

FINDING EFFICIENCY IN YOUR SUPPLY CHAIN:

Managing Freight Costs



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Introduction

When the [Council of Supply Chain Management Professionals \(CSCMP\)](#) released its 2013 “State of Logistics Report®,” a key takeaway was a prediction that 2014 would be “the best year in the past eight for freight transportation providers,” with increased demand and higher rates forecast for the recession-scarred industry. And so far, that prediction has come true. But not only are freight providers faced with the “nice to have problem” of increased demand, they also face an onslaught of less favorable pressures: less capacity, a chronic driver shortage, and increased regulatory burdens, each of which impacts freight costs.

In an August 2014 [webinar](#), Noel Perry, senior economist with FTR Transportation Intelligence, said that capacity utilization in the U.S. will reach 99 percent during 2014—a condition not seen since the economically robust 2004. But, Perry said, the combination of a near-saturated capacity, along with the current regulatory climate, could result in what he called a “capacity crisis.” Specifically, Perry cited the Federal Motor Carrier Safety Administration’s (FMCSA) tightening of restrictions on the industry, most notably its 2013 changes to driver hours-of-service regulations. He also added

that FMCSA currently has [27 new regulations](#) under review that would impact the freight industry.

FTR President Eric Starks expanded on the regulatory theme by adding: “There are a large number of regulations coming into play that we anticipate to happen between 2016 and 2018. We’re seeing a major run-up within this environment that would suggest it will be very difficult to hire drivers, or we’ll see losses in productivity within the industry so they’re going to have to hire new drivers. It’s going to be a problem for some time.”

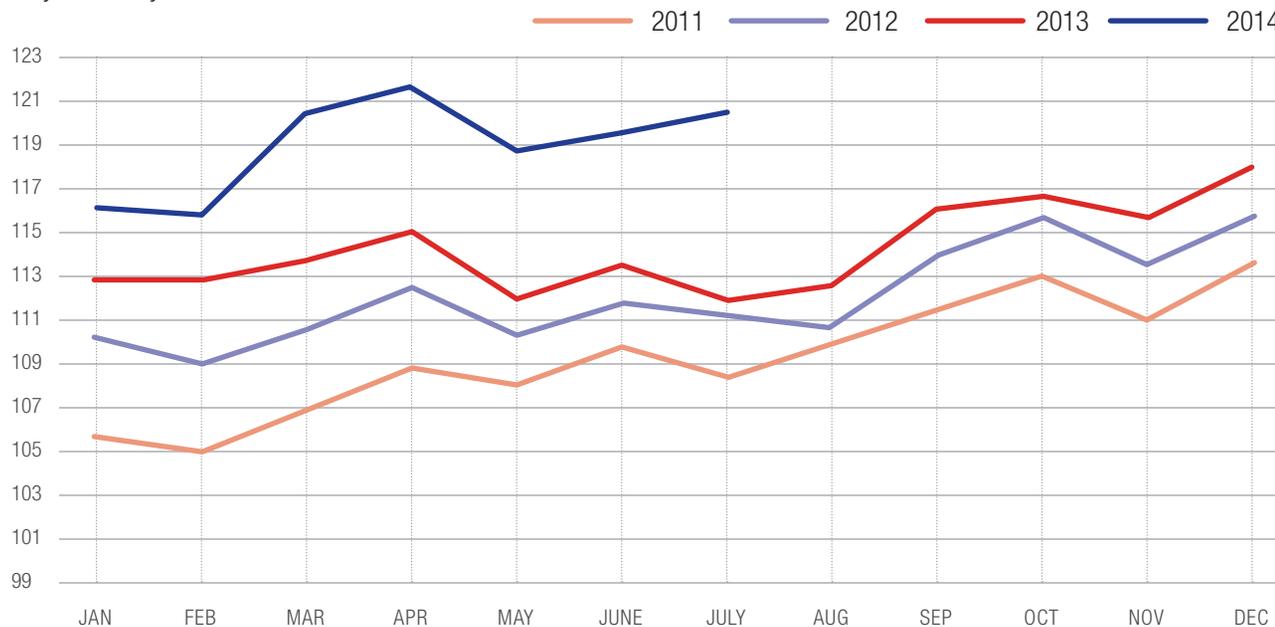
Perhaps not surprisingly, shippers have been impacted directly by the confluence of external factors weighing down on freight providers. Fewer trucks available, fewer drivers to man shifts, and increased regulatory costs are a perfect storm for higher freight costs, which is precisely what has been happening. Freight rates increased by seven percent during July 2014 and are expected to end the year as much as [six percent](#) higher than last year. And down the road, the announcement by several major carriers that, beginning in January 2015, dimensional weight pricing will be applied to all shipments is expected to result in significant rate increases.

