



White Paper

How Well Do You Know Your Customers?

Analyzing a survey by Eyefortransport. The paper exposes how shippers and 3PL's vary in their reasons for retaining, or changing 3PL partners. Many assumptions made by 3PL's are wrong! What are the real motivating factors in this decision?

More importantly, how well do you know your market? How often have your salespeople said "We can't compete, we have to drop our price"? Ask a Service Provider what his customers want and he'll say "Lowest Price!" Ask a prospective customer the same thing and you will get a different answer.

The perceptions of 3PL's of what drives customers is dangerous. *Dangerous, and wrong!*

3PL's, when asked, will rank the critical elements of success in winning new customers as:

- Lowest Price;
- Best Service;
- Reputation.

Ask the customer the same question and the ranking changes:

- Best Service;
- Lowest Price;
- Size and Scope of 3PL.

Price is important, but Service is King. In a recent survey Eyefortransport polled shippers and Service Providers to determine how aligned the perceptions of the two groups were. The results of that survey are shown below.* (All charts courtesy of the report from that survey).

Price really does drive decisions at the bulk (Pallet-in, Pallet-out) end of the spectrum. Old fashioned receive, store, ship 3PL's are in a commodity business and there is overcapacity in that market. When any form of value adding service is added to the equation service increasingly displaces price.

The lesson for 3PL's? Structure your offer around what the customer wants, not what sales think he wants.

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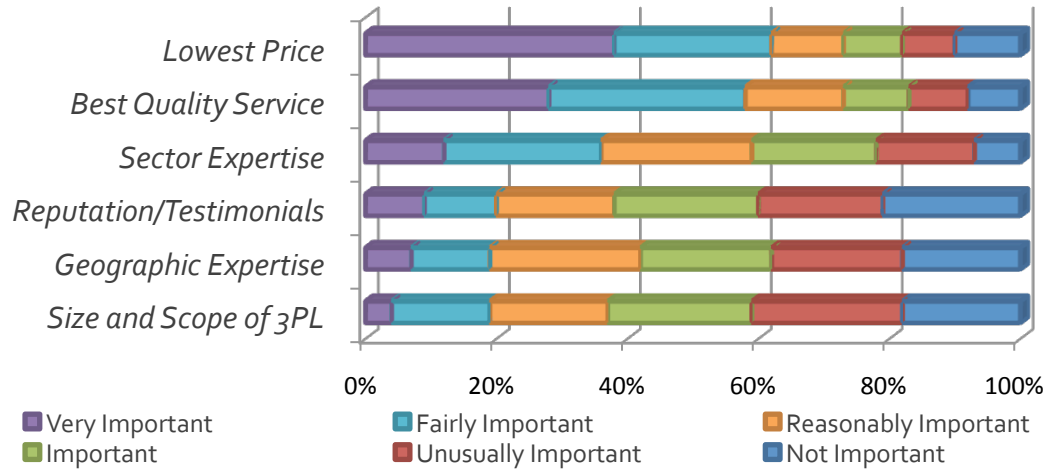
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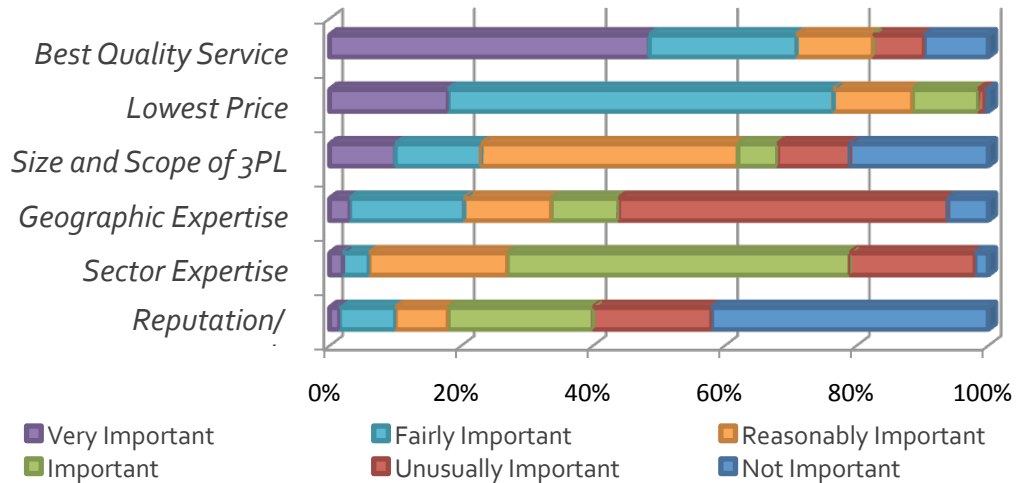
White Paper (cont.)

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What 3PL Think Shippers Look For When Choosing a New 3PL



What Shippers Look For When Choosing a new 3PL



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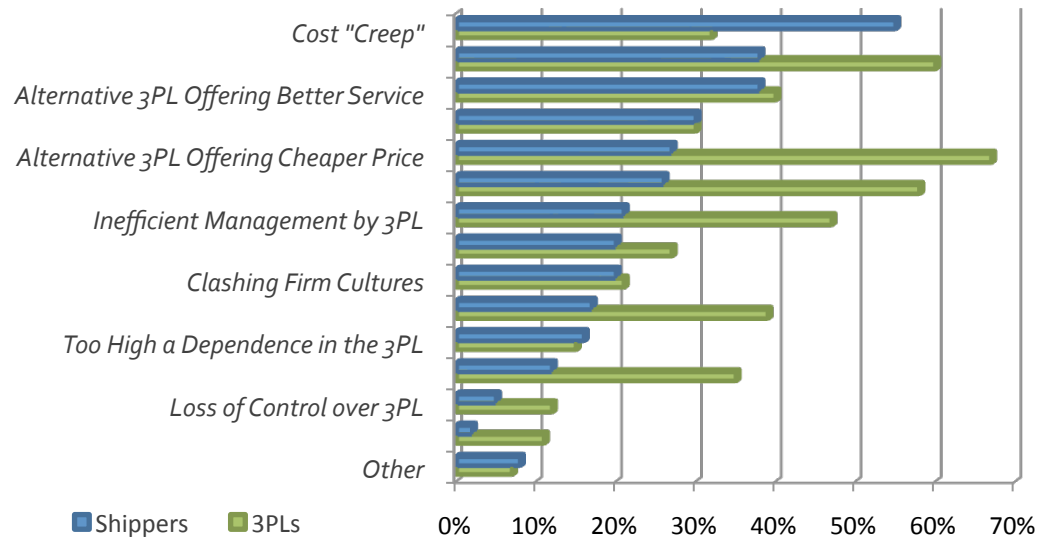


White Paper (cont.)

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If there is danger in not understanding what new customers want, there is even more danger in not understanding what motivates customers to stay. Here 3PL's get it wrong as well, but this time by massively underestimating price and assuming service issues and relationship breakdowns are more important.

Key Reasons Why Shippers Do Not Renew Existing 3PL Contracts



Study the chart above carefully, it might mean the difference between keeping and losing your customers. Overridingly, those customers who vote with their feet are concerned about cost creep. Get your proposals into plain English and spell out all cost elements up front. Avoid 'Nickle and Diming' customers and get a handle on your true 'cost to serve's that your pricing is realistic on the way in getting customers and keeping customers require an alignment of perceptions. Ensure your customers and prospects understand your value proposition and ensure you understand what drives their decisions.

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