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Katy Keane
Vice President, Transportation Services
Big Lots Stores Inc.





BIG LOTS!

GETS ITS TRANSPORTATION ACT TOGETHER

BY JOHN D. SCHULZ, CONTRIBUTING EDITOR

NASSTRAC Shipper of the Year benefits big time from improved process management, communications, and performance measurement.

When Big Lots hired Katy Keane as vice president of transportation services two years ago, the nation's largest closeout retailer was implementing a new transportation management system (TMS) and trying to improve its transportation operations.

Keane quickly recognized that the transportation and distribution department could benefit from more coordination. "One of the biggest things I found at first was that our inbound and outbound teams operated separately," she says. "We were in different buildings. Carriers were calling on them separately. They measured carriers differently."

Under Keane's direction, Big Lots integrated its inbound and outbound transportation teams, putting them under one

manager, Chas Cross, and under one roof. The collaboration and cross-training made possible by that move helped Big Lots do more with less: The domestic transportation team was reduced in size, yet the staff continued to improve performance. "We needed to improve productivity, build better carrier relationships, and work toward lowering costs in a more synchronized transportation effort," says Keane.

Over the past two years, that's just what Big Lots has done. Thanks to programs that Keane and her colleagues have put in place, Big Lots has reorganized internally to facilitate change, improved on-time delivery to its distribution centers, implemented a cross-docking program, improved its collaboration with carriers, introduced uni-



**Katy Keane, Vice President,
Transportation Services**



form performance-measurement systems, and transformed its transportation team into a service-oriented organization.

Those results have earned Big Lots the 2006 NASSTRAC/Logistics Management Shipper of the Year Award. This recognition for outstanding achievement in transportation and distribution is presented annually to a member of NASSTRAC, an organization that provides education, advocacy, and networking for professionals in all areas of transportation.

Here's a look at Big Lots' award-winning ideas.

BACK TO SQUARE ONE

Keane began making improvements at Big Lots in 2004 when she was on a consulting assignment for the retailer. At

that time, she primarily worked with the company's merchandising team to improve the timeliness of purchase orders.

The consulting job proved to be fortuitous for both Keane and her client: Big Lots liked her work and offered her a position overseeing domestic transportation. Having already been in the trenches, she knew where the company needed help. "When I was offered the job, I had the great fortune of seeing things from the ground floor," she says. "I was able to make changes fast, and Hal Wilson, the senior vice president of transportation and distribution, was very supportive."

The *Fortune* 500 retailer, with annual revenues of about \$4.5 billion, operates five regional distribution centers, two furniture DCs, and one wholesale DC to support 1,400

PHOTO BY JIM CALLAWAY; INSET COURTESY OF NASSTRAC



Big Lots' domestic transportation team uses daily "scorecards" to measure performance and identify areas for improvement.

stores. When Keane arrived, some vendors were shipping orders to those facilities in an untimely manner. "Many of them were just shipping whenever they wanted," she recalls. At the same time, Big Lots was receiving insufficient information about inbound-shipment status from its vendors.

In an effort to resolve those issues, Big Lots implemented a transportation management system in June of 2004. Although the system provided useful tools for managing inbound transportation, it soon bogged down with too much data that had little to do with moving freight from Point A to Point B.

"There were 26 interfaces," Keane explains. "We tried to make the system a corporate reporting system rather than a transportation management system. There was extraneous data in the system that we couldn't keep current."

That situation contributed to Big Lots' difficulties in receiving inbound shipments on time and tracking shipments. So Keane went back to Square One. One of her priorities was aligning everyone in transportation and information technology with the same set of goals. She became a liaison between the transportation department and IT. She

also immersed the technical staff in the ways of transportation and explained Big Lots' business processes so they could understand how technology was supposed to support the big picture.

COLLABORATION PAYS OFF

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In the fall of 2005 the shipper held a carrier conference. Out of this two-day event evolved two lists: "Top 10 Things Big Lots Can Do For Carriers" and "Top 10 Things Carriers Can Do For Big Lots." Based on these shared lists, the shipper and its core carriers prioritized ideas; these became Big Lots' goals for improvement in 2006. Among those goals were better shipper-carrier communication, on-time invoice payment, and providing the carriers with shipment-volume forecasts.

This last goal was something Big Lots could achieve quickly. To help the carriers plan their operations, the transpor-

tation team immediately began providing them with lane-by-lane forecasts.

Big Lots also increased its drop deliveries, a change that helps its outbound carriers improve equipment utilization and decrease drivers' waiting time. The shipper also supports its outbound carriers by giving them some priority during the tender process for inbound traffic to encourage continuous moves. These round trips help them reposition trucks and avoid costly empty miles.

The retailer worked with its dedicated outbound carriers, Penske Logistics and Hogan Dedicated Services, to create a more "driver-friendly" atmosphere. The transportation team issued ID badges to truck drivers to help them identify themselves to the retail stores' receiving-dock personnel. They also made arrangements with the stores for drivers to wait inside the staff break rooms rather than in their trucks.