While increased freight costs may be the prevailing trend, the good news is there are ways of controlling, and even scaling back, those costs. Managing freight costs is a recurring theme among shippers and carriers as both parties have vested

interests in ensuring efficiency: shippers need to control transportation spend and maximize supply chain precision, while carriers need to manage resources and adapt to a changing regulatory reality.

**CASS TRUCKLOAD LINE-HAUL INDEX:
A MEASURE OF CHANGES IN PER-MILOE TRUCKLOAD LINE-HAUL RATES**

According to the Cass Line-haul Rate Index, shippers paid an average 7.2% more in July 2014 for truckload line-haul service than they did in July 2013.



Source: truckinginfo.com

This has resulted in a sea change of collaboration between carriers and shippers, the likes of which has never been seen. Today's most efficient *carriers* are partners with their customers and are taking the time to analyze customers' business needs to ensure that freight solutions are tailored for those exact needs. Shippers' expectations are for highly flexible, scalable solutions that offer the service level needed to meet their changing demands.

Technology, of course, has had a dramatic impact in managing freight operations. Route optimization eliminates wasted miles and, in some cases, costly distribution center stopovers. Non-asset freight providers can use technology to provide a bird's-eye view of options in order to then select the most appropriate freight plan. And, of course, the entire industry has benefited from cloud-enabled data sharing, which truly allows for greater insight and visibility.

Businesses that ship regularly to Canada also face the challenge of customs compliance and ensuring that shipments reach their Canadian destinations on time and as cost effectively as possible. For many businesses, customs compliance is a giant mystery, and they are happy to delegate the

responsibility to their carrier. But as many businesses have come to find out, unless a carrier has expertise in the Canadian market, that can be a huge and costly mistake. For one thing, only an experienced carrier will understand the nuances of the Canadian customs process. For example, Canada's "non-resident importer" program allows U.S. businesses that ship to Canada the opportunity to serve as "importers of record," which greatly facilitates the clearance process and enhances competitiveness in the Canadian market. But unless a business is aware of this program, which is not advertised or marketed, chances are slim they will ever be able to take advantage. This is precisely the sort of insight and expertise only available through a qualified logistics provider.

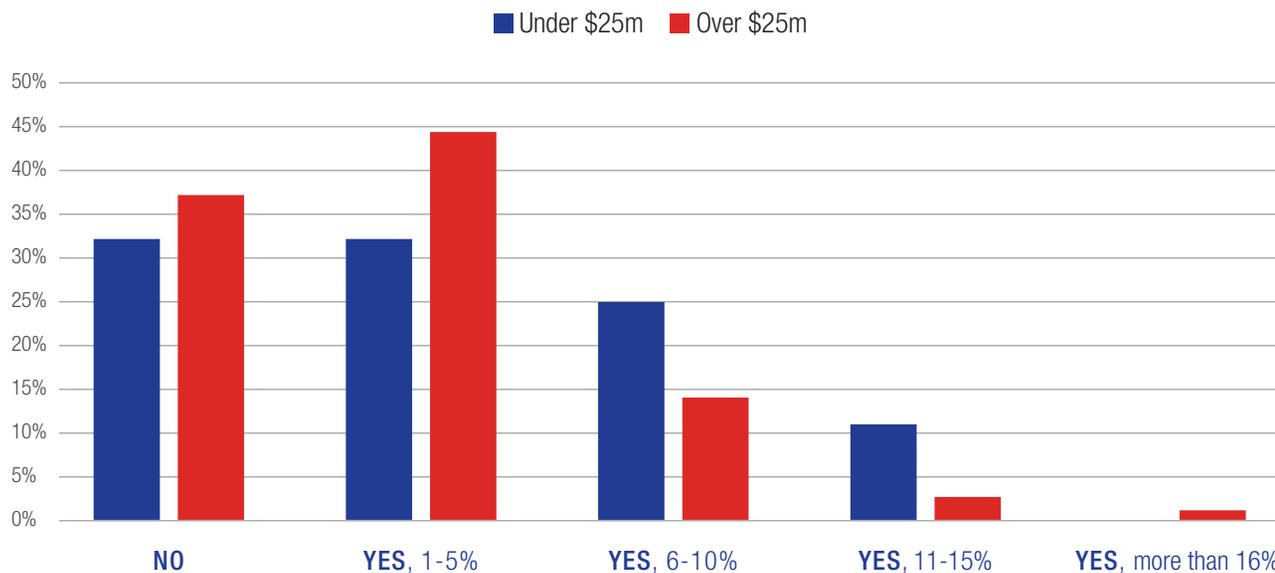
Many businesses make the mistake of thinking they have no options when it comes to managing freight costs. This is especially true now when reports prevail of tightened capacity, driver shortages, and regulatory burdens. But a well-managed transportation plan, forged with a logistics provider who is a business *partner*, can ensure efficiency throughout the supply chain, especially with regard to freight costs.

