

expedited... as usual

Once the service of last resort, expedited transportation has become practically routine in some industries.

NOT SO VERY LONG AGO, THERE WAS A STIGMA ATTACHED TO picking up the phone to hire an expedited carrier. It meant something had gone seriously wrong in the distribution channel and the only way to fix it was to pay someone to make an emergency delivery. "Five years ago, people were reluctant to admit that they used expedited transportation," says J. Edwin Conaway, president and CEO of Con-Way Now. "Expedited was seen as a way to make up for mistakes."

But that's all changed. Today, the trucking service with origins in emergency transportation is becoming a routine part of distribution logistics for businesses selling goods with a high value and short shelf life, like clothing and computers. They have no qualms about paying the premium price as a tradeoff for expedited's speed, reliability and level of security.

Custom services

It's no surprise that some of the heaviest users of expedited transportation are the nation's top retailers. In the retail apparel business, where fashions change quickly, speed matters. One season's top sellers can quickly become the next season's markdowns, so getting garments from overseas factories into the distribution system quickly is essential to retailers' success.

Manufacturers, which were the first steady customers for the expedited carriers, have stepped up the volume recently, too. Yielding to pressure to take inventory out of the supply chain, manufacturers are less likely to keep, say, spare parts on hand than they once were. Instead, they order parts from suppliers as needed. "Businesses know that when you run inventory this low, when you run this lean, you're going to use a certain amount of expedited transport," says Conaway. The premium price, he adds, pales in comparison to the cost of shutting down a production line.

The attractions of speed are obvious, but there's more to expedited's appeal than speed alone. A big part of the draw for shippers is the ability to have it their way. What distinguishes the traditional expedited carriers

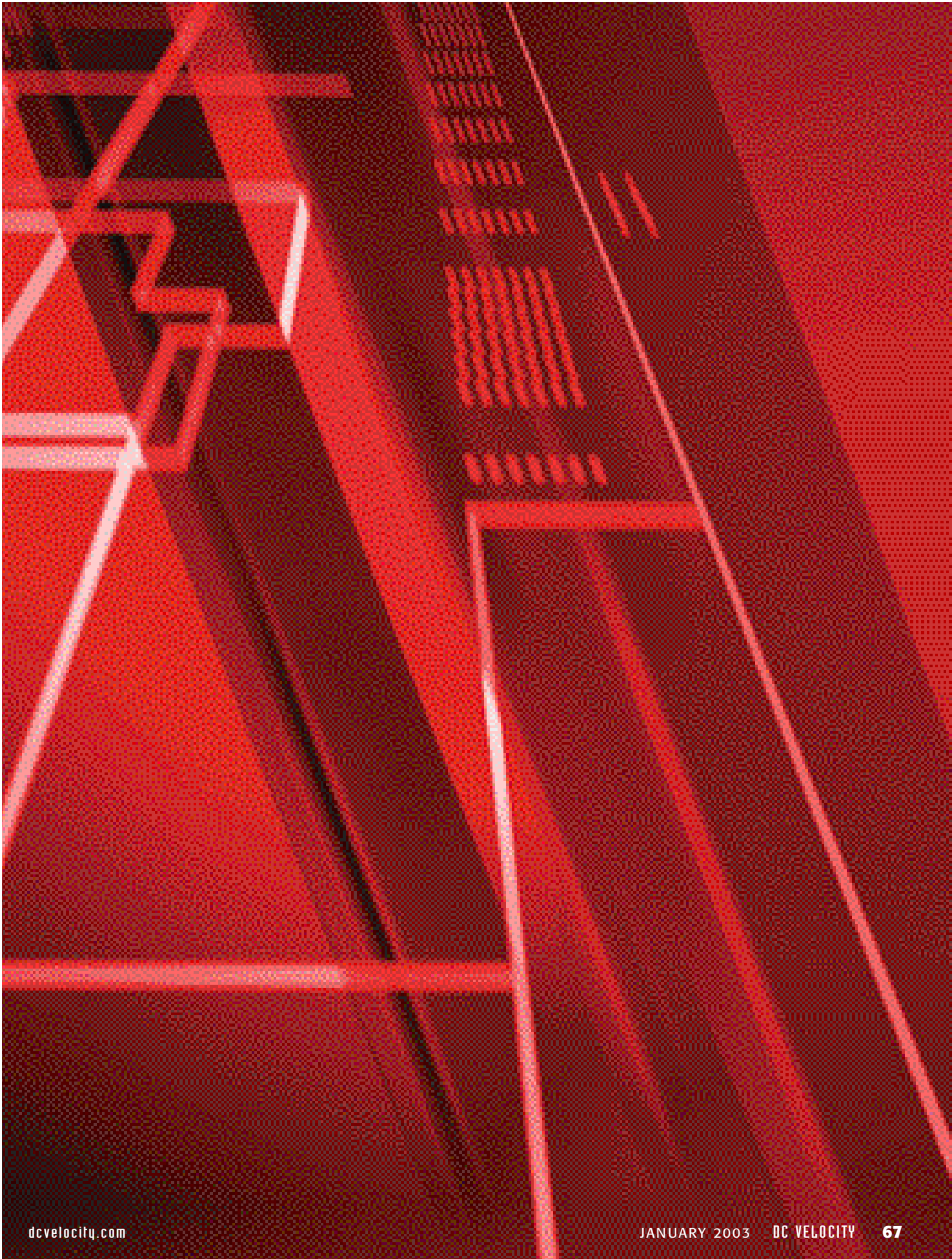
from other motor carriers is their availability on demand, the exclusive use of vehicles and the ability to offer point-to-point shipping.

