



EXECUTIVE BRIEF

FREIGHT BENCHMARKING

HOW SMB'S CAN LEVERAGE
FORTUNE 500 STRATEGIES

Freight benchmarking is a strategy heavily employed by large organizations and Fortune 500 companies. However, it's not as readily used by small businesses who are more in need of the cost savings associated with more frugal logistics decisions. Part of the issue here is that larger organizations have the resources to access a wealth of data and generate comprehensive reports to fully analyze their options when it comes to logistics.

When we talk about benchmarking, it's the process of not only understanding the company's internal data but the external information, as well. Large organizations use freight benchmarking to determine what their competitors are paying for shipments, what the going market rate is, and what their own historical expenses have been. This allows them better latitude to negotiate better rates and make choices regarding their shipping that improves the process. They also benefit from lower overhead expenses associated with shipping.

BENCHMARKING FREIGHT FOR SMALLER BUSINESSES

Larger organizations enjoy lower costs for the same processes that small businesses also need to manage. It's not a fair dynamic but it is a true fact. This is largely because the bigger organizations can access information that smaller businesses don't. They know what their competition pays, what the standard market rate is, and they can negotiate better deals because they need a larger service.

While SMB's may not be able to capitalize on the savings inherent in massive logistic orders, they can employ benchmarking strategies to ensure that their cost and logistic performance is the most advantageous it can be for the needs that they have.

There are a few different aspects involved in developing a successful benchmarking process. This can also be outsourced to an experienced company if your business does not employ anyone with expertise in this area.



External Benchmarking

External benchmarking is the process of analyzing how other industries and types of companies approach the same basic process. In this case, logistics and freight. There are industries outside of your own that also have solutions for their freight needs. An external benchmarking process helps you learn different processes that might not be popular or common within your industry but may fit your business needs in a more advantageous way. The larger your library of information, the more choices you have.

Internal Benchmarking

Internal benchmarking is the process to analyze your current and past models of working with freight. If you have multiple facilities, this process would include each method at all facilities, which may be varied. This could provide an excellent way to organize a company-wide approach to generate the best overall productivity at the most cost-effective price.

Competitive Benchmarking

Competitive benchmarking looks at the data involved in your direct competitor's freight process. This type of benchmarking is often conducted by an outside firm or uses third-party data to gain a fuller picture of the details that your company would not have ready access to. In some cases, this information is published. With competitive benchmarking, an SMB can see where their competition excels and areas where they perform at a lower rate. It can provide excellent ideas to close gaps in pricing.

MODES OF SHIPPING

Freight benchmarking can be used across the spectrum of different shipping modes. It's also helpful to compare various shipping models in order to determine if a change in the type of freight you're using might benefit your company. In some cases, you might find significant savings in moving from one mode of shipping to another. You should also take into consideration aspects that are not as easy to quantify, such as the performance and quality of the provider and the level of service.

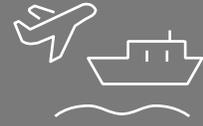
Here are some modes of shipping that SMB's can benchmark:



**Less Than
Truckload (LTL)**



**Parcel/
Small Package**



**International
Air/Ocean Freight**

Less Than Truckload (LTL)

LTL shipping is an essential way to move freight for many smaller businesses but a lot of businesses don't take the time to truly benchmark the process. Benchmarking helps you understand the cost to the trucking company which in turn helps you to understand how to reasonably assess their competition and choose the best carrier. Prices can fluctuate and you need to know what impacts the industry to stay ahead of increases and budget accordingly. Some smaller companies don't realize when their own costs increase and often aren't aware of the going market rate for the same service, which means they may be paying much higher costs than they need to.

Parcel/Small Package

Parcel and small package logistics are an overhead factor in many B2C businesses, especially small enterprises, and solopreneurships. It can seem like there is no way to lower these costs, but the truth is that many small businesses don't benchmark the process at all. Benchmarking here relies on the same principals that impact LTL and larger freight logistics, but there are fewer carriers to choose from. So it's important that you analyze your internal data and understand the other factors that can impact the cost of shipping to make choices in pricing and delivery systems.

International Air/Ocean Freight

Ocean freight can vary widely due to a number of issues. The larger organizations with set rates benefit here but smaller companies can have a difficult time with the fluctuations, which is why it's important to benchmark this process carefully to stay ahead of volatile costs.

Freight is a necessary cost of doing business, but that doesn't mean that your company should pay an exorbitant price without reason or outside of the going market. Benchmarking the process allows you to budget these costs more effectively and maintain control over the overhead costs that go into your shipping.

NEXT STEPS

You can get our Trans\$aver Spend Analysis™ that uses proven methods to find the blind spots and reduce costs for your company, just like we've shown for many other companies since 1994. There is no cost for this service, takes very little effort on your part, and can show you savings up to 22% (or more).

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Since 1994, its Founder, Michael Rogers has been fueling their Client's success using his 40+ years of industry knowledge combined with a network of extensive carrier relationships. You can rely on us to deliver your company competitive pricing, combined with logistics expertise and backed by cutting edge technology to simplify the shipping process.

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