



## **5 common shipping pain points and how you can overcome them**

***The known, unknown, and self-inflicted  
causes of transportation overspend***

# Overview

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Shipping is a critical part of your business. Complex and more expensive than ever.

Rate increases, damaged goods, billing mistakes and late shipments all affect your bottom line.

## Could you be shipping profit out the door?

This guide shows best practices and quick tips that large volume shippers use to eliminate overspend.



There are overcharges, mistakes and late delivered packages on many UPS, DHL and FedEx invoices. These overcharges are a hassle to hunt down and correct. Frequent shipping mistakes, poorly executed pricing agreements and subpar service can all contribute to unnecessary overspend.



***“Rate increases, unnoticed residential fees, overcharges, invalid saturday delivery and billing errors pain even the most scrupulous managers.”***

Do you feel the sting of rising shipping cost? Most businesses do, and much of the costs are mitigable. Let’s inspect the major known, unknown and self-inflicted shipping expense.

# Pain Point #1: *Rate increases*

Parcel carriers announce rate changes each year. 99.99% of the time increases result in higher net costs for sending any shipment through the carrier networks. The graph below shows an average breakdown of rate changes over the past four years.

**23% increase in the last 4 years (compounded annually)**

Carrier	2021	2022	2023	2024
UPS	4.9%	5.9%	5.9%	5.9%
FedEx	4.9%	5.9%	5.9%	5.9%
DHL	4.9%	5.9%	5.9%	5.9%

*\*All percentages are blended averages*

The carriers have continued to increase their rate by 5.9% annually in recent years. The key is to dissect the specific, granular charges that are included in the increases. This is where carriers hide rate increases with complex calculations.

You might not think these rate increases are enough to make a dent, but these charges result in huge changes in your bottom line.



## Address correction surcharge

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Let's take a simple address correction charge for example. UPS implements a \$1.00 rate increase moving the cost from \$17 to \$18 and resulting in an 5.88% increase. That's only looking at a common simple address correction situation. If we look at the Over Maximum Limits surcharge the rate skyrockets from \$150 in 2021 to \$920 in 2024. This results in a astounding 513.33% increase. UPS couldn't send a louder message. Don't go over the limits, or pay dearly.



**Pain Pill**

Negotiate discounts on surcharges to reduce the fuel surcharge billed on a given shipment. This occurs because fuel surcharge is calculated according to net charges, including other surcharges types.

## Fuel surcharge

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Naturally, as the price of oil increases, so does the cost of fuel. This is the one surcharge that is fluctuating every week. A UPS Air Fuel Surcharge could be at 7% percent one week and then jump up to 7.5% the next week resulting in a 7.14% increase from previous week. The average annual fuel surcharge for both FedEx and UPS has steadily began to climb since 2021.

For most shippers, discounts on fuel are non-negotiable, so reducing the other line item expenses will result is a lower cost basis for fuel surcharges.

## Pain Point #2: *Improper tendering of shipments*

Not selecting the proper service for the address type results in avoidable overspend.

It's common for the carriers to make mistakes on discounts, especially on third-party shipments. However, there are cases that negotiated rate compliance won't help you. Specifically, when shipments are tendered incorrectly, and then a service level adjustment is performed by the carrier on that shipment. The discounts listed within your pricing agreement are not applied to these shipments, and you're effectively charged rack rate (no discounts) for that shipment.

For one unfortunate shipper, every shipment was being tendered as an outbound ground commercial shipment, but most recipients were residential address types. As a result, the shipment was updated by the carrier from ground commercial to ground home delivery, which nullifies any and all discounts. In effect, the shipper was paying list daily rates on transportation charges for that shipment. Ouch.



### **Pain Pill**

Perform address verification on every single shipment and map residential and commercial address types to their respective service offerings.

Carriers don't have the "technical capabilities" to apply discounts to adjustments. This is why it's important to tender shipments properly. Also, you might think, "Well, I'll just be sure to get the same discounts on ground commercial and ground home delivery." Most shippers are unlikely to achieve this, given their spend.

## Pain Point #3: *Misleading carrier incentives*

In the past, discounts given to shippers were primarily based on weight, zone, or even level of service. Carriers soon realized giving shippers large discounts, at low spend levels, didn't favor the carrier. Revenue-based incentives were introduced to compel shippers to increase their shipping spend with a particular carrier. Putting more money into the carrier's pocket.



