

2021 Carrier General Rate Increase (GRI): **A Year Like No Other**

3 Mistakes You Don't Want to Make
with the GRI



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You don't need us to tell you that **2020 has been tough.**

For shippers, it's meant a roller coaster of changing rules and new surcharges. It's also become nearly impossible to predict when packages will arrive to your customers with delivery expectations shifting each week. Now carriers have turned their annual General Rate Increase loose, leaving many shippers scrambling for information once again.

But too many shippers misunderstand what's truly going on with the GRI and make crucial mistakes along the way. There are three major mistakes we see every year — don't damage your bottom line by making one of them.

Mistake #1 **Underestimating your own rate increase**

Most shippers take the GRI and use it to set the next year's budget and move on without much more thought about it. But that is the biggest mistake you can make when it comes to the GRI.

The GRI is a broad aggregate of the rise in shipping costs, but the individual rate increases inside it are much more important to pay attention to.

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The pandemic changed so many things in the shipping world:

- **Shipping volumes plummeted for some shippers while skyrocketing for others.**
- **The number of residential deliveries exploded.**
- **Wholesalers and manufacturers suddenly found themselves shipping directly to customers instead of retailers, bringing them new package weights, dimensions and surcharges.**
- **Food and healthcare goods took priority over items deemed non-essential by carriers, leaving many e-commerce businesses (and their customers) scrambling.**
- **Peak surcharges, typically reserved for holiday periods, were introduced.**

The 2021 GRI reflects that chaos as carriers try to figure out how to keep their networks flowing while also optimizing profits for their shareholders. In response, they've increased rates and surcharges for the packages that cost them more, like densely packed, oversized, or oddly shaped items shipped to far-flung residential addresses.

Residential Surcharge (Ground)

The fee charged when a delivery is going to a location zoned as residential, even if it is a business.

UPS 2020	UPS 2021	FedEx 2020	FedEx 2021
\$4.10	\$4.45	\$4.00	\$4.35
8.5% Increase ↑		8.8% Increase ↑	

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Additional Handling Surcharge - Weight

The fee charged when your package is more than 50 lbs. in actual weight.

Note: For UPS, this surcharge will vary by zone starting in April 2021 for non-Hundredweight Service packages and in July for Hundredweight Service packages.

UPS 2020	UPS 2021	FedEx 2020	FedEx 2021
\$24	\$25.50	\$24	\$25.50
6.3% Increase ↑		6.3% Increase ↑	

Additional Handling Surcharge - Dimension

The fee charged when your package is more than 48" on the longest side or more than 30" on the second-longest side.

Note: For UPS, this surcharge will vary by zone starting in April 2021 for non-Hundredweight Service packages and in July for Hundredweight Service packages.

UPS 2020	UPS 2021	FedEx 2020	FedEx 2021
\$15	\$16	\$15	\$16
6.7% Increase ↑		6.7% Increase ↑	

Large Package (UPS)/Oversize (FedEx) Surcharge - Commercial

The fee charged when your shipment is larger than 96 inches in length or 130 inches in length and girth (two times the width plus two times the height of the package).

Note: For UPS, this surcharge will vary by zone starting in April 2021 for non-Hundredweight Service packages and in July for Hundredweight Service packages.

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UPS 2020	UPS 2021	FedEx 2020	FedEx 2021
\$100	\$105	\$100	\$105
5% Increase ↑		5% Increase ↑	

Large Package (UPS)/Oversize (FedEx) Surcharge - Residential

Note: For UPS, this surcharge will vary by zone starting in April 2021 for non-Hundredweight Service packages and in July for Hundredweight Service packages.

UPS 2020	UPS 2021	FedEx 2020	FedEx 2021
\$120	\$130	\$120	\$130
8.3% Increase ↑		8.3% Increase ↑	

Delivery Area Surcharge (Ground Commercial)

The fee charged when your shipment is being delivered to a remote area, as defined by a set of more than 25,000 ZIP codes.

UPS 2020	UPS 2021	FedEx 2020	FedEx 2021
\$2.95	\$3.10	\$2.95	\$3.10
5.1% Increase ↑		5.1% Increase ↑	

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Mistake #2 Not using your own data to model the changes

When the expected (like the GRI) or the unexpected (like a global pandemic) happens, it's important to understand what effects changes will have on your business. Not the industry, not the business up the road — yours. Every shipper is different and will experience these changes in a unique way.

To start figuring that out, you need to understand your shipping profile. That's a complex data set that encompasses your:

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

Your carrier uses it to set the rates and terms of your contract, and it's vital for you to understand your data as well as they do.

Why? First, so you can negotiate your next carrier contract from a stronger position. Second, so you can use that profile to model how various changes will affect your spend.

Many shippers have elaborate spreadsheets they use to try to model rate and surcharge changes, but these simply aren't effective because they typically rely on averages or estimates of package characteristics. But since you aren't shipping uniform packages to uniform locations using the same service types every time, it's much more useful to use your actual shipping data.

Bonus Tip

Beginning January 2021, FedEx **will apply a 6% late fee to past-due invoices**. Don't let late payments cost you. If keeping up with payment terms is a pain, look for a solution that can help make sure you're always paying at the right time (and never paying more than you should).

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But where is all this data? It's everywhere — and nowhere at the same time. It's scattered among all your invoices, reports and contract, but unless you have a way to corral it in one spot and do something with it, you'll never be able to understand your costs or any holes in your operations.

In 2020, carriers showed that they're not going to wait around for the end of the year to raise their rates. Being able to model your costs in various scenarios will help you stay as agile as they do.

Mistake #3 **Not talking to your carrier rep enough**

If you're only talking to your rep once a year or so, now's the time to get in contact. Build a relationship with them while also being informed about your own data so you can hold your own when conversations start to get complex. Don't wait until expensive invoices start rolling in — act now to get ahead of changes.

1. Ask them to run an impact analysis on your historical data.

Yes, your rep will push back on providing an impact analysis, but request it anyway. Ask for it to be broken out in a variety of ways that make sense for your profile, like by service type, zone, weight bands, commercial vs residential, and key surcharges. Asking tough questions lets them know there is going to be some work to do and that you'll need their time. Be nice, though — your rep is your connection to getting things done in this tumultuous time.

2. Understand their increase and its impact on your business.

Work with the carrier to understand what is driving their increase and how it aligns with your costs. For instance, if the carrier is targeting e-commerce residential deliveries, but your business has a year-round consistent volume to a mix of residential/commercial addresses, then work with your rep to find deeper discounts to minimize the impact.

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3. Show them your data and compare it to what they provide.

Gather your data (or use a software solution) and show your carrier rep that you know what you're talking about. They'll know you mean business if you can speak as knowledgeably about your shipping data as they can and demonstrate that you know where your costs are coming from. Your conversations about rate changes will be much more productive — and you'll crush your next negotiation.

Get informed so you can stay ahead of your carrier and the competition

Knowing as much as your carrier does empowers you to have conversations that actually make a difference in your bottom line. If you're having trouble, reach out to a parcel shipping expert that has experience in helping shippers like you. They'll be able to help you compare your costs with other shippers, create models of different cost scenarios and negotiate better rates.

Whatever happens, don't stay in the dark and bust your 2021 budget. Dig into your data and find out what you need to do to cut costs and improve your operations.

Don't know where to start?

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