Learning from Experience
Michelin turns to automated chartering

Following the creation of a centralised planning, chartering and European flow-management platform in Clermont-Ferrand, Michelin has decided to add to its in-house TOM software with modules from the German transport management software provider Transporeon. This project, which affects 30 production sites in Europe, was rolled out over a period of six months and has already saved five full-time equivalent jobs (FTEs) and reduced administrative costs by 15%.

In 2007 the Michelin group decided to establish a centralised planning and chartering platform for Europe. The idea involved bringing together between seven and eight teams that had previously been spread throughout Europe, with the aim of optimising processes and making it easier to adopt good practices in planning, chartering and flow management. Two years later, with this preliminary project completed, the next stage was to automate chartering by providing the central hub with a high-performance tool.

Four objectives

Launched in 2009, this project was first and foremost designed to improve the productivity of planning teams. As it stands, the centralised platform arranges 95% of all chartering activities, while the remaining 5% are carried out locally by certain sites; a benefit of around 8 FTEs is expected by 2011.

Another objective is to improve the traceability of the chartering process and to create a reliable European database, making it possible to audit work carried out, measure the responsiveness of chartering groups, bring performance indicators into the data collected for the database and create a database access system based on pre-established user profiles. A third issue is ensuring that the transport purchasing strategy is effectively carried out, partly by keeping constant track of the shipping capacity commitments made by carriage companies, and partly by calculating their levels of availability or the rate at which they turn down jobs. Michelin's final aim is to measure and improve its own customer service by tracking deliveries made directly to factories.

> "We wanted to take a more positive approach,
>
> *said Gérald Bourlon, European Logistics Procurement Manager of the Michelin Group.*

Transporeon for its responsiveness

Before the switchover, the chartering procedure had been done manually, with multiple phone calls made and faxes exchanged. "With the volumes that we were managing, people were constantly busy talking on the phone, and lots of time was spent at fancy events; even the carriers had the same problem!" recalls Gérald Bourlon. Moreover, chartering forms varied from country to country. This laborious way of doing things manually made it difficult to work optimally with carriers' refusal rates (people were not always fully informed, information was unavailable, etc.). In the same way, the number of late deliveries to clients was not measured systematically.

Because of this, Michelin contacted almost a dozen solution providers to ask for help. A shortlist was drawn up, and a final decision was made to choose the German software company Transporeon.

Gérald Bourlon
European Logistics Procurement Manager of the Michelin Group.

"We chose Transporeon because they met our criteria and because of their ability to adapt to particular requirements of ours with features such as quota management, that do not appear in their software by default; Transporeon offered us relatively speedy updates on this. We were thoroughly impressed by the responsiveness of the team and the way that they seemed to fully understand our requirements. Other merits included the service information architecture, support for 16 languages, a base of 19,000 carriers – meaning that 30% of those that we worked with were already familiar with Transporeon – support for carriers and swift implementation," explained Gérald Bourlon.

A solution interfaced with the in-house software

The solution chosen includes two transport attribution models, one of which is No-Touch Order, which automatically charters shipments with carriers who have a Best Carrier framework contract and which extends its search to cover other carriers in order to carry out faster chartering. "We have our own in-house software called TOM (Transport Optimisé Michelin — Michelin Optimised Transport), but it wasn't able to assign work dynamically based on quotas," explained Gérald Bourlon.

"Transporeon's software was interfaced with Michelin's TOM in order to avoid having to re-enter all the data. Automatic assigning finds the best carrier at the first attempt half of the time, and in 80% of the other cases, within the first four carriers suggested. However, if this doesn't work out, we can turn to the second module, Best Carrier (previously Ticap) in order to offer the work to a different group." More specifically, Best Carrier is used in cases where it has been impossible to assign the work (for example because of time clashes or because the maximum number of trips has already been reached), in cases where the journey has specific requirements (such as multiple loading points, additional restrictions because of dangerous products, etc.) or even in cases where a more rapid response is required because the client has an urgent request. Michelin has also kept the journey tracking module which allows both Michelin and the person receiving the delivery to follow every stage from dispatch to delivery through text messages sent by the carriers. Lastly, the Transporeon Reporting module tracks the performance of planners and carriers through a selection of indicators calculated from system data.

