

Companies, while focusing on cutting supply chain costs, also must make sure that shelves are stocked with the right product to meet marketplace demands where customers' demands are constantly changing. To achieve these goals, more and more companies are looking to cross docking as an integral part of their distribution model.

According to the *2008 Cross Docking Trends Report*, an industry survey of warehousing, distribution and transportation professionals commissioned by [Saddle Creek Corporation](#), 52% of the almost 550 respondents currently cross dock, 13% do not now cross dock but plan to do so within the next 18 to 24 months, and 31% have no plans to cross dock.

Of those who have implemented cross docking, 28% have been doing it for more than 10 years, while 32% have been operating a cross dock for just one to three years. One-third of the respondents who currently cross dock use a 3PL exclusively or in addition to in-house resources.

On average those using a 3PL outsource 44% of their cross dock volume, with 29% outsourcing more than 75% of their cross dock volume. Nearly one-quarter of respondents who currently cross dock plan to increase outsourced cross docking in the next year or two. Companies outsource their cross dock operations for a variety of reasons, including reducing costs, flexibility, efficiency and managing risk.

Overall, the report observes: "Many respondents plan to expand their cross docking efforts. About half of those who currently cross dock are considering cross docking a larger portion of their total SKU throughput."

Cross Docking Specifics

Cross docking is defined as the process of receiving product and shipping it out the same day or overnight without putting it into storage. Cross docks are generally used for "hub-and-spoke" arrangements, consolidation, or deconsolidation, and can be developed using a variety of strategies such as, but not limited to, the following arrangements:

- Pre-picked to a customer order or bulk-picked to a pooling location to handle the "last-mile" shipment to the customer.
- Pre-picked order to a less-than-truckload (LTL) carrier break-bulk facility from where the LTL carrier's network is used.
- Pre-picked orders transferred to LTL through the use of a third-party warehouse facility to handle the cross docking process.
- From multiple plants (deconsolidated) into a third-party cross dock that, within hours, picks and consolidates all products from all plants into customer or route orders and then delivers.
- Consolidating LTL into truckload which reduces the number of deliveries to retail outlets.

"In keeping with the product-in/product-out nature of cross docking, 66% of respondents report that products reside at their cross docking facility for one day or less," the report states. "For 29% of these respondents, products reside at their cross docking facility for a half day or less."

Cross Docking Value Proposition

While more companies are seeing the value of cross docking, some are better suited for the operation than others. Cross docking, according to Tom Patterson, senior vice president, Saddle Creek Corporation, makes the most sense when:

- Current order cycles and distribution methods cannot handle customer needs.
- Outdated distribution strategies and networks create extended cycle times and compromise shelf-life guarantees.
- Inefficient distribution networks create plant inefficiencies.
- Transportation networks become over-extended, creating unacceptable on-time performance rates at excessive costs.
- Distribution cost increases outpace sales growth.

"If an organization falls into one of these categories, cross docking may be a viable option," he says.

"Companies are finding that cross docking gives them an important opportunity to take costs out of their supply chains and accelerate the velocity of inventory, so they can get their products to market more quickly and economically," the report states. "The survey data shows that companies are recognizing the impact that this optimization can have on their supply chain, service to the end-user, and ultimately, to their bottom line."

According to the respondents who currently cross dock, the practice's key benefits are improved service levels and a reduced need for warehouse space. Other benefits cited by more than half of the respondents who currently cross dock:

- Consolidated shipments to destination.
- Savings from reduced inventory carrying costs.
- Improved inventory management.
- Reduced transportation costs.
- Products get to market more quickly.

- Increased demand for just-in-time service.

For those who plan to cross dock, improved service levels and reduced need for warehouse space will be big benefits of cross docking. However, these respondents identified the single greatest benefit they expected from cross docking as “reduced labor costs.” The report also notes, “Many of the benefits of cross docking are intertwined.”

Cross Docking Challenges

“Cross docking is not without its challenges,” the report acknowledges. According to those who currently cross dock as well as those planning to cross dock, the biggest challenge of the practice is “unpredictable customer demand.”

Companies often overlook the need to have their customers committed to working in a cross dock environment. Cross docks are a demand-driven model, but demand needs to be predictable, the report insists.

Survey respondents also struggle with systems support, which ranked second as the biggest challenge in cross docking. “This pain point is to be expected, considering the fast pace of a cross dock environment and its demands for an efficient and responsive flow of information,” it explains. “Cross docks require a disciplined process as they are driven by exact scheduling, product tracking and trailer placement/yard management. A good planning mechanism and impeccable scheduling are vital,” the report advises.

Overhead-related concerns rank lower with survey respondents, but they still pose challenges. “While certainly less costly than a warehouse, a cross dock does require a significant initial investment,” the *2008 Cross Docking Trends Report* says. “Specialized equipment and advanced technology add to overhead costs. Cross docks do not need to be automated, but they do need to be well designed.”

Turnover, rising healthcare costs, union issues and an ever-tightening labor market make labor management a serious challenge as well. Employee training also can be an issue, and typically with the launch of a cross dock, there is a training curve that must be addressed to prevent service issues, the report notes.

Cross Docking Questions

Companies considering cross docking should look carefully at their operations before moving forward, advises Patterson, and suggests first reviewing and responding to the following critical questions:

- Are suppliers/plants located in close proximity to each other?
- What are the synergies between and among plants and suppliers?
- Can shipments into the distribution facility be made by a lower-cost, more efficient mode?
- Can order cycle times be significantly reduced for cross dock over DC shipments?
- Can you reliably predict or forecast customer demands?
- Does the customer base have ample density so that local deliveries can be made in a more efficient and timely manner?
- Can delivery service be improved with cross docking?

“When used effectively, cross docking can play an integral part of the value chain—improving service levels, increasing efficiencies and controlling costs,” assures Patterson