Choosing the Right Logistics Partner

The recent economic recession took a toll on the nation's freight management system as an estimated 250,000 trucks, or one-third of the nation's total, were taken off the road. This was largely the result of more than 4,000 trucking companies that either went out of business or were acquired by another firm. In other instances, carriers reduced the size of their fleets, either by idling trucks or by opting not to replace older equipment.

In a "survival of the fittest" test of wills, firms were forced to become more efficient. Underutilized and nonprofitable routes were either eliminated outright or consolidated with other routes. Carriers became more adept at listening to customers' needs and started planning for cyclical volume demands so that adequate capacity would be available when needed.

DO YOU EXPECT TO ADD CAPACITY IN THE NEXT 12 MONTHS?



The 2013 Transport Capital Partners' 4th Quarter Business Expectations Survey found more than three-quarters of carriers plan to add little (1% to 5%) or no capacity in the coming 12 months. This suggests the freight industry will continue to face capacity issues for the foreseeable future.

Source: Truckinginfo.com

What has emerged is a contracted industry that is markedly leaner and meaner. “There are less trucks, less drivers, and fewer [trucking] companies,” Rosalyn Wilson said in presenting the 2012 Council of Supply Chain Management Professionals’ [State of Logistics®](#) report. “Carriers have ‘leaned’ their fleets and will continue to do so.”

So, how to determine the best company to meet your business’s needs?

The first thing to understand is that price should not be your sole determining factor. This is because, when it comes to freight pricing, not all quotes are created equally. The widespread practice of volume discounting is a good example. As discounting has become increasingly common, a business should not be fooled by the apparent enormity of a proffered price cut. An 80 percent discount on an inflated freight quote is not such a bargain once you consider a less dramatic discount from a lower-cost carrier could result in greater net savings. That is not to say that price should not be an important factor in choosing a provider. Of course it should. But it should be weighed against many other factors that go into selecting the correct provider, factors that include:

Experience Counts

Name recognition does not always mean best qualified. The power of advertising! Many businesses assume that because a freight provider is a nationally known name that it must be

the best. Unfortunately, this is a shortsighted approach that ignores the fact that the freight industry is actually comprised of smaller, lesser well-known businesses that serve different regions or sectors. Research by [Stout Risius Ross](#) financial advisory firm found that, industry wide, “the top six carriers by subindustry represent about 10 percent of the total market.” Instead, the freight industry is defined by a large number of small companies—70 percent of which have fewer than four employees. Market research firm [IBISWorld](#) published similar findings in its June 2014 analysis of the U.S. long-distance freight trucking industry: “There are no companies with a dominant market share in this industry,” the report noted.

A business should look beyond name recognition or flashy advertising and instead search out a provider who serves its precise needs. A business that ships regularly to Canada, for example, should be sure to enlist a provider that has experience with the Canadian customs process and has a distribution network to ensure cross-border deliveries. A pharmaceutical manufacturer would need to shop around for a provider that offers refrigerated solutions, high security, and expedited options for critical deliveries. Or a business may want to partner with a firm that specializes in a specific region of the country as a way to take advantage of local expertise and short-haul efficiencies.

Research by Stout Risius Ross Global Financial Advisory Services found 70 percent of freight companies have fewer than four employees.

ENTERPRISES BY EMPLOYMENT SIZE

NUMBER OF EMPLOYEES	SHARE OF ENTERPRISES
0 - 4	69.5%
5 - 9	12.1%
10 - 19	8.1%
20 - 99	7.5%
100 - 499	1.9%
500+	1.1%

Source: U.S. Census Bureau and IBIS World

Source: [Stout Risius Ross](#)

Asset or Non-Asset Based Provider?

A 2013 survey by [Armstrong & Associates](#) found that 86 percent of U.S. Fortune 500 companies used a 3PL provider for their logistics and supply chain needs. Freight forwarders and 3PLs serve as “middle men” by finding the best freight options, warehousing solutions, and customs manager to meet a shipper’s particular needs. Typically, the 3PL or freight forwarder owns no assets of its own, so it does not have a stake in steering a business’s shipments to its own company. Instead, the non-asset provider suggests freight options based strictly on cost and efficiency.

