

Improve Your Carrier Relationship, *Please*:

Offer To Pay 10 to 15% More!

Transportation companies are feeling the effects of the great recession and some will fail during the next 6 to 12 months. In order to survive and in case you hadn't noticed, UPS & FedEx increased your base rates this past January at a rate approximately three times inflation. But that won't be enough! Since these carriers have become trusted partners with your organization, I suggest you offer them an additional 10 to 15%. Your company will either be elevated to "Favored", "Super Favored," or the Crème de la Crème "Double Secret Super Favored" status. This summer you may even be invited to a barbecue providing you with the opportunity to mingle with friendly carrier employees, their friends and family, and others that you have helped through your generosity and benevolence.

So often I'm told, "We don't want to push too hard because we have a really good relationship with our carrier representative (rep) and we don't want to upset that because he/she does us lots of favors." My response is usually the same...Are you kidding? Am I hearing this correctly? The carrier rep works for; you guessed it, the CARRIER! So let me make sure I understand this correctly, even though the business across the street could be paying 15 - 30% less for the same service, you don't want to get the same deal because it might upset your carrier rep? Kudos to UPS/FedEx for their brilliant marketing strategies – I am envious. The trouble here is, during these difficult times, companies that don't cut every dollar of unnecessary expense will struggle longer and may not survive. So, are you ready to make an important decision? Do you want your company to survive the worst recession on record – yes or no? If you answered yes, you need to take immediate action. If you are a finance person, such as a controller or treasurer or anyone that really needs to cut costs, here are five quick and easy steps with *absolutely no down side*:

1 – **Benchmark:** Why not find out what your competitors are paying or compare your agreement against industry standards. You've probably spent months reading magazines, visiting consumer web sites, and speaking with your neighbors or friends to find out what they paid for their lawn mower or LCD TV just so you could save a few hundred bucks, so why not do the same with your carrier's shipping rates when the end result can be a huge savings on your overall freight bill? (I'm amazed to find that although most people think they've negotiated the best rates, few actually take the time to verify). Just because the discounts you received this year inched slightly higher than last year doesn't mean you're doing as good or better than the business across the street. If you can't compare rates to other similar shippers then get someone who can help you, it will cost you nothing. There are services out there that will help to validate that you are either the greatest negotiator since William Shatner OR there is room to save money. Either way you benefit from the results, so you have nothing to lose and everything to gain. By the way, you never have to wait for a contract to expire to renegotiate it and the evaluation I recommend will only take a few minutes of your time.

2 – Optimize: Just because you are getting the best rates doesn't mean you are getting the best deal. Here are two examples where a company has great discounts but is still wasting money: 1) your staff may be using premium services when less costly options can achieve the either same or faster delivery times, or 2) Ground service may be used vs. a far less expensive and specialized residential delivery service. 3) You are using the same carrier to ship to Canada or other country and they simply hand off your freight to another delivery company and charge you a higher fee. There are many more examples.

Today, there are companies that provide reports in Excel that let you compare a month's worth of your previous shipments with newer alternative and possibly less costly services that provide the same or better delivery times. Column A shows what you paid, Column B shows what you could have paid, and Column C shows the difference/savings. These reports are invaluable since they will either validate that you've saved every dollar possible (you should be congratulated for doing so) or they will indicate areas you could have lowered your transportation costs. It's similar to visiting Priceline.com for every package you ship, but it doesn't require your valuable time. Once again, you've got nothing to lose and everything to gain by making sure your optimizing your transportation spend.

3 – Audit: So now that you have the best rates and they're being optimized are you absolutely certain your company is being billed correctly for every single shipment? Last week, I visited a customer who told me he was being invoiced a different charge almost 15% of the time versus what he expected! His company speculated that they were actually making money on shipping and handling and deployed policies to support that logic, but further analysis revealed they were actually losing money -- and lot's of it! But, how do you know for sure? Many companies utilize third parties or have an internal audit process for truck shipments but rarely validate every line item of a small package carrier's invoice largely because it would take forever. I recommend you utilize a 3rd party auditor. There are companies that offer auditing on a trial basis, at no cost to you. If you continue to use their service, the cost is usually 50% of the money they save you -- so there is no down side. The alternative is to simply trust that you've been invoiced correctly for every shipment, in which case I've got some land in Florida I want to sell you. Once again, you've got nothing to lose and everything to gain.

