

Background

Kenan Advantage Group (www.thekag.com) is North America's largest tank truck transporter and logistics provider. The company operates through its five operating groups consisting of Fuels Delivery, Specialty Products, Merchant Gas, KAG Logistics and KAG Canada. KAG's fleet consists of approximately 6,200 power units and 9,700 trailers. KAG also provides specialized supply chain logistics services through KAG Logistics (www.kaglogistics.com).

Challenge/Objective

The Euclid Chemical Company (ECC) is a global building market supplier of specialty products for the concrete and masonry construction industry. ECC's fleet, Redwood Transportation, supports the delivery of admixtures for concrete and includes 25 tractors and 33 trailers and operates from eight plant locations across the United States, largely in major metro areas. The century old company has experienced continuous annual growth, however, as the company continued to expand ECC faced the ongoing challenge of staying in compliance with continual regulation changes, mandated by federal law.



Results

The sale was finalized in fewer than **45 days** from the initial meeting without any delays in production. This was very rapid for a private fleet conversion. Utility gains were essential in margin expansion.

Client Quote

"The outsourcing of our private fleet to KAG allowed Euclid Chemical to focus on sales, marketing and manufacturing of our construction chemical products. Through outsourcing, we have found improvements in scalability, delivery performance, balance sheet, access to technology and regulatory compliance," said Tom Gairing, Vice President & General Manager, USA at The Euclid Chemical Company.

Solution

In 2010, KAG approached ECC to explore capital expenditure avoidance by outsourcing the fleet to KAG. This included transfer of on-road and delivery site liability. ECC was interested immediately in the ability to outsource based on the following factors:

- Develop Key Performance Indicators to measure operational excellence;
- Improve economics through fixed cost reduction of running a captive private fleet that had neither the ability to ramp up with seasonal demand nor ramp down in the event of a business loss;
- Transfer of liability to KAG of on-highway incidents;
- Reduction in back office support staff relative to fleet management—regulatory items, and equipment planning, which was not value added to the ECC customer base;
- Improve balance sheet through sale of the asset base;
- Increase ECC's focus on manufacturing, marketing and selling admixtures.

Since the sale, gallons delivered have increased by



with a fleet size increase of only three tractors/trailers

