MAKING THE CASE FOR
Using a Transportation Management System for Parcel Shipping
Today’s “Want it Now” Delivery Expectations are pushing manufacturers, retailers, distributors, and logistics providers to rethink the way they orchestrate their parcel shipping operations. When a customer orders a single tube of Chapstick online and expects it to arrive on her doorstep within two days (or less), traditional parcel management approaches must give way to new, tech-enabled processes that enable expedited deliveries.

Adapting to the “New Normal” Parcel Shipping Environment

Higher shipper costs, ongoing labor constraints, and a “want it now” mindset are driving more companies to implement TMS for parcel shipping.

Omni-channel, where customers get a seamless shopping experience whether they’re shopping online, in person, or by phone, is also creating new challenges for companies that must ship via parcel in order to accommodate these demands. The scenario is playing out both on the business to consumer (B2C) and business to business (B2B) side of e-commerce, which are expected to reach $605 billion and $1 trillion in 2019, respectively.

“We’re seeing a digital transformation of the entire sales process right now,” says David Hogg, Logistyx Technologies vice president of business development. “This is putting new pressure on the supply chain to be able to adapt and respond in new ways.” For example, 10 years ago a retailer probably had numerous warehouses that were used for bulk replenishment of its stores.

When e-commerce entered the picture, that retailer suddenly needed new facilities to accommodate smaller, faster orders to individual customers. “Just dealing with the picking of single units, and being able to handle the related distribution,” says Hogg, “was a pretty big deal for retailers.”
SHIPPING GETS MORE EXPENSIVE
Shipping costs continue to rise on the parcel front, where providers like UPS and FedEx roll out year-round rate increases. The same carriers also hold the cards when it comes to imposing new rules, regulations, and other constraints. This presents interesting challenges for shippers that rely on parcel, while also opening up new opportunities for companies that deploy a transportation management system (TMS) that can handle the high-volume, small-package parcel industry.

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— David Hogg, vice president of business development, Logistyx Technologies

Labor is another key consideration in this environment, where the national unemployment rate is hovering at historic lows, where finding even the most entry-level employee is expensive, and finding workers who can manage the parcel equation manually nearly impossible. “Even if you manage to hire clever people,” says Hogg, “they’re still not going to be as efficient as a parcel TMS will be at shopping for and securing parcel carriers.”

FAST-GROWING SHIPPING SEGMENT
The fastest-growing shipment segment due to increases in multichannel retail, ecommerce in B2B, and same-day delivery offerings, is parcel shipping. It’s a critical transportation component for any product-based company right now. The problem is that most of these firms continue to operate in “reactive” execution mode for parcel, according to Gartner, and are therefore missing out on the opportunity to optimize and consolidate their parcel shipping.

This is a fatal error for any company that’s watched its e-commerce sales grow steadily over the last few years, according to Hogg. “In the past, organizations were happy with any year-on-year e-commerce growth,” he explains. “Today, the same companies are getting 20% or more of their revenues through online channels, and their CFOs are thinking beyond sales goals and demanding better optimization of those channels.”

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As more companies adopt this mindset, the conversation turns to using technology as a great enabler of parcel shipping—something that many companies are beginning to think about and deploy. With the supply chain presenting a plethora of cost-reduction opportunities, and with many companies automating related processes, the need for a platform to handle parcel shipping increases exponentially.

In this Making the Case report, we discuss the key pain points that all parcel shippers are dealing with right now and show how a multi-carrier transportation management system can help reduce costs, improve efficiencies, and improve the organizational bottom line.
The Solution: A Transportation Management System for Parcel Shipping

TRANSPORTATION INDUSTRY LABOR SHORTAGES, e-commerce order volumes, and growing consumer expectations worldwide for same-day delivery are forcing companies in nearly every sector to grapple with increased parcel shipping costs. As the parcel industry morphs to accommodate these and other changes, the complexities that shippers have to contend with continue to grow.

On a positive note, pretty much any efficiency achieved in the distribution model can help to offset these rising costs. That means shippers that invest in multi-carrier parcel shipping systems stand a better chance of keeping costs in check, their customers happy, and the bottom lines intact.

“Even for a domestic shipper, a multi-carrier parcel system is an asset because the systems already in place simply can’t optimize transportation costs,” says David Hogg, Logistyx Technologies’ vice president of business development. “The company that’s using a single parcel shipping company can’t access the broadest range of parcel services from that provider and the many other parcel carriers available on the market.”

