CASE STUDY #6

A medium-sized general freight carrier is the subject of case Study # 6. This carrier historically rents doors at a freight consolidation warehouse and runs their operations from there. They have all their own staffing and equipment, however do not currently own their own facility. The composition of their freight includes both TL and LTL shipments, but the majority is LTL. Based on their customer profile and their shipping partners, the carrier has peak business in the summer months but is traditionally slower from January through March.

Pretty satisfied with their operations, this carrier was not really looking for a new solution. They were paying a fair price for the warehouse space they were using, and it did the trick for them. It was their accountant who pointed out how their fixed overhead really hurt during the slower months, and challenged them to find ways of reducing costs. Their existing landlord was fine with them renting less space, although eluded to the possibility of them losing access to that space to another carrier.

After meeting with Edmonton Cross Dock, the carrier realized how the unique variable costing model that ECD used could work to his benefit. Instead of sizing his warehouse needs to his peak season, the carrier reduced his warehouse footprint more towards his slower months and immediately reduced his overhead. If the carrier ever required more space or services, he could have access to a full facility on a pay for use basis. He didn't lose anything on opportunity costs, and he gained by saving the overhead for any period that he did not need it. In addition, he could also access the ECD board room, meeting room, or gain additional office spaces using the day-use option at any time.

KEY BENEFITS IDENTIFIED:

- The carrier enjoyed an immediate reduction in fixed overhead with no reduction in capacity.
- The carrier no longer had competitors vying for his space, customers, or key personnel.
- With Edmonton Cross Dock able to assist with peak business as required, the carrier was better positioned to scale up his business.
- The carrier had better control of his costs, and was able to demonstrate profitability even during the slowest periods of the year.
- The carrier had access to additional operational infrastructure including yard space, warehouse space, offices, and meeting space on a pay for use basis, so it didn't cost him anything unless he was actually using it and making money.