

Bridging the LTL

Our Sage Advice columnist—a 30-year transportation management veteran—offers logistics professionals and carriers time-tested relationship management advice. Let's hope it's not too late.

BY JOHN A. GENTLE, DLP, SAGE ADVICE COLUMNIST

Many savvy logistics professionals think about “relationships” as a state of mind that exists between individuals and “relationship management” as a process that describes how companies work together on all levels to create value for each other. Unfortunately, others don’t get it and only pursue relationships when there’s something in it for them—usually financial—or they disregard it entirely.

As children, encouraging parents gave us food and a safe, warm place to live. As we grew into teenagers, our learning experiences over time had a lot to do with sentiment, attractiveness, communication skills, patience, and trust. Those feelings in varying degrees are in play today for each of us personally and professionally.

Over the next few pages we’ll aim to provide logistics professionals with a few ideas on how relationships can be managed to bring about value for companies. We’ll also try to help both sides of the transportation equation come to terms with the fact that relationship management must occur on multiple levels—and over time—if it’s to be considered successful.

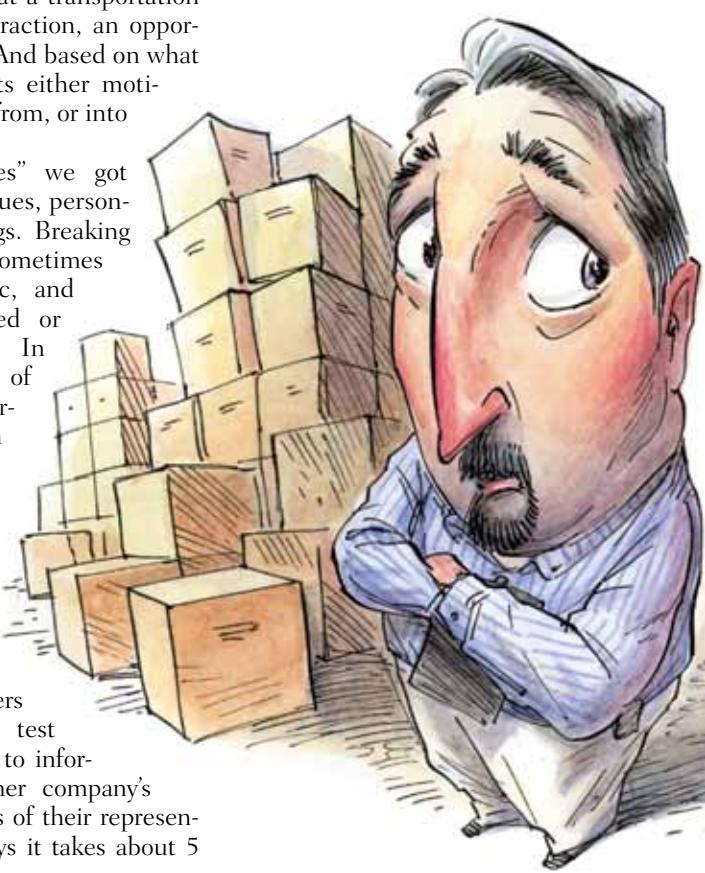
LET'S BE FRIENDS

Our first relationship experience as teenagers occurred in the “pre-dating

phase.” Meeting in public with a group of friends was a safe environment without commitments. It’s a little like shippers meeting LTL carriers at a transportation exposition—some interaction, an opportunity to be “wowed.” And based on what was observed, instincts either motivate us forward, away from, or into a state of ambivalence.

After several “dates” we got turned on or off by values, personalities, or shortcomings. Breaking up was common, sometimes sudden and traumatic, and generally not reasoned or communicated well. In fact, it reminds me of how shippers and carriers often deal with each other: “Can you start today? Get out!” It happens quickly and you only find out when there’s no capacity.

I suspect that it’s in this “casual dating” phase when shippers and carriers begin to test and react instinctively to information about the other company’s culture and the actions of their representatives. One carrier says it takes about 5



relationship gap

months to 6 months until you start to see relationships form. One of the things both carriers and shippers quickly test for is "one-sidedness"—better known as the relationship killer. While the strength of the relationship cannot be simply based on the account representative, a good program cannot be built on a marginal account representative.

When a shipper commits to a semi-serious, "going steady" phase, the sales representative and company benefit from the steady business. Communications and meetings between both parties are ideally held on a more routine basis. As I recall, this is an exciting but challenging phase when we begin to rely on the "predictive" nature of our new business friend. Certain benefits now begin to benefit both parties.

