

Fast But Steady Wins The Expedited Race

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When incorporated into a strategic transportation plan, expedited shipping helps companies over the customer service finish line.

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While shippers rely on expedited services to maintain supply chain integrity, carriers and technology providers are pushing solutions that could reduce demand for costly time-sensitive deliveries.

Once considered primarily for service recovery operations in manufacturing, expedited shipping has evolved into a key part of the logistics toolkit to keep customers happy, and prevent empty shelves and production delays. With sophisticated

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technology that chips away at the silos between a company's purchasing and transportation departments, algorithms are replacing intuition to decrease the occurrences when expedited shipping might be necessary.

While the definition of expedited service varies, it typically involves Point A to Point B shipments of must-have products in less-than-truckload quantities, by truck or by air, with service guarantees. Rates are higher than scheduled service, but in many cases, cost is not the issue.

"Shippers use an expedite service because they absolutely have to meet a time-critical deadline," says Troy Cooper, COO of Greenwich, Conn.-based third-party logistics provider XPO Logistics. "Reliability and capacity are the priorities, not price."

Expedited shipping helps companies recover from unexpected events, such as the West Coast port labor dispute in 2015, or the brutal winter of 2013-2014 that disrupted truck and intermodal rail service in the eastern United States.

GET WITH THE PLAN

In some cases, expedited is part of the plan. For example, XPO Logistics handles expedited logistics for the National Football League, Major League Baseball, and NCAA Basketball championship games. Fans are hungry for those championship team T-shirts and hats, so apparel makers produce items with either team as the winner. The instant the clock runs out, XPO runs the play, mobilizing a fleet of trucks and chartered airplanes to deliver the goods to retail outlets across the country within 12 hours of the big game's final buzzer.

More commonly, expedited shippers manufacture products ranging from automotive parts to pharmaceuticals that must meet unexpected demands. For instance, Cooper cites a Tier 1 auto supplier struggling to meet demand from its auto manufacturer customer facing a recall. The parts supplier called for dedicated capacity with XPO to receive shipments of material faster, at a much higher turnaround rate, while maintaining normal plant production cycles.

Expedited shipping allows for more customized service. If a customer wants a shipment handled in a specific way, delivered at a specific time, or maintained at a specific temperature range, the carrier can direct suitable equipment and drivers to meet that request.

It's also faster. Because expedite is not part of a network, carriers can move a shipment the same day or the next day without a risk of loss or damage that might occur going through a network. Cross-country hauls in two days are possible with team drivers who trade off sleeping and driving around the clock.

WHAT'S THE EMERGENCY?

Retailers, pharmaceutical makers, and food service businesses rely on expedited shipping as part of their strategic transportation planning. It's no longer reserved for emergency situations.

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"Expedite is increasingly being worked into shippers' supply chains as a regular practice," says Jason Frederick, vice president of operations at FedEx Custom Critical, which specializes in same-day and overnight delivery of expedited freight. "Some retailers, for example, expect quick product fulfillment to meet the 'delivery from store' guarantee they make to their customers."

The higher costs of expedited shipping stem from fundamental economics. Typically, an expedited carrier uses 22-ft. straight trucks, which cost less than a semi truck and trailer combo. But due to the unpredictable nature of the business, the smaller truck has a lower utilization rate.

"An expeditor usually will run 20 percent or more deadhead, whereas a truckload carrier runs empty around 10 percent of the time," says Bob Poulos, CEO of Seville, Ohio-based V3 Transportation, an expedited freight provider. "If we can solve that problem, and find a way to get additional revenue miles and consistent freight in straight trucks, then the smaller straight trucks become more of a planned piece of equipment in the future."

For an expedited carrier, the response time to have a truck at the loading dock falls in the two- to six-hour range, compared to 48-hour notice for a truckload carrier, Poulos notes.

