

//FREIGHT THINK

PARCEL CONTRACT

OPTIMIZATION

Small package delivery costs have a significant impact on profits across all industries. Companies who partner with experts to optimize their small package shipping costs, **win**.

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BENEFITS OF OPTIMIZING CONTRACTS

Cost Savings

Optimizing parcel shipping contracts allows businesses to secure better rates and discounts, resulting in significant cost savings on shipping expenses.

Customized Solutions

Businesses can tailor their shipping contracts to align with their specific needs, ensuring ideal service levels and operational efficiency.

Improved Service Quality

Companies can explore enhanced service offerings, such as faster delivery times, real-time tracking, and better customer support.

Leverage Competitive Landscape

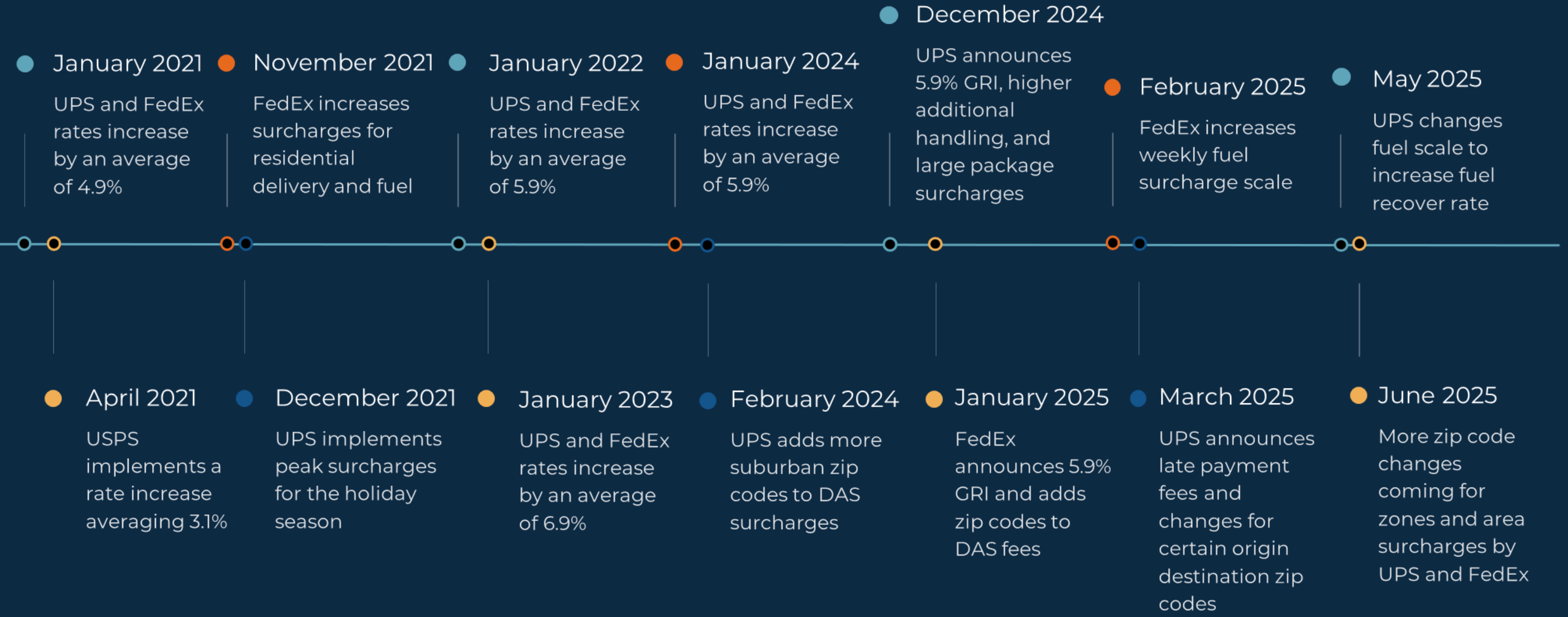
Businesses benefit from changes in the competitive landscape, making the most of new market dynamics and pricing strategies.

