

Cutting costs at every mile: 5 ways to improve supply chain efficiencies

While freight costs have long been an area of focus for businesses, small parcel has often been overlooked. That may be because they feel they have less power to negotiate on rates or because small parcel feels like a smaller piece of their supply chain. Yet what happens in the last mile plays a major role in determining the cost of goods and services. And as consumers increasingly expect fast and often “free” shipping, having an eye on the entire supply chain is more important than ever.

In 2017, parcel shipments cost U.S. businesses \$99 billion – a 7% year-over-year increase.¹ Along with the shift toward more small-parcel deliveries, transportation costs overall are rising due, in part, to a trucking capacity crunch caused by a lack of drivers, increased regulation and overall economic growth. In fact, spending has increased sequentially for seven straight quarters, totaling 31.4%.² Compared with the year prior, the U.S. Bank Freight Payment Shipment Index jumped 24.5% – the second-largest year-over-year gain since 2011.²

So what can companies do to get a handle on what happens in the last mile? These five steps are an important place to start.

1. Get visibility into the entire supply chain. We all know shipping isn't free, but customers increasingly expect not to pay for it. That's why businesses need to understand the true allocated cost per package. Business intelligence that allows a holistic look at the supply chain enables shippers to understand details such as delivery area surcharges that, over time, can make a serious impact on shipping budgets. For example, U.S. Bank Freight Payment helped a major clothing retailer figure out shipping costs down to the SKU level, which made a significant impact on business and revenue management. In addition to helping companies make wise shipping choices in the moment, this data can enable stronger negotiations with carriers of all types.

2. Focus on financial validation. Using a fully automated process, shippers can break down freight costs and assign GL codes. Along with being essential for tracking costs, GL coding can be a key component of fraud prevention. Marrying carrier data with shipper data allows shippers to look for any misuse of the account – something that's more likely to occur in small parcel than in freight.

3. Identify opportunity with proactive account management. Smart information management is key to determining opportunities for streamlining processes and cutting costs. However, disparate systems, manual processes and lack of resources to analyze the data mean business improvement opportunities are missed. U.S. Bank Freight Payment makes small-parcel data manageable with easy-to-use reporting functionality and proactive account management. Our small-parcel account managers keep an eye on trends and will reach out to their clients regularly to discuss opportunities.

4. Audit all shipments. While many companies only spot-check small-parcel shipments, it's essential to audit every package that's sent to ensure overpayments aren't being made and to capture the data needed for internal review. To do this correctly requires a true small-parcel rating engine that audits every package with a 200-point validation including service-level audits. If a package arrives late or damaged, we'll know and fees can be recovered.

5. Move toward automation. This final step enables the previous four, so it's essential for any shipper. Manual processes are time-consuming, are more error prone and make data analysis nearly impossible. A partner like U.S. Bank Freight Payment can automate your small-parcel and large-freight processing, streamlining data feeds from multiple carriers' systems.

With these five steps, shippers can make a major impact by bringing efficiencies to their internal workflow and cutting costs across the supply chain.

Wondering how you can start implementing them?

Give U.S. Bank Freight Payment a call. With proprietary technologies and extensive transportation expertise, we're the ideal partner for helping you cut costs – even in the last mile.

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1. CSCMP and A.T. Kearney. State of Logistics Report: Accelerating into Uncertainty. 2018.
2. U.S. Bank Freight Payment Index. Q1 2018.