



Enterprise Shipping Solutions

# Whitepaper

**Parcel Shipping  
Breakthrough**

**Shipping as a  
Strategic Weapon**



## Executive Overview

*According to a survey taken by Parcel Shipping and Distribution, transportation costs range from under 8% (manufacturing) to over 17% (3PLs) of revenues. As a significant cost driver, savings achieved in supply chain execution have a direct impact on the bottom line.*

Until recently shipping was perceived as a relatively unimportant component in the fulfillment process, relegated to the role of producing a label and with no perceived strategic importance in the overall demand-driven supply network. As a result, the selection of the shipping application was consigned to the responsibility of the mailroom or the warehouse, often as a standalone solution.

However, as companies respond to the changes brought about by the global economy and drive towards achieving operational excellence and improving customer service, the focus has shifted to elements in the execution of the supply chain. The result has been to review the requirements being placed on the shipping process, which have increased in complexity as companies look to leverage their supply chain capabilities as a key differentiator in the service that they provide to their customers. Shipping is now being viewed as a strategic component in the supply-chain, as senior executives recognize the impact that their transportation and fulfillment strategies can have on customer satisfaction, on the market share of their brands and the stock valuation of the company. The goal for organizations is now focused on being able to optimize these assets and resources; to reduce the cost of shipping by consolidating technology and buying power across the enterprise, by streamlining fulfillment processes to exceed customer delivery expectations.

*With more orders than ever being shipped via parcel carriers, parcel shipping is now a critical mode of transportation.*

**The increased focus on parcel shipping is compelling due to the following:**

- ▶ Cutting shipping costs directly increases profitability
- ▶ Shipping can be a strategic weapon that allows access to new markets, help drive increased revenue and market share
- ▶ JIT supply chain pressures are driving a trend to smaller and more frequent shipments
- ▶ Shipping performance directly impacts customer service and brand image

According to a survey taken by Parcel Shipping and Distribution, transportation costs range from under 8% (manufacturing) to over 17% (3PLs) of revenues. As a significant cost driver, savings achieved in supply-chain execution have a direct impact on the bottom line.



*The ability to offer a range of shipping options based on price and delivery date serves broader customer expectations and improves customer service.*

It is interesting to note that companies are using their shipping capabilities in contrasting ways. For example, companies are now implementing shipping strategies that can have a direct impact on the cost of sale. By modifying their approach to how goods are shipped, companies are achieving reductions in inventory and improving the cycle times for stock, reducing forecasting errors and lead-time variability. A second approach uses the shipping solution as a marketing tool. For example, offering customers free shipping or upgrades to faster delivery can help to drive revenue or sales. Companies that are being driven by market initiatives like 'Lean Manufacturing', 'Just-In-Time' (JIT) or 'Drop-Ship' programs that require delivery direct to the customer or the store, have seen business-to-business order sizes decrease but the frequency of shipments has increased. As a result, more orders than ever are being shipped via parcel carriers and parcel shipping is now a critical mode of transportation.

As a result, companies are taking an enterprise approach to parcel shipping, replacing their fragmented, proprietary or legacy shipping applications with an enterprise solution that provides the capability to meet the diverse needs of shipping across the corporation and around the world, from the warehouse to the desktop.

