

WHITE PAPER

PEAK SEASON PARCEL SHIPPING THRIVAL GUIDE

From well-prepared shippers to those requiring Band-Aids this year, the carrier capacity crunch and other challenges loom large over the approaching peak season.



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Customer Relationships are at Stake as Peak Season Approaches

Regardless of preparedness, most retailers should brace for significant challenges as peak season approaches.



Atop the explosive growth of e-commerce in 2020, experts are calling for additional growth this year.

The National Retail Federation revised its annual forecast in June 2021, projecting 2021 non-store and online sales to grow another 18-23 percent to \$1.09-1.13 trillion, and many retailers should expect significantly more e-commerce order volume.

Merchants and other shippers also face lingering supply chain difficulties across a wide range of industries and products, as well as widespread shipping capacity limitations imposed by carriers. Some carriers have stopped accepting new peak season business completely, including some regional carriers. OnTrac, for example, stopped accepting new peak business on September 1.

Capacity limitations, of course, only represent part of the carrier-related peak season challenges shippers must overcome. Following suit with other major carriers like FedEx and UPS, even the USPS announced peak season surcharges for 2021, and if not properly managed, the additional fees and rate increases imposed by FedEx and other carriers can prove to be even more costly.

Alternative means of fulfilling orders can take pressure off some shippers; it can also help them attract new customers who prefer to shop online but pick up at the store or require faster delivery from a local distribution point. This is particularly true for retailers who can leverage a footprint of physical stores or tap into a new breed of gig economy carriers.

While all these solutions have the potential to help shippers improve performance and please customers during peak season, implementing them disrupts the workflows of unprepared distribution centers and stores, especially when done so haphazardly. A failed implementation can be more costly than no implementation at all in many of these cases.



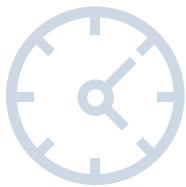
A failed implementation can be more costly than no implementation at all in many of these cases.

With peak season seemingly right around the corner, shippers that have yet to come to terms with these challenges should honestly assess how bad things could get and consider what options may still be available to them to mitigate some of the problems.

For most shippers, this means determining the *right* solution and the *right now* solution.

The Right Now Solution

It's too late for unprepared shippers to properly address the problem this year.



Band-Aid solutions will fill the gap for partially or totally unprepared shippers. Many unprepared U.S. shippers will rely more than ever on the USPS, for example.

Those who have diversified their carrier network to at least include multiple carriers will direct parcel volume to different partners, and multi-carrier parcel shipping technology can help them do this in a strategic and cost-effective manner. Those with business intelligence at their fingertips can consider more than cost to manage the entirety of their parcel shipping needs as effectively as possible.

This year's data, next year's leverage

Shippers of all types should collect data throughout peak season to empower them in the new year. Deploying a true business intelligence engine can help shippers make sense of all their parcel shipping data to gain valuable insights about the best short and long-term fulfillment solutions to implement. This also provides next-level intelligence that most shippers lack when negotiating with carriers to secure better rates and/or more capacity. Detailed parcel shipping data can also provide the intelligence retailers and other shippers need to determine the ideal places in which to onboard supplemental regional, local, and gig-economy carriers.

Previous Fulfillment Investments Easing the Crunch



Navigating peak season is not an all-or-nothing proposition. Even partially prepared shippers will lean on their strengths to ease the crunch.

Omnichannel retailers facing major carrier-related challenges may, for example, want to determine the value of each order that can be fulfilled without the use of a national carrier. Those who determine this to be a valuable outcome can stock locally popular products in nearby stores for quicker shipments with alternate carriers. Others will provide compelling incentives to customers, encouraging them to buy online, pick-up in store (BOPIS) or accept slower shipping. All these efforts can reduce fulfillment pressure on the organization.

Omnichannel retailers like Walgreens, which implemented same-day delivery in under two hours for more than 24,000 retail products, will be tapping into gig economy carriers for additional capacity. This can help to offset need for national carrier capacity and drive more sales to existing and new customers.

Shippers of all types who have taken the time to onboard additional carriers will have multiple pools of carrier capacity available to them. For some, this might only consist of two national carriers; others may have onboarded multiple major carriers, the USPS, and regional carriers where they fit nicely. Multi-carrier parcel shipping technology not only helps shippers deploy carriers more strategically, it can also help them prioritize efforts to secure the right carrier mix in the first place to best meet customer expectations. With the right carriers in place, this technology empowers shippers to optimize carrier deployment for on-time delivery, cost saving, performance, and more.

Fulfillment Backlogs and Angry Customers?



Shippers still unsure how to address this year's fulfillment challenges, especially those related to carrier capacity limitations, rising costs, and ballooning order volume, must get plans in place quickly or accept the reality of backlogged loading docks.

They need to immediately assess their own situation and decide what is possible. In some cases, if no effective planning has been completed to date, backlogged loading docks may be an inescapable reality, but the sooner a shipper can determine this possibility is inevitable, the more it can do to at least try to contain the damage with customers.

For many, using the USPS more frequently may provide a viable option to ease some of the pressure and keep some customers happy. This won't be as cost-effective an option as in past years and works more effectively in certain regions than in others, but unprepared shippers have very few options at their disposal with peak season quickly approaching. They should decide on the best options from their limited choices and act now.

Every unprepared shipper needs to think about damage control. Setting clear expectations with customers increases the odds of making them happy and retaining their business, but this strategy also brings drawbacks. Level-setting with customers about slow delivery times will no doubt lose some sales, for example. Unprepared shippers need to make tough decisions about how to incentivize customers to happily accept slower delivery times and find ways to get customers to come back in the future, even if you can't meet their expectations this time around.

A Tale of Two Seasons



For some shippers, breaking sales records in 2021 could be the worst thing to happen to them if an inability to fulfill orders angers customers and sends them elsewhere.

Making tough decisions about how to balance sales goals, realistic fulfillment expectations, and customer retention initiatives soon may help. Use incentives and clear communication to minimize the damage to the extent possible and do whatever it takes to get through this peak season.

On January 2, while navigating returns season, tear off the Band-Aid measures put in place this year as the *right now* solution and begin to heal your fulfillment processes. Do not make the same mistake again; start planning for peak season right away in 2022. Shippers should secure executive support for the changes that need to be made to implement the *right* solution and invest in fulfillment processes so they can be readier than ever for Peak 2022. Addressing the need for carrier capacity and cost containment early in the year can free teams up to focus on growing sales and pleasing customers with far fewer fulfillment worries.

Unprepared shippers have very few fulfillment options available to them for 2021 Peak at this point, but whether there's a need for last-minute guidance and recommendations or it's time to start getting strategic with 2022 in your sights, Logistyx can help.

Contact us today to discuss how to get back on track.