Enter the TMS for parcel shipping. A multi-carrier solution that gives manufacturers, distributors, and retailers a voice and a choice, this platform enables informed decision-making in a fraction of the time otherwise required. It also helps companies fully leverage shipping variables such as labor shortages and carrier rate increases — all without having to renegotiate carrier rates or increase staff workload.

Shippers can also 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.
**THE RIGHT ANSWER TO AN AGE-OLD PROBLEM**

The Logistyx TMS for parcel shipping instantly connects the world’s largest manufacturers, retailers, and logistics providers to more than 8,500 global carrier services to improve customer service and increase revenue per shipment. The platform’s components can be implemented independently or in combination with each other to streamline and optimize carrier procurement, fulfillment operations, customer service, and finance.

Combined with the best hardware solutions from the leading providers of shipping hardware in the world and Logistyx Technologies’ services team of consultants and support engineers, the company offers the cloud and on-premise solutions that streamline shipping and reduce work for a wide variety of companies.

**THE SOLUTION INCORPORATES:**

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<td>With instant access to an integrated global carrier network of more than 8,500 carrier services, shippers can leverage state-of-the-art rate shopping and simulation tools to determine the ideal combination of parcel shipping carriers in real time, based on factors such as price, capacity, service requirements, and performance.</td>
<td>Companies can meet increasing parcel shipping demands while controlling costs by quickly automating and optimizing carrier selection, accounting for best value rates, business rules, and customer delivery preferences with each order. Via a fluid integration with WMS, ERP, and larger planning systems, Logistyx helps shippers create a “one-touch” shipping ecosystem and generates all necessary paperwork – carrier labels, End of Day manifests and CMRs – at the point an order is picked.</td>
<td>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. Customers receive proactive notifications about their shipment status, and they track shipment movements on the shipper’s site (not the carrier’s site).</td>
<td>Advanced freight audit capabilities help companies ferret out potential savings by automatically verifying invoice accuracy before issuing payment – eliminating time and labor-intensive reviews. In addition, automatic cost allocation down to the SKU level reduces the workload in finance departments and improves cost accounting accuracy.</td>
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In an environment where providing differential customer propositions has become a central focus for all shippers, more companies are rethinking their parcel shipping approaches and incorporating more technology and automation into the mix. And while bolt-on parcel shipping solutions have been available for years, Logistyx jumps miles ahead of them by providing user-friendly graphical interfaces, dashboards, and other e-commerce-centric capabilities.

“Companies have spent a lot of money on e-commerce and order management, but they sort of just assume that parcel shipping will somehow just ‘magically’ happen at the end of it,” says Hogg, “not really realizing that parcel in itself is a complex part of the total transportation equation.”
Manufacturer Saves $1.5 Million on Parcel Shipments

A MANUFACTURER OF OVER-THE-COUNTER (OTC) pharmaceuticals and consumer healthcare products serving major U.S. retailers, PL Developments (PLD) delivers about 50,000 shipments from 1.2 million square feet of warehouse and operational space in California, Florida, New York, and South Carolina.

With well-known retailers and wholesalers like Walgreens, Target, BJ’s Wholesale, and Rite-Aid Pharmacy as its customers, the company used to rely on a fragmented approach to parcel shipping. Working in a decentralized manner, its transportation team made carrier routing decisions from each of its locations and relied on multiple, non-integrated systems to manage those tasks.

RAISING THE BAR
The company’s existing system provided carrier rating support with limited load and mode planning for less-than-truckload (LTL) and truckload (TL) shipments, but lacked small parcel rating and shipping capabilities. The system also didn’t provide carrier times-in-transit to support accurate delivery planning. And, freight audit and invoicing was handled on two disparate systems, which resulted in extra steps to merge invoicing data for analysis.

“It was pretty complicated, with decisions made by systems that weren’t integrated and people who were in different locations,” says Patrick Heelan, vice president of logistics. Poor access to data was another challenge. “None of our historical data or cost-related reporting was centralized,” he explains. “In some cases, we had to go back to FedEx to get the information that we needed.”

