DispatchTrack

The AI in Logistics Cost Reduction Playbook

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Introduction

New AI developments are coming down the pike so rapidly that numbers can and do go out of date quite quickly. But two basic facts seem to be pretty clear for the moment: more and more businesses across industries are adopting AI capabilities, and many of those same businesses are "bleeding capital" on AI investments that don't pay off.

Logistics in general—and last mile logistics in particular—isn't a sector that's especially susceptible to technology hype. When it comes to the newest and shiniest tech there will be a handful of early adopters, but in the past most logistics operators have taken a wait and see approach.

That's undoubtedly sensible. The challenge is speeding up that "wait and see" approach so that it moves at the pace of technological change.

Given that the scope and capabilities of AI technology seem to change on a timescale of months, rather than years, it's crucial to evaluate your options early and often. It's all too easy to dismiss something as too risky and miss the moment when it becomes an easy, low-risk proposition for saving time and money.

Luckily, we're here to help. We've been developing AI capabilities in our product for years, and we've seen first hand the ways in which it does and doesn't contribute to lower delivery costs, happier customers, and more connected logistics operations. Based on that, we've compiled the top 5 ways to actually reduce logistics costs with AI.

02 How AI in Customer Delivery Experience Reduces Delivery Costs

Cut Your Inbound Call Volume by 80%

Until quite recently, you could have been forgiven for thinking that large language models (LLMs) weren't up to the task of making your customers' lives easier. But as LLMs have improved, generative AI has become easier to deploy in a low-risk way. That means it's an ideal technology to leverage for handling simple customer inquiries (e.g. "when is my order scheduled for?").

Customers can ask questions in a conversational way, and the AI-powered chat agent can respond with the correct information or escalate to a human who can help. Simple questions are answered almost instantly (to the delight of customers), and the overall volume that your team has to deal with shrinks.

Here's a real-world example: With the introduction of an AI-powered chat agent into CBC Moving's two-way customer communications solved that problem in a heartbeat. The agent was configured to answer the most common questions in a clear, conversational way and then escalate to a human for anything that can't be answered easily. The result was a 70-80% decrease in customer call volumes.

Cesar Bermudez
Owner of CBC Moving.

CBC MOVING

"Most of the messages we were getting were simple things like, 'What time is my delivery?' or 'Are you on your way?" said Cesar Bermudez, Owner of CBC Moving. "They weren't hard questions, but they were slowing us down."

Here's a 5-step guide to implementing this kind of technology:

1. Enable 2-Way Messaging with Customers

Your customers will encounter the AI agent primarily via chat, which means that you need to start with a foundation level of two-way messaging capabilities between your customers and your team. Customers should be able to respond to system-generated text messages and receive a response in the same thread, which your team interacts with via a streamlined chat flow in your last mile delivery software interface.

2. Scope Your AI Agent Properly

There's a lot that you can expect your AI agent to handle, but it's not magically going to handle every customer interaction. We recommend starting out a deployment with the chat agent set up for these use cases:

- Providing order details and other order information including item descriptions
- Informing customers about delivery schedules and estimated time of arrival (ETA)
- Capturing and processing delivery instructions
- Escalating cases to customer service when the chatbot cannot provide an answer, including requests for cancellations, rescheduling, and address changes

Having this technology already in place will make it much easier to capitalize as LLMs improve time—so this is a strong setup for a future scenario where your agents are handling rescheduling, order updates, and more.

3. Gather the Right Data

You've set up your two-way messaging and scoped out what you want your AI agent to actually do. Now it's time to get your data ready to go.

This is less daunting than it sounds. Whatever AI you're leveraging will be relying on the capabilities of existing LLMs, so you'll just need to input the information that's specific to your business:

- Name and address
- Description
- Customer service hours
- Website

Customer service hours are a particularly important puzzle piece. That information effectively enables your agent to manage customer expectations about when your human customer support reps will be available to handle inquiries that have been escalated.

