Accountable Mail Tracking:

Four Ways to Justify Internal Track-and-Trace Investments…
including savings of $2.5 million in courier fees
by a top 10 US bank over two years…

by Kevin Wilson

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Accountable Mail Tracking

An alarming and not uncommon scenario: It has just been discovered that two important mail packages, recorded as delivered earlier in the day to corporate headquarters mail center, have not reached their intended recipients. They contain various legal documents, privileged company information, and sensitive customer information. They cannot be accounted for. Somebody has to tell the CEO.

Also common but less alarming: The transportation manager of a large bank has discovered that the branches have been spending thousands of dollars sending overnight packages to the mail center located just 20 miles away because they are concerned that the packages will not be received in a timely manner or may be mislaid. Often containing nothing more than administrative documents, these packages are not time-sensitive, hold minimal monetary value, and are simply being expedited overnight for the sake of a signature confirmation.

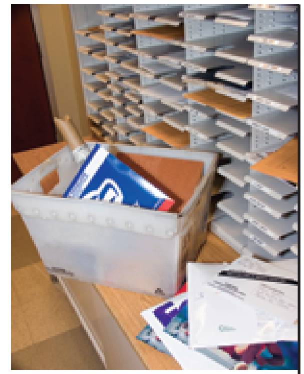
In fact, for most companies, tracking of accountable mail stops at the point of mail center delivery by the courier. But the majority of their lost mail tends to go missing somewhere between the mailroom and the intended recipient. These companies probably lack what CSC calls "the glass pipe"[1] – technology that gives real-time visibility to accountable items moving into, through, and out of an organization.

This paper traces some of the more recent developments that are making internal "track-and-trace" technology a valuable component of corporate information management and even a pure competitive advantage for early movers.

For some companies, it is a matter of prudent protection of assets. In the first scenario above, it will dawn quickly on the anxious CEO that the company's reputation has been put at risk by the lack of a system to monitor the whereabouts of sensitive information. If the company ultimately has to announce the loss, imagine how insignificant the system's cost might seem at that point.

In the second scenario, what if the transportation manager were challenged by the CFO, "Seriously, just how much do we spend expediting all those packages overnight for which there is no hurry?" If all the company needs is proof of delivery, track-and-trace can provide it without the costly overnight expediting. Whole companies are thriving on other companies' apparent willingness to overpay for accountability.

In our experience, as track-and-trace becomes an increasingly common investment, companies are building powerful business cases on one or more areas of value:



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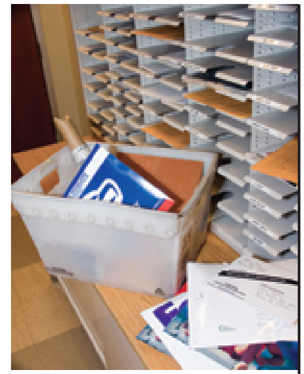
1. Many start with the opportunity to introduce efficiencies in what has become for many an area prone to greater volumes and growing costs.

2. For others, the opening challenge is vendor accountability – the need to manage a growing complement of delivery providers as efficiently as they manage their internal operations.

3. Others start with the scenario above – the long tradition overpaying in the form of rapid delivery for the simple requirement of accountability of selected packages.

4. And for an increasing number of worried executives, the goal is compliance – the ability to demonstrate responsible handling of valuable, sensitive company assets.



FOR AN INCREASING NUMBER OF WORRIED EXECUTIVES, THE GOAL OF INTERNAL TRACK-AND-TRACE IS COMPLIANCE – THE ABILITY TO DEMONSTRATE RESPONSIBLE HANDLING OF VALUABLE, SENSITIVE COMPANY ASSETS.

Making Your Organization More Efficient with Internal Track-and-Trace

How many times have you gone out to a vendor's website to track your expected package, only to find out that it was delivered to your mailroom earlier that morning? Why is it still sitting in the mailroom? Is it even in the mailroom?

An average mailroom within an organization can easily receive anywhere from 500 to 1,000 accountable mail packages per day. Once the courier delivers these packages, they are logged manually to track the number of packages received, the origin, and recipient information. That is, if your company's internal controls call for additional tracking. In many cases, no further tracking takes place at all.

Today almost 50 percent of all businesses still use a paper-based system to manage and track their assets. The most common means of tracking such items is via an excel spreadsheet. Logging or keying tracking information into a spreadsheet is extremely time consuming, labor intensive, and can lead to errors.

Consider that the average mailroom, manually logging 500 to 1,000 packages in an eight-hour period (that's 63 to 125 packages per hour) needs two to four full-time employees just to manage the process of logging and delivering these packages. That does not include the additional time for phone calls with questions regarding the location of a package, managing other issues such as missing or damaged packages, or preparing and sending out other packages for external shipment.

So when you contact the mailroom looking for your missing package, the clerk has to sift through the packages to try and find the one with your name on it, or sort through his log

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sheets to see if it was received or on someone's cart scheduled for delivery. The whole process is time consuming and leads to lost productivity for all parties involved.

