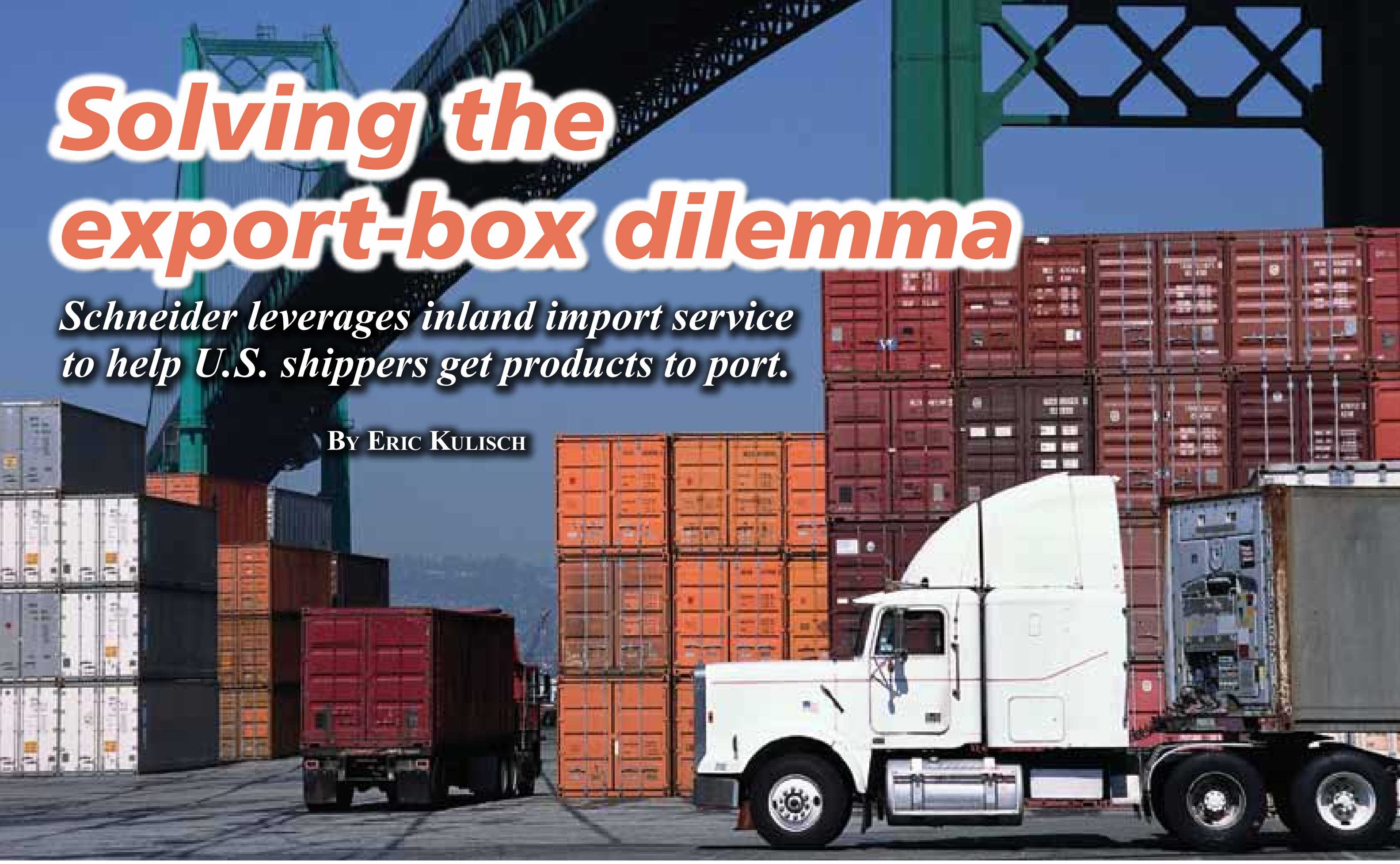
Solving the export-box dilemma

Schneider leverages inland import service to help U.S. shippers get products to port.

