

PARCEL MANAGERS MAKE MOVES TO OFFSET ECONOMIC FORCES

Part 2: Results of the PARCEL Annual Best Practices Survey

By Marll Thiede

In Part 1 of the “Results of the PARCEL Annual Best Practices Survey” (refer to our October 2008 issue), we unveiled how shippers are retooling their transportation plans to deal with the issues at hand: high fuel surcharges, demand to reduce transportation costs and fluctuation in carriers and their service offerings.

In this issue, we delve into the operations side of the parcel process. It is no surprise that the #1 challenge, across the board for all managers, is to reduce costs throughout the process. The 443 PARCEL readers that took our mid-year survey also noted accuracy as their second biggest challenge and budgeting as their third. They found worker safety and theft/product tampering as least challenging.

This year’s survey respondents included more very large volume shippers (14% shipping more than four million parcels a year) with company revenues more than \$1 billion (22% of survey respondents). This affected the results of year-over-year analysis. For instance, when asked what functions managers were responsible for, this year more managers were responsible for fewer functional areas, which coincides with the bigger the organization, the more managers for the various parts of the process. However, the fact that those who manage any part of the process participate in the survey shows the needed cross-departmental synergy that is necessary to have the most cost-efficient parcel process from order entry through the warehouse into packing and shipping out to the dock and finally customer delivery.

We always add what we consider to be a hot industry issue to each year’s survey. This year, the hot issue we added was... Green!

Going... Going... Green!

Last year, it seemed that this would be the Year of Green. But as the economy took center stage, attention to Green took a back seat. In 2007, three percent of companies planned to implement green packaging initiatives — and they succeeded. This year however, only an additional one percent of companies plan to move ahead with implementation. The economy has certainly stunted what should have been a continuous trend to move to green.

When asked what green initiatives your company did that made the biggest impact in the logistics process, most managers talked about greener packaging and recycling. Interestingly, some managers talked about some unique initiatives that not only reduced dependence on natural resources but cut costs at the same time: reducing container weight, moving more by ground than air, alternate fuel, moving to consolidators for last-mile delivery by the USPS because it’s going to those addresses everyday anyway (eliminating two trucks going to the same address) and being more efficient in warehousing to reduce delivery distances.

Manufacturers are the most likely to have enacted green initiatives, with retailers being the least likely. Intriguingly, retailers are more likely to feel that their logistics processes contribute to global warming while manufacturers are least likely to think so.

More Stats Yet this Year

Because of the volatile economy and fuel costs, we decided to survey you three times this year. Normally, we co-conduct a spring survey with Morgan Stanley, and they conduct another

Biggest Challenges

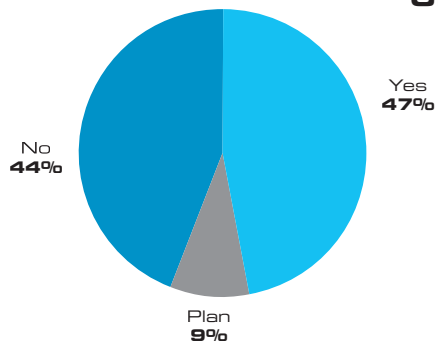
	Business Type	# 1 Challenge	# 2 Challenge
1 Reducing Costs	Manufacturing	Reducing Costs	On-time Deliveries
2 Accuracy	Retail	Reducing Costs	Accuracy
3 Budget Issues	Wholesale/ Distribution	Reducing Costs	Accuracy
4 On-time Deliveries	3PL	Reducing Costs	Carrier Relationships
5 Packaging or Product Damage	Other	Reducing Costs	Accuracy

>> It is no surprise that managers find reducing costs as their #1 challenge.

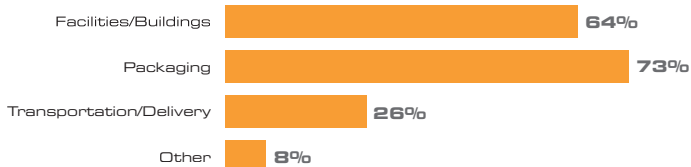
>> No matter what the industry, reducing costs is the #1 challenge, but the next biggest challenge varies.

How Green Are We?

