



TOP 6 WAYS MID-SIZE SHIPPERS CAN PROTECT THEIR BOTTOM LINE

With macro-economic challenges not seen in decades, many mid-size companies are seeing transportation costs eat into their profit margins like never before. Let's take a look at the critical strategies you can put in place to protect your margins, improve your bottom line and create a competitive advantage.



1

Review, update and standardize your freight policies

If you haven't updated your freight measurement and freight charge policies in the last 2 years, it's likely you are leaving money on the table. Reassess your approach now. One common mistake is measuring freight cost as a percentage of sales revenue, which may have been acceptable in years past but today leaves you blind to key information you can manage to your advantage. It is critical to profile each customer and measure the impact of freight costs on an individual customer/order basis.

2

Establish a "profit center" freight mark-up policy

Don't simply pass along freight and handling costs - they have risen significantly and continue to be volatile. A reasonable mark-up policy that adjusts with the market will provide you with profit protections. Consider adjusting product cost bases to reflect differential freight intensities.

3

Use free freight offers intelligently

If you use free shipping as an incentive to drive order volume, be careful that your thresholds make sense from a net profit perspective and are truly pushing volume. Regularly monitor the portion of total orders that qualify for incentives and be diligent about consistently applying your freight mark-up policy for all shipments that don't qualify.

4

Resist one off alterations to your freight policy

A sales team would naturally want to satisfy a client to win a sale, but giving them the flexibility to alter the freight policy this one time can undermine the profit protection purpose of the policy. Distribution centers may also attempt to skirt the policy as well for some shipments. Incentives could help ensure adherence to the company policy.

5

Be vigilant in preventing lost opportunity savings

It may seem logical to stick with one carrier — whether because of anecdotal evidence or just for simplicity's sake, but shippers can benefit from being open to less expensive options when outcomes are comparable. Managing the selection of distribution centers can often result in significant savings. Always incorporate additional delivery services such as residential fee and liftgate fee at the outset of the order — these can be pre-programmed into a transportation management system (TMS) for efficiency

6

Automate and integrate

Tie your company's ERP systems to a TMS with structure to optimize freight strategy. You'll gain a control tower perspective over your entire supply chain, improve data-based decision making, minimize lost opportunity and maximize the contribution of your shipping operation to your company's bottom line.

Companies that follow these guidelines can gain an edge over their competitors. As freight costs rise, their revenues will adjust to offset the increase — while peers who are not as nimble will see profits pinched by rising freight costs.

These are just a few of the strategies the KDL team helps our customers implement every day. We can deliver exceptional, tailored outcomes based on your specific needs, priorities and supporting data. Contact us at kdlog.com to get started.



People Drive Logistics

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