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MAJOR SHIPPING MISTAKES MOST BUSINESSES MAKE



Mailing
Methods

5 Major Shipping Mistakes Most Businesses Make

Sending mail is a necessary part of doing business, but the high cost of shipping doesn't have to be. Unfortunately, few realize how shipping and mailing costs can be greatly reduced simply by avoiding the following five major shipping mistakes most businesses make.



1. Failing to invest in a postage meter

All mail items, from letters to packages, require senders to pay postage. “Postage” is the fee required by the carrier to transport and deliver items. Verification that the proper fee has been paid is then affixed to the mail item.

Prior to 1840, this mark was typically stamped by hand onto the item immediately after payment using a wood or cork stamper and ink, giving the mark the name “stamp.” On May 1st of 1840, the paper stamp was introduced in England in the form of a printed paper displaying an official image and the postage value, which could be affixed with adhesive to any item after purchase.¹ Then during processing, the procedure mark or “post mark” would be stamped in ink over the postage stamp, marking it used and preventing re-use. While the adhesive method and values have changed, this stamp and post mark system has changed very little since that time.

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While this system is well-suited for individuals with minor or infrequent mailing needs, many businesses generate mail items in significantly greater quantities. The adhesive-stamp system is inefficient and time-consuming for frequent or large-quantity mailings. Additionally, misalignment of mail item weight and pre-paid stamp values can result in overpayment, or, alternatively, an item might be returned for underpayment. Yet the other option – carrying such mailings to the post office or mailing company to be individually weighed, marked, and paid for – is an equally arduous and inefficient process.

The solution to these challenges is the postage meter.

The earliest postage meter, or “franking” machine, was patented in 1884 in England by the Norwegian Edward Franks and later presented at the 1886 World’s Fair, but without immediate industry change. Other inventors were also working on their own solutions, including Arthur Pitney of Chicago, who patented his own device in 1902. Within the next decade, both men established companies making and distributing their machines, and the postage meter finally made an impact on the industry.²

Postage meters operate under a simple and elegant principle: to quickly and efficiently assess and mark envelopes and packages with proper postage, allowing businesses to spend less time and money on their mail. Postage is paid electronically and stamped or printed directly onto envelopes or adhesive labels (for large or out-shaped items). These machines also provide a concise accounting of postage costs for easy tracking and record keeping. It is estimated that postage meters can save businesses up to 2% of their direct mailing costs by eliminating postage mistakes and streamlining effort.

Postage meter mailing systems come with a wide range of sizes, capabilities, and specialized options. System capabilities include processing any class of mail; managing high volume, mixed weight, or mixed size items; and imprinting information called Information Based Indicia (IBI) regarding postage amount, origin, destination, mail class, weight, and confirmation or tracking numbers. A knowledgeable and experienced vendor can help businesses select the best postage meter and customized mailing system for current and future needs.

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2. Failing to select the right carrier for the job

The United States Post Office Department, now called the United States Postal Service (USPS), once held a monopoly over the mail. Private parcel services emerged, peaked, and faded from time to time, but only developed a strong, consistent market presence with the advent of gasoline, diesel powered trucks, national highways, the “hub and spoke” system, and later, airline deregulation and air-based private shipping.³

Consumers may now choose from a variety of public and private delivery services offering various combinations of delivery options, speed, and cost. Each carrier may have its own strengths and benefits, but with significant overlap between services, selecting the correct carrier for the job can be difficult or stressful – a modern symptom of too-many-options. As a result, too many businesses fall into a rut, relying on a single carrier for all services, regardless of their diverse shipping needs.

However, just because competing carriers offer the same types of options does not make them equal. For example, different carriers have their own routes, schedules, hubs, and zones. The relationship between the mailing origin location, the carrier’s system locations, and the mail destination can affect the cost of mailing an item and the speed of delivery.

Taking the time to regularly review carrier options for different types of mail helps businesses stay up-to-date on the differences within the competitive mail marketplace,

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ensuring the best price. A comparative cost analysis may result in the use of many carriers, each for a specific feature or service best suited to the item, destination, and need. By moving with the market, businesses save money and support market forces that keep competition high and prices low.



3. Failing to save money with USPS Commercial Based Pricing

Mailing packages is a significant cost for many businesses. Even at the best rate offers, retail shipping postage is expensive. When USPS's Air Parcel Post became Priority Mail in 1991, it cost \$2.90 to mail a one-pound package to the closest mail zone.⁴ Today, that price has almost doubled. Yet the rising price of parcel shipping is not without relief. Taking advantage of money-saving mailroom technology can offer additional discounts.

USPS Commercial Based Pricing (CBP) was launched in 2008 to reward shippers for using the technology that saves the postal service time and money. Mailing Systems that conform to USPS regulations and permit imprints for identical weight pieces are all compatible with CBP. Discounts average from 9.6% on Priority packages to 14.5% on Express packages.⁵

Businesses using or purchasing a postage meter should check with the vendor to see if their system is CBP compatible. It may be possible to configure the meter or its companion software to access the discounts. Realizing cost savings by using

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technology that also saves and simplifies the mailing process compounds the advantages of using these mailing systems, dramatically increasing their direct benefits.



4. Failing to take advantage of flat rate shipping

Recognizing the differences in mail types and carrier rates allows businesses to select the best-priced options for each need. Flat rate shipping services can save businesses a lot of money, but only if used appropriately. The concept behind flat rate shipping is simple: a one-size container that ships for a set rate, regardless of the contents' weight (up to a specified maximum) or zone.⁶

Flat rate shipping simplifies packaging items and eliminates the need to weigh them, allowing businesses to just select the size that "fits" and ship it. Flat rate shipping is available through many private carriers and the USPS.

The key to benefiting from this system is properly assessing size, weight, and zone. Flat rate packages provide the greatest benefit the smaller the size, the greater the weight, and the farther the zone. In some circumstances, particularly around the medium sizes, shipping by weight might be the better deal. Maintaining a basic spreadsheet to compare flat rate offers with size-, weight-, and zone-dependent rates is an easy way to get the most benefit from flat rates.

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5. Failing to factor in dimensional rating

While the standard for calculating mail rates has long been weight, size does matter. Even when they weigh very little, large packages take up a lot of space, reducing the total carrying capacity of the transport. Dimensional rating allows carriers to place a premium on cargo space. While previously the shipping rate for a five-pound package, regardless of size, was calculated dependent upon distance, dimensional rating increases the billable “weight” based upon the amount of space it inhabits.⁷

Using the volume of a package to determine dimensional weight isn’t exactly new; it’s been phased in for packages exceeding three cubic feet, air and international shipping, and others for years. However, as of January 2015, UPS followed Fed Ex in implementing “dimensional weight” calculations to determine billable weight for all ground services as well, making this method the new standard for shipping rates.⁷

Dimensional weight is a calculation of cubic size (length x width x height) divided by a standard dimensional factor and rounded up to the nearest whole number.⁸ The dimensional factor is typically different for domestic and international shipments. Online calculators are available to help businesses determine dimensional weight and calculate shipping costs. If the actual weight is higher than the dimensional weight, the greater of the two will be charged.

Businesses need to be aware of dimensional pricing, avoid over-packaging (a trend characterized by inefficient space use and excess packing materials), and take advantage of flat rate and discounted shipping options to mitigate the impact of the pricing change.

Save money by avoiding these five major shipping mistakes most businesses make. By employing a postage meter; taking advantage of carrier competition, CBP, and flat rate shipping; and avoiding the pitfalls of the dimensional rate system, businesses can increase efficiency and reduce waste, resulting in more effective mailing solutions.

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