

Less-than-Truckload Freight Consolidation for Logistics and Shipper Companies

A Glance at Clean Freight Strategies

FULL TRUCKLOAD GAINS

A manufacturer of blenders, mixers, and ice-shaving equipment worked with a 3PL to implement the mode conversion and optimization strategy. The manufacturer has distribution centers in Florida, Ohio, and Arizona and a network of freezer locations throughout the US, Canada, and the Caribbean. The freezer network had evolved over time without a strategic plan, and the locations were not optimal. As a result, 75% of shipments and 68% of weight were dispatched in LTL quantities.

The 3PL sent daily uploads of shipment data, and a load optimization system processed the data along with data on transit time requirements, unloading time, space requirements, and due dates. The manufacturer was able to consolidate shipments into multistop TL shipments and reduce LTL shipments from 75% to 27%, saving \$800,000 in 1 year while achieving 97.8% on-time delivery.



Under this strategy, a shipper or third-party logistics provider combines multiple less-than-truckload (LTL) freight shipments within a geographic region into a single truckload (TL). Among other benefits, LTL consolidation can reduce costs and carbon emissions because fewer trucks are used to move shipments. This strategy also may involve consolidating LTL shipments by converting to rail or ocean carrier.

WHAT IS THE CHALLENGE?

LTL shipping is commonly used when companies have small loads to transport. With LTL shipping, shippers pay for part of the space in a trailer rather than for an entire truck, and carriers pool LTL requests into one truckload. LTL shipping is a good option for companies with small shipments, but it has downsides. Carriers put items from multiple companies in the same truck and may have several pickups and deliveries along a shipment route. Therefore, there may be greater risk of product damage and shipping delay. LTL shipping can also entail more time and truck miles involved in pickup and delivery.

WHAT IS THE SOLUTION?

Companies using LTL can consider converting to full-truckload shipments. With TL mode, the shipper pays for the entire truck. TL shipments go directly from the origin to the destination, minimizing the risk of product damage or delay. To make this conversion, shippers adjust the frequency and size of shipments. Shippers can also use non-highway modes, such as rail or ocean carrier. When considering mode conversion, companies can review the following factors:



Characteristics of goods. Dimensional weight, temperature requirements, volume, and the like. Some items can be more easily packaged into truckloads, while other items cannot be placed together.



Geographic surroundings and available mode options. Mode options differ regionally.



Customer needs. Customers are often flexible with the size and frequency of orders, which may allow shippers to convert to TL shipping.

COSTS

This strategy may involve planning costs as a company shifts to different shipping methods and schedules. Companies may also use load optimization software, which requires an initial investment but can yield savings over time.



LTL pickup and delivery routes often involve more than 20 stops a day. Conversion to TL can reduce these stops, potentially lower costs, delays and associated emissions

SAVINGS AND BENEFITS

This strategy benefits shippers and receivers:



Fewer shipments. Converting from LTL to TL mode means that a company has fewer shipments and thus fewer pickups, fewer deliveries, and less paperwork/processing.



Improved customer service. TL shipments go directly from origin to destination, so travel time is faster than a multi-stop LTL shipment. Without additional stops and other products in the load, the risk of delay or product damage is lower.



Increased transparency and efficiency. Load optimization systems provide key data that can help companies make operations more efficient.



Sustainability. The carbon footprint can be reduced by consolidating LTL to TL because fewer trucks are used. When intermodal can be introduced, further improvements can be made to the linehaul. Not only are emissions reduced, but road congestion too.

NEXT STEPS

1

Analyze freight pattern data, such as transit time schedules, lead times, delivery dates, and rates. This data will provide insight into operations, needs, and areas for improvement.

2

Communicate with customers and carriers to determine if there are opportunities to convert from LTL to TL. Consider factors such as the weight, volume, and handling requirements of items; customer delivery windows; and LTL and TL pricing.

3

Consider using a load optimization system to implement this strategy. Load optimization systems use a series of algorithms, calculated transit time requirements from identified due dates, space requirements, LTL vs. TL price points, unloading time, and other parameters to consolidate costly LTL shipments and identify optimal freight choices for a firm at the lowest possible cost.