Align with Evolving Business Needs

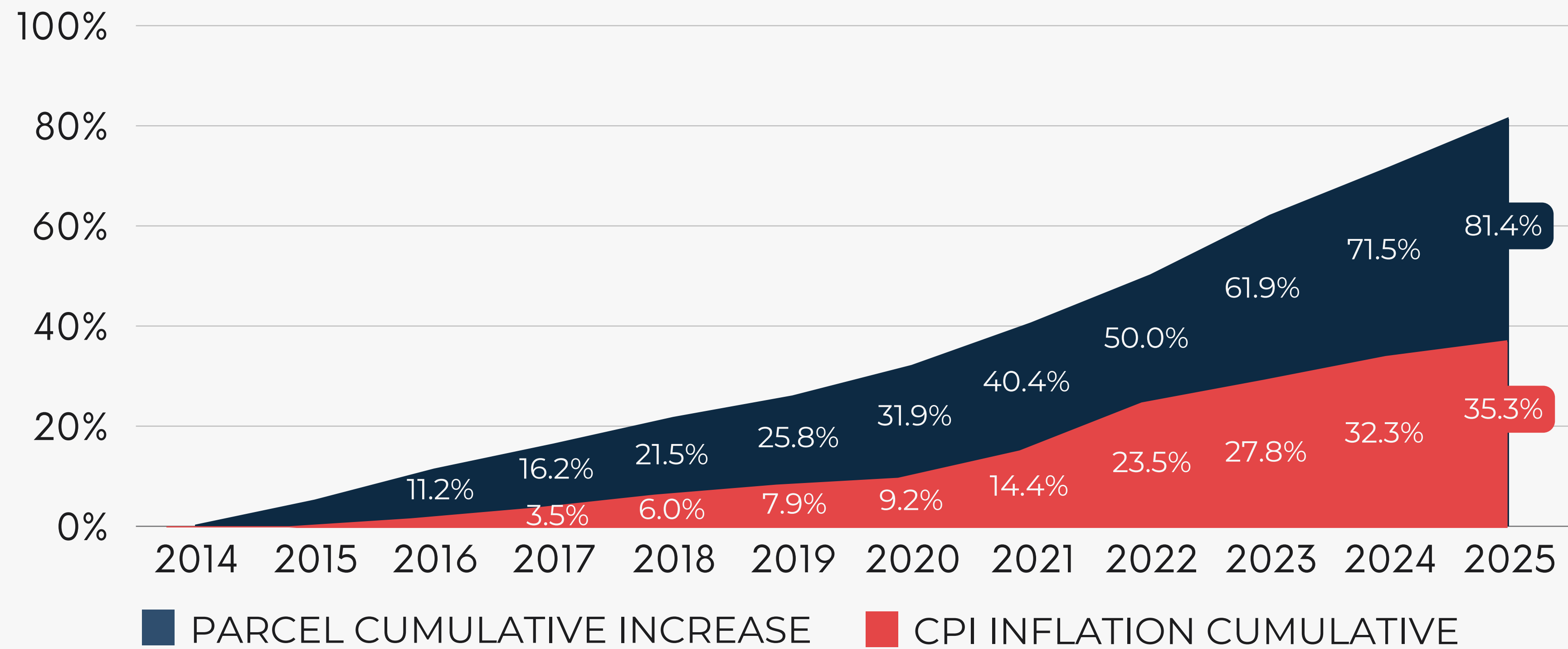
As businesses grow or shift their strategies, optimizing shipping contracts supports keeping the terms and conditions aligned with their evolving requirements.

CARRIERS REGULARLY INCREASE AND ADD NEW FEES AND SURCHARGES

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CUMULATIVE EFFECT OF RATE INCREASES



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Rate increases outpacing inflation make existing discount structure obsolete

EXAMPLE	2020	2021	2022	2023	2024	2025
Annual Rate Increase*	4.90%	5.50%	6.5%	6.5%	5.9%	5.8%
Undiscounted Charge	\$13.27	\$14.00	\$14.91	\$15.88	\$16.83	\$17.59
Base Rate Discounts	60%, \$2 off Min	60%, \$2 off Min	60%, \$2 off Min	60%, \$2 off Min	60%, \$2 off Min	60%, \$2 off Min
Net Charge	\$6.23	\$6.76	\$7.36	\$8.10	\$8.70	\$9.32
Annual Inflation Rate (CPI)**	1.8%	1.2%	4.7%	8.0%	3.2%	2.3%
“Inflation Adjusted” Net Charge	\$6.23	\$6.30	\$6.60	\$7.13	\$7.36	\$7.53

