
A FOUR-PART PLAN TO MAKE THIS YOUR BEST HOLIDAY SHIPPING SEASON YET

HOW LAST YEAR'S CHALLENGES
CAN LEAD TO THIS YEAR'S SUCCESS

PREPARE NOW FOR ANOTHER BIG E-COMMERCE HOLIDAY SEASON

Online holiday sales are becoming more important than ever to retailers. E-commerce grew by 13.4% in the 2015 holiday season. That's compared to just 1.7% growth in retail sales overall, according to a report by eMarketer.¹

If you're going to make the most of this critical holiday shopping period, you need a solid e-commerce game plan. This can help you save money on returns and customer service calls and build loyalty. During the holidays, you'll have customers visiting your site for the first time. If they have a good experience, they may turn into loyal customers, or even brand advocates, who will share their enthusiasm with friends.

"To fix a problem, first you have to identify it."

In this workbook, we'll look at the order fulfillment part of online holiday sales—how you get your orders to customers as efficiently as possible.

We'll show you how to evaluate last holiday season to look for ways to lower costs and make customers happier this year. We'll suggest improvements you could make and lead you through benchmarking activities that help you analyze everything from packing to shipping to handling returns. To achieve the most accurate results, be sure to include your employees in the conversation.

By the time you finish the workbook, you'll have a plan you can start putting in place now to prepare for a better-than-ever holiday season.

TAKE A LOOK BACK

To fix a problem, first you have to identify it. So let's begin by asking some questions about how your package delivery system performed in four different areas last year:

Receiving, storing, picking, and replenishing stock

- Did bottlenecks prevent goods from flowing smoothly from trucks to your warehouse or shipping room floor?
- Were there times when your warehouse was overstaffed or understaffed?
- Was it easy for workers to find the right products and package them quickly?

Packaging, shipping, and handling returns

- Did shipping costs for lightweight products cost more than you expected?
- Were you surprised by unexpected surcharges on your shipping invoice?
- Did your returns process work for you and your customers?

Tracking key performance indicators (KPIs)

- Do you know what it cost you on average to process an order?
- Did you keep track of the percentage of packages shipped on time?
- How much did you spend on returns?

Evaluating technology

- Did your technology perform as well as you thought it should?
- Would upgrading your warehouse management system pay off in more efficient operations?
- Would barcoding or radio-frequency identification (RFID) tags improve your shipping accuracy and customer satisfaction?

We'll look at all of these issues in more detail in the following sections.

PART 1

RECEIVING, STORING, PICKING, AND REPLENISHING STOCK

MOVE QUICKLY FROM DOCK TO STOCK

What happens when goods are delivered to your store or your warehouses? If the process wasn't as smooth as you would have liked last year, here are a few strategies to consider:

- Schedule a specific window of time for each delivery. This helps eliminate traffic jams at warehouse docks and lets you plan ahead to free up space for large shipments.
- Have shippers provide an electronic advanced shipping notice (ASN) so you know ahead of time exactly what is arriving. That way, you can see what products coming in need to be shipped out as soon as they arrive. If orders will be shipped out immediately, have shipping labels ready before they come in.
- Use the ASN to automatically add everything on a shipment into inventory. That cuts down on inventory errors and prevents rush orders of unneeded products.

STORE AND RETRIEVE PRODUCTS EFFICIENTLY

Another key area to look at is your process for storing and retrieving products. Whether you're using multiple warehouses or simply a back room at your store, you need to eliminate extra steps and move goods quickly.

Here are some tips:

- Put your fastest-moving items in a "pick" location where they can be easily reached. That means you'd put the top 20% of your items at

mid-level, so workers don't have to reach down or up to retrieve them.

- Store items that often ship together in the same proximity.
- Reevaluate your pick locations regularly because the popularity of items can change.
- Don't store more than one type of item in a single bin location.
- Keep processes simple so new employees can get up to speed quickly.

"Keep processes simple so new employees can get up to speed quickly."

REPLENISH BINS THE RIGHT WAY

You may want to take another look at your replenishment process. Here are three approaches you can take:

- **Demand-based.** Refill bins only when you need to fulfill orders. This is a good idea if you have limited space or if you need to be certain that old inventory is used up first.
- **Routine.** Refill bins when supplies drop below a preset level. This works well when you have a consistent demand for an item and enough space to accommodate it.
- **Topping off.** Refill bins during slow periods, especially if you're expecting a surge in demand for the product later and need to keep workers busy during lag times.

MODEL FOR CHANGE

A retailer selling specialty pet products struggled through a busy holiday season last year using a single warehouse. Shipments arrived at unexpected times, and staff was either waiting for work to come in or struggling to keep up. Temporary employees not familiar with the warehouse had trouble finding popular products. As they learned their way around, sometimes they would find empty bins, causing delays.

The retailer is making changes to improve efficiency. They now require supply trucks to come at a scheduled time and provide an ASN so orders can be shipped out or stored more quickly. They've adjusted the warehouse layout so that the most frequently ordered items are easiest to reach. They plan to use idle time to ensure bins are full and ready for the next rush.

