

DRIVING PERFORMANCE:

REMOVING BOUNDARIES FOR TRANSPORTATION INNOVATION

Will Heywood (00:09):

Welcome to “All Business. No Boundaries.”, a collection of supply chain stories by DHL Supply Chain, the North American leader in contract logistics. I’m your host, Will Heywood. This is a place for in-depth discussions on the supply chain challenges keeping you up at night. We’re breaking beyond the boundaries that are limiting your supply chain. Let’s dive in. Today’s episode is “Driving Performance: Removing Barriers through Transportation Innovation.” My guests today are Joe Kichler, Vice President of Manheim Logistics, and Jim Monkmeyer, President of DHL Supply Chain’s Transportation business. Welcome to you both. Thanks for being here. Joe, as we got introduced to one another in preparation for this podcast, I’ll admit that I didn’t know anything about Cox Automotive. So, I did some research and I was pretty surprised by both the breadth and depth of the company. I wondered if, to start us off, you could give us an overview of the company and how Manheim fits into it.

Joe Kichler (01:07):

Absolutely. And you’re right. I think in the latest estimates, we touch three out of every four cars sold in the United States. Goes through either one of our software systems, auctions, or services we provide to dealers and consumers. So Cox automotive is separated into four divisions. There’s a retail division, which has brands like Autotrader, Kelly Blue Book, as well as all the dealer software, kind of the backend software and CRM systems, analytic systems, DMS systems, which are very similar to a transportation management system we’re talking about today. We have a finance division, Next Gear Capital, that provides planning services for dealerships, where we allow them to finance a lot of the cars on their property with us. There’s the newest division, mobility, which we’re focused on kind of what the future looks like with a lot of the autonomous cars and driving and with so much going to be taking place in the shared economy. How do we support what that future looks like is the mobility division. And then last but not least is our Manheim auction division, which touches about 7 million cars a year through the auctions. And the logistics business is part of the Manheim auction business. And on the logistics side, we have two businesses. We have a full-service capability, kind of a soup to nuts, we’ll handle everything for you. Ready Auto Transport, which is what we’re working with DHL on. We move about 2.5 million cars a year, and then we have a self-service options central dispatch, which is the industry’s largest and touches a little over seven and a half million cars a year. So net-net, and we touch about 10 million cars within the logistics division.

Will Heywood (02:53):

And this is, if I got it right, related somehow to the Cox Cable company as well, correct?

Joe Kichler (02:58):

Correct. The Cox family owns the Cox Cable company, which is in some markets out there. You know, Phoenix, Vegas are huge markets for us as well as the automotive side of the house. Yes.

Will Heywood (03:10):

Interesting, but not a lot of operational overlap with the automotive business?

Joe Kichler (03:15):

At the highest level, the holding company and functions like HR, finance, some technology systems, but day-to-day business operations there’s no real overlap whatsoever between the businesses.

Will Heywood (03:26):

And so Joe, your role, can you tell us a little bit about what that is? And then specifically, what was the problem that you were looking to solve or opportunity you were looking to harvest when you reached out to DHL Supply Chain?

Joe Kichler (03:39):

I am fortunate enough to sit on the Manheim executive team. So I report up through the President of Manheim, Grace Wong. My role is I'm responsible for the general managers, all business operations for the logistics division. So day-to-day P&L owner of the logistics division. If you think about why Manheim acquired a company years ago running the 76 car auctions in the United States, somewhere around 4 million cars a year go through the Manheim properties to be facilitated. So there's a lot of moving of cars from either dealerships when you or I would turn in our leases and we lease a new car or buy a new car, whether that's a lease or trade-in those cars have to leave the dealership and come to the auction or the rental car companies when they're looking to deflate and put the new cars in or dealers just in general, wanting to bring cars to auction and from auction. So we do a lot of heavy moving of vehicles. And as we looked at kind of our capabilities, Cox had bought the Ready business a number of years ago, and we were still using the same base technology, a homegrown TMS system that the company was started with. And when you're moving almost two and a half million cars a year, like we are on the Ready side using ancient technology, it really creates an environment where you have to overinvest in human capital, where everything is so manual to get work done, that it becomes very hard to scale the business and grow because as you're growing, we really don't get any scale. You just need to hire more hands to do the work. So we're really looking for a partner that can come in and help us provide technology that would allow us to scale as a business while at the same time substantially improving our capabilities as it relates to SLA management, doing that very proactively where we don't have that capability today. You know, things like dynamic routing, load building, load optimization, those are just areas we can't do today unless somebody's manually trying to do it at scale. So we're literally looking for a partner to come in and help us modernize our entire operating model to do what was done in different parts of the world in parcel, you know, within the automotive space on the full car side, in the US.

Will Heywood (05:57):

Can you describe, Jim, the solution that your team worked out with the Manheim team?

