

CHECKLIST: LTL OR PARCEL

By John Haber

Chances are you're pinching pennies these days. You've whittled all the fat out of your transportation budget and are running lean and mean. But don't expect the guys in the boardroom to be appeased any time soon. The pressure to spend less of the logistics dollar isn't going away.

This is the ultimate challenge for today's logistics managers — to continuously find new ways to reduce shipping costs. The good news (or bad news — call it what you will) is most companies are still overspending in critical transportation areas and there's still more fat to be eliminated.

One of these areas is less-than-truckload shipping. When it comes to deciding whether to use LTL or parcel shipping, an overwhelming majority of shippers stumble.

The problem is that companies' decision-making processes may not properly evaluate the most cost-effective mode of transportation. Shipment weights that were once suited for LTL — 200 to 600 pounds — now often can be shipped using parcel at a lower cost.

There is no silver bullet to savings. There is only due diligence. With many companies overspending 15 to 20 percent on LTL shipping, there is tremendous opportunity to cut costs in an often-overlooked area of transportation spending.

The key is creating an enforceable and repeatable process based on the most recent carrier and shipping data. With that process leading the way, today's shippers can save millions of dollars. **JOC**

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Below is a checklist of five simple questions to ensure you make the right choice every time:

- 1 HAVE YOU COMPARED THE TRUE COST OF LTL AND PARCEL?** If it's been a while since you've compared your LTL and parcel carrier contracts and pricing, now's the time. Refamiliarize yourself with the rates, terms and accessorial discounts. Then take a specific time frame — let's say a month — and price your shipments using both methods. This will give you the data you need to determine the weight-break level that indicates which method you should choose moving forward. It also will show you which discounts are most effective based on your shipping characteristics.
- 2 HAVE YOU FACTORED DIMENSIONAL WEIGHT INTO THE EQUATION?** If not, then you might not make the correct decision. Make sure you calculate the contracted dimensional weight with carriers from both modes of transportation. The potential differences in cost for a single shipment could be hundreds of dollars.
- 3 HAVE YOU ESTABLISHED ROUTING GUIDELINES?** The choice between parcel or LTL shouldn't be a gut decision; it needs to be managed by a decision tree that takes into account the shipping geography, weight-break level, parcel dimensions and type of goods being shipped. Create clear routing guidelines based on this decision tree to ensure you make the right decision every time.
- 4 HAVE YOU RENEGOTIATED YOUR LTL AND SMALL PARCEL CARRIER RATES LATELY?** If it's been more than 12 months since you've renegotiated your LTL and parcel carrier contracts, it's time to solicit bids from multiple carriers. Familiarize yourself with each carrier's tariffs and achieve a coherent picture of pricing. Because not all discounts and tariffs are created equal, use a median tariff structure (e.g. CzarLite) to normalize data.
- 5 HAVE YOU ENFORCED ROUTING GUIDELINE COMPLIANCE ACROSS YOUR SUPPLY CHAIN?** This step may be ad hoc in the decision process, but the cost-saving potential should not be underestimated. Remember those routing guidelines you created? They're only as effective as the percentage of suppliers, vendors and internal shipping locations that use them correctly. Make sure these guidelines are being followed without fail.