GREEN INITIATIVE

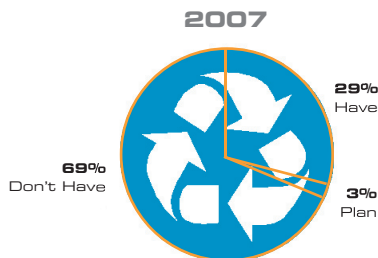


>> In 2008, 47% of companies have a green initiative, but by year's end, another 9% will have one.

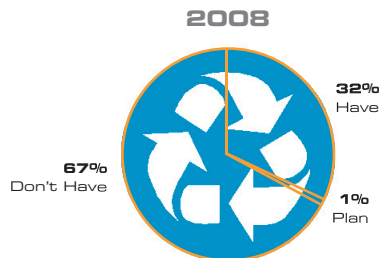


>> Of those who have an initiative, the biggest green initiatives are in packaging (see charts below) and buildings. Only 26% have tackled green transportation issues.

GREEN PACKAGING

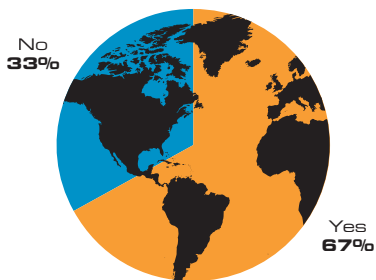


>> The 3% that planned on enacting their environmental packaging policies, did so (see next chart).



>> The pace of implementing green-friendly packaging has slowed to 1% this year.

YOUR OPINION ON THE ISSUES



>> When asked, "Do you believe global warming is a reality?" 67% said yes.



>> For those who answered yes, only 42% believe their industries contribute to global warming.



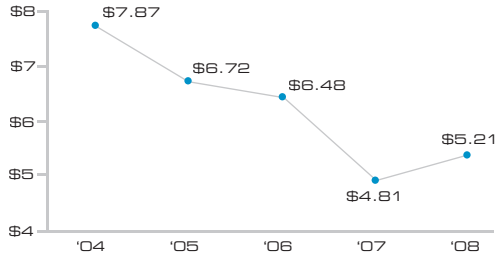
>> Slightly more, 48%, believe the logistics industry contributes to global warming.

survey in the fall. We added an August survey to the mix, and the results in this issue are from that survey. Watch for more survey results from Morgan Stanley — a global financial services firm and a market leader in securities, investment management and credit services which analyzes the results for its investors and shares relevant results with PARCEL subscribers.

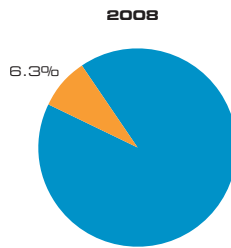
We thank all of those who take time to fill out the surveys as well as Morgan Stanley. And watch for surveys that come to your inbox as we track trends throughout the year. One such survey is included in this issue: Tim Sailor, President of Navigo, analyzed a survey we did on shipping & handling fees in conjunction with *Traffic World*. Until next year! ■

Performance Measurements

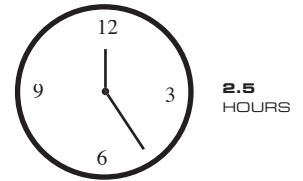
Labor:



>> The cost to process an order climbed this year to \$5.21.



>> The cost of labor as a percentage of company sales decreased in '08.



>> On average, it takes 2.5 hours to process a shipment from picking to loading.

Cycle Time:

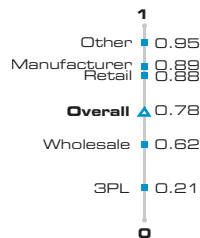


5.0
Total

2.3
Internal

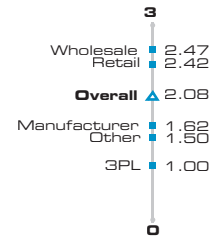
>> The in-transit cycle time is increasing slightly, as fewer shipments go via air.

Error Rate:



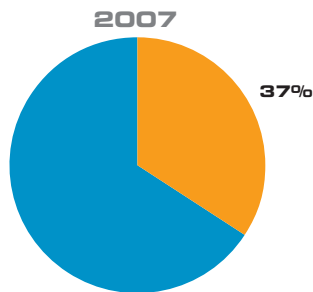
>> For the first time, error rates dropped below 1.0.

