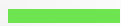




2021 GRI Prep Guide

What you need to know so you don't overspend on shipping next year



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If you're like most shippers, you're starting to dig into your carrier's General Rate Increase (GRI) announcement. But instead of stressing out, you should get ready to act by understanding more about your shipping operations.

Preparing now by getting to know your shipping data will mean you'll be able to make smarter decisions about next year's budget and operations. You'll also be able to avoid the biggest GRI mistake most shippers make.

What most companies get wrong about the GRI

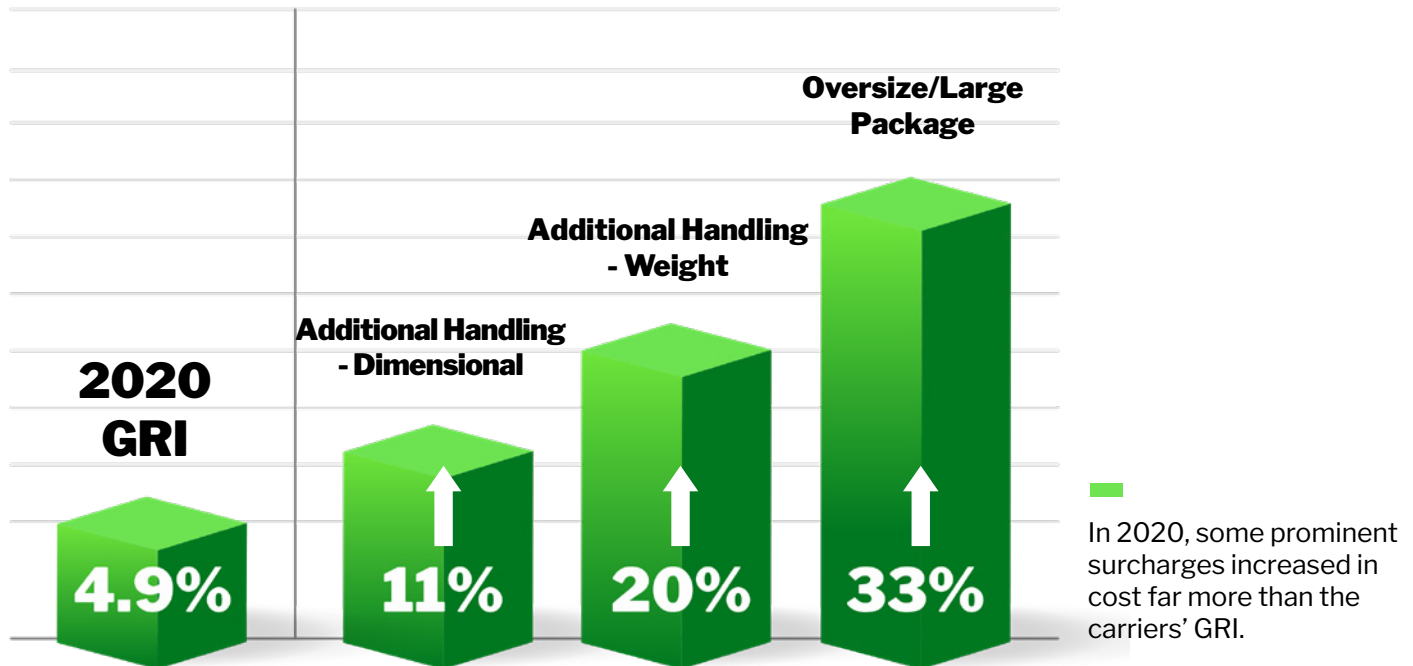
For the last decade or so, both UPS and FedEx have released the same annual GRI: 4.9%. Shippers often use this number to create their shipping budget for the coming year.

But that's a mistake — a big one. Every year, various fees and surcharges have risen far higher than 4.9%. The GRI is only a broad aggregate of the overall amount costs will rise. Every shipper is different and will be affected by the rise in specific rates differently.

For instance, in 2020, the GRI was the usual 4.9%. But the cost of several surcharges went up far more than that, including oversized/large package (33%), additional handling - weight (20%) and additional handling - dimensional (11%).

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You can start to prepare for the 2021 GRI by first understanding your shipping profile so you'll know which rates will affect your company most. Doing so requires a deep dive into your shipping data.

