



## ship smart

### 10 things your company can do to save money on freight

**W**hat can I do to save money on freight? The same question comes up with every shipper I meet. This is a legitimate concern. Freight rates are on the rise.

The economy is improving slowly and this is pushing up costs. Motor carriers are experiencing cost increase pressures from higher fleet purchase prices, the shortage of qualified drivers, planned changes in Hours-of-Service, the impact of the US CSA program (e.g. culling unsafe drivers) and the more disciplined approach being taken by many carriers to add to their fleets (based on solid customer demand) and to allocate their assets to high-paying, loyal shippers. While this is a daunting list of cost increase pressures, there is much that enterprising shippers can do to mitigate cost increases or even reduce freight costs. Here is my list.

#### 1. Capture and Benchmark your Freight Costs

I encourage shippers to construct a freight activity database. This should include a detailed data template that contains origin/destination/shipper/carrier freight revenue data. In addition, shippers should assemble the current freight budget, actual expenditures and the variances. This will be the starting point for just about any project that you work on. Without quality data, you are not in a position to undertake too many freight projects effectively. You can't manage what you can't measure.

#### 2. Conduct a Transportation Audit

Bring in a knowledgeable transportation professional to evaluate every aspect of your freight program, prioritize the cost saving opportunities and then systematically remove inefficiencies and poor practices.

#### 3. Develop Vendor and Customer Collaboration Initiatives

Speak with your vendors and customers about any processes that cause inefficiencies and seek a better way to do the work. This can include everything from order sizes and pallet configurations to service intervals and consolidation points.

#### 4. Develop a Carrier Collaboration Initiative

Collaborate with your current carrier partners and eliminate any processes that reduce their productivity. This can include everything from ensuring pick-ups and deliveries can be done on a timely basis, having your paperwork done on time, changing the appointment time to make sure your carriers don't have to return to pick up leftover freight later in the day, to improving appointment intervals to reduce delays and detention charges.

#### 5. Conduct a high quality Freight RFP once a year

Make sure you open the bid process to new carriers,

logistics service providers, new freight brokers and new modes. Supply the carriers with a summary of a year's worth of shipping data. Share as much information as possible about pallet configurations, loading processes (e.g. live load versus drop trailer), seasonality issues and other aspects of your shipping processes.

#### 6. Create a Core Carrier Program

Leverage your freight volumes in such a way that you gain maximum benefit in your rate negotiations with a limited number of quality core carriers. Form relationships with carriers that have the assets, skills, resources, energy efficiency programs and technology to meet your needs. Utilize smaller carriers and freight brokers to serve niche markets and niche lanes. If beneficial, explore and implement a dedicated transportation program. Treat your carriers with empathy and respect. Help them be efficient and you will be the big winner.

#### 7. Optimize your Freight Network

Examine the locations of your vendors and customers and evaluate every opportunity to reduce hand-offs, excess inventory and duplicate routings. Look for ways to create round trips, pool points and consolidation/deconsolidation opportunities.

#### 8. Revisit and Test Alternate Modes

Keep an open mind and assess opportunities to switch over the road truckloads to intermodal service, to consolidate LTL shipments into full loads or full loads with stops.

#### 9. Audit your Carrier Freight Invoices

Between 1% and 2% of all carrier invoices are rated incorrectly. There can be errors in the base rate and/or fuel surcharge and/or accessorial charges. In most states and provinces, you have a specific period of time within which to request an overcharge claim. Monitor the results and go after the offending carriers for those monies owed to your company.

#### 10. Develop a Standard Fuel Surcharge Formula

The surcharge should be in line with your company's annual freight spend. This can be a discount off the FCA tariff or other similar methodology. Utilize the same fuel surcharge formula across all carriers. This makes it easier to compare the total transportation costs (e.g. line haul plus fuel surcharge).

There is no doubt that there are pressures to increase freight rates in 2013. These are being driven by both economic growth and by forces unique to the trucking industry. Smart shippers can mitigate these cost pressures by adopting a proactive and well-planned strategy to manage their freight program.

CT&L



**Dan Goodwill,**  
president of  
**Dan Goodwill**  
and Associates

has more than 20 years of experience in the logistics and transportation industries in both Canada and the US. He has held executive level positions in the industry, including president of Yellow Transportation's Canada division, president of Clarke Logistics, general manager of the Railfast division of TNT, and vice-president of sales and marketing at TNT Overland Express. Goodwill is currently a consultant to manufacturers and distributors, helping them improve their transportation processes and save millions of dollars in freight spend. He can be reached at dan@dantranscon.com.