

Investing in Information Technology

Here's How to Get Your Money's Worth

By Ken Weinberg

Parcel delivery carriers today are challenged by fierce competition from the giants of the industry and the recent economic downturn. In light of this, it almost seems unfair that parcel carriers should have to make new and hefty investments in information technology just to stay in business. However, making the right information technology decisions can make or break a carrier.

Delivering information to customers is as essential as delivering parcels. Acquiring the new technologies that deliver relevant information quickly and accurately requires a huge capital investment, both in upfront system costs and over time. This investment and the vendor selection process cannot be taken lightly.

As a vendor-partner for a number of parcel delivery carriers, I have assisted them through their system acquisitions. This experience has taught me to appreciate the arduous and confusing process companies face as they try to make the best technology decisions. Based in large part on my experience with these carriers, I have found that parcel carriers who first ask the following questions are the most successful in their technology investments.

What Are the Parcel Carrier's Internal Needs?

Prepare scenarios of your business flow and make sure the technology you are considering can accommodate how your company works now and should work in the future.

Is the System Architecture Robust, Modern, and Open?

First and foremost, your computers better stay up. Ask references about the stability and reliability of their systems. Computer systems today must be able to communicate instantly with other computers -- for example, customers' and partner- carriers' systems. The technology must be stable, reliable, and open, avoiding reliance on proprietary hardware and databases. Otherwise you may not be able to find a substitute vendor to service and maintain your new system if the original vendor disappears after installation.

Is the System Integrated and Complete?

Data entered in one part of the system, whether it is keyed in or comes from a parcel scan, should be visible immediately and usable by all parts of the company. No one can afford the costs and errors caused by redundant or failed data entry. As many tasks as possible should be computer assisted, including customer service, dispatch, fleet control, rating, billing, and financials. The system needs to work with document imaging, the Internet, and wireless (mobile) data terminals -- even if you aren't ready for some of these technologies today. Remember, your computer system is a long-term investment.

Can the New System Provide Comprehensive Freight Management?

By now you've determined that the system being considered can do the basics. But to achieve maximum return on your technology investment, just providing leading edge technology is not enough - the system must incorporate comprehensive tools for improving operations. Consider the importance of efficient truck routing, eliminating backtracking, improving inbound loading efficiency, saving wages on the outbound platform, adjusting linehaul schedules, and embedding best company knowledge and practices into the system. Not all IT (Information Technology) systems can do these things.

The Other Part of the Challenge -- Picking the Right System Vendor

Knowing what you, as a parcel carrier, need in a new system is just half the battle. There is also the issue of choosing the right software vendor/partner. Buying the system is only the first step. Parcel carriers need to consider implementation, training, support, and system modifications. Here are the questions a carrier needs to ask: **How Stable Is the Prospective Vendor/Partner?**

Will the vendor still be around in the future to assist the carrier along the way as needed? Is the vendor prepared for a long-term relationship, or are they selling the system as is? The past few years have seen major changes in the parcel carrier population. For a parcel shipper, finding another carrier is relatively easy. For a parcel carrier, finding a new systems vendor if the original vendor disappears is anything but. And a replacement vendor is unlikely to be able even to service your system adequately, much less to upgrade it to meet new requirements as they arise. This means you may have to scrap and completely replace any system delivered by a vendor who is no longer in business.

What Is the Vendor/Partner's Reputation?

Parcel carriers should obtain and follow up on references from at least several other parcel carriers who have worked with the prospective vendor-partner. A reputable vendor will be more than happy to supply several references. In addition to reference calls, make site visits to judge for yourself how the system is used. It always amazes me how much more information is shared when seeing a reference site in person than discussing a system over the phone. Yes, site visits cost money. But installing the wrong system will cost you much, much more.

How Long Has the Vendor/Partner Worked in the Parcel Delivery Industry?

The parcel delivery industry is highly specialized. Parcel carriers should avoid vendors who don't know the parcel delivery industry or don't have systems that cater to the requirements of multi-stop, small package transportation companies. Parcel delivery is very different from manufacturing, warehousing and truckload shipment. Make sure the system you buy is one designed for your needs. You may not find a complete match, but get very, very close.

Is the Vendor Clear on Costs?

When you apply for a mortgage on a house, you get a good faith estimate in advance of all fees and costs you will pay at the closing. Similarly, parcel carriers should understand that ongoing maintenance and support -- that is, the system lifecycle cost after initial purchase -- is a significant part of any system's cost. Training, installation and data conversion are also significant upfront costs, but not always reflected in vendor quotes. Be sure all these elements are clearly spelled out in proposals.

What is the Vendor's Policy on Training?

A parcel carrier will need help from its software vendor in setting up the system and teaching employees how to use it. How much training is included in the purchase price? Where is training done? Do the trainers understand the parcel delivery industry? What about telephone support? After hours? These matters should be spelled out before a deal is completed. Find out from references how responsive the vendor has been after the system was installed and paid for.

Does the Vendor Constantly Enhance and Improve the System?

As a parcel carrier's business and organization expands, and as carrier and shipper requirements change, the vendor should be constantly working to upgrade and enhance the system and provide day-to-day assistance. Parcel carriers should examine their total operation and find out before the system contract is signed whether the proposed vendor will be there when needed.

Parcel carriers seeking a new software system would do well to ask the questions above. These questions will elicit the information on which to base an intelligent choice of an IT management system that is right for your company.

The pace of change is accelerating in the parcel delivery industry. While huge companies dominate the field, there is a trend toward franchised ownership of parcel delivery outlets. This trend implies centralized control will weaken, so it is critical to install an IT system that can interface with other systems and other parts of a nationwide system.

Today, parcel carriers do not just compete on price and how they move parcels, but on how they use technology to move data and provide information, both for internal use and customer use. The availability of the internet and numerous sophisticated computer systems and capabilities has revolutionized the way business is done.

If parcel carriers use a list of questions like the ones presented here to evaluate a software system, its vendor, and the vendor's services, the chances of future success -- and even survival -- are much better. You will spend big bucks to install a software system. You have to do it right the first time.

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