



SHIPPER SCORECARD

Is your parcel carrier making the grade?

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“I guess they are doing okay...I haven't heard too many complaints.”

This is the most common response I hear from shippers when they're asked about the performance of their parcel carriers. Unfortunately, it's also the wrong one.

Volume shippers that do not manage their carriers miss significant opportunities to improve service and save money. Direct merchants that implement supplier performance management strategies and other evaluation processes typically get the best service at the best rates.

A formal evaluation strategy is particularly crucial to online retailers, as transportation partners represent the critical and often final interface between merchant and customer. The quality of delivery — on time and in good condition — has enormous impact on customer satisfaction, return rates and repeat sales.

High cost is another compelling reason to develop a formal carrier evaluation process. Transportation expenditures contribute significantly to the cost of goods sold (COGS), and shippers are dependent on relatively few service providers.

To begin your carrier evaluation program, first decide what you are going to evaluate. You need to develop a comprehensive list of evaluation metrics that reflect your overall service performance and cost improvement objectives.

Your list may include service choices, packaging options, quality of carrier automation tools, tracking systems, Website features, pickup and delivery times, convenience of package pickup and drop-off options, returns processes, ease of use, and so on.

Evaluation criteria should include quantitative as well as qualitative measures. Quantitative factors are objective and based on empirical “hard” data. These include on-time delivery performance, claims ratios, billing accuracy, cost performance and other measurable criteria.

Qualitative measures are subjective and based on perception or opinion. Examples include driver and sales representative responsiveness, the quality of customer service, stakeholder surveys, customer complaints or other value-based assessments.

Dig in to data sources ---

You then must determine the best sources to provide data for each metric to be evaluated. Evaluation data can come from many sources, including internal and external stakeholders such as your carriers.

Use customer satisfaction surveys and questionnaires within the departments that have the greatest involvement with or impact on the quality of carrier service. Ask these stakeholders to grade performance in the areas you've identified.

Audit carrier invoices for billing accuracy. If you lack automated processes for auditing, consider outsourcing to a freight audit firm. You should also audit carriers for on-time delivery performance by using systems that capture proof-of-delivery (POD) information such as ERP, WMS, TMS, carrier manifest or other automation systems.

The carriers also offer a variety of tools to capture POD information including your invoice, visibility software (such as United Parcel Service's QuantumView or FedEx Insight), exception reports and electronic POD upload. At a minimum, ask your carrier to provide a monthly service audit and time-in-transit reporting.

Request that carriers report “raw” service audit numbers. These reports typically reflect the actual delivery experiences of your customers, as they do not take into account the dozens of carrier service exceptions such as delays due to weather, shipper errors or other non-controllable events. Service audits should include overall percentages of on-time delivery as well as lane-specific service performance. Analyze lane reports to identify poor performing areas, and work with your carriers to improve service. Track data over time to measure progress.

You can continually improve delivery performance by carefully managing your carrier — on an ongoing basis — through three simple steps:

- Measure performance
- Analyze the gap between the actual and desired state
- Design an improvement plan

Measurement methodologies ---

Specific tools to measure supplier performance include key performance indicators (KPIs), scorecards, internal surveys, carrier surveys and self-assessment.

Scorecards are an effective method of collecting and evaluating quantitative and qualitative supplier performance information. Enterprise management systems like SAP or Oracle offer scorecards and other evaluation tools. SPM software providers like VerticalNet, Emptoris or Procuri also have sophisticated and customizable solutions.

As the chart “Parcel carrier weekly report card” to the right illustrates, even a simple spreadsheet can enable effective scorecard results. The shipper assigned seven KPIs for a one-week period, which were then weighted by importance (% value).

Note that objectives were both quantitative and qualitative. The carrier was then given a score of zero to five for each KPI based on a set of performance measures.

The metrics used to score loss or damage claims for that period give each claim a weight of 0.5. So a carrier with no claims filed for the week would receive a 5, and one with 10 or more claims would get a zero.

The example suggests the carrier had one claim filed for the week and therefore achieved a gross score of 4.5 for that KPI. Applying the weighted value of 10%, the carrier receives a net weighted score of 0.45.

The sum of net weighted scores for all objectives is then calculated (4.05) and divided by the maximum weighted score of 5 to arrive at the evaluation score of 81%.

Success factors

The effectiveness of your evaluation efforts is directly related to your carriers' participation in the improvement process. Collaborate with your carriers to gain support early in the process.

Create and communicate performance expectations that are measurable, actionable and attainable. Encourage carrier self-development, and set “stretch goals” to encourage continuous improvement.

Focus on underlying causes of shortcomings. If you discover recurring problem delivery areas, work with your carrier to conduct root-cause analyses and establish service improvement protocols. Track improvement over time and hold carriers accountable to agreed upon service goals.

Similarly, create direct and indirect cost savings objectives with your carriers. For example, you might collaborate with your carrier to identify opportunities to ship ground instead of air.

Nearly half of all air shipments travel only within 300 miles from origin to destination. The carriers offer guaranteed ground delivery within one to two days at a fraction of the cost of air services.

For best results, keep the evaluation process positive and never adversarial. You want to ensure that your carrier representatives are motivated, so recognize and reward high performance. Develop supplier recognition programs. Offer to serve as a customer reference or site demo. Acknowledge progress and efforts.

And remember, it's a two-way street. Ask carriers how you can help them reduce operating costs. For instance, give advanced notice of unusually high volume that requires additional equipment, drivers or processing time.

The process of evaluating your shipper may be designed to improve the supplier's performance, but it can also unearth ways that you can help them help you. And that makes for a win-win partnership.

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Parcel carrier weekly report card

Measure	Key performance indicator (KPI)	% Value	Gross score (0-5)	Net score
Quantitative	Service performance improvement	25%	4.5	1.125
Quantitative	Continued cost savings	20%	3	0.6
Qualitative	Driver performance	15%	5	0.75
Qualitative	Sales rep responsiveness	15%	3.5	0.525
Quantitative	Loss/damage claims	10%	4.5	0.45
Quantitative	Customer complaints	10%	4.5	0.45
Quantitative	Inbound deliveries by 9 a.m.	5%	3	0.15
		100%	28	4.05
				81.00%