

SARGENTO'S finely-aged upgrade

By setting reasonable goals, the converter and packager of cheese products upgraded its antiquated TMS, reduced its LTL shipments by nearly 30 percent, and brought its carrier relations into the 21st century.

BY JOHN D. SCHULZ, CONTRIBUTING EDITOR

About five years ago, Sargento Foods realized that its distribution planning, like a fine block of Swiss, had some holes in it. So, the Wisconsin-based, family-owned converter and packager of cheese products decided it was time to make some long-term, strategic changes.

Like many shippers in the early 2000s, Sargento was coping with an antiquated transportation management system (TMS) that did not have the ability to meet the company's changing operational requirements. For example, when its logistics team was planning its orders for shipments, the old software did so without considering cost, service, or contractual shipments to its carriers. Accessorial costs were simply ignored.

"Simply put, there were operational problems," says Keith Hartlaub, general manager of Sargento Transportation, LLC. Chief among those issues was the inability of the old software to take orders and combine them into efficient, point-to-point truckload moves.

Instead, loads moved through more inefficient and costly less-than-truckload (LTL) moves by carriers that were not always the most efficient on any particular lane. Carrier selection was hampered, and Sargento had a difficult time creating an accurate recording of its actual transportation costs.

It was time to change TMS providers, and by January 2006, Sargento was well into its search. "We knew we had to spend money to be more efficient," says Hartlaub, "but the question was how."

At the time, says Hartlaub, the key to Sargento's decision-making process was whether to build its own TMS system or go with a Web-based, on-demand solution. Upfront costs were certainly a major factor, but so was the ability of on-demand providers to add innovations cheaply in this rapidly changing technology.

"We thought the world of on-demand software was the way to go," recalls Hartlaub. That was due to the potential for an on-demand solution to build efficiencies into Sargento's



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network quickly and economically. “I was familiar with a company called Nistrevo Corp in Eden Prairie, Minn. It was one of five software providers interviewed, and finally was the winning bid,” says Hartlaub. Nistrevo has since been purchased by IBM, and rebranded as Sterling Transportation Management System, an IBM company.

And while there was a big cultural change in store for Sargento and its transportation department, the results speak for themselves. The company has been able to reduce its LTL shipments by nearly 30 percent due to the new system that allows Sargento’s logistics team to “bundle” those more expensive LTL moves into full truckload moves.

There was also a 60 percent savings in overhead costs by automating freight bill payments, as well as an improved allocation of costs to more accurately reflect the precise cost of each shipment. Now, let’s take a look at how Hartlaub and the Sargento logistics teams was able to realize these savings.

GOAL SETTING

After the decision was made to change in the early months of 2006, Sargento set three major goals. First, it wanted an on-demand solution that was connected to a larger logistics network. Second, the team demanded strong TMS functionality that included comprehensive automated freight billing

capabilities. And third, they knew the over all outcome of the upgrade needed to improved overall logistics efficiency.

“It was intense, but fairly painless,” says Hartlaub of the three-month implementation period that ran from April to June 2006. Some work processes had to be changed, and there were many employee hours spent entering data before Sargento went live with the TMS. Previously, much reporting was done on paper, but now needed to be entered into computers. Phones and faxes were out, online data was in; employees had to be retrained; and trucking partners had to be informed of Sargento’s new way of conducting business.

Somewhat complicating matters was the fact Sargento has a 36-truck private fleet covering the eastern half of the country. It wanted to retain that private fleet for many multi-stop routes out of its three Wisconsin manufacturing sites in Kiel, Hilbert, and its headquarters in Plymouth. The majority of its distribution is out of Plymouth, about 60 miles south of Green Bay, and the company ships about 200 loads a week out of that location.

Under the old system, there was much more manual input, with freight invoices being done by hand. That system was scrapped in exchange for new electronic data interchange (EDI). There is much less faxing and phone

calls and more keystrokes. And while these cultural changes were necessary, Hartlaub says he was sensitive to employees’ resistance to too much change too quickly.

So the decision was made to keep all employees well informed of why these changes were made. They were told Sargento’s business practices had to change to become more efficient in the highly competitive world of food distribution.

“All people are adverse to change to some degree,” says Hartlaub. “There was a little bit of resistance that we had to get past, but it only took a short period of time. Our staff openly accepted it and moved on.”

Now that the integration and cultural hurdles over the new TMS methodology were cleared, Sargento enjoys much more efficient shipment planning, execution, and freight payment abilities. It’s now able to track performance of its more than 30 carriers, allowing them to identify areas to cut costs and increase efficiencies. Hartlaub’s team is also able to use the system for visibility and planning purposes and to accurately allocate transportation costs to its customers.

