



# Tuesday Morning *shifts* modes

**The retailer's transformational best practice just so happens to be a move back to the rails in order to cope with growing truck capacity concerns—and it did so with the help of its trucking partner.**

BY JOHN D. SCHULZ, CONTRIBUTING EDITOR

**T**hese days, trucking companies are facing increasing capacity constraints as the economy creeps toward recovery. Equipment is more expensive, drivers are getting harder to find, fuel costs are rising again, government regulations are becoming more restricting, and hours of service could be tightening. And when the economy finally does come around, it could become even more challenging to find precious capacity.

Logistics leadership at Tuesday Morning, a Dallas-based retailer specializing in upscale closeout merchandise with 865 stores across the U.S., saw these potential stumbling blocks forming as early as 2006.

Truck capacity started to tighten that year—perhaps the last really strong year for trucking companies. And since Tuesday Morning's stores function on an event basis, its major challenge was getting store merchandise from its origin through distribution channels and into their stores by a specified date and time for their more than

20 specialty sales events per year.

Taking all this into consideration at the time, Tuesday Morning started looking for ways to save money while meeting its tight deadlines—and what the team came up with was a solution ahead of its time. They decided to use rail intermodal out of the West Coast ports to a single, national distribution center (DC) just outside of Dallas.

To make this happen, Tuesday Morning got intermodal help from an unusual source: its trucking partner, Averitt Express. The carrier, like many trucking organizations these days, prides itself on finding multiple solutions for its customers, even when it might involve other modes.

"We started to take a hard look at intermodal for our inbound needs in the fall of 2006 during peak season," says Cheryl Bailey, Tuesday Morning's logistics manager for transportation. "We found that it gave us many options."

Bailey says that because of physical limitations on how much product it could store at

**Left to right: Jerry Kemper, general manager of transportation; Cheryl Bailey, transportation logistics manager; Brian Turner, director of transportation and planning**



PHOTOS BY JENNIFER BOOMER/GETTY IMAGES

its Texas distribution facility, the logistics team realized that it could better manage its inbound flow when freight was put on the train. Line-haul savings were substantial; service was as good or even better than the truck at times; and there were no worries about capacity.

In turn, Tuesday Morning's long-haul solution became as unique as its collection of one-time merchandise it sells in its stores. Here's how the retailer's relationship with its truck carrier lead them to ride the rails to increased profitability and rack up transportation savings that continue to this day.

#### **GIVE RAIL A CHANCE**

According to Bailey, Tuesday Morning has worked in concert with Averitt, one of its primary truckload (TL) and less-than-truckload (LTL) carriers since 2005. Back in 2006, a portion of Tuesday Morning's product was arriving at Averitt's PortSide distribution center in

Long Beach, Calif., and transloaded by the carrier to over-the-road trailers for movement via truck to Farmers Branch, Texas—a gigantic, 1.7-million-square-foot group of facilities located just outside of Dallas.

To get to that facility in the most cost-effective manner, Tuesday Morning began substituting the Union Pacific Railroad (UP) for the 1,420-mile linehaul between Long Beach and Dallas. Service ran about 58 hours. Tuesday Morning's logistics team as well as their carrier partner both claim that the service reliability was identical to truck, with obvious dividends. "Simply put, the rates were better and the capacity was better," says Jerry Kemper, general manager of transportation of Tuesday Morning.

Now they just had to work on a strategy to make intermodal an integral part of the plan. Tuesday Morning's distribution to its network of 865 stores

is unique among national retailers in that it has chosen to cover the nation with its one DC in Farmers Branch—a move that puts planning and storage at a premium. In fact, due to the amount of freight coming inbound, the team found that storage actually became limited at the gigantic facility.

The logistics team discovered that with some advanced planning and coordination, rail intermodal deliveries could be spaced adequately apart to help alleviate storage concerns—without sacrificing service.

At the time, Tuesday Morning was utilizing about 30 to 40 core carriers. And while the shippers contacts at Averitt understood that sometimes the deadlines for this link of the supply chain were tight, it felt intermodal services could meet the majority of time demands while earning major savings. "It was an obvious decision," says Bailey.

### PUTTING RAIL TO WORK

So exactly how does the Averitt/UP partnership work for Tuesday Morning? Let's examine the process and how the team put the intermodal process to work.

It starts with much of Tuesday Morning's merchandise manufactured in the Far East. Those products are then shipped via ocean cargo to the West Coast ports of Los Angeles and Long Beach. Formerly, all that freight moved exclusively via truck to the Farmers Branch DC. But according to Brian Turner, Tuesday Morning's director of transportation and planning, truck capacity concerns created worries that moving exclusively by truck might crimp the company's lean distribution chain.

A few years ago, with the U.S. economy struggling, capacity concerns were not that great in the retail sector. "However, as the economy grew and capacity started to get tight, I needed to get ahead of the curve and do things like intermodal," says Turner. "When capacity starts to get constrained on the road, I'm still flowing my goods."