With track-and-trace, you would probably not need to call at all in the first place, but could simply look up your package on your company's intranet site. But if you did call, the clerk could key in the tracking number of your package, or search for packages delivered to your location, and see that the package was delivered to the mailroom at 9a.m., scanned by clerk A indicating receipt at 9:01a.m., then scanned by clerk B showing delivery to your office at 9:30a.m., and finally signed for by your receptionist at 9:31a.m. who has accidentally left the package sitting beneath another pile of mail in your office.

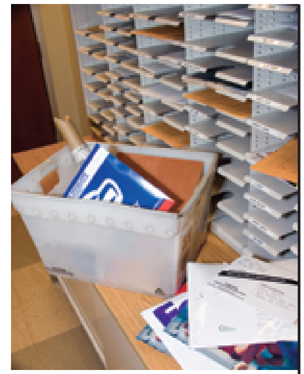
The human error that creeps into manual processes is especially prevalent in tracking. An organization may experience a volume spike during which it receives an unusually large number of packages in a short period of time. An employee rushing to log incoming and outgoing packages may illegibly write down the origin or signature information, transpose a tracking number, or simply forget to log a parcel. This could cause a number of problems ranging from delay in delivery of the mail, to misplaced or lost deliveries, to reconciliation issues.

There are a number of companies that pay their mailroom employees some type of incentive based on productivity. This is largely based on the number of packages received and processed within a certain timeframe, and accounting for all received versus delivered packages. Automating the logging of packages received and delivered not only speeds up the logging and reconcilement process, but it decreases the number of full-time employees required for these tasks.

As a client of ours – a transportation executive at a sizeable bank – recently reported, "We have not only substantially reduced our incidence of lost items, but we have been able to redeploy workers who used to spend their time manually tracking down lost items – redeploy them more productively. And now I have, at my fingertips, real-time management information that lets me continually monitor internal performance and vendor performance. This gives our whole bank a lot of confidence when it comes to handling sensitive information."

Managing Your Vendors' Performance

The number of vendors any one company relies on is trending just one way – up. More and more functions are being outsourced; more and more goods are being purchased outside. Every vendor has a different process, and possibly a different purchaser in your organization. To make them truly accountable, the amount of information required is daunting. Are they delivering on time? How do they compare to other vendors? A basic track-and-trace sys-



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tem can provide loads of management information that not only keep individual vendors accountable but help the company manage their overall use of vendors.

Couriers play a key role in the successful operations of an organization. Companies rely on various couriers to pick-up and deliver their packages in a timely manner and with a certain level of expected accountability. But, what happens when there is a late pick-up, a late delivery, or even a missed pick-up? This can seriously interrupt an organization's business operations.

For example, if on the last day of the quarter a company is waiting for a signed contract from a major client to be delivered to the CFO so that the win can be counted towards this quarter's revenue, and the package doesn't arrive on time, this may have a significant impact on the organization's reported revenue. This can potentially have several negative effects on the organization including shareholders' confidence in the organization and its management team, the company's stock price, and even reporting compliance.

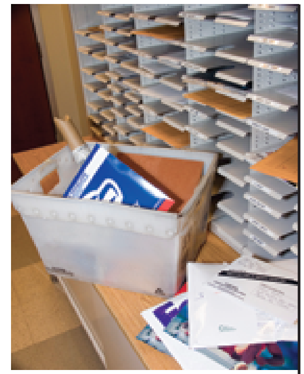
Countless hours can be spent troubleshooting or managing one or two problem vendors, diminishing productivity in other mission-critical areas. What if you could manage vendor relationships by exception? What if there were notifications sent if a vendor appeared to be a problem? And what if the department received real-time alerts if there were a problem such as a missed or late pick-up?

Such capabilities allow an organization to dramatically improve vendor accountability and allow for effective measurement of service level agreement compliance. In addition, making use of real-time data allow the organization to analyze, plan, and select couriers more effectively, thereby reducing costs and improving operational efficiencies.

Overpaying for Accountability

Whether a package has little or no monetary value or its contents are priceless (sensitive company or customer information), the prospect of losing it is untenable. So most organizations use what they feel is the most reliable way of transporting a package and ensuring its delivery – the overnight courier.

On average an organization spends anywhere from $15 to $30 per package for delivery by overnight couriers. The majority of time the company isn't paying for the speed of the delivery, but rather for accountability, or more specifically the added security that comes with knowing that someone's signature will be obtained to verify delivery. There is a high level of comfort that comes with knowing that sending a parcel via FedEx, UPS, or DHL will practically guarantee that the package will be safely delivered to its intended destination. But what



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if you could obtain virtually the same level of accountability with an internal track-and-trace application at a fraction of the cost of overnight couriers?

Some organizations are realizing the extraordinary costs associated with overnight delivery services and are coming up with creative alternative approaches to reducing them.

For example, a top ten U.S. bank significantly reduced its overnight deliveries by using an advanced track-and-trace system. The system allowed them to track their inter-office mail, or more specifically, packages that were not time-sensitive through their regular daily pick-ups with local courier companies and the United States Postal Service.