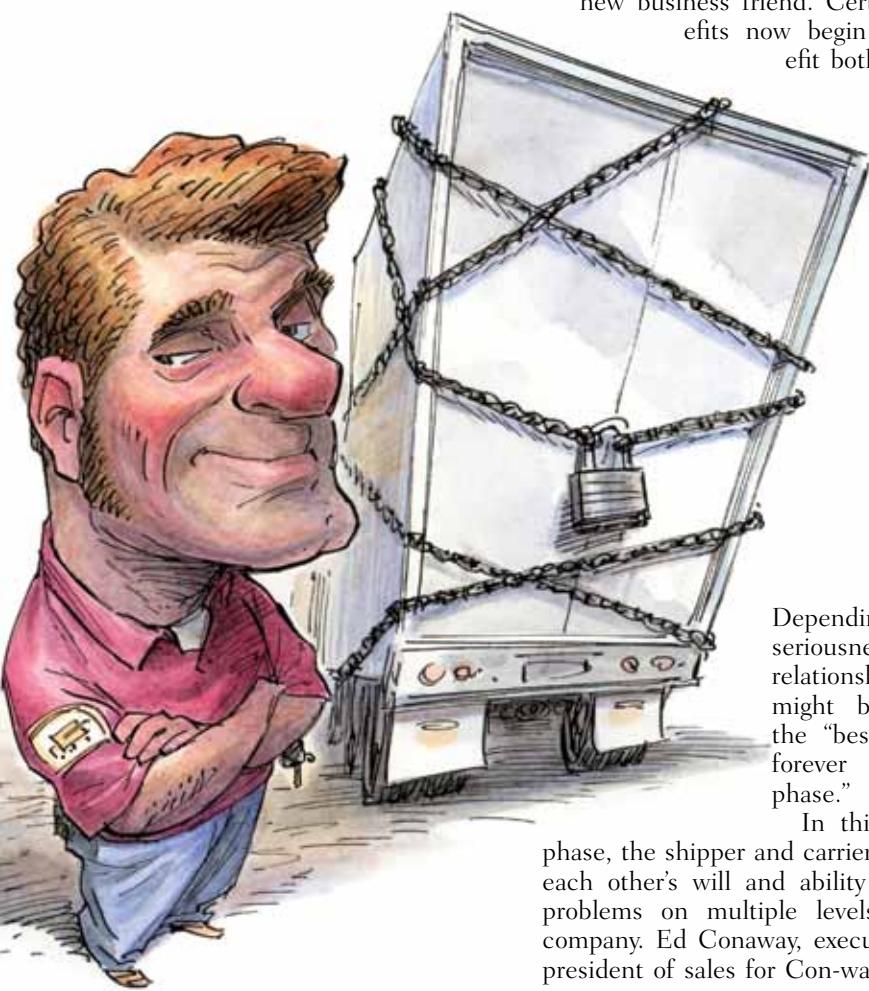
says that "discussions that are started based on value and mutual goals are an example of effective relationship management." The future of the relationship, he says, will be determined by the level of patience demonstrated and how effectively and quickly challenges and communications are handled. Conaway adds: "When both parties have a stake, both should recognize that goal achievement is mutual."

Shippers that invest in this positive style of relationship management building may also go on to create an LTL carrier council for advice on solving problems, launching new initiatives, or taking on industry issues. For example, the LTL council may recommend how the shipper could reconfigure packaging to improve density, reduce damage and claims, and work with them to establish the 'load-ready times' that minimizes driver waiting and idling times while improving service and maintaining cost levels.

This new relationship will also conduct more in-depth business reviews that significantly improve processes, productivity, service, and communications for both. Lastly, these shippers will likely publicly recognize the best-in-class LTL companies and their account representatives.

TAKE IT UP A NOTCH

However, not every shipper is willing to invest in relationship management with LTL carriers to the extent described above. Many don't understand or they reject the relationship concept because their LTL program may be smaller than other modes and they're unwilling or simply don't have



DANIEL VASCONCELLOS

In this crucial phase, the shipper and carrier will test each other's will and ability to solve problems on multiple levels of the company. Ed Conaway, executive vice president of sales for Con-way Freight

Depending on the seriousness of the relationship, this might be called the "best friends forever (BFF) phase."

LTL relationships

the resources to fully invest in it.

