



whatever floats your truck

New combined ocean/LTL services that are faster than all-water but cheaper than air are proving a hit with importers.

IN THESE COST-CONSCIOUS TIMES, YOU'D EXPECT THAT SHIPPERS WOULD BE TRYING TO cut freight costs to the bone. Yet some importers that typically ship goods in less-than-containerload (LCL) shipments from Asia are switching to air freight or shipping half-empty 20-foot containers instead. They're willing to pay as much as four times the cost of conventional LCL for one reason: to get more reliable, predictable delivery.

Maybe they don't need to. Several less-than-truckload (LTL) truckers and their ocean carrier partners now offer services that are much faster than traditional LCL and far cheaper than air. Although they're relatively new to the market, these services appear to be gaining some serious traction. Several carriers report that the new offerings have been so well received that they're now fielding requests to expand the programs' scope.

Time for a change

To understand the new services' appeal, it helps to know a little about the background. Traditionally, LCL was handled directly by ocean carriers. But by the 1990s, ship operators could not compete with lower-cost freight consolidators, or NVOCCs (non-vessel-operating common carriers), and they "more or less left the LCL business to the [NVOCCs]," says Bill Villalon, vice president, land transportation services for APL Logistics (APLL).

Regardless of who was in charge, however, importers endured unbearably long transit times and unpredictable deliveries. And no wonder: Carriers and consolidators waited for enough freight to fill the containers at the point of origin, often trans-shipped them multiple times, and then had to sort out and hand off all those small shipments at the destination. It's little surprise, then, that some importers turned to pricey alternatives like air freight or exclusive-use containers.

Sensing there might be a market for a service that fell somewhere in the middle, several carriers began making inquiries out in the importer community. What they found confirmed their hunch. "[Importers] wanted an option where they could get guaranteed delivery on a time-definite basis, yet not pay an arm and a leg like they do for air freight," says Bill Wynne, executive vice president and director of marketing for Con-way Freight. They also wanted a single provider to stitch the modes together and arrange port-to-door delivery—and make it all seamless, notes Jimmy Crabbé, vice president, global ocean trade services for UPS Supply Chain Solutions.

The market spoke, and carriers responded. OceanGuaranteed, a joint product of APLL and Con-way Freight, was introduced in 2006, and similar services soon followed. Among them are Pacific Promise (Old Dominion Freight Line and Hanjin Logistics), Asia-Memphis Express (Averitt Express), and UPS Trade Direct Ocean.

How do they do that?

All of the services share several characteristics. For one thing, they serve the Asia-to-United States market. Asia-Memphis Express and Pacific Promise do so exclusively; OceanGuaranteed also serves Mexico, and Trade Direct Ocean is available in

Asia, Europe, and the Americas.

For another, they give customers a single point of contact, one bill from origin to destination, and simplified pricing. Some guarantee delivery dates and will reduce their freight charges if shipments are late. (They rarely are; on-time rates are around 98 percent.)

Pricing is just a little higher than traditional LCL and as much as 75 percent below air freight. Greg Plemmons, vice president of Old Dominion's OD Global division, offers this example: To fly a 1,200-pound pallet from Shenzhen, China, to Atlanta, Ga., would cost an estimated \$2,950 for air, about \$670 for conventional ocean consolidation, and \$815 with Pacific Promise. Another example: An OceanGuaranteed customer, which was paying \$25 each to ship handbags by air from Asia, now pays just \$5 apiece.

Most impressive, perhaps, is that transit times are days or even weeks shorter than those for ordinary LTL consolidations. In Plemmons' example of the Atlanta-bound pallet, air might take seven to eight days from receipt at the freight forwarder's premises in China to arrival at the importer's door. Traditional LCL consolidations would take 30-plus days, while Pacific Promise would require just 19 days for the same trip, he says.

Other carriers cite similar time savings for their services. Averitt's Asia-Memphis Express cuts up to 10 days off typical port-to-door transit times, says Charlie McGee, vice president, international solutions. And a hypothetical OceanGuaranteed shipment from Hong Kong to Columbus, Ohio, would take just 18 days, according to Con-way Freight's Wynne.

