

Small Changes Can Mean Big Bucks

Regional carriers can save you money all weekend long

By Rob Shirley

National carriers offer a two-day service with guaranteed delivery, and the benefits of this service are very popular with shippers, particularly if they regularly ship packages long distances. Consider a five-pound package that is 10 inches square, which is going to a business in Newark, New Jersey and is picked up by UPS at a regularly scheduled pickup in Denver, Colorado. When UPS picks it up on Monday, Tuesday or Wednesday, it will be delivered in two days by 5:00 PM for \$24.71 (list price).

Pickups on Thursday are delivered on Monday by 5:00 PM, and those pickups that fall on Friday are delivered Tuesday by 5:00 PM. Same price, same two business days for delivery, but there is an actual transit time increase to four days.

Consider This

Denver is 1,771 miles from Newark, and it takes about 27 hours to drive between the two. If you placed the same package on a truck on Friday and then gave it to UPS in Newark on Monday, it would be delivered by 5:00 PM on Tuesday for \$4.71 — a savings of 81% if the package was going to a Zone 2, non-residential location and was picked up at a regular UPS pickup. An additional cost for trucking needs to be added on, but overall savings of 50% are viable.

That is hard to organize for one package, but for dozens of packages going to the same regional area, the savings can be good. For hundreds going to multiple metro areas, the savings can be exceptional.

Bennett Hirsch is President of SB Hirsch, Inc. and has provided market research for the shipping industry over the past 25 years. He states, “Shippers have been programmed to utilize UPS and FedEx, and to a lesser extent, USPS and DHL. While today, they are likely to be offered the lower-priced option of UPS Ground for next day regional service, our research indicates they are rarely offered next day service alternatives through regional carriers. An opportunity is emerging for regional carriers to attract shippers to utilize them as their regional service partner.”

Opportunities Abound

The big three integrators can deliver packages that are tendered to them in the same region and do it all of the time. There are 400 regional carriers that specialize in parcel and express delivery that also offer a host of services for their specific geographic markets.

Jack Mitchell, EVP with Eastern Connection, says, “This concept is growing very rapidly and is called pool distribution. We

offer a unique advantage because we serve all of the original 13 colonies. The real differentiation is Eastern Connection will deliver packages to all locations in our 13 states for the same price as UPS would for just Zone 2. Additionally, we would deliver all of the packages in one day, whereas [UPS'] footprint would only deliver 40% of the area in one day."

He continues, "We commonly help customers set up the trucking arrangement to move packages to our network. Our geographic area serves 38% to 43% of the population and the consumption of goods in the USA, so it is hard to imagine a customer we can't help save a lot of time and money. A good example would be The Vitamin Center, which tenders hundreds of packages every night to our facilities for delivery to all of its stores from Maine through Virginia the next day."

With budgets being surpassed because of higher transportation rates, tighter constraints in the air, trucking and rail transportation segments and continuing rises in the cost of fuel, it would be wise to work the numbers here to see if there is some money to be saved while improving performance.

So What's All This Mean?

The hypothetical shipper in Denver, shipping 1,000 five-pound boxes every day Monday through Friday, with 40% of

the volume going to the original 13 colonies, should be able to save at least 50% of the shipping cost on the 800 packages a week that go to the Northeast on Thursday and Friday. This equals a 10% overall transportation cost savings. In the world of performance improvement, this kind of improvement has

Utilizing regional carriers can equal a 10% overall transportation cost savings. In the world of performance improvement, this kind of improvement has generated healthy bonuses for lots of logistics managers.

generated healthy bonuses for lots of logistics managers. The best news of all is that once you do this, there are lots of opportunities to replicate your process with other regional carriers. Call me if you want introductions.

Rob Shirley has been immersed in the express and parcel industry for over 25 years and is President and CEO of ExpressShip, which is based in Austin, Texas. Contact him at rob@xpship.com or call 512-217-9976.