Do nothing to create shipping efficiencies, and Cost of Delivery will automatically increase

identify areas and opportunities for saving

Companies increasingly focus cost-cutting efforts on Cost of Distribution, and it's paying off by quickly reducing net landed cost of goods and improving profitability.

Net landed cost of goods, the total cost associated with getting goods into customers' hands, consists of cost of distribution (CoD) and cost of manufacturing (CoM).

To compete and succeed in increasingly competitive marketplaces, manufacturers and brands have historically worked to reduce CoM as a means to reduce their net landed cost of goods. Seemingly every conceivable strategy has been explored: reducing labor costs, increasing automation, negotiating reduced cost of materials, and so on. But while these strategies may have paid early dividends, in many cases these dividends have reached their limit. Labor and materials in emerging economies have reached price levels that limit an ongoing cost reduction on CoM.

Instinctively, companies trying to reduce CoD often look to renegotiate carrier rates in their favor. While this may provide short-term benefits, this too has limited long-term viability. As carriers foot the bill for rising labor costs and historically high shipping volumes due to the e-commerce explosion, their rates stand to increase and their willingness to negotiate supplier-friendly discounts lessens.

Critical areas to reduce overall costs

Although higher when a company's CoD represents a significant portion of its net landed cost of goods, it is possible to reduce overall costs and increase margins by identifying more efficient ways to distribute products. State-of-the-art order fulfillment and parcel shipping software solutions – that can be implemented in a matter of days- can rapidly boost efficiencies and reduce costs. The right kind of parcel shipping system enables companies to reduce landed costs in four critical areas, without renegotiating carrier rates but simply by relying on technology:

1. Dynamic carrier portfolio management for optimal rate and service selection
2. Carrier-compliant processing that prevents fines due to shipping errors
3. Labor savings by eliminating manual, labor-intensive processes
4. Visibility to audit shipping history and recoup incorrect delivery charges

Distribution Costs on the Rise

Do nothing to create efficiencies, and CoD will automatically increase

Companies across every sector and market face increasing CoD due to transportation industry labor shortages (which create higher demand and fewer available shipping lanes) as well as rapidly increasing e-commerce volumes and growing consumer expectations worldwide for same-day delivery.

While same-day delivery is a big opportunity for all retailers to improve their service level, it requires a high degree of order fulfillment and logistics sophistication. Major challenges, such as very short fulfillment lead-times and flexible last-mile delivery have to be overcome while bringing cost down to a level that consumers are willing to digest.

As a result, carriers experience unprecedented demand for their services, which forces them to invest in labor, technology and facilities to control volumes and maintain service agreements - investments that are passed on to manufacturers and brands.

Any efficiencies achieved in the distribution model can help to offset rising costs. Shippers who can invest in parcel shipping systems that quickly determine the most efficient shipping option for each parcel they ship - considering delivery deadlines, carrier rates, performance and other factors - stand a better chance of keeping costs in check.

Forecasting cost saving opportunities

Any manufacturer or brand can benefit from CoD reductions, though cost savings will vary depending on the answer to one question: does my CoD represent a significant portion of my net landed cost of goods? If the answer is "yes," then opportunity abounds to reduce overall costs and increase margins. And if the answer is "no," the opportunity may be less substantial, but no less real.

Companies that prioritize CoD reductions typically uncover a vast array of savings opportunities:

1. **Carrier portfolio management**
2. **Fulfilment processing**
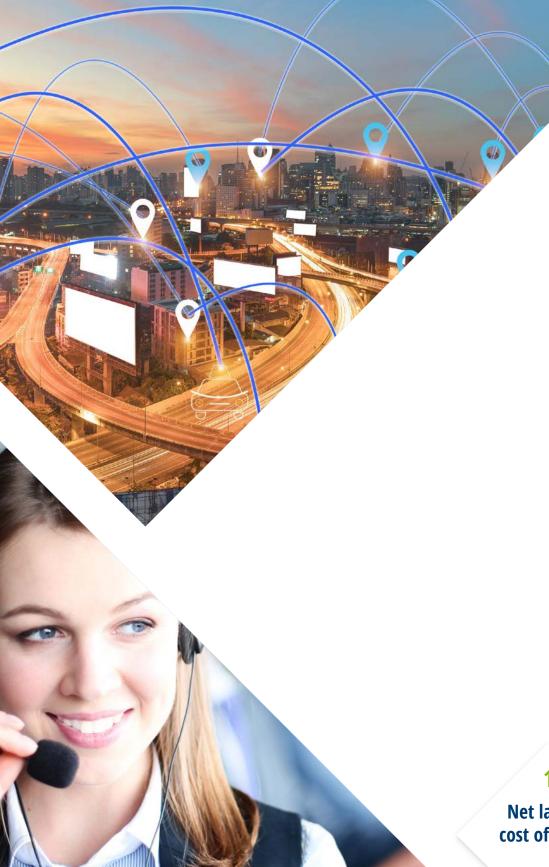3. **Error reduction**
4. **Lost opportunities**

1. Carrier portfolio management

With today's technology, companies can quickly onboard new carriers and perform "what if" analyses to identify lower-cost delivery services and shift shipping volumes accordingly.

