

# Making the Most of Your Carrier Contract



**POWERED BY POSSIBILITIES.**

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# Agenda

- Challenging Parcel Pricing Environment
- Steps to Improving Parcel Pricing
  - Understanding Pricing Agreements
  - “Gotchas” and Solutions
    - GRI’s
    - Minimum Charges
    - DIM pricing
    - Accessorial Charges
    - Punitive Language
- Getting the Carriers to Compete
- Q&A

# Rising Rates For Parcel Shipping

- FedEx & UPS public entities; focused on margin
  - Annual rate increases well above CPI
  - Intra-year changes (peak surcharges, fuel surcharges, etc.)
  - Dimensional pricing
- Service waivers, punitive language, contract “gotchas”
- Inability to benchmark
- Few alternatives

# Challenging to Compare Carriers in 2020

- Way greater complexity; different pricing for:

- Published rates
- Minimum charges
- Fuel surcharges
- Accessorial charges
- Shipping charge corrections
- Peak surcharges
- Hundredweight

- Different companies/services

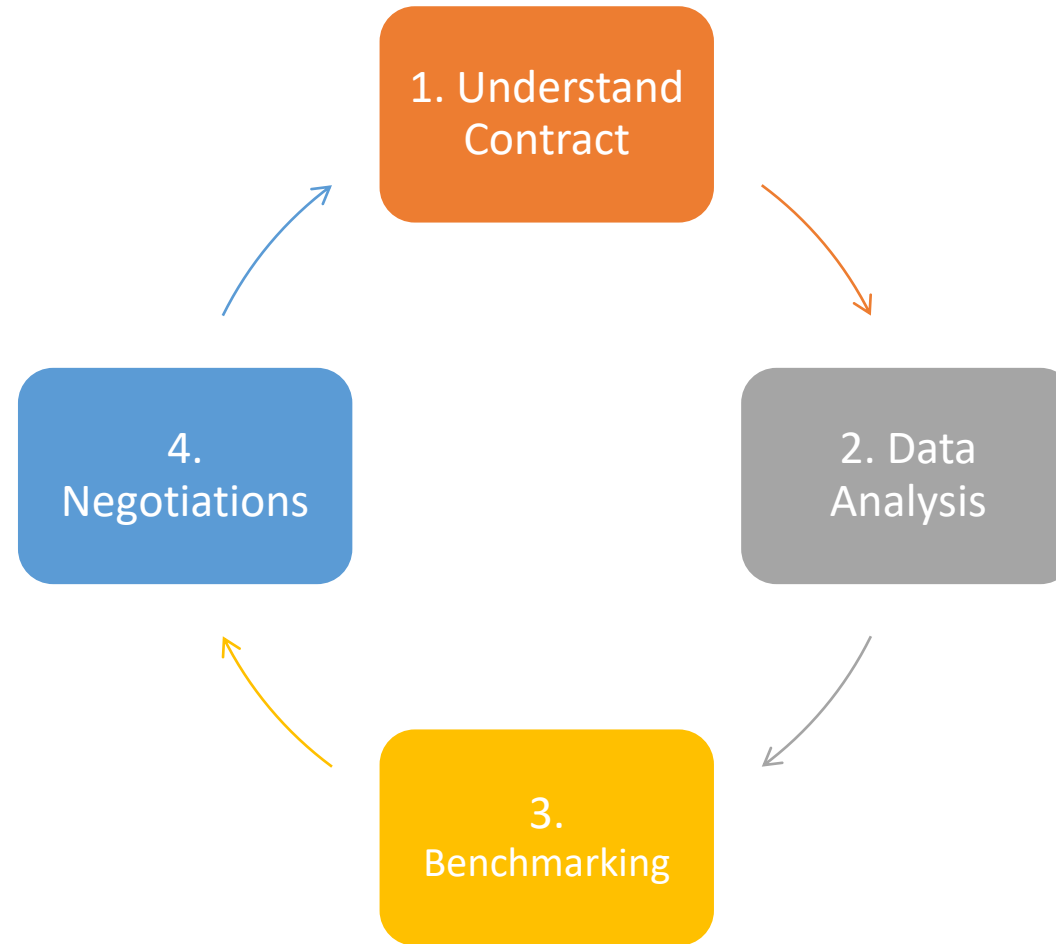


# Carrier Retention Strategies

- Contracts
  - Multiyear agreements
  - Revenue based incentives
  - Minimum volume commitments & early termination penalties
  - Rebates
  - Confidentiality language
- Portfolio bundle (LTL, Ground with Freight Pricing)
- “Free” shipping systems; technology subsidies
- Carrier rep relationships



# Parcel Cost Reduction Process



# Understanding Parcel Agreements



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# Carrier Pricing Based On: Volume, Cost Drivers & Package Characteristics

Pickup density

Delivery density

Commercial v Residential

Zonal Distribution

Seasonality

Weights/Dimensions

Recipient location designation

Claims

Special handling

Sales commissions

**BUT....Pricing is highly subjective and negotiable!**



# Contract Incentives

## 1. Base Incentives – You get them regardless of volume

UPS Ground Commercial - Incentives Off Effective Rates

Weight (lbs)	Zones									
	2	3	4	5	6	7	8	44	45	46
1 - 10	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
11 - 30	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%
31 - 50	31.00%	31.00%	31.00%	31.00%	31.00%	31.00%	31.00%	31.00%	31.00%	31.00%
51 - 150	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%
151 and up	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%

## 2. Revenue Based Incentives – Volume/Revenue based

- FedEx – Earned Discounts
- UPS – Portfolio Threshold Incentives

# Example of Revenue Based Incentives

	1	2	3	4	5	6
Service(s)	Gross Weekly Revenue Bands					
	\$0.01 - \$13,569.99	\$13,570.00 - \$29,399.99	\$29,400.00 - \$60,309.99	\$60,310.00 - \$75,384.99	\$75,385.00 - \$90,459.99	\$90,460.00 and up
UPS Next Day Air Letter Service <sup>FC TP</sup>	0.00%	45.00%	60.00%	60.30%	60.60%	60.90%
UPS Next Day Air Package Service <sup>FC TP</sup>	0.00%	48.80%	62.00%	62.30%	62.60%	62.90%
UPS Next Day Air Saver Letter Service <sup>FC TP</sup>	0.00%	45.00%	60.00%	60.30%	60.60%	60.90%
UPS Next Day Air Saver Package Service <sup>FC TP</sup>	0.00%	48.80%	62.00%	62.30%	62.60%	62.90%
UPS 2nd Day Air A.M. Letter Commercial <sup>FC TP</sup>	0.00%	29.30%	39.00%	40.00%	41.00%	42.00%
UPS 2nd Day Air Letter Service <sup>FC TP</sup>	0.00%	41.30%	55.00%	55.30%	55.60%	55.90%
UPS 2nd Day Air Package Service <sup>FC TP</sup>	0.00%	43.50%	58.00%	58.30%	58.60%	58.90%
UPS 3 Day Select Package Service <sup>FC TP UP</sup>	0.00%	33.80%	45.00%	45.30%	45.60%	45.90%
UPS Ground Commercial <sup>FC TP UP</sup>	0.00%	4.50%	6.00%	6.60%	7.20%	7.80%
UPS Ground Residential <sup>FC TP</sup>	0.00%	5.30%	7.00%	7.70%	8.40%	9.10%

FC – The incentives shall also be extended to Freight Collect Shipments and Undeliverable Packages Freight Collect

TP – The incentives shall also be extended to Third Party Shipments and Undeliverable Packages Third Party

UP – The incentives shall also be extended to Undeliverable Packages

RS – The incentives shall also be extended to Return Service

RTP – The incentives shall also be extended to Third Party Return Service

All – Includes all available billing options and return services with the exception of Consolidated Clearance, WorldEase® and UPS Authorized Return Service®.

# Rebates & Enterprise Tiers

## Summary Level Deferred Tier

The Customer will receive an additional incentive off of net transportation charges (not including Fuel Surcharges paid) **subject to all applicable minimums** in this or other agreements per the following schedule based on a 13 week rolling average of eligible packages tendered to UPS. The band determination is based on the cumulative net transportation charges per week (excluding accessorials and surcharges, unless otherwise specified). The incentives will be administered on a quarterly basis. Within thirty (30) days after the end of the period, UPS will issue a single check to the Customer representing the total amount of the additional incentive(s) earned, if any.