What makes up your shipping profile

Your shipping profile is incredibly valuable — to you and your carrier. It's a complex formula, but is generally made up of a few basic parts:

- **Service types**
- **Package weights**
- **Package dimensions**
- **Pick-up and delivery locations**
- **Surcharges**

Your carrier has all this information at their fingertips and uses it to create the rates and terms in your contract. You should understand it as well as they do when analyzing your GRI impact so you can create a solid 2021 budget and address your contract with them if needed.

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Why you need to understand your shipping profile

Digging deep and understanding your shipping profile as well as your carrier does will put you in a much better position to answer questions like:

Which rates and surcharges affect me most?

Depending on the products you sell, you might see frequent occurrences of DIM weight charges, minimum billable weights, or surcharges for address corrections, delivery area or additional handling.

Which surcharges are affecting your spend the most? **Look out for:**

- **DIM weight charges**
- **Minimum billable weight charges**
- **Residential surcharge**
- **Additional Handling surcharge**
- **Address Correction surcharge**



You'll need to analyze your past invoices and carrier reports to find these patterns, but that can take hours and hours of number-crunching. If you don't have the time or patience, you can also seek out a solution that compiles and analyzes your shipping data to bring important trends to your attention.

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What does it tell me about how I should run my shipping operations?

Your shipping profile can tell you a lot, like whether your distribution network is optimized, whether you can offer free shipping, and any changes you need to make to avoid surcharges. But only if you know how to gather and interpret it all, of course.

How did it change with the pandemic?

Like many shippers, you're probably shipping a lot more residential these days — and getting hit with the residential surcharge a lot more often. Or perhaps you used to ship primarily overnight but are using more ground services now.

This year has been game-changing for almost every shipper out there — some for the better and some for the worse. No matter which category you fall in, analyze your shipping profile to understand exactly what's changed in what and how you ship since the pandemic began.

2021 GRI action items

If you take too much time to analyze the GRI's effect on your spend, you might be delayed in making changes in your shipping operations that will help you work around rate increases. Working on the areas of your operation that are most likely to be affected is the key to a better budget.

1. Get to know your shipping profile.

What are you shipping? What are the weights and dimensions? How fast? Toss out January and February 2020 data — start with the beginning of the pandemic for numbers that reflect your current state of affairs. Understand all the surcharges that affect you, including the “temporary” pandemic peak surcharges added this summer.

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2. Map your shipping profile to the likely 2021 GRI hot spots.

If your shipping profile is heavy on large packages, residential shipments and express service types, you should start considering your budget based on a GRI on the higher end. These fees are likely to increase in cost more than others because they've put an increasing strain on carrier networks.

3. Look at your distribution network.

How far are you from the nearest superhub? Two or three stops away? If so, it's time to look at alternative shipping options (like LTL) because with UPS or FedEx you might find yourself waiting for spots on trucks behind shippers with essential food and health care items that take priority over non-essential shipments.

4. Consider your other options.

It makes sense to have initial discussions with other companies and determine how their rates would match up with your shipping profile. Check out your carrier's competition and contact USPS, regional carriers or final-mile services as well to see if there are alternatives to your same old way of doing things.

The GRI is coming — ready or not

Getting GRI-ready means diving into your shipping data in a way you probably haven't before. You have so much to do in your business already — who has time for combing through their invoices, reports and contract to find all this information?

If you're struggling to find the time or to figure out where to start, turn to experts who can help or to tools designed to help shippers like you save money. Getting familiar with your data will not only help you move faster when it comes to making your 2021 budget, but also raise important questions about how you operate and how you negotiate your next carrier contract.

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Sure, you can wait for the GRI and bump up your 2021 shipping budget by the percentage announced. But you might be in for an uncomfortable conversation with your CFO when your budget is blown by April next year. Or you can take a hard look at your shipping data now so you can make smart moves for 2021 and beyond. Sure, you can bump up your 2021 shipping budget by the percentage announced. But you might be in for an uncomfortable conversation with your CFO when your budget is blown by April next year. Or you can take a hard look at your shipping data now so you can make smart moves for 2021 and beyond.

Want to get your shipping data in order?
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