Uber Freight

Webinar

# Supply chain assessments

Transportation, fleets, and warehousing operations

March 15, 2023

# Presenters

**Ben Cubitt, Moderator**

Head of Consulting

Uber Freight

**Roger Sechler**

Director, Business Process Consulting

Uber Freight

**Elisabeth Kilby**

Manager, Business Process Consulting

Uber Freight

Agenda - What we'll cover today

01 Market update

02 End-to-end supply chain assessments

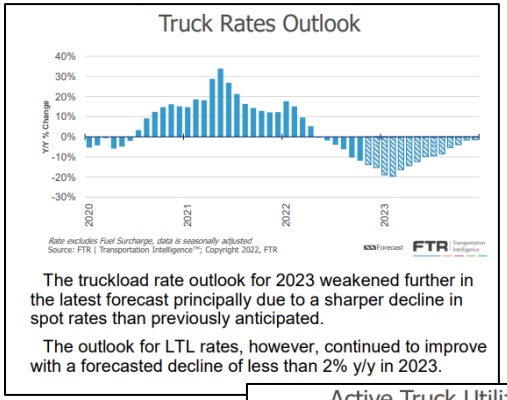
03 Transportation assessments

04 Fleet assessments

05 Warehouse assessments

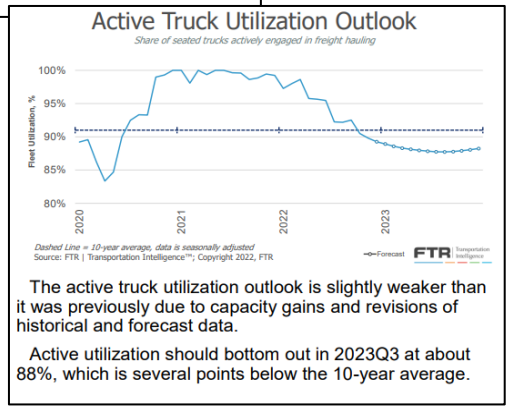
06 Q&A

# FTR sees continued weakening of TL rates and a sharper decline in 2023 than previously anticipated. This weaking of rate outlook matches closely Active Truck Utilization drop.




The truckload rate outlook for 2023 weakened further in the latest forecast principally due to a sharper decline in spot rates than previously anticipated.

The outlook for LTL rates, however, continued to improve with a forecasted decline of less than 2% y/y in 2023.




The active truck utilization outlook is slightly weaker than it was previously due to capacity gains and revisions of historical and forecast data.

Active utilization should bottom out in 2023Q3 at about 88%, which is several points below the 10-year average.

**2022 Freight market:**

- 2022 saw spot rates react to excess supply environment with historically steep and sustained drop-in spot rates.
- Historically contract rate trends follow spot rates by about 6 months and this held true in 2022.
- Spot rates lead the rapid and sustained drop, followed by similar contract rate reductions in second half of 2022.

**2023 Q1 and second half 2023 outlook:**

- Q1 saw spot rates continued in a new lower "bottom" range and closer to historical levels. Continued but slower rate drops in Jan.
- Contract rates continue to move down from historical highs in 2022 as shippers pursue cost reductions via direct negotiations, procurement events and other strategies.
- ***Contract rates will remain under pressure until either demand recovers or depressed rates cause capacity destruction.***

