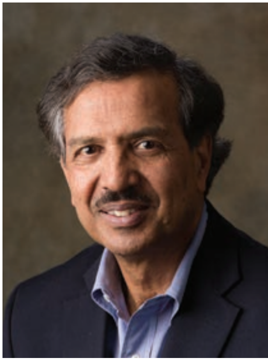
31 flavors of B2C parcel deliveries



Satish Jindel

THE PARCEL INDUSTRY has failed to realize that the business-to-consumer (B2C) parcel market is much more than just a difference in addresses as deliveries shift residences from offices. The B2C market is like the 31 flavors at an ice cream parlor, whereas the business-to-business (B2B) market is more like the three flavors found at family restaurants.

For decades before free shipping became the norm, parcel carriers handled deliveries to consumers no differently than deliveries to businesses. In those years, both business and residential consignees had to sign for receipt of a parcel, which often resulted in a second or third delivery attempt to residences by the parcel carrier.

To increase delivery productivity and with access to new technology — such as images of deliveries made to a specific address — both FedEx and UPS started to drop off parcels at residences without requiring signatures.

Then, Amazon unleashed the power of free by offering free shipping to consumers. With online sales growing exponentially, the B2C share of the parcel market grew from 20 percent in 2000 to over 70 percent in 2020. But parcel carriers continued to operate just as they had before free shipping became the norm for B2C deliveries, viewing B2C parcels as fundamentally unprofitable.

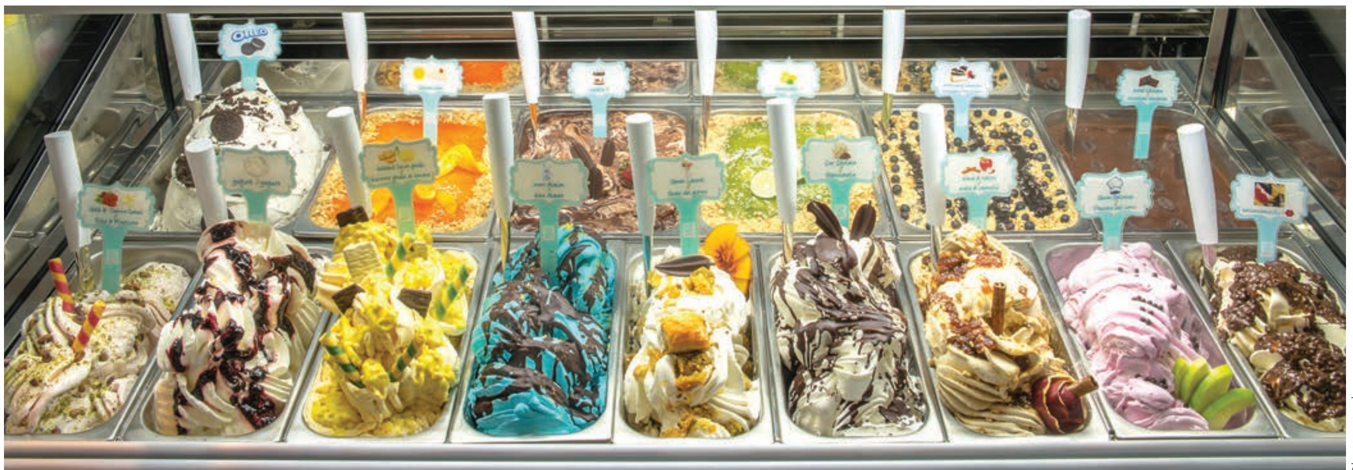
Consumers are willing to pay for customized delivery to suit the unique attributes of the products and their lifestyle.

The parcel industry made a gross error by failing to realize that although consumers will abandon a shopping cart if the online retailer does not offer free shipping, the diversity of items delivered and the socioeconomic differences among consumers placing those orders provided new sources of revenue for deliveries to residences.

There are considerable differences in when, where, and how consumers want to receive their merchandise based on various combinations of the sociodemographic, economic, and geographic attributes of the hundreds of millions of consumers receiving online orders with free shipping.

The consumers want free shipping from the retailers. However, once shipped without any direct charge for that shipping by retailers, the consumers are willing to pay for customized delivery to suit the unique attributes of the products and their lifestyle, such as speed, income, location, and type of residential property.

Returning to the ice cream analogy, when family restaurants offer free ice cream as part of a meal, the consumers are OK with their choice of flavors being limited to vanilla, strawberry, and chocolate. However, when the same consumers go to an ice cream parlor, they have no hesitation



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paying a considerable amount for a flavor of their choice, not to mention the extra charges for special toppings.

