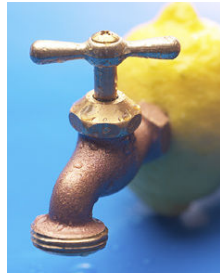


Making Lemonade from Rising Fuel Prices

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They - whoever *they* are - say that "when life gives you lemons, you should make lemonade". Now, in the world of shipping, we can translate this into: when life gives you

insane fuel prices, change your strategy to control costs!

Industry expert Bill Armstrong (Parcel Shipping & Distribution, Dec/05) highlights four powerful strategies that shippers can adopt; and make as much *lemonade* as they can from this new world of record high fuel prices.

✓ Strategy #1: Cut Costs at Home

Paradoxically, the most potent cost cutting solution a shipper can apply has *nothing* to do with the cost of fuel; at least not directly. Rather, it has to do with the *amount* of fuel that is needed to transport goods.

Shippers should take a hard look at the packaging used in the shipping process, and ask themselves if it's "shipper friendly". The larger and heavier the container(s), the more expensive it will be to ship. This analysis can actually lead to the discovery of alternative packaging ideas, including the uses of new materials and methods.

✓ Strategy #2: Reassess How you Ship

A by-product of Strategy #1 is that shippers may discover, to their amazement, that they don't really *need* a container after all. Many smaller items - such as CDs and DVDs - can be sent safely in a mailer, instead of a box (and we're seeing many of the giant ecommerce stores such as Amazon.com apply this strategy!).

✓ Strategy #3: Improve Quality

The first quality doorway is *administrative*. Sending the wrong package to the wrong customer is pure loss; *regardless* of how much was saved through innovative packaging or any other strategy.

The second quality doorway is more subtle. As Armstrong wisely advises, finding new packaging and seeing the dollars that are saved is *not* effective if the product winds up in pieces. This not only adds to warranty and repair costs, but can do irreparable damage to customer relations.

✓ Strategy #4: Innovate!

Shippers may find that implementing strategies 1, 2, and 3 to reduce shipping costs can lead to *new* ways of doing business; ways to inspire growth in other areas as well.



Everyone knows the rising cost of fuel has created *huge* increases in costs for freight carriers. However, what many folks don't know is that freight carriers have been passing these higher costs on to their customers since 1999! The real questions therefore are: how much of these additional costs should be passed on to the shipper as a direct pass through cost? And how can shippers help their carrier partners reduce these costs?

At ICC, we firmly believe that *both* shippers and their freight carrier partners have an obligation to each other to work on solutions to reduce the impact of high fuel prices on shipping costs.

"It is not the employer who pays the wages. Employers only handle the money. It is the customer who pays the wages."

- Henry Ford

The Laws of Attraction (in Transportation and Logistics)

Rising fuel costs, driver shortages, and continuously high demand are all combining to create a clearly uneven relationship between shippers and carriers; with the latter *firmly* in control.

The consequence of this - and it's one that some shippers have struggled to accept -- is that shippers must make themselves *attractive* to carriers.

So how do you do this? Industry experts Beth Enslow and Dan Goodwill summarize 17 excellent strategies -- 6 procedural and 11 technological -- that *carrier attractive* shippers should implement:

▶ Procedural Changes

1. Become "carrier friendly" by using easy-to-move packaging.
2. Have all shipping items ready for the *moment* the carrier arrives.
3. Have your papers in order! All paperwork should be completely in order and ready for exchange.
4. Review your carrier partner(s) and analyze the fit. Maybe it's time to find a new carrier who focuses on the kind of service that you and your customers need.
5. Work with your customers (those receiving your shipment) to reduce overall shipping costs. Make sure they aren't undermining your efforts to be "carrier attractive".

▶ Technological Changes

1. Share forecast models with carriers, and invite them to collaborate on strategies to meet these anticipated needs.
2. Optimize your order management system. There may be key cost savings found in the waiting gap between when an order is placed and when it's shipped.
3. Implement a dock and/or yard management system.
4. Allow carriers to self-schedule.

5. Optimize border crossings through technology programs, such as FAST.
6. Implement a Transportation Management System (TMS) to proactively identify collaborative shipping requirements.
7. Improve communication efficiency through computer technology, such as a shipper/carrier portal on a website.
8. Automate self-invoicing to speed up payment. This reduces paper invoices, and saves time and money for both parties
9. Designate a person or team that facilitates all carrier/shipper communication.
10. Provide incentives for carriers. These should be built into the contract, and accurately tracked on *both* sides.
11. Use "360 scorecards" to assess shipper effectiveness - both quantitative and qualitative. These scorecards can inspire "carrier-friendly" improvements.

Shippers must establish clearly defined priorities and objectives for their transportation needs. At the same time, freight carriers must partner with shippers that bring true value to the partnership. In order to ensure true long standing business relationships, *both* parties must work towards mutually beneficial business goals, goals that meet and exceed the expectations of BOTH business partners.

Companies that enjoy elevated relationships with their business partners maintain a clear advantage over their competitors. Shippers pay lower freight costs and receive better service, while carriers enjoy more profitable business with less operational headaches.

