

The 3PL Parcel Shipping Playbook

When the need to manage shipping spend outpaces internal resources and capacity, businesses turn to 3PLs to manage carriers and technology to keep ahead of rising costs and complexity. As a 3PL, are you up for the challenge?

We all know it's not possible to get to everything that needs to be done around the house. We just don't have the time or the expertise or there are other priorities. Leaky water heater? Call a plumber. Need to spend more time with the kids on the weekends? The landscaper will take care of the lawn. Taxes need filing? Hire an accountant. It's the same with businesses. There are "non-core" things experts can take care of that aren't exactly your specialty or priority. It's the same with logistics.

With global eCommerce driving unprecedented shipping volumes, businesses are seeking guidance from experts who can help them navigate the carrier capacity crunch, spend less time and money on shipping, and spend more time focusing on their core business. As a result, third-party logistics companies (3PLs) are taking center stage.

Parcel Volumes on the Rise

"No sector saw more change last year than motor freight, where severe capacity pressures sparked sharp rate hikes," the report said. "Carriers gained pricing power as demand rose and electronic logging mandates exacerbated driver shortages."

The rise of eCommerce has resulted in more frequent and smaller shipments than ever. According to the 29th Annual Council of Supply Chain Management Professionals (CSCMP) State of Logistics Report, parcel shipping spend topped $99 billion, a 7 percent growth in 2017 compared to 2016, driven in large part by eCommerce. That has created a capacity crunch, with prices increasing at twice the rate of inflation.

All of these factors have contributed to a Parcel Tsunami, with more domestic and cross-border volumes and processes that are challenging the capacities of all supply chain participants including shippers, customs, and carriers. The result is higher transportation costs across all industries (not just eCommerce), visibility issues, and missed customer delivery expectations.

The CSCMP study's authors noted that one of the trends it sees for shippers in combating the rising costs is implementation of a fully digital, connected, and flexible supply chain optimized for eCommerce. Last-mile, same-day delivery will also become essential to keep up with consumer demands while keeping costs down. But not all shippers have the expertise or resources (budget, human, and IT) to implement sophisticated logistics systems. Many are turning to 3PLs for help.

Pitney Bowes' recently released Parcel Shipping Index report indicated a similar trend.

It predicted that global shipping volumes will exceed

100

billion parcels in 2020

Last year, parcel volumes grew

17 percent **to** **74** billion

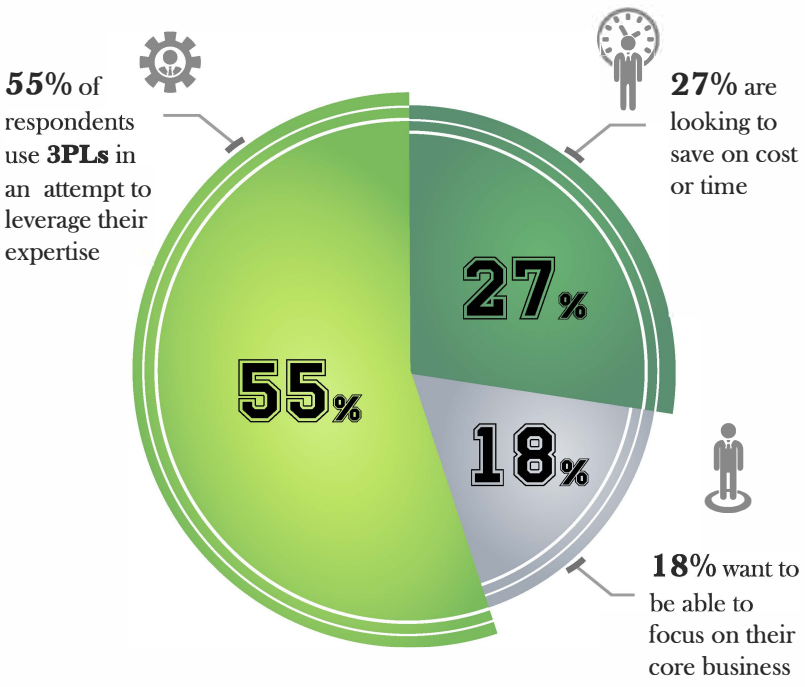
Parcel shipping continued to grow in China