Destination Country	Zone	Bands	Incentives	
United States	ALL	\$0.01 - \$15,999.99	0.00%	Off Effective Rates
		\$16,000.00 - \$20,109.99	2.00%	Off Effective Rates
		\$20,110.00 and up	7.00%	Off Effective Rates

**Table B – Annual Enterprise Tier**

Combined Revenue From services listed in table A		AND	The following Minimum Thresholds are met: from services listed in table A			Additional Incentive on UPS US Small Package Net Revenue**
From	To		UPS US Small Package Net Revenue	UPS-SCS Billed revenue	UPS Ground Freight Inc. Net Revenue*	
\$0.00	\$6,999,999.99		---	---	---	0.0%
\$7,000,000.00	\$7,499,999.99	AND	\$7,000,000.00	\$0.00	\$0.00	1.5%
\$7,500,000.00	\$10,749,999.99	AND	\$7,500,000.00	\$0.00	\$0.00	2.5%
\$10,750,000.00	\$12,999,999.99	AND	\$9,000,000.00	\$750,000.00	\$1,000,000.00	3.0%
\$13,000,000.00	Or more	AND	\$10,000,000.00	\$1,000,000.00	\$2,000,000.00	3.5%

# Contract “Gotchas”

## Part 1: General Rate Increases



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# General Rate Increases (GRI's)

