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TECHNOLOGIES

AIR TRAFFIC CONTROL IN CARRIER MANAGEMENT

How in-flight parcel shipping systems deliver on your customer promises while increasing financial and operational control

A white paper produced by eDelivery in association with Logistyx | November 2019

EDITOR'S INTRODUCTION

LIZ MORRELL
Research Editor

For ecommerce businesses, managing the end-to-end journey from the point of order to final delivery is as important as the initial sale. And yet do all retailers put the same amount or resources and effort into this part of the consumer experience?

More often than not, the answer is no, even though a successful delivery is just as important as winning that initial conversion. And for the record: It's also a lot more complicated. It's a task that involves many different elements and third parties. Consider, for example, the challenge of managing multiple international carriers when shipping goods across borders. This requires tight monitoring and control to ensure the end customer is satisfied.

And that satisfaction is hard earned. At a minimum, a customer expects their parcel to arrive on time. But what customers expect as a minimum is being redefined by trailblazing leaders such as Uber and Amazon. These businesses are re-writing the concept of service and tracking, providing customers with more knowledge than ever as to their parcel's whereabouts and alerting them of any delays. Customers are forgiving if alerted promptly. As a result, customers now expect the same delivery experience from all businesses.

To keep pace with the likes of Uber and Amazon, it's up to all retailers to improve their game.

But while the customer experience is vital, there are even more ways that gaining greater control of parcel shipping pays off – literally. By implementing slick, cost efficient processes that are driven by data analytics and optimisation within the delivery value chain, retailers can maximise margins, improve delivery speed and reduce costs. The focal point for omni-channel companies is to maximise customer service and profit, one out of two is not good enough in the current market.

These tasks are tough enough on a national basis, but when retailers expand internationally and introduce additional carriers, they become even more challenging. How can retailers ensure they have control over, and visibility into, the delivery movements taking place within a multi-carrier network?

In this white paper, eDelivery has partnered with a leading provider of Transportation Management Systems for parcel shipping, Logistyx Technologies, to explore the demands of this new landscape and understand what is needed to succeed and thrive.

We explore how retailers can leverage a single, global platform to reduce costs and improve service, not only on a domestic scale, but internationally. We look at how a control tower provides retailers with an overall view of shipping - an air traffic control approach, if you will - allowing them to manage all carriers on a single shipping software platform and providing them with opportunities to compare multiple carrier rates and send proactive alerts to customers when a delivery is delayed. Look out: control and visibility are now vital... and within retailers' reach. ■

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IMPLEMENTING AIR TRAFFIC CONTROL WITHIN THE SUPPLY CHAIN

DAVID HOGG
VP Business Development
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Recent research executed with eDelivery shows the consumer experience post-checkout is becoming increasingly important. In other words, delivering both a high quality product as well as high quality customer service need to be at the top of a company's agenda. This requires knowing the customer and his or her needs along the entire customer journey, from initial contact to product delivery.

Many organisations are well aware of the pressures that accompany ecommerce parcel shipping, but their attempts to address them continue to be tactical, rather than strategic. They may roll out various productivity initiatives in the warehouse and store, increase the number of carrier workstations on the warehouse floor and retrofit existing platforms. However, these tools and technologies are added onto ecommerce order fulfillment as an afterthought. In the world of modern shipping, surviving and thriving requires revision and bold, new steps.

Manufacturers and retailers have the opportunity to approach new logistics challenges objectively and specifically. With regard to delivery logistics, various questions arise: How can I make customers happy with their delivery experience, thus ensuring their loyalty and long term business? How can I offer my customers the same services and service levels as major online providers, such as omni-channel pick-up options, flexible delivery timeframes and real-time shipment status updates? And how can I do this without increasing costs?

From my experience, many companies overlook 'connecting experiences.' By creating a unique customer journey from product discovery to product delivery (and delight!), they can differentiate themselves from the competition.

