INTERACTIVE SESSION: TECHNOLOGY

UPS COMPETES GLOBALLY WITH INFORMATION TECHNOLOGY

United Parcel Service (UPS) started out in 1907 in a closet-sized basement office. Jim Casey and Claude Ryan—two teenagers from Seattle with two bicycles and one phone—promised the "best service and lowest rates." UPS has used this formula successfully for more than 100 years to become the world's largest ground and air package delivery company. It's a global enterprise with over 408,000 employees, 96,000 vehicles, and the world's ninth largest airline.

Today, UPS delivers more than 15 million packages and documents each day in the United States and more than 200 other countries and territories. The firm has been able to maintain leadership in small-package delivery services despite stiff competition from FedEx and Airborne Express by investing heavily in advanced information technology. UPS spends more than $1 billion each year to maintain a high level of customer service while keeping costs low and streamlining its overall operations.

It all starts with the scannable bar-coded label attached to a package, which contains detailed information about the sender, the destination, and when the package should arrive. Customers can download and print their own labels using special software provided by UPS or by accessing the UPS Web site. Before the package is even picked up, information from the "smart" label is transmitted to one of UPS's computer centers in Mahwah, New Jersey, or Alpharetta, Georgia, and sent to the distribution center nearest its final destination. Dispatchers at this center download the label data and use special software to create the most efficient delivery route for each driver that considers traffic, weather conditions, and the location of each stop. UPS estimates its delivery trucks save 28 million miles and burn 3 million fewer gallons of fuel each year as a result of using this technology. To further increase cost savings and safety, drivers are trained to use "340 Methods" developed by industrial engineers to optimize the performance of every task from lifting and loading boxes to selecting a package from a shelf in the truck.

The first thing a UPS driver picks up each day is a handheld computer called a Delivery Information Acquisition Device (DIAD), which can access one of the wireless networks cell phones rely on. As soon as the driver logs on, his or her day's route is downloaded onto the handheld. The DIAD also automatically captures customers' signatures along with pickup and delivery information. Package tracking information is then transmitted to UPS's computer network for storage and processing. From there, the information can be accessed worldwide to provide proof of delivery to customers or to respond to customer queries. It usually takes less than 60 seconds from the time a driver presses "complete" on a DIAD for the new information to be available on the Web.

Through its automated package tracking system, UPS can monitor and even re-route packages throughout the delivery process. At various points along the route from sender to receiver, bar code devices scan shipping information on the package label and feed data about the progress of the package into the central computer. Customer service representatives are able to check the status of any package from desktop computers linked to the central computers and respond immediately to inquiries from customers. UPS customers can also access this information from the company's Web site using their own computers or mobile phones.

Anyone with a package to ship can access the UPS Web site to check delivery routes, calculate shipping rates, determine time in transit, print labels, schedule a pickup, and track packages. The data collected at the UPS Web site are transmitted to the UPS central computer and then back to the customer after processing. UPS also provides tools that enable customers, such Cisco Systems, to embed UPS functions, such as tracking and cost calculations, into their own Web sites so that they can track shipments without visiting the UPS site.

In June 2009, UPS launched a new Web-based Post-Sales Order Management System (OMS) that manages global service orders and inventory for critical parts fulfillment. The system enables high-tech electronics, aerospace, medical equipment, and other companies anywhere in the world that ship critical parts to quickly assess their critical parts inventory, determine the most optimal routing strategy to meet customer needs, place orders online, and track parts from the warehouse to the end user. An automated e-mail or fax feature keeps customers informed of each shipping milestone and can provide notification of any changes to flight schedules for commercial airlines carrying their parts. Once orders

are complete, companies can print documents such as labels and bills of lading in multiple languages.

UPS is now leveraging its decades of expertise managing its own global delivery network to manage logistics and supply chain activities for other companies. It created a UPS Supply Chain Solutions division that provides a complete bundle of standardized services to subscribing companies at a fraction of what it would cost to build their own systems and infrastructure. These services include supply chain design and management, freight forwarding, customs brokerage, mail services, multimodal transportation, and financial services, in addition to logistics services.

Servalite, an East Moline, Illinois, manufacturer of fasteners, sells 40,000 different products to hardware

stores and larger home improvement stores. The company had used multiple warehouses to provide two-day delivery nationwide. UPS created a new logistics plan for the company that helped it reduce freight time in transit and consolidate inventory. Thanks to these improvements, Servalite has been able to keep its two-day delivery guarantee while lowering warehousing and inventory costs.

Sources: Jennifer Levitz, "UPS Thinks Out of the Box on Driver Training," *The Wall Street Journal*, April 6, 2010; United Parcel Service, "In a Tighter Economy, a Manufacturer Fastens Down Its Logistics," *UPS Compass*, accessed May 5, 2010; Agam Shah, "UPS Invests $1 Billion in Technology to Cut Costs," *Bloomberg Businessweek*, March 25, 2010; UPS, "UPS Delivers New App for Google's Android," April 12, 2010; Chris Murphy, "In for the Long Haul," *Information Week*, January 19, 2009; United Parcel Service, " UPS Unveils Global Technology for Critical Parts Fulfillment," June 16, 2009; and www.ups.com, accessed May 5, 2010.

CASE STUDY QUESTIONS

1. What are the inputs, processing, and outputs of UPS's package tracking system?
2. What technologies are used by UPS? How are these technologies related to UPS's business strategy?
3. What strategic business objectives do UPS's information systems address?
4. What would happen if UPS's information systems were not available?

MIS IN ACTION

Explore the UPS Web site (www.ups.com) and answer the following questions:

1. What kind of information and services does the Web site provide for individuals, small businesses, and large businesses? List these services.
2. Go to the Business Solutions portion of the UPS Web site. Browse the UPS Business Solutions by category (such as shipment delivery, returns, or international trade) and write a description of all the services UPS provides for one of these categories. Explain how a business would benefit from these services.
3. Explain how the Web site helps UPS achieve some or all of the strategic business objectives we described earlier in this chapter. What would be the impact on UPS's business if this Web site were not available?

The system must also provide information to satisfy the needs of managers and workers. UPS drivers need to be trained in both package pickup and delivery procedures and in how to use the package tracking system so that they can work efficiently and effectively. UPS customers may need some training to use UPS in-house package tracking software or the UPS Web site.

UPS's management is responsible for monitoring service levels and costs and for promoting the company's strategy of combining low cost and superior service. Management decided to use computer systems to increase the ease of sending a package using UPS and of checking its delivery status, thereby reducing delivery costs and increasing sales revenues.