Using a non-asset-based provider can result in considerable savings. Eye for Transport’s [2014 Annual Third-Party Logistics Study](#) found that shippers who used third-party services reported average logistics cost reductions of 11 percent, inventory cost reductions of 6 percent, and an average fixed logistics cost reduction of 23 percent. The survey also found that businesses enjoy the flexibility offered through third-party sourcing, being able to collaborate on innovative logistics solutions, and not being bound by an asset-owned provider’s fixed capabilities.

NON-ASSET-BASED SERVICE PROVIDERS HAVE MEASURABLE BENEFITS

The 2014 Annual Third-Party Logistics Study, sponsored by Eye for Transport, reported significant cost savings were achieved by shippers that used 3PLs for shipping services.

3PL SERVICES DELIVER MEASURABLE BENEFITS			
RESULTS		2013 STUDY	2014 STUDY
Logistics Cost Reduction		15%	11%
Inventory Cost Reduction		8%	6%
Logistics Fixed Asset Reduction		26%	23%
Order Fill Rate	<i>Changed From</i>	58%	66%
	<i>Changed To</i>	65%	68%
Order Accuracy	<i>Changed From</i>	67%	68%
	<i>Changed To</i>	72%	69%

Source: [2014 Annual Third-Party Logistics Study](#)

Scope of Service

Are you paying for overnight delivery when two-day service would do just fine? Does your carrier continually tell you that your expectations are unreasonable? If so, then it might be time for a new carrier! Innovative thinking and technology have revolutionized the freight industry to the point that delivery schedules are now developed with near pinpoint precision to meet a shipper's precise needs. A freight provider with limited service options may be too small to meet the needs of a business with ambitious expansion plans for growing its customer base throughout the U.S. and Canada. Understanding a carrier's scope of services is vital to ensuring the carrier can meet your needs and that you are not paying for services you do not need.

Cross Border

Last year more than \$1.7 billion in goods crossed the U.S./Canada border every single day. Canada is our largest trading partner, and a growing number of U.S. businesses are finding economic opportunity in the Canadian marketplace. But central to any Canadian expansion is a solid plan to access the Canadian market. Many U.S. businesses make the mistake of assuming that their U.S.-based freight provider can replicate their strong U.S. capabilities in Canada. Or they fail to consider the high level of expertise necessary to navigate the Canadian customs process.

But when it comes to transporting goods to Canada, there is no substitute for experience. A carrier either knows how to clear goods through customs or it doesn't. And it either has the capability to ensure guaranteed delivery throughout the vast Canadian landscape or it doesn't. There's no margin for on-the-job training. It's essential for a U.S. business to ensure that when it comes to cross-border shipments, it has enlisted the services of a logistics provider who has the experience necessary to ensure hassle-free, on-time, cost-efficient deliveries.

Your Best Supply Chain—Understanding Freight Costs

The *2013 Trucking Perspectives* market insight survey, conducted annually by [Inbound Logistics](#), reveals just how big an issue freight costs have become—both for carriers and businesses.

Among shippers, the survey found “reducing transport cost” was a top concern for 75 percent of respondents, followed by “customer service” at 43 percent, “finding capacity” at 36 percent, “matching supply to demand” mentioned by 32 percent, and “migrating to intermodal solutions” mentioned by 14 percent.

For carriers, “driver-related costs” was the top concern for 85 percent of respondents, followed by “regulations and compliance” mentioned by 65 percent, “rising equipment costs” mentioned by 53 percent, followed by “fuel costs” at 43 percent, and “insurance costs and liabilities” mentioned by 41 percent.

At the same time that shippers overwhelmingly cite freight costs as their top concern, businesses are keenly aware of the capacity shortage currently squeezing the trucking industry. More than half of survey respondents reported they had been directly affected by the capacity shortage during 2012 (up from 36 percent in 2011), with 67 percent reporting they had experienced a rate hike over the past 12 months.

Source: [Inbound Logistics 2013 Trucking Perspectives survey](#)

INBOUND LOGISTICS 2013 TRUCKING PERSPECTIVES SURVEY

The Inbound Logistics 2013 Trucking Perspectives survey found that both shippers and carriers cited costs as their top challenges.



This research supports what has become a driving issue within the freight/shipper relationship: businesses are under increasing pressure to cut freight costs but must adapt to the reality of reduced capacity. Or as the Council of Supply Management Professionals' [Rosslyn Wilson](#) puts it: “[P]aying higher [trucking] rates going forward won’t be as much of a worry for shippers as not being able to find a truck to move their freight.”

Business can though manage their freight costs more effectively by understanding the process of moving freight through the supply chain and having an awareness of innovative best practices.

