WHAT IS A SHIPPER OF CHOICE?
A CAUTIONARY TALE

Late one week, a load planner discussed potential load options with a driver. In addition to covering the loads, they also wanted to efficiently bring the driver home for the weekend. The two loads that made the most sense had pick-ups within 30 miles of each other and deliveries into the same city and state. Considering his compensation as an owner-operator, the only obvious difference between the loads was that one paid him $100 more than the other.

The driver chose the lower paying of the two loads.

As you might expect, the load planner asked the driver why he chose the lower-paying load. His answer was simple: the receptionist at the chosen facility was always nice to him, offered him a cup of coffee and more often than not, a doughnut. The facility also let drivers use the restroom.

Partnership trumps price? The driver didn’t have anything negative to say about the other shipper’s load, but to him a simple smile, cup of coffee, doughnut and restroom availability was worth more than $100 to him on that day. In simple terms, the carrier placed a higher value on the partnership and a host of other potential variables in addition to the rate when deciding on how to best utilize company assets.

What became of the other load? Another carrier certainly came along to handle it, but most likely that carrier was not the shipper’s first choice, maybe not even their fourth. As drivers become scarce, equipment becomes outdated, and capacity continues to constrict, it increasingly becomes a “carrier’s market.” On the other hand, carriers more than ever are making load acceptance decisions based upon the strength of the partnerships they have - where price isn’t the only factor - as in the example above. It is imperative in this new world order that shippers adopt a “Shipper of Choice” mentality. These shippers focus on creative ways to find and retain carriers in order to keep transportation costs in check, and thrive.
Section 1 | WHAT IS A SHIPPER OF CHOICE?
1. A Shipper Who Communicates Like a Partner

Being a Shipper of Choice is demonstrating a desire to partner with the carriers that support your business... and in turn, allow you to support theirs. A “partnership” is two or more parties working together in pursuit of common goals. To ensure you have alignment with your partners, to make sure you are both aiming at the same target, you must have open lines of communication and mutual trust in your relationship. Fluid, courteous, but candid communication is the backbone of any solid partnership.
One area that needs immediate focus:

☐ Do you have the right platform in place that promotes active communication with your carriers?

☐ What tools are you using to help you determine which of your carriers are ideal partners?

☐ Do you have monthly touch points with your core partner carriers?

☐ Do you have routine quarterly or bi-annual review meetings with your broader carrier network? If so, who is involved?

As an example, during a series of carrier review meetings, a shipper asked not only their sales rep to attend, but also management in their operations group, their primary load planner, and dispatcher. That series of meetings fostered productive dialogue out of which emerged realistic actionable initiatives that supported the goals of both sides of the partnership.
2. A Shipper With a Long-Term View

Shipper of Choice is a long-term goal requiring long-term partnerships. Being and having desirable carrier partners is foundational to having an agile and innovative supply chain, enabling your company’s growth and leveraging transportation as a competitive advantage. Being able to cost-effectively service new customers, product launches, acquisitions and/or changing networks all demand solid carrier partnerships. Your business has a 3-year or 5-year strategy, why doesn’t your supply chain?

Your partnership is a two-way street. If you’ve honored your volume, lane and rate commitments, your carrier is more likely to deliver the capacity and performance in everyday operations as well as extraordinary situations. Ideally, this long-term view addresses your supply chain initiatives while meeting your carriers’ need for consistent freight. By sharing your planning and forecasting, your carrier partners can help you better to achieve your targets. Exceptions, emergencies, and everything outside the plan can then be handled well based on the collaboration between both entities.
3. A Shipper With Fair Procurement Practices

Transportation should not be treated differently from a relationship, commitment, and risk standpoint than other direct and indirect spend items within your organization.

- The shipper bears the responsibility of educating lowest-cost mindset in the organization; that service, performance and competiveness lead to the most successful transportation spend.

- Procurement is not an opportunity to hammer carriers on rate, promising more volume in lanes in exchange for lower rates, or simply to benchmark rates but not truly award lanes.

- Procurement of transportation is not the same as procurement of other materials and services. It should be purchased based on what is best for the organization.
Shippers of Choice work with their core carrier group to accurately reflect their need, benchmark ahead of the RFP, and award freight in a formalized method.

In many instances, these shippers rarely need to do a full “bid” as they are working with their core carriers to address concerns, forecast future needs, and agree to terms far ahead of the need. There is mutual respect and goals that drive service and control costs.
Section 2 | WHY IS BEING A SHIPPER OF CHOICE IMPORTANT?
1. Scalability

Good transportation capabilities enable your business to scale quickly. Companies that scale have operating leverage and that produces lower cost solutions when required. In order to scale and support your organization, you need to have a deep understanding of your current performance and metrics to avoid scaling operational inefficiencies. Scaling a problem only makes it a bigger problem, and in supply chains, these problems can exist in many common areas. You can easily measure rates at different levels of tender acceptance, but have you measured:

- Cost of late deliveries?
- Cost of unreliable carrier capacity and performance?
- Lost sales?
- Lack of speed to market?