4. Configure and Brand Your AI Agent

This is where you match your AI agent to your existing brand identity by giving it a name and a distinctive voice. Ask yourself a few questions:

- What's a name we can give the agent that will resonate with customers and project the right image within the context of your brand?
- Is there anything unique or distinctive about the tone of your overall brand that you'd like to impart to the chat agent?
- Are there any types of queries or customer messages that your chat agent should ignore automatically?

5. Decide How and When to Escalate to a Human

For inquiries that are outside the scope of your AI-powered agent, the agent needs to escalate to a human customer support rep. This means that you need to decide who gets alerted, and how, when a customer has a question or request that the AI can't handle. We recommend email alerts to stakeholders including the customer support team and managers, to ensure visibility into how these follow-ups are being handled.

Make sure to train your team on what to expect from the handoff from the AI agent and to clearly define the protocols for dealing with particular customer needs or requests.

How does this power ROI for fleet managers? There are a few crucial ways:

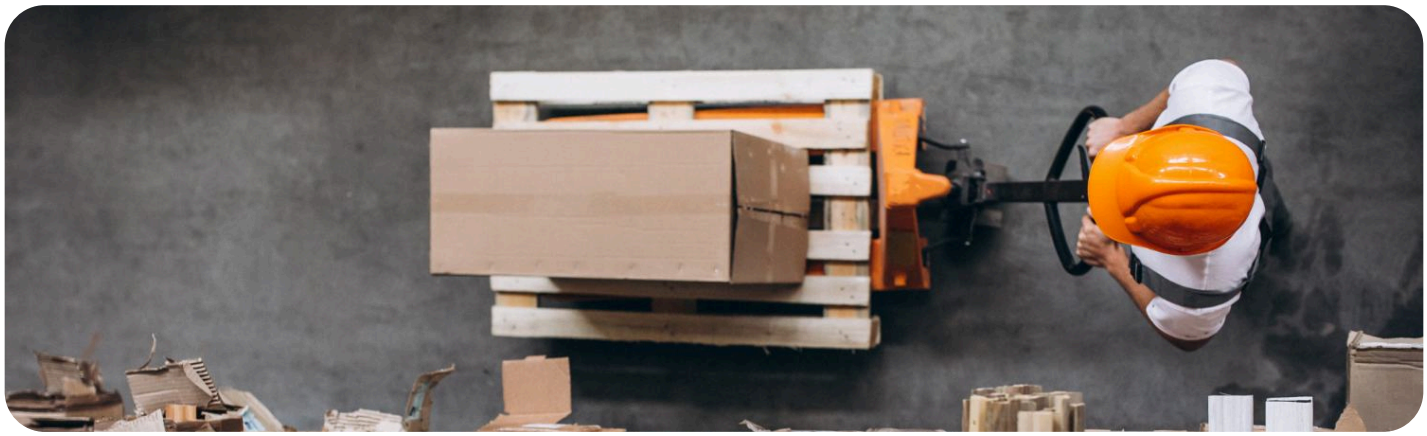
- Virtually eliminates WISMO calls
- Reduces customer service workload
- Speeds up issue resolution
- Centralizes and streamlines customer interactions

Taken as a whole, these various impacts can add up to significant cost savings and efficiency improvements across your logistics processes.

Provide Round-the-Clock Support Without Increasing Your Team Size

Not only does the use of an AI powered chat agent like the one we described above make it possible for you to reduce customer phone calls and messages and the costs associated with them, it also empowers you to speed up response rates (CBC decreased them by 30%, for instance) and provide round-the-clock support without increasing the size of your team.

This saves on labor costs while simultaneously improving customer experience. The best part about this is that it's an extremely low risk way to deploy AI in your logistics chain. Agentic AI always has the risk of errors, but if you configure your chat agent with a clear scope then you ensure that it's only ever performing actions that are fairly foolproof.