“It really is night and day,” says Hartlaub. “We understand the cost of a load before it’s tendered. We see the same rates as the carrier, fuel surcharges are identified up front, and when accessorial

occur, the carriers can add that to the invoice—but we know it in real time. We have the opportunity to approve or reject it up front and that has reduced billing errors substantially.”

BOTTOM LINE BENEFITS

In shipping nearly 24 million pounds of Sargento products every month, the company has enjoyed what it says is a substantial reduction in administrative costs through the automated freight payment function of their new TMS. The logistics organization has improved its allocation of cost, and, in a major operational benefit, it has seen a 15 percent drop in the cost per pound of their shipments—excluding the cost of fuel.

Much of that has occurred by converting more costly LTL moves into full TL shipments. In fact, Sargento’s percentage of LTL shipments has dropped by nearly a 30 percent, according to Hartlaub.

“The opportunity for a company like Sargento to build TL moves should be second nature to an organization, but sometimes it’s hard to see the forest for the trees,” says Gene Nusekabel, transportation and logistics industry marketing manager for Sterling Commerce, Sargento’s TMS provider.

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—Keith Hartlaub, general manager of Sargento Transportation, LLC

“TMS is only as good as the planning you can do.”

With calls for a capacity crunch coming in trucking due to tougher new rules to crack down on unsafe drivers, Nusekabel says the real winners among shippers will be those with ability to access capacity during peak periods. “With capacity what it is, companies need their transportation arm to get out there as soon as possible to lock in equipment,” he says. “Planning is a commitment, and the real leaders in transportation planning need to be thinking about that. You can have a

great supply chain, but it’s only going to be as great as your transportation carriers. If you don’t have capacity, you don’t have anything.”

ROAD AHEAD

Sargento is currently working on incorporating the movement of inbound freight into its TMS. According to Hartlaub, appointments and dock scheduling will begin later this year.

“At first, the initial reaction among our carriers was one of trepidation,” says Hartlaub. “Some of them were not computer savvy, but now they have to monitor e-mail and the Web. For a lot of carriers that was new stuff, but they’ve grown and evolved.”

Throughout the process, Hartlaub says he is proud that none of his 30 or so trucking partners has changed. But what has changed is the efficiency of his carrier network. “Things have gotten better and better...now it’s seamless,” he says of his carrier relations. “They like the way we interact with them.”

Nusekabel says the future is bright from the TMS provider side as well. He says fully automated TMS systems are only in use in 30 percent to 40 percent of logistics operations. “That indicates to us there is still a huge opportunity out there,” he says. Larger companies seem more willing to make the commitment of automating their systems, but the payback can be just as large on a percentage basis for smaller companies, he adds.

Hartlaub’s advice for shippers considering making the jump to an automated TMS system is simple: Do your homework; do the necessary advance planning; get support of upper management; and understand what you want it to accomplish.

“Shippers need to have a clear understanding of how their operation functions as well as the attributes of the systems they’re considering,” adds Hartlaub. “There are systems with more robust options, but you may not need them. We’re not a \$200 billion transportation company, but we got what we needed.” □

John D. Schulz is a Contributing Editor to Logistics Management

Do you have an appointment?

The next phase of Sargento Foods’ application with its new TMS will be dock and appointment scheduling for inbound and outbound trucks at their facilities.

“Right now we are first come, first served,” says Sargento Transportation General Manager Keith Hartlaub. “We’re going to be tightening up our appointment times for our carriers. Pickup and deliveries will be scheduled.”

The idea is to create greater efficiencies at Sargento’s overall supply chain operations. “We want to know exactly when the carriers are going to be here. It helps manage docks and the warehouse more efficiently.”

The plans call for dock appointment scheduling starting this fall, Hartlaub says. With that, Sargento will join a growing list of shippers who require advance scheduling from their trucking partners.

“Greater efficiency was the driving force, but we’re a growing company,” Hartlaub explains. “Along with that sales growth comes infrastructure growth; and sometimes your infrastructure growth is outpaced by the sales growth.”

To keep up with influx, Hartlaub said Sargento needed a better understanding of when their trucks would be onsite. Appointment scheduling allows more efficiency in that regard, he said.

“Instead of 35 trucks coming here all at once, hopefully we can spread that load throughout the day,” he says. “We can push that down the line so that we don’t have to pick and stage that particular order until we know that truck is coming. It helps manage our warehouse staff. Our carriers know it’s coming, and seem to be okay with it.”

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