

Midwest Retailer Is Back in Control of Its Transportation Costs

BirdDog's strategy and solutions outlined at recent CFO Rising West Conference

Controlling transportation costs in today's volatile economy is critical to survival for businesses both large and small. Attendees of last month's CFO Rising West Conference in Las Vegas had a special opportunity to learn from industry leader BirdDog Solutions how they can reduce their transportation costs, as well as implement an effective strategy to increase their bottom-line savings. In its 50-minute workshop titled "Controlling Transportation Expenses in Today's Economy," attendees learned about the issues that Midwest retailer Blain Supply, Inc., recently faced in managing its transportation costs, and the actions that CFO Bill Schendt took to reduce these costs and put more money back into the company's budget.

The challenges that Blain Supply faced are not uncommon among businesses today. With more than 34 stores, Blain Supply has enjoyed steady growth over the past few years. But as Blain Supply grew, so did its transportation costs. According to Schendt, transportation was Blain Supply's third largest expense behind labor and product costs, and the company reached a point where it had to start tightening the reigns and reducing these costs as much as possible. Another challenge was that although Blain Supply's Transportation Management team was experienced, they lacked the benchmark information they required to negotiate a carrier contract that met the company's needs and long-term goals.

To overcome these challenges, Schendt turned to BirdDog Solutions to assist Blain Supply in identifying additional opportunities within its shipping operations that would allow the company to reduce its costs. Todd Benge, Managing Partner of BirdDog Solutions, explained that through a simple process encompassing a thorough analysis of invoice data, along with the use of proprietary benchmarking information, he and his team of consultants were able to provide Blain Supply with a double-digit savings opportunity off its overall shipping expenditures through the negotiation of its carrier contracts. In addition, BirdDog continued to monitor these contracts through a thorough invoice audit and payment process, as well as provide Blain Supply with additional visibility into its shipping operations via BirdDog's online data portal. According to Schendt, this process enabled Blain Supply to not only reap substantial savings in its transportation expenses, but also regain control of its transportation costs to support current and future growth—all without making a serious financial investment.

Closing the Loop on Transportation Spend Management

Joel Sitak, CEO and president of BirdDog Solutions, provided the framework that Blain Supply used to regain control of its costs and increase bottom-line savings. The process of using invoicing data to analyze and negotiate carrier contracts was first defined by the Aberdeen Research Group as part of the Transportation Spend Management model. In a recent research brief, Aberdeen defined Transportation Spend Management as a closed-loop process encompassing the following five steps:



According to Sitak, businesses tend to do a great job planning and executing shipments, as well as providing timely payments to carriers. However, by also focusing on the steps of data analysis and contract negotiation, as well as better managing invoicing data, businesses will be able to leverage the Transportation Spend Management process as a *closed loop*, and therefore they will be more likely to enjoy greater benefits from a cost savings perspective than ever before.

Closing the loop on Transportation Spend Management, Sitak explained, is vital in reducing costs, especially in today's economy. For example, of the \$1.4 trillion that businesses across the United States spend on logistics each year, transportation costs account for 48.2% (\$675 billion). What's more, the overall numbers for transportation expenses represent far more than just core shipping charges. Accessorial surcharges such as lift gate and delivery area surcharges make up 15% of transportation costs, while fuel prices (the most unpredictable surcharge in transportation) have become so volatile that they now account for more than 40% of transportation costs in modes such as Express Parcel Services.

What does this mean for shippers? First, because of rising fuel costs, businesses are rethinking their supply chain strategies. These days, more companies are moving closer to the markets they serve and are shipping larger lot sizes less frequently. Also, as the economy is expected to improve in 2009, supply and demand economics will likely drive transportation costs even higher as a result of decreasing capacity due to closures in the trucking industry. So, even as the current economic situation improves, businesses will need an effective strategy to stay on top of these costs as they are likely to increase while the industry tries to recover.

BirdDog's presentation at CFO Rising West was well received by workshop attendees. According to many of the financial executives in attendance, the topic that BirdDog Solutions outlined was both informative and relevant. More importantly, because Sitak emphasized that this transportation model is not only designed for Fortune 1000 companies but also works for shippers of all sizes, many attendees left the conference with a strategy to regain control of their transportation costs, improve operational efficiencies, and mitigate financial risk.

To learn more about how BirdDog Solutions can help you, please contact us at onTrack@birddog.com.