When John Labrie joined Con-way Central Express in 1990, he quickly learned that the concept of a less-than-truckload carrier providing next-day service still had a lot of skeptics — 10 years into deregulation of the U.S. trucking industry.

Express carriers offered next-day small package services, but LTL freight shippers at the time didn’t expect a trucking company to do the same for their deliveries within a 500-mile radius.

“Still, in 1990, no other carrier was doing what we do,” said Labrie, who now serves as Con-way Freight’s president. “Customers wouldn’t believe you had a next-day service. Often they would give you shipments just to try and prove you wrong.”

However, Con-way did prove to shippers that the concept worked and subsequently witnessed a demand for its next-day regional services to expand, a trend that continues today.

Con-way started in May 1983 with the launch of Con-way Western Express with 11 service centers in three western states, followed one month later by the start of Con-way Central, with 11 locations in seven Midwest states. On their first day of business, the two carriers — which collectively began with 230 employees and 334 trucks, tractors and trailers — handled 113 shipments.

During those early days, Con-way’s business model, founded on a “service-first mentality” with a non-union workforce, dictated that trucks rolled whether their trailers were full or not. The vast majority of unionized LTL carriers at the time didn’t move without a full load, Labrie said.

Another major difference between Con-way and its competitors at the time was that its workforce participated in a profit-sharing plan, enhancing productivity and efficiency.

From the start, Con-way encouraged its drivers to get to know shippers and their specific freight requirements, essentially serving as a front-line sales force. “Our drivers became the greatest touch point with the customers,” Labrie said.

Other Con-way operations sprang up in the late 1980s and early 1990s, including Con-way Southern Express and Con-way Southwest Express. By 1993, after 10 years in operation, the Con-way companies had grown to 7,600 employees with more than 300 operating locations in 32 states, more than $800 million in revenue, and a fleet of 13,660 trucks, tractors and trailers.

“In just 25 years, we went from a small start-up operation with no customers to a thriving organization that serves over 100,000 customers a day in the United States, Canada, Mexico and Puerto Rico,” Labrie said.

In 2007, Labrie spearheaded a shift at the $3 billion LTL freight operation from a decentralized regional management structure to a centralized one headquartered in Ann Arbor, Mich. That move coincided with a rebranding of the business under the single Con-way Freight banner, which today represents a company with about 20,000 employees located at more than 400 locations, maintaining a fleet of more than 8,400 tractors and 25,000 trailers.

Network Refinements. Con-way Freight provides shippers with next-day LTL services, as well as two-day and even three- and four-day service across North America. On a daily basis, the company moves an estimated 60,000 LTL shipments totaling more than 72 million pounds, and requiring about 120,000 pickups and deliveries between cities.

With the rapidly rising cost of diesel fuel and changes in shippers’ logistics decisions during the past two years, the company has completely dissected its transportation network to find ways to save miles on the road.

“Using sophisticated computer modeling programs, we constantly analyze and tweak our network so every night we take the volumes for that night, and run the least number of trucks across the shortest routes with the fewest miles to move that volume of freight, while meeting our service commitments to customers,” explained Gary Frantz, a Con-way Freight spokesman. “The result: fewer miles run equals lower fuel consumption.”

Con-way Freight has taken a number of

The LTL evolution

25-year-old Con-way Freight perfects day-definite delivery.

