

Shipper-friendly

Many companies profess to be supply chain consultants, but are some of these just providing an IT tool with no real substance behind them?

Neil Dekker spoke to a new company, Global4PL, that believes it is bridging this gap.

Sergio Retamal, executive vice president of San Francisco-based Global4PL, appeared keen to explain to *CI* how his company stands out within a crowded marketplace: 'What makes us different is the fact that our products have been developed by shippers, for shippers. We are not just providing an IT tool, we are providing intelligence and negotiation skills. Most new and small shippers have either outsourced or eliminated their logistics teams to the bone, so they no longer have the in-house personnel or time. We can negotiate the best agreements and rates on their behalf.'

The new company defines itself as a technology broker, and targets small- and medium-sized companies that do not have the time or the experience to negotiate confidently with their service providers.

Retamal, a former logistics executive with US retailer Cost Plus World Markets, claims to be able to give a unique insight into the minds of service providers. He is the recipient of the 2005 Executive of the Year Award from the International Transportation Association, and is the current president of the San Francisco Council of Supply Chain management Professionals.

Global4PL might only be six months old, but it has made a definite attempt to differentiate itself in the market: 'There is a big imbalance between training for sellers and buyers – the lack of training for buyers is amazing. Our negotiation tool (RFQ Command Centre) is low-cost and easy to use. The other consultancy players provide limited intelligence, and would not recognise a good or bad deal. We can bring our shipper experience to the table.'

Global4PL can offer a number of other products, including audit consultancy and contract negotiation seminars. RFQ software is one of its core offerings, produced in conjunction with an international IT company, E-Money. The system caters for international oceanfreight, as well as domestic intermodal (rail, truck and air) requirements.

RFQ Command Centre was designed by Retamal. It is claimed to substantially cut down the amount of time spent by shippers negotiating with vendors, and to save money. Retamal forecasts that a company shipping 1,000TEU/annum, with a logistics budget of USD3 million, could save up to USD50-100/TEU. It also helps provide a multiplier effect for future negotiations.

He considers other products in the market place as being too fancy: 'While we are not unique, we have the only system that is web-based, and the customer does not have to spend USD500,000 updating the next model. This would be like downloading a new version of Microsoft Windows.'

'There are over 10,000 consultants



in the US, and, while each has its niche, most do not have the tools to add real value.'

Shippers can make a one-off payment of USD10,000 to purchase a licence fee for RFQ Command Centre, which includes a combined Global4PL package for training and support. However, Retamal advises that the best option would be to provide Global4PL with data, and let the company negotiate on its behalf. The shipper then receives 85% of the total savings accrued.

The online bidding RFQ system is simple. Global4PL invites submissions from a number of service providers. This is something that a small shipper cannot necessarily do, and Global4PL also says it has better buying power for obtaining more competitive freight rates.

Data for up to 1,000 individual tradelanes can be uploaded for a customer in only 10 minutes. Vendors can be invited to bid once (or several times) on particular tradelanes, and, after discussions with the shipper, the business is awarded.

This is known as a reverse auction process, and is widely used in the truck and air industries, but it is relatively new for oceanfreight. The system is secure, and, while invited vendors can see what prices they are up against, they do not know their individual identities.

Retamal explained: 'From the vendor's perspective, it takes 10 minutes to train them. Some

ocean carriers might not like the system, and their biggest concern is that they are negotiating with someone who has more experience. But this is becoming the standard for the industry, and if they do not want to submit bids, they do not have to.

'From a shipper's negotiation view, the

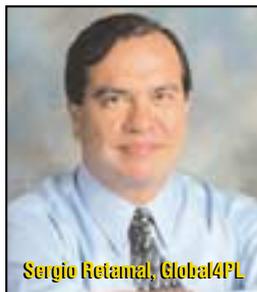


reverse auction process means that we take away a good deal of the sales power from the vendor. The old ways of negotiating meant that shippers' had less control and were "told" what was happening in the market. We are changing this. By inviting 10 players, the customer gets a wider range of answers, and does not need 10 separate meetings. If the player is way off the mark, we can tell them.'

But the system is not just about obtaining a competitive price. Global4PL rates the various vendors based on certain criteria (schedule reliability, service profile, intermodal capability and after-sales), and can introduce smaller shippers in particular to new, quality vendors. Some shippers do not necessarily know which ocean carriers run their own terminals, or have sophisticated intermodal systems, and Retamal can help transfer this knowledge. He asks his shippers at the beginning of negotiations: 'What are you prepared to pay for differently rated players?'

Saving time is also claimed to be a big bonus. Retamal explained that there might be 50 choices for routing cargo between Hong Kong and Los Angeles, and vendors will therefore only be invited to bid once, and will be encouraged to be aggressive in their pricing. Some negotiations can take only one working day to conclude.

Retamal admits that Global4PL might not be able to provide a service for large shippers that already have an outsourcing logistics partner. A downside could be that online systems dehumanise the relationship between shippers and service providers. In this respect, it is up to the shipper to weigh up the pros and cons of using the technology and experience provided by Global4PL.



Sergio Retamal, Global4PL