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Coaching to master your world

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Delivery Savings Made Easy

by Helen Ewing

For many small to medium sized businesses, delivery charges are a substantial part of their annual budgets. If you think about it, delivery charges occur for items a company receives as well as for items it ships. It is not just something manufacturing companies are concerned about but service based companies as well. Products are shipped, supplies are received, items are sent to laboratories for analysis, proposals are delivered, reports are distributed, newsletters transmitted and designs are communicated. Delivery methods are not only trucks, air planes, railroads and ships. Many deliveries are electronic using several types of software products communicating over specific Internet band widths. Data communication is not free, have you looked at your phone bill, web, text, and email charges lately? Now, multiply that by several orders of magnitude for a larger company.

What things should be considered in order to save money in delivery charges?

Negotiate the rates. Typically, rates are based on volume in terms of, frequency, weight, and size. Contracting with carriers promising a specific level of volume over a specified time, can reduce overall annual costs. Further adding a contract clause where a year-end discount is given in the event the actual volume exceeds expectations is another way to save.

Consolidate carriers. In short, consolidate delivery methods into as few as possible to meet the greatest demands of the company. Reducing the number of carriers allows for increases in volume with fewer carriers for a greater rate advantage.

Exception based urgency. Not all items need to be received or shipped using the fastest methods available, especially when the expedited time is more expensive than a slower, less costly delivery method. The mentality that the item is small or does not weigh much, can really add up to astronomical amounts if done frequently. Effectively communicating this to employees helps them decide the best method to fit the situation if the choices are convenient and well defined.

Telecommunications review. Periodically, review telecommunications methods (phone, internet) as well as software for consolidation. Are there software packages that could combine functions of multiple departments into one software package to save money? Have frequent discussions with providers to identify where these kinds of consolidations can be made to bundle several functionalities into fewer providers for less money.

In closing, evaluate where the bulk of dollars are being spent in your company. Identify and group the providers by functions they fulfill. Determine their annual charges and create a strategy to consolidate them based on what bundled services they can provide at lower rates.