



# LOGISTICS STRATEGIES

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## Greetings

Welcome to the newest edition of Logistics Strategies. We've worked hard this month to bring you tips and information that we believe you will find extremely informative and useful.

As always, we welcome your feedback and will continue to bring you relevant and current information to help you with your transportation issues.

Please let us know your interests and we will endeavor to address them in upcoming issues.

## Managing Metrics

With Transportation and Logistics costs taking a larger bite out of every sales dollar, companies are continually analyzing data to find additional opportunities for cost savings.

These analyses allow companies to play a more strategic role within their organizations. Utilizing what we call VIBE methodology, companies are assured of valid use of the data they analyze. What do we mean by the term VIBE?

More than just numbers. Pick up on the VIBE!

V. Validate that the data you are working with is accurate. Have you tested and cross-checked the data? Have you randomly sampled reported data to verify its accuracy?

I. Isolate data into the appropriate categories. Often, data is lumped together in ways that make valid benchmarking or evaluation impossible. Take the time and effort to make sure you are comparing apples to apples, unless your goal is fruit salad!

B. Benchmark. Using the data you have verified and isolated into appropriate categories, benchmark your operation against peers, competitors, or industry best practices.

E. Evaluate. Using valid data, isolated into appropriate categories, and measured against industry best practices, evaluate and identify opportunities to reduce costs, streamline operations and increase shareholder value!

# Vendor Compliance or Rather Non-Compliance Equals Big Dollars

Retailers today live and die by the routing guide they supply to their vendors. These guides specifically state how suppliers should package, mark and deliver shipments to the retailer to ensure prompt and efficient delivery and speed of product to the selling floor. Sounds like a great idea, however, there are issues.

What if you have dozens of retail customers and each retailer has a different set of requirements?

What if you fail to meet all of the requirements spelled out by the retailer?

Most retail suppliers deal with these two issues on a daily basis and more recently, has spread to non-retail business suppliers. The answer to both questions is: you lose!

There is no doubt that a supplier will have multiple routing guides from their retail customers and surely the requirements are very different. In some routing guides that we have viewed, the vendor is required to place a shipping label on every carton that must be placed exactly one quarter of an inch from the bottom right hand corner of the carton. With these very restrictive requirements and many versions thereof, suppliers are sure to fail at some point.

Some companies do not pay enough attention to the routing guides and often the wrong carrier is used. This is an easier problem to solve, as it just requires setting up a routing matrix by customer to ensure compliance.

Some retailers and non-retail companies have specific arrangements with their delivering carriers that negate the claims liability that the shipper thought it had with that carrier. To add insult to injury, very often these routing guides change monthly further complicating the ability to comply with all of the routing and shipment preparation requirements.

So what happens when you fail to meet all of these requirements? You end up with a chargeback, which can severely deteriorate any profit a supplier may have calculated for in his product price.

Suppliers continue to stress that these chargebacks are excessive and punitive, which has no equality to the actual cost of the error. Therefore, this creates a profit center for the receiver of the goods. Some experts estimate that the financial loss to the supplier could exceed 10% of the revenue that would go to the supplier. And this comes on the heels of trimming the sales cost to an extremely low price just to get the sale.

Various vendor compliance organizations are cropping up to assist suppliers to avoid these chargebacks. In some companies, entire departments of vendor compliance management teams are being created to keep the net effect of chargebacks to a minimum.

In the final analysis, it is up to the supplier to make sure they understand the rules of the game, which are authored and tightly controlled by the customer. Instead of Caveat Emptor, LET THE BUYER BEWARE, we now have LET THE SELLER BEWARE.

So what strategies, if any, does your company use to control chargebacks and debit memos from your customers who continue to eat away at your company profits.

## Understanding Liability Limits So You Are Protected

In our current deregulated transportation environment, many shippers without transportation or logistics' departments are not aware that motor carriers may, and most times do, limit their liability for cargo shipped, without the consent of the shippers. It only becomes obvious to these companies when a freight claim is filed for the FULL ACTUAL LOSS and the carrier supplies supporting documentation from its tariff or rate schedule that it has a limited liability.


The issue of limited liability is not only a concern for shippers utilizing motor carriers, but also involves shippers utilizing airfreight express companies, railroads and household goods carriers as well. Air Freight Forwarders and household goods carriers have always had limited liability provisions in their agreements.

Motor carriers are able to unilaterally limit their liability, without first providing notice to their customers. A shipper must know to request all of the applicable shipping terms from the carrier, including liability limitations prior to shipment, in order to obtain notices. This is the only true way for a shipper to have clear documentation to support the actual liability limitations of the carriers.

Our question to shippers is (are you aware of the liability limitations imposed by your carriers ?) if so, what documentation do you have in your files to support these liability limitations? More importantly, are the liability limitations sufficient for the products you ship and receive? If your products are lost or damaged in transit you will be subject to liability limitations set out by the carriers that haul your freight.

How does a shipper protect itself against these limits of liability? The answer lies in establishing a transportation contract between the shipper and carrier, which clearly spells out the liability limitations. The liability limits as published in the carrier's service guides or tariffs can be bypassed through these contract agreements.

Shippers should be aware that most motor carriers have their own contract form. This contract, in most cases, will provide for the same liability limitations as published in the tariffs or service guides. Therefore, shippers will want to write their own contract to protect themselves against these limits of liability, as well as other issues.



Companies have never before had more choices when it comes to selecting parcel carriers. Along with more carriers to choose from, there are also a bevy of additional services that are now offered. Because of these growing complexities, most companies do not have the time, manpower or knowledge to effectively negotiate the best carrier rates and services. By seeking out a parcel negotiation consultant to manage negotiations, companies can benefit from someone who knows the rules of the game from the other side of the fence. Outsourcing this function often results in a company placing itself far ahead of its competition in terms of being able to offer better, faster, and less expensive shipping options to its customers.

We caution all shippers to change their thinking about contract arrangements and implement a contract, which is fair and equitable for both parties. Remember, these contracts are bi-lateral agreements and protect both parties. Do your transportation contracts protect the interests of your company? If not, now is the time to make sure they do.