

INTERNATIONAL SHIPPERS RIDING THE WAVE OF TRANSLOADING

IMPORTERS ARE ABANDONING INTACT SHIPPING METHODS FOR INLAND-BOUND FREIGHT

The importing and exporting of goods has certainly evolved in both effectiveness and efficiency since Christopher Columbus' very wrong turn on the way to India in 1492. After all, the voyage was a mission to bring goods to European consumers.

Today, cargo aboard massive ships docking at North American ports are small pieces in a highly technical and intricate puzzle that continues that mission. Countless technological advancements ensure that each foreign-sourced item lands at its proper destination — whether that's a convenience store a few blocks away from the port or a department store smack dab in the middle of the continent.

Since 2012, there has been a sea change in inland port intermodal (IPI), the method most importers have traditionally used to move goods from dock to destination. Savvy shippers are realizing that IPI is going the way of the Nina, Pinta and Santa Maria and discovering that their own New World lies in transloading.

A SEISMIC SHIFT

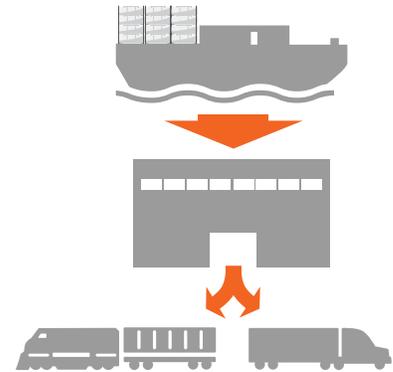
The easiest, most accepted practice for moving goods from port to inland destination was to simply have the ocean carriers coordinate the moves from water to land, keeping the container contents intact from point of origin to point of destination (this is why IPI is more commonly referred to as intact shipping). Ocean carriers, terminal operators and railroads have developed the infrastructure and processes required to move 20-, 40- and 45-foot containers — already filled with freight and sitting on their ships — directly onto the rail lines that ran right into the harbor or to a point nearby. They then used the rails to move the customer's freight near the final delivery point, with contracted trucking companies completing the final mile.

Before the Great Recession, ocean carriers provided this service in a fairly efficient and cost-effective manner. Post-recession, they exited the chassis business and increased rates for intact inland moves to many end points — and even terminated service on some lanes to avoid the expensive repositioning costs of returning empty ocean containers back to the port.

With their backs against the wall, shippers embarked on a quest to find another solution. They found it hiding in plain sight: transloading.

TRANSLOADING TAKES OVER

Simply put, transloading is a process by which ocean freight in 40-foot containers moves quickly through a facility before being loaded on an outbound, 53-foot container or trailer. Major retailers have been transloading their freight for years, managing every part of the process on their own. Even before ocean carrier freight rates increased, these retailers realized tremendous cost savings by delaying allocation of goods until later in the supply chain and by using fewer, larger boxes to move the same amount of freight.



ADVANTAGES ADD UP

Shippers who use transloading services continue to do so because of the abundance of benefits.

- 1 Simplifies Operations:** As a rule of thumb (and assuming floor-loaded freight with a carton size less than 2.5 cubic feet), the contents of three 40-foot ocean containers will fit into two 53-foot domestic containers or trailers. Because transloading drives this type of consolidation, importers who use the service require fewer inland trips and realize significant savings.
- 2 Saves Time And Money:** Transloading lowers domestic freight spend, transit time and handling cost by delivering freight exactly where it's needed, when it's needed. Sorting and routing freight at the port of entry can save an importer from having to receive freight at one distribution center (DC), only to transfer the same freight to another DC to accommodate sudden or unplanned changes in demand. On average, transloading saves shippers 3 to 11 percent when compared to intact shipping charges.
- 3 Avoids Expensive Hassles:** Shippers who import heavy products (ranging from tile and hardware to canned foods and beverages) sometimes find themselves with an overweight ocean container. The importer often has no choice but to offload a portion of the freight right at the port in order for the ocean container to move — and then deploy another truck and container to haul the remaining freight away. This scenario wastes both time and money. However, those who utilize transloading can take advantage of the Heavy Container Corridor, a tight region around some ports where overweight ocean containers are permitted on specific public roads (with proper permitting and equipment). Transloading facilities can be found within the Heavy Container Corridor, and select providers have the proper equipment and permits to dray containers weighing up to 58,000 lbs. on these roads. Once delivered to a facility, the container can be transloaded to legal weights (closer to 44,000 pounds) and moved inland via intermodal or truckload. Not only does this eliminate the costly hassles associated with overweight ocean containers, but it also helps importers realize additional savings: Shippers of heavy cargo can reduce the number of ocean containers they ship by loading the containers with up to 58,000 lbs. of freight instead of 44,000 lbs. worth of goods.

