PLAYBOOK

Retail Ready Shipping

5 Key Considerations for Brands Expanding Retailer Relationships

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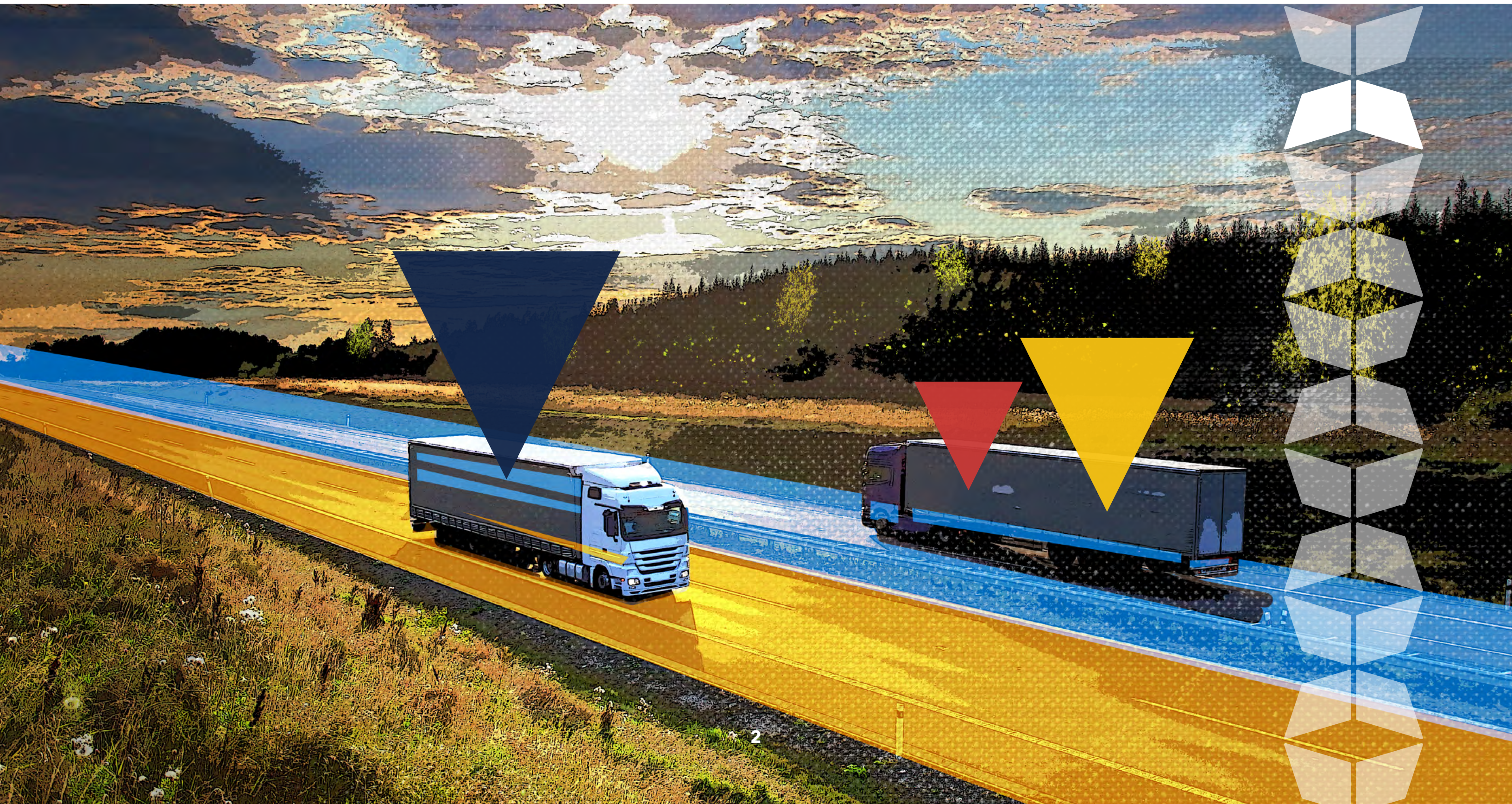
Navigating the complexities of retail shipping

Regardless of how fast ecommerce is growing, 84.4%[1] of sales still take place offline, according to the 2024 U.S. Census Bureau. That's a big piece of pie waiting for companies who can do retail right. Whether you're a start-up or a growing SMB who's expanding from ecommerce into brick-and-mortar stores or you're a supplier who's stepping up to big box chains, you have a learning curve ahead of you.

