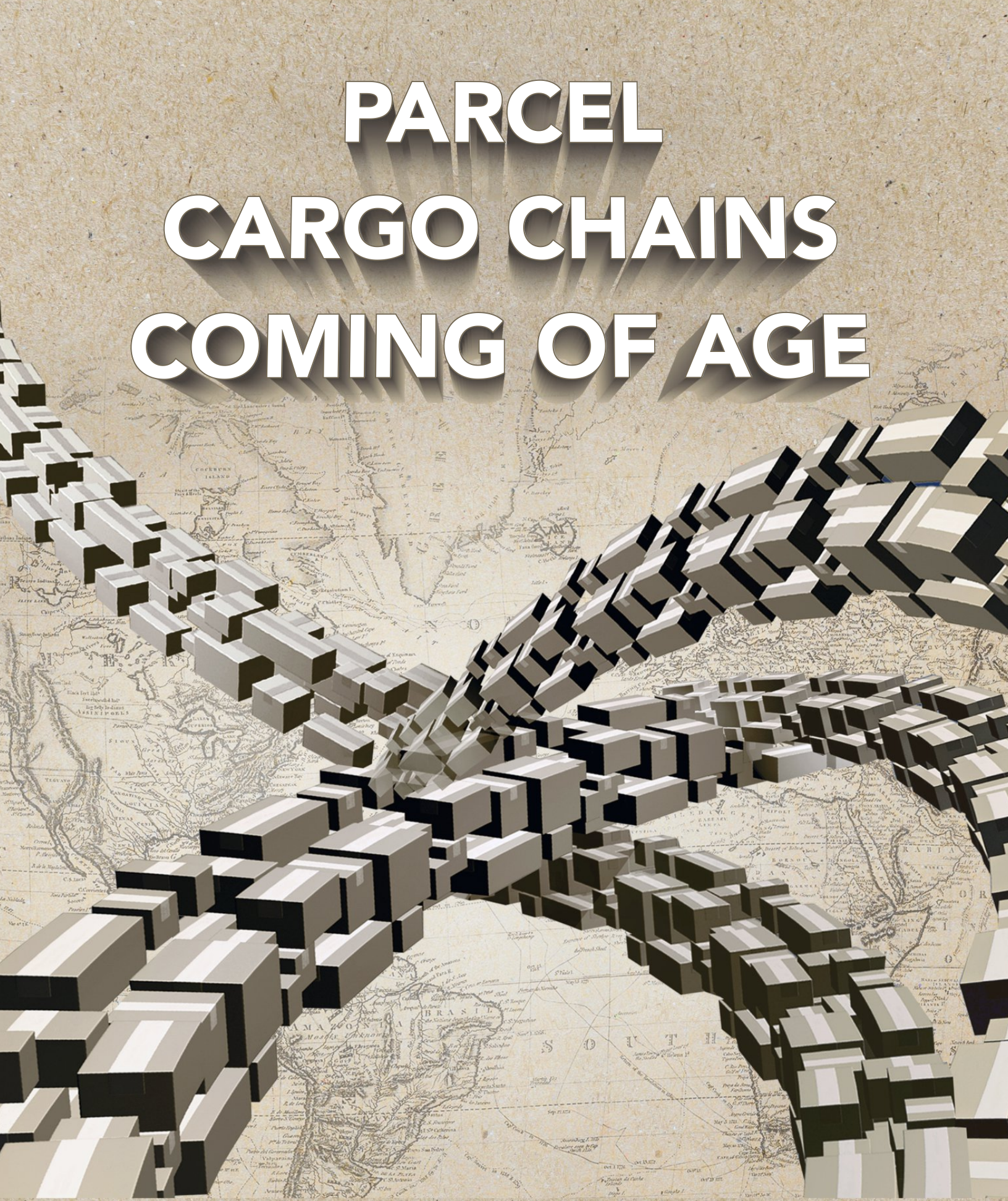
PARCEL CARGO CHAINS COMING OF AGE



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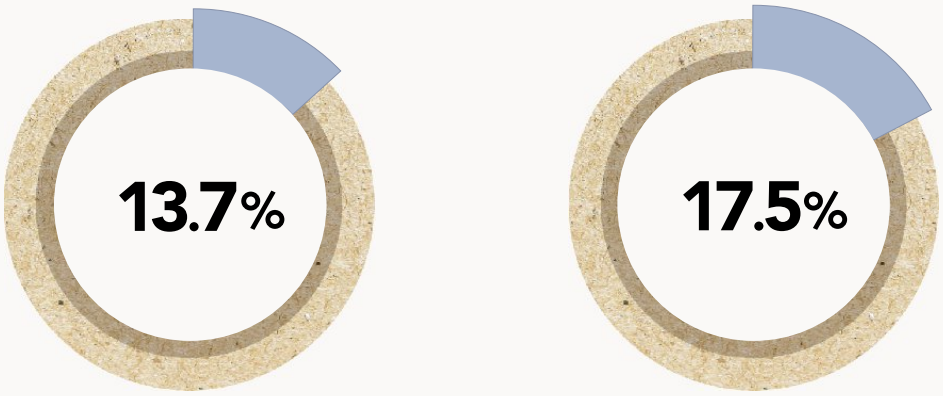
More online consumers are buying goods from overseas merchants, and retailers are extending "endless aisles" to inventory held by manufacturers in other countries. Cargo chains are emerging to facilitate and accelerate cross-border last-mile parcel deliveries. The challenge for retailers and supply chain partners is how to make these processes as seamless and invisible to the end consumer as possible.

Shopping and Shipping Go Global

Consumers are using their mobile devices to shop for goods all over the world. And increasingly, retailers and eCommerce merchants are adopting "endless aisle" strategies to compete with global marketplaces. Rather than limit sales availability to inventory within their fulfillment centers or stores, retailers are now shipping from inventory sources that are held by manufacturers and distributors, extending omnichannel fulfillment globally. These omnichannel fulfillment trends are driving the demand for more complex global "cargo chains," logistics processes capable of seamlessly integrating and executing first-mile, cross-border and last-mile B2C and B2B deliveries. Traditional multi-modal logistics is evolving into an omni-modal, anywhere-to-anywhere (A2A) model.

