



A Smart

Decision

in Any Economy

Third-party negotiators help shippers improve profitability

— By Keith Byrd —

Third-party negotiators, or 3PNs, are on the rise, and this growth is a function of their proven ability to generate strong results as well as the current economic condition; both factors are driving companies to actively seek expert negotiators to reduce their small package spend.

The PARCEL Best Practices Survey results found that companies using a third-party consultant to negotiate their small package agreements realized up to a 49% improvement in discounts, compared to those not using a consultant. This finding legitimized the use of 3PNs and demonstrated to carriers and shippers alike that 3PNs play a valuable role.

3PN Growth in a Challenging Economy

Shippers are starting to acknowledge that 3PNs are an effective solution for shipping cost reduction; however, these trying economic times are arguably playing a bigger role in the growth seen with 3PNs. Currently, companies are desperately attempting to increase profitability. The most basic business fundamental, aside from supply and demand, holds that there are only two ways to improve profitability: The first way is to increase revenue, and the second is to reduce expenses. In difficult economic times, increasing revenue can be nearly impossible, so shippers are focusing on reducing expenses. With the understanding that 3PNs have a proven track record of shipping expense reduction, getting them involved is a no-brainer for many shippers.

The current economic conditions are also relevant as many companies are running lean after layoffs and therefore need a third party to manage the process. A good 3PN should be able to manage the entire process and monitor the results after the negotiation with very little work on the part of the shipper. To many, this is critical as it allows employees to stay focused on their work while having peace of mind that professionals are managing the negotiation process and accurately measuring realized savings. A good 3PN should also be able to find areas for process improvement if the shipper desires this service.

The impact of the savings realized from bringing in a 3PN is amplified by the slowed economic conditions. Many shippers are using these savings to protect jobs, increase market share, improve the bottom line and, in some cases, stay afloat. In down times, additional capital is a boon as the value of each dollar is comparatively greater. For example, if a company is committed to growing market share in a tough economy, it can often market and

advertise to its customers at reduced rates. The impact of this is compounded when competitors often simultaneously lower their marketing budgets to reduce their costs. No matter what a company's goals or objectives, the infusion of savings in the form of reduced rates enables shippers using third parties to be more successful in this economy.

Despite the success of 3PNs and the increased need for their services due to challenging economic times, there are many obstacles standing in the way of their growth. One of the biggest obstacles is the carrier. Carriers can lead shippers to believe that 3PNs do not add value and that their services will just be an added expense. Clearly, this is not the case, but sometimes it is a difficult obstacle to overcome, especially when an attentive carrier representative is involved. Many customers are also worried about damaging their relationship with their carrier representative by bringing in a third party. This is an important concern, and good carrier representation is a strong asset. However, in most negotiations, the carrier representative is far more attentive to the shippers' needs post-negotiation.

Selecting a 3PN

Many shippers are not sure how to approach 3PNs or how to determine which one is right for them. Like any business

relationship, it is important to find a partner that is a good fit. There is a wide range of 3PN styles; some negotiate on-site, some do the negotiations remotely, some are larger companies, and some are smaller. For a shipper, the best approach is to ask questions, find out how the 3PN manages the negotiation, call its clients to verify past performance and, above all else, find someone you can trust. The best way to hire a 3PN, like hiring anyone else, is to interview them and check their references.

Once you have found a 3PN you are interested in partnering with, have them provide your company with a free analysis of the savings they can produce considering your shipping characteristics. In most cases, the process will only require you submitting some of your recent carrier invoices for their review. At this point, a good 3PN should be able to provide an accurate estimate of the amount you can expect to save. A good question to ask a 3PN's clients is how close the initial estimate was to the realized savings; this should tell you a lot about what you can expect. ■

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