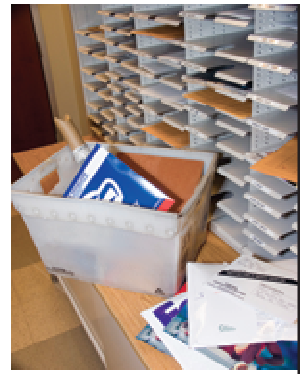
The system provided the bank with the ability to scan packages from any branch or department within the organization, and then track it through to the final internal recipient. Doing so allowed the bank to save more than $2.5 million in courier fees over a two-year period.

Many organizations are also paying for various delivery options guaranteeing priority delivery, such as same-day, overnight by 8 a.m., two-business days, etc. These options typically cost significantly more than the normal delivery charge. However, many times these deliveries are not received until after the guaranteed delivery date and or time. Having an internal track-and-trace system would give an organization the ability to ensure it is not being overcharged for the service. By providing an automated reconcilement report each day, it can determine if the organization should be seeking a refund from its courier due to a missed delivery date and or time.

Compliance Requirements

The need for track-and-trace capabilities will grow as companies seek to comply with proliferating guidelines and laws on safeguarding their assets, especially customer information. And the compliance pressure is not limited to the top of the organization. Every day, it is easier for individuals in all parts of the company to unknowingly stumble over compliance issues.

- The multi-million dollar settlement by ChoicePoint for its data breach set a high standard for liability that may well extend from data brokers to others who require customers to provide them sensitive information even if they do not broker it.
- Legislators in many states are pressing for state laws that oblige companies to invest in greater protection. In California, the proposed law has onerous demands and fines.
- On a national level, Sarbanes-Oxley moved many companies to track the movement of assets across, into, and out of the enterprise.



A TOP TEN US BANK SAVED MORE THAN $2.5 MILLION IN COURIER FEES OVER A TWO-YEAR PERIOD BY DEPLOYING TRACK-AND-TRACE TECHNOLOGY TO MANAGE ITS NON-TIME-SENSITIVE ACCOUNTABLE MAIL.

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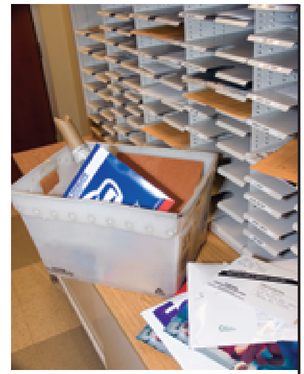
At a conference in April 2006, Gartner security analyst John Pescatore predicted that a full-scale national data breach law is all but inevitable: "What will be the next Sarbanes-Oxley? It's going to be some type of identity theft or data security legislation. That's such a politician-friendly issue, it's the next big one coming."

It seems unlikely that any but very small companies will be able to comply with such a law without a flexible, Web-based track-and-trace system. Soon, some companies in heavily regulated industries like banking and retail may find it possible to justify their track-and-trace investments on the basis of compliance alone.



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– John Pescatore
Security Analyst
Gartner

Is Track-and-Trace Right for Your Organization?

As more and more companies report reaping the financial rewards of track-and-trace, how can you determine where your best business case exists. These are questions our clients ask themselves for that purpose:

1. How do we track packages and parcels once they have been delivered us? Do we stop tracking at the mail center? Do we get signatures all the way up the chain?

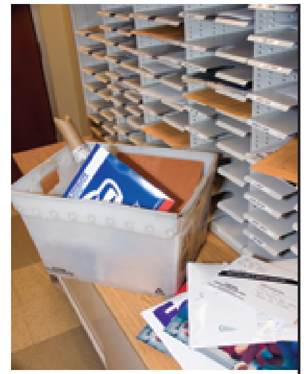
2. Do we know which of our vendors are delivering according to their service level agreements? Can we assemble management information that gives us actionable information for managing vendors?

3. How much money are we spending on overnight courier services? How often do we pay for expediting information that does not need expediting?

4. Are we doing everything that we can to protect our organization from potential risk and loss? What are our processes for protecting customer data? Are they sufficient for our customers' needs? Are employees who might handle that information fully aware of the proper procedures? If our CEO had to give a press conference tomorrow about a possible breach, can we identify where all our valuable assets are at any given point?

Summary

Track-and-trace can be considered on a demand trajectory like so many technologies. Like shredders, first designed with just a few of the most sensitive corporate positions in mind, then gradually rolling out to ordinary consumers. Like Caller ID, just as few can imagine answering "unknown caller", soon executives will find it hard to imagine that once they couldn't monitor the transportation of their most valuable assets. Like cell phones, track-and-trace will become not only common throughout the organization but will also be used to capture and carry added-value management information. And like virus protection, only the foolhardy will be tempted to proceed without it.



[1] In Search of the Glass Pipe: Transforming Track-and-Trace through RFID, Computer Sciences Corporation, 2004-03-01

Kevin Wilson, Senior Product Manager in Carreker's Cash & Logistics Division, helps companies understand how and where they can profit by deploying track-and-trace technologies to protect sensitive information and operate more efficiently.

kwilson@carreker.com, 972.851.1106
http://www.carreker.com

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