

WHITE PAPER

Additional Thoughts About the Upcoming Dimensional Weight Changes:

By Thomas Andersen

At this time of the year, one of the hottest topics is the parcel carriers' published General Rate Increase ("GRI"). Although the excessive increases continue to bring disappointment, this year's announcement brought few surprises; the exception being the significant reduction to the dimensional divisor (dim factor) from 194 to 166 for Domestic shipments and 166 to 139 for International shipments. The 3 cubic foot rule continues to apply for Ground shipments, so Ground shipments that are smaller than 5,184 cubic inches will continue to be billed, based on actual weight (no change there...yet!!!).

With the announced dimensional weight changes, many people are racing to understand what the impact may be to their business. For many shippers, the majority of packages have a dimensional weight that exceeds the actual weight, so shipment weights for most shippers will increase as a result of this change. For anyone with a standard dim divisor that ships Domestic Air, International Air, and/or larger Domestic or International ground shipments, the impact can be significant, often resulting in a 15% increase to the net spend, or more. *

The following illustrates how some shipments will be impacted, based on the actual weight being less than the weight stated:

Service	Length (inches)	Width (inches)	Height (inches)	Total Cubic Inches	Current	Proposed
					Dimensional Weight (2010)	Dimensional Weight (2011)
Domestic Air	8	8	8	512	3lbs	4lbs
Domestic Air	12	12	12	1,728	9lbs	11lbs
International Air	12	12	12	1,728	11lbs	13lbs
Domestic Air	18	15	12	3,240	17lbs	20lbs
Domestic Air or Ground	18	18	18	5,832	31lbs	36lbs
Domestic Air or Ground	24	16	16	6,144	32lbs	38lbs

Now, we have survived similar tactics in the past, and can expect additional changes to apply, in the years to come. As most people recall, it was just 4 years ago that dimensional weights replaced OS rules for Ground shipments. At that time the Oversized 1 (OS1), Oversized 2 (OS2) and Oversized 3 (OS3) rules ceased to apply, and were replaced by the system that we continue to live with today. The carriers did a great job of illustrating how these changes would have a minimal financial impact and pitching it as a method to simplify the process of measuring the dimensional weight calculation. Although we can't disagree that the method to measure OS packages was a bit cumbersome, the carriers changed this to benefit themselves, not the shipper.

So that leads us to this latest change, as well as anticipated future changes. Most experts had likely anticipated that the 3 cubic foot

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rule would have been the next item that the Carriers would target, rather than the dimensional divisor, so we can expect this to be something that the carriers go after... with FedEx and UPS basically matching one another each year, with FedEx awaiting UPS' announcement, what's to stop them, right!

With that in perspective, there are solutions available to help one address this. One needs to be adaptable, educated, and prepared in these instances. So what can we do now, and what should we do to prepare for future changes?

First, you have to understand how these changes impact your business. This is arrived at by having absolute thorough visibility to your shipping data. Reference fields should also be completed with dimensions, to validate the carrier's measurements. In addition, if there is an opportunity to reduce package dimensions, consider working with your package distributors to adjust the package dimensions accordingly. Finally, if a custom dimensional divisor is not in effect, negotiate it, as needed. Again, understand the impact and request a factor that's impactful and appropriate based on your shipment profile and volume.

Although impactful, you can control how dimensional weight effects your bottom-line.

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