A Transportation Management System (TMS) for parcel shipping enables organisations to transform e-commerce shipping processes – optimising, connecting and adapting the way transportation teams work so shipping volumes, and success, can quickly scale. Uniting end-to-end shipping tasks and data allows fulfillment, procurement and customer service teams to focus. As a result, organisations can:

- Integrate parcel shipping with other supply chain solutions, such as ERP, WMS, and OMS to create one ecosystem for the entire shipment lifecycle
- Centralise all parcel shipping data and run data analytics and reports to gain visibility and improve decision-making on everything from transportation budgets to carrier invoice payments. (For the record: it is a fundamental requirement to leverage new machine learning/AI tools. No data = no intelligence/learning.)
- Achieve higher on-time delivery rates, enable proactive customer communications regarding delivery and automate the returns process

Think of a TMS for parcel shipping as air traffic control within the supply chain. It connects to all other systems and tools in a boundaryless way. It's modern transportation management at its finest, where all parcel shipping activities can be planned, aligned, choreographed and measured. ■

ABOUT LOGISTYX

Logistyx Technologies is the leader in transportation management for parcel shipping, providing a SaaS-based TMS solution with state-of-the-art business intelligence and an integrated global carrier network of more than 8,500 carrier services – empowering organizations to achieve on-time delivery in full worldwide while improving profits per shipment.

Logistyx TECHNOLOGIES

THE IMPORTANCE OF DELIVERY AND CUSTOMER EXPERIENCE

In ecommerce, a successful delivery experience is vital. It ensures a positive customer reaction, which can generate powerful word of mouth marketing and increase the likelihood of repeat purchases.

Get it wrong just once and customers can lose faith. In our reader survey, 86% of respondents said the delivery experience was 'very important' for customer satisfaction and the likelihood of repeat purchases. This was higher than the 62% who said it was 'very important' for customer profitability and business success, and illustrates that retailers need to put the customer experience first. Improved customer experience was also the top business case for investment in our survey (69% of respondents).

"This is an extension of your shop floor experience and your sales team, so is crucial," says Richard Murrell, depot manager for Covers Timbers & Builders Merchants, one of the retailers in our survey. "This is effectively the final stage/step and if this goes wrong, it can jeopardise the whole sale."

"Retailers who view customer service as a top priority can protect their brand equity [by concentrating on delivery] as customers typically rank a delivery failure as a more negative experience than using a poorly designed website during a procurement process," says David Hogg, VP of business development at Logistyx.

> Customers typically rank a delivery failure as a more negative experience than using a poorly designed website during a procurement process
>
> **DAVID HOGG**
> VP of business development, Logistyx

Often, the customer focuses most on the final delivery experience – the product arriving in their hands or on the doorstep. But for the retailer to make the experience the best it can be, there are myriad processes, systems, and parties to coordinate and optimise. And this can be off-putting.

But Hogg says retailers can't afford to overlook this. "It is typically the final step of the process unless goods are returned," he says. "People are highly sensitised to delivery and expect goods to arrive as per the promise that was made to them by the shipper at the point of order capture."

What customers want from the shipping process

- To select the delivery service level they want - e.g. same day, next day
- Choice of preferred local carrier
- Ability to track delivery via SMS, email or mobile app
- Proactive information when things go wrong
- The ability to talk to retailers about their delivery via chat or phone

A NEED FOR AN INTEGRATED APPROACH

Add to this the fact that carrier deals tend to be negotiated and audited infrequently, and it's no surprise that it can be an area retailers struggle to control.

Yet retailers often add shipping systems as a last-minute bolt on, long after they have integrated order management and multichannel systems. The result can be a substandard service, with batch controls, impoverished messaging and notifications, incomplete business intelligence and a reduced level of service for the customer.

This impacts quality of information. In our survey, more than half (59%) of respondents said they were either dissatisfied, or only somewhat satisfied, with the information, service management and cost control they have over each order. Only 12% said they were very satisfied.