A big part of doing retail right is getting transportation wired. While shipping to "a few" retailers seems like it would be considerably easier than shipping to an internet full of buyers, the processes and nuances make shipping to wholesale buyers very different from parcel shipping in ecommerce. Along with the great opportunities waiting on the retail side of the pie, there are also much larger risks when it comes to shipments arriving where they should on time, in full, and in good condition.

Companies that want to grow in retail must respond quickly and well to opportunities and challenges they face. According to CB Insights, 20% of start-ups fail because they got outcompeted, 15% because of cost issues, and 6% because of a pivot gone bad.[2] Shipping failures can easily contribute to each of these reasons for failure.

Companies that can't successfully scale up transportation when they step up to the big stage are at a competitive disadvantage. They risk ruining their reputations and relationships while exposing themselves to runaway costs. Although transportation costs can be up to 5% of sales, per McKinsey,[3] sales are 100% dependent on transportation. **The failure to deliver is a failure, pure and simple.**



The importance of getting retail shipping right

Unfortunately, there's no transportation school for start-ups or SMBs. WSI works with companies in a wide range of verticals to help them set up high-functioning transportation programs tailored to their unique growth needs. We know the challenges of shipping to retailers as well as their remedies.

Here are the top five pitfalls we see:

1.
Compliance: Understanding what retailers expect and deliver

2.
Carrier Decisions: Driving performance

3.
Mode Mastery: Understanding the nuances of retail freight

4.
Technology Mistakes: Invest in the best

5.
Stock-Outs: Inventory management is make or break

1. Compliance: Understanding What Retailers Expect and Deliver

The biggest pitfall faced by start-ups and SMBs entering the retail market is failing to deliver to retailers in the manner they desire.

On-time-in-full (OTIF) requirements can be very specific in the cases of the big box stores like Walmart, Target and Costco. The rules of retailers are contained in routing guides that spell out how orders must be delivered, packaged, palletized, and labeled. Retailers all have unique requirements, and they are updated regularly.

Walmart is a prime example. Logistics Management reports that Walmart's updated rules require suppliers to deliver to the designated warehouse by the must-arrive-by-date (MABD) 90% of the time. In addition to this on-time standard, suppliers must meet in-full requirements 95% of the time. Sellers who can't maintain these standards must pay a fine of 3% of cost of goods sold.

It's hard for startups and SMBs stepping up to big chains to follow routing guides to the letter. Kelley Stiles, Director of Transportation at WSI explains, **"It's the biggest issue that sellers will run into. If they're not prepared to go through the compliance process or study the retailer's routing guide, they're going to run into all kinds of issues when they start shipping product."**

OTIF fines can easily mount into five figures for retail suppliers. Contracts with any retailer are jeopardized by missed, late, incomplete, damaged, or improperly packaged shipments. That brings the sting of lost sales. It can also bring costs from orders that have to be redelivered, Stiles adds.

Carriers and third-party logistics providers (3PLs) who have experience shipping to retailers can help you avoid costly mistakes and lost contracts. For one, they know retailers' routing guides and can keep you abreast of changes from updates. Experience meeting routing guides and making runs to retailers is only one advantage retail suppliers should look for in a transportation partner. Established relationships with retailers provide an inside advantage when problems arise, information is required, or there's an opportunity to negotiate terms.

Start-ups and SMBs need to remove routing guide complexity and the risk of noncompliance in order to retain and grow retail business—and they need to do it from the start.