Source: FTR

# Leveraging our network

**$14B+**

Freight Under Management
**including Uber Freight + Transplace*

**530M**

Annual transactions

**62K**

Shippers on the Platform

**$3B**

Parcel Freight Processed

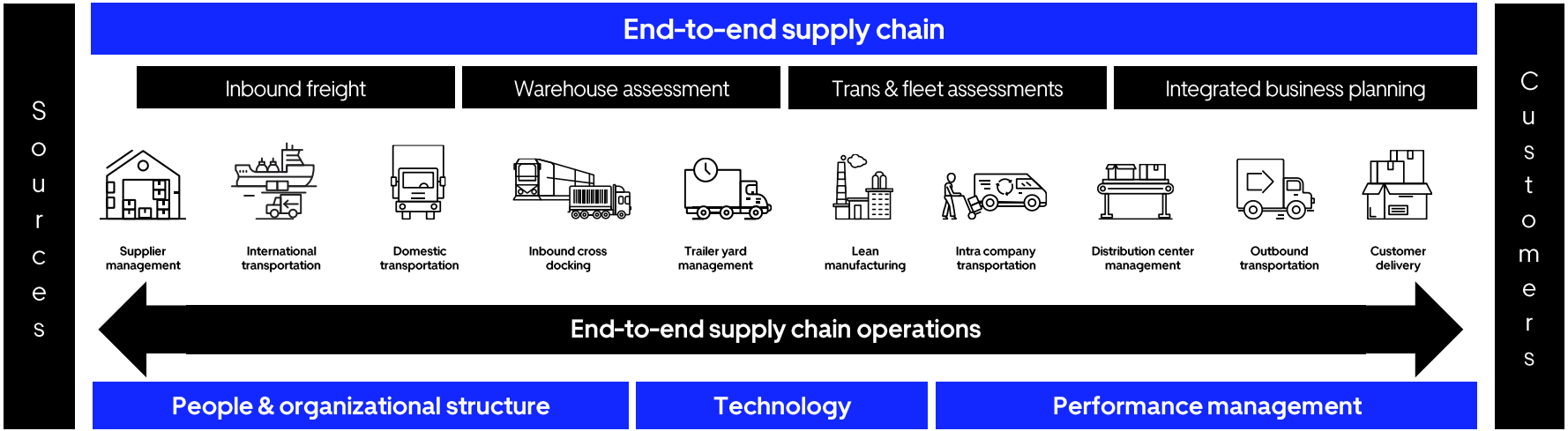
**165K**

Carriers operating on the platform

*This information applies to legacy Transplace.

# End-to-end supply chain assessments

- Reveal unexpected cost and efficiency opportunities within transportation, fleets, and warehousing
- Provide comprehensive view of people and teams
- Ensure processes and technology are set up for success



# Transportation assessments

# Assessment overview

Uber Freight has developed mature transportation assessment service which highlights areas of strength and provides insight into opportunities for improvement

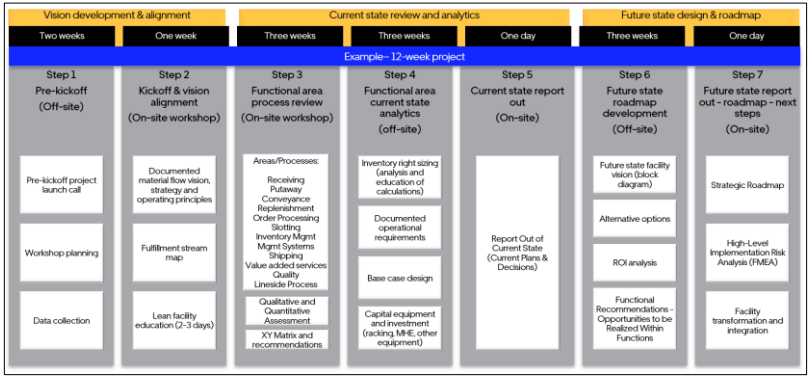
**What is it:** Rapid "End to End" full supply chain assessment

**Focus Areas:**

| People | Process | Technology |
|---|---|---|
| Skills/ qualifications | Admin / compliance | ERP / supporting technology |
| Training | Sourcing | TMS / EDI |
| Organization | Business intelligence | Toolkit |
| Performance | Operational execution | Integration |

**Deliverables:**

- Baseline (Current State)
- Optimization Analysis (Transplace Toolkit)
- Benchmarking (Rate, Accessorial, KPI)
- Procurement Strategy Review
- Best Practice Gap Assessment
- Continuous Improvement Opportunities
- Cost Savings Initiatives
- Final Report & Feedback




Structured approach:

- Baseline performance
- Quantify savings
- Operational improvements

Assessment tools:

- Market benchmarks and KPI's
- Best practices
- Optimization modeling

Actionable output:

- Detailed best practice gap analysis (people, process, and technology)
- Qualitative opportunity assessment
- Roadmap to value realization

# Current trends driving assessments

Team **turnover continues to challenge shippers** of all sizes, loss of history and knowledge, long path to full productivity

Shippers **continue to leverage technology** to reduce manual intervention

**Flexibility and resiliency** are becoming a priority for companies of all sizes

Shippers are looking to ensure team focus and efficiency

Visibility continues to grow in importance – “are we looking at the right things”

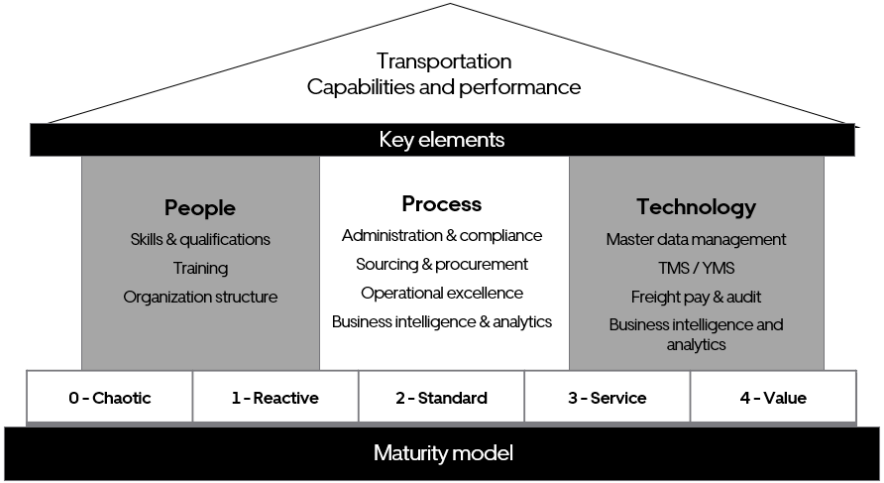
Are shippers getting the most out of their technology investments?