**TRANSLOADING
SAVES SHIPPERS
3 TO 11%**

**OCEAN
CONTAINERS =**
 **COST &
QUANTITY**

- 4** | **Creates Efficiencies:** Importers who use transloading can reduce freight spend by eliminating shipments. Importers who operate a single DC in the central U.S. but have customers near the coasts run into efficiency issues when shipping intact as goods must often travel from the port to the central DC before being shipped back to the very same region where it entered the country. Most transloading providers can fulfill orders to customers located in the western or eastern U.S. by segregating and stocking predetermined inventory from an ocean container and transloading the balance to move inland to interior DCs. This capability also reduces transit time to western and eastern customers.
- 5** | **Drives Flexibility:** Although most freight travels via rail after transloading, it can also travel via over-the-road trucks. Utilizing this mode can help importers quickly respond to severe weather issues, unplanned adjustments to production schedules or sudden changes in demand. Transit time is the biggest variation when choosing between intermodal or truckload shipments. When the product arrives inland, understanding when it needs to be delivered, will clarify if intermodal transit time will work, if not truckload moves are available. Regardless of shippers' specific needs and transit time/cost trade-offs, transloading provides choice and flexibility.
- 6** | **Makes Freight More Desirable:** Transloading helps importers become more desirable customers for ocean carriers and thereby reduce ocean freight costs, as many ocean carriers would prefer quick container turns at the port of entry without moving inland. Depending on inland destination, transloading may allow shippers to negotiate more attractive ocean rates terminating at the port and help prevent bookings from being "rolled," the general term used when an ocean carrier delays loading freight at the overseas point of origin in favor of more profitable freight. This occurs because transloading enables ocean carriers to increase their "turns" or utilization of their ocean containers. This is rapidly becoming a key metric as ocean carriers look to reduce operating costs associated with repositioning ocean containers back to the ports of entry.

GOOD CANDIDATE FREIGHT

While any product is technically "transloadable," there are certain types of freight that is particularly well suited for the service:

- Floor-loaded and less than 2.5 cubic feet. The smaller the carton, the fewer the air gaps — ensuring maximum trailer cube utilization. General department store merchandise is an ideal candidate and includes categories such as footwear, garments, home goods, appliances, consumer electronics and seasonal merchandise.
- Raw materials feeding complex production lines operating on a JIT basis, where visibility and predictability are critical to preventing costly downtime.



It's important to add that a shipper with high ocean container volumes and weekly arrivals is an especially good fit for transloading. The steady and substantial volume will ensure partial loads are not sitting idle and waiting for the next vessel's arrival.

PICKING THE RIGHT PROVIDER

Today, a plethora of providers are singing the transloading song, but not all are in tune with shippers' most pressing needs. It's important that the provider offers several types of transloading services.

