Getting Rid of the Nickel & Diming in 2010

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The big transportation carriers have announced their annual rate increases, which has left many logistics executives wondering if carriers were even aware of the economic maelstrom of 2009. The answer is yes. 2009 was just as tough for the transportation industry as it was for most industries. To make up for lost revenues, they will try to squeeze more dollars from your shipping wallet in the coming year.

One of the questions I'm most commonly asked this time of year, just as the reality of carriers' annual rate increases sets in, is "How can I make sure I'm not overpaying for shipping services?" The answers are many, but here are six.

1. Time to RFP and renegotiate. Depending on your carrier, rates rose 5-7 percent from 2009 to 2010. If you're still feeling the pinch of the last 18 months, it may be time to renegotiate your current contract. To do this effectively, issue an RFP and bring new bids to the table. Yes, it can be intensive – but it's also the best way to secure lower rates.

2. Forget published rates - compare NET rates. Carriers have different sets of gross rates, tariffs, surcharges and discounts. While published rates between carriers may be similar, what you actually pay can vary. This means you must carefully analyze rate increases to see how it impacts your unique shipping profile, and decide what shipping methods are best for you in 2010.

3. Denounce unjust contract terms. Did you know that carriers are trying to penalize shippers that want to negotiate their contracts mid-term? They're also trying to prevent third-party advisors from performing benchmarking analyses or assisting in contract renegotiations. Be on the lookout for this kind of penalty language in your contract. In my opinion (and the opinion of my colleagues), this borders on unfair business practices. What if your business or volume changes over the course of the contract? Or your carrier has difficulty managing capacity? This language would prevent you from having any recourse of action without paying a hefty fee.

4. Consider self-insuring. Big shippers, like manufacturers and retailers, spend hundreds of thousands of dollars a year in carrier insurance. Much of the time, it's cheaper to self-insure your shipments. Ask your carrier for a claims report to see if it's worth self-insuring or sticking to carrier insurance.

5. Bring in a 3rd party to carefully analyze your shipping spend: These companies understand how to secure the best pricing from carriers and optimize your mix of shipping methods for maximum savings.

6. Budget for (and renegotiate) accessorial fees and surcharges. Don't underestimate how much of your spend will be going to newly increased accessorial fees and surcharges…because it's going to be a lot in the coming year. For example, the surcharge for address corrections is almost 40 percent higher than it was two years ago. Ground minimum charges are up 5.9 percent. And, let's not forget about extended delivery surcharge areas (up 15 percent), which are often defined quite arbitrarily and with little notice by the carrier. The bottom line is you need to understand how these charges impact your spend and be prepared to negotiate around them.

The costing pitfalls may be numerous for large shippers this year. But, so are the savings opportunities. With a deep understanding of your shipping spend and characteristics, you can create a shipping strategy that puts you in the driver's seat.

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