



The new era of commerce:

A guide for future-proofing your shipping

This is a roadmap for profitable growth if you are a brand with annual shipping costs north of \$5M.

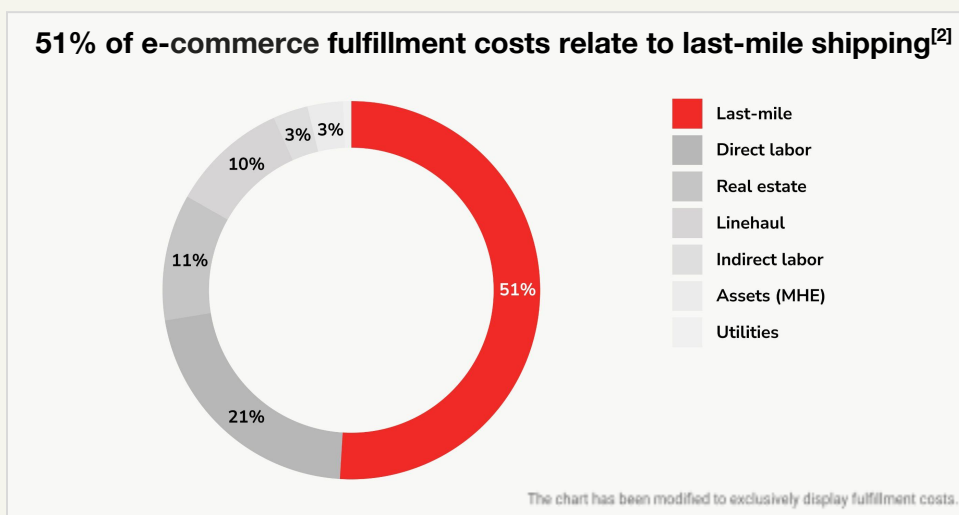
Today's e-commerce landscape demands a shift from viewing shipping as a cost center to a driver of customer loyalty. The last mile, which accounts for over half of e-commerce fulfillment costs, is a significant brand opportunity. We explore three trends shaping e-commerce shipping and provide action steps for improving shipping performance.

By: Adam Fish, Senior Director of Sales

INTRODUCTION

Supply chain leaders need to be more than cost managers; they must take control of growth and innovation at their company.^[1] To achieve this, leaders have a golden opportunity to redesign the supply chain. We agree with this strategy, yet competing priorities can lead to a need for clarity on where to drive impact.

Last-mile delivery, the final step in the e-commerce supply chain, presents the most considerable potential for improvement. According to research by McKinsey, logistics costs represent 12% to 20% of e-commerce revenues and will grow to 15% to 25% in the near future. Notably, more than half of e-commerce fulfillment costs relate to last-mile delivery.





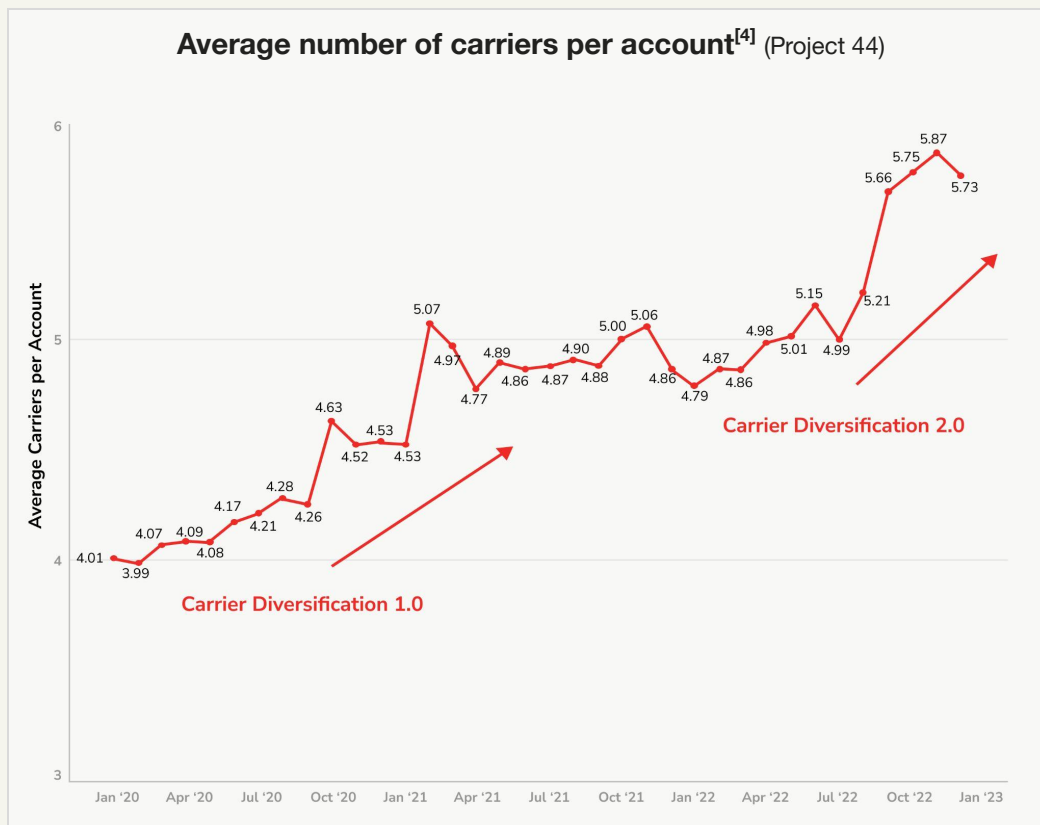
Leading brands capitalize on the opportunity by working with innovative shipping solutions like Veho and realize cost savings while elevating the customer experience. A recent analysis by Veho found increasing on-time delivery shipments (OTD) from 92% to 99% and providing real-time text message communication resulted in a 61% reduction in refunds and a 19% increase in repurchases for a top e-commerce brand.