Another reason may be that supply chain managers and their bosses, impatient for results, are frustrated by the LTL complexities such as contracts, rates, payables, claims, and a more formal management structure.

Additional and disproportionate resources are required to manage LTL compared to other modes. Without a firm commitment by a shipper, relationship development, its success, and its ongoing management at all levels will default to the carrier's corporate and account representative—and in the end, be unsuccessful.

In direct contrast, large third-party logistics (3PL) companies have made a commitment in time, human resources, and systems to capture a thorough understanding of the LTL environment and detail needed by both shippers and carriers for everyone to be successful. In fact, more than one LTL carrier has told me that they would prefer working with a broker because of its knowledge, systems, and commitment to relationship management at all levels.

These LTL-savvy 3PLs are translating the customers' requirements for the carrier and bringing the carrier together with the shipper to resolve problems—a win-win.

There is, however, a misperception that simply having a relationship program and a charismatic account representative can bridge all the problems. Gary Palmer, Sr. director of transportation for hardware giant True Value Co. agrees. "The carrier representative, who has a polished contact demeanor, will win out over a comparably talented person," says Palmer. "But regardless of how great their interpersonal skills are, the business will go to the best service provider."

STRUCTURING THE RELATIONSHIP

Our lifetime experiences remind us that relationships and commitments are very fragile. Four years ago we witnessed many carriers ignoring commitments to harvest

profits; and during the last two years, we've witnessed many shippers ignoring commitments for profitability and drilling deep for cost reductions—even to the extent of putting their carriers at financial peril. For good reasons, both shippers and carriers have felt betrayed by some of their so-called partners.

At the beginning of this article I stressed that relationships have to be developed and maintained at all levels. Having a good relationship with just the account representative is not sufficient. Some of the problems that shippers had four years ago—and will soon have again—could have been based on the fact that their program was built on one dimension, the account representative.

While LTL carriers rely heavily on their account reps to create, build, and maintain the relationship, a direct line of communication with senior management is critical to an effective program. That being said, to understand reasonable expectations, we must understand where relationships fit into our human and business needs.

Based on an adaptation of Maslow's Hierarchy of Needs, we have to remember that whatever the party's intent to create a meaningful relation-

ship, the physiological and safety needs of the other party must first be satisfied. Conversely, if a company or individual is struggling to survive, it will be preoccupied with preservation and will not be able to consider the possibility of relationship development, no less an enhancement.

Given the financial challenges facing many companies today, it's quite understandable that those that are fighting for their very survival will be looking for an opportunity for profitability and not a robust relationship initiative. Yet, without trust, strong communications, and patience, the longevity of maintaining a business relationship is likely to be tenuous at best.

WHO TAKES THE INITIATIVE?

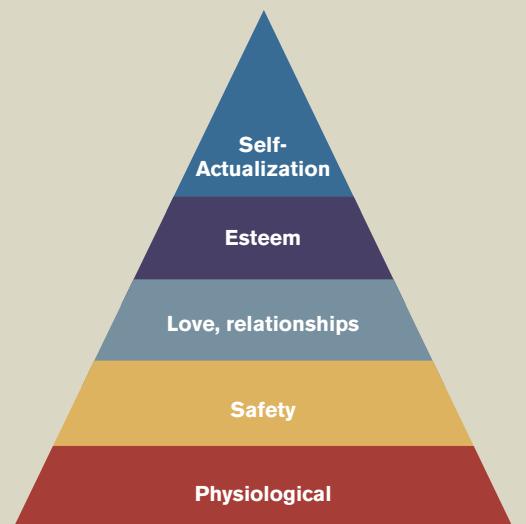
In my conversations with LTL carriers, they indicated that not every shipper actually wants a relationship. One major regional carrier says only one-third of the shippers want to work together. The other two-thirds are indifferent or simply say: "Just do what I tell you."

At the same time, many major shippers feel that carriers and their account representative just want volume; and, if there is to be a relationship initiative to generate improved service and profitability for both companies, then the shipper is going to have to take the initiative, not the carrier.

Regardless of who takes the initiative to build and develop the relationship, getting face time to conduct a meaningful conversation is a big challenge for a shipper that often runs from meeting to meeting. Perhaps the best time to work on relationships is away from the office at a conference or at a company- or carrier-sponsored event. Casual settings can often be more productive and thought provoking.

