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## How to Negotiate Rates and Services with Carriers

**By conducting regular business reviews with parcel or freight carriers, shippers can determine whether agreements need amending so both parties can benefit.**

By Aaron Samuels | *MHLnews*

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There are several reasons you should conduct regular, thorough business reviews with your carrier, but the two main reasons are that they help hold you and your carrier accountable for implementing solutions to problems and that they help thought leaders on both sides better prepare for what's coming down the road.

### **How often should you review with your carrier?**

Your company's unique needs may require that you meet with your carrier more or less often, but the rule of thumb is to meet once per quarter. Meeting at least once per quarter will hopefully ensure that financial records are kept up to date and reviewable, and that issues do not persist or go unmonitored for excessive periods of time. Another advantage to meeting once per quarter is that it can give you and your carrier a long-enough timeframe between meetings to analyze shipping trends and gather market intelligence that can be compared to that of previous quarters.

### **What belongs on the agenda?**

Below are some standard agenda topics and corresponding questions that you may want to ask before or during your business review.

#### Topic 1: Review of Current Market Trends

- Has business improved, stayed the same, or worsened on your end in the last three months?
- How has business been for the carrier?
- How has the economy been affecting transportation logistics for you and the carrier?



- How has the price of fuel been affecting transportation costs?

### Topic 2: Review of Current Volume and Spend

- Has your business's spend with the carrier increased or decreased significantly since the last meeting?
- Has your carrier changed your rates in any way?
- Are they planning to change them?
- Do your volume characteristics show a trend that would explain any changes in rates or spend?
- Are there more or less shipments per day?
- Are there more or less standard service-level shipments?
- On average, are you shipping a higher or lower weight per shipment? Are you experiencing any unexplained increases in price?

### Topic 3: Review of Carrier Issues

- Have there been any operational issues at your shipping facilities?
- Have you experienced any incorrect billing from the carrier that required disputes, credits or refunds?
- Have any issues arisen in the past three months that have been resolved with great difficulty or in an improper timeframe?
- Have any shipments been lost or damaged by the carrier?
- How many shipments are being delivered late?
- Have there been any carrier-related complaints from your customers?



#### Topic 4: Discuss Improvements

- What new service upgrades are now available or will be made available to you by the carrier soon?
- What requests can be made of the carrier to improve customer satisfaction, shipping site operations, or price adjustments?
- What requests can be made of you by the carrier in order to improve the relationship?

#### **Preparing for a Business Review**

If you are not receiving your shipping and billing data in an electronic format, producing any logs or reports that accurately reflect your company's shipping characteristics over time will be difficult, if not impossible for you to do on your own. You can ask the carrier to produce certain types of reports for you, but it is not always prudent or in your best interest to rely on the carrier to provide high-level reporting services. Alternatively, there are a number of third-party logistics firms that work with carrier data and are capable of conducting analyses and producing reports on your behalf.

At minimum, every shipper should prepare an easily-accessible and easily-readable log of each carrier issue that occurs throughout each quarter and a report of damaged, lost, and late shipments prior to every business review.

The log of each carrier issue that occurs throughout each quarter should include information such as the date and time that the issue was brought to the carrier's attention, who was responsible for providing a resolution and closing the issue, and the date and time that the issue was finally resolved. This information will enable you to prove how the carrier is faring quarter by quarter when it comes to issue resolutions, and also, to show whether the carrier is trending in a positive or negative direction.

The report of damaged, lost, and late shipments can also reflect important trends. While it is understandable that things like weather and unavailable recipients may delay some shipments legitimately, the carrier should be maintaining a high percentage of on-time deliveries.



## **Preparation Improves Negotiability**

Accurate data analyses and reports can determine whether your carrier agreement needs to be amended in any way and support you during any negotiations that may take place during a business review. Having high-level reports at your fingertips is important because it enables you to hold the carrier accountable for negative trending and request better rates or incentives. If, for example, your data reflect that the carrier has been unable to provide you with a satisfactory rate of on-time deliveries, it may be reasonable for you to request that a threshold be set and that any quarter in which the percentage of on-time deliveries falls below the approved threshold, that a rebate be provided by the carrier. Monitoring your trends, and monitoring them through key performance indicators, in particular, can produce beneficial results that improve trending or provide compensation for negative trending.

While there is no set formula for conducting a successful business review with your carrier, the guidelines above should help you get more out of each meeting. You may find that after the first time you implement some of these guidelines, there are numerous issues to be worked out, and monthly business reviews will be required until issues taper off and you can move to quarterly, or even semi-annual business reviews. However often you conduct them, business reviews are a critical part of keeping a carrier relationship strong, finding solutions, monitoring progress, and creating strategies for the future.

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*Aaron Samuels is managing partner with [BridgeNet Solutions, Inc](#), a logistics analytics firm.*