ONE MORE PALLET
Ship a Little, Save a Lot!

Freight Shipping Guide for Small Businesses

Understand how it works, and how to get the best pricing.

Learn the following about freight shipping:

- How it works
- Industry trends
- How it is priced
- How it is discounted
- How it is ordered
- Who are the providers

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The small business dilemma

Small businesses that ship only a few pallets a week/month/year are challenged by one major problem: the freight industry was designed for large volume shippers. Small business owners with limited shipping experience often feel overwhelmed as they navigate the freight industry.

Shipping should be easy

In a perfect world freight shipping would be simple. A business owner could trust that from point A to point B, their goods will arrive safely at their destination for a reasonable cost.

Variables such as fuel costs, carrier reliability, discounting and delivery time tables make shipping a complex and confusing business. This paper focuses on the realities of the freight industry for small businesses that ship freight on an occasional basis.

Transportation spending will continue to rise

Transportation costs for shipping freight will continue to rise based on several factors, including: rising fuel costs, government regulation and a driver shortage. As oil supplies continue to dwindle while consumption increases, the rising cost of fuel directly affects the cost of freight shipping.

New government regulations in the form of driver service hour limitations, improved tracking of drivers and transportation fleets, trade agreements, truck power unit mileage requirements, and idling and sustainability initiatives all lead to increased costs and complexity and less driver productivity per day.

There is also a current shortage in the trucking industry by about 30,000 drivers (source: Council of Supply Chain Management Professionals (CSCMP) State of Logistics Report). The driver workforce is aging and more than 10 percent will retire in the next 10 years.

Lastly, fleet and network capacity, weather and other unforeseen events are always influencing transportation costs.

Market terminology confusion

Even seasoned logisticians and shipping veterans are ever amazed at the terminology coming out of the supply chain management (SCM) industry. For the typical small business owner, the amount of industry jargon is overwhelming. No one has time to learn the meaning of terms such as: lumper, dead-heading, backhaul, carriage, theory of constraints, lead logistics provider, efficient consumer response, last mile, merge-in-transit, intermodal, zone skipping, narrow aisle, slip sheet, kaizen, etc. Worse yet is the alphabet soup of transportation acronyms: TMS, YMS, OMS, LMS, VMI, 4PL, RFID, JIT, WMS, TOC, etc.

Freight shipping sales representatives may use these terms in order to identify the less experienced supply chain professionals. Understanding and being able to decipher these terms and sales pitches is key to finding the best price for a freight shipment.

Understanding freight pricing

When starting the process to get a quote on a freight shipment, there are many questions often asked by small business owners about the price/rate/lane:

1. How can I determine the right price for a pallet shipment?
2. What is the retail rate?
3. What is a good rate for a particular shipping lane?
4. What differentiates a good rate from a bad rate?
5. How much can I negotiate?

The answer for most of these is typically "it depends," however, when it comes to shipment size there is one consistent truth: large volume, consistent shippers who ship full truckloads can negotiate better rates.

It is more challenging to negotiate a significant discount with the less-than-truckload (LTL) carriers that generally service businesses with small or inconsistent shipping needs.

Less-than-truckload (LTL) shipping

In simple terms, less-than-truckload shipping is when individual pallets of products are shipped in a trailer powered by a truck power unit and driver. Carriers can increase their earnings by consolidating their loads of customer pallets in a trailer and maximizing available space. Every truckload is restricted in the amount it can carry by one of two factors:

1. Reaching maximum weight (weighting out) or
2. Reaching maximum physical space capacity (cubing out)

Other complexities such as driver hours, weather, specialized equipment, delivery windows, temperature control and more are also considerations, but at the most basic level, space and weight determine the maximum amount of freight a single truck can carry.

Carriers make more money by having full loads. When a carrier can consolidate LTL shipments to create a full truckload, they maximize profits, get better yields and optimize their routes. Often, they'll utilize a consolidation center and a Transportation Management System (TMS) to ensure the highest possible efficiency.

There are many factors that determine the going rate for LTL shipping, including the method for buying these services.

