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How to Save Money on Shipping Costs



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While the price of oil isn't at the wallet-busting levels it reached more than a year ago, fuel prices are still pretty high. And the hikes in the price of first-class, Priority and Express Mail, along with increases at FedEx and United Parcel Service, all add up to one thing: The costs of shipping your product, ordering supplies and sending out mail can add a bundle to your expenses.

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But there are a great many ways to slash your shipping costs - some obvious, others less so. "Small businesses are trying to squeeze every dime from everything they can," says Paul Rauseo, managing director of George S. May International, a small business management consulting firm in Park Ridge, Ill. "And shipping is one area where you can find a lot of efficiencies you might not think about in a better economy."

Try these strategies:

Go online. Rule of thumb: Use the web anytime you can. "Small business owners should be emailing invoices instead of sending them out at 45 cents a pop," says Rauseo. "Yet across America I see stacks of envelopes with costly stamps on them." Send everything from rfp's to architectural designs. For invoices, consider such online services as Billing Manager, with which you have access to unlimited invoicing for \$4.99 a month and up, and Freshbooks, which charges \$14 a month to send invoices to 25 or fewer clients.

If appropriate, you can also encourage customers to download your product, instead of having it shipped. Tim Berry, president and founder of Palo Alto Software, a 40-employee company in Eugene, Or., recently started taking steps to promote downloading of his programs from the company web site. He calls it the "Eco Friendly Option" and notes that customers can both save money and do something good for the planet. Also, the company's sales team mentions the benefits of downloading to anyone who buys the product over the phone and in an online chat service. Combined with other measures, the company has reduced shipping costs from \$260,000 in 2008 to \$175,000 this year.

For those mass mailings you want to send via snail mail, you can save money by buying postage online. For example, through such companies as Pitney Bowes and Stamps.com, Express Mail users get a 3% price reduction; Priority Mail customers save 3.5%. The approach is most cost-efficient if you regularly send out big mailings, since these services generally charge a monthly fee.

Use fulfillment services. If you have customers around the world but lack a distribution partner, these services, such as Shipwire and eFulfillment, can be lifesavers, by providing you with a place to store your products in a location near your customers. You'll save on many international shipping and customs brokerage fees.

You can also try other approaches. Take John Olson, CEO of 13-employee Graystone Industries, a Cleveland, Ga., distributor and retailer of pond and fountain supplies. Four years ago, after Hurricane Wilma destroyed the company's Florida warehouse, he decided to outsource fulfillment to another company. But, when he couldn't find a provider with the terms and service he wanted, he took a different tack: He signed an agreement with a company in North Carolina to ship his products, also giving it the right to open a retail store at that facility and buy items wholesale. According to Olson, the discounted rates he receives, along with other factors, have helped him reduce shipping expenses. Also, because he doesn't take care of fulfillment anymore, his company can concentrate more on customer service.

Check out your trade association. A growing number of associations are offering their members shipping discounts. For example, recently the Sporting Goods Manufacturers Association started giving members enrolled in their program a 10% to 20% discount on packages sent via FedEx Ground. The Environmental Industry Associations offers members discounts of up to 70% on UPS LTL (less than truckload) shipments within the United States and between the U.S. and Canada. And, through the National Association of Manufacturers, members receive a variety of lower rates, including a 45% discount for UPS air freight services.

Pay with credit cards. For example, if you use business rewards cards you might receive a discount on shipping, in addition to frequent flier miles or cash back. "We recommend using plastic to get the most out of whatever rewards programs your card offers," says Rauseo.

Look for cheaper services from your regular shippers. That's particularly useful if you can get by with slower delivery times. Consider Michael Epstein. The CEO of eDimensional, a 10-employee, Jupiter, Fla., manufacturer and distributor of gaming and computer accessories, recently started using a service called Smartpost from FedEx. While it takes two to three days longer than FedEx ground delivery, according to Epstein, the cost is also around \$2 less per package. "The vast majority of the time, customers are perfectly fine with the cheaper option," says Epstein.

Try smaller boxes. Shipping costs are generally calculated by the dimensional weight of packaging. For that reason, eDimensional now uses the smallest and least expensive boxes it can. It also recently incorporated a feature into its web site allowing the company to calculate the optimal size for each order. As a result, the larger number of box sizes doesn't slow down shipping operations.

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