



Enterprise Shipping Solutions

Whitepaper

Third Party Shipping Management Solutions vs. Carrier Provided Alternatives

Calculating the Impact & Total Cost of Ownership



Executive Overview

The deployment of 'free' parcel shipping systems can actually restrain a business' ability to meet increasing customer demands, increase IT and support costs, and ultimately lead to elevated total transportation costs through limitations on shipping options.

The concept of a free carrier-provided parcel shipping system is a misnomer that is often used to encourage shippers to accept limited capability and flexibility in exchange for a lower upfront payment. The deployment of these applications can actually restrain a business' ability to meet increasing customer demands, increase IT and support costs, and ultimately lead to elevated total transportation costs through limitations on shipping options and the inability to negotiate optimum rate discounts. Multi-carrier systems offer the flexibility to minimize costs regardless of carrier, provide scalability and improved customer service.



Challenge of Parcel Shipping

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For most distribution organizations Parcel shipping has always been a challenging area to assure cost minimization while maximizing flexibility. Rate schedules are complex, customer shipping requirements have increased, many organizations are beginning to expand their sales programs globally, and the addition of on-line sales channels requires competitive shipping options to close business (shipping costs have been the number one cause for shopping cart abandonment for the past two years). And if the shipping management process is not executed correctly, the cost of any individual shipment can easily double or triple (often unrecoverable) through the assessment of one or more carrier defined accessorial charges. But managing cost is only one reason why parcel shipping today has become more challenging.

Parcel shipping has also grown more complex for the carriers. With investment in enhanced technologies, Carrier service offerings have been expanded to meet market needs, and greater tracking and understanding of cost has led to more refined pricing- in some cases requiring entirely new pricing methodologies (shape based vs. weight based) to address these new factors. More products, with greater refinement in pricing, means greater complexity for both the shipper and the carriers.

Solving the Problem

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Distribution organizations have a number of tools available to assist in the selection of the best carrier and service combination to meet their needs. Some solutions are provided by the carriers themselves, typically at minimal cost, as part of a contractual agreement to provide an agreed-upon level of service - others are provided as third party solutions, designed to support more sophisticated shipping strategies with a single solution. The distinctions between these offerings can be key to meeting the increased demands of the organization's distribution needs, and the implications of one method vs. the other should be well understood before committing time and resources to a solution. Changing demands for integration, flexibility and speed are difficult to adjust to if they're not planned and built into the solution.

Satisfying Customer Demand

Customers have also become more demanding. As more organizations pay attention to total shipping costs (inbound and outbound) both large and smaller customers are now providing customized routing guides to their suppliers, requesting the shipper use specific carriers to identified geographies, directing ground or air preferences for certain items, or, in more complex levels, demanding specific time-in-transit metrics and delivery windows be maintained for all deliveries. As customers employ rapid replenishment strategies to keep inventories low, they're asking their suppliers to make more frequent shipments of smaller sizes. Shippers need to be able to get their package and parcel shipments out the door -- fast, on-time and with the correct labels and manifests to satisfy customer delivery expectations. And they need to meet those requirements at the lowest price possible with the best service.

Is There a Real Free Lunch?

In any corporate purchase, costs must be justified and considerable attention paid to identifying the upfront price of the item in question. Ongoing costs (those that impact budgets or line-items outside of the current period) are often minimized in favor of lowest initial cost considerations. This is often the case in the consideration of a parcel shipping solution. Upfront cost hurdles, budget approvals and internal analysis falls to a minimum when a vendor offers their service at a subsidized cost - and particularly so when that price falls to zero - but the obvious danger here can be overlooked, and the true impact of the decision is significantly more expensive to the shipper.

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Although the parcel carriers provide many of these shipping systems for a minimal initial cost, the carrier has borne the cost of software development and maintenance, accepting this incremental cost in a non-core area of their business. Ultimately, however, they must recoup these costs, and the most direct method of recompense is to reduce the potential discount levels that would otherwise be offered on shipping charges. These increased shipping costs appear to the user of the system as minimal percentage increases in each package that is shipped, obfuscating the total cost of the system, while impacting product margins and competitiveness. These increases are often not transferable to customers - so they may wind up cutting into critical margins on product sales, as customers shift the cost burden of shipping to the suppliers. And should volume levels fail to meet expected minimums, the carriers could even seek direct reimbursement or removal of the shipping solution. In the end, a low cost system can be a much more expensive proposition than was initially considered - in ways that are much more impactful to the company.

Total Cost of Distribution

Beyond the very visible low initial costs, a standalone shipping solution from a carrier can restrict a shipper in other ways. Take a situation where a shipper might want to alter their carrier mix at the end of its contract period, whether to get a better rate or to improve service options. Whenever that happens, the shipper would have to once again integrate a new shipping system to a host system, Enterprise Resource Planning (ERP) or Warehouse Management System (WMS) to download customer-order information. There's a cost to systems integration, possible service disruption while programming interfaces are rewritten to enable data interchange between applications as well as the expense to pay programmers to write new interfaces. These hard dollar costs often cripple the project budget analysis of a carrier change, forcing the organization to abandon the cost saving initiative, and compelling the shipper to retain a reduced option, higher cost scenario. Flexibility and competitiveness are critical managerial tools, and the acceptance of lock-ins that preclude the ability to move to a lowest cost option are not sound business solutions.

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A more subtle impact of how the actual costs of free carrier solutions are spread across each individual parcel is how visibility into that the true cost of distribution is lost. There is no reporting of system costs, reducing corporate oversight and management ability to deal with their impact. And, as part of that visibility loss, the cost burden that is most often borne in an IT budget is shifted to the Distribution organization, artificially understating IT costs, and overstating the cost that the customer must pay to receive their goods.

