
6 Shipping Tactics to Counteract Macro Forces and Improve Customer Experience

Featuring research from
a Forrester Consulting study
done on behalf of the
U.S. Postal Service

TABLE OF CONTENTS

I. Executive Summary	3
II. The Macro Environment	4
Urbanization	5
Globalization	5
Sustainability	6
III. Counteracting External Forces	7
Shipping Tactic 1: Implement smart tracking	8
Shipping Tactic 2: Offer flat-fee shipping	8
Shipping Tactic 3: Organize and automate fulfillment centers	9
Shipping Tactic 4: AI-driven fulfillment	10
Shipping Tactic 5: Self-service return processes	10
Shipping Tactic 6: IoT-enabled tracking	11
IV. Key Takeaways	12
V. Footnotes	12

Executive Summary

The running of a shipping department doesn't happen in a silo. No matter how efficient internal operations are, factors in the external (or macro) environment can affect how well a business delivers on its promises.

In short, **macro forces are uncontrollable elements and events that can impact customer experience**, which is the lifeblood of retail businesses in the B2C and B2B space.

In a commissioned survey conducted by Forrester Consulting on behalf of the U.S. Postal Service®, decision-makers at e-commerce companies weighed in on the three key forces that most impacted their fulfillment: urbanization, globalization and sustainability.

This white paper will explore the macro environment and discuss six shipping tactics that logisticians are following to stay ahead of the things they can't change.



The Macro Environment

The forces within the macro environment can have an outsized impact on the function of a business. They also increase pressure on businesses to meet the needs of their customers.¹

Two-thirds (67%) of logistics managers surveyed feel that intensifying customer expectations have a significant impact on their business.¹

A logistics manager or business owner must look at outside forces and ask, “How does this element or force affect the experience I deliver to my customer?”

There are six types of forces in the macro environment: **demographic, economic, socio-cultural, technological, ecological and political**. These forces have a driving effect on the goings-on in the broader world.

Not all of these forces are relevant for every business. We determined the top three trends within two of these forces—demographic and ecological—that could alter the course of many e-commerce companies.

67%

Two-thirds of logistics managers surveyed feel that intensifying customer expectations have a significant impact on their business.¹

The Macro Environment

Urbanization

A trend within demographic forces

The growth of cities was the dominant economic and social trend of the 20th century, and has continued to be dominant through the start of the 21st century.² Since 1950, the world's urban population has more than doubled, growing to 3.8 billion in 2014.² Cities are continuing to boom, putting pressure on transportation systems and increasing the cost of operations.

Deliveries become much more difficult in urban areas as population density increases. There is less space (and more traffic) for vehicles and fewer secure locations for package drop-offs, two conditions that pass off delays to the customer.



These growing concerns have a major impact on business, according to **45%** of logistics managers surveyed.¹

Globalization

A trend within demographic forces

The number of global online shoppers is increasing—as is their online spending: retail e-commerce sales worldwide are predicted to reach nearly \$4.9 trillion by 2021.³ As e-commerce continues its boom across the globe, the world is becoming more accessible for consumers through the internet.

But this growth can have a negative impact on your customers. They become overwhelmed with choices and may forego loyalty for the best price. A race to the bottom doesn't benefit anyone.



Of the logistics managers we surveyed, **48%** feel that globalization has a critical or significant impact on business.¹

The Macro Environment

Sustainability

A trend within ecological forces

As climates shift, environments across the board are changing, causing businesses and customers to pay attention. Some items in a business supply chain are becoming scarcer in certain areas or unavailable entirely. This scarcity affects transportation and the time it takes to get an item to a customer.

For example, if a piece of clothing can no longer be cost-effectively produced in California, businesses have to find a supplier in another area, meaning the item could possibly take longer to deliver and cost more for the customer.

Plus, customers are demanding environmental responsibility: The millennial generation is making buying and employment decisions based heavily on corporate values.