Meanwhile, international expansion brings further risk. "It's important for both the shipper and the customer to have confidence in carriers' delivery processes and visibility of shipments to assess the impact of possible delays," says Hogg. "The more carriers and countries, the more opportunities there are for things to go wrong." ■

THE BENEFITS OF NATIVE GLOBAL SYSTEMS

As we examined in the introduction, the challenge of having a plethora of couriers and last-mile delivery solution providers for each country involved in cross-border trade can be a huge headache for retailers that sell internationally.

Carrier compliance can prove costly and time-consuming, often requiring a large, specialised team of experienced consultants to do this process well. Integration, shipping and tracking processes can also vary, requiring yet more work.

Even region-specific carrier management companies have their limitations, since they still need to on-board multiple companies and systems to support clients with global operations, negating the benefits of one system and one process to control parcel shipping.

Hogg says the complexity can be tough for retailers to cope with. "It makes it harder to achieve a global control tower view and harder to hold carriers to account, since there isn't a single view of their performance." The challenge can be further complicated by region-specific obstacles, such as the plethora of last-mile carriers in China, he explains.

Our survey result showed that retailers are struggling with this single view and lack visibility as a result. Only one in five (21%) of respondents said they were happy with their view of the final mile experience and had full visibility of every parcel, stage and cost per order.

Instead, more than half (54%) said that they had some visibility but it could be improved, while a quarter said they had no visibility. With no or limited visibility it is impossible to provide customers with prompt warnings of problems. This is a recipe for producing unhappy customers with little or no loyalty.

> "Only one in five (21%) of respondents said they were happy with their view of the final mile experience and had full visibility of every parcel, stage and cost per order."

THE NEED FOR ADVANCED PLANNING IN SHIPPING SYSTEMS

Hogg believes the problem largely stems from the way in which shipping systems are purchased, claiming retailers often fail to pick a global option because they tend to buy shipping solutions tactically and as an afterthought, at the end of an ecommerce or order management process rather than at the beginning.

As a result, he believes many retailers are missing out on huge benefits and potential cost savings that could be identified if they changed how they viewed such systems.

Hogg states that using a shipping system can identify opportunities for cost savings from a number of different sources. For example, the system's multi-carrier rate engine can flag special carrier service promotions, and the system's freight audit tools can identify over-charges in freight invoices. Hogg points out that even after cleansing/reviewing each carrier invoice, industry analysts expect 6% still have errors.

"Retailers don't realise that the systems can enhance almost the entire customer journey and that the real cost of shipping is calculated and recorded in shipping systems," he says. "If they redesigned their processes to take advantage of shipping systems more fully, they would realise many benefits and improve ROI and customer experience."

The customer experience is also vital. Bespoke integrations and resources with limited experience can prove challenging for retailers, especially when they are trying to present a single view to customers. Instead, retailers need systems that standardise all carrier tracking messages, so that they can present a simple, manageable tracking interface to the customer. "This is even more important looking to the future as this is base data required to drive machine learning/AI for fulfillment. No data or inconsistent data means no machine learning opportunity," says Hogg. ■

5 benefits of a global, connected system

- One system providing compliance is easier and cheaper to install and maintain than many country or regional systems
- Improves speed to market for new carriers
- Minimises carriers' non-compliance fines
- Provides a control tower view of shipping activity
- Allows retailers to manage carriers more easily by providing access to a consolidated view of performance

LEADING ACTION – HOW THE BEST ARE MAKING THE MOST OF A GLOBAL APPROACH TO SHIPPING MANAGEMENT

Customers' high expectations of the delivery experience means retailers must provide frequent delivery updates, not only to assure them a delivery is on the way, but also to alert them of any potential delays.

Knowing there is an issue early allows retailers to explore alternatives. For example, more sophisticated transport management systems allow shippers to set thresholds that trigger proactive alerts about delays. These exception notifications give the retailer time to take action, such as shipping via store.

