

## 4 Steps to Gain Control of Your Inbound Shipping

Reducing inbound shipping costs is one of the easiest, yet most overlooked ways to reduce your overall transportation expenses. Like many small businesses, you may not currently have control over the shipments coming into your business. It is not uncommon for small businesses to let the vendor shipping the product to you arrange the carrier, select the mode of transportation, and manage the actual pickup and delivery times. In some cases, the convenience of this sort of arrangement may work well for your situation. However, that convenience comes with a cost: you may find that you are paying significantly more for inbound shipping than if you had arranged for it on your own.

### Inbound Shipping Challenges

Why is getting [control of your inbound shipping](#) so difficult? The typical challenges that businesses face in trying to get the upper hand on their inbound shipping costs are as follows:

- **Lack of visibility** and knowing what's in transit – when your vendors control your inbound shipping, it's very difficult to know how and when your orders will be shipped to you.
- **Lack of control** to specify the ideal carrier and mode of transportation – when you don't have the control, your orders could be shipped using less-than-ideal, or more expensive, modes of transportation.
- **Rising freight costs** and limited resources to manage inbound shipping – with inbound shipping costs accounting for 40-60% of most businesses total sales, this is a significant cost that's often difficult to tackle in this age of shrinking staff sizes and multiple responsibilities.

In this e-paper, we'll discuss 4 steps you can follow to better understand your true inbound shipping costs, and the cost savings opportunities you may be missing.

- 1) Find a 3PL or shipping partner that has inbound shipping management experience
- 2) Analyze your inbound shipping to determine actual shipping costs and opportunities for savings
- 3) Negotiate the best possible inbound shipping rates with your carriers
- 4) Create inbound routing instructions and send them to all of your key vendors

Since you are the buyer of the goods, you can and should determine how those goods are shipped to you. When you control and route your own inbound shipments, you have an excellent opportunity to lower your costs.

### Step 1: Find a 3PL Partner

For many small businesses, there are distinct [advantages of working with a 3PL partner](#). If you're looking to gain control of your inbound shipping, make sure you find a partner, like PartnerShip, that has demonstrated experience and [established tools](#) for helping businesses manage their inbound.

Additionally, most 3PL freight partners are able to aggregate the freight volume of many small-to-medium sized businesses and help them negotiate better discount rates and terms. They can also provide additional value-added services, sometimes at no additional cost, that are designed to lower your overall logistics expenses.

## Step 2: Analyze Your Inbound

In order to understand your true, inbound shipping costs, you first need to complete a thorough [shipping analyses](#) by reviewing recent product invoices from your key suppliers. Most businesses may be surprised to find that vendors often add 2-10% to the value of their purchased merchandise.

When reviewing your product invoices, here are some terms you should keep in mind:

- **Free Freight** – there really is no such thing. Look closely as your vendor has probably buried their shipping costs into the purchase price of your merchandise.
- **Prepaid and Add** – this means your vendor is paying the freight for your shipment. It also means they are controlling the routing and adding this expense – often with additional “handling fees” – to your product invoice.

## Prepaid versus Collect

One of the main objectives in controlling your inbound is working with your vendors to change the shipping terms from “prepaid and add” to “inbound collect.” When you successfully change the terms to collect, you have essentially taken control of your inbound shipment since you are now paying the freight charges on the order.

In general, there are many benefits to having your inbound shipments routed collect, such as consistency and savings on your inbound shipping costs, as shown in the table below.

Scenario A	Scenario B
From: Sparks, NV 89431	From: Sparks, NV 89431
To: Chicago, IL 60628	To: Chicago, IL 60628
Weight: 300 lbs.	Weight: 300 lbs.
Freight Class : 150	Freight Class : 150
Vendor Prepaid & Add: \$1065.84	Inbound Collect: \$639.51

It also reduces the number of carriers from different suppliers arriving at your receiving dock every day. When you control the routings, you control how and when carriers deliver to your door, making it easier to maximize your staff's efforts.

## Step 3: Negotiate Better Rates

As mentioned earlier, when you work with an established 3PL freight partner (either directly or through an [industry or association shipping program](#)), you will generally be able to secure your business the best possible inbound shipping rates. An experienced 3PL partner will be able to aggregate your needs with the needs of hundreds or thousands of small businesses just like yours, in order to secure you the most competitive deals.

Be careful of “fly-by-night” freight brokers or 3PLs that work with thousands of carriers. Often times the quality of the service you get from say, “Bob’s Trucking,” will be comparable to the cheap prices you pay. So be sure you engage with a 3PL that only works with [the most reputable carriers](#) in the industry, such as UPS Freight, YRC Freight, Con-way Freight, FedEx, etc.

#### **Step 4: Create Inbound Routing Instructions**

With your 3PL partner relationship, your analysis of product invoices completed, and your competitive inbound shipping rates in hand – you’re now ready for the final step of creating inbound routing instructions and sending them to all of your key vendors. This is where your 3PL partner with either impress or disappoint.

A 3PL with inbound shipping experience, will be able to help you create your inbound routing program with the following services:

- Identify and manage lists of key vendors
- Create clear inbound routing instructions for each vendor
- Draft and send routing instruction letters to each of your key vendors on your behalf
- Monitor and report on vendor compliance
- Consolidate your billing and report to you the savings you are receiving through the program

#### **Conclusion**

Inbound shipping costs are a major expense item for many business, particularly when you leave the control up to each of your vendors. If approached correctly, an [inbound shipping management](#) program can be an easy way to reduce your overall transportation expenses.

Inbound shipping programs are best managed through a third-party logistics provider. A good 3PL can help you analyze your product invoices for savings opportunities, develop routing instructions for your vendors, monitor compliance, and audit and consolidate invoicing to ensure you’re saving the most on your inbound shipping.

For help getting started, call PartnerShip at **800-599-2902** or email [sales@PartnerShip.com](mailto:sales@PartnerShip.com). You can also let PartnerShip provide you with a free, no-obligation [inbound shipping analysis](#). Let us help you put together a winning strategy for you to gain control of your inbound shipping!