



# 2<sup>nd</sup> Annual Shipping Performance Benchmark Survey

## Summation Results



2<sup>nd</sup> Annual Kewill Interactive Survey  
February 2008

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# Objectives of the Survey

- ◆ **Identify key benchmarks for enterprise shipping performance**
- ◆ **Create a better understanding of carrier management practices**
- ◆ **Document the links between outbound and inbound shipping**
- ◆ **Outline current strategic reporting on internal practices**
- ◆ **Revisit best practices in international shipping**
- ◆ **Explore shipping information visibility needs**

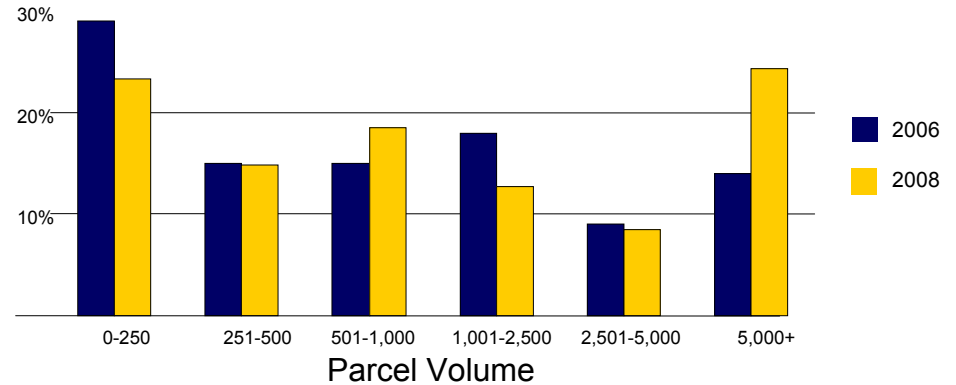


# Demographics

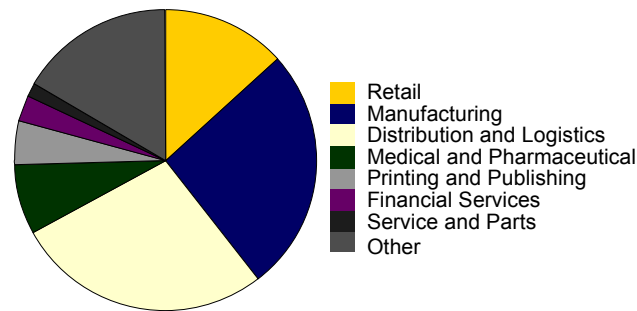


Average parcel volume of survey respondents grew 29% over 2006 respondents - to an average of 2,350 parcels per day.

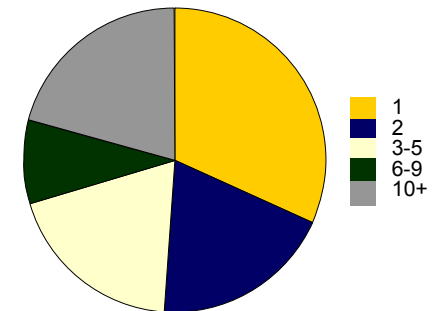
The average # of distribution centers also increased slightly; industry breakouts remained similar.



