

Vera Bradley

Vera Bradley is a shipper of consumer soft goods; primarily handbags, totes, and luggage. Guided by founders, Patricia R. Miller and Barbara Bradley Baekgaard, Vera Bradley has earned a reputation as a leader in the gift industry. Creating stylish quilted cotton luggage, handbags and accessories, the company combines smart product designs with distinctive and colorful fabrics and trims. At the outset of enVista's involvement with Vera Bradley, the company sourced their parcel shipping with a single parcel service provider. Shipping almost exclusively out of their Roanoke, IN distribution center, Vera Bradley was shipping nearly 400,000 packages per year. Ninety-six percent (96%) of the total package volume consisted of mid-to-lightweight business-to-business Ground packages. Vera Bradley engaged enVista to analyze the existing pricing agreements to determine if they were in line with the market and aligned with the shipper's supply chain.

The Analyses

Using twelve months of carrier data, enVista developed a number of analyses and reports that provide insight into Vera Bradley's parcel shipping.

The Parcel Profile

The first step in understanding a parcel shipping environment is the construction of a Parcel Profile. This document provided Vera Bradley stakeholders with a high-level view of the parcel links within the supply chain. The information included Vera Bradley's service level allocation, package weights, zone distribution, delivery densities, lane utilization, surcharge and accessoril utilization, seasonality, and much more valuable information. The Parcel Profile served four purposes:

- Uncovered savings opportunities that should be explored
- Provided the information necessary for enVista to develop a deep understanding of Vera Bradley's transportation activities and needs
- Provided insight and data information the shipper may not otherwise have had regarding their shipping operations
- Provided all bidders with a level playing field should a RFQ be issued

The Operational Abstract

The operational abstract provided all Vera Bradley stakeholders with detailed information about what was expected of the selected carrier in terms of service, value-adds, support, etc. It also served as the roadmap for all project participants as scenarios are developed and options are considered.

The Cost Model

enVista's proprietary cost model provided Vera Bradley the most robust, most granular, most inclusive cost analysis in the industry. All factors affecting parcel costs were incorporated and accounted for within the model.

The Project

Based on the analysis results, Vera Bradley engaged enVista to undertake and manage a Parcel Contract Analysis & Negotiation (CAN) project. The analysis suggested that Vera Bradley was significantly overpaying for parcel services and that savings opportunities existed. Using a strategy built around primary, secondary and tertiary cost driver analysis, enVista formulated project targets, constructed bidder packets, issued a formal RFQ to the bidders, and managed the bidder interactions on behalf of Vera Bradley. Once all carrier bids had been received and analyzed, enVista presented Vera Bradley with multiple carrier award scenarios, each representing varying levels of risk and return. Vera Bradley chose to pursue a single-source solution that provided maximum net cost savings.

Carrier One initially offered concessions which provided nominal annual savings. Carrier One's proposal seemed overly conservative, providing only minimally improved transportation discounts, which also lowered the Fuel Surcharge somewhat. Conversely, Carrier Two's offer was relatively aggressive, providing more impressive savings. In addition to improved discounts, Carrier Two's proposal included significant concessions on specific requested surcharges and DIM weighting.

"enVista has provided significant value to Vera Bradley by identifying service failures, other invalid charges and by working with our carrier to retrieve the appropriate credits. In addition, enVista has given us visibility to cost savings opportunities and has helped us reduce our annual transportation spend by renegotiating our parcel contract."

Matt Wojewuczki
VP, Operations, Vera Bradley



Although Carrier Two's proposal was aggressive, enVista's experience suggested gaps still remained on several key cost drivers between Carrier Two's proposed program and Vera Bradley's peer average. enVista developed a second round negotiation strategy and carrier-specific guidance statement to assist both carriers in developing their second round proposals.

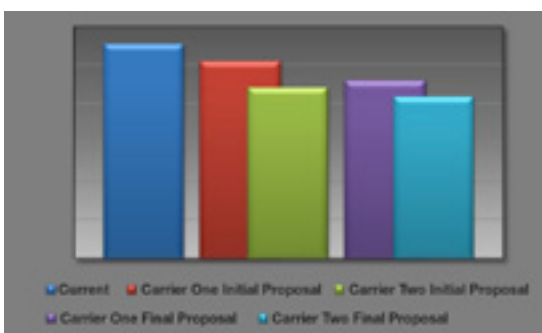


Figure 1: Carrier Agreement Summary

Vera Bradley Savings

Extensive discussions with both Carrier One and Carrier Two resulted in final proposals. Both carriers significantly improved their initial proposals. Carrier Two's final offer provided substantial annual cost savings. Conversely, Carrier One offered concessions which provided only

a slightly higher amount of annual savings than their original proposal. As always, enVista evaluated not only the landed transportation costs, but also provided an analysis of the fully loaded cost to serve for the entire parcel portfolio.

After accounting for switching costs, carrier-specific value adds, network and operational optimization opportunities, resource and asset requirements, and carrier-provided resources, it was determined that Carrier Two offered a total value proposition that was significantly greater than Carrier One over a three-year period.

The Takeaway

The hinge pin to the success of this project was Vera Bradley's ability and willingness to undertake a carrier change. In this specific instance, Carrier Two was able to offer superior value. In others, Carrier One may represent the optimal solution. The key is maintaining a flexible network. Building relationships with your vendors, particularly your parcel carriers, is always a worthwhile goal. However, those relationships should not bind you so closely to your current carrier that you waive rights or overpay.

Carriers will attempt to bind clients in two ways. The simplest method is through the agreement itself. Carrier One recently began putting both early termination penalties into their pricing agreements, as well as including termination language that will remove discounts if the shipper opens the agreement to renegotiation during the agreement term.

These sorts of tactics should not be tolerated. Revenue-based discounts and agreement out clauses provide carriers with adequate protection against low-volume, high-discount scenarios. Additional punitive terms and conditions are not only against the shipper's best interest, they are also unnecessary. Shippers can also become bound to their carriers through customized services or operations.

One of the benefits of a good relationship with your carrier is the ability to implement custom solutions to your shipping needs. Late pickup time, carrier-provided hardware and software, direct drops and zone skips jump to the top of the list of things carriers and will do for their valued customers. However, allowing these customized solutions to become so ingrained in your supply chain that you cannot live without them is a mistake many shippers make. The moment a carrier becomes irreplaceable is the moment you lose all ability to impact the price you pay for carrier services. This is not to say that carriers cannot be enlisted to solve problems or provide solutions. However, it is imperative that as carriers are called upon to provide value, that you as the shipper develop alternative solutions and devise strategies for retaining your independence. This independence gives you the only piece of leverage in the carrier relationship. Retaining it is key to your success in achieving equitable, cost effective parcel agreements in the future.

For more information on enVista's services, please call 877-684-7700 or contact inforequest@envistacorp.com