We see three trends shaping the new era of e-commerce shipping and share specific actions supply chain leaders can take to implement winning strategies.

TRENDS

Trend 1: Carrier diversification is accelerating.

The pandemic caused a surge in online shopping, with sales increasing by 43% in the first year.^[3] This increase put immense pressure on the shipping infrastructure, causing increased costs, quantity limitations, and deteriorating service quality from national carriers. Leading brands adapted by adding carriers in a wave Veho named Carrier Diversification 1.0.





In today's economy, carrier diversification continues to grow but with different driving forces. This new Carrier Diversification 2.0 era centers on maximizing the strengths of each carrier within a parcel network. It's not about piling up the number of carriers—it's about intelligent allocation. It's now common for brands to have nearly six carriers in a portfolio.

A recent study from AFS found brands can realize 10-40% savings by working with alternative providers.^[5] SAKARA, a Veho partner, embraces this strategy: "Veho provides a premium delivery experience for our clients while also improving our bottom line. We are actively expanding with Veho in select markets to continue providing best-in-class service while keeping costs at bay." said Chelsea Clark, Director of Operations & Logistics at SAKARA.^[6]

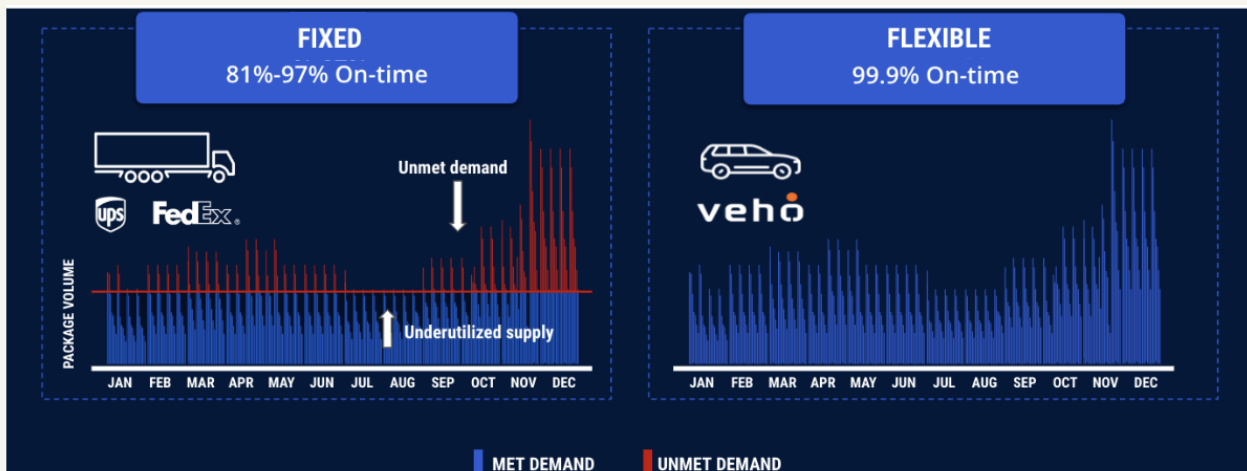
Trend 2: Gig-economy models gain market share.