By Chris Gillis

Con-way Freight provides shippers with next-day LTL services, as well as two-day and even three- and four-day service across North America. On a daily basis, the company moves an estimated 60,000 LTL shipments totaling more than 72 million pounds, and requiring about 120,000 pickups and deliveries between cities.
other steps to manage the impact of rising fuel costs. These include:

- Reducing the maximum highway speed of its trucks from 65 mph to 62 mph. This improves fuel mileage by two-tenths of a mile per gallon, and on a fleet-wide basis, is expected to save the company 3.2 million gallons of fuel annually.
- Reducing the weight of tractors and trailers. Con-way Freight has redesigned the manufacturing specifications for its trucks and trailers to make them lighter to use less fuel. These moves have so far shed more than 400 pounds from the weight of each unit.
- Reducing idling time. The company has reset the truck engine computers to turn the engine off if it is parked and idling more than three minutes. The previous standard was five minutes.
- Tracking tire pressure. Con-way Freight’s drivers each day now check the pressure of their trucks’ tires and trailers to ensure they are inflated properly to the optimum level of 100 psi. This used to be done once a week. Properly inflated ties have proven effective in reducing fuel mileage.

Con-way Freight officials have noted an increase in the LTL shipment weight coupled with a slower growth in overall shipment count. Thus today’s shippers are consolidating more products into larger shipments, and moving them less frequently in the current economy. The average weight per LTL shipment is 1,200 pounds, compared to 1,073 pounds five years ago.

The break point between LTL and truckload shipments has traditionally been between 10,000 and 15,000 pounds, but that’s also changed over time. Some freight analysts even target the break point at 20,000 pounds. It’s not uncommon for Con-way Freight to handle some LTL shipments that are more than 20,000 pounds, Frantz said.

“When there is ample capacity in the truckload market, these heavier shipments migrate to a truckload carrier,” he added. “When truckload capacity tightens, like it did in the first and second quarters of 2008, these heavier shipments migrate back to LTL.”

According to figures compiled by Donald Broughton of Avondale Partners, an industry research firm, more than 1,800 truckload carriers went out of business during the first half of 2008. Consolidation of the industry is expected to continue.

“For the surviving carriers in the market, particularly those like Con-way that are financially sound and continue to invest to recapitalize the business, it’s a good thing,” Frantz said. “As capacity and demand reach more of a balance, it tends to firm up pricing and improve yields.”

So far Con-way Freight’s actions have paid off. The Con-way unit reported July 23 that second quarter operating income increased 7.2 percent to $77.4 million. Tonnage increased 1.9 percent year-over-year, but that was down from 3.1 percent growth in the first quarter.

“The company executed well amid a challenging freight environment,” wrote analyst Jon Langenfeld of Robert W. Baird and Co. in a recent report. “We consider Con-way one of the best-run less-than-truckload carriers. The company’s nationwide scale of over 400 service centers provides it with the ability to support nationwide next-day and two-day service. This service-intensive model produces some of the highest yields (revenue per pound) in the industry.”

Parent company Con-way Inc., which also includes operating units Con-way Truckload and Menlo Worldwide Logistics, reported a 22 percent second quarter operating income increase to $94.9 million, compared to $77.6 million in the same 2007 period.

**Next-Day.** Labrie said in an interview that many LTL shippers still demand Con-way Freight’s next-day delivery services. Today, more than 80 percent of the company’s shipment volume is next-day and second-day delivery.

“What we are not seeing is shippers trading down, in other words, asking for three- or four-day service where our standard offering is one- or two-day service,” Labrie said. “Shippers may be moving larger shipments less frequently, but when they tender them to us, they want the fastest transit times we can provide. They want the quickest delivery available between the cities in which their product is moving — and it has to be consistent.”

It’s a theme echoed by many shipping managers. Particularly in today’s economy, where businesses are looking for any edge over competitors, moving goods with speed and consistency takes center stage.

With Con-way, “we can pinpoint a delivery day for the customer,” said Michael Bojorquez, distribution manager for Air Liquide American, a distributor of compressed gases in Fremont, Calif. “Most of our competitors have longer lead times. We can respond faster to our customers, and a lot of that has to do with Con-way’s service.”

For several years, Air Liquide American has used Con-way Freight as its main LTL carrier to provide both regional and national service.

Bojorquez said most of his LTL shipments require one- to three-day service. “With other carriers a shipment might take two days one time, and four days the next. Con-way’s is always on time. They have the best standards and reliability, and they go everywhere we need to be.”

