

Effective Supply Chain Management - Transportation

Managing the Carrier Base

Companies of all sizes have the same intent when hiring carriers to move their freight – do it cost effectively and efficiently. How the carriers are selected and the ability to manage the carriers differs dramatically from company to company. This difference may be the result of in-house knowledge (or lack of), the desire to manage the carrier base, or effecting a transportation model / strategy.

Smaller companies tend to have less in-house knowledge and rely on their “shippers” to select the right carrier. We have witnessed companies:

- who utilize a carrier because they were the first listed in the phone book
- that hired a family member with a truck to move their freight (for a premium)

Medium and large companies have the ability to manage their carrier base more effectively. However, we have seen companies:

- who have over 100 carriers in their “core carrier” base
- where there was no restriction on who was allowed to hire carriers
- that expedited everything as it was communicated as “rush” for the benefit of the customer

A well utilized carrier base can save significant amounts of money while maintaining high customer service standards. Here are some practical ways to better manage your freight and to select/rationalize your carrier base:

1. Complete a comprehensive review of freight activity including lane analysis, cost per cwt, carrier allocation, payment cycles and delivery performance.

- Are experienced resources available to do this work?

2. Identify which active carriers, lanes and modes the majority of transportation costs are spent on.

- This will allow you to hone in on the biggest areas for improvement.

3. Confirm how many carriers are used and assess if it may be excessive.

- This validates compliance to your freight model and possibly a need to realign the model.

4. Realign your transportation model and strategy if:

- You are working with more carriers than expected; your model is not being adhered to; you don't have experienced resources; rush activity and spend is extensive; costs appear excessive, etc..



Continually challenge your transportation model / strategy to keep your operation as leading edge. If you want more information about this issue or you have topic suggestions for future newsletters, please contact Bill Simpson.

Sandra Donald was a Senior Consultant with Supply Chain Systems Ltd., a niche consulting firm specializing in improving supply chain and operations efficiencies www.supplychainsystems.com . Sandra recently joined Clark Transportation, experts in domestic transportation management. www.clarkelink.com

Copyright of Sandra Donald, 2007.