During the pandemic, a staggering \$58 billion was invested in supply chain technology, with a sizable share going into last-mile delivery and supporting technologies.^[7] After much experimentation with land robots, drones, parcel lockers, and more, the gig-economy model has proven to be the most market-ready technology.

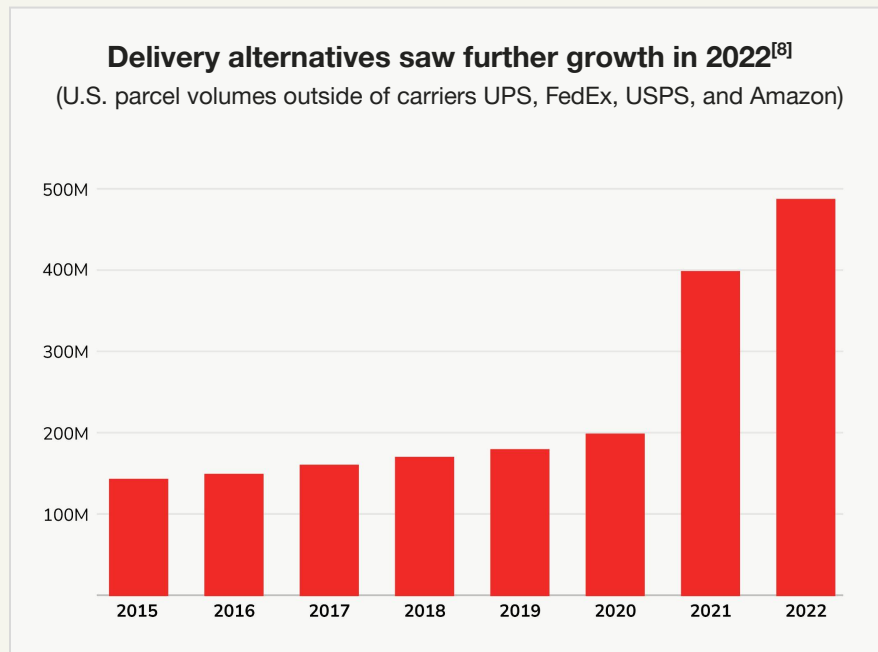
The strength of the gig-economy model lies in its flexibility. It is the only widely deployed system perfectly matching shipping capacity to shipping demand, even during peak season. This innovative approach has gained traction among leading shipping platforms like Veho, as well as major e-commerce brands such as Amazon Flex and Walmart Spark.

Veho matches supply and demand.

(99%+ on-time delivery is sustained through peak season)



The gig economy model shows no signs of slowing down. According to Pitney Bowes, delivery alternatives have been growing at a pace nearly double their larger, more established counterparts in recent years. Veho's growth outpaces the alternatives and it continues to invest in technology to ensure superior service levels. Bill Seward, the Director of Transportation & Logistics at Saks, believes, "Veho has the future of delivery experience figured out."



The rise of delivery alternatives benefits e-commerce brands by providing a more comprehensive range of options and fostering innovation. This, in turn, pushes legacy carriers to continuously improve to stay relevant. This year, FedEx and UPS announced billion-dollar investments to keep up with the pace of change. While established carriers slowly modernize, especially regarding last-mile delivery, new-era companies have the advantage of purpose-built infrastructure for e-commerce.

Trend 3: Shipping as a customer loyalty driver.

There's currently a clear and understandable shift toward cost management by retailers. While some brands are considering eliminating free shipping policies to cut costs, market leaders are enhancing their delivery and return offerings to cement customer loyalty.

According to a recent consumer study by Veho, the shipping experience remains a key differentiator in online shopping. A survey of 1,000 online shoppers found that **negative**



delivery experiences deter 77% of consumers from repurchasing from a brand, and nearly half of all online shoppers associate poor deliveries with the e-commerce brand itself. On the other hand, brands see increased loyalty and sales when providing premium returns and delivery.^[9]

TAKE ACTION

The value of a mature shipping strategy.

