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Understanding *Holistic* Logistics

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"The whole is greater than the sum of its parts. One plus one equals three or more."

- Stephen Covey

Holism is a principle in which the sum of a system is greater than the value of its component parts; something that thinkers in the 60s dubbed *synergy*.

And for the last 40 years, we've seen the concept of synergy influence almost every branch of business; everything from mergers, to project-based organizations, to team building workshops have benefited from a *synergistic* perspective.

Now -- admittedly a bit later than most other business operations -- the concept of holism, or *synergy*, is being applied to the three components of the **shipping spend management** process:

1. managing contracts
2. managing shipments
3. managing payments

As industry experts Steven G. Beda and Bill Peterson (*Parcel Shipping & Distribution, March/06*) advise, these three components *significantly* influence each other; and to view each

of them as an island is not merely incorrect; it's wasteful and counterproductive.

Rather, each of these components link *holistically*; they enhance each other - adversely or positively - and change the dynamics *and* performance of the whole shipping function.

At ICC, we recently spoke with a Logistics Manager of a large manufacturing firm that spends over \$300m annually for transportation services. Despite this massive yearly expense, he was at a loss as to *how* the pieces of his firm's shipping system fit together.

What we explained was that it *wasn't nearly enough* to know that contracts were negotiated by the accounting department. He needed to know how each department holistically influenced the shipping process, and ultimately, how each department could coordinate efforts to reduce cost, maximize efficiency, and improve quality.

ICC Advises on Strategic Cost Savings

On March 17th, ICC President, Tony Nuzio was one of the principle speakers at the **IKON Office Products/Innovative Mailing Systems Symposium** held at the Marriott Hotel in Melville, Long Island.

Tony's presentation was entitled "*Managing Parcel Transportation Costs for The Competitive Edge*" and included an overview of parcel carrier negotiating techniques, as well as the full benefits of auditing parcel carrier invoices.

For a copy of Tony's presentation, please contact ICC at sales@icclogistics.com.

📅 SAVE THE DATE!

The **Warehouse Solutions Consortium**, which represents key industry leaders in the transportation and logistics field, is exhibiting on May 17th at the **Warehouse Management Expo** in Edison, New Jersey. Come visit ICC along with our consortium partners, and learn how to **improve efficiencies, reduce costs, and exploit innovation.**

Look for more details in the April edition of *Logistics Strategies*, or contact us at sales@icclogistics.com for the latest information!



ICC President Tony Nuzio helps shippers find hidden transportation costs and gain a competitive edge.

Reinventing Carrier Relationships

In the past, enforcing contractual obligations with carriers often involved a fairly reactionary, punitive response: *shape up or you're outta here!*

Times have changed. The punitive approach to enforcing carrier obligations simply doesn't work anymore. In fact, it's counterproductive.

A number of cumulative factors - including a driver shortage and increased carrier costs of doing business - have *severely* tightened carrier supply. As a result, shippers no longer control the leverage in this relationship; and the old-fashioned *punitive* remedies to resolving unmet contractual obligations don't cut it anymore.

As industry expert and consultant Jeffrey P. Ryan advises (*logistics Management, June/05*), shippers who want to remedy unmet carrier obligations need to apply a cooperative, incentive-based 10-step approach.

Step 1: Explain your needs. Don't assume that carriers know your business as well as you do. Clearly explain to them what you do, and what your business requirements are.

Step 2: Solicit proposals from multiple carriers who can help *everyone* save money and improve performance.

Step 3: Accurately gauge how important your business really *is* to your carrier. You may not be the right "fit" for your current carrier; use the RFP process to find out if shifting carriers - in whole or in part - makes sense.

Step 4: Reassess your measuring tools. You may strongly feel that you're not getting the appropriate bang for your buck, but unless you accurately measure logistics metrics, you *won't* know what's really going on. If you discover that your analytical tools *aren't* effective or updated, then upgrading/updating them is the right place to start!

Step 5: Understand your shipping trends. Where you are today isn't where you were yesterday; or where you'll be tomorrow. The solution you implement today *will* need to change in the future. Clearly understand your shipping trends; you'll position yourself, and your carrier, to succeed long-term.

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Step 6: Create a robust contracting process. Change is going to happen; some positive, some negative, some yet unknown. You need a flexible contracting system that allows you to exploit cost saving opportunities, endorse quality, and reward carriers.

Step 7: Create a two-channel communication system with your carrier: one for proposals that they send to balance their network; the other for *returning* business that they can't handle or don't want. Remember: it's a carrier's market. *Don't* force them to reject you as a customer because you aren't agile enough.

Step 8: Continuously monitor your contracts. Opportunities will arise to optimize existing agreements, and to develop *new* ones; be alert and in a position to take advantage of this.

Step 9: Reward carriers for good performance. You need to have an accurate measuring and monitoring system in place to achieve this step. Provide incentives for carriers to overachieve!

Step 10: Position yourself as an ideal customer. As Ryan states: *make it easier for carriers to do business with you...and they will!*

Shippers often miss the boat when they view freight carriers as vendors, and not as *partners*. Carriers are directly involved in delivering products to customers; and that makes the relationship *vital*.

Of course, freight carriers also need to take a long hard look at their shipper relationships, and work towards mutually beneficial operational gains and cost reductions.

Remember: if there's one thing we know about business, it's that it moves in *cycles*. Sometimes shippers will be in the driver's seat; and sometimes carriers. At ICC, we believe that it doesn't *matter* who has the leverage, as long as both parties arrive to the destination with mutually satisfying results.