## **Case Studies**

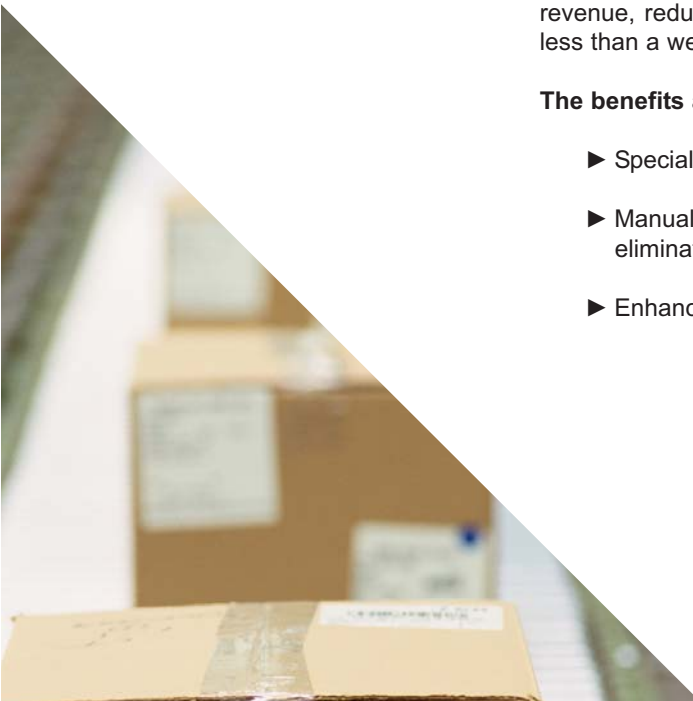
### **Improve Customer Satisfaction through Extended Assortment**

*The company was able to offer an extended assortment of special order items in all stores, resulting in increased revenue, reduced inventory and rapid delivery to the customer, with orders arriving in less than a week.*

A Fortune® 50 company needed to extend their assortment of items for special orders and ship them to customers quickly to improve the buying experience. Serving approximately 10 million customers a week at more than 975 home improvement stores in 45 states, the lead-time for special order fulfillment was measured in weeks. Recognizing the problem and dedicating a distribution center to special order fulfillment, the company implemented an enterprise shipping solution. Now customers can request a shipment for an out-of-stock item or special order items from an in-store kiosk and the order is dispatched immediately and directly to their home. The result was the company was able to offer the customer an extended assortment of special order items in all stores, increasing revenue, reducing inventory and providing rapid delivery, with orders arriving in less than a week.

#### **The benefits achieved were:**

- ▶ Special order fulfillment reduced from weeks to days
- ▶ Manual, clerical, and time consuming procurement processes were eliminated
- ▶ Enhanced visibility on order status improved customer service



## Manage the Requirements of Multiple Divisions

A leading global distributor of wire, cable, communications and connectivity products with more than 150 distribution centers in 42 countries required a solution that provides centralized management and control for its parcel shipping operation as a method to control costs. The result was the selection and implementation of an enterprise shipping solution with parcel and LTL capabilities, installed at a single location and then rolling it out to 20 locations over a twelve-month period. The challenges included each location having its own carriers, product lines and business processes which required an application with a sophisticated business rules engine. International locations required local language differences in both the user interface and the labeling of shipments to be handled automatically by the system.

*Each location has its own carriers, product lines and business processes which can be handled through the application of a sophisticated business rules engine.*

For the global carriers used at multiple locations, the company now has a view of carrier performance and a consolidated record of all transactions, so they can negotiate improved volume discounts at a corporate level.

The total cost of ownership for the solution, taking into account a reduction in support staff, software maintenance and the savings in hardware achieved by not having to dedicate multiple servers at each distribution center, has dramatically improved cost savings over their previous shipping solution.

### The benefits achieved were:

- ▶ Lower total cost of ownership
- ▶ Consolidated view of global shipping enabled improved negotiated carrier rates
- ▶ Streamlined shipping processes at all locations to support business requirements



## Solution Features

What differentiates an enterprise shipping solution from the standard shipping solutions that are available in the market and even provided by some of the carriers?

*Total cost of ownership for the solution in support staff, software maintenance and the savings in hardware achieved by not having to dedicate multiple servers at each distribution center, have decreased dramatically over their previous shipping solution*

### **Multi-Carrier Solution**

A multi-carrier system approach is justified because:

- ▶ Cost of shipment has to be balanced with the different service expectations for different customers
- ▶ Greater geographic coverage opens up new markets and provides more service options
- ▶ Single solution can optimize transportation selection across carriers and modes, including parcel and LTL/TL
- ▶ Provides the opportunity to change carriers based on cost and service offerings without impacting fulfillment processes

