



BUSINESS WHITE PAPER

Bringing Together Private Fleet & For-Hire Transportation Yields Improved Operational Result

Bringing Together Private Fleet & For-Hire Transportation Yields Improved Operational Results

There have been some interesting developments in the area of private fleet and for-hire carrier operations over the past few years. We have seen a significant increase in customer interest in solutions that integrate the planning and execution functions of shipments.

Previously, most private fleet operating businesses we had talked to viewed the fleet as a separately managed entity that was typically focused on outbound distribution. In some cases, the fleet would have static backhauls for inbound goods. For-hire carriers were typically managed by a different team.

Integrating the planning and execution of private fleet and for-hire raises some interesting challenges. While the objective is usually to provide the lowest cost of delivery, success demands that integration must encompass delivery training needs, equipment, special services, etc. The requirements for pricing, planning, and executing private fleet and for-hire assets however usually involve a very different information and business process. Unifying the data and business processes for effective control without becoming overwhelmed by complexity is a significant challenge. Before examining how the challenges can be addressed, it is important to first look at the various considerations that must be taken into account.

Assets Versus Agreements

When addressing effective private fleet operations, managers must consider such elements as asset utilization, driver and vehicle availability, driver skills, driver performance management and pay considerations. They must also take into account compliance issues, such as hours of service, vehicle inspections and fuel tax reporting. These are all significant factors in the planning and execution process. Having access to the detailed information and procedures for managing the people and assets required to operate the fleet is the basis for successful optimization and execution of fleet-based deliveries.

For purchased transportation, the asset management considerations are typically not a significant concern, with the possible exception of specialty transport. The primary basis for optimizing and executing for-hire transport activities is ensuring that suppliers on the transport lanes meet contract conditions. These include pricing agreements, coverage areas, equipment types (but not necessarily quantities) and in some cases, volume agreements. Having a set of reliable carriers on a lane ensures availability when volumes spike, or in cases where a carrier is short of equipment and has to turn down a tendered load.

Planning and Execution

While the general basis of modeling private fleet and for-hire carriers may boil down to assets versus agreements, things get much more interesting when looking at the planning and execution requirements.

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Planning for fleet operations requires a strong handle on the details that drive utilization, stop assignments and route scheduling. To accurately create multi-stop routes within and across days, it is essential to accurately calculate pre-, during- and post-trip stop service times, detailed mapping, turn restrictions, driver skills, precise pickup and delivery time windows, and dozens of other factors.

A similar level of detailed control is also needed for dynamic dispatch and tracking. Near real-time updates on truck position, route and stop status (en route, arrived, departed, etc.) initiated by either the driver and/or geo-fence penetration, must feed back into the scheduling engine. The scheduling engine must then understand these events and be able to intelligently update the route's current schedule status. It must also predict the future stop schedule and provide warnings based on the downstream impacts of route schedule changes. Decision support provided by the scheduling engine must also be aware of the current status of the route in order to properly advise on how to insert new jobs into a route's existing stop plan.

For purchased or for-hire transport, multi-stop routing is only one of the planning options. Shipment consolidation, pooling, continuous moves and mode selection based on disparate carrier pricing agreements must be considered. The planning activities are typically subject to a delivery day to be followed up with a specific appointment time. The shipper planning the route for the for-hire carrier is not concerned with the truck's point of origin or destination after their load is completed, nor managing the driver's hours. In other words, the shipper only needs to provide feasible plans that adhere to the contract, since the rest of the details are the burden of the carrier.

Executing loads with for-hire carriers entails message-based load tendering in a variety of forms, including EDI, IP-based communications, web portals, fax machines, emails and phone calls.

Adding the option of a fleet into the mix of for-hire carrier pricing, modes and equipment options provides an entirely new dimension to the analysis of which option to use when and where. When it comes to execution the levels of communication, control and visibility, options are totally different between private fleet and for-hire. A fleet can be equipped with handheld or in-cab devices that are tightly integrated into the routing and dispatch system. In the case of larger carriers, information from these devices may not be directly accessible to the shipper.

Combining Private Fleet and For-Hire = The State of Being United

The details of how to plan and execute across private fleet and for-hire operations is complex and requires the combined capabilities of a fully-featured route planning and dispatch solution and a transportation management system. These traditionally distinct systems must also be combined in a way that provides excellent usability, flexible business processes, and the ability to address the ebbs and flows between order management systems, carriers and fleets.

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Descartes has developed strong fleet management and transportation management solutions in anticipation of a growing customer need to integrate these functions. While most customers used to treat the domains as separate challenges, Descartes understood that the time would soon arrive when that balance would shift to uniting private fleet and for-hire planning and execution.

During our development process, we designed the Descartes Route Planner™, Descartes Dispatch™ and Descartes Transportation Management™ solutions that all share the same technology platform. This approach enables them to be deployed together and accessed via a single sign-on and an integrated navigation plan. Our solutions support workflows that allow freight to be analyzed against both private fleet and for-hire functions at the same time. Business rules are also incorporated that allow operators to override standard cost metrics to define how and when a private fleet option must be used. Our platform also supports the movement of freight back and forth across the private fleet and for-hire options as daily plans evolve.

In order for this advanced level of integration to be achieved, it must be applied from the initial solution design stages. Otherwise, it is very difficult to take totally disparate routing and transport solutions and arrive at a cohesive and useable solution. Combining private fleet and for-hire planning and execution is one more step towards the state of being united.

About Descartes

Descartes (TSX:DSG) (Nasdaq:DSGX) is the global leader in logistics technology. If logistics is critical to your business, Descartes connects the people and technology to put your organization in motion. We extend the command of logistics operations, helping the world's largest and most connected logistics community to quickly reduce costs, improve service and comply with customs and transportation regulations. Descartes' cloud-based Logistics Technology Platform uniquely combines the power of The Global Logistics Network, the world's most extensive multi-modal network, with the industry's broadest array of modular and interoperable web and wireless logistics applications. At our core, Descartes' team of industry-leading logistics experts is dedicated to delivering innovative solutions while working closely with our customers to help ensure their success. Descartes is headquartered in Waterloo, Ontario, Canada and has offices and partners around the world. Learn more at www.descartes.com.