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Greetings

Here we are, quickly approaching Labor Day and the generally accepted conclusion of Summer. The time certainly does go by quickly.

This month we look at some critical issues that can impact your bottom-line, specifically, how to determine if a freight rate increase is justified and how to reduce parcel costs. And, for the shippers reading Logistics Strategies, we've also included a checklist that can help you evaluate if you are getting what you need to get from your freight payment company.

As always, we want your feedback and look forward to providing you with relevant information that can help you to be more profitable.

A Return to the Basics of Freight Payment

Like almost every other type of business, the freight payment industry has not been immune to fads and trends. The most recent must-have has been to offer shippers high-tech reporting tools. These pre-programmed and on-demand reports, loaded with charts and graphs, have been sold to customers as the cutting edge way to monitor costs, reduce expenses and properly budget for future spending.

While these query tools have great value, they also highlight the need for freight payment providers to return to their fundamental goals - accurate information, efficiency, and service. Simply put, shippers need their freight payment company to provide timely and accurate payments, sound data integrity, and competent customer service.

Timely and Accurate Payments

Timely and accurate payments are not a fad. Rather, they are absolutely necessary in business climate of today. Shippers who do not pay their freight invoices on time will not be in a position to negotiate beneficial pricing. This is becoming even more important as the carrier base continues to shrink.

Sound Data Integrity

User-friendly, reporting tools are also critical for transportation and logistics professionals who need accurate and up-to-the minute information to analyze their current cost structures. With this information, shippers can make intelligent business decisions about the status of their business now and where it needs to go in the future. Without sound data integrity, any information provided by a freight payment company is of no value. In recent years, many shippers have been disappointed by the lack of data integrity provided by their freight payment company and have sought new service providers who are capable of building a data warehouse containing reliable and timely information.

Competent Customer Service

Excellent customer service is at the heart of any successful business. And, this most basic of goals is just as important to freight audit and payment firms. Successful companies in this industry clearly understand that they serve two major customers. To provide competent customer service, processing freight invoices for the shipper is equally as important as partnering with their freight carriers used by their clients. Therefore, freight audit and payment firms must never forget that their customer service is a multi-faceted critical process.

Because many of the fads and trends in the freight payment industry have turned out to be short-lived, shippers are increasingly making it clear that they simply want a freight audit and payment firm that can effectively manage the basics of payment, information, and customer service. There is no doubt that the industry will always be seeking out the latest and greatest in technological advances, but the most successful companies will continue to be those who also excel at their fundamental operations.

Determining if a Freight Rate Increase is Justified

Rising fuel prices, driver shortages and various other factors are causing motor carriers to impose rate increases with greater frequency than ever before. These rate increases generally apply to those shippers that do not have long term contracts. However, even those shippers with contracts might be surprised to find rate increases taking effect on the anniversary of the contract agreement without much discussion. But, how does a shipper know if a rate increase proposed by a carrier is justified? Here are a few questions worth asking before accepting any rate increases.

What factors have increased the costs that now require the carrier to increase its rates by the proposed percentage?

The carrier should be able to clearly show the need for the rate increase percentage as it pertains to the your business. If not, you should not automatically accept such increases.

What are the main competitors' rates?

Shippers should always be aware of what the competitive pricing alternatives are in the marketplace. Any carrier that feels they have a lock on business will not have any incentive to maintain the status quo.

Is the level of business tendered to the carrier been more or less than what was agreed upon at the time of the original negotiation?

The level of business tendered to a freight carrier may affect its costing positively or negatively. Shippers should know all the facts before blanket acceptance of rate increases.

Can you work with the carrier to reduce costs and thereby reduce the increase proposed or even better, eliminate the increase all together?

It is worth asking the carrier if your company can help in some way in reducing costs for the carrier. In some cases, the carrier may offer a reduction or complete elimination of the rate increase.

In the business climate of today, competition is fierce, and no company can operate for very long by accepting hefty rate increases consistently and without justification. While most carriers can justify their rates, it is always important to analyze the impact of rate increases on the cost of doing business. And, the bottom line is that the shipper ultimately has the final word and can always choose to tender its business to other carriers if an increase its current carrier publishes is out of line.

Taming Out of Control Parcel Delivery Costs

With the ever-increasing transportation costs of today, many companies are looking for any opportunity they can find to save money and streamline operational processes. Interestingly, though, parcel operations are often an overlooked, uncontrolled cost factor that with a little research and planning can be reduced significantly. While there are a number of strategies that a company can explore to reduce parcel costs, the most important components worth investigating are: parcel data warehousing, parcel auditing, and parcel carrier negotiations.

Parcel Data Warehousing

Data warehousing can be a great help by providing companies with the data to perform cross carrier analyses. Having the ability to compare the details from all parcel carriers allows companies to streamline decision making, uncover cost savings, accurately bill customers, and even provide necessary shipment history information during price negotiations with carriers. Depending on its size and capabilities, a company can choose to either establish its own in-house parcel data warehouse or utilize a third-party firm that already has the necessary infrastructure and technology.

Parcel Auditing

Without parcel auditing processes in place, companies frequently pay erroneous charges such as duplicate billings, unauthorized charges and do not obtain refunds for late deliveries. Parcel auditing can be beneficial to the bottom line by tracking down overcharges for all packages that are shipped. While companies can choose to perform in-house parcel auditing, the set-up costs and daily operational costs are generally cost prohibitive. In most cases, it is far more economical to hire an outside parcel auditing firm that requires no up-front costs and already has the necessary systems and reporting mechanisms in place to audit and track all parcel shipments to ensure 100% invoicing accuracy.

Parcel Carrier Negotiations

Companies have never before had more choices when it comes to selecting parcel carriers. Along with more carriers to choose from, there are also a bevy of additional services that are now offered. Because of these growing complexities, most companies do not have the time, manpower or knowledge to effectively negotiate the best carrier rates and services. By seeking out a parcel negotiation consultant to manage negotiations, companies can benefit from someone who knows the rules of the game from the other side of the fence. Outsourcing this function often results in a company placing itself far ahead of its competition in terms of being able to offer better, faster, and less expensive shipping options to its customers.

Yes, transportation costs can be confusing and expensive for even the savviest of companies. However, by taking the time to research options and select the necessary professionals who can assist in streamlining processes, a company can effectively develop the necessary strategies to tame out of control parcel delivery costs.