2. Carrier Decisions: Driving Performance

A lack of good policies and processes for selecting truckers often gets new and expanding shippers in trouble.

Selling products wholesale can be overwhelming for suppliers coming from the world of ecommerce and parcel shipping where the choices are limited and the carriers are well-known. When shipping freight, there are over 577,000 carriers in the U.S. to choose from. It's easy to get yourself in trouble if price is your main driver and you're not performing due diligence.

Larger volumes and bigger order sizes bring increased risk and the need for responsible carrier selection, management, and monitoring. Missed or late deliveries trigger chargebacks from retailers. It doesn't matter whether the carrier is at fault, the seller is responsible. When start-ups or growing SMBs take the easy route, it can teach a hard lesson. "If you have a large order for a big box retailer and it's multiple days late, you could have thousands of dollars in fees," Stiles says.

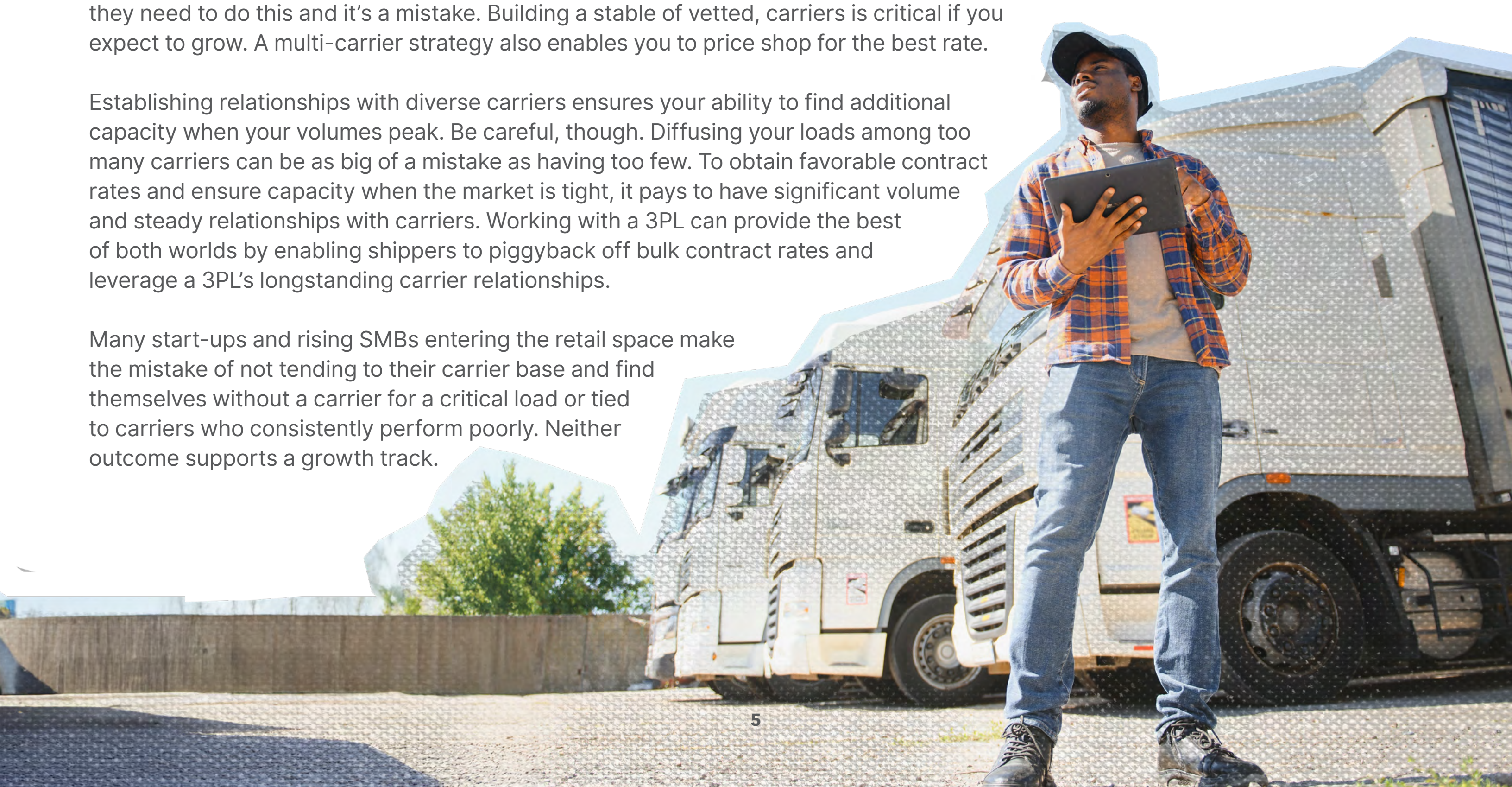
The Federal Motor Carrier Safety Administration (FMCSA) website allows shippers to check carriers' motor carrier safety rating[6] as well as carriers' licensing and insurance.[7] Most load boards also have a carrier rating system. Aside from these general background checks, it's also important to determine carriers' experience level, familiarity with the retailers you're shipping to, and lanes you'll be using.

