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Cost-Savings Corner: Successfully Combating Carrier Surcharges

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Surcharges consist of all special handling surcharges and shipper-caused exceptions. They're the charges your carrier adds to your invoice due to things like Saturday package deliveries or residential shipments, and many other seemingly valid tasks or services. They're also the charges that can make the discounts your carrier has granted you ultimately matter very little.

When you take a hard look at what you are being billed, chances are you will find that your surcharges account for 10 to 30 percent of your carrier invoice. What you may not realize or be able to easily determine is that it's very likely that at least 30 percent of those surcharges shouldn't be on your invoice at all.

Combating surcharges that have been added to an invoice incorrectly can be a challenge for any shipper. Carriers don't have to explain in detail what caused your surcharges, which makes it difficult to hold them accountable for erroneous charges. In addition, carriers count on surcharges to make up for discounts and other concessions, and aren't always responsive to claims that surcharges may be being added to your invoice unnecessarily or inappropriately.

Surcharges are added to your invoice automatically. In order to successfully combat and reduce them, you have to understand why they accrued, perform high-level analyses of your invoices, and follow up with your carrier by asking for the credits and refunds you deserve and/or for stipulations regarding surcharges to be included in your carrier agreement.

To get the credits and refunds you deserve for each and every invoice, you have to audit your invoices scrupulously. To achieve the inclusion of stipulations regarding surcharges in your carrier agreement, or to be granted certain caps or breaks when it comes to surcharges in your carrier agreement, you have to show your carrier that your company's unique shipping characteristics are of enough value to make it worth the carrier's while to grant your surcharge reduction-related requests.

Your volume is, of course, important to your carrier, but so are the ways in which you are lowering your carrier's operational costs. Things like a considerably low amount of "ship to" locations, high numbers of packages being shipped to the same destination, and high numbers of packages being shipped to locations within a limited number of miles of carrier hubs can generate a lot of savings for carriers. Proving the savings you're generating for your carrier on the operational side sets you up for making a solid case for a reduction in surcharges.

The best way to gain a carrier's respect and attention is to show that you know your supply chain costs inside and out and are committed to taking an active role in reducing costs for both sides. Once you build your partnership with your carrier based on hard data, it may even be possible to establish an open-door policy that eventually results in your being given an opportunity to view the carrier's internal operational costs and make additional assessments and/or conciliatory changes that benefit both parties.

Mikael Trapper, Managing Partner, BridgeNet Solutions, has worked in the logistics industry since she graduated from Fordham University with a degree in Economics and English. Mikael joined the BridgeNet team in 2008, and now manages Xonar, BridgeNet's propriety visibility dashboard. She currently serves on the board of the Midwest Chapter of Women in Logistics and Delivery Services Council. For more information, visit www.bridgenetsolutions.com.