Knowing a parcel's whereabouts is also required to control costs. For example, in cities with strict delivery timeframes, a retailer can avoid penalties by ensuring deliveries only take place within the published schedule.

In our survey, retailers indicated they wanted more visibility into actual delivery times and better tracking en-route. They also wanted to improve what they were doing, with more than a third (37%) of survey respondents saying they lag behind admired brands such as Amazon, Ocado, AO and John Lewis, when it comes to the delivery experience.

As part of this, visibility is key. "We would like greater transparency of final mile delivery and identification of issues in real time so that our customers know when they can expect their goods," said one survey respondent.

ENABLING NEW NOTIFICATION SERVICES

When delays are still inevitable, it's important to let customers know, especially because customers are mostly forgiving. "We'll phone our customers and liaise with them direct," says Covers' Murrell. "Generally, after the initial frustration/disappointment they are grateful and appreciate an actual human phone call and the honesty. If you can back it up with what you've done to either rectify or counteract it, 9/10 it's all good." But different carriers often have different status messages and formats, resulting in a fragmented view that is confusing for the retailer, let alone the end consumer.

Hogg says Logistyx aims to solve this challenge with its parcel transport management system. "We collect all carrier tracking status messages and standardise them for retailers," he explains. The company's systems then report internally to retailers via its control tower user interface or via API messaging to their customer management / CRM applications.

As a result, retailers, including the likes of Footlocker and Home Depot, can provide new, proactive notification services to their customers. This can include reporting via SMS, email or mobile applications when shipping exceptions occur so customers are kept up-to-date on their parcel's delivery progress.

Retailers also need to keep an eye on costs, using business intelligence to uncover potential savings, as well as ensuring their carriers are delivering according to SLAs. "Retailers can leverage data to streamline transportation activity, increase efficiency, improve delivery performance and save money," explains Hogg.

Comparing carrier invoices to expected costs before payment can also bring rich rewards. "We hold accurate rate cards for every carrier and hold a full transactional history of each shipping order," says Hogg. "We import each electronic invoice and match against the shipping order, which allows us to perform line item level invoice matching to ensure the correct service, rate, origin/destination was applied in the carrier's invoice," he says. ■

5 ways carrier management systems can pay for themselves

- Invoice error cost recovery (6% of invoices are typically wrong according to Logistyx)
- Customer retention / preventing loss of revenue from poor customer support
- Increasing sales by offering multiple carriers and shipping management support
- Improvement/cost reduction in supply chain by offering full insight to supply network node performance
- Support ship from store

THE GROWING IMPORTANCE OF A MULTIMODAL APPROACH TO DELIVERY

The relentless growth of global ecommerce means that the pressure on delivery services is more intense than ever. But this pressure isn't limited to business-to-consumer ecommerce. The digitisation of business-to-business sales is also changing the shipping landscape. Business customers, conditioned by their personal ecommerce experiences, are now demanding shorter delivery timelines from suppliers at farther distances.

The added pressure on the delivery supply chain, coupled with the need to always control costs, means that retailers and their 3PLs are continually looking at new ways to provide free, fast shipping.

From long distance transport to inner-city e-bikes, and from general vans to specialist vehicles, the variations in delivery options are increasing as companies seek the best combination of transport to meet customer demands and their own business requirements. Carriers can adopt a more effective, multimode approach to shipping. For example, this may be important for high cost goods, where a combination of air and road transportation can get the product to the customer quickly.

Traditionally, this has been done with one carrier, but at Logistyx, a multimodal approach allows retailers to increase coverage without adding complexity, according to Hogg.

Control is more vital than ever. The intense focus on last mile solutions is giving rise to new options, but with an increase in options comes an increase in the rate of mistakes."Companies are focusing on the last mile as it's often where errors or exceptions occur, and it's also the element with the least control due to using third party carriers," says Hogg.

