



UPS Consulting

case study

Transportation Analysis Pays Off for Computer Products Firm

A leading U.S. manufacturer of computer accessories wanted to gain a better understanding of transportation processes and costs, to help control expenses. The company brought in UPS Consulting to analyze its transportation practices and recommend improvements.

Client Challenge

The company serves hundreds of retail clients in the United States from a single, West Coast distribution center. Many of the products are manufactured in China and then funneled to the distribution center for processing. The company contracts with various freight services to send the products to retail customers via different transportation modes, including: small-package air; small-package ground; less-than-truckload; truckload; and heavy-weight air freight.

The economic slowdown prompted the company to consider belt-tightening measures. The company sensed that outbound transportation offered a potential area for savings, but wanted to ensure that any reduction in transportation spend did not have a negative impact on customer service.

The firm hired UPS Consulting to analyze its domestic transportation processes, and develop and execute a plan for achieving cost reductions. UPS Consulting brought specialized knowledge of the pricing and capabilities for the full range of transportation modes.

Our Solution

The UPS Consulting analysts looked at the rates the company was paying to various shipping contractors and discovered that the rates were not always the most competitive ones available. UPS Consulting helped the company select a roster of reliable transportation carriers and prepare requests for quotes. The consulting team arranged for a meeting with the carriers to discuss the specific needs of the company. UPS Consulting assisted the company in narrowing down the field of carriers, based on their rate quotes and their service records. These carriers were then invited to the company for negotiations. As a result, the company won better rates with no drop in service levels.

Computer Accessories

GEOGRAPHIC AREA SERVED

United States

CHALLENGE

Reduce transportation costs for the national distribution of computer accessories while keeping customer service levels high.

SOLUTION

Implement a new carrier program to gain better rates for outbound transportation services and establish shipping guidelines to eliminate unnecessary high-cost shipments.

RESULTS

- **Negotiated better rates with new freight services**
- **Established a cost-effective returns process**
- **Developed shipping guidelines and implemented a compliance program**
- **Reduced domestic transportation costs by approximately 30 per cent**

The lack of a returns process was another factor inflating the company's transportation expenses. Previously, the customer could choose any carrier or method of transportation to return a product, at the company's expense. UPS Consulting helped the company set up a returns program with a single carrier. The customer calls the carrier and receives a returns management process number. The carrier then arranges for pick-up and delivers the product back to the company in the most cost-effective transportation mode. The customers gained greater ease of use, while the company gained significant savings along with enhanced visibility of its returns process.

UPS Consulting also reviewed the company's overall shipping history, including the outbound shipment dates, the modes of shipment, and the arrival dates. The data showed that many products were traveling by air, the most expensive method, and arriving earlier than the required delivery date. Even parcels of sample products, sent free to customers, were sometimes shipped by air. Interviews with company employees revealed that they were conditioned to get the products out quickly. They assigned an air shipment to many products simply out of habit.

A careful analysis of customer requirements by UPS Consulting showed that many of the company's shipments could go by a less expensive mode and still arrive on time. UPS Consulting used the research data to develop a system of shipping guidelines specifically for the company. Employees from the customer service, accounting, and shipping departments are now armed with the carrier and mode selection guide. The user-friendly, one-page document matches the weight and size of a parcel shipment with the preferred shipping method.

UPS Consulting worked with the employees to help them understand the shipping parameters. Rush orders are still accommodated when necessary. But parcels must meet specific criteria before they are shipped by air. UPS Consulting also helped the company establish a compliance system for the new transportation program. Weekly meetings are held to review the shipping activities and handle any special issues that arise.

The entire process netted the company an estimated annual savings of nearly \$500,000 for air and ground small parcels; \$260,000 savings for less-than-truckload transportation; and approximately \$180,000 savings for heavy-weight air freight. The company is also saving approximately \$190,000 annually on its returns.

By tapping the in-depth knowledge of UPS Consulting, the company laid the foundation to reduce its domestic transportation costs by 30 percent while maintaining high service levels.

A careful analysis of customer requirements by UPS Consulting showed that many of the company's shipments could go by a less expensive mode and still arrive on time. UPS Consulting used the research data to develop a system of shipping guidelines specifically for the company.

For more information please visit www.ups-consulting.com

UPS Consulting, Inc.
303 Peachtree Center Avenue, NE
Suite 100
Atlanta, Georgia 30303
404.335.1700

© Copyright 2003 United Parcel Service of America, Inc. UPS, the UPS brandmark, and the color brown are registered trademarks for United Parcel Service of America, Inc. All rights reserved. Printed on recycled paper. ♻️
12/03

UPS Consulting

