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Harold Friedman is senior vice president, global corporate development, Data2Logistics, 609-683-3917

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10 Ways to Gain Control Over Parcel Transportation Costs

by **Harold Friedman**

The amount of effort shippers put into carrier management directly correlates to their success at controlling transportation costs. Incumbent carriers often know more about their client's shipments than the shipper does. But shippers can tilt the actionable information scales in their favor to achieve lower parcel transportation costs.

Here are 10 points shippers should consider when seeking to gain control over parcel transportation costs:

1. Recognize that all discounts do not have the same value. For example, a next-day air base rate for Carrier A could be as much as seven percent higher than for Carrier B. Depending on your shipping patterns, a 45-percent discount from the carrier with the lower base rate can be more beneficial than a 50-percent discount from the other carrier.
2. Before selecting a carrier, consider the total impact of any proposal based on historical data, factoring in known changes you expect in future shipping patterns.
3. Know and understand all carrier accessorial charges, which can easily represent 20 percent of the amount you are billed. You must recognize the services you are being charged for, including how frequently they will be used and the financial impact they will have. This knowledge allows you to identify which accessorial charges are significant and need to be negotiated with your carrier.
4. Carriers have different fuel surcharges. Level the playing field by proposing a single fuel surcharge that you develop to create an apples-to-apples comparison of these charges. This will eliminate one variable you have to analyze when comparing carrier costs.
5. Address-correction charges represent controllable costs. Most carriers will provide the correct address that should have been used. Pass that information on to the business unit that originated the shipment to prevent these fees from becoming repetitive charges. Larger organizations should consider implementing address-hygiene software to eliminate these costs.
6. General rate increases should be considered a negotiable item in multi-year contracts or contracts signed in the second half of the year.

7. Know your volume distribution by weight and zone, service type, and package type. Focus on the areas that will provide the best value. Ensure that discounts are negotiated and applied to each category.
8. When negotiating with carriers, invest the time to provide all request-for-proposal (RFP) participants with as much detail as possible about your business and shipping patterns. Be sure to include any distribution pattern and volume changes you expect will take place during the contract period.
9. Leverage your volume. Give the carrier the ability to provide global service. Today, integrated carriers offer a broad array of services. You may also want to consider using parcel carriers' less-than-truckload services to improve pricing.
10. Standardize the format for the RFP response you want to receive from the carrier. Provide a locked template that formats information so like services are compared and pricing does not stray from the areas you want to focus on.

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