



## **Obtaining Better Carrier Rates With Market Intelligence**

**May 12, 2010**

*by Niko Michas, President & CEO, BridgeNet Solutions, Inc.*

If you're a manufacturer, you know how to gather materials and put them together for the purpose of creating a product that is of value to you as well as your customers. You know how to design products according to safety requirements and government regulations, and you know where you can and can't cut costs before and during production. And perhaps most importantly, you know how to move product. What you may not know is that if you had access to more detailed market information, you could greatly improve the chances of trimming the cost of moving that product and obtaining better service levels—possibly to an even greater extent than you have in the past, despite being faced with the additional cost-saving challenges brought on by a trying economy.

The best cost-saving shipping solutions shouldn't require any significant additional expense on your part or on the part of your carrier. By showing your carrier you can keep their operational costs down while you lower your own shipping costs, you make it easier for them to say yes to your solutions. Your carrier may, of course, not be thrilled with solutions that lower their own revenue, but you can at least show them that your company is not going to prove to be an additional operational burden.

In order to obtain the detailed market information needed to create new solutions, and also, the hard data required for proving those solutions will work, most manufacturers will need to turn to a third-party supply chain solutions provider. The main reason for this is cost. The ongoing involvement of your IT department, personnel training, and maintenance costs would also be exorbitant. On the flipside, going through a third party that already has the technology in place to provide you with the detailed market and cost-saving scenarios you need, is, nine times out of ten, going to be much more cost-effective.



Some other benefits to going through a third party to obtain market intelligence include:

- Having access to a relational database that houses the information of thousands of companies to which your carrier does not have access.
- Knowing that you can rely on a carrier-neutral liaison that speaks your carrier's language.
- Being able to develop solutions that are fact-driven and based on hard data.
- Realizing savings at an accelerated timeline.
- Freed up valuable internal resources.

If you're wondering just how market intelligence can help lower specific shipping costs, below are seven hypothetical scenarios that may help answer some of your questions. Each scenario depicts a way that shippers with access to market intelligence could potentially achieve greater savings and better service levels than they likely would be able to do without access to high-level market information.

#### *Scenario 1: Mode Conversion*

According to market intelligence, there are LTL and air freight carriers that will take some of your shipments for 20 percent less than you are paying right now with parcel. You turn to your parcel carriers and tell them that unless they can reduce your costs, you will need to move this volume, and to do it with their support.

#### *Scenario 2: Shipment Consolidation*

Market intelligence shows that companies similar in size to your own are setting up staging areas and consolidating the boxes of their top 30 customers who place multiple orders each day. Because this would reduce your cost of sending to those shippers by 15 percent, you tell your carrier to lower your revenue tier to compensate for the reduced expense.

#### *Scenario 3: Zone Skipping*

The majority of your operation's shipments are sent from one warehouse. Market intelligence proves that other companies similar in size and with similar



operational capabilities are creating their shipping labels as if shipments are being sent from five locations: Philadelphia, Atlanta, Dallas, L.A., and Seattle. You begin doing the same in order to bring your zone distribution to 85 percent under zone three. Even when you take into consideration new line haul expense, you can confidently expect to save 12 percent on your total parcel expense.

*Scenario 4: Rate Benchmarking*

A market intelligence study is showing that companies your size are shifting their five-pound-and-under shipments to a post office consolidating service. You tell your shipper that you need them to reduce the cost of shipping your own five-pound-and-under shipments or support your efforts to move 15 percent of these shipments to another carrier.

*Scenario 5: Premium Service Reduction*

Market intelligence indicates that companies like yours that have implemented a premium service reduction strategy have had a success rate of 60 percent, without disrupting customer service. You inform your carrier that a 60 percent success rate would allow you to reduce your total expense by five percent, which means that implementing your own premium service reduction strategy would be a worthwhile cost savings initiative. You tell your carrier that you need the system that automatically chooses the lowest cost service to your 200 locations available at no cost.

*Scenario 6: Determine Chronic Issues with a Carrier*

Market intelligence reveals that when a certain carrier has a 5:00 PM pickup from a certain area, the carrier has trouble maintaining its service levels on the East coast. Ask the carrier to direct haul your shipments to guarantee service levels. If they do not comply, select another carrier.

*Scenario 7: Vendor Enablement – Reduce Inbound Shipment Costs*

Ask your carrier if they will provide an aggressive rate for inbound product after explaining that market intelligence shows that your company could save 30 percent on its inbound shipping costs if vendors would only ship under your account number. Will they also develop a plan to visit all of your vendors and educate them on how to ship using your account number?



No matter what unique solutions you are able to develop by using high-level market intelligence, you are sure to trim more costs with market intelligence than you would by using traditional methods alone. If you can confidently go to your carrier and tell them that you **a.** know what you want to do to trim costs, **b.** are not going to be an operational (or financial) burden to them, and **c.** as their partner, only need assistance in implementing your solutions, you should see your rates lower as your service levels improve.

*This above article is archived online at:*

[http://www.impomag.com/scripts/ShowPR.asp?RID=14134&CommonCount=0.](http://www.impomag.com/scripts/ShowPR.asp?RID=14134&CommonCount=0)