By Eric Kulisch



Schneider National, building on its two-year-old import drayage service, is partnering with SynchroNet Intermodal to provide manufacturers and commodity shippers a turnkey service for locating available containers and transporting their export loads to rail heads and ports.

The teaming arrangement is designed to address the reality that exporters frequently can't find empty containers for export in their vicinity due to trade imbalances and a shift in ocean carrier business models for inland distribution of international containers.

Manufacturing and agricultural production facilities are usually far from metropolitan consumption centers where ocean boxes tend to flow. Ocean carriers say they don't want the extra expense of an empty move to pick up an export load. And, in recent years, many liners have significantly cut back their inland distribution points to concentrate on main freight corridors and quickly turn boxes at the ports because import loads command significantly higher rates than exports, which often tend to be low-value commodities such as wastepaper and grain.

Containers may also be in short supply as the economy picks up steam because vessel operators froze equipment purchases during the global recession and factories shut down production lines. Experts say it will take time to gear up production and carriers may be dissuaded from making orders by the rise in the cost of steel used to make the shipping boxes.

SynchroNet Intermodal, based in Chesapeake, Va., was formed in 2009 as a domestic version of sister company SynchroNet Marine, which provides box interchange services in the international market. The company pools electronic data interchange information from container lines about their equipment flows, as well as notices from truckers about their inland tractor availability, and allows shippers to book equipment that has been unloaded at another location before it goes back empty to the port or rail terminal's container yard.

Other companies, such as International Asset Systems and OnlineDrayage.com, also offer virtual container yards to address the inefficiency of repositioning empty containers. By using Web-based technology to post available containers and locations, empty containers that meet specified business rules can be turned on the street and directly taken by a trucking firm from the receiver's loading dock to the outbound shipper's facility, thereby eliminating two truck trips to the port for delivery and pick up of the empty box.

SynchroNet's interface also allows customers to execute domestic one-way truckload moves to the coast and some international outbound moves to Asia via intermodal rail.

The challenge for shippers, however, is that containers might not be available for exchange in the immediate area. Enter Schneider National, a giant truckload carrier with a large intermodal division and growing port-trucking operation.

While SynchroNet aggregates equipment information and helps arrange exchanges, most of those equipment swaps take place within the core region of a port. Schneider is able to use its vast pool of truck and logistics assets to execute an export move no matter where the empty box is located, including hinterland points where container availability is scarce, said Todd Ericksrud, vice president of Schneider Logistics.

The motor carrier can utilize equipment within its vast truckload network and connect it with available equipment from a shipper's preferred ocean carrier in the most economical way possible, he said.

Schneider has tested the product with a handful of customers and is beginning to market it to the industry at large.

The Green Bay, Wis.-based highway carrier used its "export-in-a-box" product to develop 20 door-to-port options for a customer in Louisville, Ky., that previously felt stuck with only one export path because the vessel lines it uses only call at certain ports, and truck companies only serve certain destinations, Ericksrud said. Depending on the situation, Schneider can use a domestic 53-foot trailer to move the cargo to a company transload facility, where the contents are transferred to a 40-foot ocean-going container and then taken to the port by a shuttle driver.

"We were able to identify through our Web interface where we had a dedicated surplus of that carrier's equipment, and together with Schneider's ability to put trucks in play we could keep the flow of their cargo going," said SynchroNet President Bob Baker.

Schneider, in effect, serves as the shipper's outsourced logistics arm, providing a sole source for truck capacity to get product to the port region where containers are more plentiful, and then coordinating with SynchroNet's system to efficiently get the goods in an international shipping box and to the marine terminal.

Ericksrud said the product is geared to shippers that have repetitive volumes.

"We'll have more capacity for them than if they just worked with a single steamship line … and I believe they'll see lower transport costs, lower container storage costs, fewer container yard charges and fewer lift charges," Baker said.

