

We Asked,

You Answered.

Results of the 2009 PARCEL Best Practices Survey, Part 2

— By Marll Thiede —

THE NEWS wasn't the greatest in Part 1 of our PARCEL Best Practices Survey results, which were released in the October issue. We revealed the reality that the economy has had on our readership with layoffs, wage freezes and concessions, holds on technology investments and the dissolution of DHL domestic service. There were some bright spots with overall accessorial costs coming down, and purchasing should resume for many in the first half of 2010.

In Part 2 of the survey results, we look at cost control issues to offset the economic stresses that companies have faced as well as how times have affected packaging and green initiatives. For the most part, our readership made great strides in decreasing costs. But they paid a price for those decisions. While many companies shifted as much product to ground delivery as possible, their cycle time, which had been decreasing over the past few years, is now on the rise. They offset that somewhat, however, by continuing to drive down internal cycle times.

With less staff due to layoffs, it is no wonder that this year, we saw an increase in the error rate. So while staff reductions saved money, the cost of errors and returns increased. Car-

rier invoicing errors also increased, or managers may have at least looked at invoicing more closely to not pay for service not rendered — another cost-cutting measure. But carriers this year were less likely to make good on what managers considered errors.

Next year, we are revamping our entire survey, with new questions and an easier way for you to respond. For the last 12 years, we have asked you to fill out a very lengthy survey. Now, we will break the survey into parts so that you can give us your responses in just a few minutes. We are partnering once again with Morgan Stanley, which will be handling all the transportation questions, while we will be covering operational and management issues. So, please, when you see a survey from PARCEL or Morgan Stanley, take a few minutes to help the industry and yourself. All survey results, including those from Morgan Stanley, will be reported in PARCEL magazine, in our e-newsletter, at www.PARCELindustry.com or in a special email notification to you. (If you have not yet provided us with your email address, make sure to do so by emailing Rachel@rbpub.com and letting her know you want your email added to your PARCEL subscription.) Until next year!

OPINION

Challenges

- #1 Reducing Costs
- #2 Accuracy
- #3 On-time Deliveries

- #4 Budget
- #5 Product Damage

The top five challenges managers face are the same as last year, except **on-time deliveries** moved up from the fourth spot in 2008 to third spot this year.

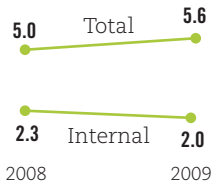
RFID

72% Say "No"

Not many shippers believe RFID technology attached to parcels is in jeopardy because of **confidentiality regulations**.

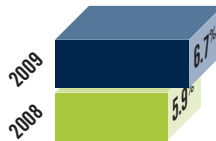
CONTROLLING COSTS

Cycle Time



While **internal cycle** times decreased, **total cycle** times increased, perhaps because shippers tightened their belts and shipped more via ground.

Invoicing Errors



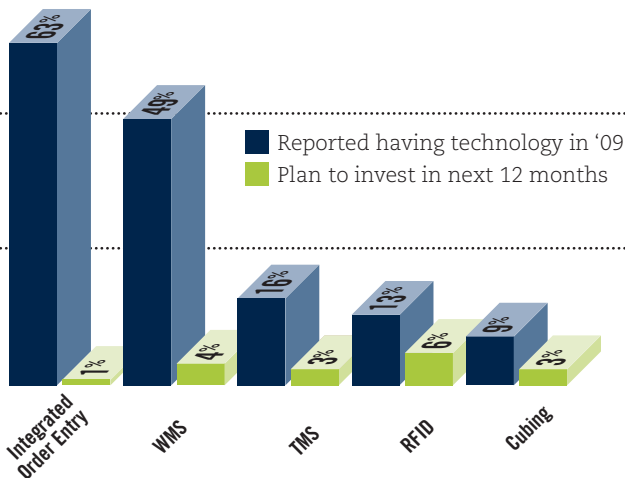
More errors or more checking? This year, shippers found **errors** on almost **seven in 100** carrier invoices.

Paid Claims

29%

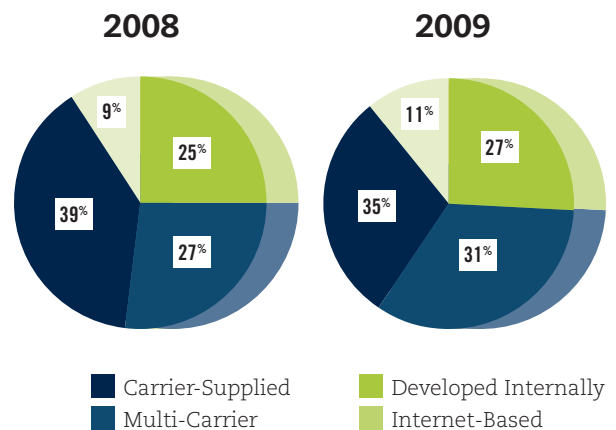
Carriers paid on only 29% of claims filed by our survey respondents, down from last year. Everyone, it seems, is trying to **reduce expenses**.

