

Four steps you can take to offset rising freight costs.

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Stirring the Pot

Four Prescriptions to Treat Your Freight Capacity Symptoms

As we work through the dog days of summer, the symptoms of unprecedented freight capacity shortages continue to spread. They include:

- A skyrocketing ratio of “loads available” to “trucks available”
- More late deliveries due to Hours of Service and ELD rules
- Carrier resistance to multi-stop loads
-and of course record high (and rising) transportation costs

By now, Supply Chain Managers have pulled out every trick in the book to ease their pain. They're optimizing dock operations to reduce driver waiting time so they don't end up on a carrier's “bad shipper list.”



But Marketing, Sales, and Finance have an important role to play in this battle as well.

They're increasing the use of drop trailers to add flexibility, and investigating rail and intermodal options where they make sense.

But Marketing, Sales, and Finance have an important role to play in this battle as well. Your price structure, order policies, and redistribution programs are all important tools which can ease the symptoms and provide some relief for your bottom line.

Our Four Prescriptions are:

1. Review your Price Structure and Order Policies

Whether you use National Bracketed Delivered Pricing, Zone Pricing, or FOB Plus Freight Pricing, Price Structure and Order Policies are a powerful lever. Done properly, they ensure that you are covering freight costs across all order sizes and geographies while providing incentives for customers to order more efficiently.

While "FOB Plus Freight" manufacturers generally have stayed on top of costs and made adjustments accordingly, many "Bracketed Delivered" manufacturers cling to bracket definitions and price premiums which were developed years ago (sometimes with questionable logic).

A thorough analysis of volume and costs by shipment size will reveal opportunities to tweak the structure and improve profitability. And often, Order Policies such as shipment minimums (and/or enforcement) can be tightened up to eliminate creeping cost problems.

2. Revisit your Redistribution Program

We often see redistribution programs which were developed 10 or more years ago, based on costs and conditions that existed at the time. Without question, the math behind determining which customers should be served via redi, and the math behind what constitutes a fair allowance have changed along with conditions.

Many manufacturers cling to a surprisingly low order minimum, continuing to tie up trucks and dock time to fill small, very high-cost orders. Now is a great time to re-evaluate your program, update your assumptions and make sure you're getting the most out of redistribution.

3. What? You Still Don't Have a Redistribution Program?

That's OK.....provided you've done a thorough study of the costs and benefits and decided it's not for you.

But if you're clinging to irrational fears, emotions, traditions, or attitudes and rejecting redistribution for these reasons, now is the time to take a closer look. There is no surer way to offload small, high-cost shipments and associated activities than through redistribution. Structured properly, a redistribution program is a big win for manufacturers.

4. Provide Incentives for More Customer Pickups

As we've written recently, responsibility for freight is a hot potato being batted around between manufacturers and distributors. Major distributors are insisting that freight rates and pickup allowances keep up with costs, and/or threatening to switch from pickups to deliveries.

That said, I believe that most distributors still prefer to pick up as long as it makes logistical and financial sense. As with pricing and policies, you ought to review your pickup program to make sure it still reflects reality as well as the benefits of outsourcing transportation to your customers.

“Ask your foodservice consultant if one of these prescriptions is right for you!”

We're always ready to talk about these ideas, and have been helping manufacturers develop and implement smart pricing and redistribution programs for over 20 years.

If you'd like to discuss your situation and kick around ideas, [click here](#) and we'll set up a time to talk.

Or you can call any time at 239/395-2787.

Thanks for reading, and we'll be back in touch soon.

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