The Tuesday Morning team embraced the solution and started using intermodal services in March 2010. The transition was slow because they considered it a secondary option to its trusted over-the-road services. But after a few months,



**"It's a different service standard, of course. But once you get calibrated with that service standard, it's been my experience the rails are very dependable."**

— Jerry Kemper, General Manager of Transportation, Tuesday Morning

ises through its expedited services.

This multimodal approach is "definitely indicative" of what shippers are asking for these days, according to Mark Richards, director of truckload sales at Averitt. And factors such as the looming driver shortage and increased government regulations on truck driver hours of service could only make things worse, he says, adding that it won't take much of an economic uptick to make things even more challenging on the capacity front.

For Tuesday Morning, the streamlined service out of the West Coast is reliable and invisible to over-the-road truck. "Service has improved tremendously," says Richards. "Back in the day, train service just wasn't acceptable, and damage was a problem. But today,

however, the roles reversed and intermodal service became Tuesday Morning's primary mode of transportation from the West Coast. And when a delay is caused by an overseas provider, Averitt has the ability to make service prom-

## Why has intermodal service improved?

Like a lot of trucking companies, Averitt utilizes all of the nation's rail partners. Depending on geographic need, it uses Union Pacific and Burlington Northern Santa Fe in the West, CSX and Norfolk Southern in the East, and the Florida East Coast Railway up and down the Eastern Seaboard.

"Our relationship is very strong with all the rails," explains Mark Richards, director of truckload sales at Averitt Express. "You'll see that with most trucking companies."

A decade or two ago, the main complaint about the rails was their service levels, or lack thereof. The old saying was that when a truck is late, the delays run in the minutes and hours—when a railroad is late, its delays are in the days and weeks.

So what's really driving the improved service on the rails? Along with other large freight transportation companies, UPS is largely credited with driving the service improvements on the rails. The nation's largest transportation company is the largest rider on the rails and will spend upwards of \$4 billion this year on rail service. J.B. Hunt, the nation's fifth-largest truckload carrier, gets more than 40 percent of its revenue these days from rail intermodal.

"Those carriers, along with Wal Mart, are what's driving that improvement," says Richards. "They told the railroads years ago that they would like to use more rail, but they can't live with the type of service they were providing." And the railroads listened.

They started hiring scores of top

executives from trucking companies. For example, the Burlington Northern Santa Fe's chief marketing officer nowadays is John Lanigan, a former top operations executive with Schneider National, the nation's second-largest TL carrier.

And with moves like that rail operations changed. Railroads now routinely run what's called "sprint" trains that run non-stop. In the past, rails mixed boxcars with general commodities; but today, trains from the West Coast to Dallas no longer stop in remote outposts like Amarillo to drop two or three cars and reconnect others, causing delays.

"They're now loading West Coast to Dallas and running direct without making any stops," says Richards.

—by John D. Schulz, Contributing Editor

trains run straight from the West Coast into Dallas and Houston in 58 hours to 62 hours, and you can count on it.”

### **SOLUTION IN ACTION**

A generation ago, shippers who used rail service as a substitute for truck were shocked by the poor service levels. A series of messy rail mergers a decade ago did nothing to improve that service. But fortunately, times have change and the railroads have improved.

“Rail carriers are just as dependable as truckload these days,” says Kemper. “It’s a different service standard, of course. But once you get calibrated with that service standard, it’s been my experience the rails are very dependable.”

Kemper, who came to the retailer from the less-than-truckload (LTL) side, said that when LTL carriers began using rail a decade ago it was to compliment their over-the-road service. “That’s what we’re seeking to do as well—compliment our over-the-road carriers. Some of our over-the-road carriers are intermodal as well, so it works out,” he said.



**“We’re limited in storage space, and that’s the driving factor. If we don’t have a place to unload the box, we have to store it. If we return the boxes, we can bring more in.”**

— Cheryl Bailey, transportation logistics manager

Turner now calls the rail option “vital” to Tuesday Morning’s overall supply chain strategy. “As we look at that strategy going forward, it’s a strategy we have to consider. Intermodal is cheaper than over-the-road. If we can do it and maintain the same level of efficiency, we’re going to do it.”

While Bailey declines to provide exact savings from use of intermodal, she did called it “significant.” Tuesday Morning currently utilizes intermodal for 20 percent of its overall transport, with 80 percent still going over-the-road. However, she says that the ratio could change going forward. “It will depend on how much we utilize rail for outbound,” she says. “We’re limited in storage space, and that’s the driving fac-

tor. If we don’t have a place to unload the box, we have to store it. If we return the boxes, we can bring more in.”

But given the cost savings, Tuesday Morning now looks at intermodal service as a viable transportation option in all lanes that exceed 500 miles. And Averitt, one of its main transportation partners, says its fine with that. “Tuesday Morning is an excellent customer,” says Averitt’s Richards. “Intermodal is a piece of that, and it’s going to grow a lot with them. In fact, I don’t want to call them a customer or client—it’s a true partnership. We share a lot of knowledge and we share a lot of ideas.” □

---

*John D. Schulz is a Contributing Editor to Logistics Management*