

# The Journal of Commerce

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BY PETER T. LEACH

**L**ance Dvorak had a problem. As purchasing manager for BSI Door Hardware, he was worried about getting his company's new door handles to one of BSI's big customers in time to fill orders for new sliding doors that it expected from a February trade show in Orlando.

BSI imports parts for doors and windows made in China for painting and assembly at its plant in Sioux Falls, SD. The company couldn't afford to wait for its normal full containerloads of parts delivered by ocean freight and intermodal shipments from Seattle. But it also couldn't afford the cost of airfreight from China.

"We're in a huge rush in the months of September through January to get our new products in here," Dvorak said. "The only way we can make it sometimes is if we air the product in, and that's a huge cost for us." When his sales rep for Con-way Freight told him about its new service for less-than-containerloads from the Port of Ningbo, Dvorak jumped at it. "When I can bring this stuff in by boat and do it in 18 days, guaranteed, that was the solution for us, versus the standard time of 35 to 40 days by boat and rail method," he said.

Dvorak contacted APL Logistics to arrange the shipment in late December. "My customer had product there to sell right after the show," he said. "The shipment arrived here in January, exactly 18 days after it was loaded on the boat in Ningbo."

The solution to Dvorak's urgent delivery need was the OceanGuaranteed express delivery service that Con-way Freight and APL Logistics introduced last September for LCL shipments by ocean from Hong Kong, Shanghai and Shenzhen to Los Angeles and by truck to any U.S. point. Dvorak still uses Kuehne & Nagel's logistics service for BSI's full-container shipments from China, but he turns to OceanGuaranteed whenever he needs expedited deliveries.

The demand from importers for premium express service for inbound ocean shipments is increasing as supply chains grow longer and their need for guaranteed day-definite delivery grow more urgent. While the OceanGuaranteed service offers only LCL shipment so far, others are planning express shipments for full containerloads. Matson

fill the gap in the market between ocean carriers' FCL service and LCL by airfreight. "When we talked to a number of shippers, we discovered that it wasn't speed they were looking for so much as reliability," said Brian Clancy, a principal at the Arlington, VA, consulting firm. "Two-thirds to 80 percent of what they want is absolute certainty on

## An airfreight alternative

### Trucking companies join ship lines in express LCL services

Navigation Co. and J.B. Hunt Transport Services are launching their own China-Long Beach Express, a time-guaranteed delivery FCL service from Shanghai and Ningbo to any inland point in the U.S.

"We saw a growing demand for LCL services a few years ago, but shippers weren't terribly happy with what was available," said Bill Villalon, vice president, development, for APL Logistics in Oakland. He said ocean carriers' full container services are fairly reliable but that most ship lines have gotten out of the LCL business, leaving it to forwarders.

LCL shipment by airfreight, though highly reliable, is about 10 times more expensive than ocean. "It became clear that shippers needed a reliable ocean service combined with a trucking network on the other end, because rail couldn't provide the precision," Villalon said.

To determine the market for LCL services, APL Logistics and Con-way Freight commissioned a study by logistics consultant MergeGlobal. The study showed that there was an opportunity to

arrival, and that's not the same as speed."

The two companies decided to develop the OceanGuaranteed service after customer focus groups helped with its design. "The focus groups showed that customers couldn't find LCL services out there that were reliable to the point where they could bet their supply chain on them," said Ned Moritz, vice president of branding for Con-way Freight in Ann Arbor, MI. He said the advantage that OceanGuaranteed has over other LCL service providers is that APL and Con-way control their own transport and infrastructure assets, "which plays a critical role in making this thing happen."

Villalon said their customers told them that the available LCL services had transit times of "30 days to the East Coast, plus or minus 10 days, which translated into much higher inventory and pipeline costs for them, and that's where the big dollars are." The customers said the variability in FCL delivery times was forcing them to turn to airfreight or to filling containers partial-



Con-way Freight

Con-way Freight's venture with APL Logistics offers less-than-containerload shippers an express delivery service.

ly. He said the demand for reliable LCL service comes from retail and apparel importers, electronics and high-tech, and automotive components — “anything that is either high value, or where there is high opportunity cost, where there is either (potential for) stockout or potential for plant shutdown.”

To provide ocean-truck LCL service that's competitive with airfreight, control of transportation assets is essential, Villalon said. APL Logistics' sister company, APL, controls its own container ships and terminals, so it is able to control the stowage and discharge of the containers shipped by OceanGuaranteed in its terminals. And Con-way controls its own trucking fleet. Most forwarders that offer LCL service have to contract with trucking companies and freight depots. “That kind of a network simply can't replicate the results you're going to get out of a precision day-definite network like Con-way has in the U.S.,” Villalon said.

“We treat the deliveries like they are domestic freight, except that they have to clear Customs,” said Con-way's Moritz. To avoid Customs delays from combining cargo from shippers who are

C-TPAT-certified with those who are not, the service divides the two types of cargo into separate containers. The shippers using the service are divided about 50-50 between those who are certified and those who are not.

The OceanGuaranteed service is priced on a simple 11-zone pricing matrix, depending on where the cargo is delivered. The shipments are not subject to any surcharges except for bunker fuel. BSI's Dvorak said he pays about 40 cents per pound for the express service, compared with \$1.50 per pound for airfreight, or 12 cents a pound for his regular ocean and intermodal FCL service.

Since it was launched, the OceanGuaranteed service has achieved 99.8 percent reliability, the companies say. The service guarantees on-time arrival or it will discount the price. Dvorak said BSI Door Hardware has had only one shipment that was a day late in arriving, “and that was because of bad weather, and the contract doesn't provide discounts for acts of God.”

The OceanGuaranteed service proved so successful that APL Logistics and Con-way decided in January to expand it to four other ports in Asia — Yokohama, Busan, Singapore and

Kaohsiung. They are considering expanding the service to other points of origin, including Latin America and Europe, and are also contemplating providing FCL express service.

Matson and J.B. Hunt plan to launch their joint China-Long Beach Express time-definite FCL service in May. “Our target market is the existing pool of customers who transload (from ship to truck) on the West Coast,” said Dave Hoppes, Matson's senior vice president of ocean services. “Additionally, there are some customers who don't transload now who are about to be hit with some significant increases in intermodal costs. We can offer them some economies because the J.B. Hunt 53-foot trailers can carry a lot more cargo than some of our 40- or 45-foot boxes,” he said.

“There's a niche market out there,” said Terry Matthews, vice president of sales and marketing for J.B. Hunt. “Some of the retailers that have hot items that were going by all-water to the East Coast can now go with us and get it there a week earlier.” ♦

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