



## **8 Real Examples of How B2B Transport & Logistics Companies Have Driven Better Value**



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Faced with unprecedented labour costs and high yet unpredictable fuel and energy costs, the B2B transport and logistics industry is facing a profitability problem.

For the first time ever in June 2022, diesel prices in the UK neared £2 per litre as a result of the conflict in Ukraine. And with the consequences of the Israel-Gaza conflict potentially pushing prices beyond such an unwelcome peak, this will have a clear impact on B2B logistics supply chains.

It's no surprise, then, that more than 28% of transportation and warehousing companies identify rising energy prices as the main reason for increased operating costs. For a sector that has to contend with being squeezed by both producers and end-sellers, this added pressure on already-low margins means companies have to find new ways to improve their profitability.

In such an unpredictable market, one of the most critical aspects you need to determine is a granular pricing strategy; one that is flexible enough to maintain or grow margins in the face of changing costs, competition, market dynamics, and customer requirements.

To help illustrate what that means in practical terms, we've outlined eight different examples of companies in your industry which have excelled at one aspect of their pricing strategy, along with a key takeaway for you to implement in your own business.

Some of these companies we have worked with directly, while others just demonstrate great practice that we recommend to our clients anyway.

So, read through the examples and consider whether they apply to your organisation. And if you want some help improving your own margins, just [ask one of our pricing consultants for a chat.](#)





## UNDERSTANDING THE MARKET

### 1. Irish freight ferries skip the UK

Since November 2020, Irish B2B ferry services have increasingly bypassed the UK, running directly to France to avoid the higher UK levy costs brought in as a result of Brexit. Ferry services now run from Rosslare to Dunkirk, with traditional routes through Wales decreasing.

#### **Takeaway: Adjust your pricing strategy as regulations evolve**

This willingness to skip the UK is just one example of how your pricing strategy needs to respond to regulatory changes. As the macroeconomic and political environment evolves, you need to be able to adjust in order to keep your products and services competitive while maintaining value.

### 2. DHL tailors its pricing and services according to industry-specific needs

Having identified that different customers have varying needs by industry vertical, DHL Supply Chain UK has tailored pricing and services accordingly. The company offers industry-specific solutions, such as automotive logistics or healthcare logistics, each with its own pricing structures and value-added services.

In its healthcare logistics vertical, for example, DHL offers healthcare-specific quality assurance, real-time monitoring, and temperature-controlled distribution (from transporting deep frozen, to chilled, to ambient). Because these constitute stricter requirements than in an industry such as automotive logistics, they command a different approach to pricing.

#### **Takeaway: Segment your customers**

Segmenting your business customers by industry, size and geography can help improve your margins through a more value-based approach to pricing. Separate customer types receive a different amount of value from your B2B transportation services. Segmenting them allows you to align your pricing strategy with their corresponding willingness to pay.





## EVALUATING COMMERCIAL STRATEGY AND IDENTIFYING OPPORTUNITIES

### 3. Some landing slots at London Heathrow are double the price of others

At London Heathrow, airlines can pay millions of dollars for a single landing and take-off slot pair during peak times. In 2016, Oman Air reportedly paid around \$75 million for a single slot pair at Heathrow. However, in 2017, Scandinavian Air sold two separate slot pairs to American Airlines for the same amount of \$75m, showcasing the effect of dynamic pricing on airline slots.

#### **Takeaway: Use dynamic pricing to maximise value**

You can maximise value from your pricing by considering input factors such as time of day, seasonality, delivery location and delivery speed. During periods where demand is going to be higher relative to supply, prices can be increased dynamically on a short-term basis – and vice versa.

### 4. FedEx introduces tiered handling charges to B2B customers

FedEx is an example in global transportation which has variable handling charges with volume discounts. From 2021, they now provide a tiered pricing structure that allows B2B customers to benefit from volume discounts based on the quantity or weight of packages shipped.

For instance, FedEx offers different pricing tiers for handling charges based on the number of shipments or the total weight of shipments made by a B2B customer.

#### **Takeaway: Drive customer engagement through volume-based discounts**

By applying volume-based discounts to encourage further engagement from customers, you can increase competitive value-for-service and appeal to a wide audience through segmentation of charging rates.

#### **4. XPO Logistics fosters long-term relationships with clients**

XPO Logistics is a global provider of transportation and logistics services which offers a variety of contract options suited to the demands of its client's supply chain.

By offering a range of contract lengths and adaptable solutions, the company caters to changing market conditions and evolving client requirements while fostering long-term partnerships and customer satisfaction.

**Takeaway: Offer bespoke solutions that are mutually beneficial for you and your customers**

More bespoke approaches to contracts are particularly beneficial in B2B transportation, given how different types of freight have different risks to consider (e.g., no-shows in ocean carriers). The more easily you can cater to the changing needs of your prospects and clients, the easier it becomes to build long-term relationships.





## COMMUNICATING WITH CUSTOMERS AND IMPLEMENTING CHANGE

### **6. G4S differentiates its value proposition through the safety of its armoured vehicles**

Throughout its marketing communications, G4S communicates the added value of its armoured vehicles in providing high-end security services for valuable cargo. The company markets itself as being especially suited for securely transporting goods such as vital documents and data, precious metals, jewellery, art, pharmaceuticals, firearms and sporting trophies.

#### **Takeaway: Communicate a clear value proposition**

Communicating an explicit value proposition provides customers with a clear rationale for using your B2B transportation service over competitors' alternatives. By differentiating yourself within the market, you can also command a price premium from those who find your services most valuable.

### **7. YRC Freight improves margins by encouraging specialist value-based selling**

In 2020 YRC Freight, a Yellow subsidiary, reshaped its sales structure to focus on three separate industry verticals. The creation of specialist sales teams enhanced customer service through an increased understanding of how to meet the needs of industry-specific customer types. It also allowed them to communicate the relevant value of the products more effectively, leading to fewer unnecessary discounts and improved margins.

#### **Takeaway: Review your sales tactics to focus on value**

Your sales tactics need to align sales incentives with the value they provide to the business. It is common practice within B2B Transportation to reward high sales volumes, even if large discounts have been applied. This inevitably leads to your sales teams focusing on volume instead of communicating the full value of the service. In a similar vein, if your services have varying profitability, then the corresponding incentives should also be differentiated to provide properly weighted sales targets.

## 8. Collaborating to monitor and drive value through data-driven decisions

We have worked with several transport and logistics companies to implement advanced analytics that enable them to monitor and adjust their pricing strategies.

One ferry company implemented a pricing monitoring tool for its B2B freight strategy, through which it can now assess the impact of various pricing strategies on clients' supply chains and make data-driven decisions that directly impact its margins.

### **Takeaway: Work with Pearson Ham Group to improve your pricing strategies**

It's likely that the variation in your costs and customer demand is not going to go away in the short, medium or long term. In order to validate or adjust the dynamic predictors of future demand successfully, you need effective monitoring through advanced analytics. But more importantly, you need a flexible, granular pricing strategy that you can analyse.

To learn how we can help you implement a strategy that allows you to improve your profitability, [contact one of our consultants today.](#)

## Get In Touch

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