

# Transport Topics

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## Warehouse Services: Finding Fulfillment on the Way to Delivery

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The movement of goods from where they are made to where they are used — a journey that sometimes can span the globe — is not a straight line.

Most products on store shelves — and an increasing number of components used in manufacturing — stop along the way at a warehouse where personnel repackage, reconfigure and, in some cases, rebuild products to make them ready for final delivery.

The importance of packaging and order fulfillment is reflected in the way many goods are transported.

Goods purchased online — from jewelry and books to furniture and appliances — are

shipped from facilities located near transportation hubs to shorten the time from when they are ordered to when they are delivered.

Home delivery services have expanded to include “white-glove” installation and hauling away old products.

Pharmaceuticals and other high-value goods are stored in special climate-controlled buildings to protect product integrity and potency.

Critical service parts for computers and telecommunications equipment and industrial machinery can be delivered in hours by local couriers drawing from stocking centers located in strategic locations throughout the country.

Providing these kinds of services is a new breed of innovative

warehouse operators and delivery specialists.

Claudell Germain, senior director of business development for Menlo Worldwide Logistics, a unit of Con-way Inc., said more customers want to bypass the distribution center and go directly to the customer.

Whether the delivery is to a big-box retailer or a private residence, Germain said, the product needs to be “in a ready state.”

John Wagner Jr., president of Wagner Industries, North Kansas City, Mo., is seeing more requests from Web-based retailers and start-up companies for help in distributing goods directly to consumers.

“Our systems are geared to do that kind of work,” he said. “That’s a growing part of our business.” Wagner operates in Atlanta,

Denver; Jacksonville, Fla. and Memphis, Tenn., and earlier this year struck a deal to acquire facilities in Little Rock and Pine Bluff, Ark., to expand its packaging and distribution business in that state.

“We’ve seen dramatic growth, even in the down economy, of large consumer durables sold online,” said Brian Gallagher, chief executive officer of HomeDirect USA, a company that provides nationwide home delivery services.

“What was once considered difficult to conceive — purchasing a mattress or distressed leather sofa online — now occurs regularly. We see no reason why this trend will not only continue, but grow, especially with the challenges that have occurred in traditional retail,” Gallagher said.

HomeDirect USA, which handled more than 800,000 deliveries in 2008, moves goods through a network of 95 facilities using a fleet of 1,100 straight trucks and 200 tractor-trailer units that are equipped with air-ride suspensions, lift-gates and cushioning pads and straps.

Delivery and installation of high-end consumer electronics and home furnishings is a growing part of the business for NonstopDelivery, Chantilly, Va., said Steve Senkus, president.

The company uses a network of independent contractors with a fleet of about 1,200 trucks to provide delivery services nationwide.

Evans Distribution Systems in Melvindale, Mich., specializes in handling parts from overseas



## ‘White Glove’ Warehousing Merges Product Prep, Delivery in Online Age

suppliers for U.S. automakers. The company receives, inspects and reloads components into reusable totes that are delivered at precise times directly to assembly lines.

Although a sharp downturn in auto sales has temporarily reduced the volume of that work, Leslie Ajlouny, vice president of business development for Evans, said she expects demand to continue to grow as more suppliers set up production in lower-cost countries.

“Mexico is a growing source of low-cost parts manufacturing,” she said.

Ajlouny also expects more companies to outsource warehousing and distribution services to cut costs.

“People are looking for more flexibility,” she said. “Instead of hiring people and leasing space, they can partner with us.”

Larry Ravinett, senior vice president of National Retail Systems, Secaucus, N.J., said automation has changed the nature of his business, which takes clothing and other consumer goods coming into the United States from overseas and prepares the items for shipment to stores.

What used to take 600 people working in three buildings is now done by fewer than 100 people in one building as cartons move along high-speed conveyors to be loaded onto trucks.

“It has saved retailers a lot of money,” Ravinett said.



Ravinett

National Retail Systems

The company is now working with Sinotrans, the largest logistics company in China, to automate distribution centers in China and help U.S. retailers to distribute goods in China and elsewhere in the world.

Howard Li, president of Waitex International, a warehouse operator based in New York City that also specializes in imported merchandise, said companies are looking to reduce costs by outsourcing warehousing and order fulfillment activities.

“There are more and more requirements on shipping, timing, packaging, transportation and communications,” Li said.

To accommodate those needs, Li said his company has invested heavily in technology, including electronic data interchange systems to speed up business processes and improve efficiency.

“Technology is an expense but a necessary one to stay relevant in today’s business environment,” Li said.

For many warehouse operators, having a fleet of trucks to make deliveries is a vital part of their service offerings.

“It’s no longer unusual to see warehouses operate trucks,” said Joel Anderson, president of the International Warehouse Logistics Association in Des Plaines, Ill. “Our guys make money by moving stock through the warehouse.”

Verst Group Logistics, Walton, Ky., has about 100 trucks to handle about 60% of outbound deliveries within 300 miles of its warehouses. Owner Paul Verst said that he would like to do more of his own deliveries because it helps the company to meet strict deadlines for the delivery of time-sensitive promotional materials.

“We are starting to buy over-the-road sleepers and hire more drivers,” he said. “We want to keep more [freight] on our own equipment.”

Ajlouny of Evans said her company runs about 60 of its own power units for regional and dedicated runs and uses outside carriers for longer hauls.

Wagner said he had adopted an “asset-light” business model in which most deliveries are handled by outside haulers and company-owned equipment is reserved for dedicated runs.

“We once ran a good-sized fleet,” Wagner said. “We discovered that when you own the truck, you do what’s best for the truck. When you don’t own the truck, you do what’s best for the customer.”



Evans Distribution Systems

Wheels bound for auto assembly lines are inspected before shipment from an Evans Distribution warehouse.