Prepare Your Business for Growth

When a shipper uses a multi-carrier shipping solution, there's only a need for one-time integration with any host system to access and obtain orders. Because multi-carrier shipping solutions support multiple carriers and their services, it comes pre-built to handle any change in shipping patterns or carrier deployments. And, because a shipper isn't captive to a carrier-provided shipping tool, a customer can react more quickly to events such as a new customer demand or a new carrier service offering. The organization is free to utilize the service options of all carriers, minimizing costs, maximizing service potential, and assuring the best deal for the organization. It also means that a change in carriers (even swapping out one "free" solution for another) will not expose the organization to additional costs through redundant deployment cycles or learning curve issues working with different software. Shippers should not overlook an important fact there are costs associated with retraining employees to learn the "ins" and "outs" of the software.

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In contrast, the implementation of multi-carrier shipping management systems go in quickly - typically in less than two weeks - and once deployed, there are no limitations to the number of carriers or services that may be utilized. There is no learning curve issue, as the identical software interface is utilized, regardless of the carrier selected. Fast, flexible, simple to maintain, and cost minimizing - a tough-to-beat combination.

A Scalable Tool for Changing Business Conditions

Unlike standalone carrier-provided offerings, a multi-carrier shipping solution is scalable. The system can be readily changed to accommodate new rates or shipping requirements -- not just from a single carrier but from several. It can be attached to additional printers or even extended to other systems to create more shipping stations should volume or workload increase or if there is a need to get more shipments out the door faster. In short, multi-carrier systems are designed to grow with the shipper's business.

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A multi-carrier shipping solution is also better suited to supporting customer service and supply chain strategies. This type of system can be configured to meet specific customer requirements. As more and more customers request customized shipping options, dictating the selection of a certain carrier to move products to a certain region, or dictating the delivery service level for shipment, it's useful to keep all those shipping requirements stored within one application. Automation of those requirements means that shipping personnel are not dependent on memory to meet a whole host of requirements for individual customers.

And for tracking and management reporting, there is no need to aggregate information across multiple "free" systems to begin to understand total shipping costs across the entire organization. This is particularly important for customer support when faced with tracking customer deliveries across multiple systems, delaying response times, and creating a credibility gap in critical customer interactions.

Multi-carrier shipping systems are more productive pieces of equipment as well. In a busy distribution center facing tight deadlines to get product out the door, a multi-carrier solution means work gets done faster.

A Flexible Tool for Service-Shopping

A multi-carrier shipping solution allows a logistics manager to "service-shop" across a base of carriers. That's because multi-carrier shipping solutions are explicitly designed to meet the needs of the shipping organization. They can provide fast and easy access to every potential delivery service available to the shipper -- not just the ones featured in the carrier-provided application. They also can determine whether a package can use a lower level of delivery service -- say two-day ground transport rather than overnight air shipping -- and still meet the customer's delivery requirements while saving money on transportation costs. They can be programmed with business rules that allow the shipper to shift delivery method based on an unlimited number of parameters, including type of goods, delivery geography, time of order receipt, expressed customer preference, size of shipment, etc. . With parcel shipping industry studies showing that the average shipper spent 10 percent of their transportation budget last year on express package shipments and another 8 percent on surface shipments, the enablement of customized business rules gives shippers the flexibility to shift carriers and minimizing costs while maximizing customer satisfaction.

Multi-carrier shipping solutions are explicitly designed to meet the needs of the shipping organization. They can provide fast and easy access to every potential delivery service available to the shipper.

With multi-carrier systems, there are no limitations on carrier choices - the system is equipped to support each carrier with a compliant shipping manifest and label that minimizes the risk of accessorial fees and delay in deliveries.

Best of all, shippers gain flexibility in picking the right mix of carriers and services with a multi-carrier solution that they would not have otherwise. When carriers know shippers have some flexibility in carrier selection without impacting their shipping operation, they are more willing to negotiate price and terms of service. Put another way -- shippers captive to a single carrier face the real prospect of higher shipping costs for their organization.

Consider the Total Costs for the Solution

A multi-carrier shipping solution lets logistics managers use one application to optimize their shipping process for moving shipments among many carriers. It can be configured to meet unique consignee requirements, increasing customer satisfaction. In addition, it can support a supply chain strategy that involves different levels of delivery service for different customers, using one or more carriers.

Before relying on a shipping solution from a single carrier, take a close look at the total cost of ownership and operation. A multi-carrier shipping solution can demonstrate low-cost deployments, minimize service and support costs, and deliver the lowest cost shipping solution regardless of carrier. Moreover, a multi-carrier shipping solution makes economic sense because it gives logistics managers a tool for flexibility for carrier choice in today's dynamic transportation environment where any service disruption can jeopardize customer relations. A multi-carrier shipping solution lets logistics managers stay on top of those changes, giving the distribution organization the flexibility to adapt to evolving business conditions and to adjust to new customer demands while saving money on the total cost of their distribution operation.



10 Questions any Logistics Manager Needs to Ask Before Using Carrier-Provided Shipping Systems

Do you have two or more carrier-provided shipping systems in your distribution center?

Do you need more flexibility in executing your shipping?

Do you change your carriers and/or services for delivery more than once every two years?

Do your customers dictate how you ship packages to them?

Do you ship more than 100 parcels each day?

Do you expect your shipping volumes to increase, necessitating the need for more shipping stations?

Do you have different processes for managing domestic and international shipments?

Do you use wave-planning in your distribution center?

Are your employees trained on one-carrier provided system versus another?

Do you need more leverage in your carrier negotiations?



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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