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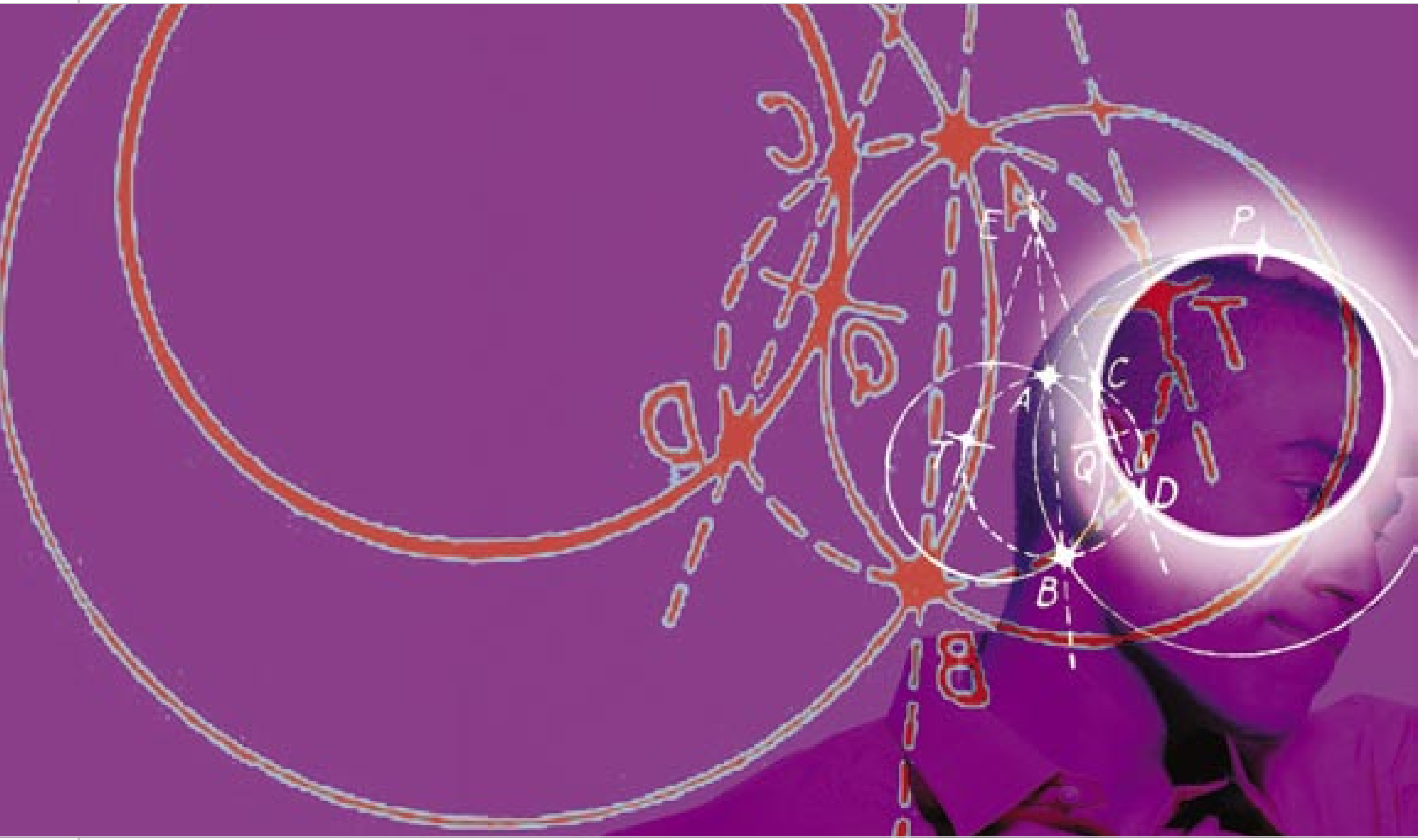

Shippers' frustrations with their carriers are common, but there are ways to take back control

By Tim Sailor

While most shippers are giving carriers high marks for service performance and delivery, they are increasingly unhappy with their overall relationships with their service providers. According to a recent UBS Air Freight survey, customers are less pleased with the carriers' basic account management process than with their service performance.

In an effort to explain this trend, *PARCEL* Magazine and Navigo Consulting Group surveyed *PARCEL's* readers to determine their top 10 frustrations in dealing with the small parcel carriers.

This article is the first in a three-part series dealing with the most common problems shippers face and will offer possible solutions to improve your carrier's responsiveness. The series will first address overall frustrations and high level concerns and then focus on two of the most pressing issues — carrier billing and carrier representation/account management.

The Top Three

Not surprisingly, our survey showed that the top frustrations are: Add-on Charges (62.99%), Claims (37.72%) and Fuel Surcharges (33.45%). In each case, there is a strong perception among shippers that the carriers are being unfair, inflexible and arbitrary.

Ever since the carriers introduced package level detail (PLD), they have continued to add additional charges to their base transportation rates. Today, there are over 80 separate surcharges now being applied. The biggest problem for most shippers is that these charges are applied on the back end after the shipment has left the dock. Therefore, it is difficult to properly account for the additional charges, and many shipping departments are forced to absorb these costs.

Not only do new charges pop up every year, but carriers keep changing how these add-on charges are being applied. In 2007, UPS, FedEx and DHL are discontinuing ground oversize charges and will apply air dimensional charges instead. UPS is also eliminating incentives on residential surcharges. These changes will dramatically increase costs, especially for residential and oversize shippers.

