



By Dan Goodwill

# A checklist for CEOs seeking to control freight costs in 2019

The financial impact of rapidly rising freight costs caught large numbers of CEOs and CFOs by surprise. Many companies were unprepared for the capacity challenges and financial impacts that took place. Economists are predicting solid economic growth in 2019, but not quite at the pace of 2018. What can CEOs do to protect their supply chains, the service to their customers, and their profits from further freight cost shock treatments in 2019? Here is a checklist to consider.

## Eliminate inefficient and wasteful practices

It is human nature to perform certain tasks the same way year after year. From a freight transportation perspective, these habits can take the form of shipping goods in less than optimal sizes (i.e. small package instead of LTL, LTL instead of partial or full truckloads etc.), moving goods on non-service days and other inefficient practices. In this year of tight capacity, much has been written about becoming a “Shipper of Choice.” Since securing carrier capacity has become somewhat of a beauty contest, shippers must strive to become as carrier-friendly as possible.

## Improve team integration and communication

Despite the efforts of many business leaders to break

down barriers and improve teamwork within their organizations, customer demands and key indicators can foster silos and bad business practices. Even in a year of tight capacity, sales people may promise service intervals to customers that drive up costs. Manufacturing may structure their production processes to optimize machine utilization at the expense of transportation efficiency. Good leaders facilitate communication and understanding within their organizations. Creating an environment of communication and understanding can play a big part in controlling freight costs.

## Upgrade leadership and management skills

The past year has been a busy one for recruiters. Leaders of some companies realized that their transportation managers did not have the creativity, or the necessary skill sets, to deal effectively with the challenges they faced. We have observed repeatedly in our consulting practice that many shippers get in the habit of working with a small number of core carriers. When they go to market, they tend to utilize the same modes and approach the

same carriers year after year. CEOs across North America need to carefully evaluate their transportation team across an array of variables and determine if and where changes are required.

## Educate your transportation team

My colleagues and I will visit shippers and find that many of them do not take courses in new practices in freight transportation and supply chain design or attend industry conferences. The world of freight transportation is changing rapidly. E-commerce, artificial intelligence, blockchain, electric and autonomous vehicles are just some of the technologies shaping the industry today. If your team is not receiving briefings on these new developments, chances are they are falling behind. This may limit your company’s ability to withstand other shocks to the supply chain in the future.

## Collaborate

Freight carriers and logistics companies are key business partners. During this period of tight capacity, that may last for several years, it is more important than ever for CEOs and their subordinates to maintain good

communication with all levels within their carrier organizations. We encourage shippers to conduct honest, open meetings with their carriers to reduce hurdles and improve service. Keep an open mind and test out strategies that have the potential to improve capacity and reduce costs. Similarly, speak with your customers about shipment sizes, service intervals and other issues and set targets and action plans to improve efficiencies and reduce costs.

## Consider other transportation options

Challenge your transportation team to look at new options. Does your company need its private fleet? Would it make sense to outsource this to a dedicated route service provider? Should your company consider consolidating factories, pooling shipments in certain locations, or other changes that might reduce costs? Is it time to bring in an independent third party to analyze potential cost saving measures?

The past year has been a wake-up call for many shippers. CEOs need to act to minimize the impacts of further freight cost increases in 2019. 📍



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