Measure these and you’ll gauge the true cost being handcuffed by stringent low-rate contracts that prevent you from scaling operations with increased costs.
Being a Shipper of Choice also has the benefit of being able to leverage more spend with a trusted partner and secure more competitive initial rates because your carriers understand your business.

The better cost structure you have in place, and the more you trust your carrier partnerships, the more responsive you’ll be when unforeseen demands are placed on your supply chain. If you need a business case to sell your organization for investing in being a Shipper of Choice, the reason extends well beyond altruism – it’s the right thing because it’s good for your business.
2. Tight Capacity Market

Capacity is tight, and it will only get tighter. There simply isn’t enough capacity to meet demand. Your ability to secure capacity impacts the rates you will pay, your ability to serve your customers, and your ability to grow your business. Considering the current state of the market and the direct impact your distribution strategy has on your customer’s experience, allocating the appropriate time and resources NOW is critical. With a prolonged capacity crunch, those companies that leverage transportation as a competitive advantage will have differentiated themselves from the competition, simply because they are able to continue to serve their customers and control costs. Don’t let that be your customers they are serving.
3. HOS and Driver Shortages

Hours of Service (HOS) legislation continues to impact an already taxed driver marketplace. With the recent restart rules, productivity for long-haul carriers will be reduced up to 14%. Less time driving leads to lower utilization, which leads to higher costs to serve.

HOS regulations only deepen the problem. Carriers are saddled with trying to retain and attract drivers from an ever-shrinking pool of candidates. The U.S. is short 30,000 truck drivers as an aging population of drivers continue to exit the business and are not replaced at the same rate as younger drivers. Salary increases and additional benefits will not attract as many new drivers as needed. Being a Shipper of Choice is about delivering consistent and attractive freight for carriers, which will ensure that the drivers who ARE in the market are carrying your loads.
Section 3  |  WHAT DOES A SHIPPER OF CHOICE LOOK LIKE?
1. Proactive Relationships

Carriers are aligning themselves with shippers who are acting on the crisis now. Shippers that are deliberate in designing a carrier strategy that includes relationship building (or maintaining of relationships), ensure they are ahead of the game in securing have carriers willing and able to provide them service.
2. Attractive Payment Terms

Industry standard payment terms are 30 days. Any delay beyond a 30-day payment terms, including length reconciliation, will likely cause some repercussion (e.g. carrier interest in serving the shipper/volume, increased rates, etc.). Preferred shippers understand this and do all they can to make payment simple for the carrier. Using integrated freight payment tools is one way of putting excellent terms on the list of reasons why you are a Shipper of Choice.
3. Flexibility

Shippers need to consider accommodating carrier/driver availability. Knowledgeable shippers have conversations with their carriers and determine if flexibility will help the relationship and stay on goals. This provides insight into “when” their preferred carriers are available to take loads. To maximize usage of your primary carriers, to provide them consistent volumes, or just to keep the wheels turning, shippers need to understand what is within their power to control and accommodate the behaviors of your carrier network. Top shippers ask a lot of questions – they get to know their carrier’s best days, hours, geographies. And they ask for regular feedback.
4. Safety

Drivers are more attentive to shipping and receiving locations, especially where driver assist (loading or unloading) is required, or where tarps or straps must secure the shipment (using harness equipment). Shippers of Choice make safety a top priority. They offer:

- Parking areas for HOS rest periods.
- Driver lounges, with clean restrooms and other amenities.
- Streamlined gate check-in procedures and dedicate a yard jockey for moving trailers.
- Safe overall traffic patterns on the premise.

*Are your facilities and staff driver friendly?*
5. Consistency

Carriers want consistency in loads and lanes. They want to contract lanes where their equipment will be utilized consistently to enable driver’s consecutive routes. Variability (frequent cancelations, short lead time, etc.) creates challenges for carriers to keep their drivers moving.

Consistency is good not just for the bottom line; it’s also good for driver retention. Good carriers view their business through the eyes of their drivers. Driver recruiting and retention are the hottest topics in the industry. The days of two weeks out for a weekend at home are fading. Drivers are gravitating towards dedicated solutions as they want consistency, more predictable schedules, to work relatively the same hours each week, to be home more often, and they want a more reliable income.
Preferred shippers look for ways to do everything to reduce short lead times, frequent changes, and regular cancelations.

Those are going to be red flags for carriers. For those exceptions, best practice is to have the proper mutually agreed upon channels of communication in place to help. If tonight at 3:00 am a load for the next day is canceled due to product availability, do you know who is going to be notifying the carrier, is that communication exchange happening in real time, is it an email, a phone call, or both? Are you able to measure the frequency of occurrence by carrier, and are you working with one another and seeing improvement in your metrics? Those are things a Shipper of Choice does.
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