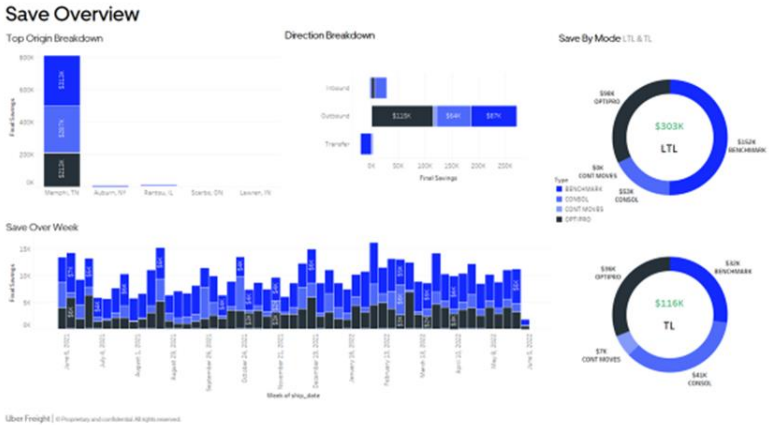
Shippers are wondering:

**“Things are running better, but are they running as well as they could?”**

# Transportation assessment

Key elements to understanding people, process, and technology



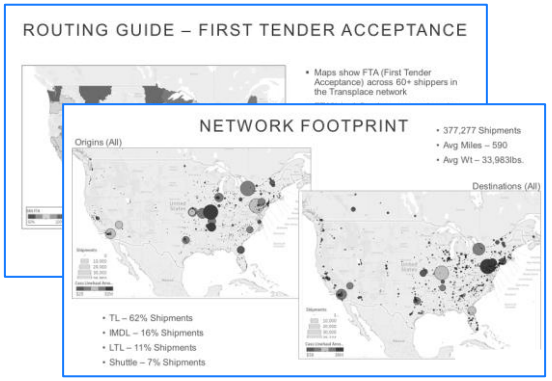

- Operations and process focus
- Data collection via team interviews, process mapping, current KPI reviews
- Benchmark process against peer best practices

- Data driven analysis of opportunities
- Shipment planning and optimization
- Rate benchmarking and procurement review
- Rate, utilization, miles and mode opportunities

