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Saying Goodbye to Excess Surcharges and Hello to Added Savings

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Carriers both large and small add surcharges to your freight invoices not just to compensate themselves for a variety of delivery issues that could dip into their profits, but because it is one of the easiest ways for them to profit from your business. If you're inclined to think this is an exaggeration, take a look at your most recent carrier invoice. In all likelihood, 10 to 30 percent of the charges you find there will consist of surcharges.

Of course, some surcharges are valid—but which ones? Things like Saturday package delivery surcharges and delivery area surcharges can be difficult, if not impossible, for shippers to dispute. There is no law that requires carriers to explain how costs were incurred, and usually, unless your carrier contract specifies otherwise, no policy in place that routinely requires your carrier to explain why surcharges occurred at all.

Unfortunately, you don't have eyes and ears that can see and hear what goes on in your carrier's distribution center, warehouse, or truck. The good news is that you can still reduce surcharges that may be getting added to your invoices erroneously.

Reviewing and Analyzing Your Invoices

Rather than try to reinvent the wheel by creating or implementing new technology and processes in house, most supply chain managers today are opting to partner with third parties that specialize in parcel and freight bill analysis for invoice management. They do this to ensure that the specifics of all their shipping costs are determined accurately and impartially, and because, often times, it is simply more cost effective to go through a third party than to try and handle large volumes of shipping data on their own.

The more shipping data you have, the greater number of chances you have for errors to occur during data analysis. Typically, global shippers with a large shipping volume are not equipped to handle the enormous amount of shipping data with which they would presented if they were to analyze all their shipping expenses using their own people. As a result of either human error or improper technology, or both, inaccurate final data winds up being the end product. Even companies that have access to highly qualified in-house experts and state-of-the-art shipping technology experience difficulties; pre-existing biases and preferences always, whether they are embedded into the technology being used or otherwise influencing the way in which findings are derived, have the potential to alter results and/or keep information from being presented in a neutral way.

On the other hand, once they have received and analyzed several weeks or months of your shipping data using a proven system, a qualified third party can determine your total spend and exactly how you're spending it. Simultaneously, your overt shipping costs and the hidden costs within each invoice can be uncovered and analyzed for savings potential. Many data analytics groups that specialize in locating supply chain savings will even complete their preliminary analysis of your shipping costs for free.

Reducing or Eliminating Surcharges

The generally sorry state of the economy combined with things like volatile fuel prices have virtually put the kibosh on the ability carriers once had to allow things like set fuel prices to be entered into contractual agreements. As a result, it has become increasingly difficult for companies to reduce surcharges during rate negotiations. One of the best ways to help compensate your company for the decline in your carrier's ability to be flexible when it comes to putting caps on certain charges is to show that you are not causing your carrier to incur high operational costs. Some shipping characteristics that may help prove that your company is sensitive to carriers' operational costs include:

• Low number of "ship to" locations
• High number of commercial versus residential shipments
• High number of packages going to the same location
• High amount of packages delivered within 30 miles of local carrier hubs

Requesting a formal request for pricing from your carriers is another way to gain leverage during negotiations. By providing your carrier with your company's prepared shipping data; that is, the kind of data you would most likely develop through a third party analytics group, you can show the carrier that you are, in fact, a low operational cost to them, and do deserve competitive pricing. The final rates you receive from your carrier should correspond directly with your company's ability to keep their operational costs down.

Auditing and Self-Invoicing

As most of us know, auditing invoices is a good way to recover funds that you may have lost to your carrier as a result of a variety of billing errors, including misapplied or erroneous surcharges. By auditing your invoices, you can determine whether or not individual surcharges were added to a particular invoice appropriately, and then request to be paid back any funds you might be due. To retrieve shipping dollars that have been spent unnecessarily, auditing internally (in smaller companies) or through a third party (in mid-size to large companies) is something that for the majority, has become routine.

Self-invoicing isn't a new alternative to auditing, but more and more companies are turning to self-invoicing as a proactive approach to billing. When a company audits their invoices, they review the charges on their bills and then hold those charges up against the rates outlined in their carrier contract to determine where errors might have occurred. It may be months after refund requests are made that the shipper actually receives paybacks. When a company self-invoices, they bill themselves using their carrier agreement and shipping records to determine the amounts owed to their carrier. While they will have to manage any supplemental charges that the carrier may send, this follow-up should be significantly easier to manage than the follow-up required by any auditing program.

If you are interested in self-invoicing and already work with an outside auditing group, find out whether they also have a self-invoicing program. Be sure that you also seek out their competitors to find out if there are more experienced and/or more affordable options. Third party supply chain solutions providers often have similar auditing capabilities, but differ when it comes to things like their self-invoicing programs—mostly because options like self-invoicing have only recently begun increasing in popularity.

Whatever tools you use to tackle surcharges, try to use them to their full potential. If you're challenging the overt charges itemized on your freight bill, locate and challenge the hidden ones, too. If you know that your carrier is no longer going to be able to put caps on charges that you may have been able to cap in the past, show them how you are lowering their operational costs and give them more incentive to provide discounts. Finally, if you aren't auditing your invoices or a using self-invoicing program, start doing so now. You may not be able to eliminate surcharges altogether, but even in a volatile economy, there's no reason not to get the refunds or discounts to which you are entitled.