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Focus on Your Core Competencies and Outsource the Rest

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Do you need more market intelligence? If you don't have the information you need to justify your company's overall shipping expense, you do.

To justify your shipping expense, you need data that will enable you to develop solutions based on best practices that you can use to optimize everyday operations. You also need data that will support you during carrier negotiations.

You can do all the data gathering in the world, but if you don't benchmark your shipping data (i.e., your carrier invoice data and data pertaining to your company's unique shipping characteristics) against outside market intelligence provided by a trusted third party, your data gathering efforts probably won't amount to much. A third-party supply chain solutions provider that has access to detailed shipping information on a multitude of similar companies can help you to make accurate comparisons between your company and others and obtain comparable rates.

The days of relying on your carrier alone to provide you with cost-effective supply chain solutions are long gone—or should be. Even if your company has a large transportation spend, it is unlikely that your carrier will help you develop an accurate shipping profile—much less provide you with information on other companies that have similar profiles and a global reach that is similar in scope to your own. Though volumes are increasing across the board, carriers' primary concerns still have more to do with increasing profits than they do with making concessions simply to win high-volume accounts. The recession may be over, but the market is still volatile. Carriers know this as well as anybody. To successfully challenge high shipping rates, you need to partner with companies that specialize in putting shippers' interests first.

Last month, a PARCEL e-news article by Sean O'Neil of Vendere Partners cited a study that Vendere Partners did on IT manufacturers. According to the article, the Vendere Partners study, which analyzed technology purchasing trends from Q3 2010 to Q1 2012, showed that "purchasing interest in computers and electronics, manufacturing, software/internet solutions, and telecommunications was highest in Q3 2010 and lowest in Q3 2011." Ultimately, the Vendere Partners study concluded, "while high purchasing interest appears to be increasing in the categories previously listed, it has not increased above the levels we saw in Q3 2010."

The only way a manufacturing company or any company with a complex supply chain is going to reach as high a level of profits as most of them saw in Q3 2010 is by investing in a third-party supply chain solutions provider that can develop accurate shipping profiles and perform high-level benchmarking in addition to investing more heavily in sales and marketing solutions outsourcing.

Investing in a third-party partner that is able to generate the analytics that will enable you to lower your shipping rates, win better services, and achieve greater concessions can actually help your company increase its sales and marketing budget and improve business at a faster rate. If it is not possible or reasonable for your company to invest in both supply chain solutions and sales and marketing outsourcing now, invest in supply chain solutions outsourcing first. When savings are achieved, reallocate some of your funds to your sales and marketing budget.

One sure-fire way to be a champion for your company and heighten your reputation within your industry is to lower costs and increase budgets. If you're the person who can successfully run a cost-savings and profit-boosting initiative company-wide—you've got one heck of a career in front of you.

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Logistics and supply chain managers have been hearing the same advice for years: Invest in a third-party supply chain consultant now. Outsource now. Unfortunately, not all of them listened to this advice until the recession hit, and by then, were in too precarious a position to act on it.

Supply chain professionals today are in the position to take better control of their supply chains than they were during the recession, but how many are taking advantage of their improved standing? The lesson we all should have learned from the recession is: do what you do best. In other words, if you're a supply chain manager, focus on your everyday operations and rely on third-party partners to come up with the high-level analytics that will save you money at the negotiations table.

Companies that don't figure out that now is the time to focus on their core competencies and turn over the tasks they don't specialize in to trusted third parties are the companies that will soon discover they are behind the times. The economy is still precarious, and competition is fiercer than ever. The key to achieving long-term success for almost every company is—and, for the foreseeable future, will continue to be—remaining focused on their specialties and outsourcing those tasks that lean into areas beyond their scope.

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