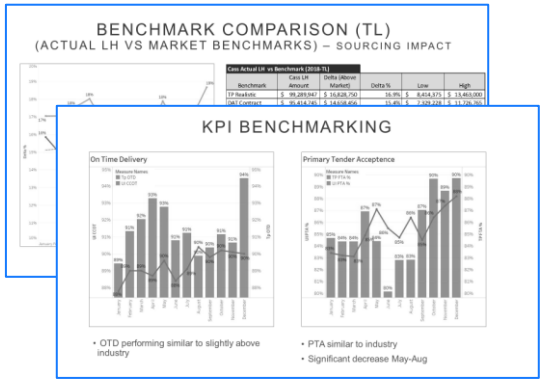
# Savings summary

| Engineering Analyses | Notes | Implementation Phase | Annual Savings $ - % | | | | Annual Analysis Savings (USD) | |
|---|---|---|---|---|---|---|---|---|
| | | | Low Range | | High Range | | Modelled Savings | % Savings |
| **LTL Benchmarking** | LTL **Dry Van** shipments | Phase 1 | $445,237 | 0.1% | $890,473 | 0.1% | $1,113,091 | 0.2% |
| **Truck to Intermodal Conversion** | **Scenario 1**: Shipper Existing Intermodal Lanes (comparing Shipper's Truck vs Shipper's Intermodal LH+FSC spend by lane) | Phase 1 | $2,566,447 | 0.3% | $5,132,895 | 0.7% | $6,416,118 | 0.9% |
| | **Scenario 2**: Truck lanes with potential opportunities for Intermodal Conversion (comparing Shipper's Truck vs Uber Freight's Intermodal Benchmark by lane) | Phase 1 | $1,157,117 | 0.2% | $2,314,235 | 0.3% | $2,892,794 | 0.4% |
| **Continuous Truck Moves - Shipper Network Only** | 1. Drop/Drop Scenario - Closed loops Truck Dry Van opportunity within Shipper network only (Linehaul savings) | Phase 1 | $17,206 | 0.0% | $34,413 | 0.0% | $43,016 | 0.0% |
| | 2. Dry Van Overall Scenario - Closed and open loops Truck Dry Van opportunity within Shipper network only (Linehaul savings) | Phase 2 | $539,037 | 0.1% | $1,078,074 | 0.2% | $1,347,592 | 0.2% |
| | 3. Refeer Overall Scenario - Closed and open loops Truck Reefer opportunity within Shipper network only (Linehaul savings) | Phase 2 | $115,799 | 0.0% | $231,599 | 0.0% | $289,499 | 0.0% |
| **Continuous Truck Moves - Colaborative Tours Shipper + Uber Freight Shippers** | 1. Drop/Drop Scenario - Closed loops Truck Dry Van opportunities in collaboration with Uber Freight shippers (Linehaul savings) | Phase 3 | $167,449 | 0.0% | $334,898 | 0.0% | $418,623 | 0.1% |
| | 2. Dry Van Overall Scenario - Closed and open loops Truck Dry Van opportunities in collaboration with Uber Freight shippers (Linehaul | Phase 3 | $197,796 | 0.0% | $395,592 | 0.1% | $494,489 | 0.1% |
| | 3. Reefer Overall Scenario - Closed loops Truck Reefer opportunities in collaboration with Uber Freight shippers (Linehaul savings) | Phase 3 | $70,207 | 0.0% | $140,414 | 0.0% | $175,518 | 0.0% |
| | 4. Lanehub Scenario - Closed loops Truck Dry Van and Reefer opportunities in collaboration with Uber Freight-Lanehub shippers | Phase 3 | $2,616,608 | 0.4% | $5,233,216 | 0.7% | $6,541,520 | 0.9% |
| **Consolidation & Optimization** | **Scenario 1**: 24h shipping window consolidation. (same-day) | Phase 2 | $4,099,612 | 0.5% | $8,199,224 | 1.1% | $10,249,030 | 1.5% |
| | **Scenario 1**: +/- 1 day shipping window | Phase 2 | $4,676,987 | 0.6% | $9,353,973 | 1.2% | $11,692,466 | 1.7% |
| **LTL Pooling** | LTL Dry Van shipments. Two scenarios: Northeast to Southeast and Midwest to Southwest | Phase 2 | $86,507 | 0.0% | $173,014 | 0.0% | $216,268 | 0.0% |
| **Dedicated Fleet** | Current dedicated fleet domiciles + OTR (non dedicated fleet) dry van volume | Phase 3 | $5,742,197 | 0.8% | $11,484,395 | 1.6% | $14,355,494 | 2.0% |
| | Potential New Dedicated Domiciles - Truck **Dry Van** | Phase 3 | $45,571 | 0.0% | $91,141 | 0.0% | $113,927 | 0.0% |
| | Potential New Dedicated Domiciles - Truck **Reefer** | Phase 3 | $1,874,142 | 0.3% | $3,748,285 | 0.5% | $4,685,356 | 0.7% |
| **Total** | | | **$19,284,702** | **2.7%** | **$38,183,609** | **5.4%** | **$48,108,129** | **6.8%** |