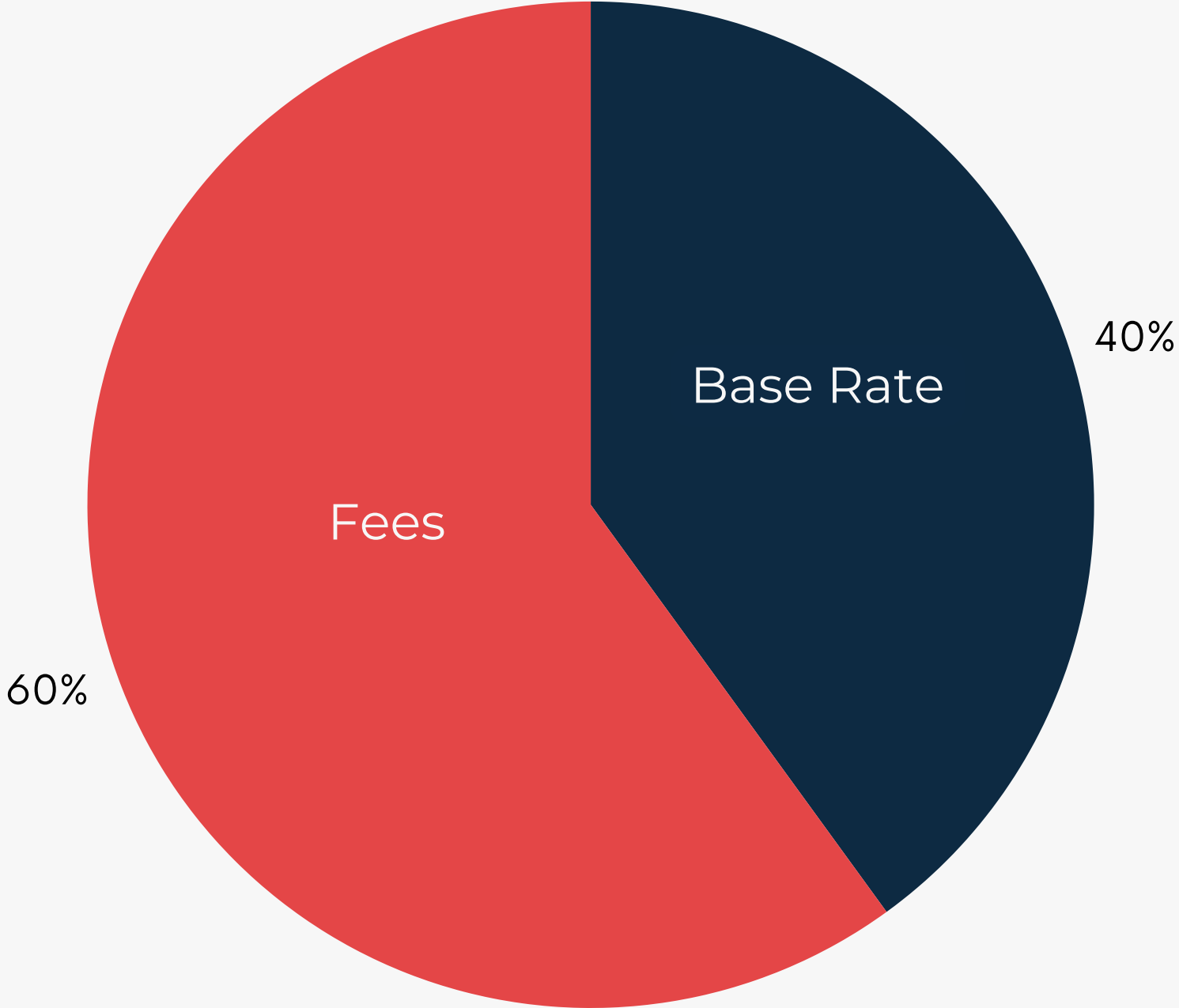
Net charges are at least 17.7% too high. Discounts need to increase regularly to offset this behavior.

*Average annual parcel rate increases based upon published tariff from major parcel carriers

** CPI data as reported by the UD Dept. of Labor Statistics

BUT THAT'S NOT ALL. WHAT PERCENT OF YOUR COSTS ARE ACCESSORIALS?