To importers accustomed to month-long transit times, those numbers might seem almost too good to be true. How did the carriers cut so much time from the process? As it turns out, they're all using different strategies for streamlining their operations. What follows is a brief look at the approaches various carriers have taken:

- Averitt Express works with 14 ocean carriers but most often uses Matson, which McGee says has the fastest transit times from Shanghai to the West Coast and "probably the best-controlled intermodal network in the United States." Containers move intact by rail to Memphis; Averitt, which is also a customs broker, clears the shipments while the container is in transit to its customs-bonded container freight station (CFS). McGee notes that the CFS is located just 400 yards from the intermodal ramp, so shipments usually can slide right into the domestic LTL system the same day



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■ Trade Direct Ocean shipments transfer at the first port of call to LTL carrier UPS Freight's trucks. Smaller packages, including pre-labeled parcels, unload at sortation hubs from ocean containers directly into UPS's ground or air parcel system. Technology helps to streamline the transition. UPS taps into ocean carriers' systems to get live shipment-status feeds via electronic data interchange. "Information is fully integrated," says Crabbé. "The same visibility technology ties it all together regardless of mode."

■ Flexibility is key for Hanjin Logistics and Old Dominion. For example, Hanjin is free to use any ocean carrier and is not tied to its parent company. "We make decisions jointly and look at each opportunity on its own merits," says Plemmons. The partners also designed a Web interface that lets Pacific Promise customers book shipments through either company and get a guaranteed quote and transit time in less than a minute. Once Old Dominion takes over, delivery is swift: A move from Los Angeles to Atlanta, for example, takes just three days.

■ At origin ports, OceanGuaranteed containers have "late gate" privileges. APL Logistics arranges for them to be "hot stowed" on sister company APL's ships, making them last to load and first to unload. Most OceanGuaranteed customers have been certified under the Customs-Trade Partnership Against Terrorism (C-TPAT) security program; APLL segregates their shipments in separate containers so they qualify for "green lane" expedited processing by customs authorities, Villalon says.

Warm reception

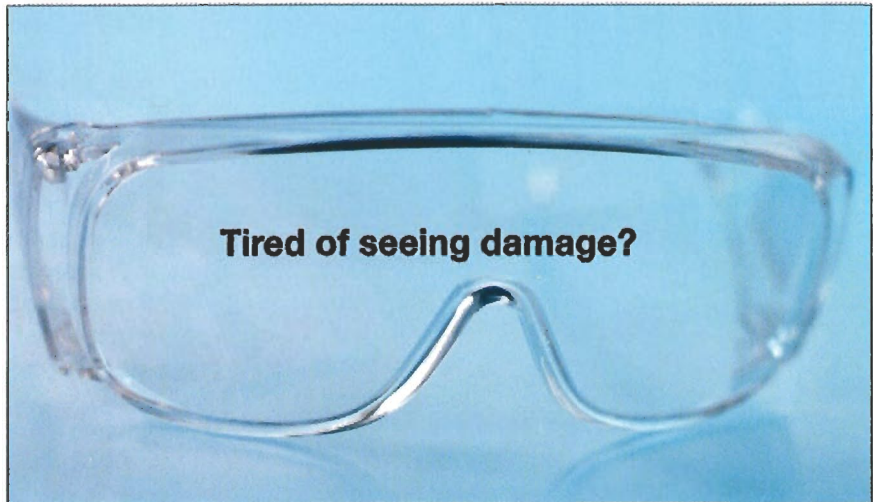
The ocean/LTL services hold particular appeal for importers of high-value goods like electronics, seasonal and time-sensitive products like printed material and fashion accessories, customized items such as corporate-logo merchandise, and manufacturing parts. Many of the customers are small and mid-sized businesses, but even large retailers that use LCL in some markets take advantage of the day-definite services.

All of the carriers say their ocean/LTL services have been warmly received. McGee reports that Asia-Memphis Express now builds two to four containers a week from

Shanghai alone. Several carriers have added new origin points in response to customer demand—OceanGuaranteed is now available from seven countries in Asia—and importers are clamoring for more. Plemmons, for instance, has fielded requests to expand Pacific Promise to

Vietnam and South Korea.

Perhaps the strongest evidence that ocean/LTL services are meeting a market need, according to the carriers, is that once customers have tried the services, they keep using them. "A repeat purchase," says Villalon, "is the best endorsement." □



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