



Its Still Not Too Late To Take Advantage Of Lower Shipping Freight Rates

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The decline of freight rates over the past year in all modes of transportation offers logistics departments in virtually every industry an opportunity to reap significant savings. Shippers who have not rebid or renegotiated freight costs over the past year should strongly consider doing so now to lower their existing rates. But don't wait too long or you'll miss an opportunity to take advantage of significant freight rate reductions offered in the market place today. There are already market indications that some freight rates have begun to stabilize for some modes in select regions.

The initial decline in freight rates coincided with the rapid decline of business in the commercial marketplace in early 2008. As freight volumes and load counts plummeted, so did freight rates. Some carriers were forced to place trailer assets or rail cars in storage because of non-usage. Many carriers were forced to sell excess trailers to help reduce overhead expenses. By mid 2008, freight rates in all transportation modes were in decline. An imbalance in imports vs. exports in the United States offered shippers a unique opportunity, not only secure export containers, but to negotiate much cheaper rates for international freight.

LTL load counts and rates were slower to decline than other modes during the recent market decline. Shippers tried to offset operating costs by reducing on-hand inventories and ordering smaller shipment sizes. This caused a reduction in normal full truckload freight and an increase in LTL freight. The increase in LTL freight helped to offset, to some degree, the decline in LTL freight caused by the down turn in market conditions during 2008/2009.

Over-the-Road and Intermodal freight benchmark studies and web-based bids conducted by logistics services provider ChemLogix LLC (www.chemlogix.com) during 2009 found that an average freight savings opportunity of between 10-25% over 2008 freight costs existed for most clients. Some "unconstrained savings" in excess of 35% were obtained during recent bids conducted this past summer. Savings opportunities differed based on the nature of the client's freight, where the freight lanes were located, and how well a client managed their carrier relationships.

While market conditions began to stabilize and improve by late summer and client loads counts began to increase by July, there is still not a full return to normal size shipments and volumes. Clients are ordering more freight but their shipment sizes are still smaller than normal, so \$/lb ratios are up. Bulk liquid clients are shipping more multi-compartment orders that, under normal conditions, would move as two separate full truckload orders.

While significant freight savings can still be achieved through freight bids, the window of opportunity may not last very long into 2010. Although market conditions are improving, the transportation industry will experience a slow return to normal market conditions over the next 9-

12 months. Freight rates should stabilize by the 1QTR10 and could see a slow rate increase trend by the 2QTR10, with a resumption of normal market conditions by late 2010. The leveling of freight rates, combined with other market conditions, such as improved client load counts, greater demands for carrier capacity and an increasingly optimistic market, indicate that opportunities for obtaining aggressive freight savings may be approaching it's peak.

A recent report from the American Trucking Association indicated that while load counts are rebounding, freight is currently being moved at smaller sizes and at cheaper rates. At the same time, carriers are downsizing their fleets to run leaner and more cost effectively. As load counts continue to increase, carriers are not expected to increase fleet sizes as fast as they used to in the past, but will begin to increase rates and be more selective on which loads to take, focusing more on profitability by order than on volume alone.

Shippers looking to cut costs for 2010 should consider bidding freight immediately. However, before bidding out for new freight costs, the first most critical step is to conduct a detailed benchmark study to assess and determine how their current freight rates compare against market conditions today. As a rule, ChemLogix recommends clients bid their freight if a benchmark study finds savings opportunities in excess of 5%. Companies with superb rate management that have estimated savings of less than 5% may not want to bid all of their freight, but should consider making surgical rate adjustments on select lanes to generate additional freight savings in 2010. Shippers with very aggressive rates run the risk of increasing their freight costs if their freight is sent to bid today. The key is to secure and lock-in the most competitive freight rates now for the next 12 months.

Transportation departments without suitable manpower, market knowledge, or application resources to perform viable benchmark studies and/or bids are at a distinct disadvantage to competitors who do, or who engage 3PLs with resources, experience and technology to perform such services. Many 3PLs possess the market intelligence on freight rate trends and optimization software to perform detailed benchmark studies as well as best-in-class web-based bidding applications to find freight savings today. Using web-based application, 3PLs like ChemLogix can conduct bids that allow carriers to submit rates in a very competitive, on-line environment giving the client the opportunity to create an almost unlimited combination of "what if" scenarios for lane awards.

While it may take all of 2010 to return to early 2008 market conditions for rates and volumes, the window of opportunity for freight savings is slowly closing. Companies should act now to take advantage of short-term cost savings associated with negotiating better freight rates today.

<http://www.chemicalonline.com/article.mvc/Strategies-For-Battling-Corrosion-In-Refineri-0001>

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