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Knowledgeable or Me Too— Which are You?

by John A. Gentle, DLP.

Traditionally I would have started this article like this: *It's getting to be that time of year again. Your shippers haven't even gotten through 2009 and already they are being prompted by their financial teams to get their savings estimates ready for the 2010 budget, and perhaps even to project out the next 3 to 5 years. What crystal ball will you be using to make the 2010 estimate or are you just another 'Me Too' Broker?*

But, I think that it would be a lot more interesting if we started it off with... *"Are several of your bigger carriers calling you—trying to determine what price you expect to be paying in 2010 for the lanes they serve and whether the price will fluctuate as fuel continues to increase?"* A little surprised, you ask—Why? They say that they need to improve their bottom line and begin retiring borrowed funds. Being a shrewd business person you ask them if they would be willing to share their operating costs with

you and, collectively they say—"it's been running between .99 and 1.04".

When you ask if the number represents your account specifically they say 'Yes'. When you follow up to see if they were having a problem on all lanes or just a few in particular, your hopes for one or two insignificant instances melt away when they identify the lanes for your best and toughest customer. They press on—"What rate can we count on next year and what's the fuel surcharge going to be? Fuel is going up again, you know!"

Do you tell them now that:

- The shipper is likely to be looking to reduce his costs by 2-4 percent and take the chance that the carrier will start looking to other opportunities? Or
- You have not spoken to the shipper yet, but in any event they will have to be competitive in the lane to retain the business and that the rate you give them will include the surcharge?
- Your guess is as good as mine?! Or do you take a shot at the answer based on your gut feel?

Really!!How well versed are you on what the market dynamics are now and will be in 2010? And are your other carriers having the same problem as these inquiring carriers, but just haven't called?

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After talking to these carriers, do you immediately contact the shipper and ask ‘What’s your plan for next year?’ and expose yourself to his question ‘What do you think?’ with no idea as to what the answer is. Or, do you tell the shipper that carriers are looking for a rate increase and then be embarrassed when he says absolutely “No” and that you better begin looking for a way to take another 2-4% out of the rate or be prepared to surrender the business to another 3PL! Or do you do nothing and just sit on this and see if it goes away?


Well, if this is the first time that you knew your carrier(s) were taking a bath on the rate that had a fair amount of volume, then shame on you! 3PLs have a responsibility to provide value to both business partners. It is particularly important that shippers and consignees enjoy continuity of good service from carriers, and any disruption to that relationship is unwise and unproductive.

Further, it is equally important that your carrier business partners not be forced into doing something that clearly unprofitable just because a shipper demands a rate reduction. That the carriers should have known better, or that your team did not know that it was a problem, or that your team never inquired if the carriers could make money are that rate—are *naïve and unworthy sophomoric* arguments.

We need not revert to the nineteenth and twentieth centuries and the age of mercantilism when greed and rugged individualism began to play a bigger role in the fabric of our society; and Americans took what they wanted when they wanted it with absolutely no regard for balance or need. Often animal life was taken for just the pelt with the meat left to rot. Our changing weather environment is seemingly another legacy of wanton disregard and waste.


As a TIA member, I trust that:

- You are not one of those wild ‘saving’ hunters that still believe that it’s only about them and those that pay the freight bills; and that savings can only be achieved through deep carrier rate cuts, taking as much as you can. If some carriers are ‘destroyed’ during the hunt—well that’s just part of your game.
- When the execution of the shipper’s or 3PL’s plan falters and the results are not attained or at least not in a timely basis, your carriers were not stalled, forced to wait and wait, like a trapped animal pondering its fate;



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- You are not a ‘poacher’, who disrespects all the rules and players, or enters the market at all times of the year wreaking havoc and destroying balance along the way.

Regardless of whether we are talking about wildlife or carriers, there is a way to approach everything and that is with knowledge and respect for the well being of the carrier, with an appreciation for the value procured with the price paid, and the need to ensure that the pursued can continue to *prosper and grow*. This means that as knowledgeable professionals we clearly understand the market place. We know exactly what we are asking for and that we take only what we need. Mandating capacity commitments from carriers and not using them is a selfish act which creates significant cost penalties for carriers when equipment and drivers are left without work.

As scouts and hunters we were always taught to leave things better than when we arrived and only use what we needed. It’s time we put more thought and responsibility into rate and cost savings projection processes. Specifically: What are we trying to accomplish—What’s the real need? Can it only be

achieved by rates? What are the real costs, tools, resources, and strategies needed to achieve the result in a timely basis for the small to mid-size carriers as well as the shippers and consignees. How long should the rates be in effect and will there be provisions for market place shifts and don't hide behind a lump sum rate to hide the real FSC and line haul rates. If you are embarrassed to tell carriers what you value of their line haul element of their rate is, then perhaps you need to be talking to your shipper about it before approaching your carriers.

Hunting for savings should not result in casualties strung up on fences at the side of the road. If there is to be a bid then it should be a well planned event without surprises, executed with real actionable decisions within two weeks of the event, and capable of being implemented within five should be the order of the day. The growth of strong service based carrier capacity is your responsibility....Be respectful and act honorably. A successful bid should result in the sought after carriers and their employees surviving and growing during the year to become willing participants for your next year's savings event.

So, how well informed are you about the market place and where it's headed? Do you know what

counsel to provide to your shippers and your carriers? Yes, *and* your Carriers! Will you be going to the FTR Associates' Annual Forecasting meeting at the end of August in Indianapolis and listening to industry experts discuss the current market and 2010 projections? Will you return home, analyze the information and then call both your shippers and carriers and proactively provide your counsel? Or will you choose to do nothing?

I would hope that what separates TIA members from other brokers is their proactive commitment to knowledge and to ensure that both their shippers and carriers are not only profitable but are well informed about: the law; risk management; market place conditions and trends; and the cost elements of business.

To be passive, reactive, and ill-informed is to be just another "Me Too" broker.

Which are you?

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