You Asked, We Answered

What can shippers do to curb the rising tide of add-on fees? The first thing is to identify the most common charges with which your carrier is hitting you. A good tool to use is electronic invoicing, which should provide you with most of this information. Once you know which charges are the most costly to your shipping budget, go back to the carriers and try to negotiate some concessions.

In spite of what your carriers tell you, ALL accessorial fees are negotiable. If you are unsuccessful in getting the carriers to lower these add-on charges, consider using an outside consultant. According to Morgan Stanley's September 2006 survey, 11% of shippers use consultants to negotiate freight contracts. Consultants negotiate more favorable rates, driving discounts 49% lower than if the company negotiates on its own.

Another approach to lowering certain add-on charges is to use additional address cleansing and residential indicator software. If you regularly update your receiver database, you should be able to minimize the $10 address correction fee. And, if you utilize Residential Delivery Indicator software, you will know when higher cost residential charges apply.

If possible, you should also encourage customers to provide business addresses instead of residences. For Field Representatives working out of their houses, explore delivery options with retail locations, like Postal Annex, the UPS Store or FedEx/Kinko's.

Finally, if you charge back shipping costs, do so upon invoicing, not at order entry. Almost 40% of total shipment costs are now made up of add-on charges. Since most of these charges are applied after shipment processing, you may not be adequately covering your true shipping costs when you charge back.

Carriers' Claims Issues

The second leading complaint is how carriers handle claims for loss, damage and on-time guarantees. For most shippers, filing a claim is a time-consuming process with little hope of satisfaction. There seem to be all kinds of "Gotchas" and technicalities, and resolution can take months.

Unless you insure the package, which dramatically increases your shipping costs, the carrier's limit of liability is $100 per package. And, as one of our survey respondents pointed out, Ever since the carriers introduced **package level detail (PLD)**, they have continued to add additional charges to their base transportation rates. Today, there are over **80 separate surcharges** now being applied.

this limit of $100 has been in place for decades and has never been adjusted for inflation.

For the best chance of success, file your claim on time, keep the original packaging and follow up. Since most claims are denied because of inadequate packaging, periodically ask your carrier to examine your packaging. Most carriers have industrial engineers that will test your packaging and give you a free appraisal of its strength and durability.

If you do insure, consider using a third-party provider of freight insurance. Not only will you significantly lower your insurance costs, but you may have more leverage with these providers than the major carriers. Typically, these companies will automatically pay a claim once the carriers have paid their limit of liability.

Finally, since it seems that most carrier claims representatives always say "NO," get your sales representatives and their managers involved. As a last resort, upper sales management can usually approve a policy settlement to cover your loss, especially if you are a large account.

As for on-time delivery guarantees, the carriers still offer some methods of getting your money back. Although they don't allow you to electronically audit for service performance, many of the carriers are guaranteeing overall service levels and automatically refunding late shipments. These guarantees can mean an extra one to two percent in cost savings. It is also a very good idea to request monthly service audits from the carriers to see what kind of overall service they are providing.

If your carrier is unable or unwilling to provide automatic refunds for late shipments, consider using the services of a Freight Audit and Payment company. Not only do these companies audit for on-time delivery performance, but they also check for accurate application of rates and charges, duplicate airbills/invoices and shipments manifested but not shipped and other common rating errors.

Surcharges Galore

The last major complaint expressed by shippers is fuel surcharges. Although fuel surcharges have been labeled as “temporary,” it doesn’t look like they will be going away anytime soon.

In 2006, fuel surcharges ranged between 2.75% and 5.30% for ground shipments and 12.5% and 18.5% for air shipments. In fact, fuel surcharges cost shippers much more than the carriers’ annual rate increases. Unlike the annual increase, shippers are unable to budget or anticipate how these charges will impact their costs. And, despite being the largest add-on charge, fuel surcharges are also the most difficult to waive or reduce.

What can shippers do? If you are a large shipper, it may be possible for you to negotiate a fixed fuel surcharge as part of your contract. Secondly, you may want to consider shifting as many packages away from air to ground and take advantage of the lower ground fuel surcharge.

Another successful approach is to focus on lowering the base rates. Since fuel surcharges are calculated off net rates, negotiating lower net rates will also drive down your fuel surcharges as shown in table A.

The other ways to eliminate fuel surcharges are to use the USPS or prepaid products from any of the carriers, as these services do not have any additional fuel surcharges.

Table A: 1 lb Air Shipment

	Base Rate	Fuel	Total Cost
Existing Rate	$10	17%	= $11.70
20 % Reduction	$ 8	17%	= $ 9.39
20% Lower Fuel			**$1.70**
Surcharge			**vs $1.36**

Hopefully, this article has provided tools to work around these common carrier roadblocks. In our next two installments, we will focus on how to resolve carrier billing issues as well as techniques you can use to improve the service and responsiveness you get from your carrier representatives. Stay tuned, and this information will help you get your year off to the right start!

Tim Sailor has been representing shippers in their carrier negotiations for over 11 years. Navigo Consulting Group has helped shippers lower costs by more than 30% and improve the service they receive. If you have any specific questions, frustrations or additional comments please email Tim at TSailor@NavigoInc.com or call 562-432-2299. ■

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