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Sticky Relationships: The Key to 3PL Success

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Succeeding in today's competitive logistics environment requires a careful and deliberate approach to creating long lasting relationships with both shippers and carriers. A panel of experts came together at TIA's 2015 Capital Ideas conference to discuss how to create sticky relationships—especially in regards to relationships with shippers that grow revenue and help solidify a secure position in an ever-changing landscape. Sticky relationships are critical for successful 3PL and brokerage businesses and can be developed using a variety of measures designed to add value for your customers. For more traditional brokerage firms, the act of adopting a 3PL mindset, can often move the relationship to the next level.

The first step to building sticky relationships is learning how to think differently. Although this sounds simple, it can prove challenging at first.

Changing thoughts and processes that have been in place for years, and may have once been successful, requires outside-the-box thinking. In the past, simply providing great service in moving something from Point A to Point B in the right time frame has often been enough—at least until someone else came in and did the same thing for less money. Today, keeping and growing business lines require providing that same excellent service at a reduced cost while adding measurable additional value. By focusing on creating, marketing, and implementing measures that actually add value to shippers 3PLs and brokerages cultivate sticky relationships that result in more stable accounts and opportunities to grow that business. However, changing the focus from solely making a sale to actually adding value to shippers requires significant changes to in-house practices.

Transforming a business to focus on sticky relationships starts with a review of services and expertise that will be of value to shippers. Successful 3PL business models include creative use of expertise in offering and selecting multi-modes of services for moving goods. By providing more than one option to shippers, you establish yourself as a solution provider rather than simply a freight company. In one instance, a smaller customer, remembering the previously poor service history of intermodal transportation, was initially reluctant to even consider in-

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intermodal transportation as an option. However, by taking a unique approach to act as an advocate for a (now better service) rail provider, we were able to educate the customer on savings that could be realized by utilizing intermodal methods. Through this process we were able to establish ourselves as an advocate of not only savings, but also change and new ideas that ultimately benefited the customer.

Providing transportation solutions is only one piece of the pie. In addition, you can add value by utilizing technology to provide metrics for your customers. Being able to provide the purchasing department with metrics such as cost per pound, cost per case, cost per net fuel, etc., is an invaluable tool for your customer. In many instances, providing the data in a different way allows you the opportunity to initiate a new level of communication with the shipper. Again, this added value comes from simply thinking about customer needs in a different way. Harness the power of technology that you already have to create customer specific metrics to provide invaluable data that helps customers better understand and manage their transportation costs. Going the extra step for your customers pays off and offering customers in-depth reports displays both your investment in their business and your desire to be a solution provider.

No amount of detail is too small. A quarterly report on raw transportation data as well as information on cases and weights, fuel surcharges, and graphs representing cost per pound and cost per case, offered in a presentation format, is the type of metrics that senior management teams will find useful. Adding the net fuel costing goes even further to illuminate your level of expertise and recognition of the importance of “unmovable” factors within the supply chain. For large data sets, consider providing even more specific data such as cost into a specific lane, customer, and destination metrics in order to show total landed cost. Cost by customer, or actually the shipper’s customer, proves valuable for the sales force as well as senior management. Often, presentation of this data will lead to customer discussions on other meaningful metrics and provide an opportunity to grow the business. When developing customer metric offerings, do not forget to think about the C-level decision makers. This attention to volume and detail can lead to sharing of forecast capacity as a tool to mitigate the driver shortage. Once again, this puts you in the solutions category.

In addition to offering new, unique services to build a sticky relationship, consider a careful review of sales approach processes. The common pitch is

an “all or nothing” approach when attempting to secure a new customer in the 3PL world. How many good, long-term relationships start off with what can be perceived as an ultimatum? For perspective, consider a role-taking exercise. After all, as brokers this is the field we play in many times. Put yourself into the customer’s shoes. How many times has someone tried to persuade you with actual evidence? Share examples of the data analysis that you will provide as an added service at no charge in order to establish an opportunity to provide solutions in the future. In addition, suggest taking on a small piece of the distribution allotment and allow the customer to experience the added value to their operation. Wrap up a trial period with a bound, professional, presentation of the various cost metrics from the bill of lading data on the various loads tendered. This different type of data presentation should certainly separate you from the competition.

Other logistic companies are not the only competition. Oftentimes, the shipper themselves can act as competition. In many instances, the hurdle is a long-term employee of the shipper who likely sees

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logistics companies as a threat to employment. In the attempt to build a sticky relationship, the goal is to distinguish your company from the others with services that add value without threatening the value, or the job, of the current distribution personnel or logistics manager. Mitigating this minefield is very challenging. Successful navigation requires a reflective and conscientious approach. Again, engaging in a role-taking exercise can be extremely beneficial. Remember that many of these long-term employees began in another area and have moved into distribution or logistics as a result of trust. Establishing that same type of trust will allow you to move to the next level with your customers.

Of course, sticky relationships are just as important in successful 3PL businesses as they are with customers. A new approach to building sticky relationships with shippers must start with education and open in-house communication. New ideas

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and approaches cannot be successfully implemented without educating employees.

Build a sticky environment from the inside out—help your employees understand the bigger picture and the new approach as well as the goals associated with this new mindset. At the end of the day, he who adds the most value to the customer will win. The quicker your team learns a multitude of ways to add more value than the next guy, the quicker the win will come. Share this direction with your entire team.

These are only some ideas of how to cultivate a sticky relationship. When evaluating current processes, ask yourself what unique services do you have to offer? What services make you a solution provider? Offer yourself as a teammate or a value-adder. Invest in a true relationship with your shippers and you will both reap the benefits.

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