Where freight cost hides in a multichannel business

Where freight cost leaks across channels, how to build shipment evidence for carrier negotiations, and how to keep savings as 2027 parcel rates rise 5.9%.

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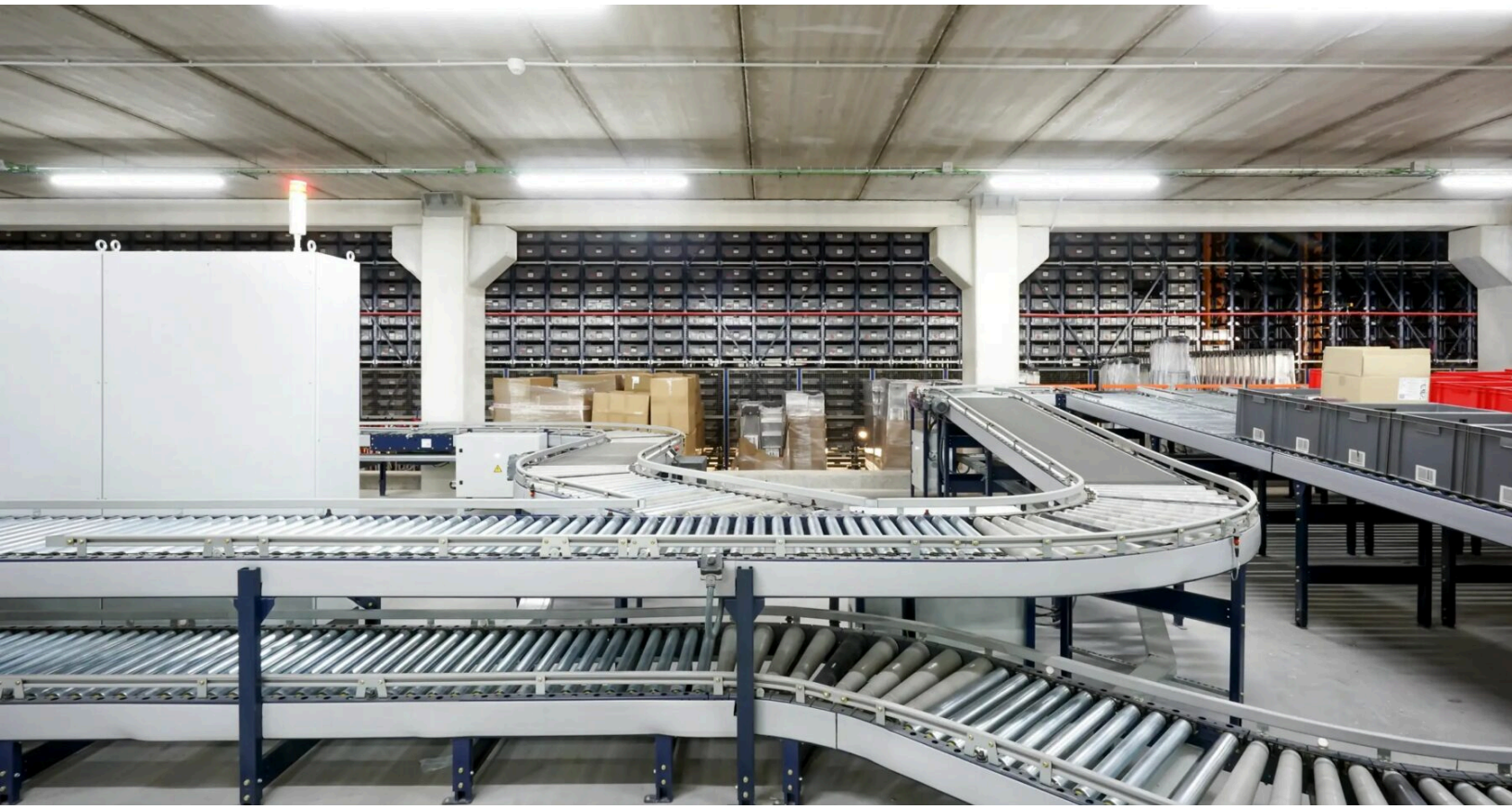

In brief

Freight cost in a multichannel business hides between channels. It sits in separate carrier contracts, boxes billed on size, orders shipped to distant zones, services nobody chose, and terms that leave you holding rate risk. UPS and FedEx both set 2027 increases at an average of 5.9%, so the fix starts with your own shipment data. Put every shipment into one clean dataset, negotiate with it, and name one owner to keep the savings.

