

# Tips for Reducing Shipping Costs

By June Campbell

## Tips for Reducing Shipping Costs

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If shipping and handling is one of your profit centers, you already know that this can be an expensive and time-consuming aspect of your business operations. Try these tips:

### Mind your Inventory

By keeping sufficient inventory on hand, you'll avoid the high expenses associated with making a second mailing to cover back-ordered items. Your customers will be happier, too.

### Select a Shipping Carrier

Before choosing a shipping carrier, do a price and feature comparison. Remember to check out your postal service as well as the courier companies. Different shipping companies have different pricing schemes. It might be to your benefit to use more than one service, depending on the nature of the shipments.

Pricing options can be confusing. The physical characteristics of your products will influence the shipping costs. When doing your comparisons, consider issues such as minimum and maximum weights, package dimensions and package density.

Be sure to ask about refund policies for late deliveries, setup fees and discounts for frequent shippers or for memberships in various organizations.

### Shipping Documentation

You will need a good system in place to keep track of shipping documentation. Ask your shipping service what documents and forms they can provide.

If you're doing the shipping in-house, be sure your shipping management software can be integrated into your database. If you're planning to out-source your shipping, you might look for a service company that allows you to download your information into its database. You'll have the strength of a corporate database but without the cost.

### Know your True Costs

Be very familiar with the true costs of shipping and handling. Analyze the weight, size and dollar amounts of an average size order. Add in costs for packaging, labor and shipping carriers or couriers. When you have a picture of the costs associated with an average order, create a chart of costs of orders of various sizes. Finally, build a buffer into your estimate. Be mindful of what your customers will be willing to pay, however. Higher than average S&H rates will result in customers taking their business elsewhere.

### Insurance

Shipping companies typically offer insurance options. You will want to consider the value of your shipment to be certain that you use the best insurance coverage for your needs. It's also a good idea to ask about the various forms of protective packaging materials that are available.

### Pack Carefully

If an item arrives broken or damaged, you'll have to replace the damaged item or refund the customer's money. If you replace, you'll incur the costs of additional shipping and handling.

Pack at least two inches of filler material around each item. Use more if the items are delicate. Place your items in robust boxes. For international shipments, seal your packages with pressure-sensitive or water-activated tape.

### Negotiate Better Rates

Once you have an established relationship with your carrier, negotiate better rates for shipping and handling. Tell them you're comparison shopping for best prices. You'll get their attention if you're a regular customer. You can pass the savings along to your own customers. Be sure to present your good S&H rates as a benefit.

### Check out the Competition

Try to discover the S&H rates that your competition is charging. If you can come in under their price, you'll want to make sure your customers know the savings they'll enjoy by ordering with you.

### Reward Good Customers

Offer a discounted price in S&H to customers who place large orders or to customers who buy regularly. One online company, for example, offers 15% reduction in shipping and handling costs to customers who make a monthly purchase for four consecutive months.

### Pick the Best Payment System

Shipping companies typically offer a variety of payment methods. You might choose among pre-paid shipping, online purchasing or payment by credit and debit card. Your businesses' bookkeeping system will influence your payment decision.

### Avoid Overnight Shipping

If possible, avoid overnight shipping. Be sure your employees are aware of the costs associated with overnight shipping so they don't promise overnight delivery unless necessary.

And lastly, if you are taking orders over the Internet, your customers have come to expect order tracking to be available. Consider adding that feature to your web site. If you're outsourcing, you might add a link to your service's web site.

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