



RATES AND NEGOTIATIONS

UNDERSTANDING, CALCULATING, AND USING THEM TO YOUR ADVANTAGE.

NEGOTIATION TRAINING

During this session, we will be discussing the following:



Some of the verbiage used to sell freight; what do you say?



How do you counteroffer? What do you anticipate Carriers to say?



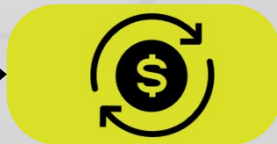
What are some of the concerns Carriers have while you are negotiating?



What are some best practices used to lock in a Carrier?



Understanding profit margin and how to make it work for you.



Understanding the rates and how to use them.



Role-playing different scenarios and feedback.



RATES

UNDERSTANDING, CALCULATING, AND USING THEM DAILY.

DIFFERENT TYPES OF RATES

FLAT

Just a number.
It is not based on
weight or miles.

PER MILE

Rate based on the
number of miles
traveled.

PER HUNDREDWEIGHT

Rate based on the
number of miles
traveled.

DIFFERENT TYPES OF RATES

Flat rates:

- Don't need to be calculated.
- \$800, \$1,550, \$3,726, etc.
- Make sure you say: "All inclusive!"

Per mile rates:

- Multiply your rate per mile by the number of miles on the load.
- If the rate is \$2.15 and the miles on the load are 745, your equation is:
 $\$2.15 \times 745 = \$1,601$

DIFFERENT TYPES OF RATES

Per Hundredweight (CWT):

- Divide the weight of your load by 100 and multiply that by your rate.
- If the rate is \$1.79 CWT and the weight on the load is 42,000 lbs., your equation is:

$$(42,000/100) = 420 \times \$1.79 = \$751$$

Sometimes your CWT rate may include a minimum weight (MIN).

That means that the rate is based on the load being AT LEAST a specific weight:

- If the actual weight of the load is less than the min, you use the min
- If the actual weight of the load is more than the min, you use the actual weight
- If you use the example above with 45 min: The actual weight of the load is 42,000 lbs., which is less than the min- so you use the min for your equation:

$$(45,000/100) = 450 \times \$1.79 = \$805$$



ACCESSORIALS

Any line item that is added onto a rate is an 'accessorial':

- Tarp charges
- Driver Assist
- Stop-offs (rule of thumb is \$50 per stop).
- Scale tickets
- Lumper fees
- Fuel is an accessorial added to the base rate (or line haul). It can be added in one of two ways- percentage or cents per mile.
- If your line haul rate is **\$765** and the fuel is **24%**, your equation is
 $\$765 + 24\% = \948 OR $\$765 \times 1.24 = \948
- If the line haul rate is **\$765** and fuel is **\$0.24** per mile, and the miles on the load are 432, your equation is:
 $\$765 + (\$0.24 \times 432) = \$868$
- Most customers will provide you with their fuel table, or we can determine based on the market.

USING RATE IN YOUR DAILY TASKS

Calculating margin %

- Your margin \$ is the difference between what you're getting from the customer and what you're paying the carrier.
- To calculate the percentage, you take your margin dollars and divide it by the shipper rate.
- If you're making **\$60** on a load, and the shipper is giving you \$350, your equation is **$\$60/\$350 = 17\%$**

Marking things down:

- One of the first things you'll be doing on the floor is posting loads to the open market.
- You'll be given a shipper rate and told to mark it down a certain percentage.
- If your shipper rate is **\$749**, and you're marking it down **13%**, your equation will be **$\$749 \times .87 = \651**

Marking things up:

- Occasionally you'll be starting with a carrier rate or may receive a higher bid and have to adjust.
- You'll have a carrier rate, as well as a margin percentage you'd like to obtain.
- If your carrier is asking for **\$832** and your target margin % is **15**, your equation is **$\$832/.85 = \978**

BECOMING A CONFIDENT NEGOTIATOR

Whatever the all-in rate may be, you can confidently negotiate and make the most money. Keep in mind that the slightest change in which you negotiate can make a huge difference. Instead of constantly asking your manager to approve a carrier rate, try creating a table like the above.

ALL IN RATE		20%	17%	15%	12%	10%	8%	5%	3%
\$4,200.00	Margin	\$840.00	\$714.00	\$630.00	\$504.00	\$420.00	\$336.00	\$210.00	\$126.00
	Sell Rate	\$3,360.00	\$3,486.00	\$3,570.00	\$3,696.00	\$3,780.00	\$3,864.00	\$3,990.00	\$4,074.00

Anything in the red zone or lower may require manager approval.



NEGOTIATING

MAKING THE MOST OUT OF YOUR SHIPMENTS

THE ART OF NEGOTIATING

- In a negotiation, what are we looking for? **SATISFACTION**.
- Regardless of the outcome, if both parties are satisfied- then it is a good deal.
- You also aren't always negotiating \$\$
 - Time
 - Weight
 - Future business
- A **win/win** is when both parties are satisfied with the transaction. But a win/win/win is when a new value is uncovered that didn't exist before this deal.



NEGOTIATION TACTICS

- Don't negotiate in \$100 increments.
- End your rates in a random number, not always 5 or 0.
- Split out accessorials such as stop-offs or scale tickets.
- Deadhead strategy.
- Don't just meet in the middle, stand your ground.
- Inbound calls vs. outbound calls.

- He who speaks first in a negotiation loses.
- Embrace the silence.
- Avoid carrier tricks:
 - Flinch
 - Pauses
- Sympathize without giving in.
- Sell attractive details of the load:
 - Lightweight, 24 hr. loading, booked load, etc.

QUOTES TO TRY

We've been moving them all week for \$752, we can't go up just for one load.

\$1,203 and it's yours. I have the release in front of me right now and I'll send it over. Do you want it or not?

I already have someone who can grab it for \$2100. So, \$2,074 is the best I could do.

I have someone checking on their driver and calling me right back. I can't hold this for you very long.

If you can take both I can probably get you \$693.



EXAMPLES OF SAVINGS BY MARGIN \$\$

Revenue	\$861,262.00				
Loads	430				
	Margin %	Margin \$	Margin per load	Difference per load	Difference in Margin
	9.31%	\$80,183.49	\$186.47		
	10.00%	\$86,126.20	\$200.29	\$13.82	\$5,942.71
	11.00%	\$94,738.82	\$220.32	\$20.03	\$8,612.62
	12.00%	\$103,351.44	\$240.35	\$20.03	\$8,612.62
	12.50%	\$107,657.75	\$250.37	\$10.01	\$4,306.31
	15.00%	\$129,189.30	\$300.44	\$50.07	\$21,531.55

FOR EVERY DOLLAR WE SELL LESS TO A CARRIER, WE INCREASE MARGIN BY \$430

EXAMPLES OF SAVINGS BY .05 PER MILE OR PER CWT

- $.05 \times 250 \text{ miles} = 12.50 \text{ savings} \times 250 = \$3,125$ extra per month.
- $\$3,125 \times 12 = \$37,500$ per year.
- Negotiation also starts at the location of the load/area.
- Tools to track/report to show these results.