At fashion and lifestyle logistics specialist Bleckmann, which works internationally on behalf of retailers, the multimodal approach is becoming increasingly popular. "It's becoming more and more important," says Nourdyn El Moussati, transport application manager at Bleckmann. "To deliver fast and cheaply, new solutions are offered by the market. It's not always a one-way stop."

KEEP AN EYE ON COSTS

However, Hogg warns that retailers still need to keep a careful eye on costs and use the approach where it best suits – such as high value products in the luxury, pharmaceutical and industrial spare parts industries and for those whose customers have very high service level expectations.

The approach also requires a smart system that can track multiple carriers shipping one parcel. Without this, the tracking/audit trail will break. "Use it when it makes business sense and still supports a profitable outcome. This should be modelled using our "what-if procurement tool" to ensure you don't incur costs that become loss making," says Hogg. ■

How a multimodal approach can help to reduce management complexity and cost

- Allows retailers to rate shop for each leg of the journey but create a single shipping contract with multiple carriers
- Retailers are not then tied to one carrier for the full journey
- Options are increased but ensure the best SLA/cost performance
- Support ship from store

SURVEY RESULTS

Retailers want more visibility and control of the final mile experience

54%
say visibility of their final mile experience could be improved

25%
have no visibility

21%
have full visibility of every parcel, stage and cost per order

The delivery experience is deemed 'very important' for repeat customers

86%
say it's very important for customer satisfaction and the likelihood of repeat purchases

62%
say it's very important for customer profitability and business success

Satisfaction with the information, service management and cost control retailers have over each order is limited

59%
More than half are either not at all satisfied or are only somewhat satisfied

12%
Only one in ten are very satisfied

Retailers generally feel on par with their competitors when it comes to the quality of their delivery experience...

67%
say they are the same

25%
say they are much better

...but feel they lag behind admired brands in their sector

37%
say they are much worse

45%
say they are the same

4 retailers voted top for delivery experience

Amazon
Ocado
John Lewis
AO

Budget tops the list of barriers to improvement in delivery management

56% Budget
28% Vendor/partner capability
26% Priority
26% Understanding of digital infrastructure/ demands of digital-first business
21% Lack of C-level buy-in
18% Skills

Improved customer experience and increased sales are the top two business cases for investment retailers feel would help persuade the board to invest in the improvements they envision

69% said improved customer experience would persuade their board to invest in the improvements they envisioned

49% Increased sales

CUSTOMER FOCUS

BLECKMANN

www.bleckmann.com

For Bleckmann, a logistics specialist in the fashion and lifestyle sector, a good delivery is essential to the company's business since its customers are the retailers who in turn have made their own pledges to customers.

"Our customers are promising to the end-consumer a delivery day. We as their logistic service provider need to do our utmost to meet the expectations of our customer, but especially the end-consumer," says Nourdyn El Moussati, transport application manager at Bleckmann.

The company has more than 150 years of experience in fashion logistics and provides everything from multimodal transport options to warehousing and VAS and omnichannel distribution, as well as customs solutions.

The ability as a company to offer services that range from simple to complex inbound transportation management solutions means that having the right software to manage such services effectively is vital. This is especially important when it comes to providing visibility to the company's customers, according to El Moussati. "Our customers expect an end-to-end solution including visibility," he says. "They expect us to do as promised and inform them and the end-consumer of the different milestones during the process."

It also requires Bleckmann to provide delivery information (including exceptions) through a single point of contact before the retailer or end consumer comes calling. This allows problems to be addressed before they escalate or become more expensive.

"Exceptions in the process will result in more costs," says El Moussati. "Having your operational process in control should lead to a seamless delivery (of course depending on third parties) and result in better cost control," he says.

The business uses Logistyx's TME transportation management system for parcel shipping, including the company's track and trace tool. "We also offer the tool to our customers (as transparently as possible) and they heavily use this tool," he says.

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"TME contains almost all our shipments and we use the tool as a control tower to manage the exceptions and measure the performance of our subcontractors and partners," says El Moussati.

