



3 Big Misconceptions about Small Package Negotiation



Small package is big business.

Love it or hate it, everyone understands the necessity of effective small package contract negotiation strategy in today's hypercompetitive economy. Less clear, however, are the ingredients necessary to concoct a winning strategy.

Shipping costs can be the driving force behind a start-up's meteoric rise, or the last straw before legacy retailers are forced to shutter their windows and doors.

The Internet can be a wonderful place, but as [Business Insider reported](#) more brick-and-mortar retail stores closed — 6,000 — in the first third of 2019 alone, than in the whole of 2018, an "apocalypse" almost solely due to the continuing domination of online commerce.

E-commerce has ushered in an unprecedented wave of competition during the last decade, leaving companies with fewer ways to trim operating costs to gain an edge. The universal truth in business, across all industries, is that merchandise has got to get where it's going; whether that's to the store it's sold in, or to the front door of the customer who bought it.

That means that companies must evolve to pay less, lest they potentially meet the fate of Payless.

For several reasons, though, companies often hesitate to assert control when they compare shipping prices and ultimately fall victim to baseless misconceptions that erode what little margin remains.

Sometimes the reluctance is rooted in misunderstanding your "rights" as a customer. Shippers that take a stand against rising shipping costs — rather than simply accept the rates their carrier gives them — end up with the best shipping rates.

It's that simple.

As the market for cheaper small package shipping continues to grow more complex, it will get harder and harder for shippers to navigate discussions with their carrier representatives and arrive at a market-appropriate small package bid alone. In many ways, the shipping companies (primarily FedEx and UPS) hold all the cards, and it can be tough even for seasoned small package executives to get the best shipping rates for their company.

The ugly reality is that when most small package execs go it alone, they inhibit their company's ability to pull costs in line with the rest of the market. This costs companies millions, collectively, each year.

Here are the **three most common reasons** decision-makers say they can't negotiate a better small package agreement than the one they have:

I can't lower my shipping costs because my small package agreement hasn't expired yet.

The key word here is agreement. An agreement, not a contract, is exactly what you have with your small package carrier. Understanding the difference between a contract and an agreement is paramount when you compare shipping costs to see if you have the best shipping rates. Most carrier agreements lack essential verbiage needed to form a legally binding contract.

It's surprising how few executives realize that their agreement can be revisited at any time. Most small package agreements contain language allowing either party to terminate the agreement.

Markets and costs change fast in the logistics industry — this means your "great" rates can quickly become above market. That is why it's important to understand that carrier agreements are not permanent. Optimizing your shipping costs means keeping your rates and contracts current with where the market is today.

The truth is, you can negotiate anytime. The average company does so every 13 months; not surprising when you consider that both carriers increase their list rates every 12.



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My small package carrier says I can't use a third party to help me compare shipping costs.

Make no mistake, you aren't the only one negotiating here. Small package carriers are expert negotiators out of necessity. The profits they deliver to shareholders depend on winning business at the highest possible margin. You can be sure that behind your smiling sales rep there is a team of pricing engineers and analysts who understand your small package spend better than you do.

Of course, both major small package carriers have accountants and lawyers that understand their taxes and legal issues better than they probably do, too. That's why they hire outside help. The difference is that a carrier knows shippers (for now) only have two viable options. If a carrier threatens to move you to published rates or refuses to negotiate more favorable shipping costs if you decide to hire an expert, then you may want to ask yourself how strong your partnership really is.

You can't negotiate the best shipping rates when the chips are stacked against you. The right third party understands how to be fair to both sides and still make money. They will maintain carrier profitability while protecting your best interests.

I can't share my small package data with someone who can tell me if I have the best shipping rates.

This is another strong-arm tactic used by the carriers. A legal expert will tell you that you own your small package data. Carriers know that shipping data is vital to obtaining the best shipping rates, but they can hang their hats on the fact that most companies don't have the tools or experience to leverage their data effectively. That is, of course, unless you hire someone who has the right resources.

Preparation is the key to negotiating small package agreements, and the prep work can't begin without gathering data about your business. If you need it, don't be shy about insisting that your carriers provide complete reporting on your shipping patterns and volumes. Remember, that data belongs to you. Don't make assumptions.

You would be hard pressed to find anyone, from either carrier, that is purposely out to hurt your business. FedEx and UPS are two of the most revered businesses in the world, and for good reason. They are great companies and have great people working for them.

But they have jobs to do and interests to protect just like you do. When it comes to obtaining the best shipping rates for your company, it boils down to resources, information and intelligence. And most of you reading this will have less of all three relative to your carriers' understanding of how your small package shipping costs compare to what's available in the market.

In the end, however, you know your business better than anyone. Don't close the door on teaming up with a partner to help you compare your business to others in a way that will help you thrive.

It's hard enough keeping the doors open as it is.

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Transportation Impact is the industry leader in small package negotiation. Our team is comprised of former executive-level carrier pricing personnel and has more than 300 years of combined pricing experience. While other companies rely solely on data to determine what a company's rates should be, our pricing experts go a step further. After we conduct a thorough analysis of a company's carrier invoice data, our pricing team makes personal adjustments based on proven pricing experience to tailor the results to a shipper's exact specifications. That's why we are the only company in the industry that will guarantee our savings projections, in writing, to the tenth of one percent. Call one of our friendly in-house experts to schedule a web demo today at (252) 764-2885. Or, if you have 96 seconds to spare.