





# Supplier Sourcing for Logistics and Shipper Companies

## A Glance at Clean Freight Strategies

### LOCATION MATTERS

By identifying closer sourcing opportunities, companies can:

-  Reduce vehicle miles traveled
-  Save time
-  Save money
-  Reduce emissions.

*Sourcing is the selection of product suppliers by a receiving business. Businesses typically select suppliers based on product cost, but supplier location is another factor that can be used in sourcing. Using supplier location as a selection factor can reduce the miles driven and the emissions generated when transporting products for delivery. Although sourcing can be done internationally and can involve multiple freight modes, the sourcing strategy discussed here focuses on domestic truck and rail freight.*

### WHAT IS THE CHALLENGE?

Because of a variety of factors, companies may find themselves with suppliers in suboptimal locations. Business acquisitions, mergers, or previous supply chain conditions may lead to a dispersed supplier network. Inconveniently located suppliers may slow delivery times; increase vehicle miles traveled and emissions; and constrain the ability to respond to last-minute changes. A variety of route optimization tools and other strategies can make routes more efficient. One of the most direct ways to improve supply chain efficiency is for suppliers to be strategically located near customers.

### WHAT IS THE SOLUTION?

In order to make routes more efficient, companies can consider location a key factor when selecting suppliers. Because the sourcing and carrier selection processes are complex, both shippers and receiving businesses may elect to work with a third-party logistics provider (3PL), specifically one that offers freight-under-management service. 3PLs can support a sourcing strategy by identifying suppliers located closer to the receiving business. For example, a 3PL specializing in power logistics used its energy industry knowledge to help one client identify local sourcing opportunities. The power logistics company also used its industry knowledge to form relationships with truck carriers that serve this industry. By using this knowledge of both suppliers and carriers, the 3PL was able to help the receiving company reduce both transport distance and costs.

### COSTS

This strategy may involve transitioning to new suppliers. Therefore, there may be costs associated with identifying new suppliers, bidding processes, and potentially working with new carriers. There may also be data-collection costs.

At the same time, local sourcing also has the potential to reduce costs for a buyer. Shipment times will be more predictable, and using local suppliers can facilitate lower inventory and warehousing costs. Local suppliers may also be more flexible and responsive if the purchaser faces unexpected needs.

### SAVINGS AND BENEFITS

Logistics providers can use their knowledge of suppliers to help receiving companies identify closer sourcing opportunities, which can:



**Reduce vehicle miles traveled.** By sourcing from closer locations, companies can reduce vehicle miles traveled.



**Reduce fuel costs and emissions.** Reducing vehicle miles traveled also reduces fuel costs and emissions.



**Save time.** Orders can be delivered faster and labor costs can be reduced.

## NEXT STEPS

1

Assess the current shipping routes and supplier locations. Determine if there are any inefficiencies in supplier locations.

2

If there are suppliers located in less-than-optimal locations, or when considering new business, look for suppliers located near customers. 3PLs can help locate suppliers and carriers.

3

Third-party logistics companies can also use software technology to provide other services, such as identification of optimal load start location to reduce miles driven and optimization of truck or railcar fleet assets.