2. Fulfilment processing

Companies who take the time to map their fulfillment processes into a detailed workflow often identify labor-intensive steps that can be automated with technologies. Barcode scanning, for example, accelerates data input, and shipping system technologies use business logic to automate carrier selection. The result is a dual benefit: companies save time in the order fulfillment process and they also save money in terms of both shipping and labor costs.

3. Error reduction

In a labor-intensive shipping environment, the more a company ships, the higher the potential for mistakes. Smart shippers, however, turn to automated shipping solutions to change this equation. Using technologies such as barcode scanning and parcel shipping software, companies can ensure orders are fulfilled based on accurate data and eliminate the unexpected costs (and various fees and fines) that result from common shipping errors such as order fulfillment mistakes, address label errors, and inaccurate product dimensions and weights.

4. Lost opportunities

No one wants to lose a customer, but in a competitive retail environment, the smallest slip can do just that. In fact, 29% of customers won't place an order from an online store again if their order is incorrect. And the damage isn't limited to the lifetime value of that customer: a single negative online review can cost the average business an additional 30 customers. Companies looking to compete and win know the cost of losing a single customer is greater than they might expect, and so they prioritize accurate order fulfillment and delivery in their strategy for long-term success.

Prioritize on shipping

From apps to enterprise level technology, at their core multi-carrier shipping solutions for parcel give manufacturers and brands choice. With more informed decision-making in a fraction of the time otherwise required, parcel shipping technologies enable brands and manufacturers to take control of shipping variables such as labor shortages and carrier rate increases without renegotiating carrier rates or increasing staff workload. In addition, these technologies can eliminate multiple steps in the order fulfillment process, creating a "one touch" shipping system and yielding tremendous gains in efficiency, labor-related savings and even employee satisfaction.

4 essential features:
1. Rate Engine
2. Automated Carrier Selection
3. Control Tower with AI
4. Automated Carrier Invoice Matching and Payment

Rate Engine

Great transportation management technology takes the exercise out of excel and moves it to a rate engine where transportation procurement teams can quickly simulate "what if scenarios" and generate the data they need to make smart decisions. The same rate engine allows procurement teams to contract with the right carriers, based on factors such as price, capacity, service and quality.

Automated Carrier Selection

Ideally, transportation management technology is a one-stop shop for order fulfillment within the organization, which means those carrier-specific workstations on the warehouse floor will be unnecessary. It will also integrate with WMS, ERP and larger planning systems to create a "one-touch" shipping system and generate all necessary paperwork - carrier labels, End of Day manifests and CMRs - at the point an order is picked, reducing manual labor and yielding significant improvements in productivity.
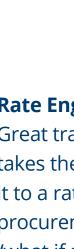
Control Tower with AI

A robust control tower with AI will not only provide real-time visibility into transportation movements worldwide, it will create smart exception workflows to enable automatic responses to transportation "exception events." Also, make sure real-time carrier performance monitoring and exception trend analyses reporting are "baked in" to the solution in order to improve ongoing carrier selection and rate negotiations.

Automated Carrier Invoice Matching and Payment

By running dedicated audits on all carrier invoices and automatically matching shipment data with invoice data, invoice accuracy can be verified before issuing payment and find potential savings. Selecting a solution that can automatically allocate costs down to the SKU level, will reduce the workload in the accounting and finance departments and improve cost accounting accuracy.

Companies who prioritize their shipping and leverage these technologies can find serious savings and benefits - reducing their net landed cost of goods and maintaining a competitive edge in an increasingly competitive and "same-day" market.

About Logistyx

Logistyx Technologies is the leader in Transportation Management for parcel shipping, providing a SaaS-based solution that empowers, manufacturers, retailers and logistics providers to achieve on-time delivery in full and increase revenue per shipment.

Featuring an integrated global carrier network of more than 8,500 carrier services, Logistyx customers can leverage state-of-the-art rate shopping and simulation tools to determine the ideal combination of carriers in real time, based on factors such as price, capacity, service requirements and performance.

Control tower visibility and user-friendly dashboard reporting enable proactive exception management and carrier performance monitoring. From fulfillment managers to customer service representatives, teams monitor and manage all carriers in one solution.

Advanced freight audit capabilities allow companies to verify invoice accuracy before issuing payment and find potential savings. In addition, automatic cost allocation down to the SKU level reduces the workload in finance departments and improves cost accounting accuracy.

For more information and our global offices visit **www.Logistyx.com**.