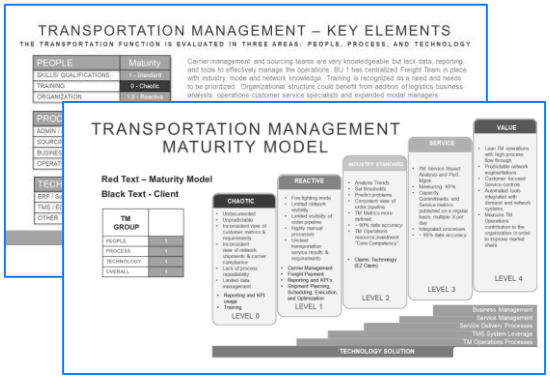
# Assessment sample output



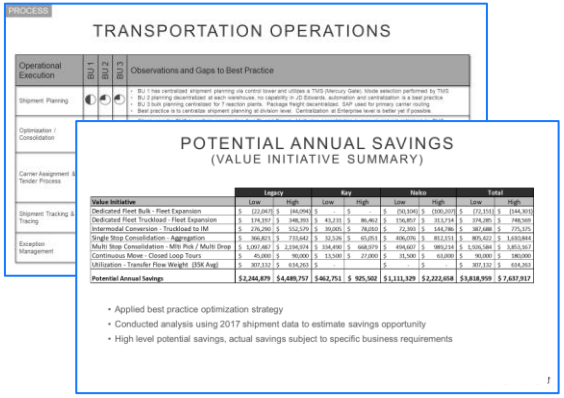

Baseline and current state analytics



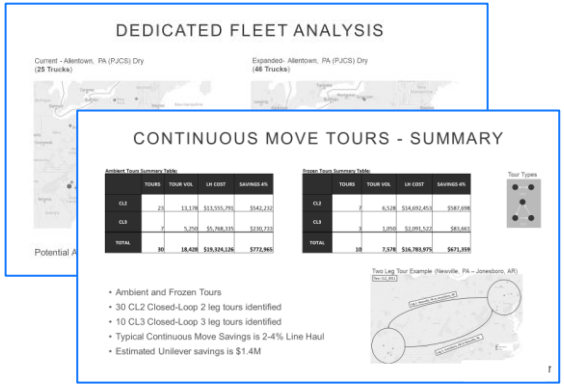

Market benchmarks



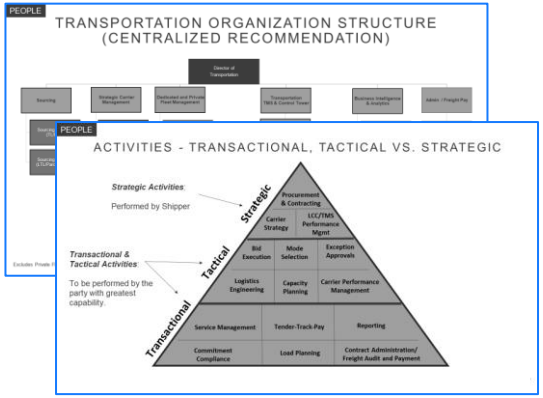

Maturity model




Process and cost improvement




Optimization analysis




Structure and resource strategy

# Case study

Transportation assessment

## Customer overview

- Large CPG Company was challenged to identify savings programs on over $400 million in annual spend
- Desired to benchmark current operational performance and capability vs peers in the market
- Needed to address increasing costs and declining service across multiple modes

## Questions to answer

- People
  - Are our people focused on the right areas? How can they identify opportunities?
- Process
  - Do we have the right decision processes when selecting modes, carriers and lane awards?
- Technology
  - What systems are in use, reporting, metrics?

## Why Uber Freight Consulting

- Best practice opportunity analysis
  - Sourcing
  - Planning & execution
  - Shipment Optimization
  - Dedicated fleet
  - Freight payment
  - Reporting
- Ability to address all shipment flows
  - Inbound, transfers, and customer outbound

## Recommendations and outcomes

- Complete Transportation Assessment identified 10 target areas for improvement
- Recommendations
  - Detailed optimization of existing dedicated fleets and new locations to expand dedicated services
  - Lane priority to increase use of intermodal across the network
  - Programs identified to implement LTL pooling, load consolidation and continuous move programs

**Annual savings potential of 13%**

# Fleet assessments

# Current trends driving assessments

Shippers are making **slight fleet size reductions**, but trying to retain dedicated when possible

Review of people, processes, and tools to identify gaps and **process improvement opportunity**

Determining the right **lane fits** for dedicated based off business goals – service & cost

Identify **optimization** opportunities based on historical routings with consideration to seasonality and business rules.

Some shippers see a decrease in dedicated backhaul revenue share and are evaluating **continuous moves, and third party backhaul opportunities**

Evaluating dedicated **fleet procurement practices** including benchmarking of current rate, contract terms and accessorial costs

Shippers **rationalize the need for dedicated fleet** as capacity loosens in ‘22 and into ’23

# Fleet assessment and active fleet management

Assess

Implement

Active management

**Baseline analysis**

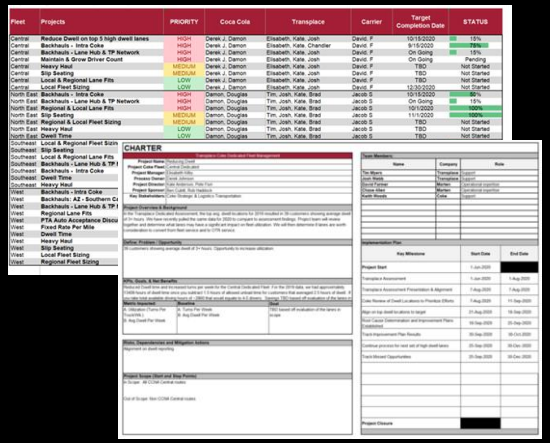
- Data Scrub/validation
- Establish baseline
- Develop data summary
- Current state cost and utilization performance