In our experience with leading brands, we encounter a variety of business needs and shipping strategies. Clearly, a single process doesn't apply to every situation, yet we identify common trends in parcel shipping programs. To clarify these strategies, we outline a three-step shipping maturity model and explain how each approach influences business results.

Veho's Shipping Maturity Model

A simple framework for shipping sophistication

Level	Description	KPIs (Examples)
Basic Low strategic value	Limited use of data, relationships, and technology to gain efficiency in shipping	- Cost per package - Transit time
Enhanced Medium strategic value	Ability to deploy the appropriate carrier(s) for business need to optimize cost and performance	- Carrier allocation - Geographic coverage - On-time delivery rate - Lost/damaged rate - Customer support cost
Customer-centric High strategic value	Carriers selected based on the holistic impact of shipping on customer purchase behavior	- Purchase frequency - Average order value - Net Promoter Score

The Veho Shipping Maturity Model consists of three levels, each demonstrating a different degree of strategic value.

- **Basic:** Shipping holds low strategic value with limited data, relationship, and tech utilization. It primarily focuses on 'cost per package' and 'transit time' KPIs to provide a baseline of service to online shoppers.
- **Enhanced:** This stage holds moderate strategic value. Companies select suitable carriers to improve cost and performance. In addition to basic KPIs, it includes 'carrier allocation,' 'geographic coverage,' 'on-time delivery rate,' 'lost/damaged rate,' and 'customer support cost.' At the enhanced stage, brands invest more significantly in capability building, partnerships, and shipping software to drive outcomes.
- **Customer-centric:** This top stage offers high strategic value. Businesses use advanced strategies to link shipping with customer purchasing behavior. Alongside the previous KPIs, it tracks 'purchase frequency,' 'average order value,' and 'Net Promoter Score,' exploring shipping's impact on customer loyalty and satisfaction. In an A/B test for 10,000 customers with a large DTC brand, we measured a **5.1% increase in 28-day reorder rate** by switching from FedEx to Veho shipping.^[10]

This maturity model enables businesses to assess where they stand regarding shipping strategies, and below we provide a roadmap for improving shipping operations.

Steps to implement a best-in-class strategy.

The benefits of an advanced shipping strategy are generally understood, though a transition typically requires an active C-suite sponsor. We identify the key steps for supply chain leaders to implement a best-in-class approach.

Step 1: Calculate the profit potential: The first step is assessing your current maturity level and annual shipping spend. Leaders should examine both cost and performance metrics. They should then use this information to evaluate maturity and opportunity for advancement.

Consider a hypothetical example: a brand transitions from a national carrier, which may involve longer delivery times and higher error rates, to a more customer-oriented strategy with Veho. This change could include faster delivery, real-time text messaging, and photo confirmation of delivery. We highlight key metrics below to illustrate business impact:



Veho Value Analytics

The full impact of shipping

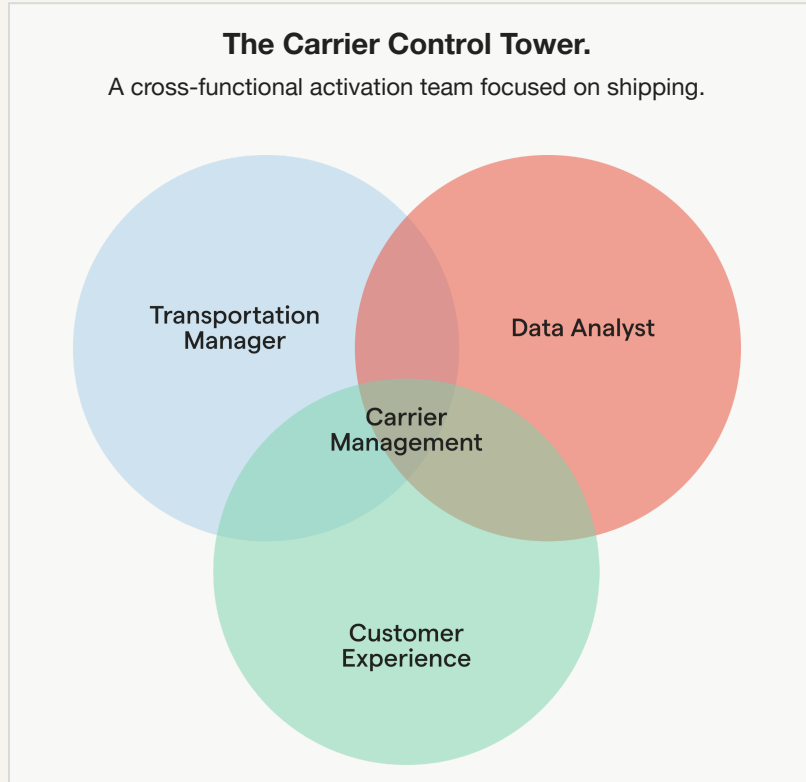
Competitor		Veho	
Annual performance		Annual performance	
Cost		Cost	
Package shipping cost	\$7,776,050	Package shipping cost	\$7,542,768
Fees (surcharges, accessorials, etc.)	\$622,084	Fees (surcharges, accessorials, etc.)	\$0
Lost, damaged, & errors	\$1,446,345	Lost, damaged, & errors	\$233,281
Call center support	\$155,521	Call center support	\$77,760
Total	\$10,000,000	Total	7,853,810
Customer loyalty		Customer loyalty	
Purchase Frequency	3.06	Purchase Frequency	3.15
Average Order Value	\$129.72	Average Order Value	\$130.57
Net Promoter Score (NPS)	40	Net Promoter Score (NPS)	55
		Increase in Sales	3.6%

