the bigger picture

about face

Wal-Mart refocuses inbound transportation initiative; ready to discuss various options with vendors

Dan Goodwill, president of Dan Goodwill and Associates has more than 20 years of experience in the logistics and transportation industries in both Canada and the US. He has held executive level positions in the industry, including president of Yellow Transportation's Canada division, president of Clarke Logistics, general manager of the Railfast division of TNT, and vice-president of sales and marketing at TNT Overland Express. Goodwill is currently a consultant to manufacturers and distributors, helping them improve their transportation processes and save millions of dollars in freight spend. He can be reached at dan@dantranscon.com.

Wal-Mart launched a program in mid-2010 to reduce costs and deadhead miles, leverage the retailer's logistics skills and scale, and improve visibility and control of its merchandise by taking control of deliveries of inbound freight. The company believed it could find opportunities to do the work better and at a lower cost than vendors could do under prepaid freight terms.

The shift to increased use of freight-collect terms by the world's largest retailer worried shippers that had been trying to leverage their volumes to secure attractive carrier pricing. For shippers that had spent years optimizing their freight network and negotiating preferred rates, the threat of losing control of their freight to one of their largest customers became a major issue. When program details were first released, there were reports that Wal-Mart was using some fairly heavy-handed tactics in its discussions with vendors, both in terms of not really negotiating as to what would be the best overall transportation decision, and in asking for larger than acceptable "allowances" for picking up the freight against the contractually defined price that included transportation.

Greg Forbis, a senior director in Wal-Mart's inbound transportation group, announced at the CSCMP annual conference in Philadelphia that the world's largest retailer has made some changes to the program. In an unusual about-face for Wal-Mart, Forbis stated that Wal-Mart realizes that "every situation is unique," implying that Wal-Mart will discuss various options with its vendors and look for the best total solution, instead of simply mandating that a vendor move from a prepaid to collect freight program.

Some suppliers had efficient transportation operations that Wal-Mart was hard-pressed to improve. "One of the key learnings was that we weren't as good as they were in some cases," Forbis said. Wal-Mart's discussions with suppliers on changes to its inbound transportation were "a very open book," with discussions of how to reduce costs and improve supply networks, he said. "Some wanted to share, some didn't want to share. Those who didn't want to share, we just kind of move on and go to the next supplier and say, 'What are our opportunities?'"

Nevertheless, Forbis made a strong case that in many situations, the vendor would benefit about as much as Wal-Mart from making the transition. He noted that many vendors, for example, want to focus on manufacturing and branding, and are happy to leave logistics execution to Wal-Mart. Recognizing this, Wal-Mart has focused on smaller suppliers where the retailer can bring its scale and expertise to bear.

He also said that Wal-Mart's vast transportation network, including some 6,500 dedicated trucks and 56,000 trailers, covering almost every area of the North America, could reduce total transportation costs because its network density and buying power may result in lower costs, especially in terms of using vendor freight to reduce empty miles travelled, or produce better consolidations. He noted, for example, that Wal-Mart has a number of consolidation DCs that combine less-than-truckload shipments from vendors into full truckload shipments to its stores. For lower volume shippers, this can create an opportunity to reduce costs and improve transit times.

Wal-Mart said it was actively soliciting both new carriers to its network and third-party freight that may have nothing to do with Wal-Mart business. He also said Wal-Mart is actively seeking freight moves acting in effect as a common truckload carrier. It would use those shipments again to gain better overall network efficiencies and optimization, and to reduce empty miles. CT&L

For more supply chain commentary from Dan Goodwill and other industry experts, see the blog section on *www.ctl.ca.*