ISSUES TO CONSIDER

Ask yourself the following questions to help identify areas for improvement.

- Is your warehouse space keeping pace with your business growth?
- Do you need to reallocate space so you have more room in a convenient location to store top-selling items?
- Could you expand your capacity by making better use of high or low areas for storing items that aren't in high demand?
- Can you work with your suppliers to schedule deliveries more precisely?
- Looking at your product mix this year, can you predict which will be top sellers?

PART 2

PACKAGING, SHIPPING, AND HANDLING RETURNS

The way you package and ship your products and handle returns can make a big difference on your shipping costs and can help boost customer satisfaction.

USE THE RIGHT SIZE PACKAGE

A key concept to be aware of is dimensional (DIM) weight pricing. DIM weight pricing is used by the transportation industry to establish a minimum charge for the space a package occupies, not just its weight. For example, a one-pound shipment in a 12" x 12" x 12" box would cost the 13-pound price by dimensional weight, despite only weighing one pound. Carriers use DIM weight pricing because they have to account for not only the weight but the amount of space a package takes up in a truck or plane.

"A few extra touches can help turn your package into a marketing tool."

When the DIM weight is larger than the actual weight, you're paying extra. You can avoid these costs by using the smallest container that will safely hold your product. Adding a wider assortment of box sizes can prevent the use of overly large boxes. Consider using padded or non-padded envelopes when possible. For more details on DIM weight pricing, see our *Efficient Shipping* e-book.

DELIVER A PLEASANT EXPERIENCE

A few extra touches can help turn your package into a marketing tool. You may want to include free samples, coupons, or discount offers or add a personalized thank-you note. Consider asking happy customers to write a testimonial and follow you on social media.

AIM FOR ACCURACY

Check and double-check that the right products are shipping in the right quantities to the right person. Using barcodes or radio-frequency identification (RFID) tags on your products can go a long way toward reducing errors.

Verify addresses before you ship: A typo in a street name, a missing apartment number, or a wrong digit in the ZIP Code™ can mean costly surcharges (up to \$13 per package) and delay delivery. Choose a carrier that offers a comprehensive address verification system to help ensure your packages are headed in the right direction.

MODEL FOR CHANGE

A children's clothing retailer was alarmed at its cost to fulfill orders. Relatively lightweight shipments were more expensive than expected, and workers were spending a lot of time double-checking orders and addresses. The company realized that DIM weight charges were piling up, so they added new box sizes and instructed employees to fit products in these smaller boxes. They also invested in a barcoding system to help automatically reduce packing errors and connected with the U.S. Postal Service® address database to have all addresses verified.

ISSUES TO CONSIDER

Carefully examine last year's holiday packaging processes. Ask yourself the following questions to help identify areas that need improvement.

- What size containers did you use last year? Would adding a few new sizes allow you to always have the best fit for your products?
- How well were your packing stations set up? Did packers have everything they needed close by?
- What processes do you have in place to ensure accuracy in packing?
- Did your carrier offer comprehensive and accurate address verification?

LOOK FOR SAVINGS ON SHIPPING

Now let's look at how to ship more efficiently. You may be spending more than you need to. Be aware that some shippers add surcharges for:

- Residential delivery (USPS has a Residential Delivery Indicator that can help you accurately identify residential addresses.)
- Delivery to less populated areas (called delivery area surcharges and extended delivery area surcharges)
- Fuel (changes monthly according to carrier's fuel index)
- Large packages
- Saturday delivery
- Returns (print and electronic return labels, pickup attempts)
- Package pickup and intercept
- Delivery confirmation response

Keep those charges in mind when choosing a shipper. What seems like a good deal might not be once the surcharges are added.

Another item to look out for is the **net minimum charge**. This is an often overlooked area when negotiating a shipping contract. To ensure a minimum revenue amount per package, most carriers specify the published rate for a Zone-2, one-pound package as the net minimum charge. This charge often prevents you from receiving the full benefit of any discounts you may have negotiated. So it's important to ask your carrier how net minimum charges affect your shipping contract.

You may also save money by choosing different delivery options. For instance, one-day ground shipping, delivered by the end of the day, is less expensive than overnight delivery, which arrives by 10:30 a.m.

MODEL FOR CHANGE

An online retailer offered free holiday shipping but found it cost far more than expected. The company wanted to continue offering the service but needed to cut costs. By analyzing their shipping invoices, they identified a half-dozen unnecessary surcharges. They talked with three different shippers and compared costs and decided that a new shipper offered a better deal for most of their shipping, although for some services it made sense to stick with their original carrier.

ISSUES TO CONSIDER

Carefully examine last year's shipping process. Ask yourself the following questions to help identify areas that need improvement.

