WEBER INSIGHTS
LOGISTICS

10 Tips for Sourcing Refrigerated LTL for Food and Confectionery Distribution

What you want – and don't want – in a provider





If your company produces food and confectionery products, chances are you're already familiar with refrigerated LTL services such as those provided by third-party logistics (3PL) companies.

The question is: is your current LTL delivery network as safe, efficient and cost-effective as it could be?

To help you answer this question, we've assembled this guide to refrigerated LTL distribution to identify the characteristics you want to see in your LTL provider – along with some you don't.



(FOOD) SAFETY FIRST

When looking for a Refrigerated LTL provider, the first order of business is making sure that the provider can maintain the integrity of your products.

For temperature-sensitive products, a few degrees might spell the difference between a trip to the market and a trip to the landfill. 3PLs who handle food and confectionery logistics will deploy temperature-monitoring technology to monitor the environment through all phases of the supply chain – in the warehouse, on the dock and over the road. This information allows 3PLs to react quickly, if necessary, to bring the temperature back to spec.

Importantly, the proactive management of temperature integrity is no longer just sound business practice, it's the law. The Food Safety Modernization Act (FSMA) focuses on the prevention of foodborne illness and holds shippers largely responsible for defining what constitutes safe practices for food handling and transportation. These practices must be clearly defined in a Food Safety Plan. Adherence to this Plan – and the temperature requirements within (if applicable) – is an important responsibility of all members of the food supply chain.

Trusted external agencies such as AIB International perform audits of 3PL operations to ensure compliance with such regulations and award superior ratings to only those who fit the bill. If your prospective provider regularly undergoes such external audits, that's a good sign that it 'walks the walk' when it comes to food safety.

Additional ways to see if your provider is buttoned up when it comes to temperature-controlled product safety include:

- Ask how reefer trailers are monitored during temperature-controlled transport. At the very least, they should carry digital thermostats that are easily visible to the driver. At best, data is transmitted via real-time connectivity, allowing dispatch managers to assure complete control.
- Ask about backup plans. If the cooling or system goes down, how will the company maintain the right temperature until it's repaired?
- Ask to see logs that show temperature readings over time.
- If the LTL provider also performs warehousing, take a tour of its facility. Temperature monitors should be visible in all locations, with separate units at the top and bottom of multi-level racking, and digitized records proving the integrity of temperature control the storage environment.



10 TIPS FOR FINDING THE RIGHT REFRIGERATED LTL PROVIDER

With food safety planted firmly at the top of your provider checklist, it's time to delve into the characteristics that separate the true reefer LTL pros from the rest of the pack.

1. LOOK FOR CAPABILITIES WITHIN YOUR PRODUCT TEMPERATURE ZONE.

At the risk of stating the obvious, "refrigerated" can refer to several different temperature zones. You will need to make sure your chosen carrier can handle your product's specific temperature range. For refrigerated LTL carriers on the West Coast, for instance, there are many that handle frozen, chilled or both.

2. LOOK FOR A PROVIDER THAT HAS EXPERIENCE WITH YOUR PRODUCT TYPE.

Once you are comfortable with your carrier's ability to keep your products' temperature within range, you'll want to know that it has experience carrying your specific type of product. After all, shipping packaged products (e.g., for confectionery distribution) requires a different skill set than fresh produce. References from other customers within your industry are invaluable in this regard.



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3. ENSURE THAT YOUR CARRIER CAN KEEP YOUR PRODUCTS SEGREGATED.

One of the biggest challenges shippers face with refrigerated LTL is keeping products segregated to avoid cross contamination – particularly odor-related cross contamination.

If your product is "sharing the ride" in an LTL reefer trailer with other food products such as onions, coffee, fish or pepper, your products could absorb the odors of those other products. Even packaged products can be affected by these scents. You want to make sure that your carrier can segregate products appropriately to prevent this from happening. This entails adequate separation within the trailer or carrying offending products on separate trailers.

Importantly, the culprits also include non-food products. The smell of various rubber products, for instance, will attach itself to virtually any product in the same trailer.

4. WEIGH THE PROS AND CONS OF MULTI-TEMP TRAILERS.

Modern transportation technology affords carriers the ability to ship different products with different temperature requirements in the same trailer. For instance, a refrigerated LTL carrier may store frozen food products in a bulkhead at the front of the trailer, while storing deli products farther back.

With truckload shipments heading from point A to point B, such multi-temp shipping is usually safe and effective. Temperatures are maintained in each zone and there is little risk of temperature degradation.

With refrigerated LTL transport, on the other hand, there are usually several stops that need to be made to different distribution centers. Every time a stop is made, trailer doors are opened and refrigerated air is allowed to escape. Once this happens 3 or 4 times, there is a high likelihood that enough refrigerated air will escape to make the temperature of each zone rise. And, as zone temps rise, there is a higher risk of your product falling out of its desired temperature range.