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Freight cost in a multichannel business hides in the gaps between channels: carrier contracts nobody negotiates as one, boxes billed for their size rather than their weight, orders shipped from the wrong location to distant zones, premium services nobody chose, and trade terms that leave you carrying the rate risk. You find it by putting every shipment into one clean dataset, negotiating with that evidence, and giving one person the job of keeping the savings.

This article is for founders, owners and CEOs of businesses that ship through a web store, marketplaces, wholesale accounts or retail replenishment at the same time. It draws on three freight engagements from our operations and supply chain work.

01

Why your freight bill keeps rising when the market cools

The national picture looks calmer than your invoices. CSCMP's 2026 State of Logistics Report, produced by Kearney, put US business logistics costs at $2.4 trillion, or 7.8% of GDP, down from $2.6 trillion and 8.7% in the 2025 edition.

Parcel list prices did not follow. Logistics Management reported in October 2026 that UPS will raise daily rates for Ground, Air and International services by an average net 5.9% from December 21, 2026. FedEx confirmed in its October 2026 results release that its parcel shipping rates will increase by an average of 5.9% from January 4, 2027.

The average is the carrier's number, not yours. Supply Chain Dive, citing an analysis by Loop, reported in September 2026 that five of seven major FedEx services rise more than 5.9%, and that Ground packages of one to five pounds rise 6.49%. Surcharges move too. The FedEx residential delivery charge goes from $6.95 to $7.35, and UPS is raising the minimum billable weight on packages that incur its additional handling charge from 40 to 50 pounds.

Your real increase depends on your own mix of weights, zones, services and delivery addresses. That is why the fix starts with your shipments, not with the carrier's announcement.

02

Where freight cost hides in a multichannel business

With one channel, freight is one contract and one warehouse. Add marketplaces, wholesale and retail replenishment, and each brings its own rules. In e-commerce, a web store and several marketplaces can each run on a separate carrier account. Look in seven places.

Fragmented carrier contracts

Each channel tends to arrive with its own carrier account, negotiated, if at all, on that channel's volume alone. No carrier sees your full volume, so none prices it. A retailer selling across six channels had exactly this pattern, along with no unified view of its inventory. Restructuring the contracts was the part most directly tied to bringing its freight cost down 18%.

Dimensional weight

Carriers bill the greater of actual weight and dimensional weight, which reflects the space a box takes up. FedEx publishes the US formula as length times width times height in inches, divided by 139. An 18 by 14 by 10 inch box works out to about 18.1 pounds and is billed as 19, even if the product inside weighs 6. Whoever chooses the box sets the freight cost, and that person often has no freight target.

Zones and shipping origin

Parcel prices rise with zone, the distance band between origin and destination. A business with two or more stocking locations should ship each order from the nearest one that holds the item. Many do not, because their systems cannot see which location holds what.

Service levels nobody chose

Express and two-day services often become the default through a software setting, a habit formed after one late order, or a marketplace promise never checked against ground transit times. Ask which shipments genuinely need the faster service to keep the promise. The rest can move to ground or economy.

Surcharges and accessorial charges

Residential, delivery area, additional handling, oversize and address correction charges sit outside the base rate and are not always covered by your negotiated discount. They are also where yearly increases bite hardest. If your invoices do not break them out, you cannot manage them.

No unified inventory view

When stock levels by location are unreliable, freight pays for it. Orders ship from the far warehouse, arrive in two boxes instead of one, or go express to cover a stockout that a clean count would have prevented. None of it shows up as a freight problem. It shows up as a higher cost per order.

Trade terms such as FOB and DDP

For cross-border shipments, the trade term decides who pays the main freight leg, who carries the rate risk between quote and shipment, who owns damage in transit and who funds freight upfront. A natural stone manufacturer we worked with sold delivered duty paid, so it carried all of that. Moving to FOB, with a negotiated port-to-

door rate offered to buyers through an official shipping partner, moved freight cost, rate risk and damage liability off the business. Buyers had declined earlier FOB offers but accepted this one at scale. What changed was the offer, not the argument.