Tech Investments



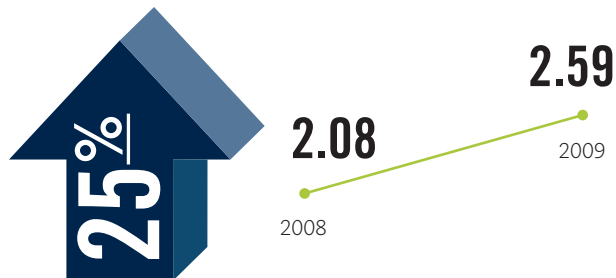
Automation can drive costs down. And in this economy, companies are still investing in technologies that reduce labor needs, gain efficiencies and reduce transportation costs. Other than order entry systems, all of the other categories show a higher percentage of planned investment than last year.

Shipping Systems



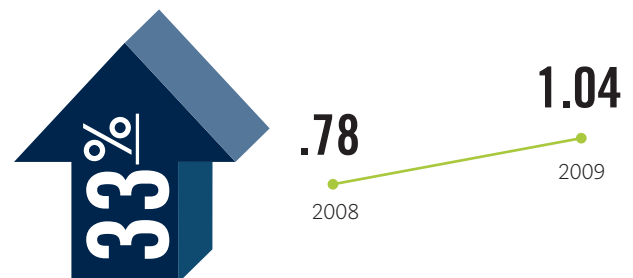
Perhaps to better control **transportation costs**, more shippers relied on shipping system technologies that can "rate shop," while fewer used carrier-provided, single-source systems.

Return Rate



The increase in the number of returns per 100 shipments also went up. This could be due to a **reduced workforce** and its **increased error rate** or an increase in "buyer's remorse." Regardless, it adds tremendous cost to handle more returns.

Error Rate



The **error rate** (number of errors per 100 shipments) increased this year. This could be due to companies **laying off workers**, an adverse effect of cost-cutting measures.