Frantz said Con-way Freight continues to “push the envelope on the definition of next-day and two-day service” in its network and refers to this initiative as “extended service lanes.”

For example, Con-way Freight’s operations provide next-day service between Columbus, Ohio, and Newark, N.J., a 572-mile trip; and from Buffalo, N.Y. to Des Plaines, Ill., a 584-mile drive. Similarly, second-day services are available for city pairs such as Sioux Falls, S.D. to Charlotte, N.C. (1,302 miles), and Kansas City, Mo., to San Diego, Calif. (1,572 miles). The average length of haul for Con-way Freight’s LTL business is 716 miles, compared to 677 miles five years ago.

Labrie cites an evolving marketplace and the entrance into the LTL industry of large integrated competitors such as FedEx and UPS for much of the continued advancements made by Con-way Freight and others in the LTL industry.

“The emergence of FedEx and UPS has been a catalyst,” Labrie said in a recent Con-way Freight publication. “It’s moving us from a relatively low sophistication business into an age where we will become as sophisticated as any industry in the world.”

“We see regional development (among LTL carriers) becoming stronger at the end of the day given the tighter inventory requirements of shippers,” Todd Carter, vice president and general manager of global transportation management for Ryder System, a long-time Con-way Freight customer, told American Shipper. “When fuel reaches $4.50 a gallon or higher, shipping small quantities across the country without consolidation becomes increasingly expensive.”

The impact of modern logistics practices such as lean inventory management and just-in-time production also illustrates how shippers continue to demand — and reward — trucking services that bring speed and velocity to their supply chains. According to data from the SMC3 National Traffic Database, Con-way Freight is 17.7 percent faster than the competition, both on shorter and longer distances between city pairs, based on industry-average transit times.

“The real value (shippers) see from Con-way Freight is that we’re fast not just to major markets but also to second- and third-tier cities, the smaller and mid-sized
communities as well,” Labrie said. “Also with us, it’s one driver, one network, one pickup, one delivery, no matter if its next-day regional, inter-regional or long-haul cross-country.”

**LCL To LTL.** Con-way Freight has also expanded its North American service offering to include day-definite delivery for less-than-containerload ocean freight.

Formed in 2006 by APL Logistics and Con-way Freight, the service, called Ocean-Guaranteed, takes advantage of a void in the market between high-cost but reliable international air freight, and low-cost but inconsistent service for consolidated ocean shipments that take up less than a full container. Under the Ocean-Guaranteed program, shipments that fail to meet the delivery day commitment receive a 20 percent discount, subject to terms and conditions.

In April 2007, Tropical Shipping enlisted Con-way Freight in an export cargo service, called TropicalDirect, to provide shippers the convenience of a single point of contact to arrange their inland and ocean transport to the Bahamas and the Caribbean, rather than having to separately engage a trucking company and ocean carrier. Under through-routing, Tropical books cargo pickup with Con-way Freight and provides all-inclusive pricing and a single invoice. Customers can track shipments on either company’s Web site.

The Ocean-Guaranteed service, which is the most developed, includes four Chinese ports of origin — Hong Kong, Shanghai, Shenzhen, and Guangzhou. Customer demand prompted expansion last January from Yokohama, Japan; Busan, Korea; Kaoshiung, Taiwan; and Singapore. Last month, the program also expanded its delivery network, adding three major cities in Canada as destinations.

Ocean-Guaranteed freight moves on APL’s transpacific service to the containership operator’s Port of Los Angeles marine terminal where it is deconsolidated and fed into Con-way Freight’s network as LTL shipments for one- to four-day delivery to destinations throughout the United States and Canada.

“We’re mimicking the integrated carriers,” said Bill Villalon, vice president of land transportation services and product development for APL Logistics. “The service is not a closed loop, but has lots of the same characteristics.”

Even if the ocean portion of the trans-