



Enterprise Shipping Solutions

Whitepaper

The Business Case for Investing in a Parcel Shipping Solution

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The business case for investing in a Parcel Shipping solution should be well defined, verifiable, and aligned with your company's financial, operational, and strategic objectives.

Summary

The business case for investing in a Parcel Shipping solution should be well defined, verifiable, and aligned with your company's financial, operational, and strategic objectives. This brief examines the value drivers of a Parcel Shipping solution relative to these objectives. It also highlights key metrics that companies should establish and track to validate the business case and drive continuous improvement.

Financial Value Drivers

Companies in many industries face a similar challenge: costs for labor, materials, and logistics are going up while prices for finished goods are declining due to competitive pressures. This inverse relationship between costs and prices impacts profitability, a key focus point for corporate executives and investors. Therefore, the business case for any technology investment must include improved profitability as an end result.

Parcel Shipping solutions improve profitability by reducing costs and enhancing productivity. Cost reduction is achieved via several means including:

- ▶ **Negotiating more favorable rates with carriers by having better visibility to shipping activities and spend.** Many companies have a fragmented view of their shipping operations which limits their ability to negotiate effectively with carriers. Parcel Shipping solutions provide companies with detailed information about their operations, including shipping quantities, package sizes and weights, origins and destinations, and other shipping characteristics. This information gives companies greater leverage to negotiate discounts or explore bundled service options.
- ▶ **Reducing use of premium (more expensive) services.** In many cases companies are using expensive express services to ship orders when using a less costly ground service would have been more appropriate. Parcel Shipping solutions allow companies to compare service options and costs, including data on actual delivery cycle times by carrier, service, and origin-destination pair. Companies can save as much as 90 percent on a shipment by making a more intelligent service selection.

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- ▶ **Improving compliance with routing guides.** Negotiating favorable rates with carriers is meaningless if preferred carriers and services are not used consistently across all shipping locations. Parcel Shipping solutions allow companies to enforce their shipping policies across the enterprise (and to external parties shipping on their behalf) by displaying only the carriers, services, and rates that are appropriate for a given shipment. Companies can reduce total shipping costs by 10 percent or more by improving routing guide compliance.
- ▶ **Eliminating or reducing certain surcharges.** Together, the three leading parcel carriers have over 60 different surcharges including fuel surcharges, rural delivery, residential delivery, excess tracking, and address correction fees. These surcharges can increase shipping costs by at least 15 percent. Address correction, for example, can cost a shipper \$10 per package. Parcel Shipping solutions allow companies to track these costs and verify their validity. For example, commercial addresses are sometimes misclassified as residential by the carriers. Parcel Shipping solutions can also eliminate unnecessary charges by preventing or fixing errors such as wrong addressees.

Parcel Shipping solutions enhance productivity by streamlining and automating the shipping process. Improved productivity translates into additional financial benefits including reduced labor costs and increased revenue growth.



Operational Value Drivers

Achieving operational excellence in parcel shipping is an important component of the business case. Assigning value to “operational excellence” involves linking operational metrics with financial value.

Operational Benefit	Financial Value
Streamline and automate shipping process	<ul style="list-style-type: none"> ▶ Reduce overhead costs <ul style="list-style-type: none"> ▪ Grow shipping operations without adding people ▶ Reduce shipping costs <ul style="list-style-type: none"> ▪ Consolidate multiple orders into single shipments ▪ Improve routing guide compliance ▪ Reduce expedited shipments ▶ Eliminate inventory via faster cycle time ▶ Improve Days Sales Outstanding (DSO) via faster Order-to-Cash cycle
Improve process accuracy and reliability	<ul style="list-style-type: none"> ▶ Reduce cycle time ▶ Reduce surcharges <ul style="list-style-type: none"> ▪ Address correction, labeling errors... ▶ Increase revenue via improved customer satisfaction
Improve visibility to shipping activities and operational performance	<ul style="list-style-type: none"> ▶ Identify/recover incorrect invoice charges <ul style="list-style-type: none"> ▪ Residential vs. commercial address ▪ Rural vs. urban address ▪ On-time delivery service failures ▶ Increase revenue <ul style="list-style-type: none"> ▪ Improve customer satisfaction by providing tracking capabilities and status messages ▶ Reduce shipping rates via more informed negotiation process

The operational benefits of Parcel Shipping solutions extend to other business functions too including Order Management, Warehouse Management, and Customer Service. Briefly stated, parcel shipping is a critical component of the entire Order-to-Cash process.



Companies can gain market share by outperforming the competition in order-to-delivery cycle time. In a billion dollar market, a 1-percent gain in market share is worth \$10 million in additional revenue.

Strategic Value Drivers

Parcel Shipping solutions provide strategic benefits that are sometimes difficult to quantify but are important components of the business case nonetheless. For example, companies can gain market share by outperforming the competition in order-to-delivery cycle time. In a billion dollar market, a 1-percent gain in market share is worth \$10 million in additional revenue.

Investing in a Parcel Shipping solution can help a company launch or expand its e-commerce operations, thus generating additional sales and attracting new customers. E-commerce retail sales in the United States are growing over 20 percent a year, about three times faster than total retail sales. E-commerce is forecasted to grow in Europe, Asia, and other parts of the world too. A Parcel Shipping solution helps companies tap into this growth opportunity.

Similarly, a Parcel Shipping solution can help companies conduct business in new geographic regions. Companies are increasingly sourcing, manufacturing, and distributing goods on a global basis. Having international shipping capabilities, therefore, is a critical requirement for success.

Recommendations

Develop a business case that is well aligned with your company's financial, operational, and strategic objectives. Establish and track operational and financial metrics, like the ones listed below, to validate the business case and drive continuous improvement.

- ▶ Percent of annual revenues and profits linked to parcel shipments
- ▶ Order-to-Delivery cycle time
- ▶ Shipment transactions per hour
- ▶ Labor cost per shipment transaction
- ▶ Percent compliance to routing guide and shipping policy
- ▶ Dollars per month in surcharges related to preventable errors

This paper was written by ARC Advisory Group on behalf of Kewill. The opinions and observations stated in the paper are ARC's. For further information or to provide feedback on this paper, please contact the author at agonzalez@arcweb.com.

About Kewill

Kewill is the shipping management solutions division of Kewill Systems Plc, and is the leading provider of enterprise parcel shipping and international trade solutions with over 10,000 shipping solutions deployed since 1990. Kewill's solutions automate the shipping process for parcel carriers and LTLs, eliminate inefficiencies and improve customer satisfaction. Businesses including FedEx, drugstore.com, Mazda and Smith & Nephew use Kewill's Clippership® and Kewill Flagship™ products.

Kewill Flagship optimizes global trade including domestic and international parcel (and LTL) shipment manifesting, automation of document generation and regulatory compliance screening (export/import).

Clippership manages your multi-carrier requirements, supports flexible data integration and performs extensive rate shopping to determine optimal shipment rates and routing.

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