FORTNA

Thought Leadership Series

Ten Last Mile Strategies for Peak

fortna.com

Ten Last Mile Strategies for Peak

The surge in online ordering has created a capacity crunch for last mile delivery that is delaying deliveries and frustrating both shippers and customers alike. Last year during peak season, the unusually high volume of eCommerce orders flowing through the networks of the parcel delivery Big Three (UPS, FedEx, and USPS) resulted in late deliveries and expectation misses that are likely to repeat this year unless shippers take a different approach.

While the parcel carriers have worked to add capacity, the labor shortage and increase in home deliveries due to high numbers of people still working from home have strained their networks. These networks, which have been running at close to capacity for most of the year, are not equipped to handle additional peak volume. New strategies will be required to mitigate risks and ensure customer expectations for speed and on-time deliveries are met. In this article, we share several strategies to reduce last mile delivery headaches this peak season.

1. Rethink service promises.
This strategy can buy more time for fulfillment processing or provide additional flexibility in the event your carrier is unable to meet the typical delivery window due to capacity constraints. Customer expectations for faster delivery have increased over the last few years, but your customers don't always need next-day delivery or your fastest service commitment. They do more often expect you to communicate clearly and reliably at the time of purchase when an order will arrive to them and confirm that with tracking information that is consistent with that promise. How can you incentivize customers to accept longer delivery windows or less frequent deliveries? Can you offer a discount, free shipping, or other value-add incentive for choosing a longer delivery window? Amazon does this by offering credits for digital purchases for Prime members willing to wait an extra day or two for delivery instead of choosing the usual next-day or same-day Prime delivery commitment. The Amazon Day program also encourages members to consolidate orders in a single shipment on their preferred day of the week.

> "Package delivery demand during the 2021 peak season is projected to exceed capacity by about 5 million pieces per day."[1]
>
> **Carol Tomé**
> **CEO, UPS**

2. Leverage stores as fulfillment nodes.
This strategy takes advantage of an extended footprint to position more inventory closer to your customer to reduce both distance and transportation time and has the added advantage of allowing you to leverage all the inventory in your network. Ship from store and dark store fulfillment can be set up as either temporary or permanent nodes. Both require some distributed order management systems capabilities to execute and take up some portion of your retail space, which is typically more expensive real estate, for pick, pack, and ship activities. Additionally, if dedicated resources are not allocated to these functions, you may want to consider the impact of pulling resources from the sales floor to fill orders and the potential effects that picking in store aisles may have on shoppers. JoAnn, the fabrics and crafts retailer, limits the number of orders that can be filled from the store. Some companies are shifting the bulk of their in-store fulfillment activity to after the store has closed to minimize impact to shoppers.

1 Source: Supply Chain Dive

3. Drop-ship orders direct from suppliers.
Some suppliers may be willing to drop-ship orders directly to customers. Where it makes sense to do so, for example between a west coast supplier and customers in the same region, this can be a peak or permanent strategy to reduce the transportation time and distance between inventory and customers. This is especially useful when logistics networks are taking longer than usual to deliver due to capacity issues. It can also help to reduce overall volume in your facilities which may help alleviate logjams and other problems that often occur during peak and slow down processing of orders when trying to operate at full or beyond capacity. It does require advance agreements about brand standards (for example, ship from address and packaging) and compliance with systems requirements on both ends to ensure the seamless hand-off and execution of orders. The risk of cannibalization of customers by the vendor must also be considered.

4. Engage ride-share players.
Companies like Uber, Lyft, and DoorDash are entering into the last mile delivery space with large networks of gig economy workers that offer flexible, scalable options for same-day delivery. PetSmart and CVS partner with DoorDash for same-day deliveries in certain markets. Walgreens is collaborating with Uber to offer its top- selling products on the Uber Eats platform. This strategy allows you to offload local volume from your parcel carrier and offer increased service speed for customers. The pricing model, availability and capacity varies from market to market but may be worth exploring.

> …consider adding some regional/local carriers throughout the year as a way to establish relationships and processes that allow you to augment shipping capacity during peak.

5. Diversify your carriers to hedge for capacity.
Giving most of your volume to one or two carriers year-round makes sense from a cost and operations perspective. But consider adding some regional/local carriers throughout the year as a way to establish relationships and processes that allow you to augment shipping capacity during peak. Delivering completed orders to these in-market delivery resources can result in more reliable, and perhaps, less expensive delivery during peak when the capacity of the big three carriers is limited and peak surcharges change the economics. One consideration with this strategy is the systems capabilities required to use their services. Does this require you to manage orders between multiple manifest systems?