MOVING INTO NEW VERTICALS

In addition to obvious niches such as automotive manufacturing, more industries are turning to expedited shipping to keep pace with unexpected events and customer demands. For example, as regulations evolve, cold chain shipping for pharmaceuticals will continue to grow, and may expand into the food side of the Food and Drug Administration's (FDA) portfolio.

"The requirements of the FDA's drug side will cross over to the food side because the integrity of the food supply chain will be critical," Poulos says.

FedEx and UPS have invested to grab a portion of the burgeoning pharmaceutical market. FedEx acquired TNT Express N.V., a Dutch delivery firm, for access to the European parcel market. UPS announced it is expanding its specialized services for temperature control precision tracking for drugs and biological specimens.

Consumer products manufacturers also are beginning to see fast shipping as a competitive advantage.

"Keeping shelf incumbency is very competitive for consumer product goods (CPG) companies," Poulos says. "There's a lot of competition for space on store shelves, so CPG companies are seeing a need to expedite."

ArrowStream, a Chicago-based supply chain software provider, supplies the food service industry with solutions to optimize loads and inventory turns, but relies on expedited shipping to avoid stock-outs.

"If a customer orders at a burger chain that has run out of buns, that customer is likely not coming back," says Bill Michalski, chief solutions officer for ArrowStream. "The cost of losing a customer for life is enormous. It's tough to quantify, but that's the way food chains think. In the end, they will absolutely pay the cost of expedited freight to protect the customer experience."

XPO is expanding into Mexico with expedited ground and air charter options to serve the growth in nearshore manufacturing. The company can have service to Mexico ready within two hours, Cooper says, with flatbed, heavy haul, and temperature-controlled highway equipment, as well as air charter and air freight.

SHIPPING IN BATCHES

Batch-production operations, such as chemical manufacturing, are turning to more flexible expedited movements. "Chemical manufacturers run a batch of product, and then have to ship it immediately," Poulous explains. "Truckload carriers have a difficult time adjusting to changing pickup and delivery times, so batch operations are well suited for expedited carriers."

Large consumer items, such as mattresses and treadmills, are in the home delivery pipeline as retailers battle the "Amazon Effect." These items require white-glove service, in which truck drivers not only deliver the product, but also assemble it in the customer's home. Some business customers require personalized service as well, expecting delivery personnel to hang up clothes on store racks instead of just dropping off boxes, or stocking automotive components on a storeroom shelf.

Recently, Prologistics Distribution of Oakland received 75 truckloads of bedding at one of its warehouses after an online mattress warehouse customer ran a promotion. All those mattresses and box springs have to be delivered in a short window to live up to customer commitments.

"Five years ago, the idea of buying a mattress online was rare; a customer went to a local store, which would deliver it," says Joel Rich, CEO of Prologistics. "Today, the last-mile experience is still kind of glued together. It's a rudimentary system that works, but with enormous flaws."

Prologistics is also branching out into grocery, restaurant, and retail deliveries as companies look for faster online order fulfillment.

"The last mile is ground zero," Rich says. "Consumers are getting used to the idea that they can order a product from Staples and have it delivered from the store to their home in two hours. In every boardroom of every large retailer, executives are asking how they can create a same-day world to compete with Amazon."

XPO is seeing growing demand for white-glove service from the healthcare, chemical, and retail sectors, among others. "Almost every industry has to deal with high-value, time-sensitive products that will either lose value or cause other costs to spike if not delivered urgently," Cooper says.

Sporting events drive some of the most extreme expediting. For the 2016 Super Bowl, for example, Dick's Sporting Goods teamed up with UberRush to deliver apparel to fans in designated ZIP codes in Chicago and New York immediately after the big game. Fans placed orders online and received their shirts later that night.

"Sports provide a crucial sense of community, particularly for those living far from home, so we wanted to find a way to create—through an extreme expedited delivery process—a 'home-field' celebration for the winning team's fans," explains Ryan Eckel, vice president of brand marketing for Dick's Sporting Goods.

Also on Super Bowl Sunday, one truck driver reports moving 1,000 pounds of dough between two Domino's Pizza warehouses.