White Paper

Increase your Revenue
With Dimensional Weight Pricing

Dimensional weight pricing ensures that large, bulky items are invoiced according to the space they take up rather than actual weight. In order to maximise revenue, a carrier should compare actual weight with dimensional weight and use the greater of the two as billable weight. In addition, customer declared measurements should be checked to ensure that invoices reflect the actual size of each shipment. Revenue Recovery is a term used to describe the protection of revenue through automatic dimensioning. Read on to discover more about how to maximize your revenue through dimensional weight pricing and automatic measuring.

What is dimensional weight and how is it used?

Dimensional weight pricing was first introduced by international air carriers in order to make efficient use of cargo space. It has become standard in the transport industry and today is used by all major carriers. The objective of such a pricing structure is to ensure that items are invoiced based on the space they occupy, not just their weight.

The dimensional weight of an object is calculated by determining its cubic size and dividing this number by a dimensional factor. The international Air Transport Association (IATA) established a standard dimensional factor, however companies regularly choose their own factor based on the average density of their shipments. Dimensional weight is compared to actual weight and the greater of the two is used as billable weight.

Should these parcels cost the same to ship?

Dimensional weight formula:

$$\frac{\text{Length x width x height}}{\text{Dimensional factor}}$$

Typical dimensional factor:
Domestic: 6000 cm³ / Kg (194 in/lb)
International: 5000 cm³ / Kg (166 in/lb)

Some Definitions	
Actual weight	How much an object actually weighs in kgs or lbs
Dimensional (volumetric) Weight	Cubic size of an object divided by a dimensional factor
Billable (chargeable) Weight	Whichever is greater, actual weight or dimensional weight. Is used for invoicing.

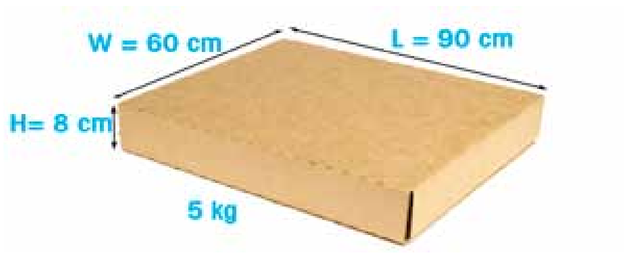
METTLER TOLEDO

Dim Weight vs. Actual Weight

In this example, we see the difference that charging by dimensional weight can make to your revenue. Because of the low density of this package, the carrier that sends it will earn **40% more** if they charge based on dimensional weight than they would by invoicing for actual weight.

Example Calculation:

Dimensions:	**90 x 60 x 8 cm = 43 200 cm³**
Dimensional factor:	**6000 cm³/kg**
Dim. Weight:	**7,2 kg**
Actual weight:	**5 kg**
Billable Weight:	**7,2 kg**



Dimensional weight exceeds actual weight in a large number of shipments. If you have a high number of low density items that you price based on actual weight, there is huge potential for revenue recovery.

High density objects	Objects heavy for their size
Low density objects	Objects light for their size

Maximizing Revenue Potential

Your exact potential for revenue recovery depends on the goods you ship and your pricing structure. While one company may recover €1 extra per parcel, another company can recover over €5 per parcel. If you send a lot of high volume, bulky products that are low in weight, the potential to recover revenue is much higher than if your average shipment consists of high density objects.

Getting Paid Properly

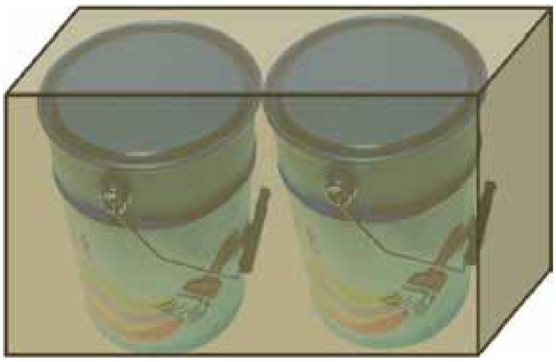
Not only will you determine the billable weight by weighing and dimensioning shipments automatically, you will also discover any discrepancies in measurements provided by your customer. Shippers often don't have the time or capability to provide accurate data and under-reporting of numbers is common. Measurements are typically done manually and are therefore prone to mistakes.

If the customer who delivered the example package above mis-calculated the length, width and height by 1mm, the billable weight would increase by another 14 % after discovering the error with an automatic system. Extra revenue gained through this extra quality check is money that would otherwise have been lost.

Customer declared data	**System verified data**
Dim: 90 x 60 x 8 cm = 43 200 cm³ Factor used: 6000 cm³/kg Dim. Weight: 7,2 kg Actual weight: 5 kg Billable Weight: 7,2 kg 	Dim: 91 x 61 x 9 cm = 49 959 cm³ Factor used: 6000 cm³/kg Dim. Weight: 8,3 kg Actual weight: 5 kg Billable Weight: 8,3 kg 

Maximize Revenue

Why is Automatic Measuring Necessary?



Even if you do measure the dimensions of your freight, but you do it manually, you won't recover all potential revenue. Manual measuring is prone to error and doesn't capture bulges and protrusions that take up valuable space. Every millimetre makes a difference when it comes to invoicing.

The logic of an automatic system is based on the space an object occupies and how you can stack it. When an object is not perfectly rectangular, the system calculates the smallest rectangular box that can enclose the object. If the dimensional weight of that theoretical box is greater than the actual weight, it will be used as billable weight. Data provided by a Weights and Measures approved system is always reproducible. You and your customer can be sure your invoices are correct, every time.

Earning 'The Right Money'

The aim of dimensional weight pricing and automatic dimensioning isn't just to 'make more money' it's about invoicing customers correctly and fairly. An automatic dimensioning solution makes sure that you earn the 'right money' and consequently you reduce the administration costs of collecting the money. Some customers will even receive a lower price than expected. Once they realise their numbers are being checked, your customers will take more precaution in providing accurate data. After some time, you will experience less discrepancy between the customer declared information and the measurements generated by your system.

Protect your Revenue and your Brand

No business can afford to just give their services away. If you don't consider dimensional weight when pricing, and if you don't check the measurements of your consignments automatically, you are missing out on revenue that is rightfully yours. Investment in an automatic dimensioning and weighing solution and a switch to dimensional weight pricing is fool proof. You will guarantee that you are paid properly for the space you provide, protecting your revenue and your brand.

How to Implement a Revenue Recovery Program?

Try automatic measuring for a test period and you will discover just how much revenue you can recover. With over 25 years of experience and hundreds of systems installed, approved and in operation throughout the world, METTLER TOLEDO is in the perfect position to help you. Contact us for a free consultation and advice on setting up a test installation.

Maximize your revenue potential. Contact METTLER TOLEDO for a free consultation!

www.mt.com/revenue-recovery

Visit for more information

Mettler-Toledo Cargoscan AS
Ulvenveien 92B
0581 Oslo
Norway
Tel: +47 23 06 77 77
E-post: cargoscan@mt.com

Printed in Norway 792074
CSN MarCom