



## IT'S AS SURE AS DEATH AND TAXES

We are getting to that time of the year when carriers will be announcing their 'average' General Rate Increases (GRI). A GRI is the average percentage a carrier will increase their base shipping rates, accessorial charges and in some cases fuel. GRIs adversely impact already stretched transportation budgets.

Hikes between 4% and 6% usually happen in the fourth quarter with the increase taking effect on Jan 1st. The announced GRI percentages can be misleading. It is rare that the impact on individual shippers will all be equal. The announced percentage is an average and is dependent on service levels, accessorial charges incurred, DIMs, weight and distance. Most carriers target their most profitable services and/or most widely used services for increases.



From global conglomerates to small and medium businesses, cost control remains the significant challenge when managing transportation. Pushed by a robust economy and thriving e-commerce, demand for carriers is far outpacing capacity, making the logistics industry a seller's market where carriers currently have the upper hand in determining prices. This year, carriers will be seeking to recover costs associated with higher wages resulting from driver shortages and new Hours of Service legislation and the expense associated with ELDs. We also expect to see situations where carriers are trying to adapt their network and revenue model to keep up with their customers' evolving marketplace.

Shippers too often feel that GRIs is an inevitable fact of transportation—but it doesn't have to be. We advise shippers contracting with carriers in the second half of the year to negotiate a waiver of the GRI for the upcoming year. Another opportunity to control GRIs comes from the ability for larger shippers to cap their GRI on an annual basis for the life of their agreement. A three year un-capped agreement, with a conservative 4% annual GRI each year results in 12% in additional expense. This is an added cost that shippers find hard to pass on to their clients who, in the e-commerce world, are looking for free shipping.

Year-over-year, the consequences to your transportation spend could be huge, making it crucial to understand the real impact of GRIs.

From a budgeting perspective, it is critically important for shippers to know the impact in dollars instead of averages to be able to budget freight spend for the upcoming year. Failing to anticipate, assess and account for increases in costs due to the GRIs not only strains your budget, it affects your profitability.

In other words, what you don't know can—and will—cost you.

Armed with the necessary information, you can then have a dialogue with your carrier to discuss why costs have gone up more than expected. You will also have a better idea of where to make adjustments to your shipping patterns to offset the impact of a GRI. Being able to point out exactly where rate adjustments are needed makes room for more fruitful negotiation; after all, knowing what to ask for ensures better results.

*Data2Logistics Professional Service Team can identify the financial impact of GRIs. We also support clients in mitigating the effect of these carrier increases. To learn more, please contact: Harold B. Friedman at [harold.friedman@data2Logistics.com](mailto:harold.friedman@data2Logistics.com) or 1-609 577 3756. We are here to support you.*