Outbound Transportation Collaboration - Do It Yourself (DIY)

by

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Abstract

Continuous increases in transportation costs on one hand and companies’ desire to reduce inventories and receiving costs on the other hand, has been forcing shippers to come up with innovative ways in tackling these two conflicting goals. One of these innovations is outbound transportation collaboration. Outbound transportation collaboration is the act of consolidation of shipments across several firms who are located in a close proximity and ship to common destinations. This collaboration opens up the opportunity for companies to take advantage of the synergies that may exist in their supply chain networks. Such collaborations can be orchestrated by the companies themselves which I call the Do-It-Yourself (DIY) approach. Or it can be done through a third party. Also collaboration can be done actively or passively. Active collaboration is shippers planning their shipments with the goal of consolidation. Passive collaboration is purely opportunistic and takes advantage of synergies if and when they occur. The focus of this thesis is the DIY collaboration done passively. This research provides a practical guideline for companies who intend to engage in DIY collaboration relationship through answering three questions: how do you qualify potential collaboration partners, how do you evaluate the associated savings that could result from it and finally, how do you make it work. As a part of this thesis I worked with six shippers and quantified the potential savings that they could achieve through collaboration. The analysis shows that two of the shippers do not have much synergy with the other shipper networks and thus don’t benefit much from collaboration. For the remaining four shippers, the best way to collaborate is mainly through multi-stop truckloads (MSTLs). Pool points could be another option for a limited number of regions with long line hauls and high density of LTL shipments. Only three pool point regions were identified that could be a practical consideration.

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