

The Rising Role of 3PLs in Parcel

There's no denying the dramatic growth of parcel shipments, due in large part to the increasing success of ecommerce. The explosive growth comes with a high price tag, however. Parcel delivery costs for businesses totaled \$99 billion in 2017 – up 7 percent YOY. Escalating costs are expected to continue with parcel spend projected to grow 4 to 5 percent per year through 2021.

Challenges of Parcel Shipping

With such a significant budgetary impact, shipping small parcels – typically less than 150 pounds – from Point A to Point B poses a number of challenges for companies today.

RISING COSTS

Major carriers are instituting an Annual General Rate Increase (GRI) for small parcels for 2019. Merchants must plan for an average net 4.9 percent increase for UPS® Ground and UPS Air as well as FedEx Express and FedEx Ground. FedEx SmartPost shipping rates are increasing as well. The USPS has proposed an increase of 5.9 percent for Priority Mail rates and 3.9 percent for Priority Mail Express. In addition, rates for First-Class Package service (often used for fulfillment) will increase 11.9 percent on average and be calculated based on zone.

Dimensional (DIM) weight rates are another important consideration. In fact, the impact of DIM weight has increased by 33 percent in the past five years, according to PARCEL magazine. Commonly used to determine the price of lightweight packages, these rates are based on package density. DIM weight is calculated by multiplying the length, width and height of a package and dividing by a predetermined divisor.

Beginning in June 2019, the USPS will be extending dimensional weight (DIM weight) to Priority Mail and Priority Mail Express for packages larger than

one cubic foot and changing the DIM weight divisor. This will have a significant impact on companies that routinely ship larger, lightweight packages.

Surcharges for fuel, residential, delivery area, etc. also constitute significant increases for most merchants.

Surcharges can make up 10 to 40 percent of a merchant's parcel spend, according to Jennifer Doles, Saddle Creek's Senior Manager, Transportation.

Recent changes in FedEx surcharge rates constitute significant increases for most shippers, while some UPS surcharges have increased by close to 20 percent for 2019. The uptick in peak season surcharges is especially notable for merchants shipping packages that are oversized or weigh more than 70 pounds.

DELIVERY EXPECTATIONS

Ecommerce is driving demand for fast, free delivery. In fact, 91 percent of shoppers will abandon an online retailer if shipping isn't free or fast enough, a new study by Pitney Bowes reveals. And the definition of "fast" is evolving quickly. A remarkable 78 percent of logistics companies expect to provide same-day delivery within five years, and 40 percent anticipate delivery within a two-hour window by 2028, according to a recent Zebra Technologies study.



Those expectations will put an even bigger strain on merchants to fine-tune distribution operations for maximum efficiency and cost effectiveness.

To reduce costs and deliver faster, many companies are reconfiguring their distribution networks, using multi-node networks to get closer to their customers, Doles says.

With multiple DCs, it's possible to reach 90 percent of customers in the U.S. in two days using more affordable ground service.

To process and route orders more efficiently, companies are adopting more sophisticated technology, including order management (OMS), warehouse management (WMS) and transportation management systems (TMS). Of course, strategies like network reconfiguration and technology implementation can tax companies with limited resources.

ADMINISTRATIVE REQUIREMENTS

Increasing parcel volume is often accompanied by administrative headaches. Companies must routinely evaluate a number of variables, including packaging efficiency, carrier rates, transportation options, time in transit, shipment accuracy and more. Improved reporting and invoicing capabilities are required as the complexity of operations increases. It is also critical to stay abreast of industry developments and best practices. Small- and mid-sized companies often lack the time and expertise required to oversee all the moving pieces.

How a 3PL Can Help

With so many challenges, companies often seek out a partner to help navigate the complex parcel shipping landscape. An experienced 3PL can provide valuable support in a number of areas:

CARRIER MANAGEMENT

A third-party provider can be a valuable resource for carrier management. They will have established

relationships with numerous carriers and be knowledgeable regarding pricing considerations (i.e., origin point, distribution/volume, transit speed, minimum rate, surcharges, dimensional weight, etc.).

