

# Shipping Management: What is Shipping and Handling | Meaning | Strategy | Costs



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# Introduction

The other day, while I wanted to relocate from my current residence to another city, I had to call in the logistics company to help me out. I asked them about their charges and what all work does the company undertake. Surprisingly, the logistics company told me that you need not worry about anything, just let our men know what all things need to be done and we will take care of the shipping and handling. Just keep the items on the floor so we know what all needs to be shipped, and the rest we will do.

Did I feel delighted knowing that I don't have to do anything.? Oh Yes.! Most definitely. But then I started wondering, what did he mean by 'shipping and handling'? I searched a little and you will be surprised to know that such an ordinary word carries so much importance, so much weightage in the actual world.! Let me walk you through it.

## What is Shipping and Handling

Shipping and Handling is a very popular and relevant term in the supply chain management, order fulfillment, and shipping management. With the growth of eCommerce platforms, the rise of shipping has also grown upwards. Many sellers hire logistics companies to deliver their goods to the end users. Let us split the term in two and understand both of them separately. From placing an order till getting it delivered at your customer's doorstep, everything in between comes under Shipping and Handling.

**Shipping** refers to the transportation of the goods from one stop to another and the costs associated with the transportation. Generally the shipping costs that are calculated are fuel charges, surcharges, delivery charges and timeline. Many customers prefer same day deliveries or 2 day deliveries, in such cases, the shipping costs can vary. So, companies need to make sure to discuss all these points before finalizing the shipping partner.

**Handling** refers to packing of the goods since receiving them. Handling also includes the costs associated with the labor charges for receiving and packing the goods. The handling costs include picking, packing, use of packing products such as bubble wraps, boxes, cartons, labelling and tagging, loading them on trucks (or any other transport).

Handling may seem a very small word and the work described within, may seem that it can be done by anyone. But that is where you get wrong. Handling is a very important

term in the order fulfillment process. You see, when the shipping companies undertake handling, it means they are taking responsibility for your packing. Apart from packing, many goods require gift wrapping, special care, customization, and other betterment services. And if anything goes wrong or broken, they are aware that the sellers will have a good long discussion with them.! Also, sellers have to transport a number of goods every day, so it is easier for them to leave the work to the experts.!



# Why is Shipping and Handling Important

Aside from the fact that shipping and handling take care of packing and transportation. And, it being an integral part of the order fulfillment process and shipping management. Shipping and Handling takes a lot of time doing what they do.! The primary reason is they are taking care of your products and wrapping them so that they are safely delivered to your end users.

As a human psychology, '**First Impression is the Last Impression.**' If the packing looks good and neat, most customers will get excited and feel good about the product before even seeing it. On the other hand, if the packing is not attractive or neatly packed, customers will have second thoughts and pre-believe that something is wrong with their product. It is all about customer satisfaction.

So yes, shipping and handling are very important.! Also, your company's name is at stake and losing a customer is always heartbreaking.

## Shipping and Handling Strategy

Start by thinking about the most important aspects of a successful business.

Product - What? Demand? Price? Other Requirements?

Location - Which part? Geographic location?

Storage - Where? Number of Units?

Answer the questions for yourself and most queries will be answered then and there. But, let us work together and elaborate them one by one.

### 1. Product

Know your product.! Understand its demand and how it affects your business growth.

Demand - Demand changes with every changing season. Make sure you move along with that. If not, you will have loads of products to deliver with little or no demand. This will affect your shipping and packing costs as it will directly affect your cash flow.

## **a. Pricing**

Many companies manufacture daily essentials which are not too expensive. Such as rubber bands, pencils, erasers. If you have to deliver just one item (For say \$10) then shipping costs will almost be equivalent to the price, the customers would not be interested in buying it. Instead work on bulk or product bundling. This way, you can sell a few relevant products together such as 'Combo of a school bag, pencil box, and pencils'. This way, the shipping and handling costs will be lower than the price, the combo looks attractive, and the customer will definitely give it a thought. Rather than buying just a pencil box for the same delivery costs.

## **b. Special Requirements**

There are companies that manufacture hazardous products, glassware, or perfumes. These are fragile, need special care, and can be hazardous too. Thus, it needs to be shipped and handled properly. For such products, the shipping and handling costs may vary. It will increase depending on the product.



## **2. Location of the Consumer**



Consumer location is also very important while finalizing the correct shipping and handling correspondent. This way, you know exactly what charges you have to bear and how to move ahead in it. So, to make things a little easier, let us talk about the points to consider:

### **a. Customer Base**

It is necessary to identify where the customer is located. If the customer is located far away from your shipping agency, then it is bound to fall costly. But, if the shipping

company is located nearby to the customer's residence, you can save a lot of money in shipping and handling. Thus, always have multiple shipping and handling options. This way, when you cater on a global level, it becomes easier to quickly deliver goods to customers and to save some extra bucks on shipping costs.

