

SUPPLY CHAIN CASE STUDIES

Dedicated Transportation


A company explores the option of outsourcing their existing fleet by using an asset based dedicated transportation solutions provider to manage their intra-company shipping needs.

Customer Need

A middle market heating, air conditioning, and plumbing distributor replenishes their branches daily using a private fleet of 7 tractors and 22 trailers. Their fleet equipment is aging and they are faced with a decision to re-capitalize their fleet or to outsource their fleet to a dedicated transportation services partner. The dedicated outsourcing option has been met with internal resistance due to a concern that the company will lose control of its processes and face erosion of its competitive advantage in the area of customer service. **The client's goal is to avoid a significant capital expenditure, reduce its operating costs while continuing to provide a high level of service to its customers and branch locations.**

Process

PITT OHIO began the process by benchmarking the client's current delivery network. As part of this process, operational data was compiled and service requirements were clearly outlined. PITT OHIO performed a network optimization analysis and determined the right level of equipment and resources needed to effectively meet the client's service requirements. As a result of the optimization process, PITT OHIO developed pricing to deal with steady state routes and surge period shipments. The local PITT OHIO service center was engaged to manage the client's dedicated driver operation and to support seasonal shipment fluctuations. The client was concerned that a decision to move to a dedicated outsource solution would negatively impact its loyal tenured company drivers. PITT OHIO worked with the client to develop a transition plan for its company drivers. PITT OHIO agreed to hire each of the client's company drivers that met all of the employment requirements for the new dedicated driver positions. The customer was also interested in having their new provider purchase their current company-owned equipment. PITT OHIO assessed the client's equipment



and presented the customer with a fair market value and agreed to purchase the equipment and re-sell. Following acceptance of the price and service proposal PITT OHIO drafted and implemented a detailed plan.

Program Results and Benefits

- PITT OHIO met the client's branch delivery service requirements while reducing the client's equipment pool by 2 tractors and 10 trailers.
- The client reduced its annual intra-company transportation expenditure by 9%.
- Through local management of the program by a PITT OHIO facility, the client has access to additional driver and equipment resources to handle seasonal business surges. Moreover the client only has to pay for services when they are needed.
- The client was able to remove assets from its balance sheet since PITT OHIO agreed to purchase the client's existing fleet at fair market value.
- Four of the client's tenured company drivers were able to successfully transition to PITT OHIO dedicated driver positions.
- The client raised awareness of its services in its core market area by leveraging 12 trailer-wrap marketing solutions.
- The client gained increased insight into its operations by leveraging PITT OHIO's on-board computing system.
- Customized reporting and invoicing was developed to meet the specific needs of the client.