Capacity constraints and the factory situation for container producers will put more pressure on supply chains to maximize the efficiency of containers already in the market, he added.

Schneider has 1,500 drivers at major ports around the country and can tap other trucking partners for additional capacity.

The port drayage market has traditionally been a low-margin business that attracted an unorganized pool of independent drivers with their own trucks trying to eke out a living at the bottom of the transportation food chain. But consolidation is beginning to take place as major players like Schneider move into the market in response to customer demand, and as new port emissions requirements offer an inherent advantage to companies that are better capitalized to invest in new trucks with compliant engines. These companies are using technology and process efficiency to get better control and visibility of the shuttle runs between the port and inland destinations.

Ericksrud said the value of the export delivery service is that shippers can get a predictable service rather than having to deal with multiple carriers to meet their needs.

Schneider's export delivery service is the flipside of the inland logistics management service it began in the first quarter of 2009.

Together they are part of a wider effort to leverage Schneider's asset-based network and focus on its core transportation competency. The new strategy began to take shape in 2005 when Schneider acquired American Port Services, an operator of transloading, warehousing and trucking services in a half-dozen ports.

Last year, Schneider sold off its forwarding and customs brokerage business in the United States and China to French logistics firm Norbert Dentressangle.

The logistics operation now concentrates on its port drayage, transloading and inland logistics management services for U.S. import traffic, which are more directly connected to its domestic trucking and intermodal strengths, as well as supply chain management and its burgeoning trucking and distribution network in China.

Schneider Logistics remains a brand, but no longer exists as a standalone entity. Its functions have been quietly incorporated under the truckload and intermodal divisions, as the company decided it needed to drive more business to its core freight-haul networks rather than operate as a neutral 3PL trying to serve all types of customers. The company never named someone to replace Tom Escott as president of Schneider Logistics when he left two years ago.

The inland logistics management service essentially provides a port-to-door freight delivery service that is closely managed like a third-party logistics offering. The primary differentiator from a typical drayage operation is Schneider's use of technology. Supply chain specialists generally consider the inland trucking leg to and from a port as an information black hole, devoid of real-time updates on cargo status like that commonly found on the international leg of a freight move.

Schneider captures 26 milestones from its customer's international service providers, distribution centers, railroads and its own operations to provide a complete picture of shipment status.

The Schneider system reports metrics such as:

- When the shipment was picked up.
- Estimated and actual time of arrival in port.
- Country of origin.
- When Customs released the shipment.
- When the marine or rail terminal released the shipment.
- Trucker's estimated and actual pickup time.
- When the container is unloaded.

And Schneider manages a shipper's detention and demurrage rules so that boxes are moved off the dock or their premises before they start receiving storage or late-return fees.

"We found that 25 percent of the cost and 40 percent of the total transit time was built into the inland portion of the international move," Ericksrud said. "Those in-between milestones don't get managed as much if you're just managing a door-to-door solution" provided by an ocean carrier as an all-inclusive price.

By linking the shipment to the purchase order details, Schneider can also provide a retailer's internal buyers with insight into where the specific products they ordered overseas are located in the supply chain. And it can prioritize pickup and delivery based on the retailer's requirements.

"Before the logistics folks spent all their time trying to get the information and the other half trying to justify it. So, now everyone can see the same view and they're talking the same language. You've got actionable information," he said.

Customs brokers, local shuttle drivers, and distribution centers can also access the system, which is useful for decisions such as how much staff and equipment to have on hand on a given day.

"We've got over 500 users in the system and more than half of them are non-logistics people," Ericksrud said.

By closely managing the process, Schneider can address bottlenecks and take two days out of the delivery process, he said. In some cases, the logistics service provider has been able to shorten transit time by almost a week and enable the customer to significantly reduce the amount of required inventory.

Schneider was honored in 2010 by the Voluntary Interindustry Commerce Solutions Association as the best third-party logistics provider for its collaboration with Wal-Mart, the driver behind the service, to produce real-time electronic feeds of the transport process and provide complete supply chain visibility.