



PART 1: DRIVING MARGIN & OPERATIONAL BENEFITS FOR SHIPPING PROVIDERS

Dynamics of the digital bargaining table

WHITEPAPER



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I. INTRO

The route to achieving margin and revenue targets for shipping providers is never straightforward. Much like the logistical complexities in this behemoth global industry – with global freight demand expected to triple by 2050* – establishing the most efficient and profitable system for rates, agreements and deal desks is complicated at best. Layer in the need to replicate the bargaining table in the digital world and hitting P&L targets with legacy approaches becomes impossible.

In this two-part whitepaper, we're sharing why you should consider a comprehensive reassessment of what digital negotiating looks like in the shipping industry.

In part one, we'll examine why the operational complexities of rate and agreement dynamics as well as deal desk and customer dynamics have become so unmanageable and unwieldy.

The forthcoming part two will cover what you can do about it. Namely, utilizing Intelligent Automated Negotiation for self-service customer portals. You'll learn how this smarter approach to negotiating rate agreement saves time, preserves profit, satisfies customers, and becomes a force multiplier for B2B sales teams.

Before diving into the opportunity, some housekeeping is necessary to establish the pricing and process issues facing companies in this space. One of the primary ways that transportation, logistics, freight and shipping companies deliver value to their customers is through optionality. The level of service they provide is paramount to their ability to attract and retain customers. As fears of a global recession carry over to the second half of 2023**, it's more critical than ever before that each service is negotiated fairly, without unnecessarily giving away margin.

*"JFT Transport Outlook 2023," International Transport Forum

**"Recession worries are likely to carry over into the second half of 2023," CNBC.com



II. RATE AND AGREEMENT DYNAMICS



Whether a recession hits or not, the sheer breadth of possible service permutations that exist creates intense rate-setting. Most of the rates offered to B2B customers are tied to an agreement, while some fall into the one-off category. Pricing teams must negotiate which services are included in each agreement, exceptions to agreements and renegotiations at the customer's whim.

In a pizza delivery business, this would be difficult to manage. Now imagine you're dealing with hundreds of service options, thousands of products and a market full of web-savvy customers that are always looking for the best deal — it's beyond daunting. Below is just a sampling of requirements that pricing teams in this industry must juggle when negotiating rate agreements:

- Delivery instructions like C.O.D., Saturday delivery, signature required, delivery change request
- International shipping requirements like currency conversion, declared value, taxes/tariffs/duties
- Shipping lanes (air, land, sea)
- Additional charges based on weight tier, rate zone, hazardous materials, peak delivery time
- Expedited delivery needs
- Shipping profiles

III. DEAL DESK & CUSTOMER DYNAMICS

In order to manage this complexity in a way that accounts for cost and drives profit, companies must rethink their approach to rate agreements and reconsider the status quo. The first step is to modernize how rates are set, accounting for all internal goals and external market triggers. Then the fun part: how to automate all the unwieldy deal desk processes that tend to fray connections between the customer and vendor in highly negotiated situations.

Many B2B transportation, logistics, freight and shipping companies have made the shift to eCommerce and online customer portals. But as these companies typically offer a wide range of services to a vast customer base that requires thousands of quotes per day, much of the negotiated selling is still done manually. This diminishes speed-to-quote and creates an unpleasant user experience for the customer who signed into the portal expecting simple, convenient and fast service.

Operational Dynamics

It's common for companies in these industries to carry very large deal desks. These departments account for a large operational expenditure, often with groups of people simply processing quotes. The status quo usually means reps digging through spreadsheets, in many cases guessing on the latest market rates using an outdated or inaccurate shipping profile.

A common scenario: Two B2B buyers, we'll call them Pierre and Jody, are of similar size and purchasing habits. Each log in to their shipping provider's customer portal, where they receive wildly different rates – Pierre's rate is overly discounted, while Jody's is inflated. While Pierre quickly and happily buys (costing the shipper unnecessary margin loss), a frustrated Jody must contact the deal desk to negotiate the rate down. The representative at the other end spends valuable time combing through CRM records and spreadsheets to triangulate any kind of rational rate discount offer. He or she may come across Pierre's recent transaction after much digging and wind up offering Jody the same damagingly low rate.

Deal desks like this lack the power of information, such as the customer's profile, rate sensitivity or any specific discount requirements they may have already tried to key into the portal. Nor does this deal desk have the luxury of focusing solely on the 20 percent of quotes that require person-to-person negotiation.

Customer Dynamics

Increasingly, B2B buyers are millennials who have grown up online and prefer intuitive self-service over direct interaction with sales. Buyers must be met on their terms, which is precarious in an online setting because your competition is just a few keystrokes away. These buyers won't hesitate to defect if the user experience is inconvenient, complicated or glitchy.

However, this means the reward is even higher than the risk, if companies get it right. The benefit of meeting (or exceeding) these buyers' high expectations is immeasurable. Elusive customer loyalty is within reach when market rates and self-service functionality are delivered consistently. Millennials will tell their friends in the industry.

IV. CONCLUSION

So how can transportation, logistics, freight and shipping companies “get it right?” In part two of this two-part whitepaper series, we'll share an emerging best practice for shipping providers – Intelligent Automated Negotiation – what it is, how it works and the benefits pioneering companies can derive.

For more information, visit www.zilliant.com

Read part 2: [Enabling Intelligent Automated Negotiation.](#)