

# TURN YOUR FREIGHT DEPARTMENT INTO A PROFIT CENTER

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# Freight Center Profit Center



Being agile and cost-conscious is more crucial than ever, with the current economic landscape changing how we do business. The pandemic, global supply chain disruptions, driver shortages, and record inflation have made it difficult to keep transportation costs down while still providing excellent service. In addition, the Russia-Ukraine war further complicated the picture, pushing up fuel costs and driving fears of economic recession.

Turning your freight department into a profit center during this turmoil may appear to be a contrarian strategy. Is now the right time? Our answer is yes, absolutely.

First, let's point out that turning your freight center into a profit center is not limited to companies that operate their own trucks. It's an opportunity regardless of operating your own fleet, purchasing transportation, or sourcing to a 3PL. Here are some tips on how to turn your freight department into a profit center.

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# Control More of Your Moves, Including Inbound

If there's one thing the pandemic has taught us, it's that supply chains are tight and fragile. When raw materials or parts don't arrive on time, factories shut down, orders go unfulfilled, customers are unhappy, and profits suffer. However, you can mitigate some of that risk while reducing costs by taking control of your inbound. This means asking your vendors to uncouple their freight charges from product costs, turning that responsibility and saving over to your team.



**Manage both your inbound and outbound logistics**, and you'll have more bargaining power with your carriers. This gives you the opportunity to discuss volume discounts, giving you greater leverage to negotiate better terms with carriers.



**Controlling your inbound freight** also creates opportunities for consolidation, saving on surcharges and accessorial fees, and coordinating pickups from multiple vendors.

Of course, building effective inbound processes takes time and effort. However, managing inbound can significantly impact your supply chain efficiency when executed properly, ultimately turning your freight department into a true profit center.

According to a recent article in *Logistics Management*, diesel fuel supply and costs—around \$4.89 nationally and above \$6 in California, according to the Department of Energy—are the biggest concerns to carriers and shipper representatives.

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## Brand Your Supply Chain

Branding extends well beyond your marketing department; it's who you are in your customer's eyes. For example, your company may have great products but fall short in order fulfillment. Building a best-in-class supply chain will contribute to your brand, sending additional revenue to your bottom line. How? You'll help create customer loyalty, one of the most important forces in long-term success. The key to building customer loyalty is to provide an exceptional customer experience at every touchpoint. This includes the entire journey from order to delivery.

The customer experience is the new marketing. In other words, companies that focus on delivering a great customer experience will reap the rewards of increased sales and loyalty. Likewise, your supply chain management strategy should place customers at the center to ensure long-term business growth and success.

According to Gartner's [assessment](#), supply chains of the future will be customer-centric functions with a deep sense of customer needs. The top expected outcomes from investing in the customer experience in the supply chain are:

- ▶ **Optimized cost**
- ▶ **Improved service metrics**
- ▶ **Revenue growth**

Branding your supply chain is one way to ensure an exceptional customer experience (CX). It means making your company known for the quality and effectiveness of your supply chain. When customers think of your company, they should consider your supply chain as a key part of your business.

Build a reputation for excellence. You want to be known as a company that can efficiently and effectively deliver as promised: on time, in full, and in excellent condition. This will require close collaboration with suppliers, manufacturers, 3PLs, and carriers. The outcome is worth it; you'll help create value for your company that goes well beyond the bottom line.

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## Collaborate with Your 3PL

Sourcing to the best carriers or 3PL can make you and your freight department look great in the eyes of management, finance, and customers. Yes, transportation is often one of the largest line items in a company's budget, but that doesn't mean it's filled with excess costs. An open collaboration with a 3PL or core carrier can help you identify areas that require optimization and help get the most from your spend while improving the customer experience.

One immediate benefit of collaboration is to use your transportation providers' people, technology, and expertise as resources supporting your customers, essentially white-labeling their service as your service. This may be as simple as providing your customers with a portal displaying your brand. Or you may decide to mark up your carrier's rate and resell to your customers.

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# Transportation Providers as a Strategic Partner

In other words, don't just view your transportation providers as a commodity. Instead, use them as a strategic partner to help you optimize your overall freight costs and to also help you provide exemplary customer service. For example, if you align yourself with one load planner or customer service person at your 3PL, instead of the entire department, you can dramatically reduce the time and expense of chasing down any exception you need to answer as quickly as possible.



Many transportation providers have significant experience and expertise in managing transportation costs. As a result, they can help you develop strategies to reduce your cost while maintaining or even improving service levels.



Your goal is to provide high-quality services while optimizing costs. It can be challenging, but you must consider every aspect of your operations, from inbound to outbound. A holistic approach to collaborating with your 3PL helps you find ways to optimize your processes, turn your freight department into a profit center and improve your bottom line.

"Depending on the industry and size of the company, a business can spend more than 40% of its annual freight budget on inbound shipping, according to the Aberdeen Group, a research firm in Boston. A more efficient inbound program can minimize delays, save money and even reduce confusion." - Entrepreneur.com

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# More Profit at the Bottom Line

Most shippers focus on cost reduction when it comes to their freight spend, and for a good reason: supply chains have traditionally been viewed as cost centers to come in under budget at year's end. You can, however, find yourself caught in the "efficiency trap," with service taking a back seat to rates.



When you start using the supply chain as a strategic differentiator and profit center, you not only provide value to your customer. You also reduce the operational cost in the supply chain.



To turn your freight department into a profit center, you need to take control of your inbound shipments. You can also achieve lower shipping costs by branding your supply chain.



Stakeholders who recognize your company's high-quality and efficient supply chain will be more likely to choose you over your competitors. And that's the most profitable aspect of your supply chain.

"A good 3PL partner has the breadth of capabilities to custom design solutions that meet the unique needs of your business now and in the future, rather than try to force fit your supply chain into a prefabricated mold. Also, a 3PL with assets, such as vehicles and warehouses, can be critical to helping your supply chain adjust to seasonality or unexpected changes in the marketplace." - after inboundlogistics.com

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## What makes **Wavepoint 3PL** a better solution?

Wavepoint 3PL will help you develop a metrics-based analysis of current supply chain operations to evaluate performance as it relates to:

- Bottom-line efficiencies
- Corporate objectives
- KPIs measured against best practices

Our optimization and modeling tools support supply chain evaluations, facility network appraisals, transportation assessments, and warehousing and inventory analysis.

Wavepoint 3PL is your flexible logistic services provider for streamlined solutions from LTL and truckload services through an asset-based fleet; warehouse and inventory management in food grade facilities; and technology-enabled omnichannel fulfillment services, among other value-added offerings.

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