And, like the retailers that are taking a proactive approach to warning customers of delays, Beckmann hopes to do the same. "We plan to manage by exception and inform our customers pro-actively instead of passively."

Taking a traffic control-like approach is vital due to the scale of the business both domestically and abroad."90% of the shipments we manage in TME are delivered by parcel carriers (B2C)," he says. "With more than 140 carriers/services and millions of deliveries in different continents and countries, it's vital to have a control tower. We couldn't manage our business without it. With TME, we have a single source of truth with all shipments, statuses and so on. We can manage the complexity of our process by delivering one way of working and standardising as much as possible for all different delivery carriers," he says.

> "With more than 140 carriers/services and millions of deliveries in different continents and countries it's vital to have a control tower - we couldn't manage our business without it"
>
> **NOURDYN EL MOUSSATI,**
> transport application manager, Bleckmann

Currently, the system is only used to manage the shipping processes, but El Moussati says he is also excited about the other opportunities the technology allows, such as business intelligence to help further reduce costs, improve operations and continue to deliver the world-class service it pledges.

CUSTOMER FOCUS

US DEPARTMENT STORE

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For every online retailer, keeping the delivery promise to customers is vital, but for one U.S. department store group, it's at the crux of customer satisfaction.

While the retailer is seeing its biggest growth in ecommerce, to "meet the customer wherever they are," it relies on a combination of both parcel shipping and physical stores for product delivery.

Half of the stores currently operate as store fulfilment nodes, with the goal that all will do so by the end of 2020. The company also operates three direct to consumer fulfilment centres and allows customers to buy online and pickup in store throughout its store portfolio.

> The customer is almost shockingly understanding if you tell them [their parcel is late] and they are also understandably not understanding if you don't
>
> **SENIOR DIRECTOR,**
> US department store

While the retailer aims to deliver on its customer promise at all times, it emphasizes that creating a good impression is even more important at peak, which may be the only time of year a customer places an order.

The retailer strives to handle peak volumes carefully by monitoring its fulfilment process and taking action when required, such as shipping higher volumes to stores when other routes are struggling. Monitoring delivery movements and quickly reacting to parcel shipping event alerts is vital, and to execute both the retailer leverages the Logistyx parcel transportation management system.

When a potential problem is identified, the retailer tries to react quickly in order to meet the original customer commitment, such as moving order volumes to another facility.

However, if it's not possible to meet the customer promise, then letting him or her know a parcel is delayed in transit is essential. "If we are seeing that we are not going to meet the original commitment to the customer, then every time we can we prefer to tell the customer upfront," says the company.

"Our finding is that the customer is almost shockingly understanding if you tell them [their parcel is late] and they are also understandably not understanding if you don't. If you tell the customer your package will be delayed a couple of days but we'd like you to come visit our store and get a discount, then the customer reacts well to that message. What they don't react to is us being late." ■

CONCLUSION

Are retailers doing enough to move delivery up the agenda? We started this whitepaper by saying no. And yet our research and interviews have illustrated the benefits a more controlled view of the shipping and delivery process can have.

We have examined why transportation management systems for parcel shipping need to be integrated into a retailer's business from the start – not added as a last-minute solution. Retailers need state-of-the-art carrier management to deliver on their customer promise and their expectations of the end-to-end buying experience.

Where problems in the delivery process occur, retailers need to know as soon as possible for a number of reasons. They need to put alternative solutions into place to enable a parcel to reach its recipient in time. If this is not possible, then they need efficient, comprehensive systems that allow them to be proactive in and inform customers of the delay – something that many of the retailers we interviewed identified as key to their customers' satisfaction.

But as we have just seen, it's not just about the customer experience. Retailers also benefit when they efficiently and effectively plan and manage each dispatch allowing greater control and flexibility.

This air traffic control type of approach to delivery makes sense. Delivery is complicated and retailers need to know where parcels are in flight. Without this level of visibility, they are, quite simply, heading for collision.

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