- What percentage of your current shipments were subject to surcharges for address correction?
- What percentage of shipments were subject to dimensional weight charges?
- What percentage of your shipments went to business vs. residential addresses? (Some shippers charge more for residential delivery.)
- What percentage of shipments were returned as undeliverable?
- What percentage of your customers lived in ZIP Code™ areas designated for delivery area or extended delivery area surcharges?
- How much did you pay for fuel surcharges?
- Are there times when you could have saved money by using one-day ground shipping instead of overnight delivery?

MAKE RETURNS EASY

In an omni-channel environment, where retailers need to replicate a

brick-and-mortar experience online, returns are a cost of doing business and staying competitive. Here are some tips for dealing efficiently with returns:

- Designate special areas for returns and, if you have the staff, dedicate a special person or group of people to handle these products.
- Make sure you credit your customers' accounts promptly after you accept their returns to maintain goodwill.
- If you can tell through tracking that a large number of returns will be coming in, staff up to handle the volume so you can get products restocked and credits issued quickly.
- Make returns, refunds, and exchanges easy for your customers: Provide them with prepaid shipping labels, tracking updates, and convenient return drop-off locations.

For more information on efficient returns, read the "[Effortless Returns](#)" white paper at [USPSDelivers.com](#).

ISSUES TO CONSIDER

Carefully examine last year's holiday returns process. The following questions may help you find areas that need improvement.

RETURNS

- How long did it take on average to credit customers' accounts for returns?
- How long did it take to return products to inventory?
- What percentage of returns was a result of damage in shipping?
- How frequently was the wrong item shipped?
- What options do you give customers for making returns? In-store? At numerous drop-off points?

PART 3

CRUNCH THE NUMBERS

You need solid numbers to make good decisions. Take a look at your key performance indicators (KPIs) for last year's holiday season.

Here are some of the issues you'll want to examine:

- How much did it cost you to process each order? Consider how much you spent on labor, supplies, shipping, returns, warehouse space, etc.
- How quickly were you able to fill orders? How often was the wrong item sent?
- How many items were returned because of damage?
- How much did you spend on returns?

MODEL FOR CHANGE

A specialty jeweler saw a big uptick in sales during the holidays last year, but that didn't translate to big profits. The company took a post-season look at several KPIs and found that during the holiday rush, their costs to process orders were much higher than during the rest of the year. They also discovered that the level of order inaccuracy and damaged goods was higher. The company is reengineering their plan for this year to combine better technology, warehouse organization, and staffing patterns to save money and keep customers happy.

ISSUES TO CONSIDER

Using just a few simple equations can help provide a clearer picture of how efficiently you're moving products to customers.

- On-time delivery rate = orders on time / total orders shipped
- Order accuracy = error-free orders / total orders shipped
- Order cycle time = actual ship date and time - customer order date and time
- Damage rate = items returned because of damage / items shipped
- Damaged inventory in \$\$ = total damage cost / total inventory value

PART 4

WORK SMARTER WITH TECHNOLOGY

Let's look at where you used technology last year and how well it performed. If your business is outgrowing your current systems, it may be time to upgrade.

For instance, if you're using barcoding to track inventory, did your scanners work properly? Would radio-frequency identification (RFID) tags be a better fit for your company? Technologies that many companies find helpful include:

- **Automatic data collection, such as barcodes and RFID tags.** These help you immediately identify products when they arrive, so you can process them quickly, and help you avoid errors in shipping products to customers.
- **Point-of-sale (POS) software.** In addition to traditional cash-register functions, modern POS systems can help you analyze inventory and calculate when to reorder. This can help prevent problems with back orders or overstocks.
- **Enterprise resource planning (ERP) software.** These systems collect and organize data from various parts of the business, ranging from supply chain and inventory to finance and human resources. While traditionally used in large enterprises, ERP software is now available for small businesses too.

CONCLUSION

ANALYZE, DECIDE, AND IMPLEMENT

You've looked at warehouse organization, packing, shipping, returns, KPIs, and technology. Now it's time to create a plan and put it in action. In the section below, list the changes you need to make to have a great holiday shipping season in December. Then outline a plan for getting there, week by week, month by month. We've filled out some sample information in the first row to guide you.

YOUR ACTION PLAN

WHAT WE PLAN TO CHANGE BEFORE DECEMBER	ACTIONS TO TAKE IN THE NEXT WEEK TO GET THERE	ACTIONS TO TAKE IN THE NEXT MONTH TO GET THERE	ACTIONS TO TAKE IN THE NEXT THREE MONTHS TO GET THERE
Save money on shipping.	Locate shipping invoices from last holiday season.	Identify all surcharges and evaluate what percentage we might be able to eliminate.	Research shipping costs, surcharges, and delivery times for alternative shippers.

Taking a careful look at last year's holiday shipping season—and examining ways to control costs while serving customers more effectively—can go a long way toward preparing you for success. We hope this information helps make this year your best shipping season ever.

1. *US Holiday Shopping Preview 2016: Absorbing the Lessons of 2015*, eMarketer, March 2016.

2. Matthew Brown, "Cyber Monday 2015 Results," PFSWeb, December 4, 2015. <http://www.pfsweb.com/blog/cyber-monday-2015-results-infographic/>