That changed when PLD implemented Logistyx Technologies’ transportation management system for parcel. Wanting to improve decision-making and efficiency, the company adopted the centralized, real-time TMS to provide rates and transit times for all transportation modes.
MAKING THE CASE
TRANSPORTATION MANAGEMENT SYSTEM FOR PARCEL SHIPPING

INTEGRATING KEY SOLUTIONS
Already using Oracle E-Business Suite EBS to manage much of its operations, PLD uses Logistyx to automate freight audit and invoice payments and to supply Oracle OTM with real-time parcel rates and times-in-transit for load planning. Because these solutions are integrated, they can seamlessly share order details necessary for planning, carrier decisions to support shipment processing, and post-shipment payment and tracking for real-time visibility and automated invoice handling.

“Transit time is very important for us because we handle both made-to-stock and made-to-order orders, and knowing exactly when the product needs to ship is very important to our supply chain,” Heelan explains. “Ship dates get pushed completely upstream through the entire process, all the way through to when that product needs to be manufactured so that we can ship it on time to our customer.”

For the shipment of incomplete orders, PLD also wanted to be able to re-rate and re-plan those shipments in order to attain the lowest-cost, on-time delivery.

“We needed one system to process all shipments, all modes, with all of our data on orders in one place,” Heelan points out. “Data visibility is critical to everything we do between pricing our products, where we’re storing them – everything. We’re constantly looking at data.”

COMPLETE INTEGRATION
According to Heelan, the new solution has streamlined planning while also improving the efficiency of PLD’s transportation operations. Calling Logistyx parcel shipping and audit capabilities “integral to the company’s future transportation plans,” Heelan says “as we continue to automate our systems, and grow as a company, we see Logistyx as a long-term partner.”

Today, all of PLD’s transportation operations are completely integrated, with all solutions reporting back to its main Oracle system. “All of the data is right there, and we use it to create dashboard reports, and everything else that we need,” says Heelan, who estimates that PLD has recovered $1.5 million in transportation savings as a result of the system implementation plus implementing a TMS for all modes.

The company has also enhanced its transportation planning, improved its data analytics, and improved its labor utilization. For example, planning is now managed by two staff members (versus a previous five)—a shift that allowed PLD to allocate resources to other lead roles within its organization. Finally, thanks to Logistyx, the company’s A/P department no longer has to process 50,000 carrier invoices annually.

To shippers that are considering a TMS for parcel shipping, Heelan has this piece of advice: Don’t ever underestimate parcel. “Don’t try to put parcel on the backburner,” he continues. “There’s a lot of savings and benefits that come from mastering this aspect of your operations, making it work more efficiently with the rest of your operations, and using technology to create the complete transportation picture.”
FOR THE LOGISTICS MANAGERS: We’ve gotten to the point where there are only so many places that a logistics or supply chain manager can go to validate and enhance their companies’ service propositions without having to allocate more money to the task. Commercial pressures, rising costs, and labor constraints all make it difficult to achieve even the slightest efficiency or financial gain, but using a parcel TMS is one strategy that’s actually working.

“A parcel TMS allows logistics managers to assess a geography that they want to serve, or serve better,” says David Hogg, Logistyx Technologies’ vice president of business development, “and then find the cheapest way to make that happen.” For some companies, that might mean reaching cross-border into other countries, and for others it could mean simply selling/delivering more product to existing customers in specific geographies. Using transportation management systems that support multi-carrier, multi-modal, multi-platform requirements, shippers can effectively streamline shipping and minimize the need for added labor and work.

And because the solution offers fluid integration with warehouse management systems (WMS), ERP, and larger planning systems, it helps companies develop a streamlined shipping ecosystem and generate all necessary paperwork (i.e., carrier labels, end of day manifests and cargo movement requirements), at the point where an order is picked. “Logistics managers get one platform to do everything—from basic domestic shipments to the most complex international shipments that you can think of,” says Hogg.

The pre-certified solution also ensures compliance; provides access to a wide range of carriers and services; and ultimately helps shippers determine the cheapest way to get a shipment from Point A to Point B.
FOR THE CEO: On a mission to help their companies grow in even the most uncertain, resource-constrained environments, CEOs are driven by growth and profit—something that a TMS for parcel shipping supports with its end-to-end supply chain capabilities. For them, being able to reach a larger potential audience of customers without having to be tied to a limited number of carriers is the Holy Grail.

“From a CEO’s perspective, it’s about being able to push the boundaries of what their organizations are capable of,” says Hogg, “and then constructing a customer proposition from that.” For example, the CEO of a manufacturing firm that wants to get a leg up on its nearest competitor can do so by offering higher service levels or being able to ship to a broader range of customer locations faster and cheaper.

