LogisticsTODAY

A Smarter Way to Fight Rising Logistics Costs

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You’ve probably noticed the term “market intelligence” popping up in supply chain circles more lately. There are main two reasons for this: one is that the economy is making it necessary for supply chain professionals to obtain it, and the other is that new and improved technology is making it easier to get.

Market intelligence, also referred to as business intelligence, is the information relevant to a specific market that is gathered and analyzed in order to provide companies or individuals with the ability to make accurate and confident decisions within that market.

As it pertains to the world of logistics, market intelligence is loosely defined as the industry-specific information that reduces a shipper’s overall transportation expense; more specifically, it is the data that allows shippers to do two very important things:
1. create best practice solutions that can be used to optimize their supply chains every day
2. develop the leverage they need to obtain the best possible rates from their carriers.

In order for shippers to use market intelligence to its fullest potential, they must also perform benchmarking. During benchmarking, analysts take outside market intelligence from similar operations and compare and evaluate how a certain company measures up against current industry standards. The key to implementing a successful benchmarking initiative is making sure you have the right outside market intelligence to work with from the start. The right outside market intelligence contains the shipping profiles and methods of distribution of companies that are similar in size and have a similar geographical reach.

Prior to being able to turn to reliable third parties with access to neutral outside market intelligence, shippers typically turned to their carriers for low cost solutions. Many shippers still do. After all, carriers have access to a large number of companies and are able to review many types of operations.

Today, however, it is not necessary to look to your carriers, who, unfortunately, are not exempt from the disappointing state of the current economy, and are being forced to look for ways to remain profitable while working with less volume. The struggles and aims associated with their plight often don’t work in shippers’ best interests. While carriers and shippers can and do certainly develop well-meaning partnerships, there are certain conflicts of interest that are inherent in the carrier-shipper relationship because of the cost-saving and operational needs that are unique to both parties. Below are three examples of things that commonly cause conflicts of interest by causing shippers to either become a loss or profit center to the carrier.

Shipment Consolidation
It may be optimal for your company to ship consolidated orders on a delay, creating denser and less frequent shipments which result in a lower cost. This would reduce your total shipping expense, which could also reduce your carrier's profits. A carrier would not be likely to bring this solution to your attention since the result could reduce their revenue.

Premium Service Reduction
A shipper may find that using a less expensive service for close range shipments won't negatively affect transit times and will greatly reduce their costs. When shippers use premium services for these types of close range shipments, carriers make a huge profit, one that is much higher than usual. Carriers would be unlikely to bring this up since the reduction in service would also mean a reduction in their profits. This solution is counterproductive to the carrier's agenda of increasing profits and profitability.

Mode Conversion
This is one of the easiest ways for a shipper to reduce costs. For the carrier, mode conversion usually means a certain volume will be taken away from them completely and shift to another carrier. It just makes sense that a carrier would not be quick to let you know that another carrier probably has some back haul to fill, for instance, and would be apt to take your low weight LTL shipments for 20% less than they are able move your low weight LTL. This sort of thing happens frequently when it comes to parcel-to-LTL and parcel-to-air freight.

Another thing that contributes to the divide between carriers and shippers is the law, which currently doesn't allow one carrier to hold another carrier's data. A particular carrier's perspective is just that—a perspective that is based on only the particular information they alone are able to obtain. Third-party solutions providers that offer market intelligence and benchmarking services, on the other hand, are often able to work with a much wider viewfinder. The wider scope with which they work can help companies create unbiased best practice solutions that can be used to optimize supply chains and obtain the leverage necessary for obtaining the best possible shipping rates the market has to bear. Shippers who get their hands on neutral final results based on outside market intelligence should be able to successfully remove much of the guesswork and trial-and-error that come along with implementing a myriad of other cost-saving initiatives as well.

Shippers are used to hearing edicts such as, "Reduce your expenses by 5%" and "If you can't do it without reducing people, reduce your people," or other urgings to that effect. Market intelligence and benchmarking are two things that may actually be able to prevent layoffs in a time in which layoffs are commonplace. This is probably another reason that the words "market intelligence" are appearing on the lips of more and more supply chain managers.

Whatever underlying reasons might be moving you to consider turning to market intelligence to optimize your supply chain and obtain better rates, you probably recognize that the only way you are going to reach your goals is by relying on sources other than or in addition to your carrier representative. In order to get enough detailed market information and perform benchmarking to know what rates and services are really available and already being applied in companies like your own, consider going through a neutral third party that already has the information and technology required to determine your shipping profile, perform accurate benchmarking, and create effective, cost-saving scenarios based on reliable outside market intelligence.

If you're still a little skeptical about the power of outside market intelligence, perhaps you feel that your carrier relationships and other tried and true solutions are still be working for you, and simply don't feel the need for additional ones which have not been proven to you. Admittedly, there still seems to be a certain shroud of mystery around market intelligence that keeps it from being accepted in all supply chain circles with open arms, despite a renewed interest in it. If you are one of the people who is skeptical and still relying on past solutions, ask yourself this: In the long run, would it be more beneficial to know the areas in which your logistics network is succeeding and failing, or would it be better to avoid shedding light on both? This may seem like a somewhat silly question, but there is a concern among some supply chain professionals that implementing a market intelligence initiative might reflect poorly on them in some way.

Rarely does shedding light on the problem areas in your logistics network have a negative effect. More often than not, logistics professionals who have the wherewithal to use market intelligence to their greatest advantage are the ones who actually end up moving up the ladder at a faster rate. There's always room for a healthy amount of skepticism in our industry—in reality, many of us rely on a certain amount of skepticism to function day-to-day—but in dark economic times, hesitating to make high-impact decisions that could have a huge effect on the well-being of your company, and those it employs, could be catastrophic. Why take the risk?

Many shippers would be better off partnering with a third-party market intelligence provider that knows their industry, can help them to accurately develop their shipping profile, and will provide them with the hard data that will enable them to make cost-saving decisions independently. For better or worse, the economy is requiring that shippers take this type of action. The good news is that there are tools, technology and resources out there that can enable them to do it.