The major parcel carriers continue to focus on recovering the cost of shipping to consumers from the retailer, failing to realize that consumers will pay an additional amount for customization of the final-mile delivery. For the consumer, that extra cost is just a few dollars for each package needing such variations in delivery.

However, for a retailer to regularly pay for that kind of customization would amount to millions of dollars per year. Extra services such as faster delivery may not be needed by many, meaning retailers would be paying for services not needed, rather than meeting specific needs for other customers. The needs for a particular consumer may even be different depending on the product and the time of the year that product is ordered.

While the large national carriers have failed to realize this major change in meeting the needs of the B2C recipient, new startups have done so and hence have been successful in attracting venture funding and gaining traction with the B2C customers. Examples of such startups include Fetch Package and Hello Package.

Regardless of whether these startups ultimately succeed, they confirm that the B2C market has unique attributes that are being overlooked by FedEx and UPS. Fetch Package, for example, identified a need for apartment landlords and tenants to avoid having their packages left outside their apartment doors. Landlords see a value in paying a monthly fee for packages to be delivered at the convenience of the tenants with signature upon delivery.

In essence, Fetch Package's business model duplicates the local network of warehouses and drivers that is already in place with the parcel carriers. Hence, if the major carriers had realized the implications of the vast diversity of products and consumers receiving online order deliveries, there would be no duplication of networks competing for warehouses and drivers and destroying the national carriers' brand identity.

FedEx and UPS have continued to approach the B2C shift from an operational perspective by pushing residential packages to access points to build delivery density. They must be in denial that Amazon, having started its delivery network just five years ago, has a greater number of parcel deliveries per route (up to 370) and more parcels on average per stop for B2C deliveries.

The industry continues to avoid recognizing the need to make the pricing and operational changes needed to support consumers' need for 31 flavors of parcel deliveries. JOC

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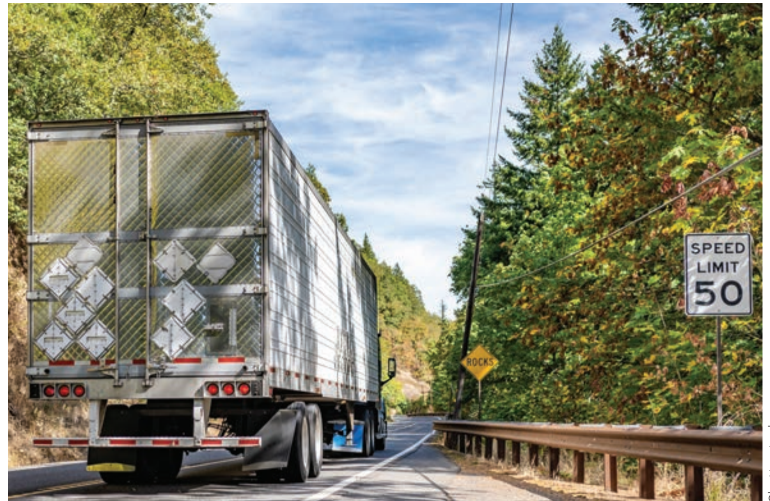
Networks in flux

High demand, disruption remain the norm for US LTL

By William B. Cassidy



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US LESS-THAN-TRUCKLOAD (LTL) networks are continually evolving as spikes in freight demand cause delays and backups, putting pressure on LTL carriers to manage more selectively what comes in and what goes out of their trailers and terminals. For shippers, the result is higher rates, surcharges, and more rejected freight.

"Everything in our world has transformed over the last 18 months," Webb Estes, vice president of process improvement at Estes Express, said during a Nov. 10 webinar on procuring LTL capacity. "We've had to pivot and move resources around the country to meet spikes in demand."

Richmond, Virginia–based Estes

> "We've had to pivot and move resources around the country to meet spikes in demand."

Continued high freight demand and supply chain disruption linked to the COVID-19 pandemic will complicate shippers' LTL plans in 2022. One thing shippers can't plan on is a return to pre-pandemic norms in LTL. Rising e-commerce volumes, inventory restocking, and increased manufacturing output will continue to boost already strong LTL demand.

Express, the largest privately owned US LTL carrier, at one point had to ship empty trailers to Southern California from Chicago by intermodal rail, something the trucking company would never have done in a "normal" year. Much like in 2021, there's no such thing as normal LTL in 2022.

"The LTL market is changing rapidly, demand is growing rapidly, and