Establishing relationships with diverse carriers ensures your ability to find additional capacity when your volumes peak.

Large retail chains keep a performance scorecard on retail suppliers that influences their buying decisions. You need carriers that help you build a satisfactory OTIF record and the way to do that is by keeping score of your own carriers' performance. New or growing shippers often don't know they need to do this and it's a mistake. Building a stable of vetted, carriers is critical if you expect to grow. A multi-carrier strategy also enables you to price shop for the best rate.

Establishing relationships with diverse carriers ensures your ability to find additional capacity when your volumes peak. Be careful, though. Diffusing your loads among too many carriers can be as big of a mistake as having too few. To obtain favorable contract rates and ensure capacity when the market is tight, it pays to have significant volume and steady relationships with carriers. Working with a 3PL can provide the best of both worlds by enabling shippers to piggyback off bulk contract rates and leverage a 3PL's longstanding carrier relationships.

Many start-ups and rising SMBs entering the retail space make the mistake of not tending to their carrier base and find themselves without a carrier for a critical load or tied to carriers who consistently perform poorly. Neither outcome supports a growth track.



3. Mode Mastery:
Understanding the Nuances of Retail Freight

Although the modes for shipping retail freight are limited, start-ups and SMBs are often challenged to make the right choices.

Excessive cost is one outcome, unpredictable performance is another. Neither is good for retail suppliers who must control transportation costs while building their reputation for reliable delivery with retailers. It's critical to know the uses and attributes of three commercial shipping modes. According to Stiles:

- **Parcel shipping** is appropriate when shipping up to 20-25 cases or 300-400 lbs.
- **Less-than-truckload (LTL)** is for loads up to 16 pallets or 20,000 lbs.
- **Full truckload (FTL)** is when you pay for the whole truck, is for loads exceeding 16 pallets and 20,000 lbs.

While these parameters are straightforward, the decisions retail suppliers make aren't always. For example, shippers used to the ability to track parcel shipments in real-time will like the visibility provided for most LTL shipments, since they are normally tracked over multiple stops. But they may be frustrated by the inability to track FTL as closely, since those are usually direct routes with few, if any, intermediate stops.

For shippers that are used to the predictability of parcel rates, LTL and FTL pricing can be perplexing. LTL is priced by a number of factors including dimensional weight and freight classification while FTL has an all-in rate that is market-based. Experience and technology tools play a strong role in successful planning and pricing of commercial freight today.

Retail shippers who go by their gut can pay a price in higher rates and mistakes. Chargebacks from late deliveries are one way. Assessorial fees for delaying drivers or unforeseen services provided by carriers like liftgate service are another.