28 percent last year **to** **40** billion parcels

3PLs to the Rescue

3PLs are in the business of finding cost-cutting strategies and systems to streamline supply chain processes. They know how to negotiate with carriers and measure performance. Their services range from asset based warehouse management and fulfillment, cross-border freight forwarding, to non-asset based transportation management and brokerage. It is not unusual for businesses to outsource logistics services to more than one 3PL.

In fact, according to a Twitter poll done by Inbound Logistics,



"We use 3PLs in regions where it is too costly for us to perform services in-house at the service level we require," commented one of the respondents in the survey. "3PLs tend to have more density in the regions we use them in, and they can leverage their other partnerships to give us the service level we need at the best possible cost."

According to an article in Logistics Management, shippers are spending more on 3PL expert advice. The article cites consultancy Armstrong & Associates Inc.'s annual market research that shows that the 3PL industry's net revenues increased 5 percent over 2016 to $77.1 billion and gross revenues increased 10.5 percent over the same period to $184.3 billion. That spend is helping shippers save both time and money.

"Using a 3PL eliminates the need for investment in transportation, warehousing, and many other value-added extras," says one of the Inbound Logistics Twitter Poll respondents. "It also gives shippers flexibility. It's easier to manage one provider against a set of KPIs (key performance indicators)."

As a result, the market is seeing many 3PLs jump into the fray and the competition for business is getting fierce. With the fight for carrier capacity, it is not enough for 3PLs to be one dimensional in their service offerings. Their clients will simply move on. Here are five areas 3PLs should consider to attract, manage, and keep customers for the long term when the logistics market is not as overheated.

1. Carrier Rate Management

One of the biggest changes the industry has seen is that businesses are no longer willing to lock into a single carrier for all of their delivery services. The risk is too high, customer delivery needs are too diverse, and the need for competition in the midst of the carrier capacity crunch is too great. But the complexity of managing multiple carriers with rates that are competitive is beyond the capabilities of many shippers.

Many 3PLs have the volume and expertise to negotiate attractive rates among a variety of carrier services. Some offer broker services, making money by marking up carrier rates in combination with logistics services. They are still able to offer their clients significant transportation cost savings even after the markup.

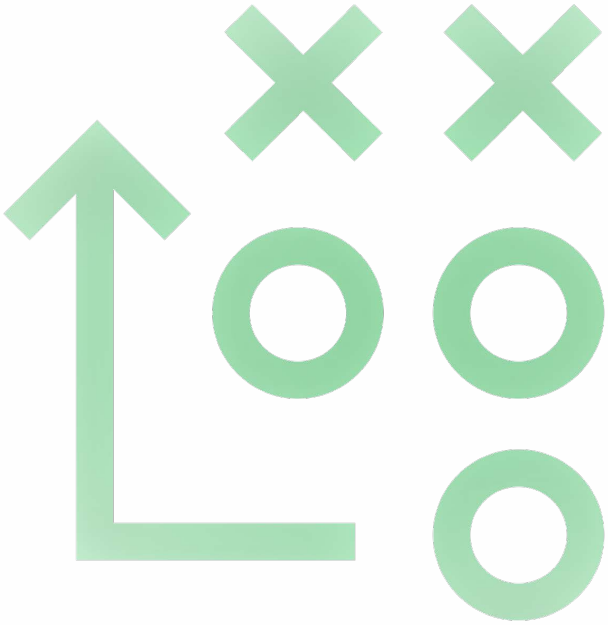
However, as customer delivery requirements become more complex, managing rating (especially parcel), shipping, tracking, and invoice reconciliation across multiple carriers is equally complex. Relying on multiple carrier APIs and websites often won't work because many carriers don't have the IT infrastructure to keep up with production level performance.

