

# The Collaborators

More and more shippers are introducing collaborative practices into dealings with their carriers. They have to.

by Michael Fickes

**T**he concept of shipper-carrier collaboration has been around for a number of years. Pittsburgh, Pa.-based Armada, for instance, has been collaborating with its carriers since 2006. Today, many shippers are initiating collaborative relationships with their carriers.

**"COLLABORATION IS FAST BECOMING** a best practice," says Paul Newbourne, senior vice president, operations, with Armada. "Companies that adopt the practice realize that negotiating with a hammer no longer yields the capacity, service and rate economics of the past."



Observers say that four factors have caused the traditional low-bid transaction shipper-carrier business model to malfunction. The first two factors are regulatory changes to hours-of-service (HOS) regulations and the Federal Motor Carrier Safety Administration's strict new Compliance, Safety, Accountability program. "These changes have reduced driver productivity by 6 to 10 percent," Newbourne says.

The third and fourth factors concern business problems. "When the

recession began, carriers got rid of excess capacity," continues Newbourne. "Now that the recession has ended and the economy is growing, trucking capacity is much smaller than it was. Estimates say the industry has lost 15 to 20 percent of its capacity."

Then there is the persistent and worsening driver shortage. Carriers welcome fewer and fewer new drivers to the industry every year, while its best and most experienced 55- to

65-year-old drivers are retiring. The trucking industry is spending nearly \$250 million annually to recruit drivers, a cost that is doubtless passed along to shippers.

"As capacity tightens and the driver shortage worsens, carriers will find themselves with five loads to haul and just three trucks," says David Kodadek, director of transportation with Brea, Calif.-based Ventura Foods.

#### Become a Good Customer

Shippers that implement collaborative practices do so with the goal of laying claim to those three trucks. The idea is to become such a good customer that a carrier and its drivers will prefer to work for you instead of other shippers.

"Our message to our carriers is that we want to be as driver centric as we can," continues Kodadek. "For example, we have set up drop lots. When a driver arrives, he or she checks in at the gate, drives to the drop lot, drops the trailer and picks up another. The goal is to have them deadhead no farther than across the parking lot."

By focusing on keeping drivers happy, Ventura is simultaneously attacking the driver shortage problem that carriers need to solve. So it is a practical collaboration strategy.

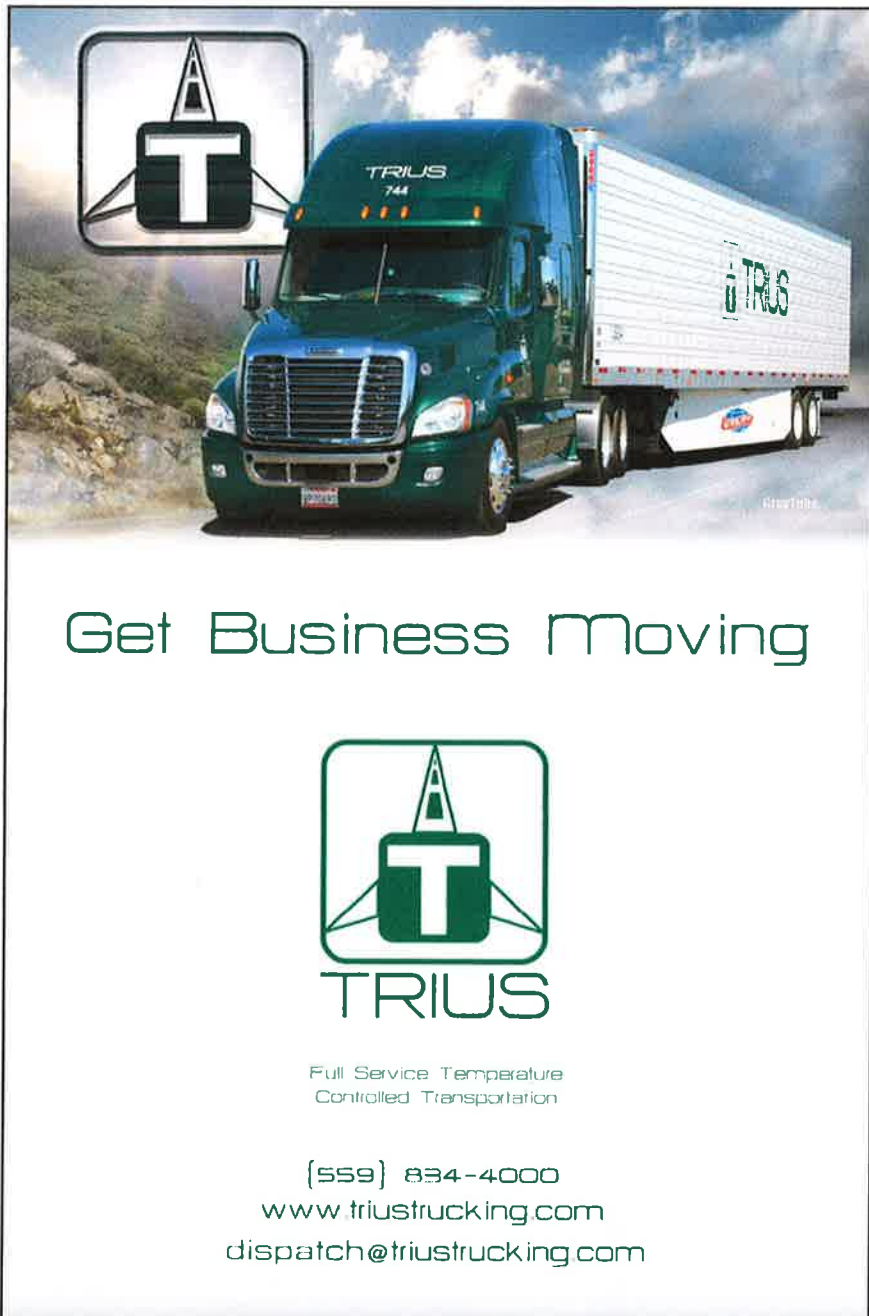
#### What Kind Of Customer Are You? Ask Around

Recently, Ventura commissioned Strategic Programs, Inc., a Denver-based research firm, to conduct a survey to find out what drivers think of Ventura compared to other shippers.