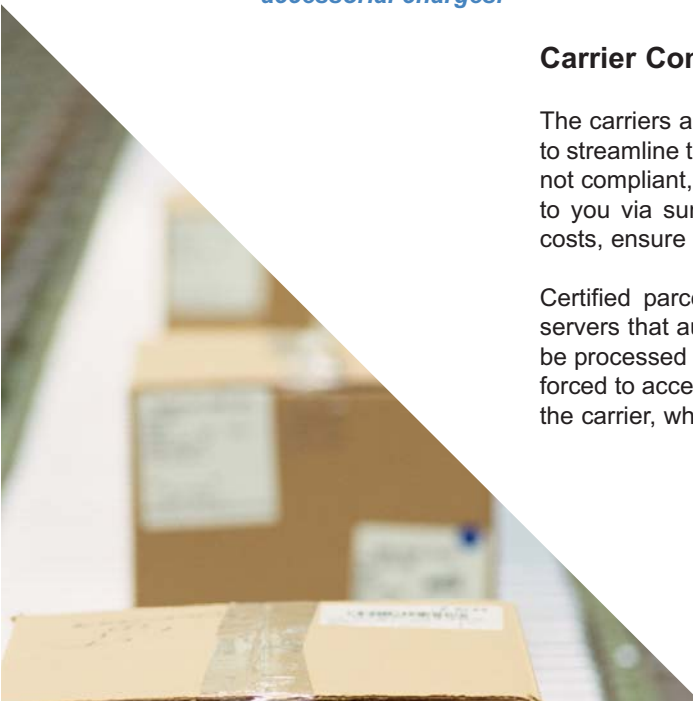
There are some advantages to shipping all your packages with a single carrier, but the risks can be significant. When over 30% of shippers changed primary carriers last year<sup>1</sup> for cost savings and service related reasons, single carrier solutions are not the answer. With customers demanding more options when it comes to shipping and with new markets opening up internationally in the global economy, an enterprise parcel shipping solution will provide the functionality to grow with your increased shipping volume, meet customer service level expectations and provide the flexibility to meet the complex demands of fulfillment.

*If your packages are not compliant, then the carriers will incur additional costs, which then will be passed on to you via surcharges or accessorial charges.*

### **Carrier Compliance**

The carriers are focused on compliance for the simple reason that it allows them to streamline their operations and drive down handling costs. If your packages are not compliant, then the carriers will incur additional costs, which they will pass on to you via surcharges or accessorial charges. To drive out these unnecessary costs, ensure that your parcel shipping solution is carrier compliant.

Certified parcel shipping vendors have the ability to deploy the carrier rating servers that augment their solutions and enable a high volume of transactions to be processed efficiently. Solutions that are not certified by the carrier are typically forced to access rating information through an API to a web application hosted by the carrier, which is designed specifically for a low volume of transactions.



## Centrally Manage Multiple Locations

The requirement for shipping at corporations continues to evolve. As the global market opens up further, organizations are increasingly looking to manage shipping from multiple locations, including international distribution centers.

Extending the concept of locations to the desktop or individual user in an office environment, organizations are finding significant benefits from enabling users to be able to ship and track packages quickly and easily from their desk. In the consumer world, the same concept is resulting in a growth in retail outlets providing the capability to ship packages and manage returns from simple store kiosks. To effectively provide a solution for multiple locations requires effective administrative controls that can ensure corporate guidelines are followed, assign shipments to cost centers and report activity. Ease of integration with existing enterprise applications will ensure that those benefits are maximized.

### Features:

- ▶ Global shipping capability
- ▶ Centrally manage distributed shipping locations
- ▶ Operate in different shipping modes
- ▶ Workflow rules configurable for each site, product line, and business function
- ▶ Advanced Rate Shop capabilities
- ▶ Open API with predefined templates for integration into major ERP and WMS applications
- ▶ Supply-Chain Event Management (SCEM) triggers for advanced tracking and notification of shipments
- ▶ Complete audit trail with status records on all shipping transactions
- ▶ Support for complex business rules for enhanced workflow interoperability

*With time zone differences, the solution needs to be able to add new carriers, update rating and routing tables provided periodically by the carriers and apply new compliance without interrupting fulfillment at remote distribution centers.*

## Customer Service

Enterprise shipping solutions also support initiatives for enhancing customer service. The ability to offer a range of shipping options based on price and delivery date serves the purpose of meeting broader service expectations of the customer. Being able to consistently meet promised delivery dates will ensure customer satisfaction and will reduce the number of inbound calls to customer service. By extending visibility for shipment status to the customer and throughout the enterprise, a further reduction of inbound calls to customer service will occur, allowing support teams to proactively focus on managing exceptions, and customer care.