Jim Monkmeyer (06:04):

Sure. We get orders essentially from the different customers throughout the network. And our job is to get those into the DHL system, optimize them, and tender. We provide full visibility along the way through our, my supply chain portal, which is being branded for Ready logistics. We're trying to get the vehicles on the most optimal routes, trying to get more vehicles onto larger trucks in the process, and get those delivered at the lowest possible cost. We're also involved with assisting in the procurement process with carriers using some of our advanced technology there to run scenarios and optimal truck size and carrier selection to build out the network. And those rates and routes will then be loaded into our TMS for execution.

Will Heywood (06:46):

Okay. Got it. So question for both of you based on Jim's description there and Joe, your kind of initial set of requirements from a results standpoint for your stakeholders, how do you see when the solution is fully up and running it making a difference to them in their experience working with you?

Joe Kichler (07:05):

Maybe I'll start, Jim. I'd look at probably three areas. First, our SLA attainment. Historically, we've been somewhere in the mid-seventies from the time an order comes into kind of the expectations we set on when it can be delivered. So how do we improve from a shipper experience, our on-time delivery from the expectations that were set? I think second, and Jim touched on this a little bit with some of the optimizations, is how do we get our load factor. We often talk about load factor and the finished vehicle market here in the US. How do we get our load factors up? Because we know as we're creating more and more full loads for carriers, it's easier for the carrier and easier for us to both manage SLAs and how we work together. And then I think the third thing is that on the Ready Auto side, we spend a lot of time serving our clients, but it's on the shipper and the carrier front, and we have experienced scores that we track monthly. So we'll see in real-time if the shippers and carriers like what we're doing, or don't like what we're doing. We'll be able to kind of react pretty quickly because we have that real-time mechanism built-in place to make sure we're heading in the right direction to always deliver the best client experience.

Will Heywood (08:17):

Jim, how do you see that?

Jim Monkmeyer (08:20):

Yeah, I'll just add to that. I think on the analytics side, we'll be able to provide very detailed information on specific lanes, specific facilities, to be able to give much more confidence to the transit times and pickup and delivery times as well, and provide a better experience in that way. But also we'll be able to handle the exceptions, as Joe mentioned. We'll support the operation from our Detroit Control Tower, which is a premier center in North America that's operating 24/7. And the people there will be able to handle any type of exception that comes up. And then also ensure that the necessary communication is there in addition to the visibility provided through the portal.

Will Heywood (09:01):

So just pressing on that a little bit more, Jim, the operational setup of this, on the DHL side, you've mentioned Detroit. Are there other people involved or places? How's the setup work?

Jim Monkmeyer (09:13):

We'll be primarily supporting everything centrally in Detroit. We will have a few customer liaison folks out in the field as well to ensure that the execution's working, the communication is tight, as well as to focus on continuous improvement projects.

Will Heywood (09:27):

So, another question for both of you, I understand and correct me if I'm wrong, we're just kind of getting started?

Joe Kichler (09:33):

Yeah. Correct. We're building out the solution now.

Will Heywood (09:35):

Yeah. So if you were to look out a year from now, what would your wildest dreams be? How this was all working? Joe, maybe you can go first.

Joe Kichler (09:44):

Yeah, I think a year from now, I believe we'll have just exited some of the pilots and we'll be on kind of full rollout and deployment. And the dream state for the Ready logistics side is that we are then in growth mode. We're kind of holding ourselves back a little bit because we can only process so many cars, but with the number of relationships we have and then with the very unique structure we have, you know, DHL has relationships too. You know, hopefully, we're both growing because as we grow, the relationship with DHL grows, which is very positive for both of us.

Jim Monkmeyer (10:17):

Yeah, I'll just add that we are taking it at a fairly cautious pace here in the initial months to ensure we have a good solution and there are no surprises. We want to build confidence across the country that we are adding value. We're seeing some of that already in the discussions and rollouts of the technology. But when we get to moving actual vehicles, that's where it will need to be flawlessly executed. And that will enable us to go faster in the long run.

Will Heywood (10:43):

Hm. So Joe, is there skepticism amongst any of your stakeholder groups about this new solution and making a change?

Joe Kichler (10:51):

From an internal perspective, I know everyone's very excited. As Jim mentioned, we did the song and dance for about a year getting to know everybody. So I think everyone is comfortable internally. I think all the shippers, especially the big ones we've worked with, are all very excited for our new capabilities and what DHL is going to help us bring to market. But of course, they're all like, you know, show us. I think our carriers are where we may have the biggest opportunity because the carriers don't know exactly how it's going to work in the future. You know, we don't know exactly how it's going to work in the future. And I think given that the carrier industry, at least on the automotive side, is still fairly fragmented. We've only just begun

doing some contracting. As Jim mentioned, they're supporting with us is just how do we transition to a fully automated load building world on the carrier side, I think is going to be our biggest opportunity.

Will Heywood (11:44):

Jim, are there lessons that we've learned in carrier management in other industries that you're looking to apply here?

Jim Monkmeyer (11:50):

Yeah, absolutely. I mean, we want to be a third party of choice and a shipper of choice with the carriers. We got that reputation today and want to build on it. It involves listening to the carriers and adjusting our strategy based on what works for them as well, not just what's working for us. We need to keep them on the journey along with us.