2008 Survey Respondents vs. 2006 Survey Respondents



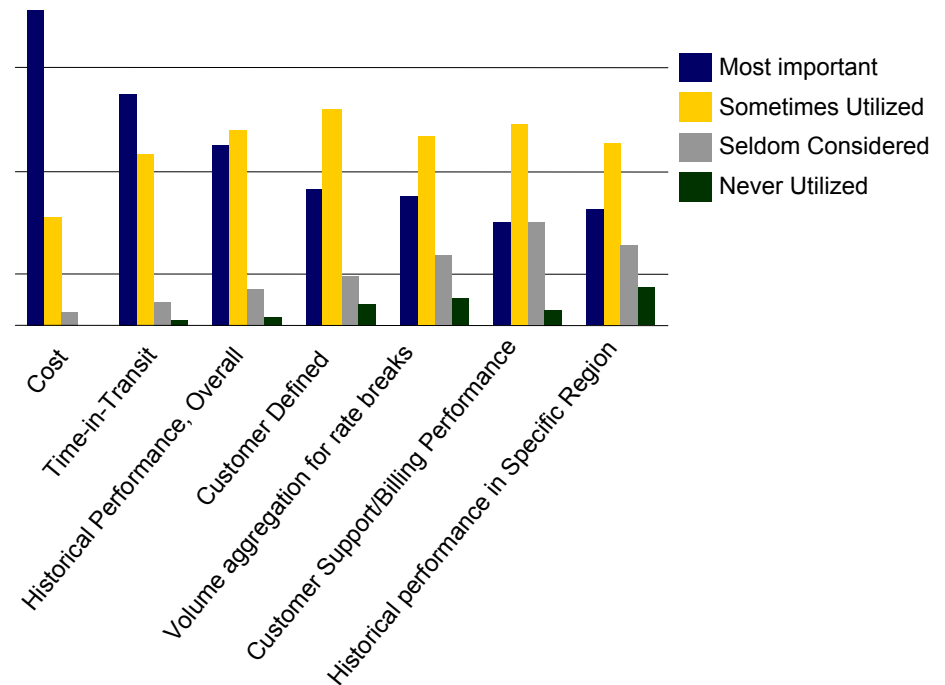
Industry Breakout



# of Distribution Centers

# Carrier Management Trends

Cost and Time-in-Transit are the key drivers of carrier selection, with all other elements playing a lesser role – the overall emphasis remains on tactical execution of one-off shipping decisions vs. broader strategic selection criteria.



How do you base your carrier selection for individual shipments?

# Carrier Management Action Items

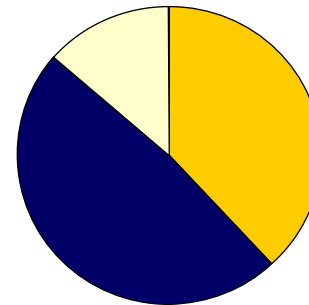


While rated cost is the primary carrier selection criteria, independent confirmation of the lowest cost is a secondary management initiative.

Best practice shippers incorporate a variety of quantitative and quality metrics to establish carrier and shipping performance.

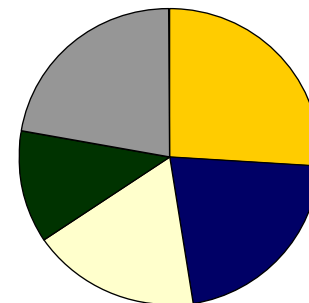
## Recommendations for Best Practices:

- ▶ Establish a blended cost/service level metric
- ▶ Conduct a thorough review of carrier invoicing on a regular basis
- ▶ Conduct a review of carrier quality from customer viewpoint



- Yes, we utilize a 3rd party to audit our carrier invoices
- No, we do this internally
- No, never.

Do you utilize a 3rd party to audit your carrier invoices?



- Internal or External survey of on-time performance?
- Customer Support comments?
- Internal or External Audit of Billing Accuracy?
- % of shipments within service area?
- Lowest average cost per shipment?