Return Rate:

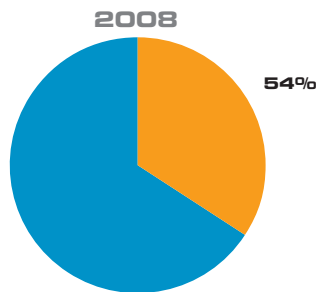


>> Return rates also dropped from last year, when the average was 3.22.

Carrier Claims

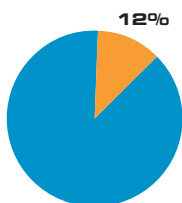


>> The percentage of claims being paid by carriers jumped from 37% to 54%.

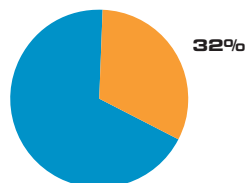


>> For every 100 carrier invoices, 5.9% have errors, a reduction from 2007's 8.9%.

Managers' Responsibilities

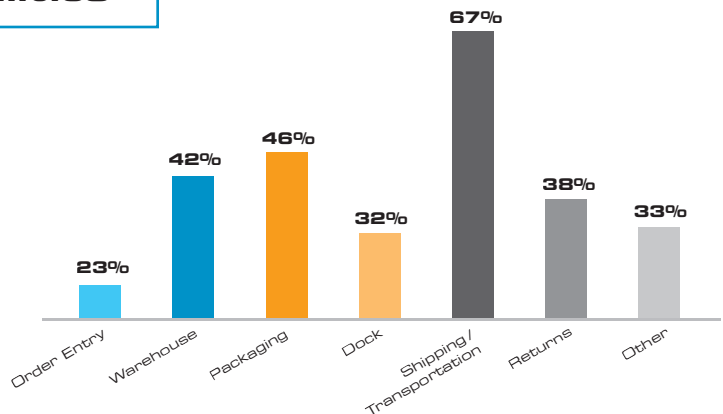


Manage All Functions

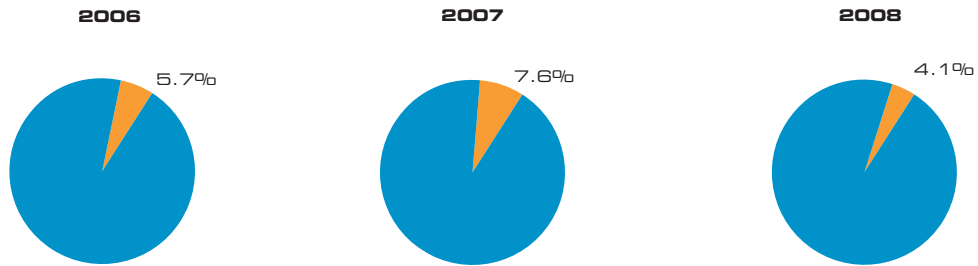


Manage All Except Order Entry and Returns

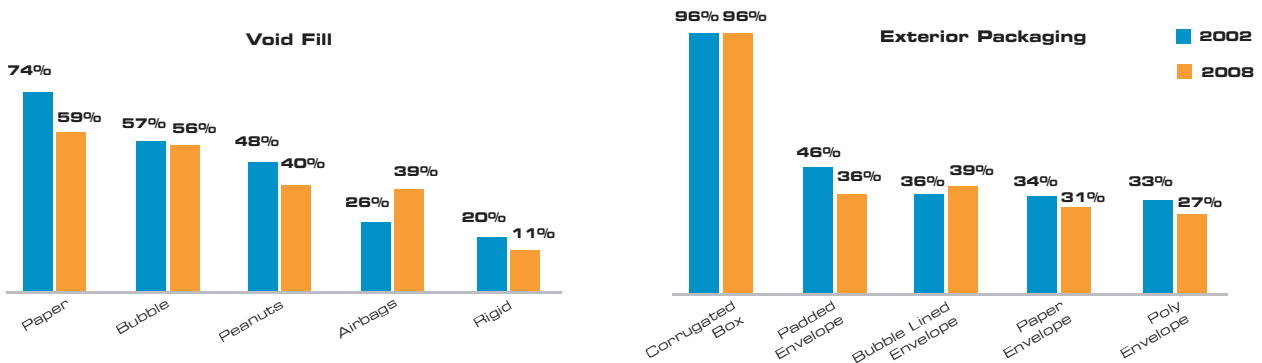
>> As the parcel process becomes more demanding, duties are being split as fewer managers are in charge of all functions.



