Parcel Contract Optimization

Case Study

Fortune 100 company cuts shipping costs by $8.5 million annually with Shipware's Contract Optimization and Carrier Diversification support.

Client

One of the largest companies in the U.S., this publicly traded distributor has multiple divisions that ship goods across the country. The company is home to 20,000+ employees and generates tens of billions of dollars in revenue annually.

Challenge

Primarily a less-than-truckload (LTL) and full-truckload (FTL) shipper, the company did not ship on its own parcel carrier rates. Instead, its $61 million in parcel volume was shipped on a well-known Group Purchasing Organization's (GPO) FedEx rates.

GPO rates can be a solid, cost-effective option for **small-to-midsize shippers** that want to leverage discounts attained via the negotiation power that collective volume provides. However, for **high-volume shippers** like our client, shippers with atypical distribution profiles, and shippers that want more control over their carrier relationships and terms, GPO rates can often fall short compared to in-house carrier agreements.

The client came to Shipware with several challenges at hand:

They wanted to reduce parcel costs and suspected they had outgrown their GPO rates but needed a team with expertise in parcel pricing and marketplace knowledge of GPOs to analyze their costs and identify potential opportunities.

The client, having a complex organizational hierarchy, also needed a third-party negotiator who could not only identify savings opportunities but work hands-on, communicate, and provide direction to multiple stakeholders across departments like logistics, supply chain, and procurement.

Along with cost concerns, the client had several operational issues made increasingly difficult to manage as a consequence of shipping on third-party rates, including:

- Pickup windows
- Integrating automation tools
- Complicated invoicing
- Managing claims
- Responsiveness from carrier reps

Ultimately, the client chose Shipware to help their business because our parcel expertise reaches beyond cost reduction to also advise on operational improvements, technology integrations, and working with large distribution networks while navigating complex organizations with multiple stakeholders.

Solution

Our team started by assessing the client's GPO spend using our industry knowledge of shipping pricing programs and marketplace pricing trends. Shipware scored the client's rates as **3.2 out of 4, with multiple opportunities for improvement**.

Shipware's analysis found the client's GPO rates weren't the right fit for their unique shipping profile. As a B2B business, the client largely shipped ground commercial but their indirect relationship with the carrier meant they had limited control over some of the carrier pricing levers that impacted them most. For example, **they were not realizing the full effect of their custom rates due to an imbalance between incentives and minimum charges.**

Having multiple distribution centers across the country allowed Shipware to identify opportunities by siphoning off specific shipments to regional carriers. Not only did this reduce the risk of single sourcing, it also produced additional cost savings.

Since Shipware was working with multiple departments and stakeholders, we outlined a comprehensive three-month project timeline and identified the key players at the incumbent GPO and each carrier we would approach with an RFP. We assigned roles internally to unify the client's departments and ensure fluid communication throughout the RFP and subsequent negotiation stages.

The aggressive RFP campaign included FedEx, UPS, and regional carriers. Shipware's former carrier pricing executives and representatives highlighted the most desirable aspects of the shipper's parcel distribution and leveraged this knowledge throughout the RFP to secure the best possible rates and agreement terms for our client.

Results

Shipware moved the client away from GPO rates **to in-house FedEx and UPS contracts** that reduced their parcel costs by 14%, saving them $8.5 million annually.

Shipware's approach improved the shipper's relationship with the winning national carrier, helping reduce claims and solve persistent operational challenges like pickup and delivery windows.

In addition, Shipware diversified the client's carrier mix by implementing a regional carrier in the western United States. This saved an additional 3.6% savings over the winning national carrier rates while improving transit times on region-specific deliveries.

Shipware

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About Shipware

Shipware, an SIB company, empowers businesses to combat rapidly rising transportation costs by securing best-in-class shipping and fulfillment rates. Our carrier pricing benchmarks, insider knowledge, contract negotiation and audit & pay services level the playing field between you and your carriers. Spend smarter and maximize your profit margin by rightsizing your shipping costs with Shipware.

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