

Freight Classification Changes: How Shippers Can Avoid Increased Costs

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If you are a manufacturer or distributor, most likely you use many modes to ship your freight, such as less-than-truckload freight shipping or LTL shipping. If you have any experience in shipping LTL, you know how volatile, process driven, and challenging it can be to make sure you get the best carrier, best time, best rate, and are making the best long term decisions. There are many things that [go into effectively managing LTL freight and many factors that determine pricing](#) [1]. One of the most important factors is freight classification (read our post about [how to determine freight class](#) [2] to understand freight classification at length).

The National Motor Freight Classification or NMFC is the standard for freight identification and classification. The NMFC provides a comparison of commodities moving in interstate, intrastate and foreign commerce. It is similar in concept to the groupings or grading systems that serve many other industries. Commodities are grouped into one of 18 classes—from a low of class 50 to a high of class 500—based on an evaluation of four transportation characteristics: density, stowability, handling and liability. Together, these characteristics establish a commodity’s “transportability.” – Source, the [National Motor Freight Traffic Association](#) [3].

Freight Classification Changes Impact Shippers: Those in the Know Have an Advantage

Every so often, however, the NMFC will make changes to the way you make your freight classifications, and this does impact shippers. Savvy shippers who are keeping up with all the changes or shippers who outsource to a logistics service provider who stays on top of all of these changes on behalf of the shipper the provider is managing freight for, will have a competitive edge. So how do freight

classifications from the NMFC impact shippers?

Recent Changes to the National Motor Freight Classification System

The most notable change, which was a sign to come for a move towards density based rating, was on Dec. 1, 2012 for classifying computer equipment. Under the new classification, this product type moved to a density-based rating with the lowest possible class being 60 and the highest possible at 400.

2013 brought about additional freight classification changes that will likely affect LTL shipping costs for medical kits, hand tools, TVs, and other products. Again, the classification trend has been to favor density-based ratings.

The latest changes follow a pattern established years ago where more and more commodities are classified according to their density. Whether it be full density or just a few density brackets, more commodities have become the subject of density calculations to determine their freight classification. The march to full density on all freight has been ongoing and is the direct result of the growing pains of an archaic and ineffective freight classification system that the 200 plus members of National Motor Freight Traffic Association have been stuck with for decades.

Do all Carriers Rate by the NMFTA's National Motor Freight Classification System?

Rooted in the pre-deregulation era where carriers were restricted in the type of freight they hauled, where they hauled it and the fees they charged, the NMFC list of commodities was necessarily small and pertaining to but of few of the myriad of freight that's shipped today on trucks. The Board and the Association have been playing catch up in adding new commodities and doing their best to classify them, but it's been at best a moving target. This being said, not all LTL carriers operating in the US are part of the National Motor Freight Association and as such they don't have to adhere to its classes and rules. Most of them have forged a business case by classifying (and thus rating) everything based on its density.

The Driving Force Behind Freight Classification Changes: Simply, Times are A Changing....

A significant factor in freight classification is the change in material composition and packaging. Production and building materials are shifting from heavy metals to lightweight plastics and polymers. Yesterday's cast iron lawn furniture, pipes, and fittings have been replaced with polycarbonate and polyvinylchloride versions. In electronics, the switch from CRTs to LCDs significantly reduces product weight while often increasing value liability.

The use of lightweight materials can reduce tonnage by more than half, which, in turn, reduces rates charged shippers. But operating costs and truck space required remain the same or may increase, creating a business challenge for LTL carriers. To compensate for less weight, some carriers are looking for higher freight classifications to offset lower charges compared to their costs.

How to Avoid Increased Costs with a Better Knowledge of Freight Classification

Know your freight classes: Errors and oversights in LTL freight billing can be common, especially in product classification. The NMFC system can be confusing, and products may be classified incorrectly, resulting in higher rates. Additionally, products may have been arbitrarily assigned a general Freight-All-Kinds classification, which may be higher than the actual product classification. Work with your carrier to negotiate rates and talk about your freight history with them. If you are not comfortable with doing so, a good third party logistics company are experts are freight classification knowledge.

Use Technology to your advantage: A transportation management system has many benefits, one being the ability to avoid costly errors and increased costs by storing your common freight classifications so there are not things such as simple data entry error. Also, if you are using an ERP system, see if integration is offered in the TMS so that way your classification and commodities are built in.

Audit Your Freight Bills: Shippers should audit freight bills, and if you are using a third party logistics provider, they should be doing it for you (if they are not, well.....). For starters, 3PLs will audit the NMFC code on the freight's bill of lading to ensure it hasn't been misclassified at a higher rate. Determining a wrong freight classification is not always obvious as it may require the knowledge and expertise of an experienced logistics professional.

Although routinely checking bills of lading can help contain freight costs, doing so often requires substantial staff to manage the process in-house. Regularly reviewing NMFC classifications to keep up-to-date with changes involves time, which may stretch an in-house staff.

Use a Third Party Logistics Provider: In addition to uncovering and preventing potential freight errors, 3PLs can quickly obtain and compare quotes from multiple carriers, and follow up with shipment status. Relying on the resources of a dependable, proven 3PL can give shippers both a logistics and a competitive advantage.

Source URL (retrieved on 04/01/2015 - 7:21am):

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Links:

[1] <http://cerasis.com/2013/11/19/ltl-freight-rates/>

[2] <http://cerasis.com/2013/11/20/freight-class/>

[3] <http://www.nmfta.org/Pages/Nmfc.aspx>