3PLs need automated transportation management systems (TMS) to help their clients realize cost savings while executing fast enough to keep their client's delivery promise.

PLAYS

1. Implement a parcel and freight TMS solution with the ability to manage and calculate buy/sell rates across multiple carrier modes and services.
2. Ensure that rating can support sub-second response times.
3. Provide clients with the ability to log into SaaS-based multi-carrier shipping solutions to automate routing, labeling, booking, and tracking within their own fulfillment facilities.
4. Offer auditing and invoice matching to compare expected vs. actual transportation costs.
5. Provide analytics to benchmark carrier rates and performance.

2. Pack for Profits



Higher shipping demand means that carrier vehicle space is at a premium. In the same way that hotels want to sell out their rooms, carriers want to "cube out" their vehicles to maximize revenue. If they can't, they are seeking compensation for wasted space. Shippers who pack cartons and containers with too much air are having to pay the price in the form of parcel and LTL dimensional-based (DIM) rates.

Expanded DIM rate policies have made it much harder for shippers to accurately determine or quote shipping charges up front. They either guess too high and risk losing customers or guess too low and risk losing margin. With "free shipping" and transportation shipping costs rising at twice the rate of inflation, it is important to optimize transportation cost-effective packing, palletization, and containerization.

Unfortunately, it's difficult to know what to expect for DIM charges. DIM factors differ by carrier and there is a containerization bias in carrier rate tables based on the origin's Zip Code. In some regions carriers want larger containers while in others, smaller containers are preferred. Then you need to take minimum charges per container into account. Further, adding unnecessary packing material into containers that need to be recycled can damage a business' brand loyalty.

3PLs can help by providing automated containerization solutions that will take the guesswork out of packing. For those 3PLs who make money marking up transportation costs, it is critical for them to be able to eliminate DIM fee surprises on carrier invoices.

PLAYS

1. Negotiate DIM factors. Not all carriers have the same DIM factors. Some regional parcel carriers haven't changed them for years, while others offer policies that are subject to negotiations.

2. Ensure SKUs are updated with dimensions and weights within client order management systems. This will help to keep costs in line while also streamlining the management of packaging.

3. Implement automated cartonization algorithms to help ensure that
   1) up-front shipping cost calculations and quotes are accurate and
   2) packers are using the most transportation cost-effective packing methods during order fulfillment.

4. Match expected vs. actual carrier invoice costs to flag DIM fee exceptions and then take corrective action. As usual when it comes to business operations, the devil is in the details.

3. Ready, Set, Return

"A Business2Community report showed that 92 percent of consumers would buy something again if the return process is easy."

According to industry reports, some eCommerce businesses (notably apparel) experience 30 percent return rates, compared to less than 9 percent of brick-and-mortar purchases. To compete in the rocky waters of eCommerce and maintain customer loyalty, return processes need to be quick, inexpensive, and convenient. The returns experience is almost as important as the initial sales process itself.

But many eCommerce companies continue to look at returns as an afterthought and don't have a proactive plan. That is why returns policies are one of the leading contributors to shopping cart abandonment. A Business2Community report showed that 92 percent of consumers would buy something again if the return process is easy, and that requires the right infrastructure and know-how.

3PLs can offer an effective returns process to their clients as a key competitive differentiator.