Increases to published rates

Increases to surcharges

Service guide changes

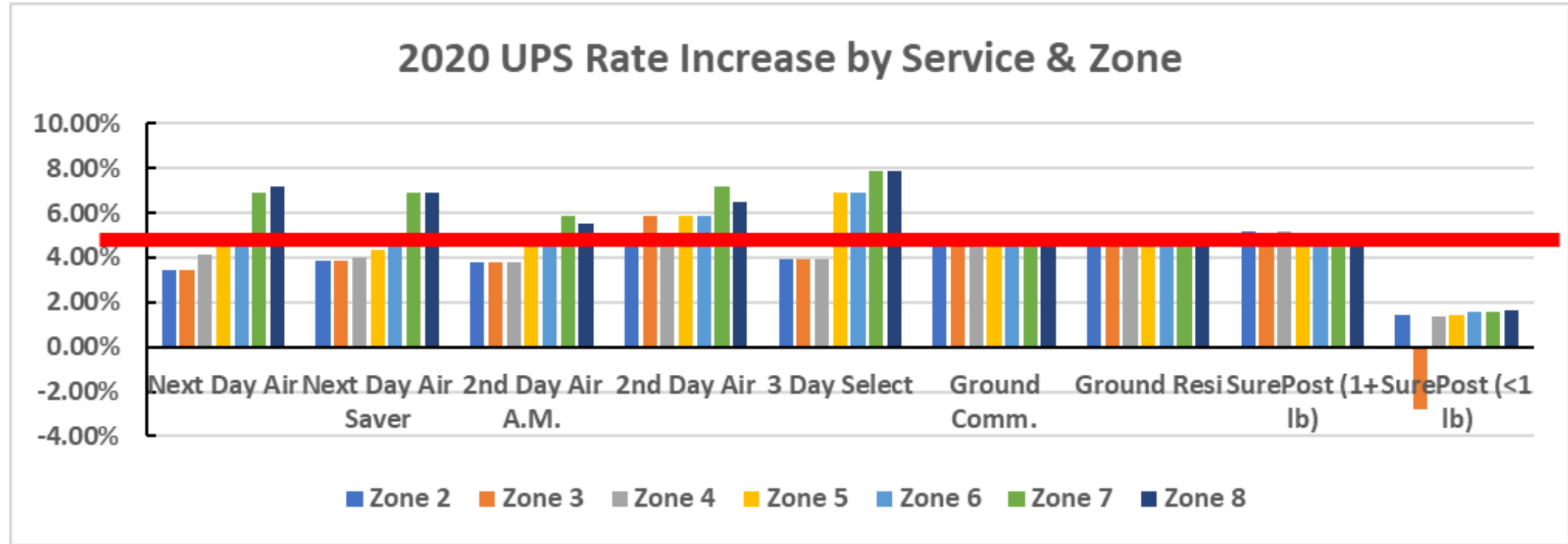
Changes to how DIM calculated

Can occur throughout the year

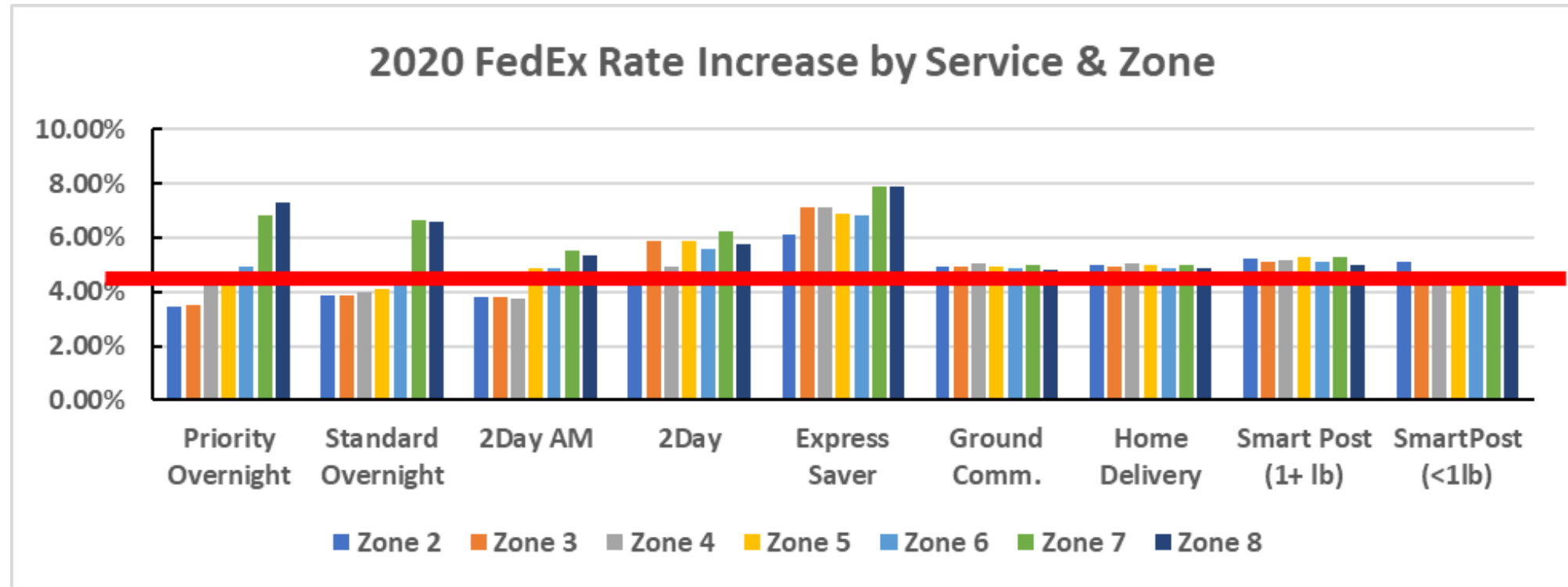
Can be confusing & misleading



# GRI – Not Always What It Seems – UPS 2020

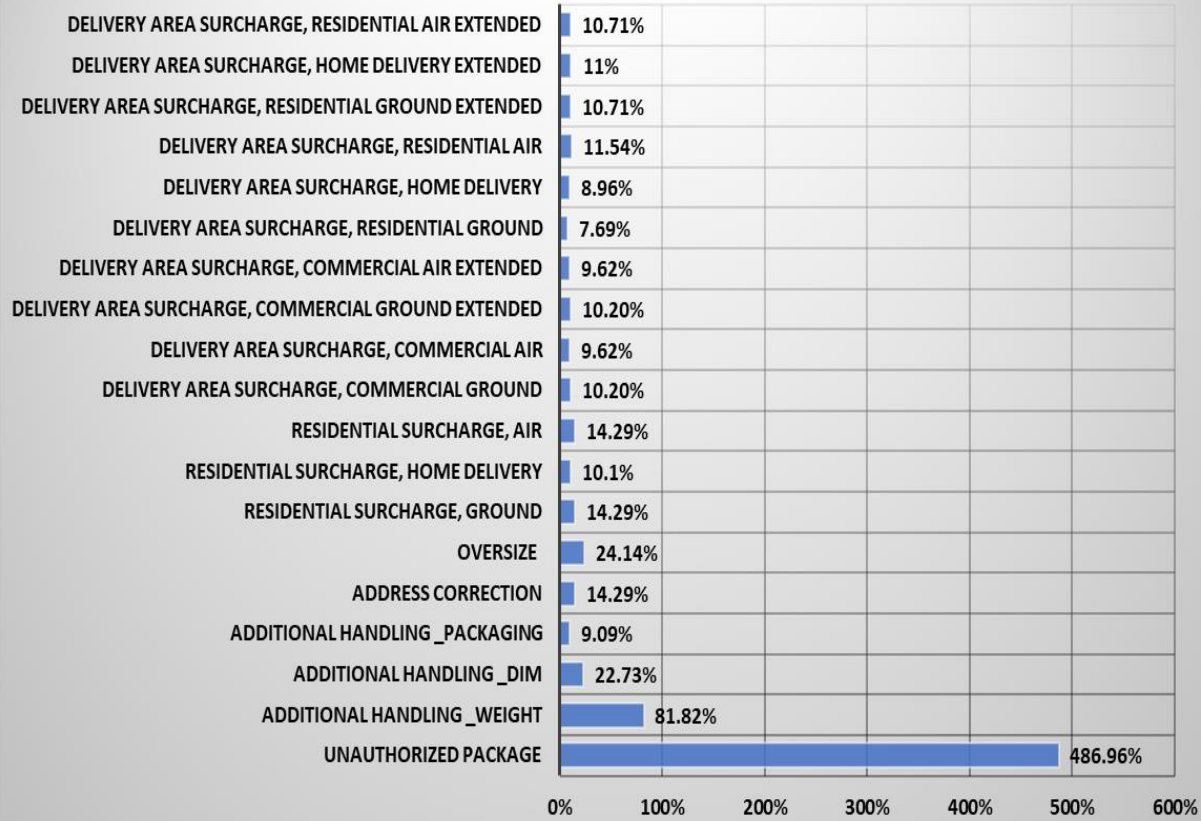


# GRI – Not Always What It Seems – FedEx 2020

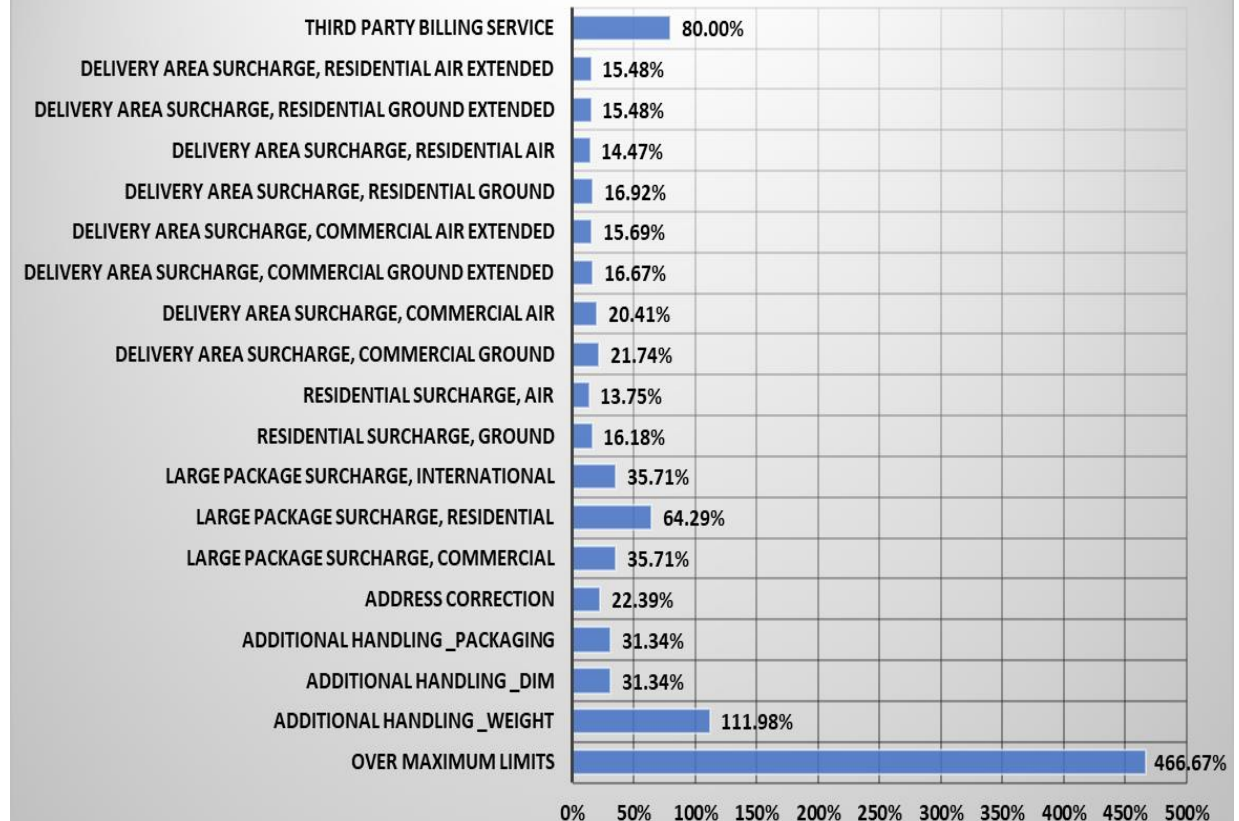


# Cumulative GRI Impact (2017-2020)

FedEx Surcharges % Change From 2017



UPS Surcharges % Change From 2017



Source: Shipware's LIVE Benchmarking PARCEL  
Forum Oct 2018

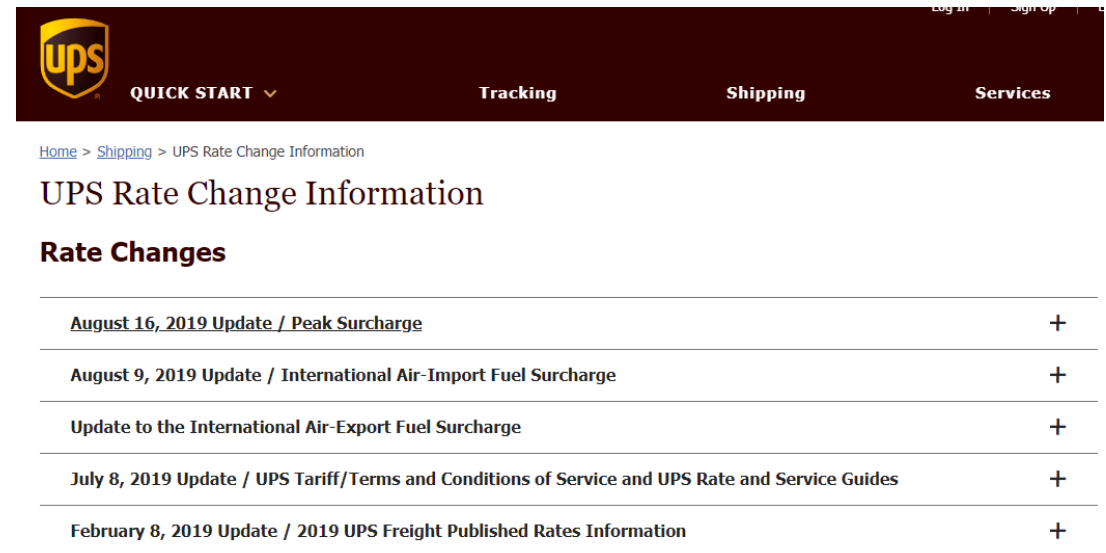
# GRI's Now Occur Throughout the Year!

Mid-year or intra-year changes have become more common

Rate increases

Changes to the service guide

Announced at GRI time or mid-year



The screenshot shows the UPS website's 'Rate Change Information' page. The header includes the UPS logo, a 'QUICK START' dropdown menu, and navigation links for 'Tracking', 'Shipping', and 'Services'. Below the header, a breadcrumb trail reads 'Home > Shipping > UPS Rate Change Information'. The main heading is 'UPS Rate Change Information', followed by a subheading 'Rate Changes'. A table lists several updates with their dates and the specific changes, each marked with a '+' icon on the right.

August 16, 2019 Update / Peak Surcharge	+
August 9, 2019 Update / International Air-Import Fuel Surcharge	+
Update to the International Air-Export Fuel Surcharge	+
July 8, 2019 Update / UPS Tariff/Terms and Conditions of Service and UPS Rate and Service Guides	+
February 8, 2019 Update / 2019 UPS Freight Published Rates Information	+

# Strategies to Mitigate GRI's

Understand impact!

Benchmark

Negotiate!

- Refuse
- Cap or defer increases
- Base on Net Rates or fix to previous year's tariffs

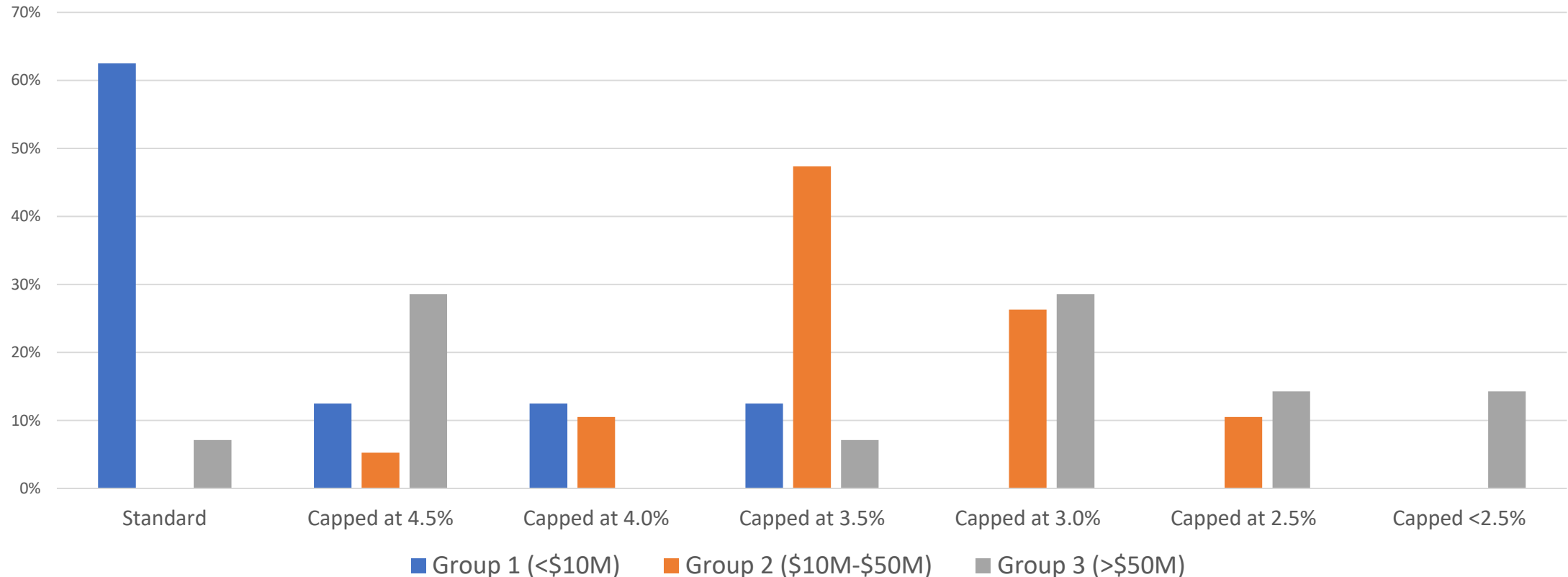
Contract language protection

Seek rebate



# Regarding GRI's, Ours is:

Regarding GRI's, ours is:



