

## Viewpoint

## Prepay and Add Are You Capturing All of the Costs?

In a typical parcel shipping environment, the shipper fronts the cost of shipping and adds the cost on to their customer's invoice. If your company is practicing this policy- are you sure that you are capturing all of the costs that the carrier charges you on your invoice?

The most common and most difficult accessorial charge to evaluate is residential delivery charges. All carriers charge a fee for residential delivery. Deliveries to homes are more costly for the carrier. This is because, in most cases, only one or two packages are delivered to a residence, as opposed to a commercial delivery where multiple packages from multiple shippers are delivered at one time. Also, the distance between residential deliveries is often greater than commercial deliveries. All of this means a higher charge to the customer.

The goal is to determine if the package is going to be delivered to a residence before the package is shipped, so that you can capture this additional charge and add it to the customer's invoice as shipping and handling charges. If this is not realized on the front end, the carrier will add this charge at time of delivery through delivery scans and a charge will be added to a future invoice in the form of an adjustment. In this scenario, the consignee will not incur the charge on their invoice and the shipper is faced with eating the charge or going through the process of rebilling the customer for the charge.

Most shippers choose to incur the extra charge and build customer satisfaction, but this can significantly affect the profits for large shippers.

In a perfect world, shippers know everything about their customers and know if they are a residential customer or not. Shippers consider customers with home-based businesses to be commercial deliveries. The carriers, however, do not share the perception that a home-based business is a commercial delivery and charge accordingly. Here are a couple of ways to help resolve this problem.

Carriers reference the difference between commercial and residential deliveries in their service guide. As a shipper, you should become familiar with these differences and coach your customer service and order entry personnel on these practices.

Most shippers add a fixed charge or percentage charge to all customer invoices for "shipping and handling." This is a method to ensure that any additional adjustments that could possibly occur are covered on the front end and cover any possible 'residential' charges with shipping and handling charges. Any charges you would incur as a result of a commercial shipment to a home-based business would then move right to your bottom line as profit. The parcel manifesting system your company uses to process these shipments most likely has the capability of adding charges to the published rates in the form of "Shipping and Handling" charges.

Review and audit any adjustments that come in on invoices and update customer records to reflect that they are indeed a residential stop. It is important that this information be funneled to your shipping office as, in many cases, address books are maintained separately from internal records. Another carrier charge to know about concerns address corrections. This adjustment occurs if the address reported or transmitted to the carrier is different than the actual delivery scan address. This is usually a \$10 charge. An address correction can be as simple as a transposed number in the address or simply an inaccurate address that requires a call from the carrier to correct. It is important that addresses are verified at the time of order entry and in the event there is an adjustment to that address, the records be updated. This is especially significant since the advent of new 911 emergency procedures, which require specific address information. For instance, rural routes and box numbers are not valid addresses and therefore are not recognized by the carrier.

Another final area where the carrier applies adjustments is for unique packaging. Oversized packages, reweighed shipments and dimensional shipments are a few of the adjustments the carriers make. It is important that these measurements are accurately taken and transmitted to the carrier at the time of shipment. It may take

a few more minutes to process, but this will ensure proper cost recovery from your customer. With regard to reweighs, it is important that scales be calibrated periodically. The carriers have sophisticated devices to ensure proper weights are verified during the movement of packages. Their devices are calibrated daily, so if there is a reweigh situation, chances are the carrier is right.

These are a few measures that can be implemented to help your company make sure you are charging back the correct amount in a shipping prepay and add situation. A careful review of carrier invoices should give a clear indication where your weaknesses are in this area.

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