



best practices

Cost Cutters: Reduce Shipping Costs

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AS TRANSPORTATION COSTS continue to skyrocket, so too does the cost of shipping your business inventory and ordering supplies.

According to a recent report by CIBC World Markets in Toronto, since 2000, rising fuel prices have tripled the amount it costs to ship a 40-foot, standard container from East Asia to the eastern seaboard of the U.S. CIBC economists predict that if oil hits \$200 a barrel, shipping costs will double from current levels. Tack on the fuel surcharges being levied by major delivery companies, such as **FedEx (FDX)**, DHL, and **United Parcel Service (UPS)**, and there's little doubt that business owners — from small Internet retailers to restaurateurs — are feeling the pinch.

While some business owners choose to raise prices to compensate for higher shipping costs, most refrain in an effort to stay competitive. As a result, business owners end up swallowing the costs and reporting lower profits. To avoid getting squeezed, consider these cost-cutting strategies:

Pay with plastic

Using a business credit card to purchase shipping services can result in some healthy discounts. **Advanta (ADVNB)** business cardholders, for example, can save up to 25% on DHL standard delivery rates. In addition, those using business rewards cards may receive discounts on shipping, as well as cash back or frequent-flier miles. For instance, **American Express' (AXP)** small-business credit cards offer an array of rewards, including cash back, discounted dining and entertainment purchases and flier miles, as well as a 5% savings on FedEx's express and ground shipping services.

Use electronic postage

If paying 42 cents apiece to send out a direct mailer sounds pricey, then consider switching to **electronic postage**. By purchasing postage online via providers such as **Click-N-Ship**, **Endicia**, **Pitney Bowes** and **Stamps.com**, Express Mail customers can get a 3% price reduction, while those using Priority Mail can receive an average of 3.5% savings. Also, additional discounts exist for higher volume shipments. While there's usually a monthly fee charged for such plans, the savings you can realize are typically enough to offset the cost — especially if you frequently send out a high volume of mail and packages.

Try fulfillment services

For businesses that have far-flung customers but don't have a distribution partner, fulfillment services such as **Shipwire**, **eFulfillment** and **Amazon.com (AMZN)** offer small-business owners a place to stow their products close to customers. For instance, a small U.S. company with customers in Montreal might consider a fulfillment service to house its inventory in Canada. While these services typically charge a monthly fee, business owners can avoid some international shipping duties, customs brokerage fees and other shipping costs.

Compare prices

Considering that there are roughly 50 shipping companies servicing the U.S., it makes sense to do some comparison shopping, says Paul J. Rauseo, managing director of George S. May, a small-business management consulting firm in Chicago. To find the best deals, check out shipping comparison sites such as [ShipGooder.com](#), [FreightQuote.com](#) and [RedRoller.com](#). For even greater search capabilities Rauseo recommends shipping manifest software from [Freight+](#) or [Capterra](#). The software allows users to shop around for rates, as well as initialize and track shipments.

Join a business or trade organization

Some industry associations and chambers of commerce offer members shipping discount programs. For instance, members of the [National Association of Manufacturers](#) can receive discounts of up to 24% with FedEx Express and Ground and up to 62% with FedEx Freight. Additionally, NAM members can save 45% off UPS's guaranteed air-freight services and 65% off some shipping services from Yellow Transportation. One thing to keep in mind: You'll probably have to pay a membership fee.

Time your shipments

Plan your purchases at least three days in advance and avoid getting stung by last-minute shipping charges, says Rauseo. "Three days out is much cheaper than next day." Also, time your deliveries so they won't arrive the next morning or on Saturday or Sunday, which are generally more expensive delivery days. "Carriers often pay their workers overtime on the weekend," he says. To help you strategically time deliveries, check out FedEx's [service finder](#) or [UPS's](#) and [eBay's \(EBAY\)](#) shipping calculators.

Consolidate deliveries

Steer clear of sending out delivery trucks that aren't quite full. "If your trucks aren't more than 80% full, consider outsourcing your shipping needs," says Rauseo. Another option: Put the choice in your customers' hands. For instance, have customers pay a premium for overnight delivery or pay less if they agree to wait a couple days until the truck fills up.

Negotiate with suppliers

Don't forget to try negotiating with suppliers, says Dan Ackman from the National Association of Manufacturers in Washington, D.C. Suppliers often focus more on time than cost, he says. For this reason, they may not always select the cheapest shipping option. After searching for the best rates, politely ask your supplier to use the less expensive carrier.