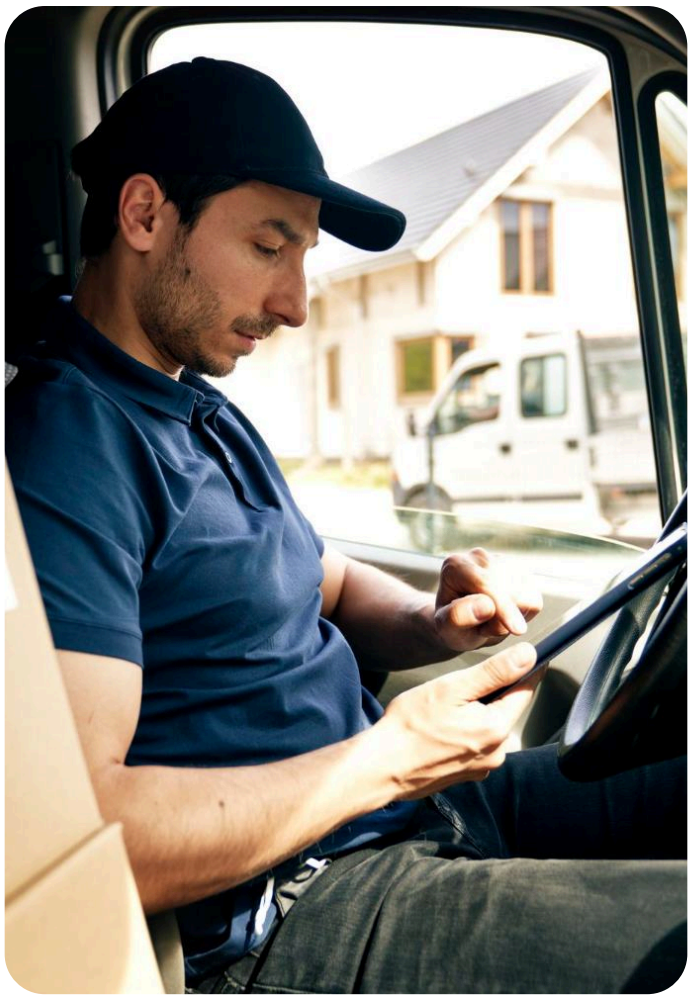
03 Improving Productivity with AI in Driver Management

Empower Your Drivers to Complete 1 More Delivery per Day

Anything you can do to make life smoother and easier for drivers can directly reduce delivery costs in the form of fuel and driver pay. But it's difficult to insert technology into driver workflows without having an interruptive or disruptive impact, which is the last thing you want.

This is where AI can actually play a really valuable role. How? By providing location-based briefings via voice note for each and every stop along a route.

The best practice here is to use a mix of order details from your system (e.g. any instructions the customer has provided) and data from around the web (such as what the parking situation is typically like or where the delivery access is for the building) to automatically generate location-based intelligence. This can then be weaved into the driver's normal workflow via their driver mobile app.



This kind of enhancement helps drivers overcome common—yet challenging—situations drivers face every day:

Gated Communities and Complex Residences:

Drivers receive gate codes, specific building locations, parking instructions and elevator locations before arrival, eliminating guesswork and reducing time spent trying to locate parking and access.

Urban Commercial Deliveries

In congested downtown areas, the driver AI provides critical information about parking availability, loading zones, building access times, and potential traffic restrictions, allowing drivers to plan their stop before they arrive.

High-Volume Retail Deliveries:

When making time-sensitive deliveries to retail locations, drivers get advance notice of delivery windows, loading dock availability, and specific receiving procedures.

The result here is that drivers are less likely to get bogged down with the most frustrating parts of the job—hunting for parking, navigating delivery sites, gaining access to buildings, etc. Instead, they can focus on delighting customers while getting jobs done more smoothly.

With AI that's powerful enough to enable just one additional delivery per route, you can bring down cost per delivery and boost customer satisfaction.