More than half (52%) of logistics managers surveyed feel that sustainability has a critical or significant role in business decisions.¹

All of these forces result in three top challenges for businesses: **competition, cost and customer experience.**¹

In the survey, businesses agreed that they have a harder time:

- ♥ keeping customers loyal
- ✓ maintaining or improving customer satisfaction
- 💰 controlling costs
- 📦 meeting customers' shipping and fulfillment needs
- 📈 growing customer lifetime value

Luckily, there are proven ways to work around these concerns.

Counteracting External Forces

Macro forces put a lot of pressure on businesses, which then have to find smart ways to come out on top.

Logistics executives, managers and directors in the industry see that their customers' expectations extend through all stages of the buyer journey.¹

Customers see businesses as mostly or entirely responsible for:

Order Delivery

87%

Order Processing

73%

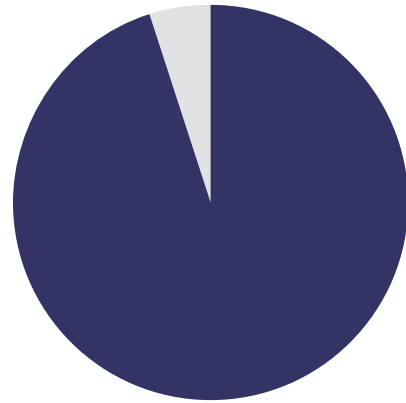
Online Shopping Experience

69%

Product Returns

65%

To better control these customer expectations in spite of macro forces, 95% of leading logisticians use at least one of six shipping tactics.¹



95%

To better control these customer expectations in spite of macro forces, 95% of leading logisticians use at least one of six shipping tactics.¹

Counteracting External Forces

Each one of the shipping tactics below helps logisticians control costs, improve customer satisfaction and stave off intensifying competition. Leverage them in your shipping business.

1 Implement smart tracking

Helps combat: delivery delays caused by urbanization

Customers want to know where their packages are, especially on the day of delivery. Enabling tracking in near-real time (within 15 minutes) is an effective way to engage customers.

Text, email or app updates about the location of a package add value for customers. By keeping customers informed on the location of their goods, businesses can maintain (or restore) faith in their company despite the negative impact of any environmental forces.

You can easily [implement APIs on your company's website](#) to enable simple and up-to-date tracking in a convenient place for customers.

2 Offer flat-fee shipping

Helps combat: price competition caused by globalization

Avoid surprising customers with costly shipping. Instead, try offering a flat shipping fee. Flat-fee shipping options—like charging \$10 to ship a box of items totaling less than \$50—can help increase conversion rates and preserve margins.

When the shipping rate doesn't depend on the distance, weight or size of an item, a customer can go into the shopping experience knowing what they'll pay for items.

Plus, you can incentivize them to buy more by adjusting the flat shipping rate for purchases over a set dollar amount.

Counteracting External Forces

3 Organize and automate fulfillment centers

Helps combat: wasted resources that hurt sustainability, competition caused by globalization, delivery delays caused by urbanization

With a smart setup in a fulfillment center, orders are filled more quickly and efficiently, meaning items can be shipped faster and customers can potentially receive their orders earlier.

Here's how your company can implement this tactic:

- **Group inventory.** When you sort your inventory by fastest- to slowest-moving items, you'll help ensure that you always have what you need in stock. It will become easier for employees to locate fast-moving products and get them out when they are in a central spot that is accessible for picking, packing and shipping.
- **Integrate systems.** Sync your internal systems so that they communicate with one another seamlessly. When an order is placed, your Order Management System will communicate with your Inventory Management System to find the item and mark it as ordered.
- **Automate processes.** Use scanners or scanning apps instead of a manual process. This can help ensure fewer mistakes and speeds up the process of entering items into a fulfillment center or shipping items out. With the right technology, all systems will be notified when a new item arrives or ships.

Partnering with a collaborative shipping partner is a vital step toward optimizing fulfillment centers. The shipping partner can help determine how to centralize larger centers or whether a [Ship From Store solution](#) would benefit the business.