More easily said than done, especially with rising consumer expectation for free and faster delivery. Consumers don't want to have to care about how complex it all is. They want it when they want it, and they want it now. Logistics professionals are starting to answer the call.

According to Oberlo nearly a quarter of the world's population (1.9b) is now shopping online. And that percentage is expected to grow at an even higher rate than the world's population growth. In 2019, eCommerce sales are expected to account for 13.7 percent of total retail sales worldwide and reach 17.5 percent of retail sales in 2021. A CTI Digital report projects that online retail sales are expected to reach $4.5 trillion by 2021. That's a lot of shopping cart checkouts, but it means that eCommerce as a global phenomenon is really just getting started.



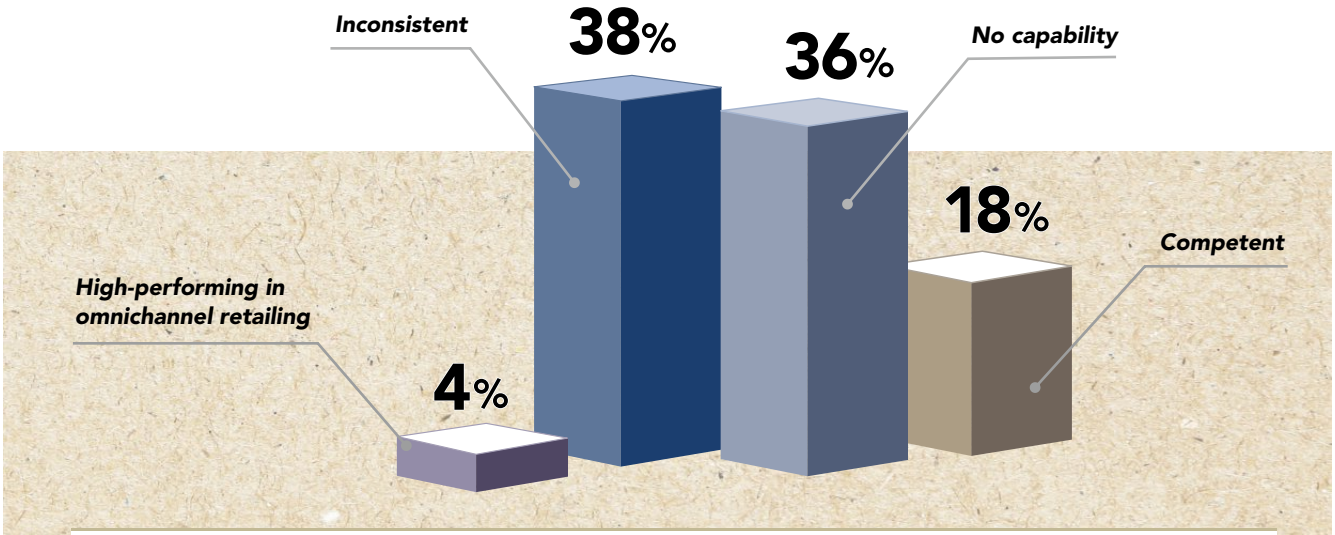
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Not only is eCommerce growing, but cross-border shopping is growing at about twice the rate of domestic eCommerce. The statistics are telling: DC Velocity indicates that cross-border eCommerce today accounts for at least 15 percent of the world's online traffic. Forrester's research expects cross-border shopping will make up 20 percent of all eCommerce transactions by 2022. Pitney Bowes' 2018 Global eCommerce Study reports that 49 percent of U.S. consumers shop cross-border (62 percent of them on marketplaces and 38 percent on retailer sites) and the frequency of cross-border purchases is up 5 percent over last year.