MANAGEMENT



14%

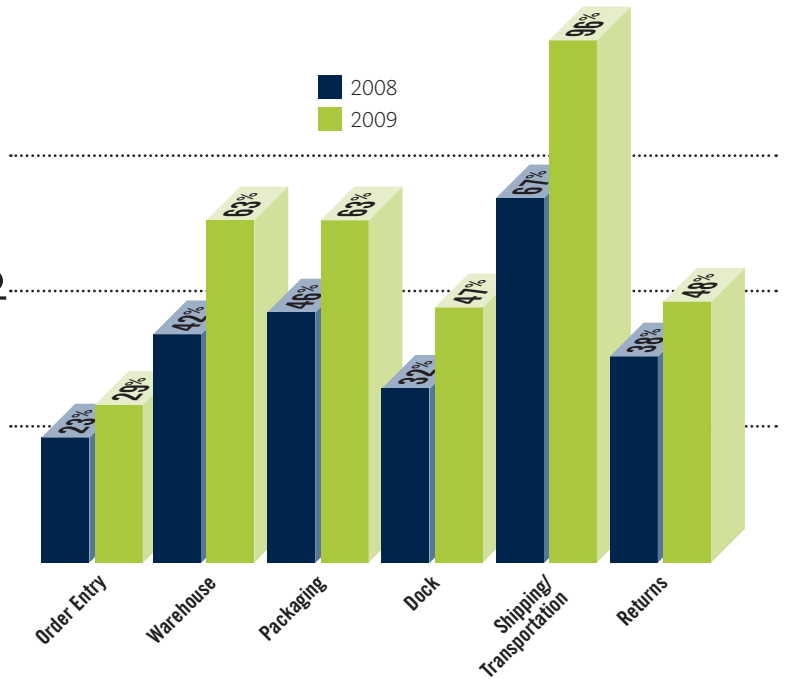
Manage All Functions



37%

Manage All Except Order Entry & Returns

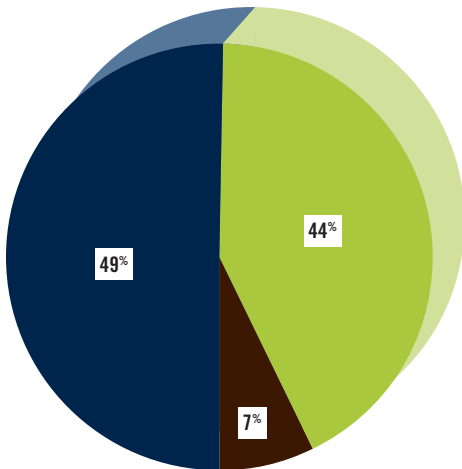
More managers were faced with **more responsibilities** as companies laid off workers to cut costs. Last year, fewer managers were responsible for everything from the warehouse to packaging to transportation, as well as order entry and returns.



Percent of managers with those responsibilities.

GREEN

Plans



■ Don't Have A Plan ■ Have A Plan ■ Plan to Enact

Slightly fewer companies reported having a plan this year as well as planning to implement a plan in the next 12 months. Perhaps "green" was put on the **back-burner** during this economy.

Being Creative

Besides the "normal" green initiatives affecting buildings, packaging and transportation, here are some interesting initiatives noted by survey respondents:

Give customers **incentives** to use ground versus air.

Use all-natural **gummed tape**.

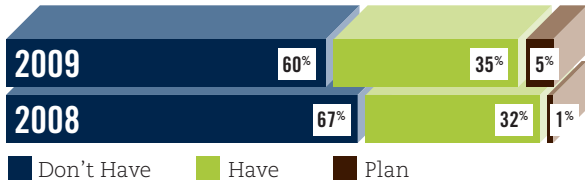
Marking by **direct ink**; no labels.

Air shipments must get **special approval**.

More **paperless processes**.

PACKAGING

Green Packaging



Despite the economic times, more companies are stepping up to implement **environmentally friendly packaging policies**.

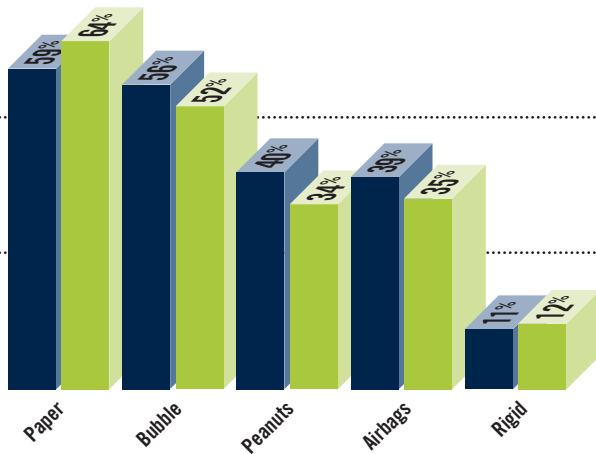
Packaging Costs



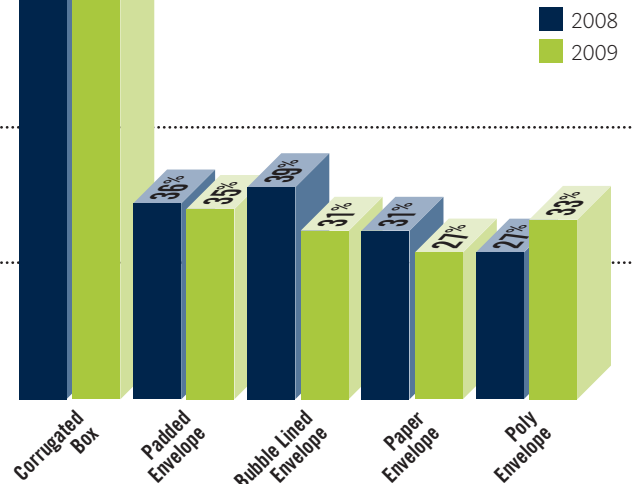
The **cost of packaging** as a percentage of annual revenue crept up a bit this year.

Packaging Used

Void Fill



Exterior Packaging



Paper is regaining its role as a **popular choice** among void fill; it is also seen as a “greener” product by consumers. Poly envelopes grew a bit in popularity, possibly due to their light weight.

More Stats

Avoiding Void Fill



Product Placement



Manually Machine

While almost all companies **manually package orders**, there was a jump in the use of automation this year, from 11% in 2008 to 15% in 2009 to add void fill and from 7% in 2008 to 8% in 2009 to **automate product placement** in packaging.

For every 100 packages shipped, on average, 1.52 are damaged in transit.

Watch for 2010 surveys coming to your inbox or posted on our website.