

Years ago,

most, if not all, business was conducted via “The Old Boy Network.” Handshakes sealed the deal after parties said, “Just charge me whatever.” Those days are gone.

Our economy has gone global and people doing business do not want surprises at any part of the supply chain. They want and need a detailed cost driven logistic analysis that has a strict budget.

Third Party Logistics has become a catchword lately. Anybody can be a 3PL. Many firms are non-asset based, controlling the movement of containers from overseas manufacturers to ports to ships to U.S. ports to distribution points and, finally, the customer with an office and a laptop.

Many times, each facet of the transaction is outsourced.

Banish Budgeting Woes

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Piece by piece payments shine a detailed spotlight on costs.

The costs for warehousing and distribution services are especially critical for the process. Companies in charge of bringing the product in to this country need to know the cost to do so down to the last penny. That’s what they tell the end user.

Customers should have a budgeting tool; a way for them to know their costs from the time the product leaves the port until it arrives at its destination.

If a 3PL is going to provide warehousing and distribution services, either by paying someone else to do so, or providing it internally, they need to know exactly what they are getting/providing and how much it will cost. Everyone needs to understand the margin involved and there is nothing wrong with discussing it.

To ensure all parties will end up on the same page, they need to lay out their budgeting requirements before they make any other arrangements. I like to use the analogy of the patient and the dentist. The patient is in the dental chair and, just as the dentist is starting to drill, the

patient grabs his hair and says, “We’re not going to hurt each other, are we?”

That dentist is going to be upfront and say, “This might hurt a little, that may hurt a little, but we’re all going to work for the same goal.” If the patient does feel some pain after being assured there will be none, the dentist will also get hurt!

However, if the patient, (customer) knows that there will be some pain (costs) along the way, he can prepare. By establishing trust and eliminating the pain by putting everything on the table upfront, then the customer will be happy and reap the desired results.

Planning a workable budget is a good starting point to analyze your situation and establish a budget that agrees with both parties.

By getting all the information and prices upfront, you are avoiding “Budget Hiccups.” In the old days, that was not such a big deal. Today, it could get someone fired or cause the loss of a customer.

If your 3PL quotes rates that are cheaper than other companies and you give them your business, and then at the end of the month they are losing money, what happens? They pass their losses on to you. BUT, and this is a BIG but, they have your product in their building, while your customers are relying on them to provide the service. Now, you are back in the dentist’s chair.

The amount of freight coming into the country is growing. It is almost cheaper to buy steel overseas, pay someone to box it, pay someone to put it on a boat and ship it from China to California, then deliver it next door to the steel mill, then it is to buy it at the steel mill.

Think of all the containers of product being brought into this country that need to be handled/stored before going on to their destination. Many people do not want the headaches of managing and running a warehouse and will pay for such. If you do pay, or even provide, it is important to know what you are getting for your money or what your costs may be. Without a complete understanding you are looking for trouble.

For a smooth relationship and pleasant business experience, find a company that offers you a budgeting tool that will work within the parameters of your needs.

For more information, visit www.freshwarehousing.com or call Chief Executive Officer John Cusumano, at 618-271-5500.