As the number and size of wholesale orders increase, suppliers face increasingly more complex decisions for controlling costs and optimizing efficiency. That point can come quicker than expected for start-ups and growing SMBs. A freight broker brings this expertise and can be an invaluable resource in a shipper's evolving transportation program.

4. Technology Mistakes: Invest in the Best

Failure to have necessary technology tools in place to handle growth is another major way start-ups and SMBs shortchange their transportation programs.

Many fail to realize the importance of technology and don't make the investment until they reach the point of feeling the pain of their mistake. As volume grows and the complexity of a transportation program increases, a transportation management system (TMS) is the only way to manage many loads at once.

A TMS is indispensable for freight pricing and providing visibility of loads. Additionally, a TMS provides the means for gathering insights into carrier performance as previously mentioned. This performance can be automated to facilitate decisions that continually optimize your carrier choices and mode selections.

After volume increases to a certain level, retail suppliers can't function efficiently and pivot effectively without a TMS that's integrated with the supplier's order management system (OMS). Stiles says that an OMS is often another technology shortcoming that must be addressed immediately. "If you don't have an OMS that integrates well with your targeted retailers, get one," she says. "Especially if you intend to go after big box retailers, you need a compatible OMS or they simply won't work with you."

An investment in leading-edge TMS and OMS that integrate seamlessly with your ERP system is a setup for success. A TMS fully-employed can provide a necessary advantage in controlling transportation costs to strengthen your bottom line and optimize transportation decisions. SMBs and start-ups that fail to see the advantage of advanced TMS and OMS lose the first mover advantage on the road and in the aisle.

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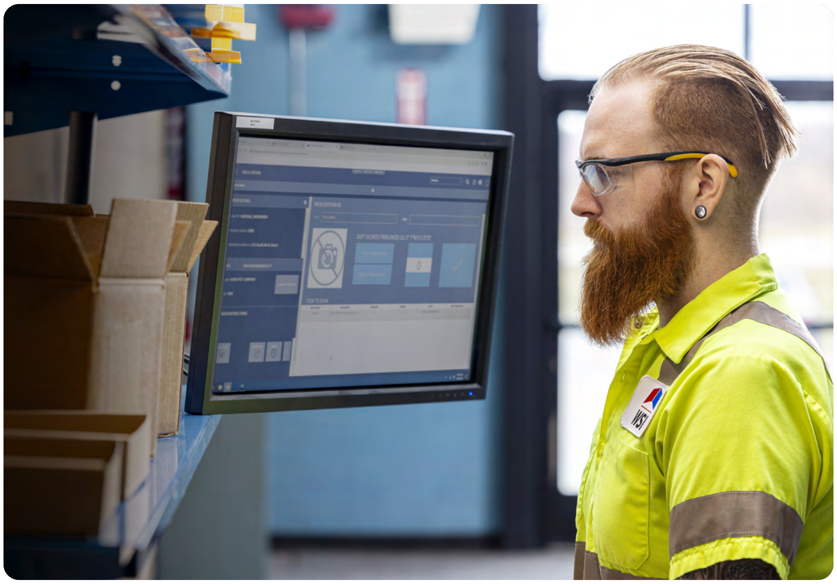


5. Stock-Outs:
Inventory Management Is Make or Break

Having enough inventory to deliver orders on-time-in-full determines your profitability.

Stock-outs mean lost sales in the present and future from retailers who will choose to move to the next supplier who can fill shelf space reliably. Inventory management and warehouse management systems are essential as wholesale volume grows.

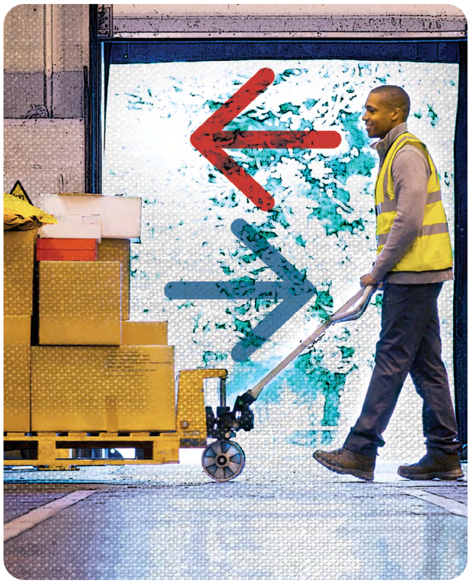
Inventory Management System (IMS) manages all the stock in a supplier's warehouse or warehouses.

