The 10 Indicators You May Need a Multi-Carrier Shipping System

Reaching a "Tipping Point" where more Horsepower Makes Sense

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Companies use all sorts of methods to manage parcel shipments strategies and execution. Some dedicate all or nearly all of their business with one carrier, and use the parcel system of that provider.

Others use multiple carriers but with dedicated systems provided by the carrier.

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From a technology perspective, how do you know if you are at or near a "tipping point" at which the move to one of several independent, multi-carrier, enterprise class parcel management systems might be a smart bet?

We offer 10 indicators below, adapted from an SCDigest white paper on parcel shipping (download full white paper at: **Reaching the Tipping Point in Parcel Shipping**).

1. Moderate or greater levels of parcel shipments: Clearly, any company doing a moderate level or greater of parcel shipments has an opportunity to reduce costs and achieve solid return on investment from investment in a multi-carrier approach and supporting technology.

At what level of shipments does this opportunity really start to make sense? It will vary somewhat based on specifics of a company's shipment profile, but as a rule of thumb, average daily volumes above 150-200 packages per day generally provides solid opportunity. Those much above those levels can drive substantial savings.

2. Multiple parcel shipping points domestically and internationally: The greater the total number of shipping points, the more a company tends to benefit from process standardization and leverage of a unified technology platform to drive shipping decisions, provide track and trace capabilities across the enterprise, and use shipping data to improve carrier negotiations and improve shipping strategies.

3. Complex product mix including varying sizes, weights, dimensions, hazardous, regulated items: The more complex a company's SKU base is in terms of attributes like those listed above, the more challenging it is to find the optimal carrier and service, including accessorials, across a large number of shipments. Stated frankly, shippers that do not use intelligent multi-carrier systems risk paying significantly higher rates for many of these non-standard shipping units.

4. Rapidly growing ecommerce business: The

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vast majority of web-based orders will be shipped parcel. Sometimes, companies think it is simpler to use a single parcel carrier in the grand scope of getting ecommerce strategies off the ground. Or, the ecommerce efforts start slowly, where a single carrier strategy makes sense, and that approach just continues through inertia even as volumes scale.

The reality is that the profitability of an ecommerce channel can be dramatically impacted by the overall shipping costs. In addition, shipping policies can be used as a competitive weapon, and dynamically changed depending on seasonal, promotional and other factors. What's clear, however, is that having the lowest possible shipping costs gives a company the greatest flexibility to use aggressive shipping strategies with the minimal impact to profitability.

5. Growing export business: Increasing levels of global trade generally, and more recently the falling value of the US dollar, have led a surge in export volumes from the US to the rest of the globe. Whatever cost and logistics complexity are faced by domestic parcel shippers, those factors are increased several fold for international shipments.

While perhaps extreme, the annual Georgia Tech "Great Package Race" for global parcel shipments provides an appropriate illustration of this complexity. For example, the range of costs in the contest for a parcel shipped to Somoa from Atlanta ranged from $94.45 from the low-cost carrier to $188.93 – twice as much – for the most expensive.

6. Fragmented parcel processes and automation through multiple departmental solutions: This scenario holds true for a large number of companies today – parcel shipping is managed in multiple places, from the mail room to the distribution center to the plant and more. Often, a wide array of technology support and systems is involved, from almost zero automation to the carrier-provided systems and often a hodge-podge of other local solutions.

The total savings opportunities from gaining visibility to these volumes across the enterprise and optimizing decisions about the best shipping method can be huge, and often much more than anyone in the company fully understands. Savings in the hundreds of thousands or even millions of dollars per year are not uncommon for large companies.

7. Plans for a new ERP or Warehouse Management System: While many companies understand the benefits of multi-carrier shipping strategies and enabling technology, sometimes the timing never seems quite right to make an operational change.

Clearly, the implementation of a new ERP system, which generally includes order management functionality, or a new WMS can provide the perfect opportunity to also upgrade parcel shipping strategies and support. But keep in mind, it is usually up to the shipper to drive this strategy – the ERP or WMS provider is unlikely to push the analysis itself.

8. Plans for distribution automation: Similar to number 7, the potential for automating the parcel processing process can also provide the right tipping point for looking at multi-carrier solutions – and indeed may require advanced processing capabilities to meet desired throughput levels.

With growing parcel shipping volumes, many companies are finding downstream packing stations to be a bottle-

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neck in fulfillment operations. Automation is one answer, in which an identifying bar code (and maybe soon an RFID tag) is read on a high-speed conveyor line. That triggers a look-up of the order, and a carrier and service decision for that package is made dynamically. After the optimal decision is made, the data is sent to an automatic print and apply machine on the conveyor, which prints the correct carrier compliant label and applies it automatically to the parcel.

9. Little or no "parcel planning": Many companies treat parcel shipping as an execution activity only, missing significant savings from doing a better job of looking at orders earlier in the process and optimizing shipment strategies.

For example, there may be opportunities to "bundle" different packages going to the same destination. There can also be opportunities to evaluate trade-offs between LTL and parcel shipping. And companies with large parcel volumes can also often benefit from "zone skipping" strategies, in which full truckloads of parcel are shipped say to California, and the total cost of the TL freight, plus now lower parcel costs, offers significant savings.

Technology is required to enable this enhanced level of parcel planning, and the savings available from improved planning alone often can cost justify a new solution.

10. Significant vendor inbound or drop shipments: Many companies fail to fully understand or leverage the volumes they are generating from supplier inbound shipments or the increasing trend towards using supplier drop shipments for customer orders.

First, simply getting a handle on the scope of these volumes is important, as they frequently can and should be used as part of the potential business offered to parcel carriers in rate negotiations. But that leverage can only be achieved if the company also controls the final shipping decision, providing vendors for inbound or customer shipments with the routing instructions (carrier and service) as appropriate for the order details and internal or customer shipping requirements. At this point, all the benefits of an optimized, multi-carrier approach well understood on the traditional outbound side of the business also apply.

Many companies, of course, will recognize themselves as having one or, more likely, many of these indicators, making them good candidates to access whether a move to multi-carrier strategies and supporting technology makes good business and financial sense.