



Global  
Digest

# Warehousing and Freight Management Services

## Background

CASME RoundTable meetings on warehousing and freight management services were held in Sydney, Singapore, London and Philadelphia. The following main topics were discussed:

- Warehousing services
- Warehousing suppliers, contracts and pricing
- Freight management services
- Freight contracts and pricing
- Warehousing and freight supplier management
- Future trends.

This Digest provides the key points and good practices identified by CASME members around the world.

## Warehousing Services

- The development of a successful warehousing services strategy involves collaboration between Procurement, the relevant business units and senior management, to define the requirements and establish a cohesive, consistent approach to managing warehouse operations and performance.
- Warehousing strategies are typically developed by Procurement and key stakeholders that include Supply Chain, Finance, Real Estate and the operations managers. This involves engagement, collaboration and alignment regarding the strategy, supplier sourcing and contract negotiation.
- Warehousing strategies are planned at the global or regional level, and generally executed at a local level by the local procurement and supply chain teams. Network optimisation software can be used to identify warehousing facilities and functions in strategic locations. This may involve engaging consultants to ensure that the tool is being used to its full potential.
- For many companies, the management of warehousing operations is not a core competency; therefore, they are outsourcing their warehousing requirements to third-party or fourth-party logistics (3PL/4PL) services providers.
- The current trend is to outsource warehousing operations, and use temporary labour in company-owned warehouses, rather than employ permanent full-time equivalents (FTEs). When outsourcing warehousing services, it is essential to retain internal warehousing and transportation experts, to assist with the ongoing management of the strategy and evaluation of supplier performance.
- A combination of generalist and specialist warehousing providers may be needed to accommodate the storage and shipping requirements for particular products and ensure compliance.
- A robust risk management strategy for warehousing services can be established by including within requests for proposals (RFPs), pre-qualification criteria and contracts, the requirement for the suppliers and their subcontractors to deliver an effective disaster recovery/business continuity plan.
- Warehouse management systems (WMSs) can provide real-time data regarding inventory levels and the movement of stock through warehouses, and the associated optimisation of labour allocation. Suppliers such as [Blue Yonder](#) and [Manhattan Associates](#) provide well-established WMSs with features that include predictive algorithms for inventory levels and stock turnover.

## Warehousing Suppliers, Contracts and Pricing

- The criteria for the evaluation and selection of warehousing services providers generally includes their geographic locations and coverage, financial and personnel stability, reputation in the marketplace, compliance with contractual and regulatory requirements, protocols for data security and protection of intellectual property (IP), liability insurance levels, corporate social responsibility (CSR) and sustainability practices, technological solutions and integration capabilities, and innovative solutions.
- The supplier selection process involves Procurement and the stakeholders identifying and shortlisting the suppliers that are most capable of fulfilling the company's requirements in alignment with the qualification and compliance criteria.
- Sources of information for benchmarking service providers and their performance include RFPs, commercial real estate companies, such as [CBRE](#), supply chain consultants such as [Chainalytics](#) and information providers such as [Gartner](#).
- Criteria for benchmarking warehousing services includes cost per square foot/metre, price per pallet storage per week, pallet in/pallet out activity rates, prices in different locations, and the cost of services for specific requirements, such as temperature control and space allocation.
- Some of the global warehousing services suppliers referenced include [Agility](#), [CEVA Logistics](#), [CJ Logistics](#), [DHL](#), [KUEHNE+NAGEL \(K&N\)](#) and [XPO Logistics](#).

- A two to three-year contract term is commonly applied for warehousing services, with the potential for a possible one- or two-year extension based on performance. Warehousing suppliers are more likely to discuss additional price discounts when they are based on long-term contracts.
- Remuneration models for warehousing services include a fixed service fee, activity-based costing (ABC), or a combination of these, or cost plus, or a cost per pallet. The remuneration model should be reviewed every two or three years. An open book arrangement may be agreed with long-term service providers.