03

How to build shipment evidence for carrier negotiations

Carriers price what they can see. Bring total volume and a request for a discount, and you get a rate table built for an average shipper. Bring a segmented history of your own shipments, and you can test any offer against what you actually ship.

A pre-owned electronics retailer selling through its own web store and several marketplaces had a raw export of about 41,500 shipments over six months. It mixed carriers, services, stores and international records, listed one warehouse under two addresses, and had limited or missing billed weight, surcharge and returns data. Our team turned those shipments into evidence for carrier negotiations. The steps carry over:

1. **Pull every shipment from every channel.** Six months can be enough to start. The retailer's main carrier asked for 12 months, and the retailer chose to proceed with six.
2. **Clean origins and addresses.** Merge duplicate locations and normalize destination postal codes.
3. **Find missing fields early**, such as billed weight, surcharges and returns, and request carrier invoice files to fill them.
4. **Map each destination to a carrier zone** from the location it shipped from.
5. **Segment the history** by carrier, service, weight class, zone, origin and channel.
6. **Separate what is in scope.** The retailer excluded international records from the main carrier's quote analysis but kept them for broader comparison.
7. **Model competing offers on your own mix**, not on headline rate tables.

Then run a real tender. The stone manufacturer invited more than 50 forwarders, carriers and third parties to a structured request for quotation, screened them on rate, service and export customs clearance ability, and negotiated against a committed minimum volume sized to hold even if the new terms underperformed. The result was an estimated 10 to 15% rate improvement on negotiated lanes.

04

Where we say no: no carrier switch before the data is clean

When freight hurts, switching carriers looks like the fast fix. We say no to a carrier switch until the shipment data is clean.

A discount is a percentage of a rate card, and without your own mix you cannot tell what it is worth. If billed weight and surcharges are missing from your history, you cannot check the new carrier's invoices against the old one's. A switch also has its own cost: new labels and integrations, new pickup routines, new returns flows and a stretch of service risk while people learn them. Pay that cost on a guess, and the savings may never arrive.

The same goes for commitments: no multi-year agreement signed on a headline discount alone, and no volume commitment above what the business can reliably ship. Sometimes the honest answer is not yet: clean the data first, sign later.

05

How to keep freight savings from eroding

Freight savings erode quietly. Rates reset every year, surcharges change, the product mix shifts, a new channel opens its own account, and the warehouse goes back to the box within reach.

The six-channel retailer's results, freight cost down 18% and $280K in annualized savings, were measured within six months of implementation, and our team stayed through implementation until the new structure was running. A recommendation on its own does not lower freight cost. These habits keep it lower:

- **One owner of carrier performance.** A named person reviews cost per shipment by segment every month and answers for it. Not a committee.
- **Invoice audits every billing cycle.** Check billed weight, surcharges and discounts against the contract, and claim the errors.
- **Four ratios on one page.** Share of shipments billed on dimensional weight, surcharges as a share of spend, zone mix and service mix.
- **A re-run at every rate change.** Model each announced increase against your own mix before it takes effect.
- **Packaging rules with a freight target.** Give the team that picks box sizes a cost per order to answer for.

- **Freight inside channel margin.** Charge freight to each channel so pricing and promotion decisions see it. Our guide to pricing on contribution margin, not revenue explains why.

Armstrat is a Business Transformation Office (BTO™) that embeds forward-deployed engineers (FDEs) inside a client's business and focuses solely on delivering outcomes. On freight, the team builds the shipment evidence with your warehouse, finance and channel leads and stays until the new rates and habits hold. Outcomes and how they are measured are agreed before work starts. A base fee covers delivery and a contingency is paid on results. Most engagements start with a diagnostic of two to four weeks, and Ask Armstrat answers questions about results and fees, with sources.

06

Where AI helps with freight cost, and where it does not yet

AI is useful here, within limits. The 2026 State of Logistics Report found that AI now delivers measurable commercial returns in specific, well-defined applications. Freight has three:

- **Invoice and rate audits.** Software can check every invoice line against the contract, compare billed dimensions with your own records and flag duplicate or misapplied surcharges, at a volume people cannot match.
- **Shipment segmentation.** Grouping shipments by weight, zone, service and channel shows which segments to put out to bid.
- **Anomaly detection.** A rise in address corrections, a jump in dimensional billing after a packaging change, or one store drifting to express services can be caught in days instead of at quarter end.