Freight Classification

In an effort to provide a baseline for pricing within the freight industry, a set of 18 different “classes” has been established. Each class incurs different charges based on weight, length, density, ease-to-ship, value, and liability for theft, damage, or spoilage. The classification system is maintained by the [National Motor Freight Traffic Association \(NMFTA\)](#), with each class assigned a numerical rating ranging from a low of class 50 to a high of class 500. The lower a product’s class, the lower the shipping costs.

NMFTA reexamines the classification system each year, meaning that a product assigned to a particular class one year may travel under a different, lower-priced class the next year.

While a business manager does not need to have intricate knowledge of the NMFTA class system, a basic understanding would be helpful. Freight providers could be held accountable for listings, and businesses could better understand the charges that appear on their freight invoices.

Accessorial Charges

This is yet another line item that appears on a freight bill that many businesses choose to accept at face value without taking the time to delve deeper into the charges. As defined by the [Financial Dictionary](#), accessorial charges refer to extra fees for services beyond “simply shipping a good from point A to point B.” Examples of accessorial charges may include border clearance fees, waiting time, storage, packing, hazardous materials consideration, and extra fuel. By some [estimates](#), accessorial charges can account for as much as 40 percent of freight expenses.

The good news is that most accessorial charges can be managed. If a business routinely incurs extra charges for excessive time for loading and unloading, a careful review of warehouse operations might be in order. Implementing better processes at the warehouse level could effectively eliminate incidences in which carriers have to sit idle, waiting for a warehouse bay to open up or for load preparation.

Charges that can’t be controlled through better internal controls can possibly be managed through negotiation. Fuel

surcharges are one add-on that shippers are often able to negotiate lower. As reported in [Canadian Shipper](#), “[f]or most carriers there is a ‘cost recovery’ component and a ‘profit contribution’ component. It is the latter component of the fuel surcharge which many carriers will negotiate.”

A business may also be able to negotiate charges for “extra services” that will be routinely incurred. If a shipper will always need special handling for its shipments, then that need should be factored into the freight quote rather than added on at the end. But when accessorial fees do show up on the freight invoice, a business manager should take the time to understand the scope of the charges and be able to work with the carrier to try and find ways to reduce—or even eliminate—the charges.

Freight Efficiency and Supply Chain Services

Beyond understanding the charges that appear on your freight invoices, there are additional tools that can help minimize freight costs. Many of these options have been made possible through technology, while others are the result of innovative thinking that has led to an array of “best practices” taking hold within the freight industry.

Important to note is that not every freight or logistics provider offers these time-and-money saving options. For some, they do not have the technology or bandwidth to offer “out of the box” service options, while others have yet to embrace the changes that are fundamentally altering the way freight is transported. Following is an overview of some of the services currently offered that can help reduce costs:

Consolidation is King

Combining smaller shipments into one larger unit can be a tremendous source of savings. This can be accomplished in a [number](#) of ways: placing multiple orders in the same carton, banding multiple cartons together, palletizing shipments, or using a full truck. By some estimates, consolidation can reduce freight costs by as much as [10 percent](#).

With regard to border clearance, a consolidated shipment can cross the border as a single unit, thereby reducing clearance wait times and associated fees. Once across the border, a consolidated shipment is then broken down, sorted, and directed to the appropriate distribution channel.

Route Optimization

Among the many positive contributions technology has made to the freight/logistics industry, the concept of route optimization has been among the most beneficial. Route optimization software helps companies better manage their distribution networks through the use of advanced algorithms. The process calculates the most efficient service option, maps out direct routes, and matches available trucks and drivers to make the delivery. In doing so, delivery routes become much more streamlined, meaning reduced mileage and lower fuel costs.

UPS, for example, reportedly has tweaked delivery routes so that drivers no longer make left-hand turns, since time spent idling wastes both time and fuel. According to a [Business Insider](#) report, UPS's comprehensive route optimization efforts helped the company shave 20 million miles off its routes while delivering 350,000 more packages.

Another example—consider the [benefits](#) achieved by Coca-Cola Enterprises when it employed route optimization software to help manage delivery of more than 1.5 billion cases of Coca-Cola beverage products throughout North America and parts of Europe. By developing advanced algorithms that took into account everything from local traffic patterns and driver working hours to infrastructure and fleet availability, the company was able to achieve \$45 million in annual cost savings.

While most businesses do not operate on the same scale as Coca-Cola, the concept of technology-driven route optimization applies to businesses of all sizes.