6. Crowdsource delivery.
Another relief valve strategy for overtaxed parcel networks is to take advantage of opportunities to crowdsource delivery – either from stores or distribution centers. Amazon's Delivery Service Partner Program, where entrepreneurial types purchase or lease their own equipment and act as or hire drivers to deliver for Amazon, is an example of this strategy taken to the next level. It evolved from the Amazon Flex Driver Program which pays regular people to deliver packages from their own vehicles. Walmart has experimented similar pilot initiatives where employees are paid to deliver orders on their way to and from work. Third-party services like Roadie, Dylyver, Hitch, Deliv, Instacart, and Postmates provide platforms with national coverage to make this easier. One consideration with this strategy is the lack of control and inconsistency of the delivery experience. Some may provide photo proof of delivery immediately, while reporting and tracking data may be lacking in others.

7. Extend cut off times.
If you can work with your carriers to build bypass loads based on selected zip codes, you may be able to again reduce time and distance. This helps take pressure off congested networks and ensures more accurate delivery windows for customers. This zone skip strategy works best for shippers with fleet vehicles to deliver bypass loads, but rental and third-party fleet resources can be leveraged in the same way. Either way, it requires coordination with carriers to ensure acceptance. This is not a solution for all of your shipments, but it may result in some cost savings and enable later cut off times that allow you to enter parcels into the ground network a day earlier.

8. Optimize for faster fulfillment in the DC.
Faster processing in the DC would allow you to complete orders before early cut-off times, rather than hold them to the next day. Any time a day of processing time can be eliminated that gives you more options for shipping and increases the chances that a less costly ground shipment will still make it to the customer on time. Processes may need to be modified, additional labor required and/or equipment may be used differently during peak to optimize for speed. Equipment that allows you to load and unload trailers faster or with fewer people, like extendo conveyor, can free up resources and increase throughput. Improving dock door capacity and turnaround time for carriers helps move volume that would otherwise take up space and potentially slow down operations. There are numerous ways to increase speed in the distribution center.

9. Partner with pick-up locations.
Stores, delivery lockers and retail partners with space to accommodate package pick-up can help to consolidate more deliveries in a single location, especially in rural markets where the last mile of that delivery might add days to the shipping time. Target and Walmart lead with vast store networks that can serve as pick-up points for orders. Amazon bought Whole Foods and with that is able to leverage its 450-store footprint to deliver goods to customers with greater speed. Retail partnerships can be an effective way to take advantage of a large footprint without owning the assets.

10. Let the robots do the walking.
Limited labor availability that has constrained capacity expansion in a number of transportation modes should not be a barrier for long. Several pilot projects using self-driving vehicles and smaller robots for deliveries in limited markets are gaining traction. Nuro and Starship Technologies are bringing delivery bots to the streets and sidewalks. Companies like Workhorse and Flirtey are bringing drone delivery to the mainstream as UPS, FedEx and Amazon continue to pilot and iterate with their own efforts. This may not be a short-term solution for peak season this year, but it should be on your radar as the technology improves and proliferates.

Longer term, you may want to re-evaluate your network strategy to validate that both facilities and inventory are positioned to support the needs of the business as eCommerce volume and transportation costs continue to increase. Micro-fulfillment centers in population dense urban centers are a growing trend helping to accelerate both delivery speed and customer expectations. With labor in short supply, automation is helping to enable faster fulfillment which can be used to extend shipping windows and ensure on-time delivery for customers.

Summary

Carriers across the board are working to add capacity and communicate with shippers about forecasted volume and service commitments. At the same time, they are adding peak surcharges for shippers and if forecasts are off by even small margins may still find their networks strained to meet those commitments. There are several strategies that can help ensure that these constraints don't get in the way of meeting customer expectations this peak season.

FORTNA

FORTNA CAN HELP

FORTNA helps companies design and optimize omnichannel and eCommerce fulfillment operations to meet the needs of the business and the ever-increasing expectations of customers. The FORTNA Distribution Optimization Framework starts with strategy and an assessment of your existing network and operations. We leverage data science and proprietary tools, processes, and algorithms to design and implement flexible solutions to improve performance, enable growth and drive profitability. We support and optimize system performance and extend the life of your assets with our comprehensive Lifecycle Services.

Contact us today at **www.FORTNA.com**