

Focus on Efficiency:

Shifting to Regionals and Ground Services for Better Pricing *and* Quality

By Jim Berluti

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Shippers continue to look for ways to cut costs during the economic slowdown. At the same time, they understand that time is money, and they don't want to sacrifice the safe and timely delivery of their shipments. According to a recent study by Morgan Stanley, shippers are still migrating from air to less expensive ground services, despite lower fuel prices (which are expected to continue fluctuating). As part of this shift, shippers are naturally more willing to shop for alternative services, including ground-based regional carriers that offer the industry's most cost-effective and time-sensitive ground products.

What has come as a surprise during this process is that shippers are learning something else about regional carriers: Their efficiency record typically rivals and sometimes *exceeds* that of the overnight giants.

Perception vs. Reality

For years, the assumption has been that national carriers like UPS and FedEx, by virtue of billion-dollar marketing programs and brand-name recognition, have superior track records for reliable service. Even today, many shippers don't question the quality controls of prospective carriers or compare the efficiency levels of competitive services.

The shippers who do set benchmarks for measuring reliability and who weigh quantitative data are discovering an age-old secret: Regional services, with fewer exchange points, have fewer margins for error. And as technology becomes more state-of-the-art *throughout* the industry, the quality advantages of the regionals are becoming more pronounced.

So, in deciding among express parcel services, how can you protect your bottom line and avoid sub-par carrier performance? Three major criteria for measuring quality are on-time deliveries, intact packages, and safe-driving standards. It may be a good idea to compare the performance of select national versus regional carriers in these areas. As a barometer of how Eastern Connection fares, at the end of this article, we have included our corresponding records.

On-time

Carriers typically maintain an ongoing quality index, which tracks errors such as missed pickups and missed routes, and they should be prepared to divulge this information. They should also document their on-time track record for premium overnight as well as

deferred ground service deliveries. An acceptable level of performance for on-time delivery should exceed 96%. *

But these numbers alone don't tell the whole story. Ask how the carrier arrives at its percentage. Does its quality index apply to a specific time (e.g., 10:30 a.m. for standard overnight delivery) or just delivery sometime the next day? For deferred ground service, is delivery guaranteed the next day, as in the case with Eastern Connection, or in two-to-three days or more? *

Intact

Another way to measure efficiency is the number of damaged, lost, or stolen packages that result in customer claims. When parcels don't arrive as promised, customers often lose confidence in their shippers, and significant business losses can result due to carriers' errors.

Carriers keep annual records of claims, which they should be willing to share. They compute these figures based on the amount of yearly Bills of Lading compared to the number of filed claims. Ask for the dollar value of the claims expressed as a percentage of the carrier's total revenue, noting that the industry average is .50%. **

Safe Driving

Safe driving standards are obviously important as well, but how can you quantify this? You can determine the carrier's number and costs of workers' compensation accidents. Check the "Mod (Modification) Factor" of carriers by visiting the National Council on Compensation Insurance: www.ncci.com. The industry average is 1.0%. ***

Your carrier should have an ongoing commitment to safety, and you might want to ask for evidence of safe driving programs and testing.

Quality Prerequisites

What factors, then, enhance a carrier's efficiency?

First and foremost is state-of-the-art technology that is available 24/7. Shippers today are increasingly savvy about what to expect as far as couriers' technology, and they can generally get a good sense of how sophisticated industry services are just by visiting carrier web sites. The fact is that the carriers must have the right technological tools to be considered a real player. Without this, big-time shippers won't even invite service providers to the table.

Years ago, FedEx and UPS held a clear advantage in the tech arena. But this dynamic has also changed, and some of the regionals today claim to be even *more* advanced than the giants in some areas.

Here's a checklist of what to look for:

- **Web-based shipping, tracking, and tracing.** You should assume that online functionality and toll-free phone access are basics.
- **Bar-coding and scanning.** Make sure all shipments are bar-coded to protect confidentiality and expedite tracking. Packages should be scanned at pick-up, sort, delivery load, and point of delivery to ensure shipment visibility at all times.
- **Mobile scanners.** Ask about handheld, wireless, barcode scanners to ensure accurate, immediate documentation of packages. Do the drivers carry advanced scanners, including built-in cameras, to track proof of delivery? Do these scanners provide electronic signature capture and online upload *in real time*? Whereas the nationals all scan packages, they don't provide documentation in real time, as is the case with Eastern Connection.
- **Instant communication with drivers.** Make sure your carrier uses radio/cellular dispatch, not just beepers.
- **Shipping integration systems.** Review proprietary software and software modules from vendors like Kewill and Pitney Bowes.
- **Automated sorting and handling systems.** What about the carrier's overhead parcel scanning capability? Ask about "cross-docking" freight, which results in less handling per piece and less chance for damage.
- **Automated shipping and billing options.** Check out Electronic Data Interchange (EDI) and reference billing that allow information to be sorted by date or another coding system. This promotes accuracy and expedites charge-backs to internal and external customers.

Going the Extra Mile

To be sure, cutting-edge IT and equipment require significant investments, and not all carriers have the resources to operate at this level. So, if you're considering a smaller, regional service, make sure it is financially stable and forward thinking. Make sure it exhibits big-company qualities that mom-and-pop shops can't match. Besides technology, other examples of these qualities include services such as logistics and warehousing, which allow shippers to streamline steps in their supply chain and bring their inventory closer to customers.

One benefit the giant carriers typically can't provide is the personal touch. When you call FedEx or UPS, you may reach one of hundreds of customer service representatives. With regional carriers, you will more likely have a dedicated account rep to help facilitate service.

Personalization has always been a value-added benefit and a hallmark of regional services, even if it's hard to quantify the value of this. On the other hand, there are clear

benchmarks for evaluating a company's level of technology, which, as we've seen, enhances its degree of efficiency.

When the economy is down, it's especially important to be creative about shipping alternatives and not settle for "business as usual." But whatever the economic climate, shippers will always look for lower costs and higher quality. Who says you can't have it both ways?

** Eastern Connection reports an on-time, intact delivery record of 98.6%, believed to be an industry best, and it guarantees less expensive next-day ground delivery by 5 p.m.*

*** Eastern Connection's damages are 1 per 14,500 pieces. This is less than .0007%, or less than .0007% of total revenue.*

**** Last year, Eastern Connection's Mod Factor was __%.*

Jim Berluti is President & CEO of Eastern Connection. Eastern Connection, based in Woburn, Mass., is the largest Regional Transportation and Logistics Provider on the East Coast covering thousands of zip codes. Founded in 1983, the company is open 7 days a week and 365 days a year. Services include Priority Overnight, Ground Delivery, Same-Day Rapid Response, Medical Logistics, Logistics & Warehousing, and Expedited Mail. For more information, visit www.EasternConnection.com.

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