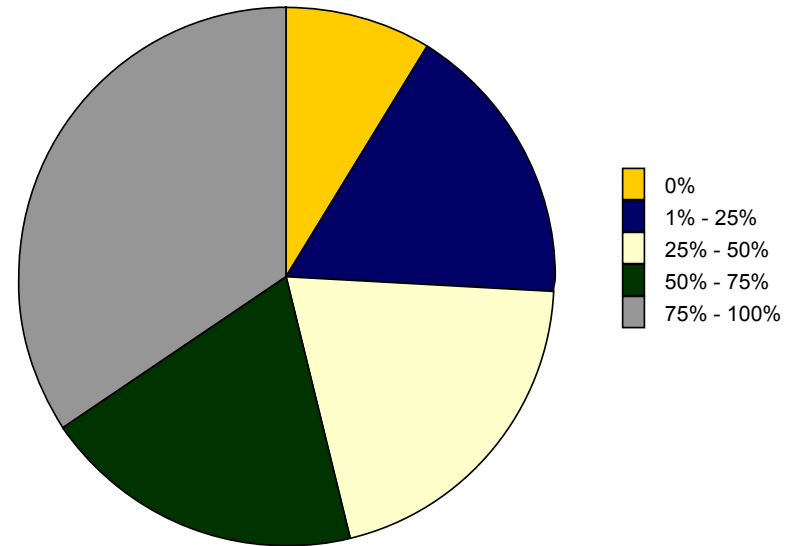
How do you evaluate the quality of your carriers?

# Inbound Shipment Management Trends



Over 50% of distribution organizations direct over 50% of their own inbound shipments.

Nine out of ten distribution centers direct at least some aspect of their inbound shipping.



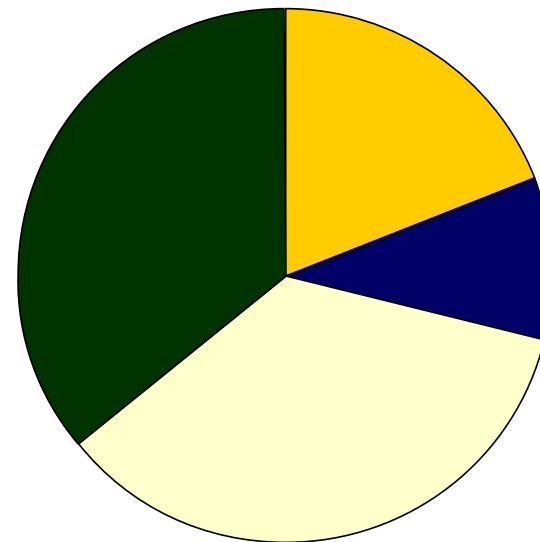
What percentage of inbound shipments utilize a carrier directed by your organization?

# Inbound Shipment Action Items

3 out of 5 Distribution centers leverage some aspect of inbound shipping data (rate/performance) to support carrier negotiations.

## Recommendations for Best Practices:

- ▶ Leverage both volume and performance data for review
- ▶ Establish inbound shipping standards and practices that can extend the value of the distribution center to include all shipments, inbound and outbound.



- Yes, we include volume data for negotiations with our carriers
- Yes, we include performance data for internal carrier evaluation
- Yes, we include performance and volume data for all discussions and negotiations with our carriers
- No, we do not include performance or volume data of inbound shipments into carrier evaluations or negotiations.

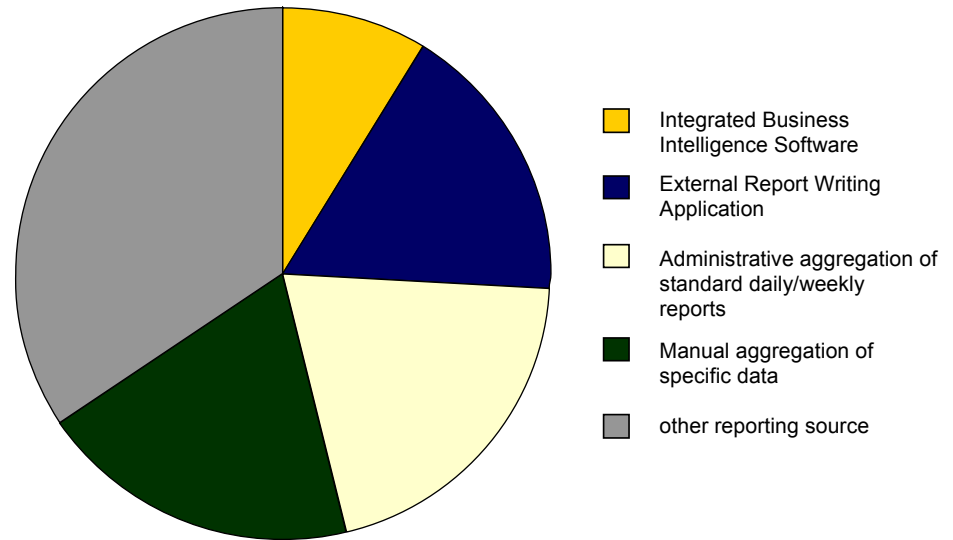
Do you actively integrate inbound shipments into your performance/ carrier metrics and negotiations?



