

Reducing Courier Services Expenses:

The Secret Is In The Details

Even with the amazing degree to which technology has changed the way business delivers information, many businesses have a legitimate need for Courier Services. As with virtually all vendor-provided services though, there exists an opportunity for cost abuse which eats away at profits; the abuse may be due to internal complacency, the absence of expert information or an inability to act on available information.

The services provided by courier companies can be divided into two general categories. The first category, "On-demand" or "Special(s)," is reserved for the pick-up and drop-off of a single package requiring same-day delivery. The second category, "Routes," generally encompasses all services that are scheduled on a regular cycle like daily (or overnight) mail bags, post office runs, recorder's office runs, bank deposits and dedicated couriers employed internally. Determining which type of service to use is dependent upon the nature of the delivery, time sensitivity and package preparation planning.

ON-DEMAND SERVICES: WHAT TO LOOK FOR

Are your branch personnel properly educated regarding the benefits of proper planning? On-demand service levels can vary from immediate (direct) delivery to delivery within 6 hours (same day). Courier costs are considerably higher for "rush" jobs than they are for deliveries allowing more time. Do personnel carefully evaluate the urgency of a delivery before choosing the service level? Often, such an assessment may result in determining that the use of an overnight shipping service such as UPS or FedEx can be used instead, avoiding the substantially higher rates of the courier service. If shipping is an option, a rate comparison should be calculated taking distance and package weight into consideration.

Are your personnel aware of the availability of the Route Service?

Utilization of this service typically results in savings of 50-80% over the more well-known "On-demand" service.

Is the vendor applying the same discount for all locations within the organization?

As the volume of usage rises, the vendor should provide special rates, and these discounted rates should apply to all branches or locations within the company.

Do vendor invoices provide sufficient detail?

In order to ascertain whether the rate for each delivery is appropriate, the invoice must include the total cost (itemized if other than a one-way delivery), pick-up and delivery address, the level of service, the date, and the times of order placement and package delivery. Omitting any of this information precludes verification and provides opportunity for overcharging.

FLAT RATES VERSUS POINT TO POINT

Flat rates are priced in relation to pick-ups or deliveries within a given zone, usually encompassing the high-density traffic areas of the downtown area of a city and some of the nearby suburban locations. Points located beyond the standard zones, are billed at a rate based on distance (miles). Flat rates are advantageous if the distribution of activity is greater to the extremities of the zone. If however, the majority of activity takes place at points that are just inside the zone (in relation to your location), then distance-based rates may warrant consideration. In order to make this determination, the customer should request and receive a printed schedule of the rates for each level of "On-demand" service. Otherwise, it will be difficult to monitor the fees charged for pick-ups and deliveries. As an example, it is not uncommon to find that office supplies, janitorial products and refreshment products are being distributed to branch locations by couriers because the central office is the only consignee (ship-to location) for these products. Costs can be substantially reduced in these situations by having the supply vendor set up multiple consignee locations under a main account.

ROUTES: WHAT TO LOOK FOR

Routes need to be reviewed on a regular basis to ensure that frequent pick-up and delivery points are included, and that points considered infrequent or irregular are excluded from the route. The scheduled pickups should accommodate the ability of staff to have packages properly prepared and ready for the courier's arrival. Invoices should reflect the current rate for actual service provided, so as to prevent, for example, being charged for 10 locations when only 8 offices are active. Due to the extended relationships developed between courier services and courier coordinators, personal friendships often lead to a failure to review rates and evaluate service on an ongoing basis. Rate creep (increases) goes unchallenged as the coordinator feels that the vendor would not charge "their buddy" more than necessary, and have no reason to doubt that the level of service is the best available for the price. Managers responsible for expense reduction solutions are often surprised when they find that other couriers can provide the same or better service at lower prices under these circumstances.

VENDOR COMPETITION

Whether with respect to couriers, or any other area of administrative services, it is in an organization's best interests to utilize multiple providers for identical functions. This promotes vendor competition and ultimately results in better prices and higher service levels.