Distribution Center Bypass

Until recently a two- to three-day stopover was “baked in” to a standard distribution plan, regardless of whether or not it was needed. According to Supply Chain Digest, in some cases, a shipment was [required](#) to travel thousands of miles out of the way to make a distribution center stopover, only to make a return trip back to the vicinity of its starting point.

In recent years, businesses and logistics providers have realized the enormous waste in this arrangement. Instead, companies have opted to open regional distribution centers to accommodate local needs or have streamlined routes so that shipments can travel directly to their end destination.

DC bypass can eliminate 7-14 days from the supply chain, which represents a significant amount of inventory that can be taken out of the system. The shortened distribution cycle is a lifeline for businesses trying to rush products to market and for those simply trying to control costs and better manage transportation spend. Many retailers are discovering that DC bypass enables a reduction in inventory levels. This is because inventory that is constantly moving, rather than sitting idle in a warehouse, provides retailers a “real time” sense of supply versus demand. Some logistics experts have even predicted

that DC bypass will eventually mean the end of inventories—the supply chain will become synchronized to the point that retailers will be able to stock exactly enough inventory to meet their needs.

While no one is predicting the imminent demise of inventories, it is worth noting that DC bypass is having a noticeable impact on how retailers conduct business. [Supply Chain Digest](#) cites companies, including Kyocera, Best Buy, Kmart, and Target, that have all incorporated DC bypass strategies into at least part of their supply chain strategies. And the savings are not insignificant. By one account, if one day’s inventory is valued at \$100,000 and DC bypass shortens a distribution network by 7-14 days—the cost savings can be in the millions of dollars.

Intermodal Options

As the U.S. trucking industry continues to address the dual problems of tightened capacity and a severe driver shortage, a growing number of shippers are turning to rail and other intermodal options for long-distance shipments.

A 2013 [survey](#) of transportation managers found more than 66 percent of respondents have switched freight to different modes, with almost 38 percent saying they had switched to rail/intermodal.

When asked for the reasons behind the switch, the most common responses were cost efficiency (41.2 percent), more capacity (10.5 percent), improved reliability (8.8 percent),

greater efficiency (8.8 percent), and shifts in transit time requirements (6.1 percent).

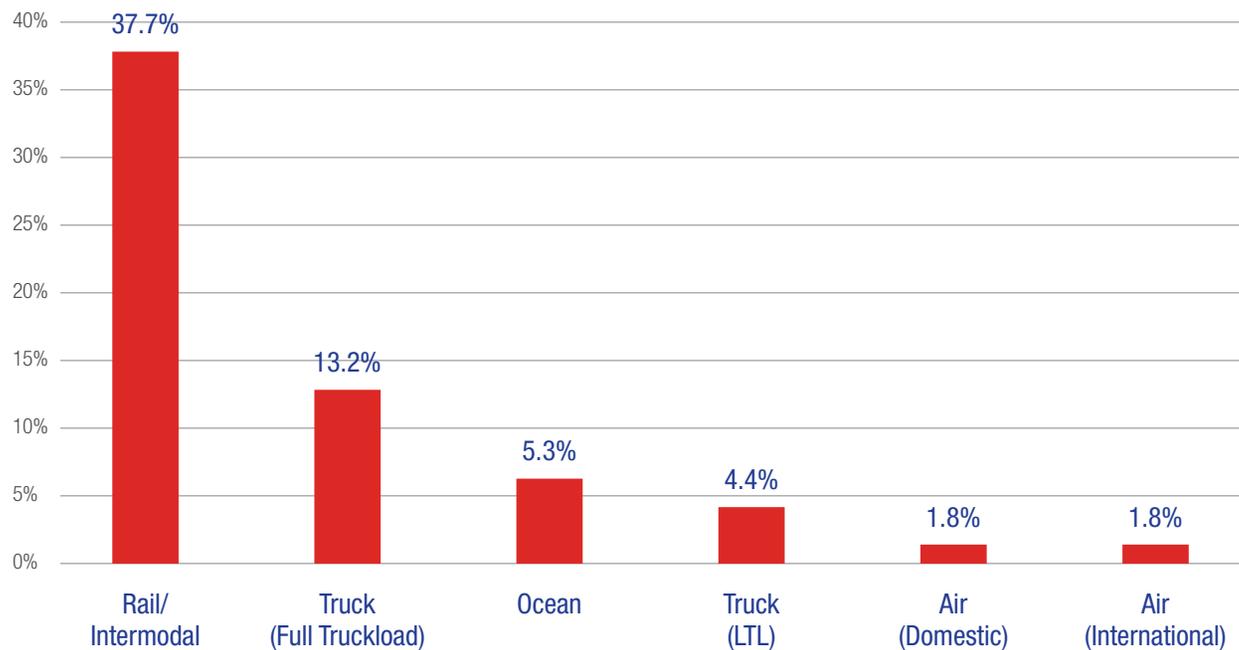
Rail transport—the primary venue for intermodal shipping—has undergone a transformation over the past 20 years. Whereas rail has historically been associated with long, slow journeys of cars filled with coal, grain, or oil, today’s railways are modicums of efficiency. The following are among the transformation that have taken place:

