

LOGISTICS AS A SERVICE

How it Will Transform
Your Ocean Freight Business

*...And What You Can
Do About It Today!*



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INTRODUCING “LOGISTICS as a SERVICE”

Will your business be left behind?

The digital revolution has transformed nearly everything we do on a daily basis, both as consumers and as businesses. We seldom, if ever, use travel agents or stock brokers anymore. And yet, the freight logistics business seems stuck in the pre-digital age. Sure, there's email, but we still rely on paper, phone calls, and even faxes. We operate multiple offices and pay expensive salaries and benefits.

Well, you might say, our business is based on factors that cannot be replaced by computers. That's absolutely true. But this whitepaper will explain why those two things are not mutually exclusive. In fact, technology can help you win and serve more profitable business while allowing you to focus on your business's unique strengths. (cont'd on next page)

LOGISTICS AS A SERVICE

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We've given a name to this phenomenon: **Logistics as a Service (LaaS)**. In the coming pages, we'll explain in detail exactly what that means for your business...How to enjoy the benefits of technology without losing the edge you've worked so hard to create.

A final note: In discussing LaaS, we are very aware of the concern that technology might create a “race to the bottom” in pricing. **We strongly believe the opposite is true.** Technology helps enable “the right deal for the right price”— and, if done properly, a neutral, unbiased technology service can guarantee that outcome. We hope, after reading this whitepaper, you will agree!

THE WAY IT WORKS TODAY

Does this sound like your office?

- A freight forwarder emails a rate request for 1 x 40' container from Chicago to Shanghai to the entire pricing department at Acme NVOCC.
- Multiple people at the NVOCC start working on the request separately, without communicating with each other. Each comes up with a different rate based on the carrier, trucker, and other vendors they like working with.
- Each team member emails a different rate back to the freight forwarder, unaware that they've duplicated work – and competed against their own company for the business!
- The Freight Forwarder gets the multiple quotes and cherry-picks the best container rate, trucking rate, transit time. They go back to the NVOCC with a counter offer to any or all members of the NVOCC's pricing team.
- The NVOCC pricing team scrambles and ultimately comes back with a matching rate and service level. Not surprisingly, the right combination of service and price was right inside their own office all along!



It doesn't need to be this way...

UNLOCK GROWTH

It's a \$150 Billion market ... Are you getting your share?

Businesses around the world spend \$150 billion on freight forwarding every year. According to industry sources, the global top 10 freight forwarders control no more than 60% of the market. That means there are several hundred thousand freight forwarders earning the loyalty and trust of their customers every single day. The reason for such fragmentation in the market is simple: specialization.

If a freight forwarder's value proposition was based solely on price then the market would belong solely to the largest freight forwarders. The reality is that freight forwarders add value in several ways, including facilitation of trade services, product specialization, trade lane expertise, distribution management, reverse logistics and even light assembly and manufacturing.



UNLOCK GROWTH

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This is true for all industry participants, regardless of size. And yet, it is estimated that the industry spends up to \$30 billion annually on managing the paperwork needed to price, book and document a shipment. Digital platforms solve this problem and enable freight forwarders to redeploy talent and money to building high value, high margin services which is where real profits are made. Quite literally, the less automated and connected a freight forwarding business is, the more it is limiting its future growth.

LOWER YOUR FIXED COSTS

Every dollar saved goes straight to your bottom line

Freight forwarding revenue comes from buying and selling cargo capacity in the form of ocean containers, air & truck capacity. Too often, we believe that we need to hire more people to gain market share and to service the transactions.

But in many cases, digital business eliminates the need to hire more people or open more offices. With technology, you can win and serve more business on the same overhead cost: That's called "**economy of scale**" ...and it powers the most profitable businesses in the world.
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LOWER YOUR FIXED COSTS

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Let's Get Specific: Freight forwarders who sell to large retailers often send daily tracking reports on incoming cargo. They might have an employee making \$35k/year dedicated to this role. His or her function could easily be automated and enhanced with online reporting. Now imagine if that high-skilled person could be redeployed to a more valuable role, further helping your business.

The jargon for this phenomenon is lowering Fixed Cost per Container/Cubic Meter/Kilogram Sold. But in plain English, it's just shorthand for lower fixed costs and higher profits.

EFFICIENTLY ACQUIRE NEW CUSTOMERS

It doesn't have to be painful...or expensive

Industry estimates show that each sales call an NVOCC makes costs \$250. And the results are totally unpredictable. You may get a one-time sale, you may get repeat business, or you may not even get a reply.

For NVOCC's, using an ecommerce solution that distributes your pricing in a secure, anonymous manner allows you to generate business without sales calls. When done right, such solutions do not create the feared "race to the bottom" pricing, since sellers are not pitted against each other. This allows your personal sales efforts to focus on the higher value relationships that freight forwarders excel at managing due to commodity focus, trade lane leverage or other specialized high value offerings.