Counteracting External Forces

4 AI-driven fulfillment

Helps combat: wasted resources that hurt sustainability, competition caused by globalization, delivery delays caused by urbanization

Consumer preferences and demands are constantly changing. By integrating artificial intelligence (AI) into fulfillment center systems, businesses can adapt without lag as those changes happen. AI can:

- **Consolidate inventory.** An AI-driven system can see when items are high or low in stock and redistribute them based on demand. It can also analyze every factor of an order to ship an item from the optimal location, which reduces the instance of back orders or delays for online and in-store orders.
- **Simulate fulfillment streams.** When important inventory and shipping decisions need to be made, AI can make smart conclusions faster than humans. Use the system to run multiple shipping scenarios to see which delivers on customer demands. It can also help to control long-term costs and goals for the business.
- **Provide real-time data.** Instead of reaching decisions based on monthly or quarterly recaps, use AI to see what's happening right now and make changes rapidly. Depending on how it's integrated, an AI system can make smart decisions to optimize a fulfillment center's workflow on its own.

5 Self-service return processes

Helps combat: wasted resources that hurt sustainability, competition caused by globalization, delivery delays caused by urbanization

Returns matter. Customers are more likely to become loyal to your business if returns are simple, easy and free for them.⁴

Use a service from a shipping provider that can digitally generate a prepaid return logo. This can help control costs and produce a return customer despite any negativity associated with a product that didn't serve their needs.

Many outside forces can influence why a customer might opt to return an item. Perhaps environmental delays caused the item to arrive after it was needed or the customer changed their mind. Rather than restrict or make it difficult to return an item if it doesn't suit the customer, businesses should create a positive touchpoint.

Counteracting External Forces

6 IoT-enabled tracking

Helps combat: *wasted resources that hurt sustainability, delivery delays caused by urbanization*

See your shipment on every step of its journey. While RFID technology is good for tracking and popular with fulfillment centers and logistics teams, it doesn't allow for real-time visualization of what is actually happening along the way.

By relying on the Internet of Things (a network of internet-connected devices that converse with one another), businesses can monitor goods throughout their shipping journey.

For example, a pallet that connects to the internet can send temperature data to devices in a warehouse. If that data shows that the space is too cold, the warehouse sensors can communicate with the thermostat to adjust the temperature. Similarly, devices in delivery trucks can communicate with fulfillment centers, sharing data that can help explain why products did not arrive as expected.

With IoT-enabled tracking, businesses can:

- Respond quickly when things happen along the way, expediting replacements or alerting customers to changes.
- See and fix supply chain inefficiencies to improve performance and increase business going forward.
- Receive better insights on shipping time and delivery experience to better serve clients and customers.

With these six tech-enabled tactics, your shipping department can get out in front of the challenges caused by sustainability, globalization and urbanization.

Key Takeaways: How to Overcome Macro Forces

While you may not be able to control the broader environment in which your business thrives, there are ways to succeed in spite of these forces.

Harness technology and automation.

Make your shipping systems work for you. Connect them using artificial intelligence or create an Internet of Things network so that each piece of your process works with the others as efficiently and hands-off as possible.

Constantly improve processes.

As you start to receive data more regularly, you can better understand what's working and what isn't. Adjust and optimize your operations while learning about them. Weave in new technologies—like real-time tracking—when they become more available to see how they work in your flow.

Focus on the customer.

Transparency, flexibility and good provider relationships are the key to meeting customer needs.¹ Any improvements and optimizations you make should lead back to enhancing their experience. By meeting customers' shipping and fulfillment expectations, 93% of e-commerce business decision makers we surveyed saw tangible benefits.¹

FOOTNOTES

¹ "USPS Macroeconomic Forces Research Study," a commissioned study conducted by Forrester Consulting, Oct. 2018.

² Rodrigue, J-P et al. (2017) *The Geography of Transport Systems*, Hofstra University, Department of Global Studies & Geography, <https://transportgeography.org>.

³ "Retail Ecommerce Sales Worldwide, 2016-2021 (trillions, % change and % of total retail sales)," eMarketer, January 10, 2018.

⁴ "Narvar Report: Making Returns a Competitive Advantage," Narvar, June 2017.