# Strategic Visibility Trends

Most shipping analysis is created internally using manual or spreadsheet reporting.

Majority of detail reporting is created ad hoc *post* shipping activity, vs. *pre*-emptive shipment planning tools that can model shipping strategies and compare to baseline plans.



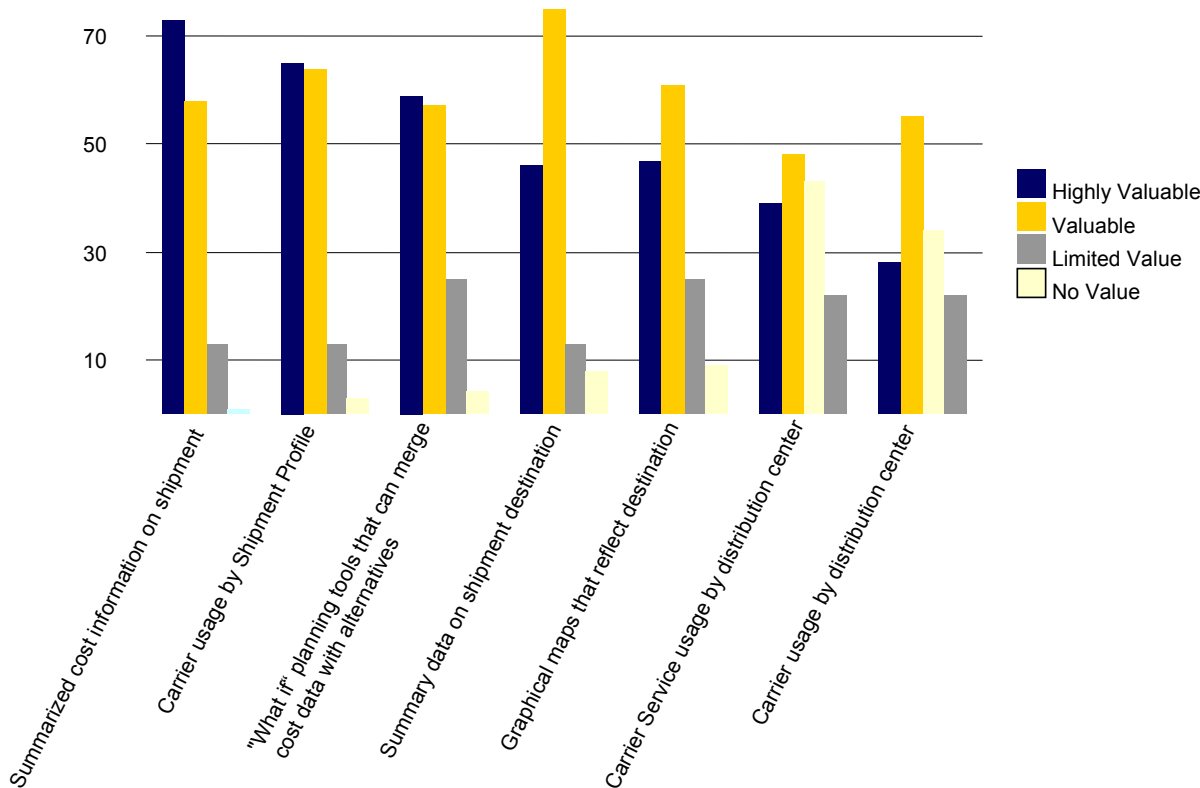
How do you generate summary statistics on volume/destination/carriers?