*With customers demanding a full compliment of shipping options, enterprise parcel shipping systems should be able to take advantage of the break-bulk, zone skip services available from many carriers.*

## Technology

Enterprise shipping solutions are designed with an architecture that is open and scalable, which enable a high throughput of shipments. This is critical for an organization that is forecasting high growth or has peak shipping volumes that cannot incur any delays. In high volume environments, bottlenecks can occur in areas like label printing and this needs to be addressed if the solution is required to handle wave planning activities where labels are pre-printed in a short time period prior to pick-pack operations. Centralized enterprise solutions require low maintenance requirements and minimal downtime. With time zone differences, the solution needs to be able to add new carriers, update rating and routing tables provided periodically by the carriers and apply new compliance without interrupting fulfillment at remote distribution centers.

### Benefits:

- ▶ Enterprise Shipping Solutions provide concrete and measurable cost savings with rapid (3-6 month) ROI
- ▶ Enhanced visibility and tracking along with consistently meeting promised delivery dates ensures customer satisfaction
- ▶ High performance and scalability supports growth and manages peak shipping volume with ease
- ▶ Lower Total Cost of Ownership (TCO)
- ▶ Open API and predefined templates provide ease of implementation
- ▶ Support for complex business rules facilitates seamless integration with business processes
- ▶ Expand into new international markets more cost effectively and reliably

*A total of 23.6% of mail sent in the U.S. is incorrectly addressed resulting in 17% of all mail suffering a delay in delivery, according to a 2002 USPS and a PricewaterhouseCoopers report.*

## Address Verification

Amazingly a total of 23.6% of all mail sent in the U.S. is incorrectly addressed, which results in 17% of mail suffering a delay in delivery<sup>2</sup>. Enterprise solutions with global address validation will ensure that before an order is shipped; the package is correctly addressed; the address actually exists; whether the address is commercial or residential. Shipments correctly addressed will arrive successfully, without delay, or incur any additional surcharges.

From a billing and cost center management perspective, all shipping charges are captured at time of shipment and can be applied accordingly.



## Consolidated Shipping

With customers demanding a full complement of shipping options, enterprise shipping systems should be able to take advantage of the break-bulk, zone skip services available now from many carriers. The challenge for this type of shipment and for the enterprise solution is the ability to track the shipment from origin to destination with full shipment status availability. Extend these same services into the international arena with local or regional carriers delivering to the 'last mile' and the problem can be magnified.

## International Shipping

International shipping is a complex logistical challenge! Enterprise shipping solutions should have the capability to manage complex business rules to enable each shipment to be processed and shipped with the correct documentation and in the most efficient manner. Experience in this field of operations along with the correct software solution for handling denied party screening, product harmonization codes, shippers export declarations and automatic filing with customs will streamline the process.

With the current trend in outsourcing, international shipping represents a tremendous opportunity for growth for many organizations.

*The complex and ever changing nature of compliance requires a partner with domain experience. An ideal partner should have a global presence with a large install base of customers*

## Integration/Professional Services

The complex and ever changing nature of compliance requires a partner with domain experience. The total solution requires not only a robust enterprise solution, but also the support and implementation teams to make it happen and roll it out successfully across the globe. An ideal partner should have a global presence with a large install base of customers.

## Summary

In the new world of parcel shipping solutions, organizations with world-class supply chains are taking their experiences learned during the rollout of ERP applications and supply-chain planning applications and applying them to parcel shipping. Enterprises require a flexible, highly functional solution that meets the different requirements found across the corporation, from desktop shipping at the HQ through to the highly automated warehouse. If the responsibility for shipping is left in the mailroom, the benefits of shipping as a strategic weapon are lost to the enterprise.



## 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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