

The Process of Benchmarking Your Supply Chain For Ocean & Air Freight Rates

Market transparency

A frustratingly murky area.

Many companies in the shipping industry involved with benchmarking process steps have had to sidestep this one significant area in their cost analysis.



Whether for companies directly inside the shipping/freight industry or those simply relying on shipping/freight for their operations, market transparency has been sorely lacking.

How ocean container and air freight rates compared to the market and peers have been a "black hole" or mystery.

To make sure we are all on the same page, let's define benchmarking from our perspective.

Benchmarking is "a measurement of the quality of an organization's policies, products, programs, strategies, etc., and their comparison with standard measurements, or similar measurements of its peers."



What is Freight Benchmarking?

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Supply Chain Benchmarking Process

Benchmarking comes in all shapes and sizes with one too many steps. The complexity of supply chain management/ logistics and shipping procurement calls for a well-thought-out plan to tackle the process.

In general, the steps of the benchmarking process are as follows (with some variation in benchmarking process steps as companies adapt their own methodologies to meet their corporate needs).

1

Choose an area to improve

2

Define benchmarking process/scope that will be undertaken

3

Isolate potential partners for comparison

4

Identify possible data sources where you will get your information

5

Collect your data

6

Isolate discrepancies in the data

7

Establish process differences

8

Set goals for change

9

Communicate internally and externally

10. Align goals

11. Implement

12. Review results and adjust



Shipping Needs Benchmarking for Efficiency & Optimization

Shipping costs as a data source are integral to the supply chain planning and benchmarking process.

RFQ's are difficult to manage, KPIs for sourcing teams are unmeasurable without a neutral data source and market intelligence.

Freight cost control is critical in evaluating and seeking improvement for many companies, big or small. For example, [close to 10% of logistics costs](#) for home appliance giant Electrolux is container shipping costs.

Few in the ocean and air freight

logistics thought greater visibility could be achieved outside of ad hoc, unreliable or unwieldy methods of tapping into the much-desired data.

Some of the methods included previously,

Meeting informally with other industry members to "exchange notes," using outdated static historical data.

Market conditions were too volatile, the data was too opaque/fragmented, and too many vested interests existed in not making this information transparent.

“

Who would have
thought crowdsourcing
ocean and air freight
rates and supply-side
data would be the
answer?

Xeneta

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With transparency comes better decision-making and negotiating power.

Understanding how data assist you in negotiating better rates from your supplier. It can also underscore standards that you need to maintain for your customers in order to stay competitive in today's fast-changing world.

For Electrolux, having a "[dynamic snapshot](#)" of the market and pricing provided by Xeneta's technology helped them identify situations "where they might be leaving money on the table."

The benefits of benchmarking and having readily available market data can expand from comparative costs to expense-to-revenue ratios, service calls,

A New Era for Benchmarking, Data Insights and Performance

levels of customer satisfaction, and other metrics that need to be improved.

Ultimately, when executed correctly, benchmarking can be a powerful focus for change, driving home sometimes uncomfortable facts and convincing leaders of the need to embark upon improvement

efforts.

Benchmarking is a tool that enables the investigation and ultimately the achievement of excellence, based on the realities of the business environment, rather than on internal standards and historical trends.

“Following the benchmarking steps and crowdsourced data acted as confirmation of the strength of their position compared to the current market.

Mr. Vang Jensen, former Vice President, Global Logistics at Electrolux

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Xeneta has helped many companies save over 50% on their ocean and air freight spend leading them to gain full transparency and improvements into their entire supply chain.

Know how your rates compare to the market and your peers.

[Put Xeneta's expertise to work for you today!](#)

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