shipments.
2. Explore transportation management systems that could help identify collaborative logistics opportunities. These systems can process complex data to help companies make shipping decisions.
3. Using industry knowledge and/or a transportation management system, look for opportunities to combine loads. Identify pool distribution opportunities within the company as well as with other shippers.

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