



From Millimetres to Millions

How Carrier Companies Can Recover Lost Revenue

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Introduction

Measurement accuracy – whether it's volume, weight or quantity – is vital in all industries to ensure an efficient production process and determine the true cost of a product's value. It's estimated that, each year, over \$400 billion worth of goods are sold on the basis of a measurement in Australia. [1]

Measurement inaccuracies are worryingly commonplace in the Australian transport and logistics industry. The transport and logistics industry is worth more than \$150 billion to the Australian economy [2] representing in excess of 14% Gross Domestic Product. The costs involved in the shipping and delivery of goods is entirely dependant on measurements; inaccuracies can severely affect companies' profits.

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The Importance of a Measurement

Incorrect measurements may not make a huge difference on a case by case basis; but consider these inaccuracies when multiplied by the number of parcels distribution centres process in an hour, a month or a year. For example, one of Australia Post's large parcel sorting machines can process over 12,000 parcels every hour! [3]

Recording the correct measurements of parcels is not only important in regards to billing and invoicing; it also determines whether the allocated parcels can fit on the delivery vehicle and how much this will cost the distributor. The option of weight or size is important as road and air transport costs depend on the space occupied; i.e. the number of packages that can be carried, as well as their weight. Knowing the exact measurements allow carrier companies to optimise their loads and, in turn, reduce costs.

Measurement accuracy is regulated by The National Measurement Institute (NMI), Australia's peak measurement organisation. The NMI is responsible for maintaining the nation's primary standards of measurement and for providing the legal and technical framework for the dissemination of those standards across varying industries. For each and every transaction made, the NMI's trade measurement is there to ensure 'you get what you pay for' – meaning no loss in revenue or cost.

The NMI enforces its standards with regular checks and fines across all trade industries; in the past 12 months, they have recorded more than 1,000 complaints, issued 2,388 organisations with non-compliance notices and completed more than 40,000 tests for measurement and labelling accuracy [4].

Costly Inaccuracies

So how much do these inaccuracies cost?

The answer: a lot! According to Jean-Michel Maclou, Intralogistics and Transport Sales Manager at SICK, “Carrier companies lose hundreds of thousands in revenue due to inaccurate measurements of packages” [5] – and this doesn’t take into consideration the larger of these companies who churn through 1000s of packages per hour.

UPS’s air hub in Philadelphia, Pennsylvania, USA sees approximately 95,000 parcels and documents sorted every hour, day after day[6] – when you consider these figures, it’s clear that the accumulative lost revenue can quickly become astronomical.

How can postal and delivery companies combat this flaw in their system?



“Carrier companies lose hundreds of thousands in revenue, due to inaccurate package measurements.”



Solution

SICK’s Dimensioning, Weighing and Scanning systems (DWS VMS 420/520) aid revenue recovery, capture data for automated generation of transport documents and provide accurate measurements for load optimisation.

The SICK DWS system automatically enable an accurate price to be charged, based on either the weight or the volume, whichever is greater. Clients who purchase a weighing system generally reduce revenue loss by \$250,000 within just 12 months, with some paying back in half the anticipated time – just through recovered revenue!

Gary Bartoletti, Technical Director at Norsk-European, claims that SICK’s DWS systems have played a key role in the company’s operations. “Previously we had to rely on customer-declared weights and dimensions to calculate charges which, unfortunately, were not always accurate.

Since the installation of SICK’s DWS systems, we have been able to capture correct weights and dimensions, and charge accordingly.” [7]

Rapid revenue recovery can benefit all sizes of parcel and package carriers, from the smaller operations to those handling many thousands per hour, making the DWS an essential purchase.



- [1] <http://www.measurement.gov.au/Publications/trademeasurement/Documents/NationalCompliancePlan.pdf>
- [2] <http://www.gs1au.org/industry/transport.asp>
- [3] <http://auspost.com.au/education/ourpost/students/our-post/parcel-post.html>
- [4] <http://www.logisticsmagazine.com.au/news/national-trade-measurement-system-boosts-confidenc>
- [5] Phone interview with Jean-Michel Maclou, Intralogistics and Transport Sales Manger, SICK
- [6] White Paper: Return on Investment and References of DWS-Systems, SICK, June 2013
- [7] White Paper: Success Story Norsk UK, SICK, August 2008



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