Source: Shipware's LIVE Benchmarking PARCEL  
Forum Oct 2018

# Understand Value of Rate Caps

Metric	Amount
Current Net Spend	\$21,000,000
GRI CAP	3.5%
Carrier GRI	4.9%
Annual Growth	7%

Year	Uncapped	Capped	Savings	Cumulative Savings
Year 1	\$23,571,030	\$23,256,450	\$314,580	\$314,580
Year 2	\$26,456,831	\$25,755,356	\$701,476	\$1,016,056
Year 3	\$29,695,941	\$28,522,769	\$1,173,173	\$2,189,228
Year 4	\$33,331,615	\$31,587,540	\$1,744,075	\$3,933,303
Year 5	\$37,412,405	\$34,981,621	\$2,430,784	\$6,364,087
<b>Total</b>	<b>\$150,467,822</b>	<b>\$144,103,735</b>	<b>\$6,364,087</b>	

Source: Shipware, LLC

# Contract “Gotchas”

## Part 2: Minimum Charges



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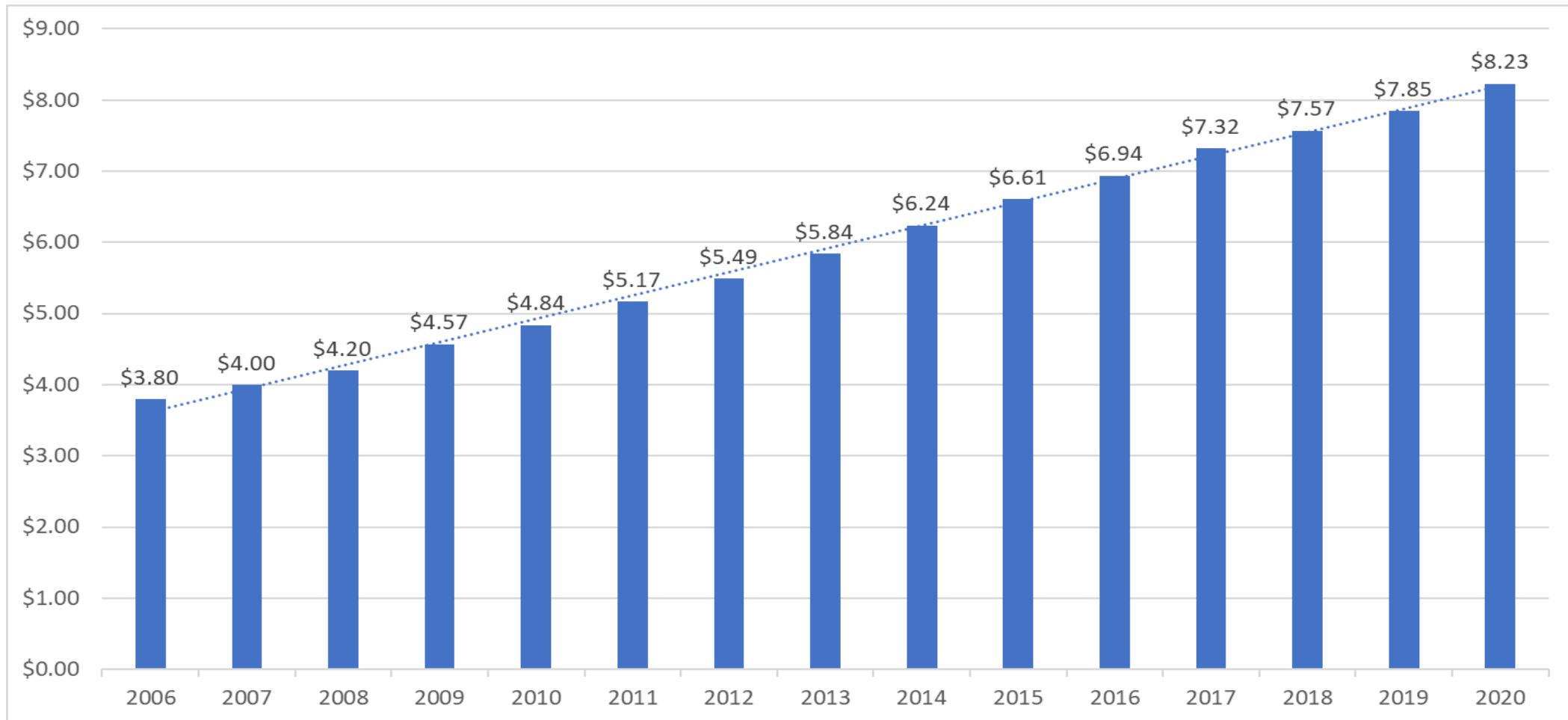
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# Minimum Charges

- Plague Ecommerce shippers!
- Mitigate discounts actually received
- Impact (mostly) lightweight, low zone shipments
- Affect all services, not just Ground

Continental US Ground	3P	Zone 2 , 1 Pound
Continental US Ground	IB	Zone 2 , 1 Pound
Continental US Ground	OB	Zone 2 , 1 Pound
Continental US Ground	RB	Zone 2 , 1 Pound
Continental US Ground	RM3P	Zone 2 , 1 Pound
Continental US Ground	RMOB	Zone 2 , 1 Pound

# History of Ground Minimums (UPS)



Source: Shipware, LLC

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# Impact of Ground Mins

## 2020 Published Rates

Weight	2	3	4	5	6	7	8
1	\$8.23	\$8.65	\$9.35	\$9.76	\$10.10	\$10.22	\$10.39
2	\$8.89	\$9.89	\$10.59	\$10.82	\$11.29	\$11.72	\$11.92
3	\$9.25	\$10.32	\$11.16	\$11.62	\$12.09	\$12.50	\$13.11
4	\$9.52	\$10.48	\$11.51	\$12.26	\$12.60	\$13.42	\$14.05
5	\$9.87	\$10.96	\$12.03	\$12.92	\$13.48	\$14.17	\$14.97
6	\$10.19	\$11.26	\$12.32	\$13.30	\$13.79	\$14.54	\$15.25
7	\$10.77	\$11.53	\$12.64	\$13.72	\$14.05	\$14.93	\$15.98
8	\$10.98	\$11.84	\$12.97	\$13.98	\$14.47	\$15.38	\$16.52
9	\$11.15	\$12.00	\$13.14	\$14.10	\$14.78	\$16.02	\$17.40
10	\$11.41	\$12.12	\$13.27	\$14.49	\$15.09	\$16.95	\$18.55
11	\$11.89	\$12.38	\$13.56	\$14.58	\$15.61	\$18.37	\$19.78
12	\$12.09	\$12.91	\$13.69	\$14.79	\$16.16	\$19.11	\$20.70
13	\$12.26	\$13.09	\$13.99	\$15.22	\$16.66	\$20.46	\$22.05
14	\$12.58	\$13.31	\$14.00	\$15.44	\$17.63	\$21.73	\$23.49
15	\$12.65	\$13.73	\$14.33	\$16.14	\$18.61	\$22.42	\$24.97
16	\$12.91	\$13.99	\$14.45	\$16.26	\$19.21	\$23.35	\$25.66
17	\$13.13	\$14.41	\$14.76	\$16.87	\$20.02	\$24.78	\$26.44
18	\$13.14	\$14.49	\$14.77	\$17.52	\$20.87	\$25.28	\$27.99
19	\$13.45	\$15.11	\$15.48	\$18.25	\$21.57	\$26.17	\$28.89
20	\$13.64	\$15.38	\$15.71	\$19.15	\$22.30	\$27.14	\$30.51
21	\$14.04	\$15.83	\$16.39	\$19.18	\$23.22	\$28.17	\$31.45
22	\$14.21	\$16.14	\$16.99	\$20.08	\$24.16	\$29.20	\$32.83
23	\$14.27	\$16.45	\$17.54	\$20.66	\$25.32	\$30.18	\$34.12
24	\$14.65	\$17.12	\$18.10	\$21.32	\$26.28	\$30.91	\$36.08
25	\$14.82	\$17.31	\$18.31	\$21.94	\$26.76	\$32.25	\$36.79

