



Point to Point

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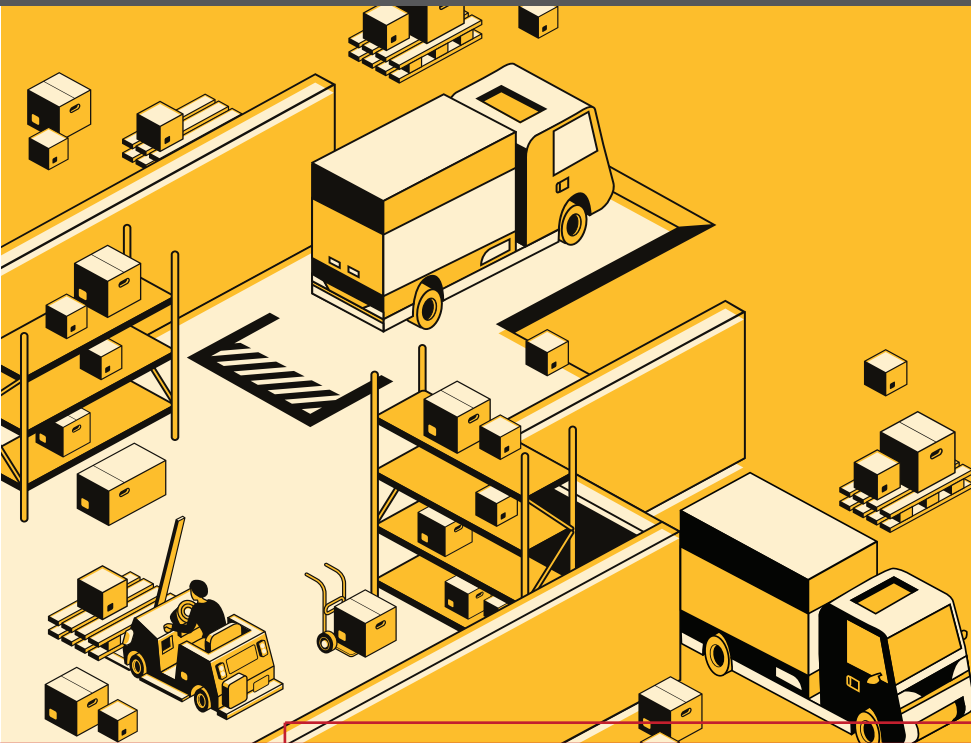
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Logistics insights provided to you by **AVERITT**



LEVERAGING A DISTRIBUTION AND FULFILLMENT NETWORK FOR REDUCED COSTS & BETTER TRANSIT TIMES

Over the past several years, two important challenges have developed for supply chains. First, the growth of online shopping has increased shipping volumes and demand for quick deliveries to consumers. Secondly, the driver shortage has strained freight capacity across multiple areas.

Together, these challenges have forced shippers to rethink their warehousing and distribution strategy. This is especially true for shippers that move mid to high volumes of freight across multiple markets.

To that point, consider the structure of Amazon's supply chain. Marketplace shippers (and increasingly Amazon's own line of products) sell to customers throughout North America and around the globe. To keep prices under control, Amazon understands the value in localized inventory staging and transportation.

With approximately 100 fulfillment and sortation centers (and growing) in the U.S., the company's supply chain is structured to reduce final mile transit times and costs. This allows sellers to stage inventory in multiple markets rather than having to ship orders hundreds or even thousands of miles.

This distribution strategy is great for Amazon's sellers. But what about B2B and B2C shippers that sell products independently? It goes without saying that most businesses lack the capital to build a supply chain infrastructure on the scale of Amazon. Nonetheless, local and regional fulfillment solutions shippers meet the growing demands of today's supply chain.

The key to building a cost-efficient supply chain tailored to end consumers is to reduce length of transit.



POSITION PRODUCTS FOR SPEED

The key to building a cost-efficient supply chain is

to reduce the length of transit. The farther a shipment travels, the higher the cost of transportation, which eats into the shipper's bottom line. Of course, they have the option to pass on those additional costs to their customers, but with the risk of encouraging them to seek alternatives.