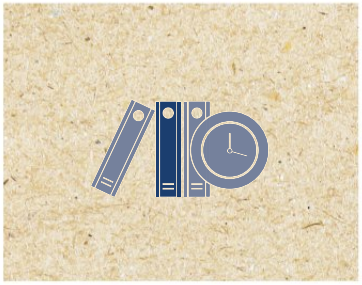
It's clear there isn't a retail problem, although there may be a retail brick-and-mortar real estate problem.Traditional retailers will need to transform themselves and get comfortable selling and delivering goods in a personalized way across borders, or the big marketplaces will continue to take a larger portion of the eCommerce market.

Global logistics has never been easy. But now it's getting harder as global eCommerce activity drives more frequent and smaller shipments to consumers. This is a good time to be in the parcel shipping business. Apex Insights estimates that the global parcel market grew to almost US$380bn in 2018, up almost 12 percent from 2017. Asia Pacific is the largest regional parcel market by value, accounting for around 41 percent of the global market. North America and Europe together represent a little over 50 percent of the market. China is the key growth market, representing almost 68 percent of the Asia-Pacific regional total by value. Chinese parcel volumes reached 51 billion in 2018.

But shipping parcels overseas one at a time is not cost-effective. "Seamless" delivery requires orchestration of many moving parts and complex cross-border processes: people, data, paper, consolidators, freight forwarders, customs agents, drayage services, and carriers who must all work together to ensure items get from the first mile to the last inch, on time. A lot can go wrong in the cargo chain, leaving customers unhappy with late deliveries, and retailers with lost sales, higher costs and diminished margins. The need for a well-managed global cargo chain is more important than ever.



How are global supply chain participants faring?
According to the 2019 Third-Party Logistics Study: State of Logistics Outsourcing, not so great. Many shippers and 3PLs are still struggling to create a true, omnichannel retailing experience. Just 4 percent of shippers rated themselves as high-performing in omnichannel retailing in the current study, up from 2 percent in 2015. The highest percentage (38 percent) said they are inconsistent and 36 percent said they had no capability. Just 18 percent of shippers rated themselves as competent.



- Customs Compliance: The surge in eCommerce volumes is straining customs operations and creating challenges for authorities around the globe. According to Statista, 39 percent of respondents named customs compliance navigation as their top global eCommerce challenge. Without accurate and compliant cross-border documentation, it is easy for shipments to be delayed in customs. Getting it very wrong can lead to sanctions.



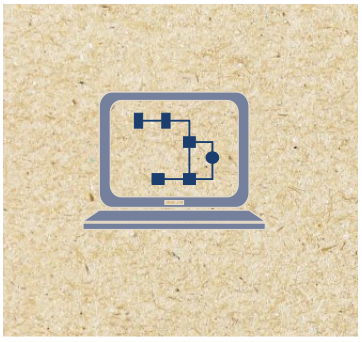
- Border Security Compliance: After 9/11, regulatory mandates were put in place to hold shippers responsible for ensuring international shipments are not bound for consignees on any government watch lists. Not all shippers have implemented restricted/denied party and embargoed country screening programs as required by U.S. regulatory agencies.



- De Minimis Dilemma: In an effort to expedite the processing of importing small shipments, the U.S. Customs and Border Protection (CBP) recently raised the de minimis value threshold (the value below which goods are exempt from duties and more extensive customs documentation) from $200 to $800. While this has paved the way for dramatically more package volumes to flow through customs with minimum screening, it has also created more work for shippers to keep current with changes in de minimis regulations. Customs agents now have to determine how and when to enforce duties when so little information is known about each consignment.