## Freight Management Services

- The development of a successful freight management services strategy requires detailed analysis of the entire network of full truckload (FTL), less-than truckload (LTL), small package logistics, and air, sea and rail operations. Network analysis needs to be conducted of the current end-to-end supply chain, including the locations of the company, supplier, and customer facilities for which the transportation of goods is necessary.
- Road transportation strategies that are being applied include using dimensional (DIM) weight as the basis of pricing for commercial freight services, and to determine whether FTL or LTL transportation is appropriate, as well as establishing standard LTL rates through companies such as [CzarLite](#).
- Companies also rely on their 3PL, 4PL, or lead logistics providers (LLPs) to manage and co-ordinate their freight requirements, although they may retain the sourcing and control tower activities in-house.
- The efficiency of logistics and supply chain operations has a substantial impact on the success of a company's business. When outsourcing logistics services, it is essential to retain internal personnel with the appropriate amount of knowledge, experience and expertise to oversee the service delivery and ensure that a certain level of governance and control remains in-house.
- Air freight services, reserved for very specific needs, are sourced through freight forwarders or 3PL providers, as they have direct relationships with the carriers. Sea freight services are also sourced through freight forwarders, with the option of negotiating the rates directly with the carrier.
- Risk mitigation can be achieved through consolidating freight forwarding and customs clearance requirements with a single global service provider, such as [DAMCO](#); or with one service provider per region to manage the relevant requirements.
- Procurement needs to mitigate fluctuating fuel prices in freight transportation contracts by monitoring the cost of fuel over the course of a year, to determine whether there is a significant loss or gain by the company or the service provider, and agreeing to share any gains.
- Transport management systems (TMSs) may be internally-developed tools or third-party software, such as [BluJay](#), [CH Robinson](#), [Coupa](#) or [Transporeon](#), which can be used to optimise transportation routes and carriers' capacity, conduct dynamic route planning and calculate the estimated cost of fuel for specific routes.
- Telematics and global positioning systems (GPSs) are commonly being used within the freight transportation industry, to achieve complete visibility of the supply chain, including goods in transit, using platforms such as those provided by [project44](#).

## Freight Contracts and Pricing

- The selection of freight services providers is influenced by their capabilities and available capacity for core delivery routes, the volume and variation of demand, and the types of services required.
- Benchmarking data regarding freight services costs across various industries may be obtained from third parties such as [Cass Information Systems](#), which also provides assistance with achieving visibility, auditing and reporting of freight services spend.
- The pricing for freight services may be based on the price per carton, pallet, container, mile or lane, and volume, weight and destination. Generally, negotiated fixed rates are in place for transportation based on consistent weights, transit times, types of shipments and modes of transport.
- Contracts terms are typically for two or three years, with potential extensions based on performance and capacity requirements. Contracts should contain a fuel pricing model, with regular monitoring for fluctuations that may need to be addressed.

## Warehousing and Freight Supplier Management

- The key performance indicators (KPIs) that are being used to evaluate warehousing services include the frequency of overage, shortage and damage (OS&D) claims, the use of technology and digital applications in storage and handling operations, throughput productivity, and inventory and invoicing accuracy. KPIs are also applied regarding compliance with specific storage parameters, contractual and regulatory requirements, and corporate social responsibility (CSR) and sustainability policies.

- KPIs for freight services are based on metrics regarding on-time delivery, tracking capabilities, damage and management of goods in-transit, such as temperature control and monitoring, as well as compliance with CSR and sustainability policies.
- The KPIs for freight services need to be clearly defined and agreed with the supplier, including the delivery time frames and the margins for delays, as well as the protocols for identifying the cause. This is because with freight transportation, there are many variables that are beyond the control of the client or the service provider, but others that can be the fault of either party.
- Procurement may provide the stakeholders with scorecards for tracking supplier performance against the KPIs, which is useful for identifying issues and areas for improvement.
- Formal escalation procedures need to be implemented to manage recurring instances of performance failure, with an exit clause included in the contract to enable the client company to terminate the contract for repeated instances of non-compliance with the service level agreement (SLA) and KPIs.