"The LTL industry still has a highly fragmented and largely unsophisticated shipping community that is unfamiliar with their LTL shipping options," says David Ross, a research analyst with Stifel Nicolaus. Many LTL companies offer a range of delivery options, pool distribution, international services, and even warehousing. But with logistics departments struggling to meet and exceed annual productivity goals in excess of 3 percent, shippers really

Maslow's Hierarchy of Needs (original five-stage model)



Source: Abraham Maslow, 1943, *A Theory of Human Motivation*

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LTL relationships

need to take the time to surface and harvest these types of opportunities and not just talk about rates.

Remember, relationships are the third rung on the hierarchy of human/business needs and cannot be addressed until all physiological and safety needs have been satisfied. So, if the primary purpose of your program is to avoid rate increases at the financial expense of your business partner, then your efforts are misguided and it has

nothing to do with relationships.

In the end, the most successful relationships are based on the recognition of common values, trust, a commitment for a long-term relationship, and communications that include honest and frequent performance reviews and mutual goal achievement. They're built and orchestrated at multiple levels, including senior management, operations, and the account representative.

Each business partner must stand

up for the other, do the right thing, and hold each other accountable. Have you conducted a self-assessment of your program and asked your carrier-partners for their assessment of your relationship efforts? How did you do? Did you meet the challenge? □

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Real Carriage Door partners with LTL to extend marketing efforts

Don Rees, owner of Rees Builders, a builder of one-of-a-kind homes since 1976, began to notice increasing demand for swing-out carriage garage doors for his list of custom contracts during the heart of the building boom. Realizing he could turn this need into an extension of his existing business, he launched Real Carriage Door Company in 2005.

However, it was still a one-man business, operating out of his Gig Harbor, Wash., garage; and with the domestic housing market booming at the time, he quickly found himself overwhelmed with orders. While he added more workers and expanded his factory, he was faced with a challenge that was a bit more daunting: who to trust with shipping and distribution.

"I started with Con-way Freight from the very beginning, and was not sure at that time if they could handle the larger network of demand coming in with the new orders," Rees says. "After a bit of research, I determined that they could."

It's a decision that Rees does not regret. Indeed, the advantages of using a single LTL provider proved to be a hedge against the downturn in the housing market three years later. "By 2008, we could see that home-building was coming to a sudden halt, but our custom-built doors were still needed for remodels and replacements," says Rees. "Rather than cut back on production, we decided to ramp it up and take advantage of the weakening economy to gain share and expand our footprint."

And key to that strategy, adds Rees, was reliable, timely delivery of product to even the most remote regions of North America. But there were still some headaches encountered along the way, Rees recalls.

"There was one incident with a driver being turned away from a distribution center in Maine because the dispatcher was suspicious about the freight," says Rees. "We had to get involved with a series of phone calls before he was assured that we were working with a reputable trucking company that could provide all the

paper work associated with financial settlement."

It was then that Rees determined that he could begin to use his supply chain as a marketing tool. Rees, in partnership with Con-way, came up with the idea to manufacture a special label that identified the LTL as their exclusive carrier. This was designed to improve visibility of these unique products, thus decreasing damage and freight claims and improving overall customer service.

"And it's a brand that is widely recognized," says Rees. "Even in cross-border markets." And this point becomes increasingly significant when one considers the growth in businesses like Real Carriage Doors in Canada.

Along with heightened demand in the U.S. Northeast, Rees is now moving more products to Canada, one of our nation's largest trading partners. "The currency imbalance due to the declining value of the U.S. dollar is one factor," says Rees, "but the quality of our products and logistics is certainly another factor that explains it."

TransBorder Freight Data—a subset of official U.S. foreign trade statistics released by the U.S. Census Bureau—indicates that U.S./Canada surface transportation trade totaled \$40.2 billion in November of last year alone, up 15.7 percent compared to November 2009. The value of imports carried by truck was 10.7 percent higher in November 2010 compared to November 2009, while the value of exports carried by truck was 17.4 percent higher during this period.

"There really isn't a region in our hemisphere that we can't serve with our current LTL model," says Rees. "We've considered other alternatives, but the advantages of working with one partner outweigh the complications involved with opting for multiple carriers."

Today, Real Carriage Door Company operates a 16,000-square-foot facility employing more than 20 workers. Hinges, deadbolts, and door handles have also become a staple of its inventory. What hasn't changed, however, is Rees' philosophy regarding craftsmanship and production. "Remain loyal to your customers and business associates, and success will follow," he says.

—Patrick Burnson, Executive Editor



Don Rees, owner of Rees Builders (Right) with Conway-Freight driver.