Will Heywood (12:11):

Great. Joe, what are the two or three keys to success in your mind as you ramp up the solution?

Joe Kichler (12:18):

Yeah. Great question. If I pull it up to the highest level from a Ready auto perspective is how do we become that consultative, proactive business partner with our shippers. Today, in many respects, we are kind of a broker and we are looking to leverage this project and the DHL capabilities to transform us to more of a complete supply chain master services provider. How do we help you do everything as it relates to your logistics reporting, not just move kind of a couple of cars here, one-off for you. So I think that would be first and foremost from a strategic perspective. I think secondly given we are tied so closely to Manheim. We want to make sure that we support the Manheim business. And the Manheim business is going through a large transformation right now with everything going to all digital. So as we talked about, historically, all the cars are coming to auction and from auction. In the future, a lot of cars just may need to move around from multiple different dealerships, multiple different points. So we're going to be adding complexity into the logistics space from a Manheim side, and we need to make sure we're there to be able to support the Manheim mothership as they continue to grow and supporting the clients however the dealers choose to interact with us, which may mean a lot more kind of one-off movements that need to get bundled together.

Will Heywood (13:43):

But it sounds like, ultimately, that would be a more efficient solution. Am I hearing that right?

Joe Kichler (13:48):

I think it would be a more efficient solution for the end customer. Yes. And would speed things up.

Will Heywood (13:55):

Jim, when you talk to your team about key success factors or where you really want them to focus, what's top of mind?

Jim Monkmeyer (14:02):

It's about communication. And I think, you know, I'll break that into two parts. One is for us as the provider to be willing to step up and speak out if something's not working, bringing the customer into that discussion early if they're not already seeing something and involved in the discussion to ensure that we're in this together and that we're identifying the best possible solution, giving whatever constraints we have as we go forward. The other thing is just the COVID situation, which has meant that we've done a lot of work on conference calls and zoom meetings. And that's obviously a challenge. It's not ideal. We had been flying back and forth primarily between Detroit and Phoenix up until things changed in the spring. We have people working from home. We've got people in offices, but fairly isolated. So, you know, it's just an added challenge to the process.

Will Heywood (14:55):

Joe talked about culture fit earlier in the podcast. And I wondered if both of you might comment a little bit more on what can be a sort of ambiguous term. And I also wonder, in light of the COVID situation that you just kind of took us through, how that impacts positively, negatively, or neutrally the building culture between the two organizations.

Jim Monkmeyer (15:17):

I'll start with that question. You know, I think it's a negative and something that needs to be addressed. It doesn't mean that it can't be, I'll say neutralized. It takes creativity to do that because it's difficult to build culture over zoom meetings and so

forth. I think that we're fortunate that we got started a while back. So we were having those face-to-face meetings to build relationships. But, you know, as you peel the onion back, we should be at this time meeting with more and more people, ideally face-to-face in meetings where we can present solutions and take direct questions.

Will Heywood (15:51):

Joe, how's that feel from the Manheim side?

Joe Kichler (15:54):

I'd agree with what Jim said. And I guess if I look on the more opportunistic side, the silver lining here is that once we go to pilot and go live, it's going to be much easier now to just trust things are going to work when you may not see them in Phoenix anymore, where things might be done in Detroit. So I think we may have accelerated some of the pain that we may have faced later in deployment, but it's needed especially on the big projects to build that culture. And it's really a partnership, right? Jim and I often talk about this and we're both tied together now, we're both successful together, we're both going to have issues together. And so the more we can kind of reiterate that with our teams and work well together, the better. And to the question too, we talked a lot about culture, from a Cox Automotive perspective, we know our biggest asset is our team members. And I'm not sure we've really talked about this much, but one of the reasons we chose DHL was in one of the RFP processes, they actually brought their Chief People Officer to the meeting, which myself and my boss, we've never been in a meeting, the type of RFP readout, where the client brought a Chief People Officer to talk about how they invest in their people, he showed us kind of the passport program, and we were just blown away that if they invest in their folks that much we know they'll invest in our teams that much and we know it will be successful no matter what we do. So that's a partnership from our perspectives.

Will Heywood (17:18):

Great, great. That's interesting to hear. So, looking into the future, hopefully, the solution will get started successfully and we'll meet your vision for where you'd like it to be in a year--not be in COVID anymore. And we can maybe talk in the same room together. I'd be interested in a follow-up podcast to kind of check-in with you in a year or so. Is that something you'd be up for?

Joe Kichler (17:41):

Absolutely. Absolutely.

Will Heywood (17:43):

Okay. Good. Well, we'll keep ourselves honest, right, Jim?

Jim Monkmeyer (17:46):

Absolutely.

Will Heywood (17:47):

Okay. Good. Well, thanks very much both you for your time and participating in this, albeit remotely. If you enjoyed the conversation today, please do share it with a friend. You can find us online at dhl.com/AllBusinessNoBoundaries. Follow us on LinkedIn and Twitter @DHLSupplyChain. If you'd like to continue the conversation or leave feedback about this episode, please do drop us a line.