To overcome this challenge without having to lease and manage multiple facilities, shippers can utilize established warehousing and distribution networks. Companies that offer these services generally have multiple facilities in key markets. They may specialize in LTL freight management, small order pick and pack, or both. Operating as a 3PL extension, many of these service providers, such as Averitt, also maintain their own trucking fleets to handle delivery and distribution.

By staging inventory with a regional or local market strategy, or using a pool distribution model, shippers can reduce the overall miles within their supply chain. Not only can this reduce transportation costs, - **see pg. 2**

DISTRIBUTION & FULFILLMENT

(CONT. FROM PG. 1)



From pg. 1 - but it also can improve the ability to offer customers next-day, two-day and potentially same-day shipments without an expedited price attached.

GAIN INVENTORY INSIGHT

While utilizing third-party warehousing and distribution services can help improve speed-to-market and operational costs, technology is also crucial. Whether the shipper uses one or more facilities (e.g., Nashville, Cincinnati and Charlotte) to stage inventory, a warehouse management system (WMS) brings many benefits. Aside from showing standard inventory stock levels, a WMS gathers and analyzes a wealth of data that can help shippers:

- **Know when to replenish products**
- **Know when to schedule a pickup**
- **Understand which products are moving**
- **Determine when sales peaks occur and how to order and ship accordingly**

In addition to WMS technology, a transportation management system can help the shipper determine the best method to move freight by analyzing transport options, transit times and rates.

Over time and with use, these technologies become smarter as they gather and study data from the past to the present. If a shipper already has such systems



in place, a reliable service provider will be able to seamlessly integrate them into their own operations.

FIND FLEXIBLE SHIPPING SOLUTIONS

The third area shippers need to think about is the transportation beyond the facility. Most companies provide only freight storage and inventory management. Some service providers, however, may own trucks or provide access to a pool of transportation companies.

Still, every business is as unique as the freight and products it is moving. For that reason, it can be difficult to find a service provider that can offer customized delivery capabilities for both large freight and small parcels. Nonetheless, there are plenty of companies that can offer end-to-end logistics services and management to meet a shipper's specific needs.

With thorough research, shippers can find the right partners that can help them build a supply chain strategy to reach their customers without the need for additional facilities and hands.

Averitt Distribution and Fulfillment, for example, can provide shippers of all sizes with access to inventory staging space across the Central and Southern U.S. In addition to its North America LTL and truckload services, the company can also provide a wide range of delivery solutions from its fulfillment centers, including residential and white glove delivery. **PtoP**

CHALLENGES ALONG THE SOUTHERN BORDER

TIPS TO HELP KEEP YOUR FREIGHT MOVING



Amid tensions surrounding the U.S. and Mexico border, shippers need to prepare for ongoing delays on goods primarily moving northbound. Following an influx of Central American migrants arriving at the border, the U.S. Customs & Border Protection has shuffled personnel and assets around to manage the situation. As a result, many officers and inspectors who are generally tasked with checking trucks and freight moving back and forth across the border are being temporarily reassigned to work more closely with migrants.

This reassignment has disrupted the flow of commerce across the border. Major commercial crossing points, including Del Rio, El Paso, Laredo and McAllen, are bearing the brunt of the issue. In some cases, Mexican drivers are waiting anywhere from five to 20 hours before they can cross the border.

Currently, it is not expected that there will be any immediate relief to the issue. Therefore, shippers that depend on cross-border supply chains may need to rethink their strategy. Here are a few tips that can help reduce the impact of the situation.

- 1)** Rethink current lead time planning to account for an extra day or two of transit across the border.
- 2)** If necessary, use expedited services to speed up the delivery process when freight enters the U.S.
- 3)** Utilize in-bond transportation services so that freight can pass through the border without having to go through the inspection process.
- 4)** Work with providers that have distribution centers and terminals along the U.S. side of the border to streamline the process of transloading freight to U.S. equipment.

While these steps can help create a more reliable strategy during this period of uncertainty, the most important thing a shipper can do is build strong relationships with their service providers. **PtoP**

ARE YOU PREPARED FOR CHANGES TO WALMART'S OTIF POLICY?

