2009 NASSTRAC SHIPPER OF THE YEAR
USG keeps score

By PATRICK BURNON, EXECUTIVE EDITOR

By putting fuel costs in check, making carriers accountable, reducing total freight claims, and maintaining carrier acceptance rates above 99 percent, USG rose to the top of its game—and took customer satisfaction to new heights in near record time.

With consumer confidence at an all-time low, one might expect a major supplier of building systems to show concern. But Janet Kemp, manager of carrier operations for USG Corporation, says: “No problem.”

She believes that what matters to their core customer base of contractors and subcontractors is service and a long-term commitment. “Relationships are our foundation,” says Kemp, echoing the company’s mission statement; but she brings more to the discussion than just corporate-speak. Kemp is the person behind USG’s effort to build and sustain carrier partnerships and to make sure her operation remains poised for the inevitable rebound.

Sensitivity to relationships extends to the greater community as well, says Kemp, noting that USG has also made great strides introducing environmentally cleaner, more fuel efficient transportation options.

“We all have to be sitting at the same table and agreeing on what’s important,” she says. “That’s why we’re now seeing a level of collaboration between shippers and carriers that is really without precedent.”

It’s this cooperative attitude that earned USG the 2009 NASSTRAC Shipper of the Year award. The award is given in recognition for outstanding achievement in transportation and distribution and is presented annually to a member of the National Shippers Strategic Transportation Council (NASSTRAC), an organization that provides education, advocacy, and networking for professionals in all areas of transportation. The award is presented by NASSTRAC and Logistics Management magazine.

NASSTRAC points out that USG’s collaborative approach is providing its suppliers and customers with service reliability and a predictable pricing model that’s remarkable in even the best of times. Here’s how Kemp and the USG logistics team put fuel costs in check, made carriers more accountable for service levels, and maintains carrier acceptance rates above 99 percent on their way to the top of the logistics management rankings.

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That’s where Kemp steps in. While only being with USG for about 13 months, Kemp brought her 25 years of “results driven” experience in transportation management with her to the new job at USG. Her previous tenure as director of supply chain business operations for USG provides education, advocacy, and networking for professionals in all areas of transportation. The award is presented by NASSTRAC and Logistics Management magazine.

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development at Coyote Logistics Inc., and as president and CEO at Practical Transportation & Logistics Solutions Inc., gave her a deep understanding of supply chain strategy.

And because she's a seasoned negotiator with well-established industry relationships at senior management levels, the fit was perfect for USG. Today, oversees the management of a $350 million flatbed and truck transportation network.

One of the chief challenges in her new role was putting fuel prices in check. The sudden spikes and dips in world market values over the past two years was making life for shippers and carriers untenable. To stem this disruptive tide, she quickly put new practices in place. “We knew that during periods of fuel price volatility, it was vitally important that we get surcharges set before we came into contract meetings,” she recalls. “That way there were no surprises. This requires both shippers and carriers to share information and make adjustments so that individual contracts can be created to customize service.”

With this in mind, Kemp and her team began crafting a new relationship with carriers that would use a lane sensitive fuel surcharge (FSC) formula. This means that mileage bands, which track distances covered, are used to match carrier fuel risk with specific lane characteristics. The team also created a “carrier portfolio strategy” with a committed request-for-proposal (RFP) schedule.

Craig Boroughf, USG’s director of transportation, says that Kemp’s approach was refreshing and well thought out. “She knew that some companies had made mistakes by negotiating this process during a sudden surge in oil prices,” he says. “This was especially common in 2005. She was not going to fall victim to a similar spike in 2009.”

Indeed, Kemp avoided that mistake by limiting its business to core carriers that not only kept charges in check but delivered on service. Many of USG’s current carriers have been doing business with the shipper for over 50 years. In fact, eight of its top 10 highest-volume carriers have been hauling USG’s freight for over 30 years.

Boroughf noted that USG’s RFP timetable is set in advance and the schedule is followed irrespective of market conditions at the time of the RFP. For example, USG doesn’t initiate an RFP out of cycle in order to take advantage of a soft market. Equally important to Kemp and her team is that its carriers stay financially solvent for the long haul. “Our RFP process allows for a price premium for incumbents and a soft second round opportunity when needed,” he adds.

On-time shipping performance is another critical metric for the team because the big box home improvement and construction markets are major areas of USG’s concentration. These carriers, says Kemp, require outstanding on-time delivery (OTD) performance and shipment status updates.

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“One of the challenges in improving on-time metrics was our carriers’ ability to meet the narrow delivery window requirements established,” she explains. Most of USG’s delivery windows range from six hours to only one hour for many home improvement store customers.”

By communicating the importance of these windows, and creating the reporting tools to identify each shipment’s OTD result, USG was able to work with its carriers to adjust its shipment processes to enable the carrier’s success. Simultaneously, USG reduced total freight claims, accelerated the settlement of any remaining claims, and maintained carrier acceptance rates above 99 percent.

**KEEPING SCORE**

Under Kemp’s leadership, USG recently implemented two new programs to benefit the carriers. First, The Carrier Certification Program awards carriers a certification rating that recognizes those who meet financial, operational, administrative, and infrastructure standards set by USG.

The second new program is the Carrier Scorecard that was created to ensure that its carriers are informed about the metrics on which they’re measured, that they are performing to expectations, and that they see how they are performing compared to other carriers.

Another major achievement, says Kemp, has been the sharing of backhaul lanes with a major home improvement store customer, allowing savings for both the customer and USG. “This not only contains cost,” she says, “but also helps solidify our relationship with the customer. We have common goals and—ideally—equally beneficial results.”

Kemp also cited USG’s consultative nature of partnering that has paid dividends for both parties. For example, her team determined that one customer could protect cargo in transit by using fewer protective wraps if they were placed more efficiently around the load. “So that by reconfiguring the way cargo is secured, we not only made it safer, but more economical,” says Kemp.

At the same time, USG adheres to the highest standards for effective accident prevention and safe operating practices to prevent injuries to employees and all constituencies. According to Kemp, USG’s safety expectations apply to all its carriers. “Carriers are trained on safety for operating on plant premises, and we see that loads are secured in a ‘driver-friendly’ manner that not only protects him or her, but ensures damage-free delivery to customers.”

What it comes down to, says Kemp, is corporate responsibility. By being safe and sensitive to the needs of workers and the environment, success in business is almost a given.

*Patrick Burnson is Executive Editor of Logistics Management*