### **Pain Pill**

Your revenue threshold should be in the middle of your earned discount revenue bands. If it's too high, then you're not getting any earned discounts. Too low, and you're not unlocking the additional discounts you deserve.

It is important for a shipper to know and monitor revenue threshold because changes can drastically alter the net cost of a shipment. If the average goes down, let's say after a seasonal rush, a shipper may not be receiving the level of discount they think they are.

Pricing agreements specify service discounts and earned discounts by package type. Often, only the service type or package type used most frequently by the shipper is included in the pricing agreement. This leaves any shipments billed with a service type or package type not listed on the pricing agreement completely undiscounted. Undiscounted shipments translate to lost dollars for your business.

## **Pain point #4: More dimensional weight**

Dimensional weight (DIM) hasn't always been a regular charge included in shipping rates. In the past, packages were only billed by weight, regardless of the size of the package. For example, if you sold large canvas paintings, the weight would be minimal, but this package would take up a large amount of space in a FedEx, DHL or UPS truck. The shipper paid a minimal amount to ship, but the carrier was losing out on prime available space in delivery trucks. Carriers began charging dimensional weight to help ensure that the costs they absorbed to deliver a package would match the fee they charged to the shipper. But dimensional weights can be hard to accurately measure to understand how it will impact your bottom line.



**Pain Pill**

FedEx SmartPost, traditionally the financially practical shipping option for residential deliveries, recently implemented dimensionalized rates to match its other service types.

Let's look at an example that compares the 2020, non-dimensionalized rate to the 2021 dimensionalized rate for a FedEx SmartPost Zone 5 shipment. In 2020, a package weighing nine pounds with a size of 2964 cubic inches would cost a shipper \$14.10.

Now, with the dimensional weight divisor of 139 factored in that same shipment will be billed for dimensional weight rate of a twenty-two pounds and charged \$27.36. The changes in DIM divisors can cripple a shipper's bottom line if not managed properly.

Work with Zaar Consultants to better visualize dimensional weight and how it affects the rating of your shipments.

## Pain Point #5: Incorrect accessorials

Accessorials account for a larger part of transportation spend than ever before. **Accessorial fees are charged for additional services outside the standard transportation costs.** While surcharges are expressed before shipping, accessorials are often tacked on after a shipment. These fees are the most painful because they are frequently not planned for in advance. Some of the common fees assessed in transit or upon delivery include dimensional weight adjustments, residential delivery and delivery area surcharge.



### Pain Pill

Identify which accessorial charges your business regularly incurs and negotiate discounts here as part of your upcoming negotiation with your carrier. Yes, these can and should be discounted.

The good news is most carriers will discount accessorial fees. In some cases, a carrier might even agree to waive a fee entirely.

The bad news is that, at times, discounts aren't enough. Carriers make mistakes, and don't commonly correct those mistakes, meaning that you aren't receiving these discounts.

For example, if the discounted fee of an accessorial was listed in the pricing agreement at \$3.00, the list rate of \$4.30 for that given surcharge shouldn't ever be invoiced. Yet, it happens daily. Contract adherence is key to seeing every deserved dollar returned to your business.



# How to conquer the pain

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- 1** Be aware of all of surcharges that impact your spend, and work to eliminate them when possible.
- 2** Identify the most common accessorial charges your company sees on invoices. Knowing this information can better equip you when it comes time to negotiate.
- 3** Enlist the help of a shipment audit service to perform a comprehensive, automatic audit on individual accessorial charges to ensure accuracy.
- 4** Leverage the products and decades of experience Zaar Consultants has used to negotiate pricing agreements for some of the largest companies in the world.



The world's largest shippers trust Zaar Consultants to improve operational efficiency. Analyze, plan, execute and monitor your transportation spend with Zaar Consultants. Start today with a free consultation.

**PROSPECTUS**  
Report of potential refunds found on recent shipping invoices  
Prepared for John Smith  
Generated on A

**\$255.78** in potential savings

**Aggregate potential refunds**  
Overview of the inputs used to generate this report

**Potential refunds by type**  
Claims can be filed related to each of the items listed detailed below.

Category	Count	Potential Savings
Service Failures	2	\$32.83
Invalid dimensional weight	173	\$206.14
Invalid residential surcharges	3	\$8.10
Duplicate charges	1	\$16.00
Invalid delivery area surcharges	5	\$20.20
Lost and damaged shipments	4	\$320.00

See the overspend within your shipping accounts

[Get an instant evaluation](https://zaarconsultants.com/prospectus)

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