



Enterprise Shipping Solutions

Whitepaper

Making Intelligent Decisions in Parcel Shipping

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Companies should take a cross-functional perspective and consider the requirements of Operations, Information Technology, and C-level Executives when evaluating and selecting a Parcel Shipping solution.

Summary

Companies should take a cross-functional perspective when evaluating and selecting a Parcel Shipping solution. The solution must obviously meet the functional and usability requirements of Operations. But companies should also consider the requirements of the Information Technology (IT) group and C-level Executives, particularly with regards to scalability and interoperability with existing systems, and the solution's ability to create business value.

This brief examines Parcel Shipping solutions from three perspectives: Operations, Information Technology, and C-level Executives. A set of assessment questions is also provided to help companies make an intelligent and well-informed investment decision.

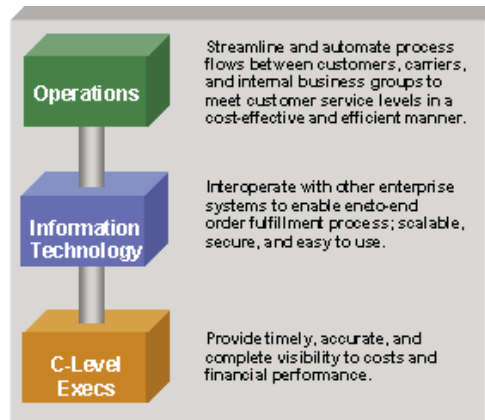
Operations Perspective

The primary objective of a company's shipping or logistics department is to meet customer service levels in a cost-effective and efficient manner. A Parcel Shipping solution, therefore, must enable companies to streamline and automate their shipping process with a high-degree of accuracy and reliability.

Parcel shipping is a relatively complex and dynamic process. Each carrier has different rates, surcharges, service offerings, and labeling requirements that change frequently. Failure to understand and manage these differences effectively results in service level failures and increased costs. For example, shippers often use a premium air service for next day delivery when a guaranteed ground service would be adequate in many cases and cost 50 to 90 percent less.



Achieving operational excellence in parcel shipping is dependent on having a well-defined and consistent shipping process across the enterprise, which is ultimately enabled by a Parcel Shipping solution. By leveraging a common solution across multiple shipping locations and business units, companies can gain timelier, more accurate and complete visibility to operational and financial performance. This visibility allows companies to identify sources of variation and inefficiency, and to launch continuous improvement initiatives such as Six Sigma that result in improved process control.



Briefly stated, a Parcel Shipping solution is first and foremost an execution system that powers a business process. This process has many stakeholders, including customers, carriers, and internal functional groups. Therefore, a Parcel Shipping solution must serve as a platform for collaboration and information exchange between these parties.

Assessment Questions

- ▶ Does the solution offer multi-carrier rate shopping and execution capabilities? Is the solution certified by the major carriers?
- ▶ Can the solution identify opportunities to consolidate multiple orders into a single shipment? Can it validate addresses and correct them?
- ▶ How is the system updated when rates, surcharges, and documentation and labeling requirements change? How much time and effort is involved?
- ▶ Does the solution provide real-time visibility to orders, shipments, and execution events? Can it automatically generate and send status messages and alerts (via email, cell phone, or pager) to customers, shipping managers, or other parties?

- ▶ What is the throughput of the solution (e.g. shipments per hour)? Can it scale to meet your future requirements?
- ▶ Can access to information and execution capabilities be configured based on a user's role and responsibility? Does the solution allow you to define and implement business rules such as restricting carriers or services by location or customer?
- ▶ Are fuel surcharges, accessorial fees, and other charges captured by the system? Can the system allocate these costs to specific orders, departments, customers, or other accounting items?
- ▶ Does the solution offer performance management, carrier score-carding, and analytics capabilities? How many pre-configured metrics does the solution provide and track? Can you define and configure your own metrics?
- ▶ Does the solution support international shipping requirements? Can it support hazardous material requirements if you ship such products?

