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Issue Date: September 2013 e-news, Posted On: 9/3/2013

Cost-Savings Corner: Controlling Inbound Shipping Expenses

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When it comes to uncovering supply chain savings, the focus is usually on outbound shipments, but what about inbound shipments?

The costs associated with inbound shipments may be as difficult to manage as uncovering inbound savings, but if you want to take control of your total supply chain, both tasks have to be done.

Having great supply chain visibility is obviously going to play a huge role in making any inbound savings initiative a success, particularly if you have a global supply chain and have to determine how various locations in multiple countries are handling inbound shipments. What are their standard inbound practices? How are inbound shipments tracked and recorded? How are inbound expenses processed?

The first step to uncovering how much can be saved on inbound shipments is uncovering which costs are controllable. This is only achievable through visibility and data analyses. In addition to using visibility software to determine which inbound costs are controllable, a company's finance or accounting department should take all of the itemized charges each inbound shipper bills, and put them under a single freight code. Some vendors routinely fold costs into the cost of merchandise. To uncover those charges, accounting departments will also have to compare the true cost of the merchandise to what is actually billed.

The processes involved in obtaining all of the inbound shipping data needed from each of your company's locations is going to be challenging if a centralized global shipping network isn't already in place. Putting all of the tasks involved in managing inbound freight costs in the hands of an accounting department can create challenges as well. Most internal accounting departments don't have enough time and resources to dedicate to the labor-intensive data analyses required to manage inbound (and outbound) shipping costs. In addition, most supply chain managers don't have the time and resources to dedicate to training and monitoring their accounting departments. As a result, well-intentioned plans to manage inbound shipping costs internally often result in significant inbound savings falling through the cracks.

Consider outsourcing your inbound savings-related tasks. By partnering with a third-party logistics and supply chain data analytics provider that is able to equip you with both the visibility technology and data analyses services you need, the time it takes to ramp up your inbound savings initiative can be minimized, and you can save yourself from having to invent new processes for your accounting department which could prove to be ineffective or fail in the long run.

You should also take into account that most companies use their purchasing departments to manage inbound shipments and shipping charges. This means it is likely that one-third of your total supply chain expense is determined by a department that has no real connection to your company's logistics operations and probably isn't being held accountable for inbound shipping costs and savings.

Should you consider accounting and purchasing departments enemies? -Of course not. On the contrary, they are, or should be, valuable assets and allies. Vendors and carriers can be powerful allies, too, especially when you are in control of your own logistics expenses—including your inbound shipping expenses—and can prove it using hard data.

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.