## **b. Geographic Location**

Having shipping and handling options is always a great way to reduce shipping costs. But, also keep in mind that you learn the patterns of all your orders. Try to identify which regions have the most shopping history. Also, understand the trend of shopping in regards to locations and your in-demand products. This way, you can easily zero in on a few vendors with whom you can do continuous business. Knowing your customer preferences will allow you to deliver goods faster and reduce your costs as well. You never know, in future you can even plan to set up a storage unit or warehouse to further reduce your shipping costs.

# **Factors to Consider While Determining Shipping Costs**

With so much all over the world, it has become increasingly easier to determine shipping costs. But even to get there, you need to know the factors that need to be considered for shipping costs evaluation.

## **1. Calculate Handling Cost**

Handling costs includes the labor charges and all those charges that help in the picking and packing of the product. The handling costs vary depending on the product. But, it is very difficult for companies to understand their average handling costs. Or rather, how much should shipping companies charge per order to sustain and profit on a monthly basis.

**For eg:** If there is a product of \$50 and you charge \$5 for shipping and handling cost. As a single order, \$5 seems very less. But how did you come up with the \$5 value? Why did you not decide \$3 or \$10? Well, to know how to determine your shipping costs, first check your monthly expenses inclusive of rental, machines, wrapping material, boxing and carton material, labor expenses, and other expenses. Divide this derived value with

the number of orders you receive every month. This derived amount needs to be achieved on a monthly basis for sustenance.

For eg.: The total monthly expenses at the storage unit is worth \$12000. Now, divide this value with months and determine your monthly expenses. ( $12000 / 12 = \$1000$ )/ This is the monthly, shipping and handling expenses. This value is to be recovered every month.



## **2. Procure Estimated Shipping Costs**

For every company, the shipping cost will vary. This is because each company manufactures different or unique products and has different packing styles. So, the costs differ. Also, the costs depend upon the current shipping method and shipping variables. Any increase in fares, fuel, surcharges or taxes, may affect the shipping cost. Thus, it is recommended to get an estimation from various shipping companies and final the best of the lot.

### 3. Include Shipping Cost in the Product

Customers are not always fond of seeing 'Shipping and Handling Costs will be charged extra'. Thus, instead of that, if the shipping cost is not too high, add it within the product cost.

For eg.: Delivering a product of \$50 and adding \$8 shipping and handling charges will not be appreciated by the customer. Instead you can mention the product for '**\$58 and Free Shipping!**'



### 4. Know your Delivery Timeline

Till now, I believe we have concluded that same day deliveries and 2-day delivery are always costlier than delivering in 4-5 days. Customers prefer to wait for upto 2 days rather than waiting for the actual delivery time. Due to this, the shipping and delivery costs also go higher. Hence, it is also important to know multiple shipping and handling partners. If the customer location and shipping and handling vendors are in nearby locations or within time zones, same day delivery or 2-day delivery will be possible without any additional costs. But, in the same scenario, if you have very limited shipping and handling partners, then you will have to incur additional costs for expedited shipping.

# Preferred Shipping and Shipment Companies

Customers prefer online shopping but as a customer, myself, no one enjoys seeing shipping and handling costs are extra. Thus, the 3 most preferred shipping options preferred by customers are

## Preferred Shipping Options

1. **Free Shipping** - Where the product is excluding the shipping costs. This happens mainly when the products are highly expensive. Such as electronic items, gadgets, etc. to make 'Free Shipping' possible, sellers normally add the shipping costs in the product. Or customers can avail free shipping through loyalty programs.
2. **Same Day Deliveries** - Same day delivery or few times referred as 2-day delivery is also highly preferable. Customers can benefit from this, when sellers expedite their shipping timeline by paying higher shipping costs. But, as this method is highly appreciated by customers, the sellers are willing to pay extra for shipping to keep their customers happy and loyal towards their brand.
3. **Flat Rate Shipping** - This means there is a fixed flat rate for shipping costs. No matter the product or cost of the product, the shipping cost will remain the same.

## Shipping Companies

FedEx, DHL, UPS, and USPS are few of the most preferred carriers and many companies prefer dealing with them. They have made a name for themselves and are highly reliable in their services.

## Conclusion

There are a lot of shipping and handling companies out there. Always make sure to be associated with not just one company but a couple of companies together. Then decide the costs associated with them and decide upon a shipping cost. Once these factors are in place, determine your customer base and how the shipping costs affect the deliveries.

It may seem too much work in the initial days but once you begin dealing with even a single shipping company, your experience will help in collaborating with others quite smoothly.