

Stop Buying Transportation. Procure It! With Parcel The Deal Is In The Details

Raymond Nieuwenhuizen

Vice President, Marketing,
Professional Services &
Logistics



Raymond Nieuwenhuizen manages BirdDog's professional services team and is responsible for the growth and operating performance of BirdDog's non-asset based freight management division. In addition, Nieuwenhuizen leads new product development, marketing, and communication initiatives in support of the company's rapid growth. He received a Bachelor's of Science degree in Marketing and International Management from The Hague University in The Netherlands, and a Master's of Business Administration from Syracuse University.

Negotiating agreements for ground and air delivery services for time-sensitive parcels is a daunting challenge for even the most seasoned transportation professional. Taking a closer look at the four principles of procurement outlined in the first article of our "Stop Buying Transportation. Procure It!" series, will shed light on why the parcel procurement process is so complex.

The complexity with parcel does not lie with the business strategy component. The two dominant parcel carriers, UPS and FedEx, make it exceptionally easy. They allow you to match delivery services to your overall business strategy, and provide various ways to assist with execution thereof. Anyone who is a high volume user of parcel services knows that both UPS and FedEx have made impressive, world-class infrastructure investments to make it easy for you to send packages and to ensure high degrees of on-time delivery.

The real challenge lies with the data analysis and carrier pricing strategy components. To paint a clear picture of what you have to offer to the carrier, a thorough analysis is needed across more than ten variables. One must look at factors such as weight, service type, zone, shipping volume and commercial versus residential deliveries. If analyzing your shipping profile at this level of detail isn't challenging enough, matching this to the carriers' pricing strategy is even more complex. Each carrier has different rates, incentives, and service offerings, making apple-to-apple comparisons extremely difficult. To make matters worse, there is no data publicly available to assist shippers in assessing the reasonability of rates or how the carriers arrived at those rates. Pulling up a chair at the negotiation table without a detailed understanding of (1) what you have to offer to the carrier; (2) how the carrier perceives your business; and (3) the ability to compare offers, does not set you up for success.

To tackle this challenge, specialized analytical tools and in-depth knowledge about parcel carrier cost structures and pricing strategies are required. Speaking from first-hand experience, even the most sophisticated Fortune 500 companies struggle with this and have leveraged third party support to assist in this process. Even for most multi-billion dollar companies, it is inefficient to build and maintain the required tools and retain highly specialized talent in house. An added benefit of having access to these resources is to be able to identify added savings opportunities. For example, the ability to move low-weight less-than-truckload shipments to the parcel carriers' hundredweight programs. Some shippers have realized as much as 60% in savings as a result of this level of insight into the carrier's programs and by knowing how their shipping needs match the carriers' capabilities.

As it pertains to parcel, procurement success relies heavily on your ability to analyze your data and in-depth knowledge about the carriers. You will be able to generate savings and control your costs when you master

those two components. We'll cover full Truckload in our upcoming article in this "Stop Buying Transportation. Procure It!" series.

In the meantime, I welcome your feedback and comments at ranieuwenhuizen@birddog.com