Warehouse Management System (WMS) tracks stock movements within a warehouse and follows its progress through picking, packing and shipping.

These systems' integration with TMS and ERP extends suppliers' visibility to inventory and order status. IMS and WMS provide functionality for automating inventory and fulfillment processes that enable suppliers to pivot and scale business to meet volume surges. They enable advanced tracking, providing visibility that ensures stock availability and movement efficiency.

Similarly to TMS, WMS data provides insights that are important for measuring performance, improving processes, optimizing networks, forecasting demand, and automating functions. Implementing a WMS that enables an efficient, cost-effective increase in order volume requires foresight and investment that may be beyond a growing company's means. 3PLs often provide WMS that integrates with sellers' systems and can save them considerably.

A technology-enabled 3PL freight broker provides the big picture advantage of a fully-integrated supply chain, with resources to support volume and the customer service that is critical to growth and success.



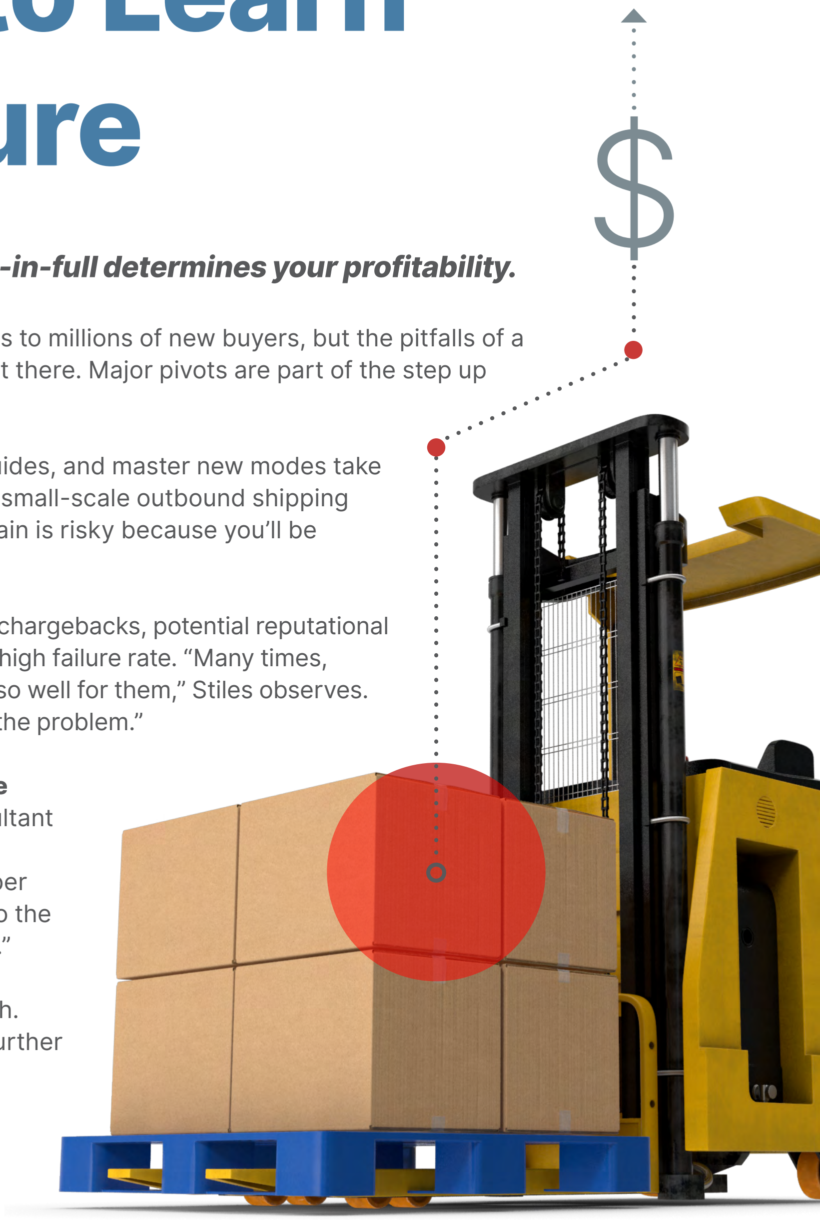
Start-Ups and SMBs Can't Afford to Learn Through Failure