# Impact of Ground Mins

## Discounts Applied

Weight	2	3	4	5	6	7	8
1	\$3.79	\$3.98	\$4.30	\$4.49	\$4.65	\$4.70	\$4.78
2	\$4.09	\$4.55	\$4.87	\$4.98	\$5.19	\$5.39	\$5.48
3	\$4.26	\$4.75	\$5.13	\$5.35	\$5.56	\$5.75	\$6.03
4	\$4.38	\$4.82	\$5.29	\$5.64	\$5.80	\$6.17	\$6.46
5	\$4.54	\$5.04	\$5.53	\$5.94	\$6.20	\$6.52	\$6.89
6	\$4.69	\$5.18	\$5.67	\$6.12	\$6.34	\$6.69	\$7.02
7	\$4.95	\$5.30	\$5.81	\$6.31	\$6.46	\$6.87	\$7.35
8	\$5.05	\$5.45	\$5.97	\$6.43	\$6.66	\$7.07	\$7.60
9	\$5.13	\$5.52	\$6.04	\$6.49	\$6.80	\$7.37	\$8.00
10	\$5.25	\$5.58	\$6.10	\$6.67	\$6.94	\$7.80	\$8.53
11	\$5.71	\$5.94	\$6.51	\$7.00	\$7.49	\$8.82	\$9.49
12	\$5.80	\$6.20	\$6.57	\$7.10	\$7.76	\$9.17	\$9.94
13	\$5.88	\$6.28	\$6.72	\$7.31	\$8.00	\$9.82	\$10.58
14	\$6.04	\$6.39	\$6.72	\$7.41	\$8.46	\$10.43	\$11.28
15	\$6.07	\$6.59	\$6.88	\$7.75	\$8.93	\$10.76	\$11.99
16	\$6.20	\$6.72	\$6.94	\$7.80	\$9.22	\$11.21	\$12.32
17	\$6.30	\$6.92	\$7.08	\$8.10	\$9.61	\$11.89	\$12.69
18	\$6.31	\$6.96	\$7.09	\$8.41	\$10.02	\$12.13	\$13.44
19	\$6.46	\$7.25	\$7.43	\$8.76	\$10.35	\$12.56	\$13.87
20	\$6.55	\$7.38	\$7.54	\$9.19	\$10.70	\$13.03	\$14.64
21	\$6.88	\$7.76	\$8.03	\$9.40	\$11.38	\$13.80	\$15.41
22	\$6.96	\$7.91	\$8.33	\$9.84	\$11.84	\$14.31	\$16.09
23	\$6.99	\$8.06	\$8.59	\$10.12	\$12.41	\$14.79	\$16.72
24	\$7.18	\$8.39	\$8.87	\$10.45	\$12.88	\$15.15	\$17.68
25	\$7.26	\$8.48	\$8.97	\$10.75	\$13.11	\$15.80	\$18.03

Weight distribution		Contract Incentives
From (lbs)	To (lbs)	Ground Residential
0	10	46.00%
11	20	48.00%
21	50	49.00%
51	70	51.00%
71	150	51.00%

# Impact of Ground Mins

Minimum Charge Applied

Weight	2	3	4	5	6	7	8
1	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23
2	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23
3	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23
4	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23
5	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23
6	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.24
7	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.63
8	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.31	\$8.92
9	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$8.65	\$9.40
10	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$9.15	\$10.02
11	\$8.23	\$8.23	\$8.23	\$8.23	\$8.23	\$9.55	\$10.29
12	\$8.23	\$8.23	\$8.23	\$8.23	\$8.40	\$9.94	\$10.76
13	\$8.23	\$8.23	\$8.23	\$8.23	\$8.66	\$10.64	\$11.47
14	\$8.23	\$8.23	\$8.23	\$8.23	\$9.17	\$11.30	\$12.21
15	\$8.23	\$8.23	\$8.23	\$8.39	\$9.68	\$11.66	\$12.98
16	\$8.23	\$8.23	\$8.23	\$8.46	\$9.99	\$12.14	\$13.34
17	\$8.23	\$8.23	\$8.23	\$8.77	\$10.41	\$12.89	\$13.75
18	\$8.23	\$8.23	\$8.23	\$9.11	\$10.85	\$13.15	\$14.55
19	\$8.23	\$8.23	\$8.23	\$9.49	\$11.22	\$13.61	\$15.02
20	\$8.23	\$8.31	\$8.48	\$10.34	\$12.04	\$14.66	\$16.48
21	\$8.23	\$8.23	\$8.36	\$9.78	\$11.84	\$14.37	\$16.04
22	\$8.23	\$8.23	\$8.66	\$10.24	\$12.32	\$14.89	\$16.74
23	\$8.23	\$8.39	\$8.95	\$10.54	\$12.91	\$15.39	\$17.40
24	\$8.23	\$8.73	\$9.23	\$10.87	\$13.40	\$15.76	\$18.40
25	\$8.23	\$8.83	\$9.34	\$11.19	\$13.65	\$16.45	\$18.76

# Minimum Charge Strategies

## Benchmark & negotiate!

- Percent off/Dollar off
- If you have GRI cap, ensure it applies to Minimum Charges
- Use Net Rates
- Tie to previous year's minimum

## Rebates\*

Explore per ounce rating (USPS FCPS, SmartPost, etc.)

## Regional carriers

# Contract “Gotchas”

## Part 3: Dimensional Pricing



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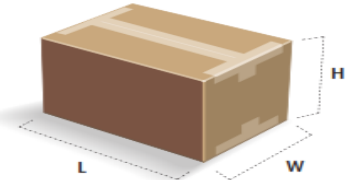




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# Dimensional Weight

- 2015 - Removed 3 cubic feet threshold, 5184
- 2017 - UPS retained 166 DIM with 1728 threshold (139 above)
- 2018 - UPS removes 1728 threshold
- FedEx applies Dimensional Billing to SmartPost

<b>2010 &amp; Prior</b> 	<b>Domestic</b> Dimensional Weight in Pounds = $\frac{L \times W \times H}{194}$ L = Length in inches W = Width in inches H = Height in inches	<b>U.S. Export and Import</b> Dimensional Weight in Pounds = $\frac{L \times W \times H}{166}$ L = Length in inches W = Width in inches H = Height in inches
<b>2011 - 2016</b> 	<b>Domestic</b> Dimensional Weight in Pounds = $\frac{L \times W \times H}{166}$ L = Length in inches W = Width in inches H = Height in inches	<b>U.S. Export and Import</b> Dimensional Weight in Pounds = $\frac{L \times W \times H}{139}$ L = Length in inches W = Width in inches H = Height in inches
<b>2017 - 2019</b> 	<b>Domestic</b> Dimensional Weight in Pounds = $\frac{L \times W \times H}{139}$ L = Length in inches W = Width in inches H = Height in inches	<b>U.S. Export and Import</b> Dimensional Weight in Pounds = $\frac{L \times W \times H}{139}$ L = Length in inches W = Width in inches H = Height in inches

Source: Shipware, LLC

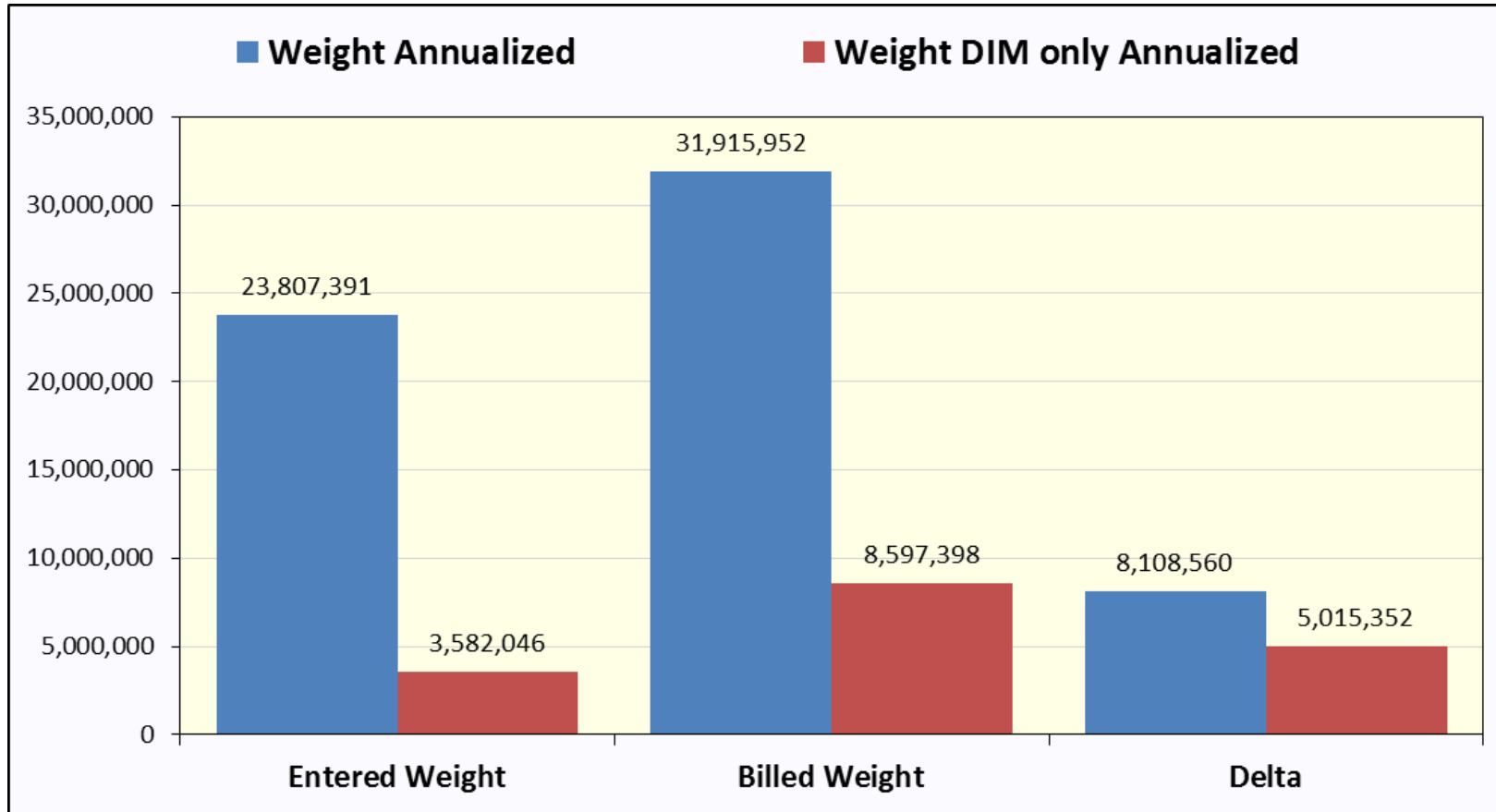
# Dimensional Charge Impact (Example)

