

6 Ways to Significantly Reduce Your Shipping and Packaging Costs

1. Always ask for lower rates

Remember, published rates are list prices; if you ship any type of volume at all you should be able to get discounted rates. If you don't ask you can be sure you won't get them. When you do ask, make sure you point out that you are also asking the competition for their best rates. The knowledge of competition has always proven to be a very strong motivating factor.

One company I worked with was spending over \$2,000,000 a year in shipping costs had been getting a 5% discount for years. When I found this out I immediately began shopping for alternative carriers while making this very clear to the carrier they had been using.

The end result, after a few hours of negotiations spread out over a few weeks was that the carrier they had been using for years now provides this company with a 31% discount. This saved them over \$500,000 a year.

By not being aggressive and proactive in this area, this company lost out on millions of dollars in savings over the years.

2. Ask your primary carrier for hardware allowances

One company I work with is provided with over \$10,000 a year in computer hardware allowances that they can use to purchase whatever shipping computer hardware or scales they wish. They are given a percentage of their shipping costs each year. This is 100% free money. But you must ask for it. Do not expect it to be offered.

Another company I worked with was able to get 7 new computer terminals and monitors a year on average by simply requesting them. But not once in 25 years had a single piece of hardware ever been offered until it was requested!

3. Collect on the guarantee

Companies like UPS provide guaranteed delivery times; if they do not deliver within the time frame they promised you, do not pay. The problem of course is tracking this if you have any volume of shipments. Look into companies like Ship Watchers and Bird Dog. They have the technology to track all of your packages and they will collect all of your refunds for late delivery. They charge 50% of what they save you and they do all the work. This should save you 2% to

5% a year on your UPS costs. Depending on your size, this could add up to a great deal of money.

4. Save all your incoming boxes to use in conjunction with your outgoing shipments

At an average cost of .50 to \$1.50 per box or more, even reusing 100 boxes a week will save you \$50 to \$150 or more a week. Over the course of a year this will save you \$2,600 to \$7,800 or more a year. The more boxes you can reuse, the more you will save. It should be a very simple matter for a larger company to save \$25,000 to \$100,000 or more simply in this one area. Don't even think that you can't do this. You can and you should.

Do you want to reduce costs by 5%? Then don't tell me you can't start here by reusing 5 out of every 100 boxes. You should be able to reuse 50 out of every 100 boxes. Your goal should be to reuse 100 out of 100 boxes. This is one area that you can, with virtually no effort, reduce costs by 50% or more.

Furthermore, you will realize a secondary savings in the area of trash disposal and labor since you are not having to spend time breaking up boxes for the trash or receiving shipments of boxes.

Of course, as always, a cost savings means increased cash flow and the opportunity to put the money you have saved to better use in other areas of your operations.

Don't keep this a secret. Use this to perpetuate your image. Stamp your boxes with a message indicating you are being environmentally responsible by reusing boxes and suggest your customers do the same. The goodwill you generate will be a nice bonus.

One small distributor I know of has used this strategy to save over \$40,000 per year. Since his profit ratio was about 2.5%, this savings was equal to the net profits from \$1,600,000 in gross sales!

Before we move on, let me give you two tips to remove what might be two objections to recycling boxes. First, if you are worried about your customer seeing your supplier's name on a box that you might be reusing - I fully understand this. A simple and inexpensive way to deal with this is to use a tan spray mask for all boxes that carry the name of some source you do not want your customer to see. This is simply a can of tan or box colored spray that masks the name and makes the area look the color of the box. This can be found in many shipping supply catalogs.

The second objection that I would consider a valid reason to recycle fewer boxes is that the incoming boxes are not the right size for your outgoing shipments. This can be overcome in many cases by using a product called a box or carton sizer. This is a simple hand held tool that re-sizes oversized boxes. It will allow you to cut a box to the perfect size for your product thereby allowing you to reuse more boxes and cut down on the need for so much packing

material. A better fitting package will also reduce your damage ratio on shipped products. The cost is about \$18 and, again, it can be bought from many shipping and packing supply houses.

5. Break up all incoming boxes and cartons you can't use

If you can't use certain boxes to ship out your products in, use them as packing material for your outgoing shipments. You will cut down on packing costs and disposal costs.

6. Reuse all packing materials you can

Keep large boxes or bins to save the various types of packing materials you receive and that are suitable for your type of outgoing packages. These would include foam peanuts, poly bags, packing paper, cardboard, etc. This should be kept near your shipping area so the shipper can use it as needed.

You also will reduce your trash disposal costs.

Many of the products you receive are shipped in packaging materials that you can and should reuse. From peanuts to bubble packs, from cardboard to packing paper, these materials can be used by your company for a variety of outgoing shipments. You should easily be able to reduce your packing material costs by 50% or more. Depending on what you ship and receive, you may be able to eliminate these costs entirely. This is another strategy that is both economically smart and environmentally sensitive.

If you think small savings like this won't add up to enough to make the effort worthwhile, let me tell you about one small distributor I know who uses these strategies. He saves over \$30,000 a year by reusing boxes and packing material.

This edition of The Welch Report has been provided by Derrick Welch the author of **'In Pursuit of Profits: How to at Least Double your Profits Without Increasing Your Sales'. Including 1,000 Cost Control, Expense Reduction, and Income Producing Strategies You Can Start Using Today To Dramatically Increase Your Bottom Line.**

And **'Defy Mediocrity. Choose to be Uncommon. Think of the Alternative'**.

Derrick is dedicated to providing you the tools you need to dramatically improve the bottom line of your company and the direction of your career. For more information please visit: Derrickwelch.com.