

Big Lots Finds Savings by Reducing Carrier Base & Balancing Inbound and Outbound Volumes

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The partnership with Chainalytics supported our goal of network balance as well as cost savings and service improvement. Their experience and expertise helped navigate a complex process while minimizing risk and adding value.

— Michael Burns, Vice President, Global Transportation Services at Big Lots

With over 1,400 stores in 47 states, [Big Lots](#) is one of America's largest discount retailers of brand name foods, home furnishings and accessories, furniture, seasonal merchandise, toys, electronics, gifts, and hundreds of everyday items. Maintaining their mission of “surprises in every aisle, every day” requires maximum effort, a complex transportation network, and a partnership with Chainalytics' transportation experts to deliver the savings on brand name merchandise millions of Americans depend upon daily.

Carrying such a wide variety of products comes with a vast amount of compliance standards and carrier options to ensure guidelines are properly followed. To assist with this massive undertaking, Big Lots called upon the expertise of Chainalytics for aid in its truckload and intermodal transportation procurement event for the 2016 fiscal year. As a member of Chainalytics' [Freight Market Intelligence Consortium \(FMIC\)](#), Big Lots knew the partnership would yield the desired results.

The project was initiated with a 14-week timeline, and utilized Chainalytics' proven procurement methodology comprised of rigorous data analysis to develop the future-state network to be bid, a multi-round bidding process with customized feedback between rounds, and an iterative scenario optimization process to move from a theoretically optimal solution to the adoption and implementation of business optimal solutions.

To kick start the process, Chainalytics staff members gained an intricate understanding of Big Lots' business procedures, requirements, and expectations through staff interviews, lane evaluations, risk mitigation analysis, and a compliance overview for the various product offerings available across Big Lots' retail sites and omni-channel market.

After the operations assessment, Chainalytics applied a data cleaning process to all collected historical transaction level data made available by Big Lots. This allowed consultants to assess, analyze, and aggregate the data while incorporating Big Lots' forecasted future demand requirements. Upon data cleansing and validation, Chainalytics created draft networks using various aggregation schemes discussed with Big Lots which included any provided transportation network changes.

Next, a carrier evaluation was conducted to determine the criteria for which carriers should be considered by both lane and product type based on company requirements. Chainalytics' experts leveraged their experience and proprietary resources to assess Big Lots' current carrier network as well as Chainalytics' carrier database to determine which ones to consider for the sourcing event. Chainalytics provided the list of recommended carriers to Big Lots to consider for inclusion and invited carriers to participate as requested.

Once establishing carrier specifications and requirements, Chainalytics assisted with the bid response parameters to ensure carrier understanding. Furthermore, Chainalytics created seasonality, lane definition, fuel and accessorial charges as well as networks statistics for inclusion in the RFP documents. Chainalytics created bid packages and training materials and hosted a kick-off meeting in order to set expectations for the first round of carrier bidding.

To begin the bidding process, Chainalytics posted bid packages to Big Lots' instance of the bid optimization tool for the carriers to access. Chainalytics served as the first line of carrier support and answered any technical and process questions as well as sending periodic FAQs to Big Lots for distribution. Upon completion of round one bidding, Chainalytics validated carrier responses and performed high-level scenario analysis.

Next, consultants worked with Big Lots staff members to identify which carriers were eligible for round two bidding. Chainalytics calculated rankings and target rates using round one data, FMIC data and historical rates. This information was communicated to the carriers that were part of round two. Similar to round one, Chainalytics provided support to carriers during the second round of bidding, and compiled completed round two responses for validation analysis.

At the completion of round two, Chainalytics again validated carrier responses for accuracy and worked with carriers to correct any errors. Next, Chainalytics, working with Big Lots, planned a series of scenarios to run through the bid optimization tool. These scenarios took into consideration carrier capacity constraints, Big Lots' business constraints, carrier incumbency, and the Big Lots' network. Throughout the scenario process, Big Lots was provided with a series of reports that were used to evaluate the impact of changes between scenarios.

The project team first focused on nailing down the outbound carrier awards. With the outbound carriers determined, Big Lots then sought to create a balanced transportation network concerning inbound and outbound operations. Additional scenarios were conducted to shift inbound volumes to carriers awarded outbound freight at each facility. This would allow Big Lots to reduce the total number of carriers required at each facility, achieve smoother operations at the DCs, and reduce overall empty miles and driver hours for the carriers. By enabling carriers to make pick-ups immediately after deliveries, Big Lots gained additional value from their carrier relationships while reducing additional operational costs for all parties involved. Once an optimal solution was achieved, Chainalytics provided Big Lots with a “tweak” sheet that was used to make final adjustments to the proposed awards based on face to face negotiations with carriers.

Having established the final awards, Chainalytics then assisted in the development of carrier specific final award packages, which included contract rate addendums and inbound volume specifications. Additionally, rate upload files were created for Big Lot's execution systems. Finally, Chainalytics provided reports on the final award scenario inclusive of rate and award changes that illustrated expected spend and savings by carrier, location, and business units.

Upon completion of the procurement event, Big Lots achieved a 44% reduction in the size of their carrier base while increasing the awarded freight amount to asset-based carriers, resulting in savings just above 7% for all Inbound and Outbound truckloads. Furthermore, the sourcing event allowed Big Lots to successfully achieve a network balance by supporting inbound carrier volume that allows for better outbound execution.