It does not help yet in two conditions. The first is messy shipment data. If one warehouse appears under two addresses and billed weight is missing, an audit tool flags noise and a segmentation model learns the mess. The second is no owner of carrier performance. An alert that nobody is responsible for acting on is just another email.

That is why our AI and intelligent automation work starts with the data and the owner, then the tool. Our guide to the signals that mean AI is not the answer yet explains how to tell.

07

A freight cost checklist for founders and CEOs

Use this before you talk to any carrier.

Where to look	Question to ask	Evidence to pull
Carrier contracts	How many carrier accounts do we have, and who negotiated each?	Every account, its terms and its annual spend
Dimensional weight	What share of shipments is billed on size rather than weight?	Billed weight against actual weight by shipment
Zones and origin	Do orders ship from the nearest location that holds stock?	Zone and origin by shipment, stock by location
Service levels	Which shipments truly need express to meet the promise?	Service used by channel against promised delivery dates
Surcharges	What share of spend is surcharges, and which are growing?	Invoice lines broken out by charge type
Inventory view	How often do orders split or go express because of stock errors?	Split shipments, expedited orders, stock accuracy by location
Trade terms	Who pays the main leg, carries the rate risk and funds freight upfront?	Terms by customer and lane, freight paid before customer payment
Ownership	Who reviews cost per shipment each month and answers for it?	A named owner, a monthly report, a list of actions taken

08

Frequently asked questions

How much are UPS and FedEx raising shipping rates for 2027?

Both carriers announced an average increase of 5.9%. UPS daily rates for Ground, Air and International services rise an average net 5.9% from December 21, 2026, and FedEx parcel rates rise an average of 5.9% from January 4, 2027. Your own increase depends on your mix of weights, zones, services and surcharges.

What is dimensional weight and how is it calculated?

Dimensional weight is a billing weight based on the space a package takes up. For US shipments, FedEx multiplies length, width and height in inches and divides by 139, then bills whichever is greater, the dimensional or the actual weight. A light product in an oversized box is billed for the box.

How much shipment data do you need to negotiate with carriers?

Six months of clean, segmented shipment history can be enough to start, though a carrier may ask for twelve. In one Armstrat engagement, the main carrier asked for 12 months of data and the retailer chose to proceed with six. Quality matters more than length: every channel included, addresses cleaned, zones mapped and billed weight present.

Should we switch carriers to cut freight cost?

Not until your shipment data is clean. A headline discount means little until you test it against your own mix of weights, zones, services and surcharges, and a switch brings new labels, integrations and returns flows. Build the shipment evidence first, negotiate with it, and switch only if the modeled savings justify the change.

What is the difference between FOB and DDP for freight cost?

Under DDP, delivered duty paid, the seller pays freight and duties to the buyer's door and carries the rate risk, the transit damage risk and the cash cost of paying freight upfront. Under FOB, free on board, the buyer takes over the main freight leg once goods are loaded at the port of shipment.

Can AI audit our freight invoices?

Yes, once the data and an owner are in place. Software can check every invoice line against your contract and flag wrong billed weights or misapplied surcharges faster than people can. It struggles with messy data, such as one warehouse listed under two addresses, and achieves little if nobody owns carrier performance and acts on what it finds.

Written by

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Hashir is Armstrat's managing partner. He runs senior client relationships, sets the firm's positioning and methodology, and decides which engagements Armstrat takes on, and which it turns down. Before founding Armstrat, he led restructuring across retail and supply chain businesses, owning the ERP, the cost structure and the operating cadence that runs across them.

About Armstrat

Armstrat is a Business Transformation Office (BTO™). A partner leads every engagement, and forward-deployed engineers (FDEs) work inside your business across five capabilities: business transformation; operations and supply chain; people and organization; growth, marketing and sales; and AI and intelligent automation.

Engagements are a base fee plus a contingency paid on results, not on documents. We use AI only where it earns its place, and we say not yet when a business is not ready for it.

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