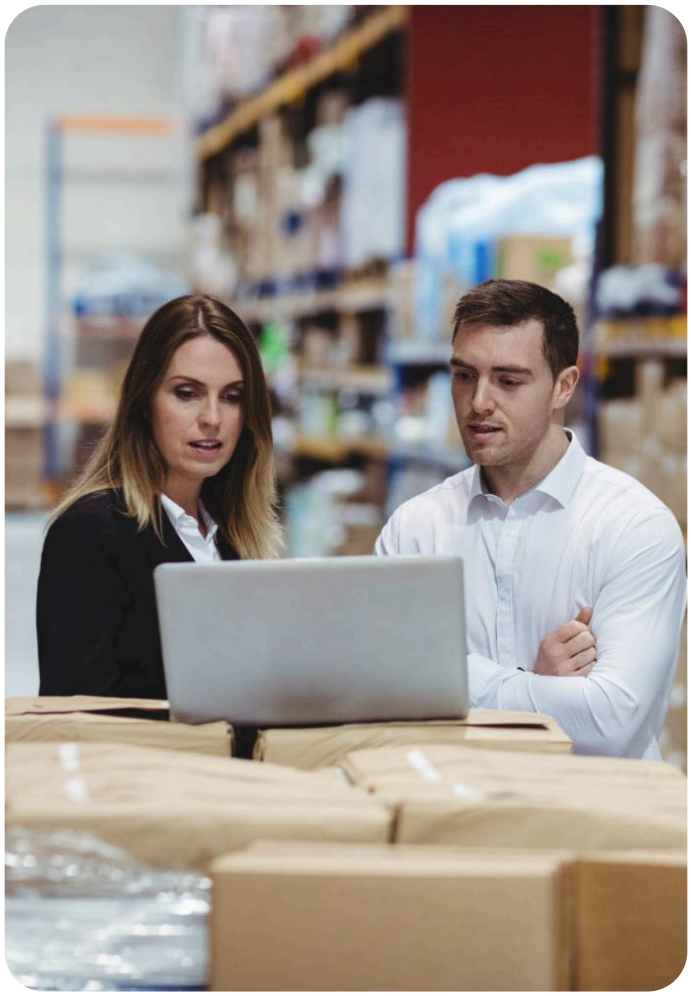
04 Improving Delivery Efficiency with AI in Route Optimization

Decrease Fuel and Driver Hours by 10%+

In all of the hype about generative AI, large language models, agentic AI, and the like, it can be easy to forget that artificial intelligence as broadly conceived is a pretty old field of study. AI research can be said to have begun as early as the 1950s. The result of the rapid progress in the field over time has been the AI effect, which can be summed up as: "AI is whatever hasn't been done yet."

But let's not forget that AI and machine learning have been leveraged to improve route optimization for many years at this point. By leveraging previous delivery data as well as up-to-date information about traffic and weather patterns, AI can enable you to improve route density and more accurately match your delivery capacity to your fleet size and your order volumes.

The result is that you can decrease miles driven per stop by 10% or more—saving you money in terms of fuel and labor costs. This is something where the route optimization solution you implement should already have these capabilities baked in, and your teams shouldn't have to worry about the technology.



Increase First Attempt Delivery Rates

By the same logic we saw in the previous section, AI and machine learning can also help improve your route accuracy and thereby increase first attempt delivery rates.

Ryder, one of the premier 3PLs in the country, was able to use machine learning-powered routing to achieve exactly that. They were able to achieve 98% on-time delivery rates, which meant that the number of late deliveries they had to remediate plummeted.

The impact here can be significant. Redelivery attempts are incredibly expensive—you essentially double your delivery costs if you're lucky. And there's always the added risk of damage to items when they're driven back to the warehouse and potentially unloaded and loaded again. There's your warehouse footprint to think about as well; if you're constantly dealing with unplanned returns due to missed deliveries, you're going to wind up paying for more warehouse space.

Those costs drop out of the picture rapidly when you're able to get the right goods to the right place at the right time at a rate of 98% or better.