## Future Trends

- Advanced digital applications, particularly artificial intelligence (AI), blockchain technology and robotic process automation (RPA), will significantly improve the efficiency of logistics operations, as well as increase the amount of accurate data available to measure productivity and track products throughout the warehousing and shipping processes.
- Specialised tools such as [Cognizant](#), will assist in the increased application of digitalisation and AI.
- The IMO Sulphur 2020 regulation, aimed at limiting the sulphur oxide (SOx) emissions from ships, will impact sea freight companies by requiring them to refit or replace existing ships to ensure compliance.
- Last-mile delivery solutions will continue to evolve, and aggregators will aggressively compete and consolidate as margins reduce. The suppliers with the best optimisation tools will prosper.
- CSR and sustainability initiatives and environmental regulations may increase costs, by forcing suppliers to implement more expensive, sustainable solutions.

## Resource Centre Links

The following are links to the full meeting report for each region:

- Asia - [Singapore](#)
- Australasia - [Sydney](#)
- EMEA - [London](#)
- North America - [Philadelphia](#)

---

### Important

This report is a summary of the facilitated discussions held between the CASME members who attended the meetings. CASME is not a consultancy and does not provide advice. The accuracy or validity of any recommendations or references, particularly to legislation and regulations, contained in the report should be verified by the reader prior to being acted upon. Any third-party organisations named in this report are not recommendations but are examples of companies mentioned during the meeting that may be considered when sourcing the relevant products or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed also provide similar products or services.

Any intellectual property (IP) (including, but not limited to, copyright and database rights) in this work is vested in CASME, which is the trading name of Market Focus Research Limited, and the document is issued in confidence for the purpose only for which it is supplied. It must not be reproduced or distributed in whole or in part in any material form or medium except with agreement or consent in writing from CASME, and then only on condition that this notice is included in any such reproduction. Full terms and conditions can be accessed at the CASME Resource Centre: [www.casme.com](http://www.casme.com).

# ADDITIONAL INFORMATION

Global Digests provide valuable category and strategic insights to CASME members, as part of a much wider subscription service that is delivered to hundreds of corporate indirect procurement teams worldwide.

CASME connects the authentic experiences and perspectives of its global membership network, comprising thousands of procurement professionals, and delivers information services that enrich personal knowledge and team performance.

With more than 200 events, and 1,000+ insight materials and benchmarking reports to choose from, CASME is a great resource for networking, learning and personal development.

Our members actively benefit from:

## **Unrivalled** EVENTS AND NETWORKING

- Interactive Events – including RoundTables, Mini-RoundTables and Panel Discussions
- Briefings – such as Category SpotLights, Guest Webinars and Podcasts
- Link-Ups – which are one-to-one facilitated introductions

## **Comparative** INSIGHTS AND INTELLIGENCE

- Peer Intelligence – Reports and Recordings from events, and Global Digests
- Procurement Guides – ToolKits, and Good Practice and Category Strategy Guides
- Partner Intelligence – such as research papers

## **Unique and Authentic** BENCHMARKING

- Procurement Examiners – including extended studies, SnapShots and Panel Discussion Reports
- Best in Class – with Maturity Matrix and Index.

Furthermore, our impartial services are delivered across 24 indirect procurement categories and practice areas, without input or influence from suppliers or sponsors.

### **ALREADY A MEMBER?**

[Log in](#) to the CASME Resource Centre to register for an event, personalise your Dashboard, or print your CPD/CEH certificate as proof of accredited CIPS/ISM/PASIA professional learning hours.

Talk to your local [CASME client services representative](#) to discover how we can help.

### **NOT A MEMBER?**

Visit [casme.com](https://casme.com) for more information, and [Request a Demo](#) or [Contact Us](#) to discover how CASME membership will provide vital information to support the achievement of your strategic objectives and category plans.

**CASME is the trading name of Market Focus Research Limited**  
**EMEA and Head Office:** 1 Holt Barns, Frith End, Bordon, GU35 0QW, United Kingdom  
 T: +44 1420 488355 W: [casme.com](https://casme.com) E: [info@casme.com](mailto:info@casme.com)





**Europe & Head Office**

**T: +44 1420 488355**

**Americas**

**T: +1 973 218 2566**

**Asia**

**T: +65 6832 5584**

**Australasia**

**T: +61 2 8216 0942**

**[casme.com](http://casme.com)**



**CASME\_Network**



**@CASMENetwork**

**INSPIRING PROCUREMENT EXCELLENCE**