

## Parcel Shipping to Meet Ecommerce Demand

Ecommerce has spurred a dramatic increase in parcel shipments in recent years. The coronavirus pandemic has intensified the trend. In fact, [U.S. online sales increased 49% in April 2020 over the prior year](#), Adobe Analytics reports. Increased volume can add to the complexity, and cost, of parcel shipments – just when most merchants have a pressing need to control expenses.

The following report explores critical issues related to parcel deliveries and ways in which a third-party provider can add value.

### Challenges of Parcel Shipping

Most ecommerce orders require shipping small parcels, typically less than 150 pounds. Getting those packages from Point A to Point B poses a number of challenges for companies today.

#### RISING COSTS

In 2020, major carriers once again instituted an Annual General Rate Increase (GRI) for small parcels. Merchants have incurred an average rate increase of 4.9 percent for [UPS Ground and Air](#) as well as [FedEx Express and FedEx Ground](#). UPS SurePost and FedEx SmartPost shipping rates are increasing as well. The [USPS increased its rates](#) by 4.1 percent for Priority Mail and by 3.5 percent for Priority Mail Express, on average. In addition, [rates for First-Class Package service](#) (often used for fulfillment) increased 2.2 percent, on average. Increasing parcel volume will likely continue to drive costs up.

Dimensional (DIM) weight rates are another important consideration. 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.

In June 2019, the USPS extended dimensional weight to Priority Mail and Priority Mail Express for packages larger than one cubic foot and changed the DIM weight divisor. This change has the greatest impact on companies that routinely ship larger, lightweight packages.

Surcharges for fuel, residential, delivery area, etc., also constitute significant increases for most merchants. In fact, surcharges can make up 10 to 40 percent of their total parcel spend, according to Jennifer Doles, Saddle Creek's Senior Manager, Transportation.

Surcharges can make up 10 to 40 percent of a merchant's parcel spend

On May 31, 2020, UPS added [peak surcharges on some domestic shipments](#), which could have a significant impact on ecommerce shippers with a higher volume of orders than usual.



Earlier this year, both UPS and FedEx made [changes in delivery area surcharges](#). In addition, merchants shipping longer distances [will pay as much as 6 to 8 percent](#) more for two- and three-day air delivery via UPS. The impact of these changes depends on merchants' shipping patterns.

### DELIVERY EXPECTATIONS

Ecommerce is driving demand for fast, free delivery. In fact, a 2019 Convey study shows that 79 percent of consumers consider [free, two-day shipping to be important](#). Prior to the coronavirus pandemic, one-day and same-day delivery options also were gaining ground. Of course, the online sales spike resulting from the virus has temporarily constricted merchants' ability to uphold delivery promises. In fact, FedEx has limited the number of packages that large retailers can send to a certain percentage above their February baseline. While consumers have been patient with delays thus far, their expectations for speedy service are likely to return as volume levels off.

Those expectations will require 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 is possible to reach 90 percent of customers in the U.S. in two days using more affordable ground service.

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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 list rates.



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### 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.

### PARCEL TECHNOLOGIES

Several technologies can help to manage and streamline the parcel shipping process.

- › **Order management system:**  
An OMS can help to route orders to the most efficient and cost-effective fulfillment source.
- › **Parcel manifesting system:**  
Integrated with an OMS, WMS and/or TMS, this system can generate parcel manifests and labels efficiently.
- › **Parcel analytics software:**  
Reviewing historical data can help high-volume shippers identify opportunities to increase efficiencies and better manage their parcel spend.
- › **Rate shopping:**  
A function of multi-carrier shipping software, this tool can help to identify the most economical solution to meet transit expectations and needs.

Third-party providers can offer merchants ready access to technologies like these, without an overhead investment.



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

### 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 OMS system and rate-shopping solution enable us to seek out the best transit option in real-time. This allows our clients to take advantage of the best rates with the optimal carrier, while still meeting customer delivery expectations.

Saddle Creek's robust parcel analytics tool can help companies to understand the true impact that rate increases and surcharges can have on their business.

### STAYING AHEAD OF THE CURVE

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



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### MANAGING THE MINUTIAE

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

- › Strategic planning and optimization
- › Time-in-transit validation
- › Problem resolution
- › Parcel billing
- › Auditing
- › Reporting

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



### Parcel Stats

**55MM+**

Parcels Managed

**60+**

Parcel Clients

**11**

Locations

Established Relationships with Major Carriers



and more...

### About Saddle Creek Logistics Services

Saddle Creek is an omnichannel supply chain solutions company providing a variety of integrated logistics services, including omnichannel fulfillment, warehousing and transportation. We help retailers, ecommerce companies and manufacturers get products where they need to be quickly, cost-effectively and seamlessly.

Learn how our solution-based, data-driven approach can help to meet your specific business goals.

#### 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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