If your prospective LTL carrier uses multi-temp trailers, this is an important concern to discuss before entrusting your goods.



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5. LOOK FOR A HISTORY OF BEING ABLE TO MAKE RAD DATES.

The primary downside of a multi-stop truckload shipping strategy such as LTL is the unpredictability of delivery times. A frustrating reality of retail distribution is that trucks often get held up at retail DCs, making it difficult to hit RAD dates for subsequent appointments.

Retailers now put a premium on RAD compliance – your product needs to get there at the agreed time. Companies who miss delivery windows are now penalized via chargebacks and other fees. These penalties can add up quickly and can far exceed any cost advantage of multi-stop TL.

When you're vetting your prospective carriers, don't hesitate to ask for historical metrics related to RAD, on-time-to-appointment and other KPIs that matter to your business. The best providers will have an on-time-to-appointment record above 97%, while you'll want to see RAD – which can be affected by a variety of factors – above 90 in terms of percentage met.

6. LOOK FOR THE ABILITY TO MAKE DELIVERY APPOINTMENTS WITHIN 48 HOURS OF ORDER TENDER.

A key part of delivering an order on time is making the delivery appointment on time. Retailer DCs are notoriously busy and scheduling is not something that can be done at the last minute. Because of this, it is not uncommon for shippers to send orders to carriers before the freight even gets there. This gives the carrier ample time to schedule with the retailer and make all necessary preparations. To assess your prospective carrier's ability to schedule delivery within 48 hours of receiving the order, ask for its KPI reporting in this area.



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7. MAKE SURE YOUR PROVIDER'S TMS CAN DELIVER NECESSARY INFORMATION.

Much like delivery speed requirements, your reporting and invoicing requirements have likely kicked into hyper drive in recent years. As such, your refrigerated truck carrier will need to have a robust transportation management system (TMS) that can sync with your systems – and those of your vendors and/or customers – to deliver information electronically.

For most companies, manual reporting and invoicing simply doesn't cut it. They need information delivered quickly – sometimes within 24 hours. A typical example looks like this: Company A partners with a carrier to deliver product to retailers. Company A then needs freight management data (e.g., KPI metrics) sent to one vendor, freight payment data (e.g., invoices) sent to another vendor, and additional data (e.g., OS&D information) sent to itself. The carrier must be able to link its TMS system with all of these different systems to seamlessly deliver the necessary information expeditiously.

8. LOOK FOR DRIVERS THAT ARE COMPANY EMPLOYEES, NOT OWNER-OPERATORS (DEPENDING ON STATE).

In some states – especially California – there is an ongoing battle over whether certain "independent" drivers (e.g., drayage drivers) should be treated as independent owner operators or employees of the carriers they work for. In California, the state supreme court's landmark *Dynamex* decision means that – in the event of a lawsuit – drivers will be presumed to be employees of their carrier company and not independent. This opens the door for drivers who were ostensibly hired as independent contractors to later sue for wages and benefits.

Ultimately, BCOs who do business with carriers that appear on a state blacklist could find themselves on the hook for these wages and benefits as well. To avoid these potential headaches, many companies are avoiding non-asset-based truckers that use independent owner operators. Be sure to ask your prospective carriers whether they hire independent owner-operators so you can fully assess your potential risks.



10 TIPS FOR FINDING THE RIGHT REFRIGERATED LTL PROVIDER

9. CONSIDER WORKING WITH A PROVIDER OF INTEGRATED COLD CHAIN SERVICES.

Many companies have taken a siloed approach to logistics partnerships for product distribution: hiring one provider for drayage, one for warehousing, and several for OTR transportation. With an integrated supply chain approach, however, most or even all of these services may be performed and/or coordinated by a single provider, if that provider has the core competencies to handle all these services proficiently.

The biggest advantage of using an integrated service provider is that this provider takes ownership of – and accountability for – all of your logistics operations. You deal with one source to get any detail on any aspect of your distribution operation, from operational execution through performance reporting. This eliminates the time and resources spent managing multiple providers simultaneously.

It also removes any uncertainty as to who's responsible for what and the 'he said, she said' finger-pointing that comes with that.

10. CONSIDER POOL DISTRIBUTION AS AN LTL ALTERNATIVE.

The refrigerated LTL model benefits companies that don't have the volumes to ship full truckloads. An issue with this model, however, is that there are relatively few (compared to regular LTL) refrigerated LTL carriers in the U.S. Because of this, you will pay more for refrigerated LTL compared to other modes of transport. Additionally, LTL shipments can take as long as nine days to move long distances through the LTL terminal network, resulting in extra time on the road and extra touches of your product.