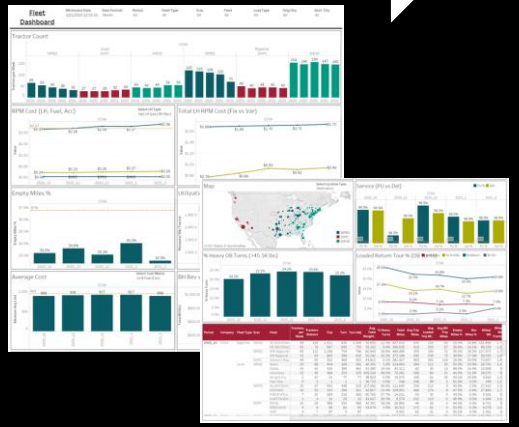
**Benchmark**

- Compare to OTR
- Compare to dedicated cost
- Contract review
- Invoice audit
- Staffing
- Processes
- Tools

**Fleet analysis**

- Should cost model
- Fleet sizing
- Lane fit
- Intra shipper continuous moves
- Backhaul program
- Heavy haul evaluation
- Expansion opportunity
- Fleet operation evaluation




Current state and future state assessment

Project management

KPI selection and goals integrated with budget

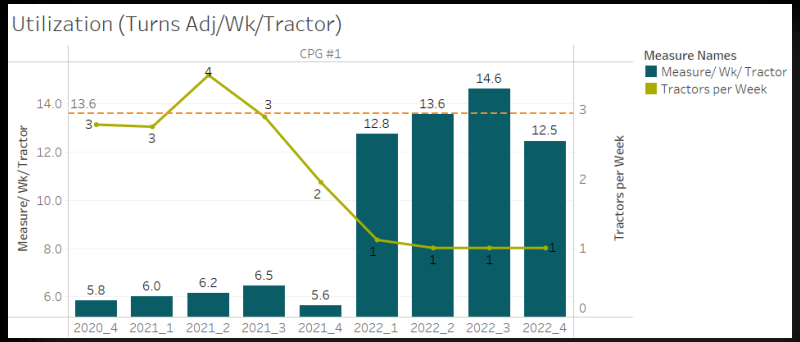
# Case study – utilization & right size

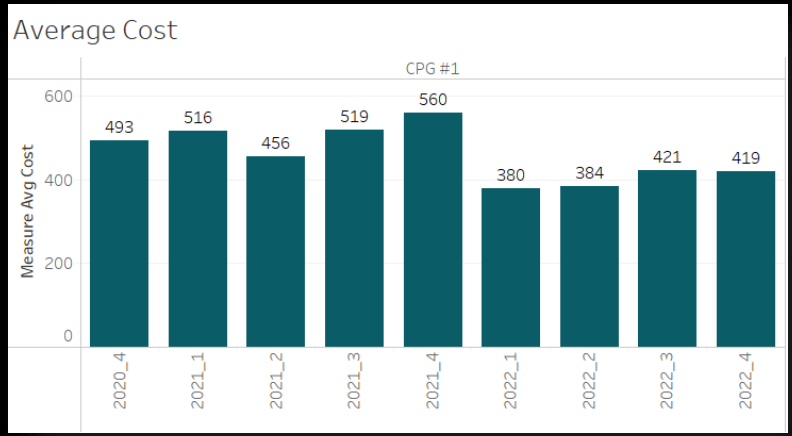
Fleet assessment

- Team had visibility to high cost and low utilization through the engineered fleet dashboard
- Local short haul fleet turns/per truck/per week were well below goal prior to 2022
- Network lanes were optimized in fleet modeling tool to identify the following:
  - **Optimal fleet size** given operational constraints
  - **Lane fits** that would result in highest utilization of trucks

**Optimization results:**

- Fleet size was reduced from 3 to 1
- Short haul freight added to fleet to replace some of the longer hauls the fleet ran
- Realized $75K in annual savings for 2022 based off a reduction in CPL (11% of Fleet Spend)