*The provided data is for illustrative purposes, and individual results may vary. Brands should conduct their own analysis when assessing shipping strategies.

In the example, partnering with Veho translates to an annual savings of \$2,760,000, achieved by reducing base shipping costs, eliminating extra fees, drastically cutting expenses from lost, damaged items and errors, and call center support. It also enhances customer loyalty metrics, including a higher purchase frequency and average order value, along with a 15-point leap in the Net Promoter Score. The culmination of these benefits is a 3.6% boost in sales.

Leading brands do not just assess the costs associated with shipping. They also consider the second-order effects that shipping has on building customer relationships.

Step 2: Assemble your team: The next step is building organizational capability. Ensuring your strategy can thrive requires assembling a dedicated task force, which we name The Carrier Control Tower.



Together, this group unlocks advanced shipping and can sustain it for years to come.

- **Data Analyst**, analyzing shipping data and pinpointing improvement areas, forming your strategy's bedrock.
- **Transportation Expert**, armed with insights from the Data Analyst, overseeing strategic execution, including liaising with carriers.
- **Customer Experience Manager**, focusing on service quality and measuring the crucial role shipping plays in developing long-term customer relationships.

Step 3: Mitigate Risk: Mitigating risk is vital when diversifying carriers, especially regarding technology integration which was recently cited as the top barrier in a Pitney Bowes survey of large shippers.^[1] Veho simplifies the process with a top-tier tech stack and API suite. Additional risk mitigation strategies involve investments in consultants, software such as parcel auditing and multi-carrier, and taking a long-term view of the benefits of carrier diversification. For more guidance, our team is ready to help.

SUMMARY

Shipping is an area of strategic competitive advantage.

FedEx and UPS have been the major players in the American shipping industry for half a century. However, increasing competitive pressures drive changes, transforming shipping from a cost center to a cross-functional initiative to delight customers. It's time to embrace this shift. LeAND aders can drive changes in their organization in a few simple steps:

- **Step 1:** Elevate the shipping conversation with your CEO, and engage cross-functionally with marketing, customer service, and finance.
- **Step 2:** Put the customer first by measuring the holistic impact of shipping on shopping behavior.
- **Step 3:** Drive cost savings and service level improvements through a diversity of carriers.

To engage in a strategic discussion about optimizing your shipping network, [contact us](#). Let's work together to transform the shipping experience.

Sources

¹[WSJ: Weigh In on Third-Party Supply Chain Resilience](#)

²[McKinsey: The promise and challenge of multi-client fulfillment for e-commerce](#)

³[E-Commerce Sales Surged During the Pandemic](#)

⁴[Project 44: Last Mile Parcel 2022](#)

⁵[AFS: It's time to change up you parcel business](#)

⁶SAKARA Case Study: Contact Us for PDF

⁷[WSJ: Investors Are Piling Into Supply Chain Technology](#)

⁸[Pitney Bowes: Parcel Shipping Index](#)

⁹[Shipping is the new shopping™: the 2023 state of shipping and returns satisfaction](#)

¹⁰ Veho Case Study: Contact Us for PDF

¹¹ [Pitney Bowes: Multicarrier appears to be a privilege](#)