Not all discounts are created equal

All freight pricing begins with a list rate sheet, often also referred to as retail pricing. Most LTL carriers use the CZARlite, which is a standardized, carrier-independent, baseline rate sheet for transportation and LTL carrier rates. These rates along with mileage (as determined by PC Miler or Rand McNally) are plugged into a TMS to help carriers optimize their loads.

Discounts ranging from 30 to 50 percent off retail pricing seem like a great deal, but confirming this is challenging.

In most cases, the variables come down to who is selling the LTL service, and how they make their money.

Channels for obtaining LTL space

- **Account Representative —** Account representatives work for the carrier and usually earn a commission on the space they sell. They often use incentive gifts to encourage orders from large accounts. Small volume means small commissions so these representatives usually seek out the large volume shippers.
- **Broker —** Brokers work as a conduit between the shipper and the carrier, finding available space and arranging the price. While this channel is convenient for a shipper that is uncomfortable negotiating rates, and simply requires a call to the broker, it is important to remember that the broker's objective is to make a commission on the transaction.
- **Expedited / Big Brand shippers —** This includes FedEx and UPS. These big names often come with big prices, and shippers will rarely see the types of freight discounts here as are found with other options.
- **Independents —** There are independent, local carriers not found through traditional channels. Typically these are found in the yellow pages, or through word-of-mouth. They can sometimes provide low rates, but without the "checks and balances" that come with a traditional channel it's difficult to determine their reliability and service quality.
- **Mailbox Service Storefronts** — These businesses can ship freight, but often at a very high premium without many options. Since 2001 many of these competing local independent service providers have been acquired by UPS® and FedEx®, which have deployed standardized corporate pricing.
- **Online Load Boards and Shipping Websites** — This channel is good for the do-it-yourself shipper. Load boards allow the shipper to negotiate directly with the carrier. These both enable the shipper have more control over the process, and potentially negotiate a good rate off of retail pricing, however it is more time consuming. In order to be successful, it is important for the business owner to understand what a good rate would be, avoid "bait and switch" tactics, and be confident in negotiating a price.
- **Post Office** — The local post office does not offer freight shipping.

The OneMorePallet model

OneMorePallet is a freight shipping website, however, its differentiation is based on who its key customers are, and how it gets discounted rates. OneMorePallet helps small businesses reduce freight costs by filling unused truck space. Similarly to how Priceline® identified that the unfilled seats on airplanes and unfilled hotel rooms can and should be filled at a discount, OneMorePallet can fill unused space for select truck carriers at a big discount.

Using its proprietary Pallocator™ technology, OneMorePallet is able to find available empty space at prices that are discounted 20 to 50 percent off of **already discounted** retail pricing.

For carriers, that means trucks and trailers that were previously operating inefficiently by shipping air, or unsold space, are now shipping extra pallets. Even by offering a higher discounted rate on these pallets, carriers are still improving their bottom line.

For small business shippers with delivery time flexibility, it means that regardless of how often they ship, they can get their pallets from point A to point B at deeply discounted rates on trusted, national carriers.

Small business owners can also use OneMorePallet to arrange for inbound shipping (also known as free on board, or FOB) in order to get discount freight shpping on goods purchased from vendors instead of using their vendor or supplier's carrier or shipping method.

To learn more about OneMorePallet, please visit **www.OneMorePallet.com.** This guide is a collaborative content project between OneMorePallet and Bluewater Consulting**.**

About OneMorePallet

OneMorePallet is a discount freight shipping site that helps small businesses reduce shipping costs by filling unused truck space. Our Pallocator™ system instantly matches pallet shipment needs to excess available space at great rates with national, name-brand carriers. If delivery timing can be flexible, savings can be big — up to 50% off already discounted retail prices. The online quoting and ordering process is fast, credit card payment is easy, and delivery service network is reliable. OneMorePallet enables small businesses to save money and time on freight shipping, regardless of their volume, and helps carriers fill their truckloads and operate more efficiently, resulting in improved profitability.
Visit **www.onemorepallet.com** or call **855.438.1667**.

About Bluewater Consulting

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