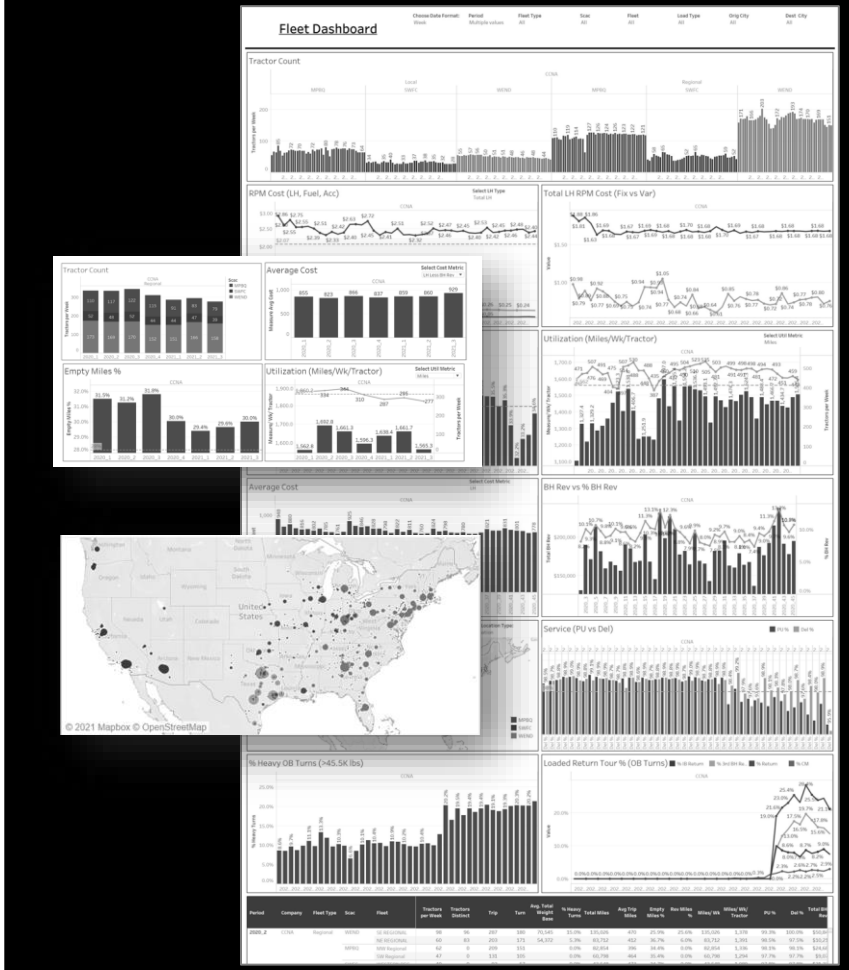
# Dashboard – dedicated

## Reporting

- Import weekly transactional (Trip) carrier invoice data (Fleet 1, Fleet 2, Fleet 3)
- Annual, quarterly, monthly, weekly view
- Measures and dimensions via defined rules, requirements & calculations
- Dashboards, visualizations and detailed reports
- High level KPI's via dashboards (Tractor Count, Utilization, Cost, Third Party Rev, Empty Miles)
- Lane level available

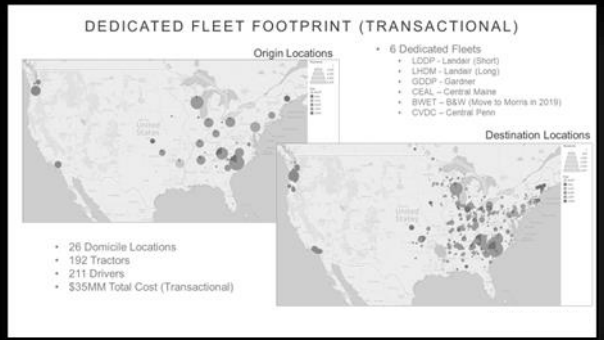
## Tool

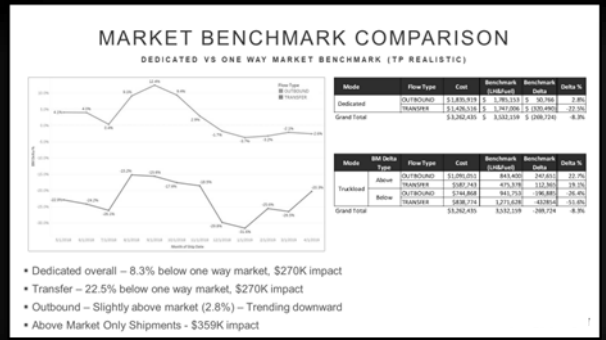
- Tableau – Business intelligence analysis software
- Workbook includes data extract for ad hoc analysis
- Filter by dimension, parameter, measure.  Drill down capability (Company, Fleet Type, SCAC, Fleet)
- Web enabled access – Uber Freight.bi.com

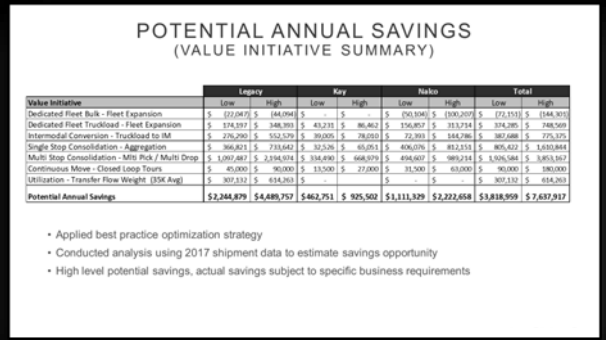


# Key takeaways – fleet

- Full fleet assessment should be completed at **minimum one-time per year** to ensure fleet is utilized and empty miles are minimal.
- Assess opportunities to **optimize fleet network** to maximize utilization and right size fleet
- Hold carrier accountable to backhaul revenue share and partner with providers who can assist in **carrier backhaul programs**
- **Visibility to trending KPI's** such as Miles or Turns/Per Wk/Per Truck, Empty Miles, Costs, and Service are key to sustainable fleet management
- **Active fleet management** is necessary to drive continuous improvement and manage network and market changes