POINT
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Walmart maintains one of the most complex supply chains. It is also one of the most efficient. To keep its shelves stocked and customers happy, the retailer relies on countless suppliers. Ensuring mutual success, the suppliers are required to follow an On-Time, In-Full (OTIF) policy.

The retailer uses OTIF compliance ratings to gauge shipping performance. This measures the supplier's ability to meet Walmart's goals. The rating system measures delivery performance. It also notes if every part of the planned shipment arrives.

WHAT ARE THE 2019 OTIF POLICY CHANGES?

In February, the retailer announced changes to its supplier delivery targets. The updated delivery goals took effect in May. In the past, OTIF compliance was measured as a single metric. Now, there are two different measurements. On-Time deliveries are one metric, and In-Full shipments are the second.

ON-TIME FACTORS

To meet Walmart's on-time requirement, shipments must arrive within a delivery window. The delivery window will vary from shipper to shipper. Generally, a delivery window will be one or two days. Early or late deliveries will result in penalties against the supplier's scorecard.

IN-FULL FACTORS

Shipments to Walmart's distribution centers should be 100% in-full. This means they will not be under- or overfilled. As with on-time factors, failure to make in-full delivery can have negative consequences.

WHAT OTIF TARGETS WILL SHIPPERS NEED TO MEET?

The changes introduced in May will see more pressure put on in-full deliveries. This change is meant to reduce the amount of surplus inventory Walmart keeps in back rooms and distribution centers.

FAILURE TO MEET OTIF COMPLIANCE GOALS

To encourage suppliers to meet their shipping goals, Walmart can impose chargebacks. The chargebacks are 3% of the value of the shipped goods.

If a delivery is early, the shipper can expect a 3% fee on the total value of goods. If it's late, the shipper can expect a 3% fee. If the shipment is short, the shipper can expect a 3% charge. And so on.

SHIPPING AND DELIVERY TIPS

Lead times are key to improving and maintaining OTIF compliance. Walmart's shipping policy may sound daunting. But there are benefits to meeting the goals. Mastering lead times creates better efficiency for the supplier. It also allows the supplier to maximize the goods they sell.

Not all less-than-truckload and full load carriers are equal. This is especially true with OTIF shipments. Due to the time-sensitive nature of retail shipments, many carriers add surcharges. This should not be viewed as a standard practice.

Good planning on the carrier's part will not require additional costs. Furthermore, some carriers will book retail shipments as expedited service. Don't be fooled into thinking this is a common practice.

In-Full Target Goals

Food Consumables: 97.5%

General Merchandise: 95%

In terms of delivery, "on-time" performance will also be boosted. The biggest change will fall on full load shippers. The previous goal of 85% is increasing to 87%.

On-Time Target Goals

Prepaid Full Truckload: 87%

Prepaid Less-Than-Truckload: 70%

Collect Shipments: 95%

STAGE INVENTORY FOR QUICK OTIF DELIVERY

Transit times on deliveries can be challenging for retail shipments. This can be especially tricky for long-haul shipments. By positioning inventory closer to consignee locations, shippers can reduce the possibility of encountering delays that can lead to missed delivery windows.

Consider using warehousing services to position freight closer to Walmart distribution centers. Distribution and fulfillment solutions can help with building a great OTIF delivery strategy. **PtoP**

3 REASONS TO SHIP BY RAIL

There are many benefits to using intermodal shipping. However, there are also lingering hesitations that many shippers have. The consensus over the years has been that rail services can't compete with over the road trucking. In some cases, this may be true, but for the most part this is a misconception.

1) REDUCED COSTS

From a cost perspective, rail solutions offer an economy of scale. Because they can move many containers and trailers at once, transportation costs are spread across multiple shippers.

The difference in costs between rail and road can range from the hundreds to even thousands of dollars. Of course, the difference will depend on which lanes the shipper uses. As with long haul trucking, some rail lanes are in higher demand than others.

2) COMPETITIVE TRANSIT TIMES

Probably the biggest misconception of intermodal shipping is the speed of service. In the past, it would be safe to say that rail transit times couldn't compete with trucking. That has changed over the years, though.