Having enough inventory to deliver orders on-time-in-full determines your profitability.

Getting into a retailer like Walmart exposes a supplier's products to millions of new buyers, but the pitfalls of a poor shipping effort can undo the massive effort required to get there. Major pivots are part of the step up to wholesale markets.

Learning to manage more inventory, navigate retailer routing guides, and master new modes take concerted effort. Assuming that managing a parcel program or small-scale outbound shipping program prepares you to scale up for fulfillment to a big box chain is risky because you'll be learning by very costly mistakes.

Think hard about the loss of multi-million-dollar sales, mounting chargebacks, potential reputational damage, and strain on existing operations. DIY programs have a high failure rate. "Many times, suppliers will try to fumble through it but that ends up not going so well for them," Stiles observes. "They often end up having to hire an expensive consultant to fix the problem."



Starting with an experienced retail freight partner avoids the learning curve. Stiles' recommendation is to work with a consultant who's done retail compliance work from the get-go, or find an experienced, trust-worthy freight broker. "I would say the number one thing they should look for is a freight broker who shipped to the retailers they're shipping to before with both LTL and truckload."

The experience enables a supplier to get ahead of future growth. Partnering with a 3PL freight broker positions a supplier even further ahead by integrating warehousing and transportation under one roof and one advanced technology stack.

Appreciate the opportunities but don't underestimate the challenges

Brick and mortar stores offer a huge opportunity for suppliers who can make the move successfully. The move isn't to be taken lightly. But it's not to be taken slowly and incrementally, either. Volumes can overwhelm and strain operations or they can be opportunities to grow your company. **Rely on partners with the resources, relationships and experience to smooth the way.**

About WSI

WSI (Warehouse Specialists, LLC) is a leading 3PL provider delivering reliable fulfillment and supply chain solutions nationwide. With the perfect mix of people, processes, and technology, WSI empowers brands to make the most of their supply chain operations. We help retailers optimize their logistics spend, streamline their operations, and improve customer satisfaction via a collaborative partnership. We understand every business is unique. That's why we offer a wide range of customization options and value-added services to meet each partner's specific needs.

About Kase

Kase™, formerly known as ShippingTree and now a part of the WSI® family of brands, is a premier provider of direct-to-consumer, retail, and omnichannel order fulfillment services. Our proprietary fulfillment technology platform was developed specifically with the needs of ecommerce merchants and omnichannel retailers in mind, providing real-time order tracking, order routing, inventory control, and parcel rate selection. Kase goes **Beyond Fulfillment™** to deliver exceptional customer experiences, helping brands keep their promises with every order.

[1] https://www.census.gov/retail/ecommerce.html

[2] https://www.cbinsights.com/research/report/startup-failure-reasons-top/

[3] https://www.mckinsey.com/~/media/mckinsey/dotcom/client_service/operations/pdfs/lean_and_mean-how_does_your_supply_chain_shape_up.pdf

[4] https://www.logisticsmgmt.com/article/walmart_reduces_carrier_requirements_for_otif_shipments

[5] https://www.trucking.org/economics-and-industry-data

[6] https://safer.fmcsa.dot.gov/CompanySnapshot.aspx

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