30 sites in six months

The tyre manufacturer and the software company worked on outlining Michelin's specific needs, and the green light was given the following month. Then Transporeon's test system was created and put into place. Cholet, the pilot site, started using the system and the software was implemented across the rest of Europe – France, the UK, Spain, Italy, Germany and Eastern Europe.

"Three months for development and three months for rollout across Europe... And it worked!" enthused Gérald Bourlon. The software, which manages transport of finished and semi-finished products, arranges around 300,000 carriages per year for journeys between Michelin's 30 European production sites and for deliveries made directly to clients. The journeys are made by tautliners, articulated lorries, refrigerated vehicles and vehicles complying with the European Agreement concerning the International Carriage of Dangerous Goods by Road. Michelin itself has 80 users of the Transporeon system and 369 carriage companies are connected, with 269 of these being active users.

Administrative costs down by 15%

"After three months, we had already saved five FTEs and we were ahead of schedule," said Bourlon, adding, "three more FTEs will be saved in 2011, and we have cut administrative costs by 15%."

From a qualitative standpoint, Michelin has harmonised and automated its chartering process while remaining flexible, as chartering can be done at the central hub or locally. "We've gained some credibility with our carriers as we can now base our negotiations on facts," explained Gérald Bourlon. Refusal rates, grouped either by country or by carrier, are followed regularly, and keeping to the quotas set for the carriers ensures that Michelin sticks to its procurement strategy. Urgent jobs are dealt with better thanks to a faster response time. "We are increasingly finding that we have to charter transport in less than 24 hours: sometimes 12 hours, sometimes even 6 hours," explained the Manager. Furthermore, time frames set by internal clients for chartering are measured, giving Michelin a better way to stay on the pulse of the market.

A win-win project

The benefits are not solely reaped by the contractor from Clermont-Ferrand. "It's a win-win project," insists Gérald Bourlon. The carriage companies will have the chance to reduce their own administrative costs,

such as telephone, fax and data entry, because they will be able to interface the Transporeon platform with their own system. They will receive transport orders more quickly and more compactly, with all the necessary information visible on just one screen. They will also be able to bank on receiving orders in line with the quotas agreed upon and being given the chance to quote on journeys outside of their usual routes. Lastly, optimised planning means fewer kilometres travelled with no load.

"From our point of view, integrating the carriers has been simple; 30% of them were already familiar with Transporeon. For the others, Transporeon walked them through the use of the platform by providing training courses. I just had to send them a letter and then everything else was taken care of! Everything went OK," stated Mr Bourlon. Another point worth noting is that not only did Michelin pay for the Transporeon software that it had ordered to be put in place, it also went further by taking responsibility for payment transactions, something which is usually handled by the carriage company. "This marks a turning point in how we work with our carriers. Our way of working is now more reliable, more productive and more in line with our quality requirements," decalred Gérald Bourlon.

Next stop North America!

Michelin has no plans to extend the usage of this platform to partial lots, which are managed by the distribution centres. " For individual sites, it is the service provider who ensures that the contract is complied with and not the transport cell responsible for chartering," explains Mr Bourlon. Equally, transport managed by Michelin is specifically road transport, with multimodal transport accounting for only a small share. Nonetheless, the Michelin Group plans to roll out its procurement strategy in North America. The fact that Transporeon recently established a presence in Atlanta is surely a plus...

The Michelin Group in 2009

● €14.8 billion in net sales
● 109,193 employees
● 72 plants in 19 countries
● Commercial presence in over 170 countries.

Michelin's European logistics

● 60 logistic bases in 20 countries
● 2 million square metres of warehouse space
● 2 million tons of goods transported
● More than 400 carriers and logistics companies