In many lanes, intermodal shipping can match standard trucking transit times. Nonetheless, shippers should work closely with their service providers to ensure that crucial lead times will be met.

3) MORE EFFICIENT DISTRIBUTION

Intermodal shipping can offer a great amount of flexibility when it comes to distribution. By shipping in volume by rail to a select market, cargo can be deconsolidated for regional less-than-truckload or full load distribution.

Another reason to consider intermodal shipping is that cargo can be transported by container or trailer. Ocean containers can be transported direct to or from many ports across the country. This can help reduce the costs associated with long haul drayage.

Standard truck trailers can also be shipped by rail. This can streamline the pickup and delivery process and reduce overall lead times. This is a great strategy because transloading between a container and trailer isn't necessary for transportation. Many service providers can offer both container on flatcar or trailer on flatcar solutions. Work with your service provider to determine which option is best for your business. **PtoP**

In a comparison of rates between rail and road service in January 2019, we found significant savings via intermodal shipping.

Atlanta, GA to City of Industry, CA:

Shipping by rail was estimated at **\$2,775** compared with **\$3,200** for over the road trucking (**\$425 in savings**).

Atlanta, GA to Tacoma, WA:

Shipping by rail was estimated at **\$3,100** compared with **\$5,880** for over the road trucking (**\$2,780 in savings**).



5 TIPS TO PREPARE YOUR CUSTOMERS FOR A RESIDENTIAL DELIVERY

The demand for final mile and white glove delivery services is rapidly growing for large and heavy products that

aren't suitable for parcel shipping. These types of residential deliveries generally require the use of two-man delivery teams. Pulling off a successful final mile delivery, however, will require planning and actions on behalf of the recipient.

Failure to properly prepare for a residential delivery can result in a bad experience and potential accidents. If you're a shipper that utilizes final mile delivery services, you can help educate your customers to avoid the pitfalls of a bad delivery. Use the following five tips to help your customers prepare ahead of time for their delivery.

1) COLLECT CONTACT INFORMATION

Gathering all pertinent contact information from your customer is very important. This includes the customer's phone number and email address. Final mile drivers will often contact your customer 20-30 minutes out from the delivery. This will ensure that the driver knows that the receiver will be home. Additionally, it will give the customer a heads up to be ready for the driver's arrival.

Additionally, the driver may need to contact the customer if there is a potential for delay, or if they need additional directions. Great communication is the key to ensuring that your customers avoid any challenges that may arrive.

2) CLEAR ENTRANCE & PATHWAYS

It is important to ensure that all areas are clear of obstacles and debris during the delivery process. Delivery teams are not responsible for rearranging a customer's furniture layout to accommodate a delivery. They will need adequate space to navigate through a customer's home while delivering large objects.

Customers should move all furniture such as end tables and chairs that will hinder delivery teams. Driveways or pathways leading to the house should also be cleared of debris that could get in the way of the delivery team. Aside from making the delivery process take up as little time as possible, this will help protect the delivery team from tripping or falling.



3) SECURE LOOSE RUGS & WELCOME MATS

Some of the most common hazards that delivery teams encounter in residential homes are loose rugs and welcome mats. It's critical that customers either secure rugs to the floor or remove them before the delivery occurs.

When these everyday items are not secure, individuals can easily fall when the rug moves out from under their feet. Not only can someone get hurt, but also the product being delivered can easily be damaged.

4) BE PREPARED TO REMOVE DOORS

In some instances, the dimensions of the product may prevent it from moving easily through an entrance. If the customer is expecting a large piece of furniture, they should be aware that doors may need to be

taken off hinges. Communicate with your customers that they should keep the appropriate tools on hand, including screwdrivers and hammers.

5) SECURE ALL PETS

The mail carrier isn't the only person who has to worry about unleashed dogs on their route. Unsecured pets should be placed in a closed room or other area out of the way of the delivery team. Dogs, especially the big friendly ones, could jump on a delivery agent and cause them to fall and drop the product. At the same time, the front door of the home will be open during the delivery process. Securing all curious pets will ensure that the delivery goes off without a hitch and that no pets go missing. **PtoP**

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