Seth de Vlugt
Director of Customer Logistics at Ryder

> We're one of the three major final mile providers that cover the entire United States, and in the critical areas of route optimization and delivery execution, **DispatchTrack is our application of choice.**

05 Other Cost Reduction Possibilities for AI in Logistics

These are a few of the most practical applications that have arisen so far, but there are others on the horizon that are poised to make an impact fairly soon. Naturally, AI-powered customer experience management will be able to take on more and more robust questions over time. And LLMs will power faster responses in written communication between any and all stakeholders, from drivers to dispatchers to customers. At the same time, the agentic capabilities around these agents will become more robust as well, to the point where they can handle more complicated tasks like updates to orders and conducting conversational feedback surveys.

AI directly aimed at dispatchers is also on the horizon. Here, AI will be able to help identify the riskiest stops in a given route in terms of the likelihood that the delivery won't succeed or will arrive late. Here, copilots embedded within existing dispatcher workflows can help them to spot potential issues and make quick adjustments, resulting in better delivery performance and lower costs.

Data analytics is another area where AI has the power to improve significantly on what's already there in the world of logistics. Lots of platforms are already introducing conversational data analysis tools powered by a combination of LLMs and more complex data analytics—soon these will be a powerful force for simplifying logistics decision making and getting businesses to the most cost-effective choices more quickly.

In all of these cases, it will be the businesses that have already invested in AI and digitization that are able to take advantage the quickest. That's particularly true for those that partner with technology providers who are already proving that they can leverage AI to optimize logistics costs—and who have roadmaps that point towards coming enhancements.

Conclusion: Reducing Logistics Costs with DispatchTrack

At DispatchTrack, we're working to provide AI-powered enhancements to last mile logistics that actually work. DispatchTrack's AI-powered last mile delivery capabilities have helped customers decrease delivery costs, improve customer satisfaction, and significantly reduce manual effort and paperwork. The impact is smarter, more efficient logistics and a strong foundation for growth—all thanks to connected logistics powered by AI.

The last mile of the supply chain is where logistics planning collides with the reality of customer expectations. All of the optimization in the world can still fail to reduce costs when the customer isn't available to receive the delivery or doesn't even know when to expect the driver. That's where our intelligent AI chat agent, DT Agent, comes in.

DispatchTrack's portfolio of AI innovations has already shown itself to be extremely effective at improving customer experience in the last mile of the supply chain. As one user of DT Agent (Heather Simon, Director of Customer Care at 1915 South) noted, "DT Agent feels natural to our customers. It speaks their language, to-the-point, and always available." She went on to add: "People don't just expect fast answers—they expect them on their phones, in real time, without friction. That's what DT Agent gives us."

Another user, Cesar Bermudez (owner of CBC Moving) noted, "Most of the messages we were getting were simple things like, 'What time is my delivery?' or 'Are you on your way? They weren't hard questions, but they were slowing us down and we needed to respond to our valued customers." By eliminating the manual effort associated with these questions, DT Agent has been immediately effective at improving the customer experience in the last mile of the supply chain.

Our industry-first Driver AI product takes this a step further by empowering drivers to more easily provide first-class delivery experiences to customers.

This has a huge impact in terms of both driver performance and customer experience—combined with DT Agent and our AI-powered routing, it enables supply chain organizations to reduce many of the costs associated with last mile delivery while providing a level of customer experience that would be nearly impossible (or prohibitively expensive) otherwise.

DispatchTrack's innovative AI-powered routing system has a huge impact on the supply chain.

We help our customers achieve:

98% or better ETA accuracy

50-70% faster route planning

DT Agent, our AI-powered customer experience agent, has shown major effects in terms of boosting customers' supply chain efficiency:

70-80%
of customer inquiries handled automatically

30%
reduction in time to resolve customer messages

25 minute
per stop reduction in average stop time

As costs in the supply chain become more volatile and labor shortages deepen, DispatchTrack's AI-powered functionality enables the last mile of the supply chain to run more smoothly and effectively in spite of mounting challenges. **Get in touch today to see whether our software can help you achieve connected logistics and greater delivery efficiency.**

DispatchTrack

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Promise • Deliver • Delight