The pool distribution model, on the other hand, allows your products to share the ride (resulting in reduced costs) with other products heading to the same destination (e.g., retailer DCs). With this model, your long-haul freight moves in economical truckload shipments to one distribution point – typically the warehouse of a 3PL that offers temperature-controlled pool distribution. The 3PL breaks down your products and prepares them for final delivery. It also does the same for other companies' products that have the same temperature needs and are headed to the same destinations. The 3PL then combines your products with those of the other companies into full truckload shipments, and performs the final consolidated deliveries.



BUYER BEWARE: 3 CONFECTIONERY PRODUCT 'BAD HABITS'

Now that you understand several of the key characteristics you want to see in your prospective refrigerated LTL provider, here are a few bad habits to avoid.

BAD HABIT #1: GAMBLING WITH REEFER TRAILERS DURING WINTER

Winter is cold, right? Especially in the eastern part of the U.S. where much of the country's candy is manufactured. For some confectionery shippers, this "winter = cold" logic is enough to forgo refrigerated trucking and rely on Mother Nature to keep their candy at the appropriate temperature during transport. For them, it's a cost-saving measure that simply takes advantage of natural – and free – refrigeration instead of paying for it.

This flawed approach to candy transportation can result in costs far exceeding any anticipated savings. First, while the Eastern U.S. is typically cold during the winter, it is not consistently so. It's not uncommon for temps to rise to well-above-normal before plummeting back down below freezing.

Next, consider the weather in regions the shipment must pass through. If your candy is produced in Pennsylvania, sure it may be cold there and in surrounding states. But if it's heading west, it could easily face temperatures as high as 90 degrees during the winter in states like Nevada, Arizona, New Mexico and California.

In short, weather is too unpredictable to roll the dice on. It takes just one region on your route to have above-average temperatures and your entire load is at risk. The cost of the unsellable products will easily exceed the costs of refrigeration. So, play it safe with reefer trailers and ensure the appropriate conditions for your products on every leg of the journey.

BUYER BEWARE: 3 CONFECTIONERY PRODUCT 'BAD HABITS'

BAD HABIT #2: IGNORING LTL WEIGHT BREAKS

LTL is a fact of life in food and confectionery transportation, as it is in many industries. It can be expensive, yes, but often necessary. To mitigate LTL's expense, shippers can take advantage of weight breaks on LTL loads. This cost-saving measure can really add up over time – if companies prepare shipments with these breaks in mind (which they often don't).

LTL rates are calculated based on many factors such as weight, distance, freight classification, density, and relevant surcharges. For the weight component, the higher the weight the lower the cost per pound. So, a load between 0 and 499 pounds will be one rate (for each hundred pounds); a load between 500 and 999 pounds will be a lesser rate, and so on. Many 3PL providers will offer additional discounts on top of standard weight break discounts.

So, while LTL is going to be more expensive than other modes of transport, the cost can sting much less if you prepare your loads to take advantage of these weight breaks. If you have a load that is 1,998 pounds, can you get it to 2,000? Can you make your 4,945-pound load 5,000 pounds? These are the types of cost-saving questions you should ask yourself (and your 3PL) the next time you turn to LTL.

BAD HABIT #3: USING TRUCKLOAD STOP-OFFS INSTEAD OF POOL DISTRIBUTION

Some companies rely on full-truckload (TL) shipments for candy transportation, with stop-offs at multiple delivery destinations (this is known as Multi-Stop Truckload, or MSTL, shipping). MSTL is priced on an arranged TL rate with the carrier, plus additional costs for each stop. A typical MSTL haul may look like this: a full truck will travel from Pennsylvania to San Diego and make deliveries in Chicago and Phoenix along the way. The extra cost of the Chicago and Phoenix stops are added to the fixed Pennsylvania-to-San-Diego TL rate.

While it may seem like an efficient transportation solution, there are inherent problems with MSTL shipping. Namely, it is associated with high costs and decreased performance; it ties up two scarce commodities (truck and driver) for long periods of time; and it is often unpredictable, as carriers can turn down the additional stops.

Pool distribution may be a better option. With pool distribution, as mentioned above, you deliver your entire load to a 3PL at one of its consolidation centers. This method offers substantial cost savings vs MSTL, and it also prevents needless overlap of resources.



GETTING ON THE RIGHT TRACK

Refrigerated LTL can be an inefficient and cost-ineffective mode of transport, but those shortcomings can be mitigated with the selection of the right logistics provider.

If your current provider checks all of the right boxes in this article, then congratulations, you're on the right track.

If, however, you suddenly feel that your current operations fall a bit short of where they should be, then the time might be right to explore providers and find the best match for the transportation of your food and confectionery products.

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