And though it may not be immediately obvious, expedited transportation can be an important element in saving or cementing a customer relationship. As Ned Moritz, marketing manager of Con-Way Transportation, puts it, "The ultimate issue is, will there be missed sales? You can become a hero [to a customer]. What's that worth?"

Who's up to speed?

As for which carriers currently offer expedited service, the short list includes major national expedited specialists like Con-Way Now and FedEx Custom Critical, which use nationwide networks of contractors operating under exclusive agreements.

Then there are companies like Menlo Worldwide Expedite!, a sibling company to Con-Way Now, which offers worldwide expedited services, including air transportation. Other players include specialists like UPS Sonic Air, which provides same-day service for the most critical shipments, and truckers like Landstar Express America, an operating



company of Landstar System Inc. that arranges multimodal air and truck expedited transportation.

Even the truckload haulers are getting into the action. Schneider National, the nation's largest truckload carrier, established an expedited services division in 2000. Similar to Con-Way Now or FedEx Custom Critical, that division offers quick response, around-the-clock coverage and time-definite deliveries as well as time-critical service.

In some ways, expedited service is a natural extension of truckload carriage, which has always included exclusive use of vehicles and point-to-point transportation. Carriers that can add timely pickup and delivery within a narrow time frame can offer services close to those of the expedited specialists, at least for full truckload shipments.

Schneider has made an all-out push into this area. Its service,

whose revenues grew by 83 percent last year, offers more than 800 dedicated drivers (both team and solo drivers), regular tracking and on-line visibility of shipments.

Dave Barton, the carrier's senior director of expedited services, reports that many of the division's customers are using the service for the linehaul portion of their moves, including the surface linehaul movement of imported goods from ports to customers' distribution centers. "We're becoming part of [our customers'] supply chain," says Barton. For his customers, he adds, the confidence that goods will arrive on time "goes beyond cost or the price of doing business."

One of those customers is Steve Foster, manager of domestic transportation for Limited Logistics Services, the logistics arm of the Limited Brands family of fashion and personal care products retailers.

Limited Brands ships freight for all seven of its retail brands out of a single distribution center in Columbus, Ohio, where they are co-loaded into truckloads for quick delivery to specialized delivery agents in each major market. Those agents then handle delivery into the stores, most of which are located in shopping plazas and malls.

Schneider plays a major role in that system, handling not only inbound shipments to the DC but also serving as one of four carriers hauling the outbound loads. "Our entire network," says Foster, "is built around speed. It is extremely critical that Schneider pick up each night for delivery to the specialized agent in time to meet his schedule. If one piece goes down, the network goes down."

What's in a name?

Whether it's labeled expedited, time-definite or just-in-time (as some carriers call it), this type of service is all about speed. But it's not to be confused with express. As Satish Jindel, a principal of the Pittsburgh-based SJ Consulting Group, explains, "Expedited is different from express. Express has scheduled pickups and scheduled delivery. Expedited has on-demand pickup and on-demand delivery." In fact, Jindel believes that what is often labeled "expedited service" would be better called "dedicated logistics or distribution service."

The difference is important, he says, because express services can be used in ways that improve productivity. "With expedited, you dispatch a dedicated vehicle; you cannot marry that with other deliveries to gain economies," he explains. "It is still a market only suitable for shipments of high intrinsic or real value."

But that's not to imply that expedited has no place in the well-run business. At times, even the best-designed system needs to use the traditional, emergency expedited services, Jindel concedes. "If my credit card system is down," he says, "I'll pay a thousand dollars to get it up and running."

Ultimately, the label on the service is less important than matching the service level to the need—whether the Schneider service for Limited Logistics, for instance, is properly called "expedited" is almost beside the point. But for retailers and manufacturers, at least, it's clear that the need for speed is not just about emergencies any more. □