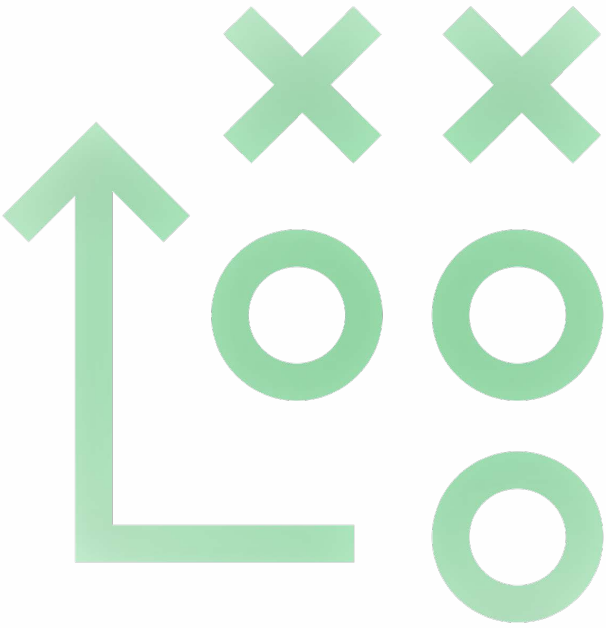
PLAYS

1. Embed return "widgets" within clients' eCommerce websites, and enable customers to print self-service return labels, schedule pickups, and track returns.

2. Automate routing and dispositioning of returned goods with smart labels and return services such as Newgistics.

3. Improve SEO and upselling by encouraging returns processing from client websites.

4. Cross-Border Consolidation



eCommerce is not constrained by national borders so shipping is now more than ever an international game filled with its own trials and tribulations. And that isn't about to change.

According to a study by Pitney Bowes, 66 percent of consumers now shop online, and 40 percent purchase goods from another country.

Cross-border eCommerce accounts for 15 to 20 percent of the world's online traffic and is growing at about twice the rate of domestic eCommerce, according to a study reported by DC Velocity. The same report states that cross-border eCommerce is expected to represent 22 percent of global online sales by 2020.

Customs regulations are complex and changing. No two countries have the same cross-border compliance rules. eCommerce shippers struggle to stay compliant with regulations related to product classifications. If they fail to comply, they risk delays, sanctions, and penalties.

3PLs can help businesses by implementing systems to manage consolidation, cross-border compliance, deconsolidation, and last-mile carrier routing.

PLAYS

1. Line-haul consolidated international shipments through single customs entry points and then deconsolidate drop shipments into local parcel delivery services. This results in faster and less expensive delivery.

2. Automate restricted party screening and landed cost calculations.

3. Generate accurate and compliant international export forms and documentation.

5. Adapt to Client Community Needs

"3PLs need a "'federated' TMS platform that has the ability to embrace and manage a wide diversity of client requirements. 3PLs cannot afford to support multiple systems"

It is not unusual for 3PLs to have to support a wide variety of clients, often from different industries — or at least that's their goal. Each client within this community typically has unique workflows, carrier preferences, buy/sell rates, and data integration requirements. And they aren't willing to change. They expect 3PLs to adapt to their requirements.

For this reason, 3PLs need a "federated" TMS platform (one central system, with autonomous states) that has the ability to embrace and manage a wide diversity of client requirements. 3PLs cannot afford to support multiple systems.

By being able to enable to automate and handle the onboarding, configuration, integration, adaptation, updating, and administration of clients of all sizes with the correct technology and systems, 3PLs will be better suited for not only helping manage their current community, but an expanding one in the future as well.

PLAYS

1. Implement one centralized federated TMS platform to manage a diverse client community.
2. Adapt to client-specific fulfillment processes and integrate with client systems.
3. Ability to change as clients' needs change.

Conclusion

In today's world, it's "my supply chain against your supply chain." Shipping logistics extends from order fulfillment all the way across the threshold. 3PLs need to be agile enough to offer systems and services that support this new reality. Those who do, will reap the benefits in the form of increased margin and lower customer attrition.



Pierbridge, Inc.

225 Cedar Hill Street
Suite 200

Marlborough, MA 01752

pierbridge
WISETECH GLOBAL GROUP

508.630.1220

sales@pierbridge.com

www.pierbridge.com