



? Situation

Your data has identified an opportunity that contains Low Freight Charges, so what do you do next? In many businesses, Freight Charges typically fall in the 0 - 10% of Invoice Price range. Freight Charges provide an opportunity to increase margins and transparency in your business. Companies who are diligent about setting and adhering to Freight Charge policies implemented on effective Transportation Costing systems typically recover hundreds of thousands to millions of dollars annually.

Variation and margin leakage due to Freight Charges are typically seen in various segments of the business due to some or all of the following reasons:

- Fluctuating fuel costs
- Lack of or poorly executed Freight Charge policies
- Industry or Customer practices that call for Delivered Freight (bypassing Freight Charges)
- Transportation Costing systems that are inefficient or not available at deal time

This paper provides recommendations on how to deal with Low Freight Charges. Freight Charges may be synonymous with Shipping or Transportation Costs in your data model.

✓ Recommendation

Low Freight Charges are generally improved through the effective implementation and execution of a Freight Recovery policy. In this paper we will focus on the recovery of known or estimated Freight Costs which drive the associated Freight Charge.

Decrease the Impact of Low Freight Charges

While more accurate Freight estimation will lead to better insight and recovery, we will leave that for another day.

Condition	Action
Ship-to Customer with Low Freight Charges	<ol style="list-style-type: none">1. Create and focus on the metric Freight Recovery% (Freight Charge/Freight Cost).2. Classify Customers by Quintile from large (A) to small (E).3. Establish Target Freight Recovery Rates by Customer Class policy.4. Move this customer's Freight Recovery to policy levels
Freight Charges are not consistently applied to a given Ship-to Customer	<ul style="list-style-type: none"><input type="checkbox"/> Assess whether there has been an agreement-to-ship utilizing a delivered freight Incoterm.<input type="checkbox"/> Attempt to move this customer to a Freight Charge policy consistent with the Freight Charge Classification described above.
Region or Sales Territory with Low Freight Charges	<ul style="list-style-type: none"><input type="checkbox"/> Analyze the opportunity and attempt to understand whether the Region or Territory is a consistent underperformer on Freight Recovery. Address in the following ways:<ul style="list-style-type: none">• Provide training on the importance of Freight Recovery• Speak with Region Management about the financial impact of the initiative