- FedEx 2Day, Zone 6 (18x12x12)
  - Actual weight 6 Lbs (\$47.90)
  - 194 Dims to 14 Lbs (\$91.00)
  - 166 Dims to 16 Lbs (\$100.02)
  - 139 Dims to 19 Lbs (\$112.83)
- 89.9%
- 9.9%
- 12.8%

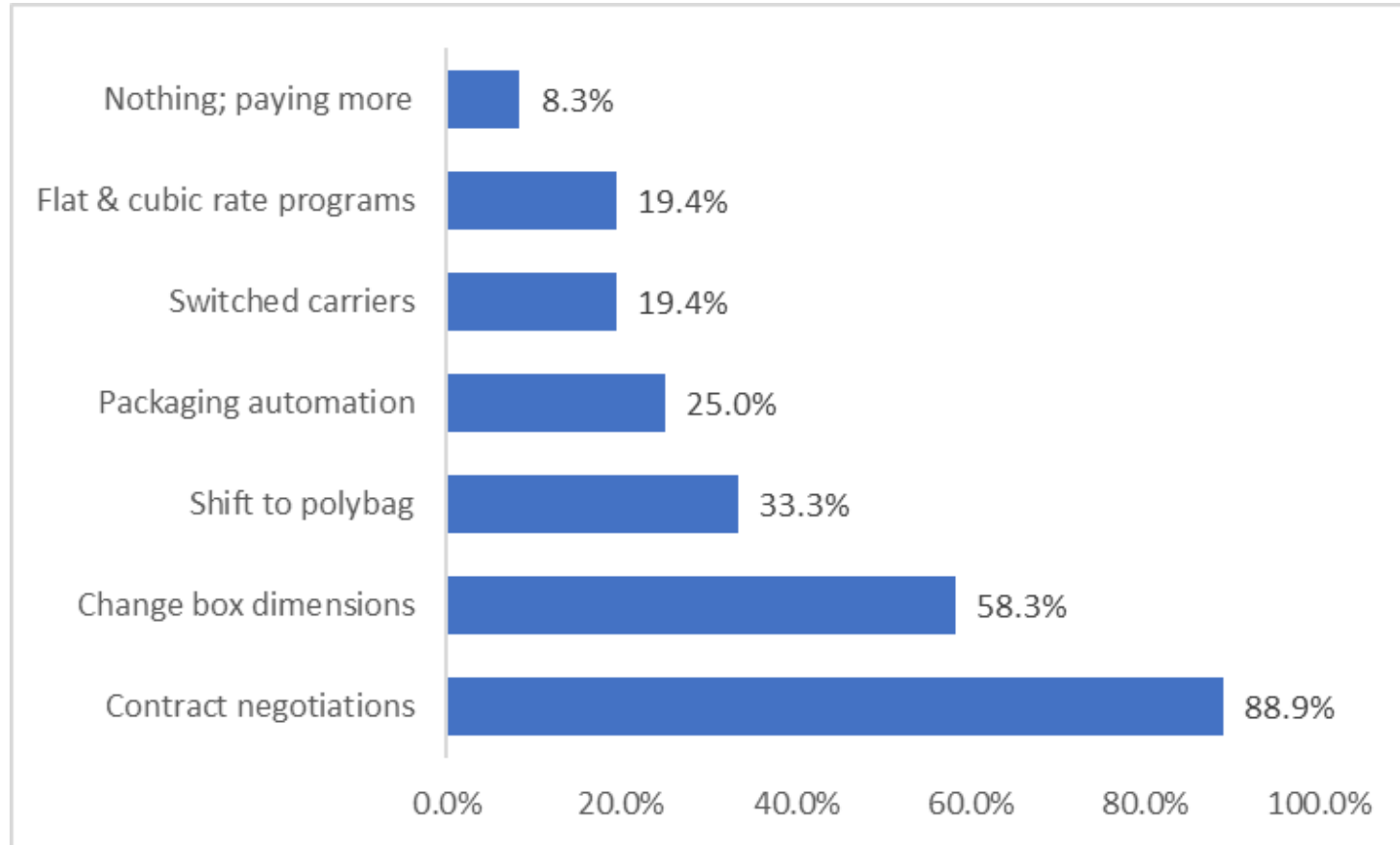


**135.5% overall increase!**

# Review Invoices for Billed vs. Actual Weight



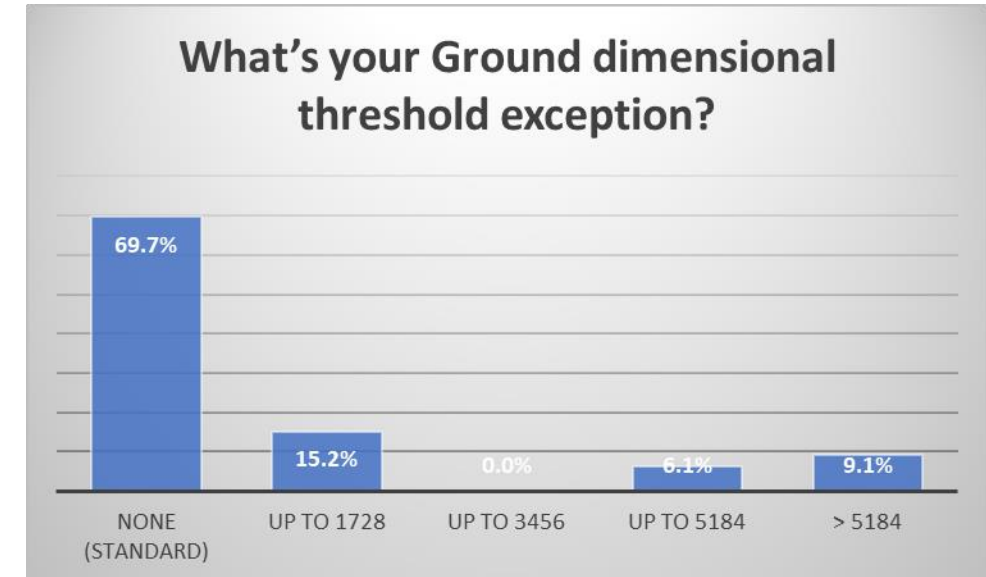
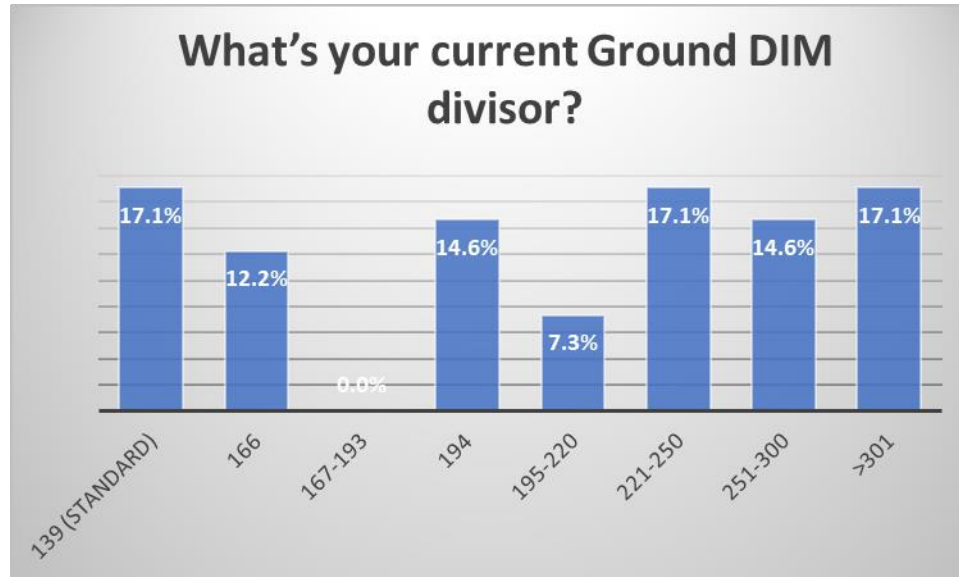
# Actions Taken to Mitigate DIM Impact



