



BUSINESS WHITE PAPER

Best Practices for Optimizing Last Mile Pick up and Delivery Operation

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Introduction and Executive Summary

Organizations with last mile delivery operations are faced with an increasingly competitive marketplace. They are constantly challenged by customer demands, driver shortages, and adverse economic conditions caused by everything from rising fuel prices to changing legislation. These and other circumstances dictate that companies diligently manage their pick up and delivery (P&D) processes considering all elements including customer care, driver, vehicle and route management, and service offerings.

To effectively control distribution costs and provide exceptional service to customers, each company should develop a list of best practices and integrate them into their business processes. These best practices are designed to streamline and better manage the delivery process, establish and maintain a competitive advantage, and generate new and repeat business.

While best practices will differ between organizations and markets, there are a number of approaches that apply to any business with delivery operations. This white paper provides an overview of the Top 10 best practices for establishing, managing and measuring effective last mile P&D delivery programs. It also establishes a framework that can be used to lower costs, eliminate operational complexity and improve customer service.

Best Practices to Streamline Delivery

1. Put a Plan in Place

Last mile delivery organizations should consider their operations the same way enterprises think about their factory or warehouse operations. Enterprises, typically, set tightly engineered plans for their production lines and warehouse operations and have specific tools that enable them to benchmark performance against those plans. These plans are based on well researched, granular, labor and activity standards and allow manpower and capital assets to be managed to optimal utilization. Delivery organizations need to bring this thinking to the last mile.

2. Implement Technology that fits your Business Needs

There are many sophisticated logistics technology applications available to help organizations drive delivery efficiencies and boost service. But for companies looking to avoid financial and operating risks such as high upfront costs to license, install, implement and train users; or for those that want advanced functionality without complex software integration and risks – a hosted, on demand logistics solution is the best choice.

A logistics application should offer advanced functionality in a completely integrated solution, providing consistency in reporting and execution, ease of use, and visibility into the entire distribution process.

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When evaluating technology to assist with logistics management, companies should consider speed, security levels, reliability, as well as a service commitment. Additionally, the payment model needs to be tailored to the needs of your business. For example, it could fluctuate with the amount it is used and have variable pricing based on volumes.

3. Analyze and Assess Information

Once a logistics management solution has been selected and implemented – and a base level of operating history is available – companies should begin to analyze data to assess where their delivery strategies are out of line with their needs or those of their customers, and where cost savings exist and are achievable. A technology solution with an integrated business intelligence and reporting modules make this analysis easy and should allow the information to be accessible by the right people at the right time.

4. Establish Standard Operating Procedures

A thorough data analysis opens the door to the development of plans against which performance can be measured. The best running delivery operations are those that establish engineered standards for every aspect of the delivery process. Historical data should be used to identify and create best practices around activities such as load times and service times on particular routes. Regardless of the standards being set, the key is to ensure they are realistic and measurable and that you have designed action plans to improve on the performance of the individuals or process.

5. Understand both Qualitative and Quantitative Constraints in the Delivery Process

Just as every customer has particular delivery requirements, every business will also have specific ideas with regards to how best to deliver their products. These requirements may be quantitative or qualitative in nature. For example, some companies do not want drivers moving outside of specific geographies, while for others certain items may need special delivery considerations. In developing a delivery plan, all of a company's specific needs must be taken into account. When considering a technology solution to assist with the delivery planning process, ensure it is flexible enough to allow for the typical quantitative constraints, as well as the more qualitative business specific requirements and constraints.

6. Manage the Driver, not just the Vehicle

The key asset in managing any delivery route is the driver. Many companies focus only on the vehicle and not the driver, therefore only addressing part of the activities and costs associated with the P&D process.

For example, while drive times may be separated into morning, afternoon and evening times, routine tasks undertaken by the driver before they are on the road –such as vehicle circle checks and loading activities – may not be factored in. Although these activities are important, they can typically be managed more effectively if companies benchmark and measure actual performance of these tasks in order to get their drivers on the road faster.

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Secondly, estimates show that between 40% and 60% of a driver's time away from a distribution center is not spent driving. In order to ensure that this time is most effectively spent, companies need to carefully examine and monitor what the driver is doing at each stop, measuring their driver performance and service times against activity based standards.