# Strategic Visibility Action Items

Tactically oriented shipping management reporting can miss larger scale trends that impact performance.

## Recommendations for Best Practices:

- ▶ Review opportunities for revising business rules that define your shipping service and carrier selection
- ▶ Generate standard reporting on a scheduled basis, and use proactively to plan future shipping strategies.

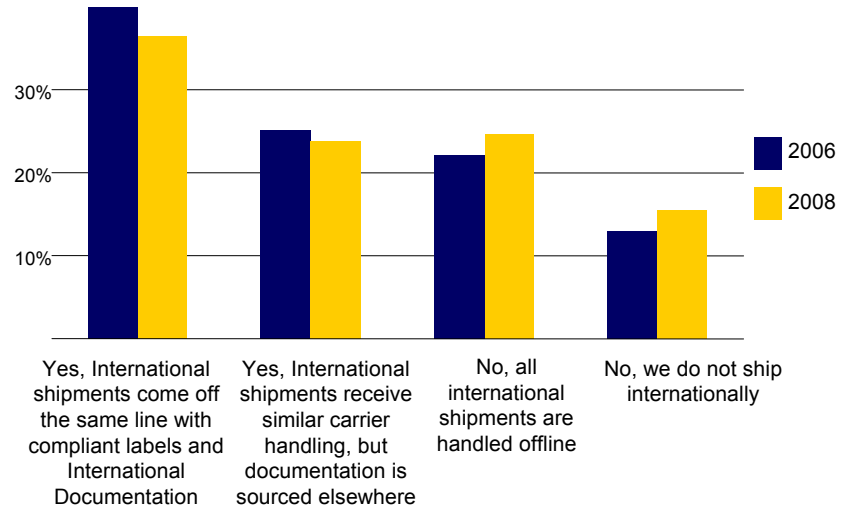


Which of the following reports would be of value in managing your shipping operations?

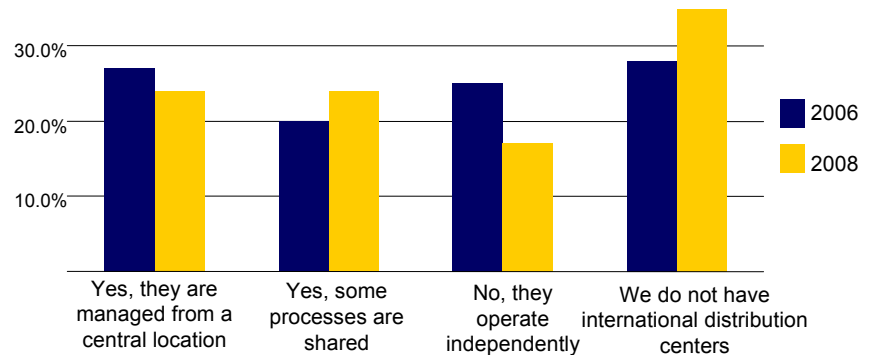
# International Shipping - Trends

In spite of higher average shipping volumes in this years' survey, many domestic shipping processes continue to remain largely non-integrated with international shipping, with one out of two shippers having to resort to off-line systems to accommodate international customers.

Fewer than 25% of international DC's are managed centrally.



Have you integrated handling of international shipments into your standard shipping processes?



Are your International DC's integrated into your domestic distribution process?