Keane believes that collaboration with carriers is a necessary response to current business conditions. With an unprecedented rise in fuel costs, natural disasters, bankruptcies, and driver shortages challenging transportation managers, capacity shortfalls are all but assured

on some lanes during peak season. "It was a shipper's world before," Keane says. "The one thing we've had to do is be very collaborative with our carriers."

Big Lots' transportation partners appreciate the changes Keane and her colleagues have made. Joe Carlier, Penske Logistics' vice president of operations, says that Keane and Big Lots go out of their way to ensure that both shipper and carrier benefit from their relationship. "She has elevated that to the next step," Carlier says. "She's identified true partners and is developing relations and collaborating where it's a win-win-win for everybody."

But that doesn't mean Keane is willing to let the carriers call the shots. A new vendor-compliance department

enforces what she calls a "robust" inbound-routing guide—no more ship-ping at the carriers' discretion.

Such discipline is good for all concerned, Keane believes. "All shippers want great service at affordable rates," she says. "We're not doing this out the goodness of our hearts. We think it's a win-win for the carriers and for us."

CUTTING COSTS INSIDE AND OUT

Like many shippers, Big Lots has achieved significant cost savings through outsourcing. One way the shipper saved big was by outsourcing its entire less-than-truckload (LTL) program to Unyson Logistics, a third-party logistics (3PL) company.

With Unyson, Big Lots now coordinates its LTL business through a single provider that directs a network of eight underlying, regional LTL carriers. The 3PL has helped the shipper to reduce its overall LTL costs by optimizing routing, combining some shipments, and identifying opportunities for pool distribution. All of this is seamless and transparent for Big Lots, Keane says, because the company interacts with just one LTL "carrier."

Early in 2006, Big Lots outsourced its freight-settlement processes, a function that had been managed in-house under a reporting system that Keane believed was "cumbersome at best." Outsource-

ing freight payment and auditing resulted in a number of efficiencies. Big Lots also now gets by-shipment accrual information, which has helped it to improve the accuracy of its reports on freight spending and identify opportunities for improvement.

But outsourcing isn't the only way Big Lots has come to enjoy transportation savings. The shipper has increased its use of rail transportation, and Keane currently directs about 15,000 inbound intermodal shipments annually. The keys to making intermodal both a cost-effective and efficient option, she says, are a thorough understanding of transit times and providing Big Lots' rail partners with opportunities to balance their equipment on east-west routes.

The transportation team even looked at Big Lots' own practices to help them get control of ever-higher transportation costs. For instance, improving the efficiency of inbound deliveries helped the shipper reduce its per-diem costs, such as trailer-detention and demurrage charges, by some 90 percent. And a new cross-docking program between the company's furniture distribution centers and its closeout DCs has led to significant savings because stores receive just one delivery now instead of two.

The resulting savings have been somewhat offset by record-high fuel costs. "It's tough for us to save," Keane says. "I can't do anything about the cost of fuel, but we are able to mitigate the cost through the initiatives we have taken." Despite that challenge, the transportation and IT groups' initiatives have had a positive impact on Big Lots' business overall, not just on transportation, she adds.

INNOVATION BREEDS SUCCESS

One of the reasons Keane has been effective as an agent of change at Big Lots is her systematic examination of the company's internal performance. Only after it changed its own measurements and processes, she says, could Big Lots ask its carrier and 3PL partners to make similar improvements.

Keane developed daily and weekly "scorecards" that measure its own and

The transportation and IT groups' changes have had a positive impact on Big Lots' business overall, not just on transportation.

its partners' performance. The transportation team now relies heavily on daily departmental scorecards, which quantify productivity and identify where improvements in transaction processing are needed. A weekly transportation scorecard includes such measures as on-time delivery and pick-up and metrics for truck drivers, among others.

The shipper shares those results with its carriers and third-party logistics providers. The reason for doing so, says Keane, is to allow them to see how well they are meeting Big Lots' expectations and to identify areas where additional improvements are required.

This kind of information-sharing is a two-way street; Big Lots uses the data it receives from its service providers to improve its own performance. "We get shipment-status updates from all of our carriers, and we can react in real time. We didn't have the flexibility and capability to do that before," Keane notes.

More and better analysis is coming soon. In June 2006 Big Lots upgraded its transportation management system. The TMS now supports real-time integration with a custom-developed appointment system. It also is automating many previously manual functions, enabling the transportation team to focus more of its attention on analysis and exception management.

There's no secret to Big Lots' success. A willingness to innovate and seek improvements in areas where others may not have tried is one aspect, Keane says. The other is a strategy that hinges on three critical elements. "My mantra is aligning people, process, and technology. That's how you have to tackle it—and in that order," she says. "If you don't have the right people and the right process, you can forget technology."

Contributing Editor John D. Schulz is a veteran transportation and logistics journalist and industry consultant.

Big Lots at a Glance

Headquarters: Columbus, Ohio

Company Founded: 1967

Business: Retailer of brand-name closeouts and bargain merchandise at prices below those of traditional discount stores

Annual Revenue: \$4.5 billion

Number of Retail Stores: 1,400 nationwide

Distribution Facilities: Five regional distribution centers, two furniture DCs, one wholesale DC. Located in Columbus, Ohio; Tremont, Pa.; Montgomery, Ala.; Rancho Cucamonga, Calif.; and Durant, Okla.