Using a multi-carrier TMS for parcel shipping, the company can import rates from different carriers for the geographies that they want to serve, and then execute based on that intelligence. “Companies can start to manage planning and leverage analysis to address the ‘what ifs,’” says Hogg, “and determine whether negotiating better rates with an existing carrier on certain key routes can help drive profits up.”

By using parcel TMS as a business analysis tool, CEOs can begin to understand the “art of the possible,” says Hogg, “and begin making business decisions regarding the customer proposition that he or she actually wants to take to market.” This is all made possible by a TMS for parcel shipping that provides a holistic view, he adds, and that gives CEOs accurate, post-execution analytics and decision-making insights.

FOR THE CFO: As the senior executive who is responsible for managing a company’s financial actions, tracking cash flow, analyzing its financial strengths (and weaknesses), and proposing the best corrective actions, CFOs have a lot on their plates right now. Top of mind for many of them are rising transportation and labor costs, both of which can quickly cut into a company’s bottom line.

Rather than watch that happen, many of them are advocating for a multi-carrier TMS for parcel shipping in a world where huge carriers like UPS and FedEx are writing the rules. By using a TMS to handle freight invoice audit, for example, a company that spends a good portion of its operating expenses on shipping every year can achieve substantial savings—music to the CFO’s ears.

“For every $1 million that a company spends on freight annually, roughly $60,000 of that is at risk of being overcharged in some way,” says Hogg. “That’s a lot of money just slipping through that CFO’s hands.” The same losses can come at the rate negotiation stage, where a parcel TMS’ rate engine has to be able to hold the carrier’s rates at the date of execution.

“This is particularly relevant in European countries, where rate changes are managed on an individual, customized level (versus on a global, predictable basis).”

“From a multi-carrier TMS, CFOs get piece of mind knowing that they have a tool that holds a historical record of all rate changes,” Hogg says, “and that allows them to do freight invoice audits and manage other activities that help reduce organizational costs.”
4 BENEFITS of Using a TMS for Parcel Shipping

If your company’s cost of delivery represents a significant portion of its net landed cost of goods, then the opportunity to reduce overall costs while increasing margins is probably substantial. By using a TMS for parcel shipping, companies can achieve these and other wins on the cost of distribution front:

1. Better carrier portfolio management. With today’s TMS for parcel shipping technology, companies can quickly onboard new carriers and perform “what if” analyses to identify lower-cost delivery services and shift shipping volumes accordingly.

2. Improved fulfillment processing. Companies that take the time to map out their fulfillment processes into a detailed work flow 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. Fewer errors. In a labor-intensive shipping environment, the more a company ships, the higher the potential for mistakes. 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. No more missed opportunities. Did you know that 29% of customers won’t place an order from an online store again if their order is incorrect? 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.
Creating a “One-Touch” Shipping Ecosystem

As e-commerce orders get smaller and smaller, and faster and faster, the need for a robust technology platform to handle these activities continues to grow. Add labor constraints, truck driver shortages, and rate hikes to the equation, and you wind up with a “perfect storm” of challenges that can only be solved by a multi-carrier TMS platform that handles domestic and global parcel shipments.

As you’ve learned from this white paper, one of the best ways to get control over shipping costs is to manage all your carriers on a single shipping software platform that allows you to compare carrier rates and choose the best option based on cost and service.

Logistyx Industries’ parcel TMS allows you to load and compare rates and services for multiple carriers and modes, including parcel, postal, less-than-truckload (LTL), regional, and international carriers. With an extensive library of carriers—and all of their rates, services, and compliant documents—the solution either integrates with your warehouse management systems (WMS) or works within your warehouse. It automates the process and increases efficiency while lowering your total cost of distribution.

A TMS for parcel shipping also enables new levels of transportation optimization that can’t be achieved with manual systems or proprietary solutions that don’t “talk” to one another. By breaking down these silos and consolidating all shipping information onto a single platform, Logistyx Technologies enables the high levels of optimization that are mandatory in today’s fast-paced fulfillment environment.

“If the goods that you’re shipping via parcel account for 20% or more of your company’s revenues, or if you’re in a business that’s driven by online sales, then you have no choice but to optimize that process.”

— David Hogg, vice president of business development, Logistyx Technologies

“...or if you’re in a business that’s driven by online sales, then you have no choice but to optimize that process,” says David Hogg, Logistyx Technologies’ vice president of business development. “It’s just too big not to.”