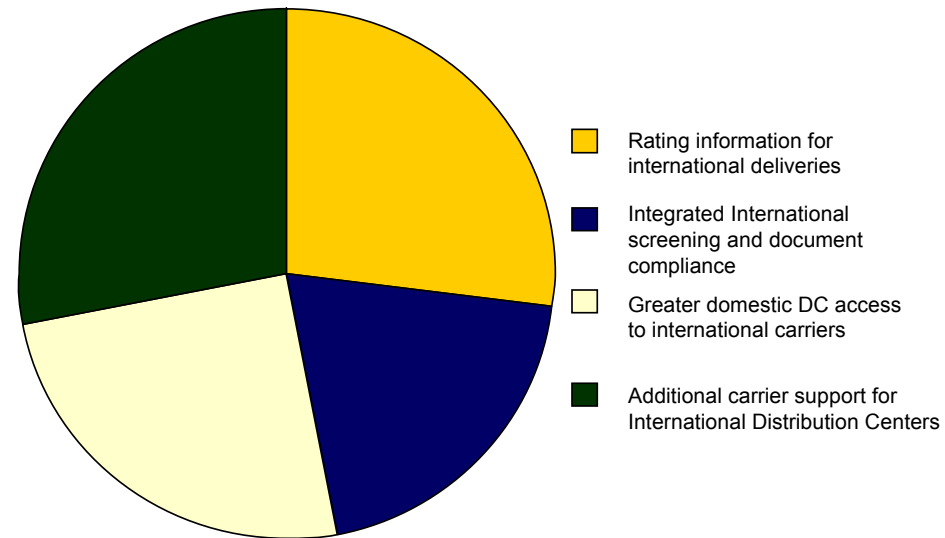
# International Shipping – Action Items

## Recommendations for Best Practices

- ▶ Standardize business rules and carrier relationships across the globe
- ▶ Expand international carrier relationships to eliminate single-source risk
- ▶ Eliminate manual export documentation/screening processes
- ▶ Imbed automated international compliance screening within order management environment
- ▶ Incorporate automated export documentation creation into standard shipping process

## Configure international delivery processing within standard domestic shipping environment

- ▶ Minimize/eliminate off-line steps to process
- ▶ Integrate compliance checks early in order processing cycle to minimize delivery holds
- ▶ Enable export documentation creation within standard shipping process at pick/pack or label creation stage
- ▶ Integrate compliance audit trail and documentation into corporate ERP

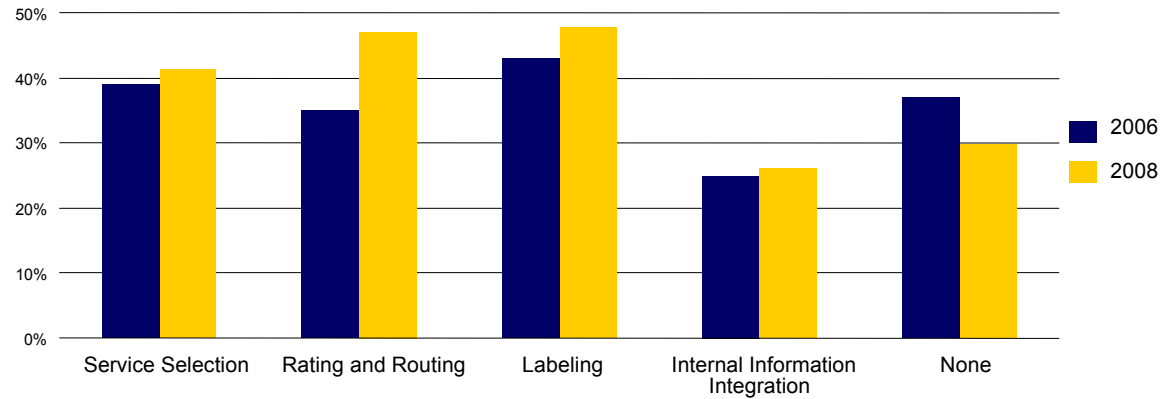


What additional elements would enhance your ability to manage International shipments better?

# LTL Shipment Trends

This year's survey notes improvements in all areas of the integration between LTL and parcel shipping systems.

Largest improvement was in the integration of rating and routing systems.