# Warehouse assessments

# Current trends driving assessments

Shippers **continue to right-size inventory** and rationalize space commitments

**Automation and efficiency** are key to maintain productivity amid labor challenges

**Flexibility and resiliency** are becoming a priority for companies of all sizes

Strategic network design results in a changing distribution footprint

Demand volatility and omnichannel require **visibility and flexibility** across all locations and levels

Offset inflation through **Continuous Improvement**

# Facility assessment steps

**Step 1**

Pre-kickoff project launch, data collection, and self assessments

**Step 2**

Kickoff, education and vision development

**Step 3**

Functional area mapping and process review

**Step 4**

Functional area current state analytics

**Step 5**

Current state report out

**Step 6**

Future state and roadmap development

**Step 7**

Future state report out, roadmap and next steps

Items that could impact timeline and scope:

- Square footage of facility
- Data availability
- # of Manufacturing Lines
- # of processes/functional areas to review
- Systems material ordering capability
- Historical metric availability
- # of and types of equipment
- # of SKUs
- # of racking types
- PFEP maturity and availability
- # of Future state conceptual designs
- Inventory Right sizing included

Questions to answer:

- What KPI's are needed?
- How to improve Pick Accuracy?
- How to improve Inventory Control?
- What technology and equipment can help support the operation?
- How should parts be presented on the line?
- How should parts be stored in the warehouse?
- Can we free up space?
- Do we have the right amount of inventory?
- How much space do we need?

# Case study – assessment and design

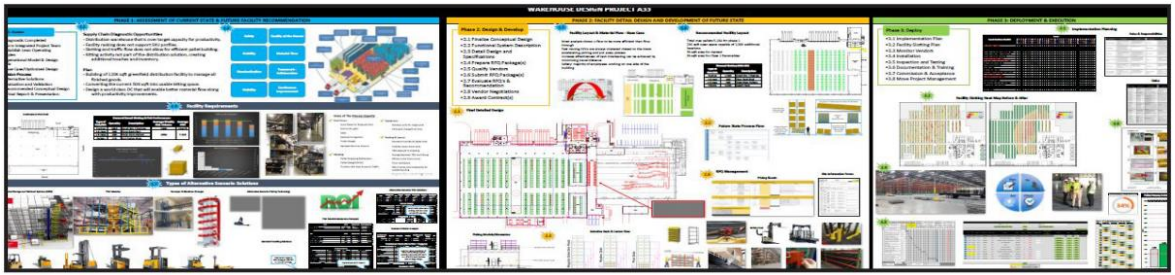
## Customer overview and pain points

- An automotive manufacturer's 50,000-sqft distribution center (DC) couldn't accommodate the company's future growth projections
- Finished good kitting functions were performed off-site due to lack of space and capacity in the current facility
- The DC's racking didn't support SKU profiles
- Manual activities and multiple touchpoints slowed processes
- The facility's design wasn't aligned with a picking strategy for optimal productivity
- Poor traffic flow inhibited pallet-building

## Successful outcomes

- 20% reduction in material handling costs
- Adjusting the picking strategy to select racking would yield a payback period of three years on racking material costs
- Kitting of finished goods could now be performed at the distribution center
- **34% cost reduction** by implementing these solutions

*Warehouse detailed design*



*Assess, design, PMO project report out*

# What we're seeing with customers

- Assessments – understand and optimize transportation, fleet and warehouse operations
- Focus on bids and procurement – implementing or planning network bids, mini-bids
    - How to balance "market forces / opportunities" vs. network stability and core carrier partnerships
- Inbound freight – visibility, cost claw back, shift management and cost visibility
- LTL – less aggressive pricing than TL, but many carrier-specific changes
    - Good opportunity for resetting carrier service regions
    - Revisit pools and other programs vs. current TL market
- Onboard and integrate new team members after record supply chain churn and turnover
- Turning the lens internally to warehouse optimization - maximizing labor, evaluating optimization
- Optimize networks – product flow, capacity for growth, rationalize space
- Sustainability focus and initiatives regaining momentum for CPG, retail, and other industry shippers

# Q&A

Uber Freight