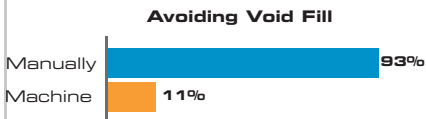
Packaging



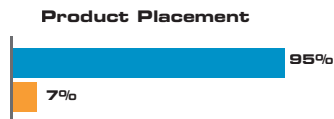
>> Packaging costs as a percentage of company revenue **dropped** this year, hopefully in response to using less material and becoming more environmentally conscious.



>> Since 2002, the biggest shift has been in the use of airbags and less reliance on rigid void fill. Exterior packaging has not changed much.

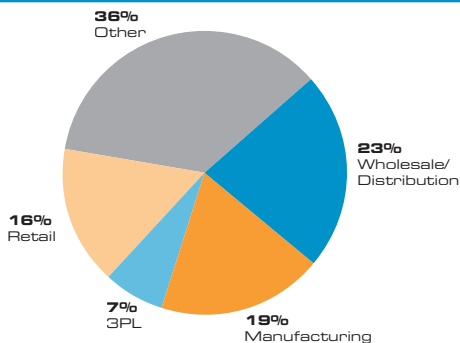


>> Most packaging is still a manual process.



>> For every 100 packages shipped, on average, 3.3% are damaged in transit.

Respondent Stats



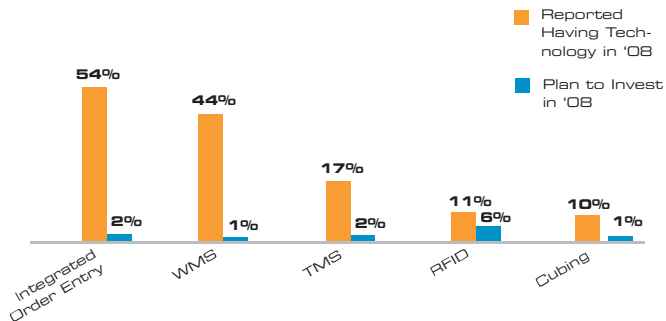
Average Annual Outgoing Parcels
3.5 million

Average Annual Parcels Received
0.7 million

OPTIMIZE THE PERFORMANCE OF YOUR PARCEL NETWORK

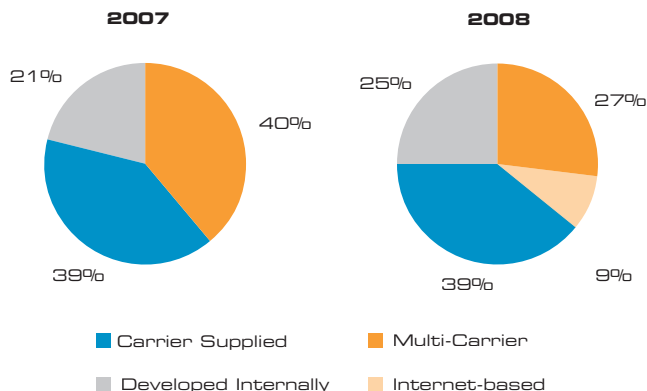
Technology

High-Tech Investments



>> In keeping with tight budgets, fewer investments in technology are planned for '08 than in years past. Only 1% to 2% plan on buying.

Shipping Systems



>> As Internet-based systems, maintained by a third party, become available, fewer multi-carrier systems are being used in-house.

Top Planned Purchases

- >1 Barcode Scanners (41%)
- >2 Labeling Equipment (35%)
- >3 Racks/Shelves/Storage Systems (32%)
- >4 Forklifts/Pallet Jacks (30%)
- >5 Weighing Systems/Scales (24%)

>> Although high-tech investments may not be prevalent in '08, managers still plan on investing in new equipment.

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- Automation... to streamline the freight accounting & payables process.

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