They can simultaneously shop for the best rates and help companies to determine the impact of rate increases and surcharges. Their cumulative volume gives them buying power and the ability to secure discounts off of list rates.

INFORMATION SUPPORT

3PLs can provide critical data to help guide shipping decisions. Using manual or automated tools, 3PLs can help companies to obtain valuable business intelligence without a significant overhead investment. Comparing carrier performance, analyzing demand distribution data, and providing time-in-transit reports are frequent requests.

Third-party providers can also serve as a much-needed liaison between carriers and a company's information technology team. They are able to maintain and manage parcel manifesting systems, manage API calls, ensure labeling accuracy and compliance and more.



NETWORK OPTIMIZATION

An experienced 3PL can recommend an optimal network configuration, helping to move products to areas where demand is greatest. This often allows companies to utilize ground transportation instead of expedited service and, thereby, reduce freight costs.





A 3PL also is likely to have facilities in strategic locations, so companies can avoid the expense of establishing their own brick-and-mortar distribution centers.

PACKAGING EXPERTISE

To minimize the impact of dimensional weight rates, 3PLs can analyze key variables such as package weight, cube information, shipping frequency, etc. With extensive expertise and knowledge of best practices, they can recommend ways to increase packaging density efficiency in order to be more cost-conscious.

Outsourcing frees up time for companies to focus on their core competencies.

FINANCIAL SUPPORT

Knowledgeable 3PLs can build and maintain tools to invoice efficiently and accurately. They can automate billing to simplify and speed the process. Processing carriers weekly minimizes accounting accruals for month-end true-ups. 3PLs can also audit activities on accounts to validate charges, ensuring that rates and discounts are applied accurately, service levels are provided as billed, etc.

Parcel at Saddle Creek

At Saddle Creek, we recognize that navigating the ins and outs of parcel shipments is a critical element of a complete omnichannel fulfillment solution.

OFFERING OPTIONS

To this end, we have cultivated strategic relationships with the top parcel carriers. By leveraging our diverse carrier network, clients can explore options and services from multiple carriers, rather than committing to a single freight company. What's more, our database consolidates multiple carriers, enabling us to provide clients with a single report for their entire program.

CONTROLLING COSTS

We process millions of parcel shipments for our clients every month. The greater our collective volume, the better the rates we can negotiate. Furthermore, our robust WMS system enables us to parcel rate shop in real-time. This allows our clients to take advantage of the best rates with the optimal carrier, while still meeting customer delivery expectations.

STAYING AHEAD OF THE CURVE

We are in constant communication with carrier representatives and know what's happening in the industry. We benchmark transit times and rates, so we can see trends, identify issues and be proactive in addressing them. We help companies to understand the true impact rate increases can have on their business and propose creative ways to mitigate them. Options might include negotiating rates, using a different carrier, adding a second location, or reevaluating service level requirements.



MANAGING THE MINUTIAE

Our complete parcel solution manages all the administrative tasks associated with shipping, including:

- › Strategic planning and optimization
- › Parcel billing
- › Auditing
- › Reporting
- › Problem resolution

We take the hassle out of parcel shipping, so you and your customers can get the fast, reliable service you expect.



Parcel Stats

46MM+

Parcels Managed

50+

Parcel Clients

11

Locations

Relationships with Major Carriers



and Many More...

About Saddle Creek Logistics Services

We specialize in designing and delivering omnichannel logistics solutions for manufacturers, retailers and ecommerce companies. Our approach is solution based and data driven, leveraging the most advanced operational methods and sophisticated technologies.

Clients utilize our warehousing, fulfillment and transportation services as stand-alone offerings or as part of an integrated logistics solution. They have access to our nationwide network of strategic locations totaling nearly 19 million square feet of warehouse space. We're committed to delivering the speed, service and scalability our clients need to compete in today's omnichannel marketplace.

SERVICE EXCELLENCE

Since 1966, we've been driven by strong core values and a keen sense of entrepreneurial responsiveness.

We optimize performance by focusing on key areas:

- › Solution Design
- › Business Delivery
- › Systems Integration
- › Continuous Improvement

Want more information? Get in touch with us!



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