



supply chain

Driving value: Tips on managing your freight costs and spend

By Julia Kuzeljevich

In uncertain times, those on the freight side are really under the microscope, according to Dan Goodwill, of consultancy Goodwill and Associates.

With truck capacity exiting the market, import-export activity in decline, a volatile Canadian dollar, and logistics costs that continue to exceed 10% of GDP because of high fuel costs, the result for transportation professionals is a considerable amount of pressure, according to Goodwill, who spoke recently to shippers and carriers attending the Budgeting for Transportation Expenses in 2009 forum in Toronto.

"We must really drive value," Goodwill told the forum, hosted by DTA Services. "For shippers, make sure you have a logistics program consistent with the current economic environment – one that manages freight costs and spend."

Where possible, he advocated testing out alternate sources of supply and alternate logistics vendors. Inbound freight is a missed opportunity, with a 20% potential cost savings in some cases, said Goodwill.

There may also be viability in shifting from rail to ship, from truck to intermodal, from carload or rail to truck, and from LTL to truckload.

Recession-proofing transportation costs means not only moving products, but also moving them at a competitive price, said Melissa Gracey, president of DTA Services.

"Use intermodal whenever you can – have a truck pick up the order, send it by rail for the long haul and distribute by truck to your final destination. Ask your customer whether your shipment could arrive a day or two later. This practice will potentially reduce the cost of the product, it will reduce freight charges and it will be good for the planet," she said.

The practice of benchmarking can also reveal hidden costs and potential savings.

"Benchmark your rates across multiple modes and carriers.



Accessory costs can be very negotiable," said Goodwill.

He also advised conducting multiple rounds of formal freight bids with quality carriers once every two years, making sure to cast a wide net.

"You can bid the entire network, or parts of the network, and lock in rates for an extended term."

Goodwill also suggested maintaining primary and backup carriers on every lane.

"Look at the opportunities for pooling freight. Implement and monitor carrier performance with a scorecard or dashboard, and address all non-compliant spend behaviour, keeping an eye on shipping patterns that require correction," he said.

"Ensure that every transportation invoice, whether it's a \$5 courier charge or a \$5000 truckload charge, is audited. Make sure shipments over \$50 have proper documentation (the bill of lading, purchase order, proof of delivery) attached, as freight bill over billings and duplicate billings can and do cost up to 3% of freight costs. Either audit in-house, or outsource to a company that knows what they're doing," advised Gracey.

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