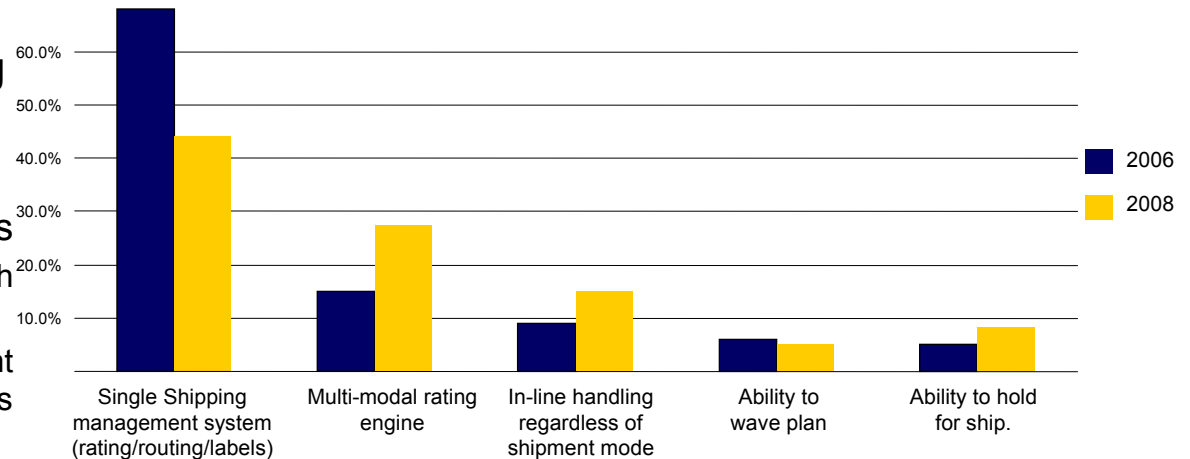
What elements of your LTL shipping operations have you integrated into your standard (parcel) shipping processes ?

# LTL Shipment Action Items

The usage of a single shipping management system remains the highest priority LTL shipping action item.

## Recommendations for Best Practices

- ▶ Consolidate multiple relationships with LTL and parcel carriers
- ▶ Deploy a single shipping management system to support rating/routing/labels of both parcel and LTL
- ▶ Establish flexible business rules to optimize volume shifts between parcel and LTL

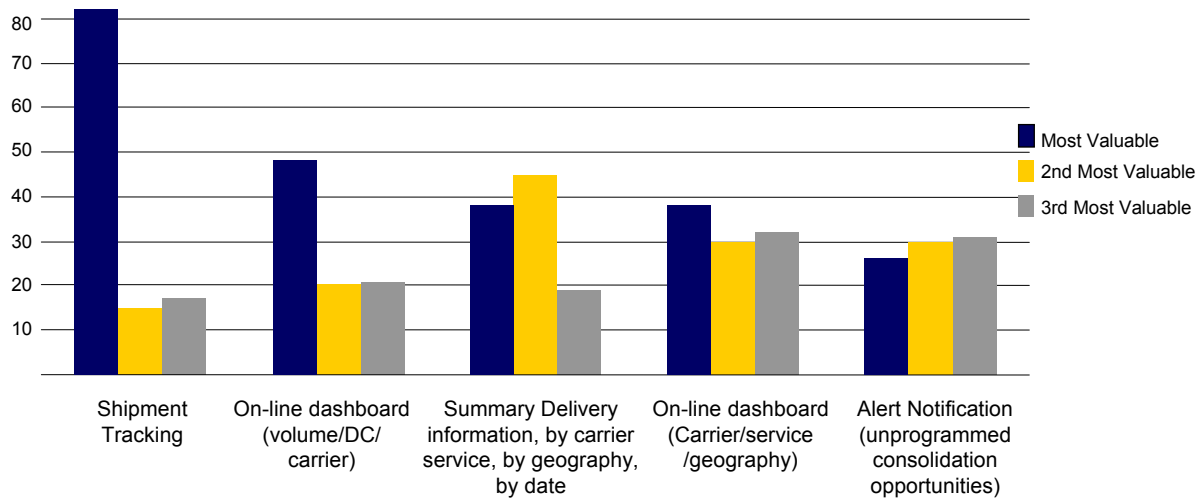


What additional element would most benefit the smoother integration of your LTL and Parcel distribution Operations?