The goal of the study was to "identify and quantify the impact a shipper has on driver retention."

Researchers surveyed drivers from seven of Ventura's top carriers, responsible for just over half of the company's transportation spending.

Questions covered the quality of Ventura's truck entrance, signage,



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treatment of drivers, communication, paperwork and procedures, wait-times, parking availability, overnight parking, access to the drivers' lounge and restrooms, helpfulness and support, Wi-Fi access and access to a dock supervisor when necessary.

The survey asked the drivers to rate each subject in three ways:

- How important is this to your experience?
- How effective are Ventura's facilities in facilitating deliveries?
- How effective are other shippers' facilities?

Drivers rated Ventura outstanding in eight of the 12 categories and better than other shippers in every category.

Drivers ranked treatment, communication and wait time as the most important categories and gave Ventura outstanding grades, well above the grades given to other shippers.

The survey also asked the drivers a key question: How important is the experience at the shipper to your intention to stay with your company? Eighty-one percent of the respondents said the way shippers treated them was important to that decision. Nearly 50 percent said it was critical to their decision.

A report on the survey's results, authored by David Kodadek, draws this conclusion: "The professional drivers that pick up and deliver to our facilities are vital to our ability to delight our customers. Drivers want to be treated respectfully, get loaded/unloaded, and get back on the road. The following quote was echoed throughout the driver responses: 'When we started pulling for Ventura Foods, I hated them. It was an all-day deal. Now, it's drop-and-hook, we're gone in 30 minutes...I love 'em. We drop and hook at all Ventura's (facilities). It's wonderful.'"

Shippers contemplating starting a collaborative program might consider

such a survey as a way of choosing important areas of collaboration.

#### Initiating Collaboration

Initiating a collaborative relationship with a carrier can begin with face-to-face meetings. "We visit each other with our teams," says Diane Van Wagner, director, distribution and transportation operations with The Dannon Company, Inc., based in White Plains, N.Y. "I will meet with the carriers at their locations. I'll bring my team so that our local coordinators and their team can meet and get to know each other personally. We talk about where we need help and where they need help."

Armada's Newbourne agrees. "Our experience is that these relationships require an investment of time and resources as well as a high level of executive commitment," he says. "We have also found that a structured process-driven approach allows the relationship to grow on a foundation beyond one or two individuals."

Don't overdo it, cautions Newbourne. Collaborate selectively. "It will take your people a lot of time to make this work. Because it takes so much time, we only have five collaborative relationships," he says. "But they represent 45 percent of our total annual spend."

Newbourne also insists that a good collaborative relationship must deliver tangible benefits to both sides. "If I give you 50,000 loads a year, and we both work together to identify ways to improve our respective network productivity, you will earn a higher profit, and I will get the benefits of great service, the capacity I need and stable pricing because rates are not the driver of your productivity," he says.

#### Collaborative Ideas

What do you plan to collaborate on? What do your carriers need from you? What do you need from them?

"Sometimes our customers have their own equipment or their own contract carriers," says Van Wagner. "We give them a customer pick-up allowance."

Van Wagner also says that Dannon assigns its carriers to lanes they are familiar with and uses drop-trailer programs.

“We also work with our carriers to make sure we’re doing continuous moves,” she says. “We have one carrier that goes from Ohio to Texas to Florida and back to Ohio.

“The drivers like the drop and hook business with no wait time. We also work with a carrier going from Ohio

to Pennsylvania. It’s a short trip that doesn’t require a sleeper. So the carrier uses a cab, and that enables us to load the truck heavier. We guarantee them a certain number of loads in that lane.”

While familiar lanes and continuous moves are collaboration staples, creative thinking can produce other ideas. For instance, Armada tells its collaborative carriers to start billing after one hour of loading or unloading. The industry standard, of course, is to begin billing after two hours.

**“I will meet with the carriers at their locations. We talk about where we need help and where they need help.”**

“When the hours-of-service regulations changed, we knew that drivers would lose productivity,” says Newbourne. “We asked ourselves how we might be able to give productivity back. We decided that we would try to load and unload in one hour instead of two and allow billing to begin after one hour.”

Finally, collaboration must evolve. Armada employs a group of five people in a field services group. “They are there to keep carriers, receivers and Armada happy,” says Newbourne. “Their job is to monitor the data coming in every week and find inefficiencies.

“For instance, some receivers charge lumber fees to pay for labor to unload the truck. The driver gets caught in the middle and has to have cash. When the field services group discovers this, they will negotiate future lumber fees with the receiver — we know how much it should cost — and pay them, making it easier for the driver.”

The idea is to find problems and inefficiencies as they develop and get rid of them right away — before they cause trouble.

Collaboration begins with the recognition that it is a carrier’s market today. “I’ve talked with carriers that have taken capacity away from shippers,” says Newbourne. “One carrier took a number of trucks away from a customer because the wait time for unloading was too long, and the carrier had other, more efficient business it could service with those trucks.”

The receiver caused the problem, but the shipper suffered. A thoughtful and effective collaborative program can prevent such problems. ■