

“How To Compete With Amazon In Shipping And Delivery”

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The U.S. domestic e-commerce marketplace is dominated by Amazon and large retailers, all setting the tone and pace of customer shipping expectations by offering expedited delivery options at low or no cost to the customer. Retailers of all sizes are finding themselves competing on the same turf to meet customer expectations, creating challenges for smaller retailers in matching the delivery speed and price options provided by the larger retailers, while managing their own costs.

Without the shipping volumes of Amazon, retailers lack the negotiating power that could net meaningful discounts with commercial carriers. In addition, carriers often assess accessorial charges for certain shipments—such as delivering to a residential address—penalties for failing to meet contracted volumes, and peak holiday premium surcharges.

A recent Forbes Insights report, “Shipping as Strategy: How Small and Midsize Retailers Can Best Meet Customers’ Delivery Expectations in the Age of Amazon,” sponsored by Pitney Bowes, examines how other retailers can level the logistical playing field.

A recent study conducted for Pitney Bowes by The Colography Group, a technical market research, publishing and consulting firm specializing in the expedited transportation market, found that these issues are exacerbated by the parcel shipping systems in place at many retailers. While most retailers make use of the carrier-specific shipping software provided by commercial carriers, such as FedEx and UPS, to handle the bulk of their shipping, aspects of these same systems make it cumbersome for shippers to switch carriers seamlessly and access more favorable pricing.

The study also found that shippers selectively utilize the United States Postal Service (USPS) for its broad geographic, six-day-a-week residential delivery schedule and up-front pricing structure. The conclusion is that many retailers are juggling multiple carriers with discrete shipping systems to meet consumer needs and control costs.

The report discusses the challenges posed by increasing customer expectations around shipping for small and midsize retailers, and how those challenges and the costs associated with them can be managed with a shipping strategy that includes automation, a mix of carriers including the USPS, as well as the added benefits of working with a trusted shipping partner. Retailers that successfully weave these elements together will be better able to meet their customers’ expectations and lower costs, allowing them to remain competitive in the age of Amazon.

Customer expectations and shipping volumes rise exponentially during the holiday season, when many e-commerce retailers do the bulk of their business. To meet the demands, some commercial carriers add extra fees—this includes UPS, which announced recently it would begin assessing a 27-cent surcharge on all ground packages sent to a residential address during the upcoming holiday season. The costs are higher for air services. Understanding when these accessorial charges may be levied and how to avoid them is one important step toward optimizing shipping.

Knowing when and how to avoid these charges is difficult, and even if a shipper understands how to avoid them, it may be locked into a contract or parcel shipping system that prohibits it from doing so. Single-carrier shipping systems account for approximately 85% of all parcel shipping systems.

While these single-carrier systems are well designed for the carrier they represent, the same systems often make switching between carriers difficult or prohibitive—either because of the contracted volumes they often come tied to or the unwieldiness of having separate systems for different carriers. With cost pressures increasing and the bulk of midsize retailers relying on the same parcel shipping system they've used for more than four years, the fact is many of these businesses are leaving money on the table by failing to turn the strength of using multiple carriers to their advantage.

In an upcoming blog post, we'll look in more detail at how best to utilize multiple commercial carriers as well as the USPS.