

GIVE A LITTLE, GET A LOT

**PARCEL
FORUM 07**
» **SPEAKER**

Sharing information with all carriers enables best-in-class service & pricing

By Tim Sailor

In today's competitive transportation market, carrier collaboration has become increasingly vital. Each year, carriers introduce new services and capabilities. At the same time, they also increase rates and implement new accessorial charges. As a result, carrier contracts have become more complex and conditional than ever before, and many shippers don't know where they stand.

Only through sharing important characteristics with all the carriers can you be certain that you have the best service at the lowest price. Establishing an open and detailed dialogue with your carriers — especially those you don't currently use — is the best way to ensure that there is no disconnect between your shipping requirements and the carrier's capabilities.

Too often, shippers become overly reliant on their existing carrier. And while it is good to establish strong partnerships with your carriers, it is equally important to make sure that you are taking advantage of industry trends, service innovations and new value-added products.

Your incumbent carrier has the most knowledge of your traffic and their cost structure. This gives them an inherent and unfair advantage when proposing rates and services. Most shippers incorrectly believe that any specialized services and concessions

cannot be matched by your non-incumbent carriers. But often, the other carriers will tailor their services to meet your needs if you make them aware of your special service requirements.

Exploring Other Options

When you explore these service options with the other carriers, you can validate whether or not you need to pay a premium with your existing carrier. And you may find that another carrier can enhance any customized services you have in place.

Since most carriers base their proposed pricing on a "cost to serve" model, make sure that the other carriers have the same detailed information as your incumbent. Using PLD (package level detail), carriers take into account many different variables to determine pricing. Pricing is dependent on factors such as volume, residential/commercial mix, weights, zones, delivery area/pick up density, competition and service usage.

Allowing all the carriers to have the same insight into your shipping patterns and characteristics levels the playing field. With this information, each carrier will be much more certain of their cost to serve and profitability objectives and can potentially extend deeper discounts. It also validates your shipment and revenue projections. With accurate revenue and shipment numbers, the carriers may be able to extend incremental discounts or threshold rebates.

One of the most effective ways to share information with the carriers is through the RFP process. The RFP allows you to specify service requirements, expectations and decision making processes. You should provide a template to standardize rate responses, and always include a shipment level data sample. Many shippers have difficulty doing an apples to apples comparison of pricing and service, and an RFP format should lessen these concerns.

Communication Is Key

Another effective strategy is to request that each of the carriers “price” the data sample so that you can compare individual shipment costs as well as overall totals. With accessorial charges accounting for up to 30% of total shipment costs, make sure the carriers apply these charges to the data sample.

In addition to utilizing an RFP, it is also helpful to develop an evaluation matrix and to share the factors and weighting with the carriers. The evaluation matrix should reflect your service and cost priorities and could include factors like price, service levels, customer service, value added services, responsiveness, representation and flexibility. Since the carriers understand how they will be evaluated, this allows you to influence any bids before they are presented and prevents having to go back and forth with the carriers.

Carrier collaboration can also be used to demonstrate that you are a low-cost customer for the carrier to service. If you can prove that you are a low-cost customer, you may be able to ask for lower rates and fewer add-on charges.

There are a number of ways you can help carriers (and yourself) lower their costs. One of the most effective is to automate carrier processes including shipment processing, tracking, invoicing and payment. It is costly for both you and the carrier to process manual remittance. Also, if you can show that you pay promptly, this should avoid any costs of past due invoices and/or collections.

Carrier collaboration carries over to operations as well. Talk to your carriers about ways to make it easier to tender freight to them. At a minimum, all shipments should be electronically prepared. A sweep pick up program may be useful, as would allowing the carrier to leave a trailer at your facility. Also, prepare a shipping calendar for carrier operations, and communicate in advance high-volume shipment spikes that might tax a carrier’s capabilities.

One of the best ways to improve service is to have regular reviews of service levels with your carrier. These meetings should not be adversarial, but rather viewed as an opportunity to learn the strengths and weakness of the carrier’s system, identify and correct recurring problems as well as improve overall service performance. Work with your carriers to establish service benchmarks and develop a plan for continual improvement.

Take every opportunity you can to share information with your carrier. Not only will you strengthen your partnership, but you will realize consistently better service and maximum efficiency.

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