# Visibility Trends

Tactical information needs to rank highest in resolving daily distribution challenges.

Summary dashboard reporting tools are a secondary preference for shipping managers.



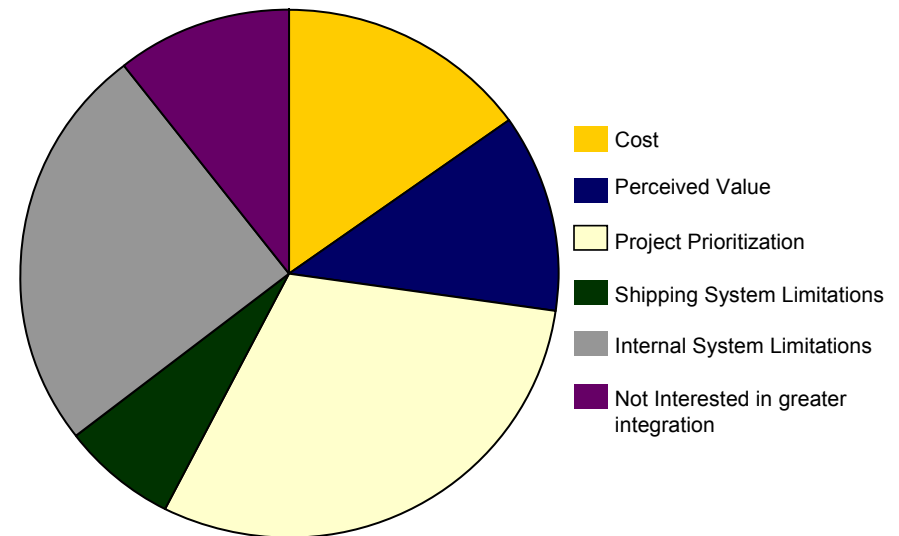
What visibility tools would most benefit the day to day management of your distribution operations?

# Visibility Action Items

While most concur that greater visibility is critical, budget prioritizations and existing system limitations are roadblocks.

## Recommendations for Best Practices:

- ▶ Use savings generated from carrier and service billing reviews to fund more complete visibility tools
- ▶ Add visibility tools to highlight enhanced savings on a proactive basis. This can both reduce the total cost of shipping and improve customer service metrics



If you would like to integrate shipping information to a greater degree, but haven't yet done so, what has kept you?



# Conclusions

- ▶ Greater integration of LTL and parcel shipping is a key initiative that many organizations are undertaking
- ▶ Shipping management information is being used in reactive reviews vs. generation of enhanced savings from better use of data to plan stronger shipping strategies in advance
- ▶ Many organizations have developed strong processes to operationally control inbound shipping, but fewer are taking advantage of potential savings from these efforts
- ▶ Considerable efforts made to identify the lowest cost shipping method can sometimes obscure strong review of the net billed amount



## Ways to leverage this information

- ▶ Enlist the support of IT and Accounting to create stronger reporting capabilities that can be used proactively. Every organization has some form of data available that can enhance their shipping operation – even if it only includes vendor invoices, there is sufficient information in each of these summations to support better service selection, spot potential zone skipping patterns or review billing inconsistencies. Use these tools to plan your future shipments better.
- ▶ Take the additional steps necessary to convert the operational benefits you are receiving from consolidating your inbound and outbound carrier selection to financial rewards at time of rate negotiation.
- ▶ Get ahead of the international shipping challenges. Most organizations still have a ways to go to fully make these systems operate as a single distribution function – particularly on a global basis.



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