Component	Description	Percentage
Base Rate	The base cost for shipping a package based on weight and distance	40%
Fuel Surcharge	An additional fee to account for fluctuating fuel prices	15%
Residential Delivery	A fee for delivering to residential addresses	10%
Peak Season Surcharge	An additional charge during high-volume shipping periods	20%
Other Fees	Additional charges for special services or handling	15%



THE SHARP RISE IN FREIGHT COSTS, EXCEEDING THE INFLATION RATE, HAS A DISPROPORTIONATE IMPACT ON YOUR OVERALL PROFITABILITY!

EXAMPLE	2020	2025	
Revenue	\$100.00	\$122.99	add'l 23%
Product Cost	(\$50.00)	(\$61.50)	add'l 23%
Labor / Other Expenses	(\$40.00)	(\$49.00)	add'l 23%
Freight	(\$6.23)	(\$9.32)	add'l 33%
Profit	\$3.77	\$3.17	
Margin %	3.8%	2.6%	
		-16%	

*Model assumes that revenue and non-freight expenses increase at rate of inflation (cumulative 23% per US Bureau of Labor Statistics). Freight expense increased at 33% (US parcel average published rates.)

WHY NOW?



RATES FALLING for those who demand

- Parcel volumes flat post Covid highs
- Strong regional competition
- Volume shift prior to threat of UPS Teamster strike
- Amazon Parcel is now the largest parcel shipper

RATES RISING for those who delay

- Annual rate increase 5-7%
- Hesitation to renegotiate mid-contract
- Worry that service might be impacted
- Too busy with other critical objectives



[illegible]

Name of Surcharge	Application	Applicable Zones
Additional Handling Surcharge - Packaging	Home Delivery US, Ground US	All Zones
Additional Handling Surcharge - Dimension	Home Delivery US, Ground US	All Zones
Additional Handling Surcharge - Weight	Home Delivery US, Ground US	All Zones
Adult Signature	Home Delivery US, Ground US	All Zones
Indirect Signature	Home Delivery US, Ground US	All Zones
Direct Signature	Home Delivery US, Ground US	All Zones
Email Return Label	Home Delivery US, Ground US	All Zones

WHY DO SHIPPERS NEED A SPECIALIST TO HELP WITH PARCEL STRATEGY?

1. Parcel carrier contracts are intentionally complicated
2. Dozens of accessorial and add-on fees
3. Constantly changing terms (fuel surcharge scale, new DAS zip codes)
4. New fees are being added (ex: Remote Area Surcharge, Demand, and Peak Season)
5. Typical parcel invoices are un-auditable file formats.

COMPETITION AMONG SMALL PACKAGE PARCEL CARRIERS IS CRITICAL AND PROMOTES BETTER SERVICE AND RATES FOR SHIPPERS





WE DO THE HEAVY LIFTING TO ENSURE THAT YOU...

...gain insight into the latest market developments and the competitive landscape

...understand contracts and amendments that are intentionally complicated and confusing

...can fully evaluate competing offers in a detailed “side by side” manner

...gain a full grasp of the meaning of literally hundreds on columns of historical expense data provided by the carriers

...have a discount structure that addresses the latest charges and fees

FREIGHT THINK GETS RESULTS

Most companies are able to achieve substantial cost savings without having to change service providers

INDUSTRIAL GOODS



Annual Spend: \$500k

Domestic Ground
and Express

50% COST REDUCTION

MEDICAL DEVICE RETAIL CHAIN



Annual Parcel Spend: \$3M

Mix of Ground
Commercial, Express,
and International

37% COST REDUCTION

FOOD DISTRIBUTOR



Annual Parcel Spend: \$4M

Primarily Domestic
Ground

29% COST REDUCTION

APPAREL RETAIL CHAIN



Annual Parcel Spend: \$35M

Domestic Ground
and Express

28% COST REDUCTION

HOME GOODS & DECOR



Annual Parcel Spend: \$350M

Mix of Ground
Commercial, Express,
and International

12% COST REDUCTION

SHORT TIMELINE TO SAVINGS



NEXT STEPS AT NO COST, NO COMMITMENT

Understand Current Shipping Profile and Objectives

Identify Potential Areas for Cost Savings

Prepare a Optimization Strategy and Timeline

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THANK YOU

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