- The most fundamental service is **Straight Transload**, where all the freight from the ocean containers is destined for a single location. In this case, an importer has a single distribution center located in the U.S. interior. Carton markings such as the stock keeping unit (SKU), item number or purchase order (PO) number are not identified or recorded. Rather, the cartons are counted to ensure the proper quantity was received but SKU- or PO-level details are not recorded or reported. This model of transload requires the least amount of labor, therefore representing the lowest cost option for transloading. Information can be exchanged via EDI.
- The second type, **Deconsolidation**, involves sorting the freight of one ocean container among several domestic containers or trailers (intermodal or truckload) and final destinations. This sorting process can be accomplished in numerous ways depending on the nature of the freight. In the case of freight destined for a specific retailer: If the freight is categorized as seasonal, the destination DC is more likely known at the time the order is placed and cartons are marked accordingly. This model may include SKU- or PO-level verification and reporting. If the freight is categorized as replenishment of regularly stocked items, then the shipper usually provides some type of allocation file that references one of the carton markings (usually the SKU or PO) and the quantity of cartons to be sorted for each destination. This model requires SKU- or PO-level tracking and reporting. For deconsolidation, data should be transferred via EDI but it's possible to send via email if a shipper is unable to communicate by EDI.
- **Deconsolidation with Delayed Allocation** adds an element to the deconsolidation model. In this model, determining the final destination for each carton can be delayed until vessel arrival so that the shipper can wait until the last possible moment to review on-hand inventory levels, regional demand, advertisement dates or other criteria so the carton can be directed to the optimal destination. To accommodate this, a bar-coded UCC-type label with a unique carton ID is placed on the carton at the overseas factory. The right provider will have the ability to electronically receive an allocation file from the shipper that is carton-specific. Upon arrival, the transloading provider scans the carton label, finds the appropriate destination and routes the carton to the appropriate domestic container or trailer for loading. At the trailer, the carton is scanned a second time to verify the destination and build the outbound shipping manifest, including carton-level detail. This is transmitted to the shipper once the domestic container or trailer is full. This method increases efficiency and accuracy by partially automating the sorting process and eliminating the need for an employee to read or identify carton markings.

- STRAIGHT TRANSLOAD
- DECONSOLIDATION
- DECONSOLIDATION WITH DELAYED ALLOCATION

To help further narrow the field of transloading providers, shippers should ask prospective transloaders how they stack up against the following criteria:

- Proven expertise with similar transload solutions and flexibility to develop a program that satisfies or exceeds business requirements
- Experience to quantify the achievable savings by converting from moving intact to transloading
- Capability to provide the level of visibility needed as freight moves through the supply chain
- Ability to provide integrated solutions that include the harbor drayage, transload and inland transportation, thereby reducing the number of hand-offs between providers
- Financially sound, long-term provider with a verifiable history of success
- Presence in multiple geographies

Finally, shippers should be certain that their transload provider has a broad portfolio of services. Although overall freight delivery time with transloading is extremely competitive with IPI, it can sometimes take an additional 1–2 days for a portion of the freight to reach the final destination. This brief delay is due to the transload provider staggering or “smoothing” the workload by processing a predetermined volume per day over a 4- or 5-day-period. (In contrast, a shipper using an IPI move would have all its freight containers loaded onto a single train, which would create a large spike in volume at its destination point.)

Often, consignees are pleased that the freight comes in a consistent and staggered manner, as they find it difficult to receive too much at once. Yet there are times when a certain product needs to arrive within a narrow window of time or must be expedited to meet a deadline. In these cases, it’s essential that shippers work with providers that possess a range of transportation multi-modal options. These companies are able to prioritize freight delivery and get the job done by leveraging the optimal services (expedited service, intermodal truckload or brokerage).

THE TRANSLOADING TIDE IS TURNING

Importing still relies on a mode of transport that is literally as old as humankind, but the methods involved in moving goods to and from the ports have effectively changed with the times. And those times, they are a-changin’ again.

Today’s importers know that just beyond the horizon is a bold new world in which shippers will be utilizing transloading providers to get their goods from the port to inland destination. The cost advantages transloading offers makes the decision easy. It’s no wonder that international shippers are quickly abandoning the IPI ship as it sails into the sunset — and eagerly hopping aboard the transloading boat.

**TO SPEAK WITH AN EXPERT ABOUT WHAT TRANSLOADING CAN DO FOR YOUR BUSINESS,
EMAIL SOLUTIONS@SCHNEIDER.COM.**