



LOGISTICS STRATEGIES

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INSURED? ARE YOU
SURE?**

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EXCELLENT
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ARE YOUR PRODUCTS INSURED? ARE YOU SURE?

Most motor carriers limit their liability for shipments which are lost or damaged while in their possession. The real question the shipper must ask itself, however is "what is that limit of liability for the products I ship?" In today's deregulated transportation environment each carrier will publish these limits of liability in their Rules publication. The problem is that most shippers never ask the question of liability limitations or ask for a complete copy of the rules and regulations they agree to be bound to by signing the bill of lading contract and tendering shipments to the carrier.

Here are just two examples of where shippers lost a considerable amount of money when they found out their carrier had limited liability.

A shipper negotiated a Freight All Kinds rating of class 50 for its products which are normally classed at 70. This produces a savings of approximately 24% of the net freight charges assessed by the carrier. A pretty good deal! The shipper found out after an entire shipment was lost that the carrier had limited its liability based on the Freight All Kinds rating. The carrier's liability for class 50 product was limited to \$2.00 per pound when product shipped at higher classes was limited to \$20.00 per pound. A reduction of over 90%. The shipper filed a claim for \$60,000 against the carrier to recover its loss but only received a check for \$6,000 from the freight carrier. A very costly oversight on the shipper's part! How many shipments would the shipper have to make with this freight carrier to recoup the \$54,000 it lost while at the same time jeopardizing their customer's shipment? The reality is the shipper immediately stopped doing business with this carrier as soon as the claim was paid at the reduced level.

In another case a furniture manufacturer had to send a multi million dollar piece of machinery back to the manufacturer of the equipment for repair. He selected a motor carrier that had direct service between the origin and destination points that quoted a very favorable freight rate. Well you guessed it, the machinery was almost destroyed in transit and the shipper filed a claim totaling hundreds of thousands of dollars to cover the additional repairs the machinery now needed. What the shipper did not know was that the carrier limited its liability for "Used Machinery" to \$0.10 per pound instead of the carrier's normal liability limitation of \$25.00 per pound per piece subject to a

maximum liability of \$100,000 per shipment. Since the machine was "used" in the shipper's manufacturing function it was clearly deemed to be "used" when it came to paying the claim. Another very costly oversight by the shipper! Remember, "Caveat Emptor" The Buyer Beware!

U.S. POSTAL SERVICE TO INCREASE RATES AGAIN ON MAY 11, 2009

This should come as no surprise to anyone as the U. S. Postal Service told us they would increase rates in May at the time of their last rate increase.

According to the February 4, 2009 USPS press release "The U. S. Postal Service ended its first quarter (Oct 1- Dec 31) with a net loss of \$384 million as the economic recession contributed to a 5.2 billion piece mail volume decline compared to the same period last year. The 9.3% volume drop marked the eighth consecutive quarter of accelerating volume declines. (Editor's note: Is there a message here for the post office?) With no economic recovery expected for the remainder of FY 2009, the Postal Service projects volume for the year will be down by 12-15 billion pieces".

SAVING TRANSPORTATION DOLLARS

I had the distinct pleasure of being a panelist at the Transportation and Logistics Council Annual Meeting in St. Louis, MO last week. The title of the session was "Saving Transportation \$\$\$". My presentation focused on three key areas, Carrier Selection and Evaluation, Contract Negotiation and Auditing and Performance Measurements. Here are some key points from that presentation.

· CARRIER SELECTION AND EVALUATION: First and foremost, focus on the customer. See the selection process through the eyes of the customer. What is the customer's perception of the value received? Cheapest is never the BEST! Least cost consistent with the service required and offered is the best. Do you know the difference between cheapest and least cost? There is a great motivational poster I recently saw titled "Success". It states "if we do not take care of the customer someone else will". What a great message.

· CONTRACT NEGOTIATION: Remember, contract is not a four-letter word! Over the years we have seen reluctance on the part of shippers to enter into contractual agreements with their freight carriers. Why? Are they afraid they will have to make a commitment? Yet they always want a lower rate. Contracts protect BOTH parties. Shippers and carriers must be prepared to share information on an "Open Book" basis. Remember, for successful long-term business relationships shippers and carriers must be partners and as partners they should be looking out for the financial well-being of the other party.

· AUDITING AND PERFORMANCE MEASUREMENTS: Both parties MUST create a systematic examination and evaluation of all Processes. Create a defined audit strategy and plan of action. Evaluate existing controls and make sure they work. If not, modify them to ensure they work. The audit process should include goals to constantly drive out costs for both parties. Create an environment for periodic business reviews between the parties to ensure that everything that's supposed to happen is in fact happening. Be sure to assess customer feedback and remember that includes internal as well as external customers. Failure is not an option.

COME ONE, COME ALL! EXCELLENT OPPORTUNITY TO LEARN

On April 16, 2009 between the hours of 8:30 AM and 4 PM, Innovative Mailing and Shipping Systems will be hosting a full day Expo and Open House at their corporate headquarters in Hauppauge, NY with two very special educational seminars. At 10:00 AM Jim Spates of Innovative Mailing will discuss "Recession Proof Your Mail". And at 1:00 PM Tony Nuzio of ICC Logistics Services will discuss "Controlling UPS and FedEx Costs", both very timely presentations. During the day there will be access to equipment and services offered by Innovative Mailing designed to drive costs out of your shipping operation. To attend you must register in advance by calling Ellen Lanterman at 631 435-9100 or by e-mailing Ellen at elanterman@4ims.com. We look forward to seeing you on April 16.