

Finding ways to reduce your company's parcel shipping spend

By Ken Wood, President, LJM Consultants

Earlier this year, we saw the three major parcel carriers (Fed Ex, UPS, USPS) increase their rates an average of 5.4 %, across their Ground, Express and Air services. The accessorial charges increased as well, an average of 8.8%. As these carrier costs increase annually, so do the pressures to manage the overall transportation spend for the organization. In recent years, with shrinking budgets becoming commonplace, companies of all sizes are looking for ways to save money without sacrificing customer service.

Many companies first look internally for ways to reduce costs. Some companies will purchase Analytical tools to better interpret their shipping data, enabling management to make informed decisions about their shipping strategy. Others invest in and deploy full Enterprise TMS solutions or “multi-carrier shipping solutions”. Most of the successful larger companies are implementing end to end supply chain improvement processes, and environmental initiatives.

For all of the ways companies look to save on their overall transportation spend, I am surprised by how many I speak to that do not look to their current carriers and existing carrier agreements as ways to reduce spending. After all my years in this business (twenty seven) I am still astounded by the number of companies I speak to who do not audit their carrier invoices! I find that most organizations I meet do not have the staff, the time and/or the understanding of the complex carrier compliance issues and rate structure to accurately audit and reconcile an invoice. In the same manner that other functions in an organization are handled, ex: payroll administration, sales tax management, workman's compensation, etc, the function of “carrier auditing” is best managed by companies who specialize in those areas of the transportation industry.

What most companies do not realize is that billing mistakes, service delivery failures and or erroneous accessorial charges exist on every parcel invoice, 52 weeks per year. There is a significant amount of money to be saved by auditing these carrier bills, as opposed to simply spot checking them. It's a well know fact in the industry that a full line -item audit will likely save shippers 2% to 6% of their total parcel spend.

In addition to recovering as much as 6% in carrier fees, a company, by outsourcing this function, can significantly reduce their administrative expenses by having their employees focus on the core business functions. Do what you know best and let the experts handle the tedious task of auditing your weekly invoices and negotiating your carrier agreements. We found that another interesting result of the auditing process is that companies tend to receive a higher level of service from their carriers.

So, for the successful companies, which most typically are the smarter companies, it makes perfect sense to look at all areas of their transportation spend ,including their existing carriers to save dollars and drive down the ever increasing cost of shipping. An even more compelling reason for reviewing this area of your business for cost reduction is that the majority of carrier auditing companies do not charge

for their service, but rather are paid based on a percentage of the amount saved. In essence, these companies pay you! It only costs your company if you are not taking advantage of their services.

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