*Source: Shipware's LIVE Benchmarking PARCEL  
Forum Oct 2018*

# DIM Benchmarks

**What is your current DIM divisor and Threshold for Ground with UPS/FedEx (for most packages)?**



*Source: Shipware's LIVE Benchmarking PARCEL Forum Oct 2018*



# Contract “Gotchas”

## Part 4: Accessorial Charges



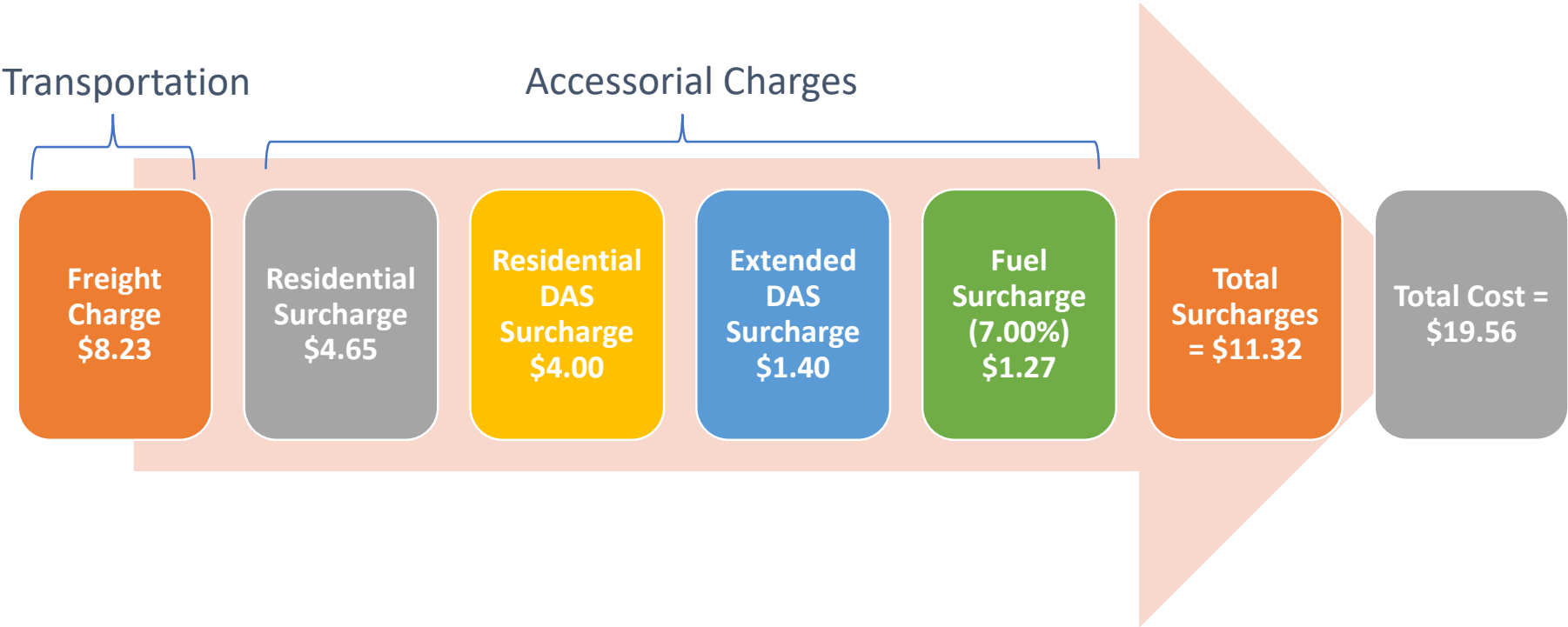
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# Accessorial Charges

(Example: 2020 FedEx Ground Residential, 1 Lbs, Zone 2)



# 2020 Surcharge Comparison

Surcharge	UPS	FedEx	UPS to FedEx
<b>Additional Handling (Lowered from 70 lbs to 50 lbs)</b>			
Additional Handling, Weight	\$24.00	\$24.00	\$0.00
Additional Handling, Length/Width	\$15.00	\$15.00	\$0.00
Additional Handling, Packaging	\$15.00	\$13.00	\$2.00
<b>Address Correction</b>	\$17.00	\$17.00	\$0.00
<b>Delivery Area Surcharge</b>			
Delivery Area Surcharge, Commercial Air	\$3.10	\$3.10	\$0.00
Delivery Area Surcharge, Commercial Air Extended	\$3.60	\$3.60	\$0.00
Delivery Area Surcharge, Commercial Ground	\$2.95	\$2.95	\$0.00
Delivery Area Surcharge, Commercial Ground Extended	\$3.45	\$3.45	\$0.00
Delivery Area Surcharge, Residential Ground	\$4.00	\$4.00	\$0.00
Delivery Area Surcharge, Residential Ground Extended	\$5.40	\$5.40	\$0.00
Delivery Area Surcharge, Residential Air	\$4.40	\$4.40	\$0.00
Delivery Area Surcharge, Residential Air Extended	\$5.40	\$5.40	\$0.00
<b>Delivery Confirmation</b>			
Delivery Confirmation Signature Required	\$5.25	\$5.25	\$0.00
Delivery Confirmation Signature Required Adult	\$6.35	\$6.35	\$0.00
<b>Entry Type 86 Processing</b>	\$10.00		\$10.00
<b>Large Package Surcharge</b>			\$0.00
Large Package Surcharge, Commercial	\$100.00	\$100.00	\$0.00
Large Package Surcharge, Residential	\$120.00	\$120.00	\$0.00
International	\$100.00	\$100.00	\$0.00
<b>Prohibited Item Fee</b>	\$150.00		\$150.00
<b>Rebill Fee (per request)</b>	\$17.00		\$17.00
<b>Residential Surcharge</b>			
Residential Surcharge, Ground	\$4.10	\$4.65	-\$0.55
Residential Surcharge, Home Delivery		\$4.00	-\$4.00
Residential Surcharge, Air	\$4.70	\$4.65	\$0.05
<b>SmartPost</b>			
Delivery Area Surcharge, SmartPost	\$1.95	\$1.95	\$0.00
Delivery Area Surcharge, Extended, SmartPost	\$2.45	\$2.45	\$0.00
Non-Machinable, SmartPost	\$2.95	\$3.20	-\$0.25

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# Peak Season Fees



Other Charges	Peak Surcharge	Peak Period Effective Dates
Additional Handling Packages	\$3.60 per package	Nov 24, 2019 to Jan 4, 2020
Large Packages	\$31.45 per package	Oct 1, 2019 to Jan 4, 2020
Over Maximum Limits	\$250.00 per package	Oct 1, 2019 to Jan 4, 2020

Accessorial	Jan-18	Jul-18	Nov-18	Jan-19	Oct-19	Increase %
Additional Handling Charge	\$12.00	\$19.00	\$22.15	\$23.00	\$26.60	122%
Large Package Surcharge	\$80.00	\$90.00	\$116.20	\$95.00	\$126.45	58%
Over Maximum Limits	\$500.00	\$650.00	\$815.00	\$850.00	\$1,100.00	120%

# Accessorial Charges Solutions

## Avoid if possible!

- Address Corrections, Late Payment Fees, Improve Packaging, Identify Charges Upfront
- Flat rate programs like FedEx One Rate, UPS Simple Rate and USPS Cubic
- USPS, consolidators & regional carrier options