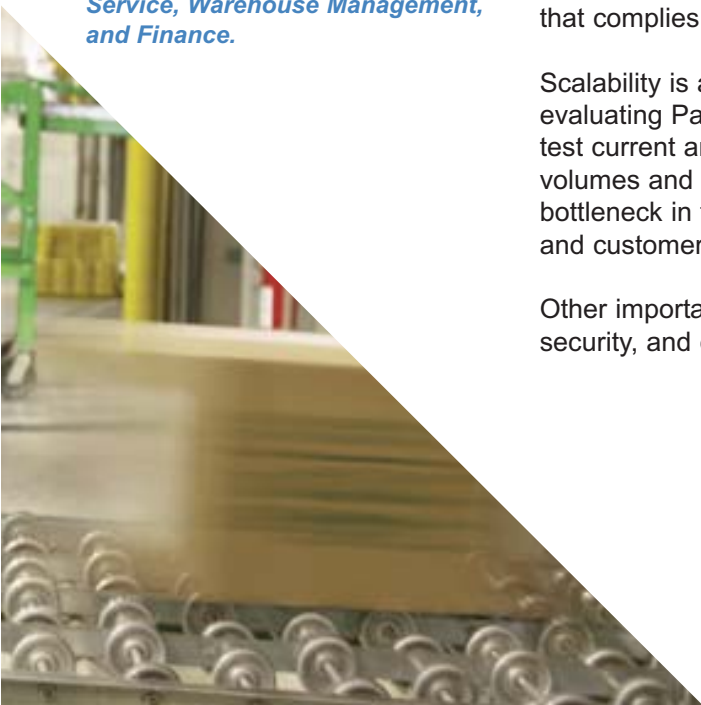
Information Technology Perspective

Parcel shipping does not exist in a vacuum. It's a process that interfaces with a variety of other business functions, including Order Management, Customer Service, Warehouse Management, and Finance. A Parcel Shipping solution, therefore, must interoperate with a variety of other software applications. Companies should evaluate a solution's architecture and integration approach relative to its existing IT infrastructure and long-term objectives. Many companies, for example, are migrating towards a service-based infrastructure; selecting a solution that complies with this type of environment is important.

Scalability is another critical factor that companies should consider when evaluating Parcel Shipping solutions. Companies need to define and test current and future shipping requirements in terms of transaction volumes and speed; otherwise parcel shipping could become a bottleneck in the fulfillment process, negatively impacting sales, costs, and customer satisfaction.

Other important IT considerations include upgrades, maintenance, security, and ease of use.

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Assessment Questions

- ▶ What is the solution's architecture? Is it a closed, proprietary solution or is it based on open standards?
- ▶ Can a single instance of the solution serve as a common shipping platform across all business units and geographies?
- ▶ How often are new versions released? How much time and effort is typically required to perform an upgrade?
- ▶ Does the solution have certified interfaces to other enterprise applications such as Enterprise Resource Planning (ERP), Warehouse Management Systems (WMS), or Order Management Systems (OMS)?
- ▶ How are technical issues communicated and resolved?

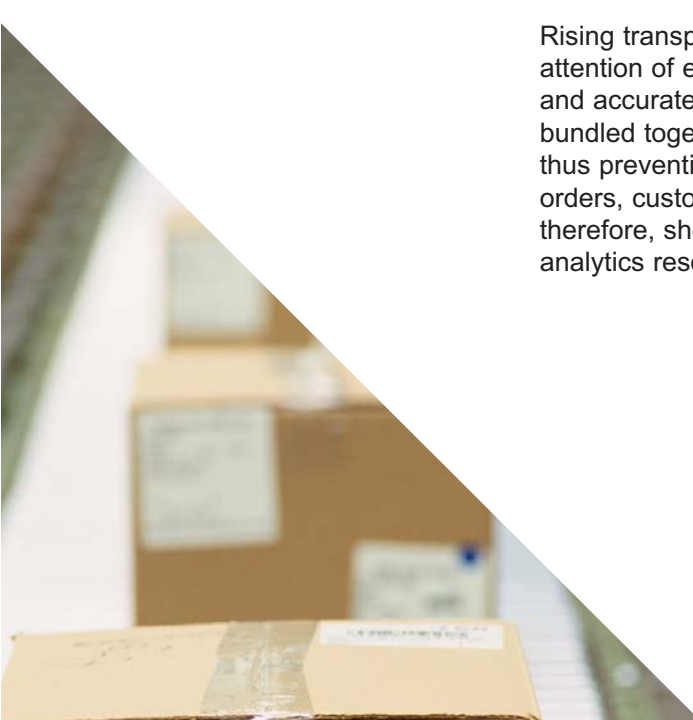
C-Level Perspective

Historically, many C-level executives (CEOs, CFOs, etc.) have failed to grasp the role and importance of parcel shipping relative to financial performance and strategic objectives. Shipping was simply viewed as “paperwork” and a cost center.

But this perspective is beginning to change. Chief Financial Officers are becoming better educated about the role and impact of logistics on financial performance, driven in part by the need to comply with the Sarbanes-Oxley Act of 2002 (SOA). Complying with SOA is dependent on having access to timely, accurate, and complete information, and establishing process controls—the same success factors required to achieve operational excellence in parcel shipping.

Rising transportation and shipping costs are another factor attracting the attention of executives. Many companies, however, do not have a clear and accurate understanding of their shipping costs. They're often bundled together with other costs or reported at an aggregated level, thus preventing companies from allocating shipping costs to specific orders, customers, or departments. A Parcel Shipping solution, therefore, should serve as a performance management and business analytics resource for corporate executives.

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Assessment Questions

- ▶ What percent of your revenues and profits are linked to parcel shipments? How will these percentages change in the future?
- ▶ Do you have timely, accurate, and complete visibility to shipping costs, including fuel surcharges, handling surcharges, and other accessorial fees?
- ▶ Are you able to allocate costs by order, customer, and/or department?
- ▶ Do you have a clear understanding of the factors contributing to cost and performance variability?

Recommendations

- ▶ Assemble a cross-functional team and create a baseline of your current parcel shipping capabilities and requirements; use the assessment questions as a starting point.
- ▶ Define a roadmap for becoming best-in-class in parcel shipping; define, prioritize, and track milestones.
- ▶ Select a Parcel Shipping solution that meets the requirements of Operations, IT, and Corporate Executives. The vendor you select should have domain expertise in parcel shipping, provide local support in the regions you operate, and be financially stable.

This paper was written by ARC Advisory Group on behalf of Kewill Solutions. 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).

Kewill 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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