4 – Technology: Now that you've got the best rates, they're being optimized and you're auditing every shipment, I want you to compare what an Apple iPhone does vs. the cell phone you used five years ago. This metaphor describes the difference between the one-size-fits-all, carrier-provided technology you are probably using today to ship packages i.e. Ship Manager (FedEx) or Worldship (UPS) vs. the extraordinary next generation Transportation Management System's (TMS) solutions now available. Today's TMS solutions combine best rates, optimization, execution, and auditing in a single solution that will provide superior analytical capabilities. One system can be deployed on a single server at your headquarters and be available to every employee at every shipping location thereby replacing multiple disparate systems, improving processes and workflows. These systems will let you know if a shipment will be hit with a post shipment residential fee and validate if the address is correct before a package is shipped and that will save you big. The benefits go on and on. Most TMS providers will provide a Return-On- Investment (ROI) savings analysis before proposing a system while others now provide inexpensive or even free on-demand hosted solutions. A multi-carrier, multi-modal TMS system will provide you with the upper hand during carrier contract negotiations because of the flexibility they

provide. For example; if you've got carrier- provided technology, then most likely you cannot quickly switch from one carrier to another and since the carrier knows this, how do you think that affects your pricing? If you answered, "It will assure we get the best price from our carrier," then you answered incorrectly -- you are the weakest link, goodbye! All kidding aside, you've got nothing to lose and everything to gain by investigating the many benefits of today's TMS technology.

5 – **Compliance:** Now that you've got the best rates, you're optimizing and auditing every shipment, and you've deployed a next generation TMS solution here is an area few executives pay much attention to but the negative effects can be devastating...International Compliance. In an effort to curb terrorism, our government is continually tightening import/export laws. Can you guarantee that your organization is fully compliant today and tomorrow? Many companies have export departments to assure compliance while best practice companies build these rules into their shipping systems, thereby eliminating the need for manual processes. I highly recommend you take the time to ensure your import/export process meets customs laws now, and in the future; don't rely on shipping personnel only, they are not the ones that will pay the price for non-compliant errors -- you will! Do you want to know where you stand without a large investment of time and money? Once again there are plenty of organizations out there that can help; you've got nothing to lose and everything to gain to seek one out. (Are you getting tired of me saying that – do you get my point)?

Summary: Avoiding these five simple steps today is no different than paying your carrier 10 to 15% more -- voluntarily! To avoid confusion I want to be clear that I believe in loyalty, honesty and mutual respect for people in all business dealings and you should have a strong relationship with your carrier rep., I'm simply advocating that you take control of the relationship, lower your costs, and don't let fear stand in the way of guarding your company's cash box. If your carrier rep, with whom you have a close relationship doesn't understand that you are taking actions to survive the recession, compete and prosper, then he/she is not much of an ally anyway -- wouldn't you agree?

PT Barnum once said, "There's a sucker born every minute." Don't be a sucker! Don't let personal relationships stand in the way of lowering costs! If you take control at a corporate level and apply these five simple steps, you will either validate that you've cut transportation spending to the bone or you can lower transportation costs further at a time when it's never been more critical. Either way you have nothing to lose and everything to gain (sorry – had to throw it in there), OR, you can just offer to pay your carriers 10 to 15% more -- the choice is yours.

I hope this information helps your company Ship Better and Save Money!

Jim LeRose – Founder, LeRose Systems LLC and Principal, Agile NYC Metro, has been a transportation industry consultant for 25 years. Jim's clients have saved millions on transportation costs. Agile has helped companies such as JP Morgan, Audiovox, Intuitive Surgical, Panasonic, Petco and over 1,000 others. Jim welcomes your comments and can be reached at jim.lerose@agile-network.com or Phone # 888.214.1763.