- The industry has become more streamlined to the extent that strategically located hubs support point-to-point cycles.
- Shippers are increasingly attracted to rail’s capacity to transport truck trailers on flatbed cars, including double-stack capacity.
- Rail offers a significant economical advantage when shipping freight over long distances, largely because of fuel efficiency. In general, rail shipping is 15-18 percent less expensive than shipping by truck.
- Significant infrastructure [investments](#) have made the nation’s rail providers more tech savvy, efficient, and environmentally friendly.
- Rail has made significant improvements in speed and consistency, making it more truck-like. According to [one rail provider](#), a rule of thumb is “truck plus a day.”
- Rail can transport a [ton](#) of freight, more than 480 miles on a single gallon of diesel.

WHICH MODES HAVE SHIPPERS SHIFTED TO?

NASSTRAC’s Freight Transportation 2013 Report showed that shippers are increasingly exploring mode alternatives, with 38 percent shifting to a rail/intermodal solution.

NASSTRAC 2013 STATE OF THE INDUSTRY REPORT



Source: [NASSTRAC 2013 State of the Industry Report](#)

Crossing the Border—Canadian Distribution and the Border Clearance Process

Businesses that ship regularly to the Canadian market face the added burden of customs compliance and ensuring that a distribution plan is in place for efficient delivery throughout the vast Canadian landscape.

A logistics provider with Canadian expertise can ensure a hassle-free border crossing and also help minimize associated costs. Various programs and processes are available to minimize duty obligations but a shipper must *know* about these opportunities. The programs are not advertised or in any way proactively offered to a business. Instead, a business must either commit internal resources to tracking U.S./Canadian border programs or do what most businesses do and enlist the services of a qualified logistic expert.

Duty Drawback

U.S. businesses are entitled to a refund of up to 99 percent of import duties paid on products that are subsequently exported. The refund is officially called a “duty drawback,” and the concept dates back to the earliest days of our country. The duty drawback process is administered by U.S. Customs and Border Protection, which considers the refund an “entitlement” rather than a “right.” As a result, the drawback filing process is very complicated and highly exacting. So much so that most businesses do not bother to apply for refunds to which they are legally entitled. In fact, more than \$2 billion in drawback funds go unclaimed each year.

Tariff Classification

Every product entering the United States must bear a 10-digit identifying code, as found in the [Harmonized Tariff Schedule of the United States \(HTS\)](#), which is maintained by the U.S. International Trade Commission. The HTS includes more than 17,000 different product classifications, and code assignments can vary based on slight product variations. Products that are misclassified run the risk of being assessed higher tariff rates than necessary or of missing out on trade benefit eligibility.

North American Free Trade Agreement (NAFTA)

NAFTA is the elimination of tariffs on virtually all [originating](#) goods traveling between the U.S. Canada, and Mexico. But determining whether or not a product fits within NAFTA's terms for “origination” can be tricky. Under NAFTA, origination is not restricted only to goods produced within the U.S., Canada, or Mexico. Instead, the agreement makes allowances for products to include percentages of non-NAFTA materials and still qualify for preferential benefits. To determine if a product is eligible for NAFTA benefits, it is necessary to consult NAFTA's [rules of origin](#), which specify content requirements for all products. Once a product is determined to qualify for preferential treatment, a NAFTA Certificate of Origin must be completed.

Trusted Trade Programs

The United States, Canada, and Mexico administer programs that grant expedited clearance to qualified participants. To qualify, a logistics or transportation provider must apply and undergo a rigorous screening process. These programs include the U.S. [Customs-Trade Partnership Against Terrorism \(C-TPAT\)](#) program, Mexico's [Alliance for Secure Commerce \(NEEC\)](#), Canada's [Partners in Protection \(PIP\)](#), and the joint U.S./Canada program [Free and Secure Trade \(FAST\)](#).

Non-Resident Importer Program

This is a program administered by the Canada Border Services Agency that allows U.S. businesses to compete “on a level playing field” in the Canadian market. U.S. businesses can act as “importer of record,” charge Canadian customers a landed cost at time of purchase, and enjoy a less onerous paperwork burden and clearance process.