7. Plan Around the Customer

The concept of 'customer is king' also applies to the P&D business. While every company wants an optimized route plan, it needs to be balanced to ensure routes and delivery times reflect customer needs and demands. For example, route plans may need to be adjusted to accommodate certain receiver requirements: restaurants that can only receive deliveries at specific times; retailers with tightly coordinated loading dock schedules; or business customers that are used to the consistency of 10 a.m. deliveries.

At the same time, consumer expectations are higher than ever, especially when it comes to service. Consumers expect more frequent deliveries of fewer items and are not willing to accept broad delivery windows that keep them tied to their homes for hours. By establishing best practices, businesses can become more efficient in running their delivery operations, narrow their delivery windows, and in doing so improve their customer service levels.

8. Measure Your Customer

Measuring customer performance can be valuable as well. Capturing customer history and exceptions, such as dock delays or receiver problems, can highlight delivery problems that are being caused by the customer. Most customers don't realize that they are the source of delivery problems and with this information, delivery companies can work with their customers to eliminate their problems and ensure better customer service.

9. Expect the Unexpected

Exceptions such as bad weather, traffic jams, and unexpected delays are all contributing factors when it comes to on time delivery. Since even the best made plans can fail, contingencies must be established and delivery organizations must have real time visibility into exceptions immediately when they occur.

With a high degree of visibility into delivery operations, dispatchers can proactively respond to service disruptions or delays, and immediately adjust a driver's schedule accordingly. Customer service reps can resolve customer issues more effectively and in some instances, customers may receive notification of pending delays and updated estimated times of arrival.

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10. Measure Performance Against a Plan

Once all the factors detailed above have been considered, a company can develop a well engineered plan to meet their delivery needs. Using detailed reports and business analysis tools, an organization can review its delivery history and assess activities by driver, area, and customer or any other grouping to improve planning, deployment and management of its resources.

With an engineered plan in place, organizations can assess planned versus actual load; drive and services times to increase driver productivity and accountability; measure on time delivery percentages; and determine where schedule and process adjustments need to be made to ensure customer requirements are met economically. When businesses measure their operations against engineered standards, they can implement the operational changes required to increase asset utilization, improve profitability and ensure appropriate levels of customer service.

Proven Results Through Best Practices

By implementing best practices tailored to their specific delivery operations, organizations set the stage for competitive differentiation. For example, Toronto-based Bad Boy furniture identified and implemented best practices to narrow their delivery window to two hours. This provided added value for Bad Boy customers while distinguishing the company from competitors that offer longer delivery windows.

Best practices can also be used to improve on time delivery performance. Stephenson's Rental, for example, has gone from meeting scheduled delivery times just 80 per cent of the time to more than 95 per cent. The ability to offer and meet its service guarantee puts Stephenson's in a league of its own against its chief business rival.

Conclusion

Implementing technology to help with the management of the delivery process is an important step for any business looking to optimize its delivery processes and differentiate their service. But for those that are serious about positioning for success, the real rewards can be seen when a solid foundation of operational practices are implemented and technology is used to support the achievement of these practices.

While the concept of establishing best practices may sound complex, it does not have to be a lengthy or difficult process. In fact, a company can identify and apply best practices within 45 to 60 days after implementing a logistics management solution. In order to ensure that these best practices can be achieved, organizations need to choose technology that can support them by being flexible enough to work within their business requirements, easy to implement, and easy to use. When best practices become an integral component of an organization's delivery operations, the financial rewards are clearly visible within a very short period of time.

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About Descartes

Descartes (TSX:DSG) (Nasdaq:DSGX) is the global leader in logistics technology. If logistics is critical to your business, Descartes connects the people and technology to put your organization in motion. We extend the command of logistics operations, helping the world's largest and most connected logistics community to quickly reduce costs, improve service and comply with customs and transportation regulations. Descartes' cloud-based Logistics Technology Platform uniquely combines the power of The Global Logistics Network, the world's most extensive multi-modal network, with the industry's broadest array of modular and interoperable web and wireless logistics applications. At our core, Descartes' team of industry-leading logistics experts is dedicated to delivering innovative solutions while working closely with our customers to help ensure their success. Descartes is headquartered in Waterloo, Ontario, Canada and has offices and partners around the world. Learn more at www.descartes.com.