

## High Level Guide to LTL Shipping - By BridgeNet Solutions

### Benefits of LTL Shipping:

1. Often Less than Truckload Shipping is More Cost Effective and with More Available Options
2. More Control via Less than Truckload Pool Distribution and Pool Consolidation to Drive down Costs
3. Flexibility in Less Than Truckload Shipping Offers Cost Savings and Creative Shipping Options
4. Less Than Truckload Shipping is an Attractive Way to Ship to Scale E-Commerce Options

### Characteristics and General Information Around LTL Shipments and Rates

Because of the variety of the factors that make up LTL freight rates, you have more options and thus make less than truckload freight shipping an attractive mode of choice for many shippers to gain more control, flexibility, and visibility into their freight management.



- LTL shipments typically weigh between 151 and 20,000 lbs
- LTL carriers will usually apply a discount on shipments as the freight moves up in weight, meaning there are various "weight break" discounts an LTL carrier may give.
- Shipments larger than 5 pallets can still ship with an LTL carrier but these moves are normally considered volume moves and are spot quoted by the carrier's rate department
- LTL freight rates can be very confusing. Unlike truckload which has rates usually based on a per-mile rate or a price per-hundred weight plus a fuel charge, many factors regulate LTL rates which will most definitely impact the cost of a shipment.
- LTL carriers collect freight from various shippers and consolidate that freight onto trailers for line-haul to the delivering terminal or to a hub terminal where the freight will be further sorted and consolidated for additional line-hauls.
- In most cases, drivers start the day by loading up and heading out to make deliveries first, then begin making pickups once the trailer has been emptied for return to the terminal for sorting and delivery next day; thus, most pickups are made in the afternoon and most deliveries are performed in the morning.

### Factors of the Freight Rate

10 factors that make up and create the LTL freight rates:

**Weight:** LTL freight rates are structured so that the more a shipment weighs, the less you pay per hundred pounds. As the weight of the LTL shipment increases and approaches the lowest weight in the next heaviest weight group, it will be rated at the lowest weight category and rate in that weight group.

**Density:** A shipment's density is one factor that determines LTL freight rates. Shippers need to know how to calculate a shipment's density so they can properly describe their goods on the bill of lading. The total weight of the shipment is divided by the total cubic feet to determine the density. If the shipment is palletized, use the dimensions of the pallet, the combined height of the carton and the pallet, and the total weight of the shipment. When determining the dimensions of your shipment, be sure to measure the longest sides including any packaging, overhangs or protrusions. Once density is calculated, you can then figure out the class.

**Classification of Freight:** Every piece of freight has a classification within the LTL world and classification is a big driving force to make up LTL freight rates. Classes are published in the National Motor Freight Classification (NMFC) book by National Motor Tariff Association.

**Distance:** Typically, the longer the haul, the higher the price per-hundred weight will be. Many LTL carriers only serve a specific geographic region so you must consider how many zip codes a carrier services directly. If a shipment is sent to a location outside a carrier's normal service area, the trucking company will transfer the shipment to another LTL carrier for final delivery. This is called interlining, a practice that may result in higher costs due to lower discounts and higher minimum charges.

**Base Rates:** All LTL carriers establish their own base rates. These rates are quoted per 100 pounds (aka - CWT), and will vary from carrier to carrier and from lane to lane. The CWT calculation is based on the freight classification. A good fact to point out is carriers will modify their base rate depending on their need for additional volume and increase gross costs for lanes where they have a good balance between trucks and freight.

**Freight All Kinds (FAK):** Freight all kinds is an arrangement between the client and the carrier that enables multiple products with different classes to be shipped and billed at the same freight class. For example, a client that ships multiple commodities ranging from 50 to 100 could negotiate an FAK with the carrier to rate all items at class 70. This can be a source of significant savings for clients by reducing the amount paid on higher class shipments.

**Minimums:** The pricing within LTL freight rates that is increasing the fastest with LTL carriers is the absolute minimum charge (AMC). This minimum charge is the charge below which a carrier simply will not go. Carriers are constantly requesting a 2-3% increase on contract rates, but \$5 increases in the minimum charge. If the minimum charge is \$70.00, a \$5 increase equates to a 7.1% increase. Carriers are doing this because the costs a carrier experiences for a minimum charge shipment far exceeds the costs they experience for heavier shipments

**Negotiated Rate Tariffs with LTL Carriers:** You can negotiate with several LTL carriers per your various lanes of shipping. You are not simply relegated to a base rate. If you have analyzed and better understand your freight data and activity per lane, you can come to the LTL carrier and work with them to get different tariffs for different lanes. This will allow you to make sure you are not leaving money on the table by balancing your more unattractive lanes with your attractive lanes giving you overall better LTL freight rates.

**Negotiated Discounts:** For companies looking for relief from high shipping costs and market volatility, a professional, third party logistics (3PL) provider or even a large shipper can save an extra 18 to 25% off already heavily discounted LTL freight rates if they routinely make multiple shipments to multiple locations and work with numerous freight carriers. For every \$100,000 in freight costs, that's an extra \$18,000 to \$25,000 in savings. How can a 3PL lower freight costs beyond a company's existing discounts? By negotiating additional discounts based on the 3PL's or shipper's relationship, reputation, and volume business with established carriers.

**Accessorial/Surcharges:** Accessorial charges stem from extra services performed by the carrier that goes beyond the typical dock to dock / business to business pick up and deliveries. Common examples of these charges are lift gate service, residential pickup or delivery, limited access locations (i.e. jails, prisons, churches, schools, storage units) and inside delivery. Accessorial charges can be negotiated to a flat rate or even waived altogether. A fuel surcharge is the most common accessorial as it's typically factored in on every shipment.