

## Parcel Contract Optimization

### Case Study

# Fast-growing online retailer cuts parcel costs by \$900k+ annually and reinvests savings into employees and marketing, increasing morale and sales.

## Client

One of the fastest-growing online retailers in the supplements and health products market, the client is well-known for its products that enhance physical and mental performance.

## Challenge

After several consecutive years of rapid growth, the **client's year-over-year growth shrank from 30%+ to 10%, primarily due to constantly increasing freight costs.**

When they contacted Shipware, the client had negotiated their carrier contract several years prior and updated it once in the past two years. However, despite the recent negotiation, they felt that their product margins were too slim, stifling their growth potential.

**After contacting their carrier rep several times for relief, they realized that their requests were being ignored.** They questioned whether they were asking for the wrong concessions and terms or asking in the wrong way.

Hitting a wall, they contacted Shipware to determine if there were more savings to be achieved. We determined that their contract no longer fit their needs. **After several high-growth years, the client had outgrown the agreement.**

## Solution

The Shipware team started by benchmarking the client's existing rate and discount structure against similar shippers and what current market conditions were yielding.

We met with the client and, over the course of two one-hour meetings, developed an aggressive strategy that not only met the client's needs but would also be well received by carriers invited to an RFP. **Shipware created a very specific set of rate and surcharge requests that positioned the client as having a best-in-class rate structure.**

**Just as important, our team listened to the client.** Previously, they employed an express-only shipping method, believing it was the only solution for meeting their customers' expectations.

Because of that strategy, they did not have rates that offered an economical way to ship. Based on our experience with thousands of e-commerce shippers and customer datasets, we sought to procure low-cost options that the client could offer moving forward.

**Our team [guided the client](#) through the RFP process by conducting round-by-round financial impact analyses and crafting detailed correspondence to each carrier.** Once we evaluated the final carrier bids, we worked with the client to determine the best carrier and service mix that met our original savings goals while still meeting customer expectations. The work we provided saved the client time and minimized the negotiation period while maximizing savings.

## Results

After three rounds of negotiations, the client chose to stay with their incumbent carrier. We secured savings from the incumbent that surpassed our original goal. **The client will save over 11%, or \$900k, annually without making any operational changes.**

Shipware also added an economical shipping method that allows the client to ship via ground while still meeting time-in-transit expectations.

The savings had an immediate impact! The client decided to use the savings in three distinct ways:

1. They're offering many more free shipping promotions that have already increased sales.
2. They're increasing their marketing efforts for newly introduced products, further increasing sales.
3. AND... they decided to share the savings with their team members in the form of larger-than-planned annual pay increases.

Meanwhile, our team of experts continues to monitor their pricing, benchmark against like shippers, monitor market conditions, and [automatically file claims on late shipments and carrier billing errors](#), crediting funds directly back into their accounts. As the client continues to grow, we will look for the most opportune time to seek further concessions from their carrier.

### Savings Highlights:

- 11% reduction in cost.
- \$900,000+ in annual savings.
- Procured savings with the incumbent carrier. No operational changes were needed.
- Parcel savings were invested in marketing efforts, increasing sales, and companywide employee raises.



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### About Shipware

Shipware, an SIB company, empowers businesses to combat rapidly rising transportation costs by securing best-in-class shipping and fulfillment rates. Our carrier pricing benchmarks, insider knowledge, contract negotiation and audit & pay services level the playing field between you and your carriers. Spend smarter and maximize your profit margin by rightsizing your shipping costs with Shipware.

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