Electronic Filing

Like most business transactions, the government has become increasingly computerized, with much of the regulatory process now able to be completed online. In fact, certain programs, including the Automated Export System ([AES](#)), must be complied with electronically—paper documentation was eliminated in [2008](#).

Logistics Partner Expertise

If your business does not have the internal capacity to hire a team of compliance experts, it's vital that you have that capability within your supply chain team—namely, your logistics partner. A qualified logistics provider will have staff in place who are continually apprised of changes in regulations that affect your industry and can not only ensure that your shipments are in full compliance but can also take advantage of any benefits to which you may be entitled, ranging from tax treatment to favorable trade provisions.

Returns Management

An often-overlooked part of a business's transportation spend are the costs associated with product returns. Product returns, which can account for as much as nine percent of a traditional retailer's sales or as much as [30 percent](#) for some eCommerce retailers, have received increased attention of late as (a) retailers are increasingly realizing that since 80 percent of returned products are not damaged, there is resale potential in retail outlets and other secondary markets and (b) consumer demand has heightened for seamless, efficient, and low-cost returns policies.

Integral to a business's returns policy is a well-planned and customized management process. Detailed planning will ensure a returns process that is economically efficient and satisfies both the business's needs and customer preferences.

The first step is to choose a logistics partner—and to choose wisely. A business will need to shop around, do its homework, ask a lot of questions, and make sure the logistics provider it selects has the experience, capacity, and capability to perform as promised. A few considerations:

Flexibility in Scheduling

Build a returns management strategy that gives you the level of service you need. Do you need to receive returns on a daily basis, or would a weekly or even biweekly schedule be more appropriate for your business?

Centralized Returns Centers

Where exactly do you want your returns delivered? A growing trend is to process returns at a dedicated returns center rather than via a traditional distribution center. A dedicated returns center allows businesses to focus resources and build best practices and, by one estimate, can be as much as [20 times more efficient](#) than having multiple processing points.

Border Consolidation

If a border crossing is involved, consider having your goods consolidated at the border so that many small shipments are allowed to clear customs as a single unit. Border consolidation can facilitate the customs review process and reduce costs as well.

Integrated Returns Material Authorization (RMA)

A returns authorization label can be preprinted and sent to customers with the outbound shipment, and the customer can fill in the RMA on that label. Or a web-based system can print a label after the RMA number has been assigned.

Multi-Channel Visibility

Customers are demanding that returns be handled quickly and with complete visibility into the process. Allowing visibility into the process can give customers direct information about the process of their return and some degree of explanation should a delay occur. Web-based portals allow consumers 24/7 access to information about their return. Key company systems—finance, customer service, warehousing—could be integrated to give customers updated progress reports.

Sustainability

It's also important to incorporate sustainability wherever possible. An obvious place to start is by finding "second lives" for returned merchandise. The 80 percent of goods that are returned with no defects can be sold in an outlet, a dollar store, or an "overstock" website. For returns that are defective, sustainability can be attained by repairing the good or by breaking it down to its component parts, which can then be sold on a secondary market.

Conclusion

The “[22nd Annual Study of Logistics and Transportation Trends: Masters co-create value](#),” profiled in detail by Logistics Management, found that during 2012 almost one-third of businesses spent more than five percent of total sales on transportation. This finding is supported by the generally prevailing sentiment among industry watchers that freight costs are on the rise. Tighter capacity, driver shortages, volume increases, and fuel cost volatility are each having an impact on the industry and will for the foreseeable future.

But the news does not have to be bad for shippers. A resourceful business can take advantage of any number of ways to control costs. Simple things, like not using an express service when a ground option will suffice or being mindful of unexpected accessorial charges can help control costs. And so can more sophisticated measures, like revamping a supply chain to ensure route optimization or avoid distribution center stopovers.

There are many, many options available to a business interested in reducing freight costs. But understanding which options might be beneficial can be complicated and time consuming. A qualified logistics partner can manage the process and put a business on track for significant, even surprising, cost reductions.

Purolator. We deliver Canada.

Purolator is the best-kept secret among leading U.S. companies who need reliable, efficient, and cost-effective shipping to Canada. We deliver unsurpassed Canadian expertise because of our Canadian roots, U.S. reach, and exclusive focus on cross-border shipping.

Every day, Purolator delivers more than 1,000,000 packages. With the largest dedicated air fleet and ground network, including hybrid vehicles, and more guaranteed delivery points in Canada than anyone else, we are part of the fifth largest postal organization in the world.

But size alone doesn't make Purolator different. We also understand that the needs of no two customers are the same. We can design the right mix of proprietary services that will make your shipments to Canada hassle free at every point in the supply chain.

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