- Landed Costs Calculations: Whether they charge consumers for shipping or not, retailers need to know what the total "landed cost" is for goods transported across borders. Landed cost includes the cost of the goods plus shipping, duties, taxes, and other fees. These costs are difficult to calculate with certainty, especially with changing de minimis exemptions, during the upstream checkout process.



- Data Normalization: Data elements required by customs, ocean freight, air freight, ground freight, and parcel carriers are not standardized. Especially U.S. parcel carriers, who adopt proprietary data and documentation standards because they never had to comply with government regulations as ground freight carriers once did. Translating and normalizing data as goods flow through global supply chains and systems is one of the reasons why there are still so many paper processes involved in cross-border movements.



- Tracking: As goods move from one mode to another, consolidated, deconsolidated, cross-docked and reloaded, documentation and shipping data multiply into disparate formats and standards that are difficult to correlate and track. The sheer volume of parcel shipping transactions makes this even more challenging. Freight forwarders dream about using blockchains and digital contracts to track shipments, but in the real world, tracking individual packages as they travel internationally is not easy.

Nature abhors a vacuum and so does market demand. And shippers are increasingly demanding cross-border last-mile shipping solutions to meet consumer expectations. So, the race is on for logistics professionals to develop cost-effective, delivery time-certain services.

Nature abhors a vacuum and so does market demand. And shippers are increasingly demanding cross-border last-mile shipping solutions to meet consumer expectations. So, the race is on for logistics professionals to develop cost-effective, delivery time-certain services. "Parcel Cargo Chain" sounds like an oxymoron, but it accurately describes the blending of large freight movements deconsolidating into parcel last-mile delivery networks.

Here are some of the solutions available today:

MULTI-MODAL GLOBAL PARCEL CARRIERS

UPS, FedEx, and DHL have all invested heavily in freight forwarding, air freight, ground freight, and parcel delivery networks. Each is committed to putting the seams in "seamlessness," offering a one-stop shopping solution for cross-border parcel delivery. A summary of their offerings, which are automated by Pierbridge's Transtream enterprise shipping platform, are as follows:

- **UPS Trade Direct®** : consolidates international air, ocean, and ground package and freight transportation, customs clearance, and deconsolidation into direct delivery to multiple addresses within a destination country.

- **UPS World Ease®**: offers cross-border consolidation of shipments by grouping packages into a single shipment reducing time and paperwork when clearing customs.

- **FedEx International Priority DirectDistribution (IPD)**: provides delivery of bulk shipments from one origin location to multiple addresses in the U.S. and select countries. The consolidated shipment clears customs as a single unit, and then individual pieces are delivered to multiple addresses, bypassing warehouses.



3PL/FREIGHT FORWARDER SOLUTIONS

Rather than put their global transport eggs in one basket, many retailers are diversifying their use of cross-border carrier services. According to Pitney Bowes' 2018 Global eCommerce Study, 83 percent of high growth retailers use multiple cross-border carriers as compared to 53 percent of low growth retailers. Many lack the ability to navigate the complexity of cross-border delivery waters, so they outsource management of global shipping to carrier service-agnostic 3PLs and freight forwarders ("intermediaries") who understand the ins-and-outs of international logistics.

This has resulted in dramatic growth for the intermediary services market, which Armstrong & Associates estimates is now worth $870b, globally. Last year, Armstrong & Associates estimated that International Transportation Management (ITM) gross revenues were up 10.5 percent, driven by tight air freight capacity, global eCommerce growth, and strong economies.

The following are examples of the kinds of parcel cargo chain solutions that are available today:

- **SEKO Logistics**: is an air freight forwarder that has integrated an end-to-end cargo chain, offering retailers cross-border consolidation, airline tendering, deconsolidation, and 5- to 6-day international express delivery through a variety of domestic parcel networks.
- **Pitney Bowes**: operates a full-service 3PL offering everything from warehousing to global shipping options to reach customers in more than 200 countries by drop shipping into local postal services for last-mile residential delivery.
- **WiseTech Global**: offers CargoWise One, a fully integrated global logistics platform that is used by 25 of the top 25 freight forwarders and 38 of the top 50 3PLs in 130 countries to automate all aspects of cross-border transport. CargoWise One automates first-mile transport, consolidation, air and ocean booking, customs clearance, and last-mile parcel delivery through integration with Pierbridge's parcel shipping technology.

THE NEXT FRONTIER? GLOBAL RETURNS!

Book a personalized demo and learn how Transtream can help you manage the many moving pieces of international shipping, from packing correctly, rate shopping the services, consolidating and deconsolidating shipments, and injection into the local market, wherever it may be.

