



## Peak Pain – Take Back Control



Ready or not, here's comes peak. And with peak comes the inevitable concerns about late deliveries and upgraded (and expensive) service levels. Now is the perfect time to examine what lessons we can garner from 2015's

peak and, more importantly, strategize on how to improve things for the 2016 peak, now just a few short months away.

The national carriers have invested millions of dollars and thousands of hours building flex capacity into their networks over the last few years. They certainly recognize the critical nature of the shift we are seeing in peak demand. However, there is a ceiling at which point further investments have less of return. I would argue that we've reached, or are quickly approaching, that point.

So, if we cannot rely on the carriers to untie the peak season knot, what can we do? The answer is that we must take the responsibility back into our own hands. There are two primary ways to do this:

### SHIFTING DEMAND

Several years ago, I wrote an article on the topic of unintended consequences in relation to carrier negotiations. Ironically, I'm writing about unintended consequences again, this time in relation to customer expectations. The prevalence of free, ultra-fast shipping has changed customers' expectations and their buying patterns. We have seen customer orders shift closer and closer to Christmas at an alarming rate, as customers now have the

expectation that they can order by December 21 or 22 and still receive guaranteed delivery in time for the big morning. Shifting that pattern backward on the calendar un-bottlenecks the network. Shippers can seek to do this in two ways:

- ▶ Setting and communicating guaranteed delivery cutoff dates – These dates should be planned in conjunction with your carriers.
- ▶ Promotions – Discounts on shipping and/or product price earlier in peak season can drive purchases forward. These offers should be heavily marketed towards those who have shown a propensity for late orders in the past.

### OMNI-CHANNEL

We can think of the constraints in the carrier systems in large terms, as miles and touches. We can either reduce these two variables on the front of the chain, or the back.

Ship-from-store can be an effective strategy in reducing both miles and touches. By pre-positioning inventory at stores, shippers can take miles (and days) out of the carriers' holiday networks. This strategy would be implemented differently depending on the shippers' store network, their technology infrastructure, etc. But most shippers could take advantage of the benefits to one degree or another. Using LTL and TL/IM to execute an escalated store-fulfillment process has the added benefits of driving down average cost per piece and reducing damages by reducing touches. A key-store approach is generally indicated, though careful analysis and planning should define the optimal strategy.

We can also ease the load on parcel carrier networks by filling orders via LTL/FTL in the regularly scheduled store fulfillment process. Shippers would typically have to

increase the frequency of store fulfillment during the peak season, causing a seasonal increase in labor costs, which would be offset in lower per-piece transportation costs. But this happens whether you are using a ship-to-store strategy or not; the only thing that changes is the scale. While parcel carrier networks are over-capacity during this time of year, the same is not true, or not as true, for freight carriers.

Many shippers rely on alternative carriers as a safety valve. But this is a dangerous game. It's not just UPS and FedEx who face the challenges of peak volumes. Every carrier is essentially facing the same set of problems. If you ask another carrier to provide you with short-term capacity during peak, what you're essentially asking them is to put further strain on an already strained system and put their existing customers' shipments at risk. Most will take the volume, but you will see delayed or missed pickups, low or no discounts, and the same transit time issues you were already experiencing with your current carrier. And all of this will come with little or no discount, so your average cost per package will undoubtedly skyrocket.

The carriers cannot be expected to pick up all of the slack. But you can control your peak. It takes foresight, out-of-the-box thinking, and a commitment, but it can be done. For more information on dealing with the pressures of peak, plan to attend enVista's presentation, "How to Perfect Peak Performance" at Parcel Forum. ■

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