The flexibility of offering rates without physically opening branches also allows you to test new markets without committing to expensive infrastructure. A digital platform drives down the cost of getting a new sale and also enables efficient usage of your existing sales resources. It's a win/win.

KEEP YOUR VENDORS HONEST

If you can't track it, you can't evaluate it

That vendor sales rep who stops by your office...he's a nice guy, right? There's no reason to distrust him. But is that vendor really focused on servicing your business? Do you really know the answers to these questions?

- How do their rates and transit times rank against other vendors?
- What is their booking completion ratio?
- How often is their rate quote late by hours...or days?
- Are they suspiciously “always off” on their pricing?

Unless you have a person or a team, devoted to this kind of tracking, you wouldn't know. In fact many companies simply rely on their vendors to report their own “on time” stats without ever knowing when the clock truly started ticking.

A digital solution eliminates uncertainty about such things by tracking and reporting all the variables from start to finish in a quote request. That lets you hold your vendors accountable not just for pricing but also for their overall value to your business.

REDUCE PROCUREMENT COSTS

You've got the business... Can you deliver the goods?

The good news: You run a prospering business that has customers walking in the door.

The bad news: Now you have to absorb the cost of servicing all that business.

As it stands today, new business sets off a flurry of activity. For bookings with pre-negotiated pricing, you need to make sure there isn't a better rate out there. An ad hoc request means you have to generate a spot rate. And so you turn to emailing – back and forth multiple times – with each of your vendors. But realistically, you don't have the time to email more than three of them. So for all that effort, you're still missing the big picture.

At high volumes, this is unsustainable. The exponential growth of email communications drains time and resources from other activities. Many companies respond by hiring expensive multiple pricing specialists. But this inefficiency of manual price discovery, even if only for spot business, is immediately solved by a digital platform.

STOP FLYING BLIND

You win some, you lose some. Do you know why?

Our research shows that for every 100 quotes a freight forwarder or NVOCC works on, they are able to realize 30 bookings. But very few know what happened to the 70 quotes that went nowhere. Currently technologies in the freight forwarding business don't give you the analytics needed to provide you with true insights into your business.

For example, of the 70 quotes you didn't get, how many did you requote multiple times and still not win? How many did you lose because your price or transit time was too high? Or worse, how many did you win where your price was too low? Simply quoting blindly without benchmarking data can lead to a standard fixed markup which means you may have the best rate but still be underselling it!

Digital platforms that put analytics at the center of their functionality bring data insights with a granularity that can't be duplicated by email or manual quote forms.



SAVE PRECIOUS TIME

In the digital age, speed is more important than ever

If it can take up to five days to get a competitive rate from your vendors, imagine how that affects the time to make a booking, document a shipment, and process invoicing. Now contrast that with the amount of time it takes for you to make an online purchase with your favorite retailer who offers features like product variations, online shopping carts, “one click” checkout and other such innovations.

The ability to offer these types of solutions to shippers is the only way freight forwarders will be able to stay relevant. The cost of digital solutions built in the cloud eliminates prohibitive costs, making such functionality a “must have” for your business, instead of a burdensome cost.



GO GLOBAL

Business is worldwide... Now you can be too.

As we've emphasized, freight forwarders deliver tremendous value to their customers and to the world's supply chain. And while a digital solution can make you more profitable, it can also put your business on a global stage overnight.

Shipping perishables from California across the Pacific? Why not bring your rates, relationships and expertise to opportunities in Florida? Have a large volume of paints, but can't ever seem to get a foothold in perfumes? Digital business gives you the power to access the right base of rates so you can grow into new verticals.

Until now you'd have to split margins with a local agent or simply pass up opportunities. Digital solutions promote visibility and enable opportunities that were previously out of reach – just because of simple geography.



READY TO GET STARTED? COLOADX IS HERE TO HELP.

Log on to CoLoadX <https://www.coloadx.com> to create a free account and begin posting or replying to quote requests.

--or--

Contact us at info@coloadx.com or call (650) 918-4612 for a live demo.

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Can Forwarders and NVO's Survive the Digital Logistics Revolution?

<https://coloadx.com/blog/can-forwarders-and-nvos-survive-the-digital-logistics-revolution/>

How One Freight Forwarder Saved 25% and Doubled Their Profit

Margin with CoLoadX

<https://coloadx.com/blog/how-one-freight-forwarder-saved-25-and-doubled-their-profit-margin-with-coloadx/>

How Much Time Does it Take to Close a Sale in Freight Forwarding?

<https://coloadx.com/blog/how-much-time-does-it-take-to-close-a-sale-in-freight-forwarding/>

Logistics Doesn't Need to be a Soap Opera

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