

WHITE PAPER

NAVIGATING THE CARRIER ALLIANCES



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THE CHALLENGE

In April 2017, most ocean carriers changed their alliance agreements, requiring Dunavant to present clients with the potential negative impact on their retail lead times. Mergers, acquisitions, and bankruptcy also limited the number of available carriers to use in the marketplace. These combined factors melded and shuffled many sailing schedules and terminal callings, which led to disrupted port activity and caused terminal congestion on the U.S. and Canadian west coasts. We were challenged with balancing these changes and volatility while maintaining the precision of client supply chain requirements.



THE SOLUTION

To surpass client expectations, we need to provide the data and service required for their distribution timelines by effectively managing and monitoring PO due dates and lead times.

One client, a key supplier for a big-box home improvement retail chain, has targeted due dates for arrival at their distribution centers (DCs) each time a purchase order (PO) is created. Corporate policy sets an allowable grace period on both sides of this due date but scorecard measurements are based on an even smaller window of +/- 3 days on the due date.

The ocean carrier alliances that went into effect in April 2017 caused port rotation changes and sailing schedule differences for cargo bound for the west coasts of both Canada and the United States. As a result, Dunavant revisited and rebuilt a series of shipment milestones important for this client with daily status management at both a PO and SKU level linked to shipment activity – and if it transships (switches vessel in transit), this includes port dwell time monitoring within the targeted reporting metrics. The reports are pushed through daily to this client and are used to manage loading port and trans-shipment points in Asia proactively.

Prince Rupert, BC is a key discharge port due to the quick rail service with the CN Rail and its access to key Midwest locations such as Minneapolis and Memphis. When unforeseen in-transit delays occur, such as alliance changes, port construction in Prince Rupert, or peak season congestion, causing a late PO arrival on the back end of the delivery arrival window grace period, updates are given every two hours by Dunavant's customer service team until final mile delivery. The client can then relay this pertinent time-sensitive information to their buyer and allow adjustments to any store-level promotional materials and distribution plans. Additionally, the West Coast port dwell status and rail location are delivered daily per PO for all active in-transit containers until arrival.

Dunavant took a very collaborative approach to ocean carrier alliance and market changes with another client in 2017. The initial adjustment for this major Fortune 300 retailer included anticipatory meetings ahead of the April changes in both the United States and Asia with this client's logistics and supply chain teams, along with their key supply partners, factories, and agents involved in the process.

Dunavant's strategy was to sign contracts with at least two members of each new alliance (THE Alliance, Ocean Alliance, 2M) along with two independent non-alliance carriers as a hedge against risk surrounding recent and ongoing mergers, acquisitions, and the inherent liability of carrier financial wellbeing. After the carrier routing strategy was established, Dunavant set allocations with the key ocean carrier partners along its primary trade lanes and made sure space was protected throughout contract season and during peak season.

Lead-time impacts and revisions to transit times were heavily analyzed so the client could be given accurate information about new sailing schedules and preferred routing scenarios. The process was dynamic and required lead times to be built for every single lane and each segment within the distribution patterns of nine distribution centers in the United States. KPIs were built for each of these segments and PO lead times were adjusted to eliminate any outdated supply chain transit time targets for more accurate order cycle times.

THE RESULTS

For both of these clients, we offered proactive automated notifications and SKU-level reporting for due date monitoring at time of booking with US imports and projected a realistic landing date based on conservative transit time metrics for all modes – foreign barge services, ocean transit, port dwell times, rail schedules, and last mile trucking. The preplanned averages helped front-end coordination to alternate sailing schedules when there were space and equipment availability issues before being trapped with a sailing schedule that would not land on time.

Data show that in the first three quarters of 2017, for any delays on the shipping window that were caused by origin issues, there was a 2-percent gain for on-time deliveries within these new lead time metrics. In other words, among all "late" shipped POs, there were 2-percent fewer POs delivered late; those POs were delivered on time in the fulfillment center or distribution center due to proactive alternate routings and prioritization to offset the origin issues within the United States delivery network.

Reporting for best and worst case scenario date windows helps clients obtain a realistic viewpoint on potential shipping performance. The proactive nature of this communication has led to vendor scorecard improvements with their big-box buyer and secured their confidence in our client.

Guarantees are hard to make in international multimodal transportation, and offering up-to-date and accurate data to clients is the key to successful execution and decision-making within a complex supply chain.

ABOUT DUNAVANT

Dunavant has been a major shipper in international markets for over 40 years, with experience in more than 50 countries across all six major continents. Dunavant has developed and monitored detailed landing costs to and from hundreds of origin points globally, and Dunavant currently manages more than 100,000 loads annually.

Dunavant has experience developing and managing significant projects in vertically integrated commodity operations. We understand the complexities and risks associated with managing international suppliers and end users, including detailed analysis of credit and finance terms and understanding infrastructure problems in specific markets.

Dunavant's global customer service teams provide personalized care and solutions focused on a client's industry and individual requirements.

DUNAVANT LEADERSHIP

The Dunavant team has a combination of senior-level personnel, each bringing 20 to 30 years of experience across a broad range of clients. Dunavant leaders came from some of the world's leading organizations, including AutoZone, Tenneco Automotive, Williams-Sonoma, and AT&T/Bell Labs. Dunavant team members are credited with leading reengineering efforts that propelled some of these organizations to be leading financial performers in the stock market and innovators in their industries during the years the efforts were being completed. Projects spanned several countries and the entire supply chain and included tasks such as:

- Vendor management
- Transportation optimization
- DC process improvements including design, development, and implementation of a custom WMS
- Multi-echelon network designs and implementations resulting in lower cost and higher service levels
- Optimized inventory policies, including modern, demand-based replenishment systems incorporating crossdocking, vendor direct, hub stores, and automated store replenishment
- In-store logistics optimization



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