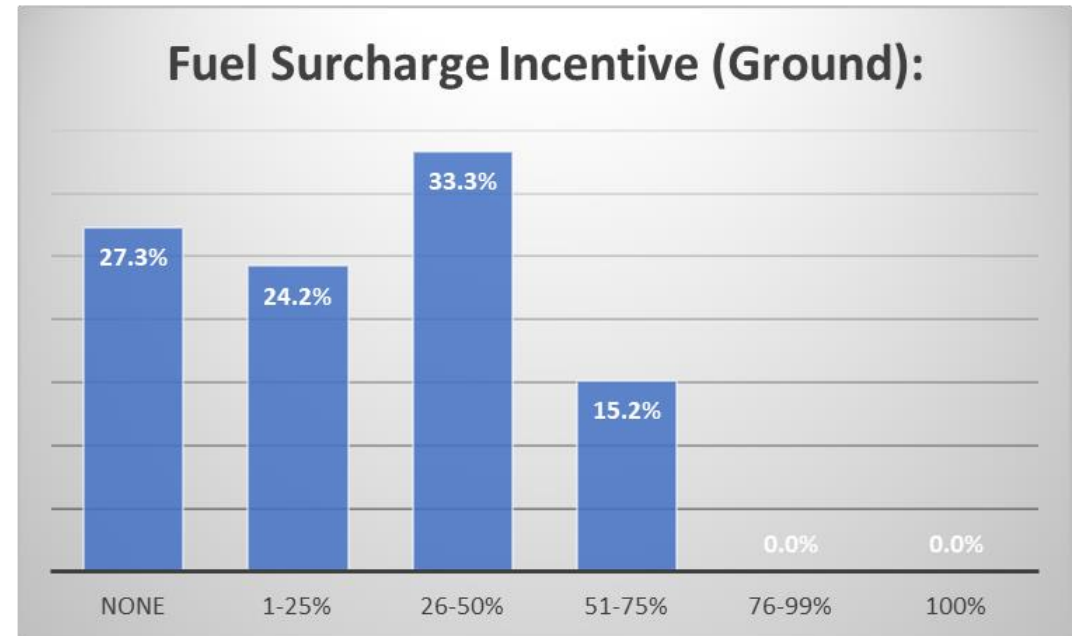
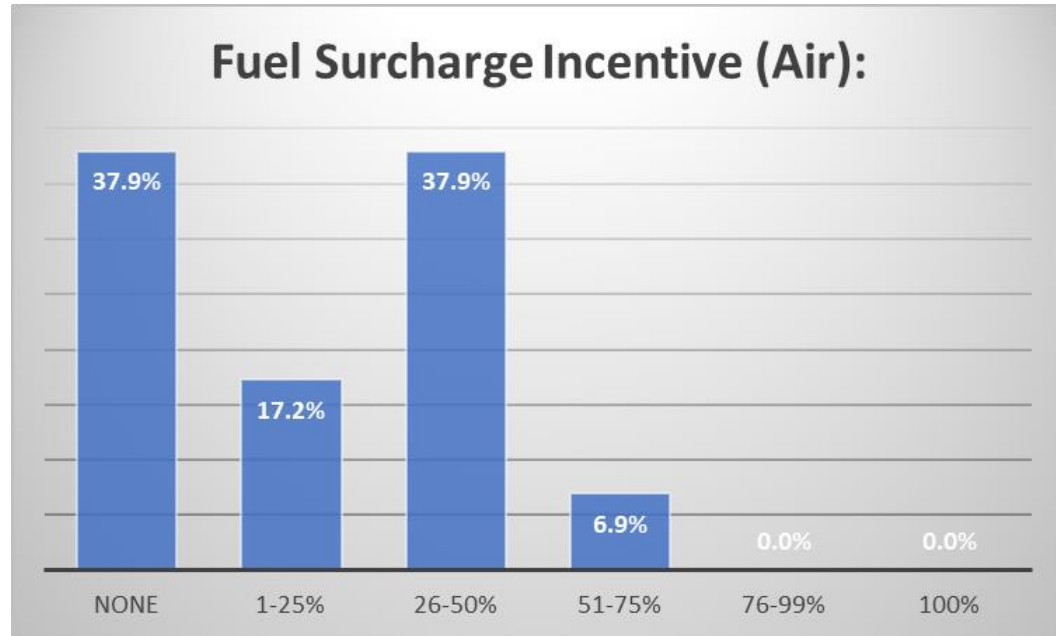
## Benchmark & negotiate concessions

- All accessorial charges are negotiable!
- Percent or \$ off
- Range from 0-100%
- Rebates

## Get Accessorial revenue to contribute to Revenue Bands

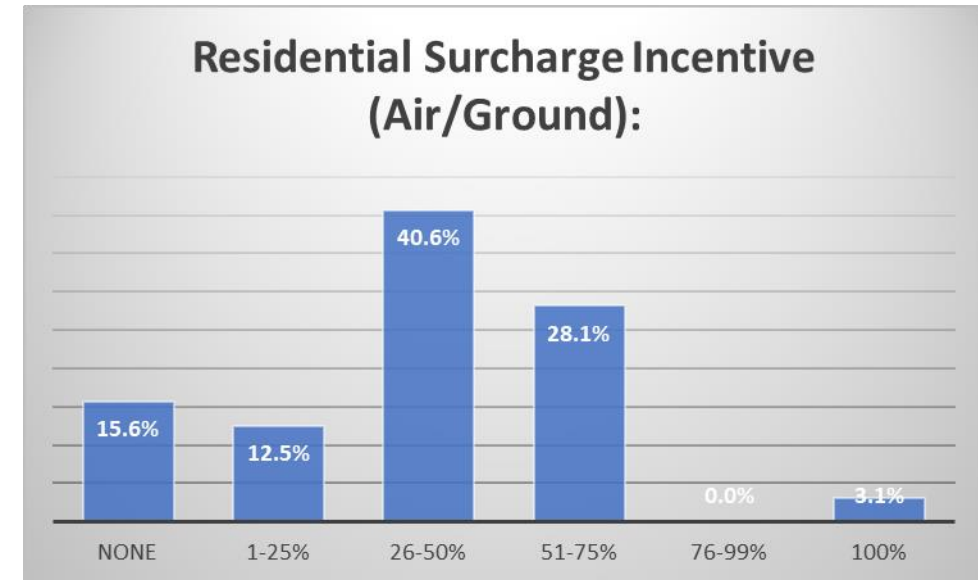
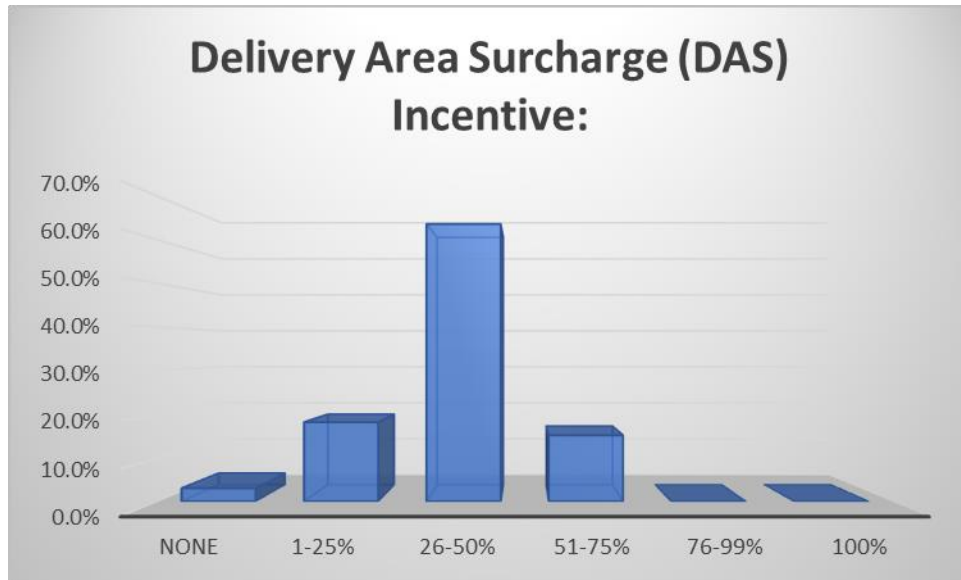


# Fuel Surcharge Benchmarks



*Source: Shipware's Live Parcel Pricing, PARCEL Forum Sept 2018*

# DAS and Residential Surcharge Benchmarks



*Source: Shipware's Live Parcel Pricing, PARCEL Forum Sept 2018*

# Contract “Gotchas”

## Part 5: Punitive Contract Language



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# Be Aware of Punitive, One-Sided Language

- Minimum commitments & early termination language
- “Evergreen” agreements
- Accessorial concessions that diminish over time
- Waiver of MBG/GSRs
- Peak volume guarantees
- Contract exclusions
  - Revenue Band 1
  - Services commonly excluded
  - Accounts not on contract
- Read the Service Guides!



# Great, Now How Do We Get the Carrier to Listen & Act?



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Getting Carriers' Attention, Gain  
Leverage & Improve Outcomes



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# Use Carrier Differences To Your Advantage



- Non-Union
- Pricing
  - Slightly better Express rates (except Express Saver)
  - No late payment fee
  - Ground
    - Faster Ground deliveries
    - Saturday Ground delivery
- SmartPost
  - Better FXSP pricing (both < and > pound)
- Largest LTL player



- Network
  - Single integrated network
  - Scale: Access points, MyChoice
- Pricing
  - Many accessorial charges lower, including FSC
  - RSC treatment for Ground
  - Accessorials can count to revenue tiers
  - 3DA published rates much cheaper & better Ground rates & minimum charge
  - Rebates
  - PR treated as domestic
- SurePost more of a closed loop network, Brown handles up to 35% of deliveries

# Lower Your Cost Profile

Which packages spike your cost profile?

Operational opportunities?

Use third party automation

Limit the use of 800 Call Center; Eliminate handwritten airbills

Reduce claims if possible

Ask your carrier rep what changes you can make

# Are Third Party Negotiators Worth Considering?

- If you feel you've done the best you can, consider help
- Half the Parcel Forum survey use 3PN's
  - Discounts up to 49% higher than internal outcome
- Most 3PN firms:
  - Work on gain share, only getting paid percent of improvements
  - Offer free assessment
  - Audit invoices for service and rate accuracy

# Summary

- Parcel contracts are more complex than ever
- Limited number of carriers and focus on margin makes it difficult to optimize rates
- Key steps in contract optimization include understanding contract, analysis, benchmarking, negotiation, and continuous improvement
- Contracts include many “gotchas” like GRI’s, minimum charges, DIM, accessorials, and punitive language
- Diverse strategies to gain leverage
- Benchmarks and assistance is available

# Q&A



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