

...just shout!



***THE GFS REVIEW 2011:
PARCELS, PLANNING AND
THE E-COMMERCE BOOM***

A Guide For Users Of Express Parcel Carriers

About Global Freight Solutions (GFS)

Global Freight Solutions (GFS) is the UK's leading parcel and carrier manager and handles more than five million parcels a year. It is trusted to work with numerous household name brands in retail, leisure, financial services and engineering to reduce their carrier and operational costs.

The firm's unique approach relies both on its partnerships with many of the country's major carriers and its innovative technology backed up by a pro-active customer service team. Since being founded in 2001, it has created a groundbreaking range of bespoke software, allowing clients to work with one or many carriers through a single, simple despatch and tracking system.

Partly because of the response to the contents of its 2010 Review (**The Big Chill: Parcel Carriers, Customers and Christmas**), which highlighted issues around carrier provision and contingency during December 2010, GFS decided to release its carrier management software for free to SME customers in Autumn 2011.

Summary

This report contains the results of detailed analysis by GFS of preparations for Christmas 2011 by the UK parcel industry and its clients.

The same period in 2010 saw deliveries

badly hampered by severe bad weather which exacerbated some underlying issues. The principal factors in November and December 2011, though, were evolving trends in the country's retail sector and the ability of parcel carriers to cope with those changes.

As well as further growth in volumes generated by e-commerce, the impact of the recession on 'bricks and mortar' retailers led to a reduction in parcel traffic to high street stores as they stocked up for the festive trading season.

The purpose of this document is not only to analyse the period in question but draw lessons about how those involved in and reliant on the parcel industry might best prepare for Christmas 2012. In particular, this Review considers how those companies sending parcels can manage the impact on and developments within the delivery industry to their best advantage.

Context

Preparations for Christmas 2011 began with the memories of difficulties encountered during the last festive season still fresh in the memory. The previous November and December had seen bursts of severe bad weather which affected almost the entire country and contributed to a backlog of 4.5 million parcels which was only cleared by New Year's Eve.

Carriers and their clients were anxious to avoid a repeat. Many spent the early months of 2011 putting contingencies in place to ensure they were better able to cope with similar circumstances.

Traditionally, carriers had witnessed a peak in B2B parcel traffic at the start of November as stores stocked up for the usual pre-Christmas sales push. That was historically followed by a surge in B2C packages at the start of December.

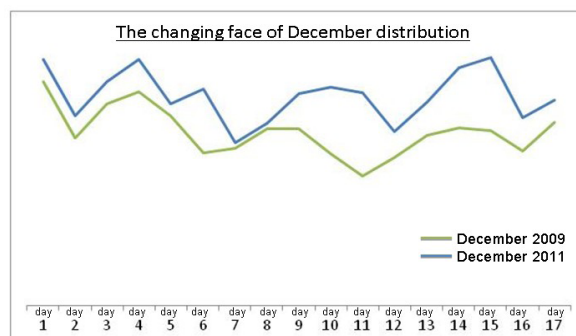
However, a steady decline in high street fortunes during the course of 2011, particularly among some of the retailers which had previously been counted on for large volumes of deliveries, meant that whilst the B2B peak arrived when expected it was down two per cent year-on-year.

That performance contrasted sharply with the fortunes of those involved with e-commerce. Carriers had realised the potential benefits which acquiring more internet retail custom might bring if online shopping continued to prove popular. Retailers - especially those who had seen a slump in takings at the till in their high street premises - were eager to exploit every opportunity they could to generate sales via the World Wide Web.

Analysis shows that consumers began their seasonal shopping on the 'net earlier than in previous years, perhaps conscious of the delays experienced in 2010. That, in turn, resulted in a B2C peak being reached

during week-beginning 22nd November - more than a week earlier than the previous festive period.

Rather than lasting for about a week, as anticipated, the volume of B2C parcel traffic remained consistently high through until the week before Christmas Day itself. During that time, some 4.15 million new B2B and B2C items entered the UK parcel network every day - up 3.5 per cent on the peak volumes in 2010. Year-on-year, the numbers of e-commerce parcel volumes during November and December climbed by 15 per cent.



It is perhaps worth comparing the make-up of those figures against previous years in order to appreciate the shift within the delivery industry. Whereas in 2000, B2C traffic accounted for only 10 per cent of overall volumes in November and December, the proportion it generated by 2011 had risen to 37 per cent. Furthermore, most of that considerable increase has occurred since 2006, when internet retail first became an accepted part of mass consumerism.

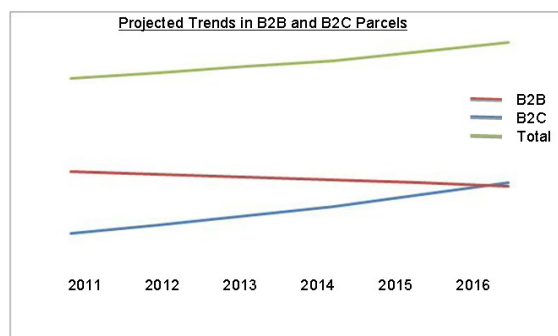
Issues

Consideration of the 2011 pre-Christmas period and broader economic, industry and consumer patterns presents several important issues, most notably the increase in B2C parcel volumes.

Retail analysts believe that there is no reason why the trend among Britons towards doing their seasonal shopping on the internet will slow down significantly, let alone be reversed. In fact, there are suggestions that the use of tablet devices and smartphones to buy online will only spur further growth.

If the next five years see an increase in peak parcel volumes comparable to those during November and December 2011, the UK will see roughly 4.75 million new parcels generated every day by the end of 2016. However, if the respective rate of increase and decline in B2C and B2B traffic is maintained, consumer parcels will, for the first time, account for half that total amount.

The rise in seasonal parcel volumes in 2011 stretched provision on the part of some carriers. Coping with additional increases into the future means being able to increase capacity temporarily, something which often requires the investment of substantial sums of money to put in place coverage in the run-up to Christmas, a period which doesn't reflect the breakdown of parcel numbers for the other 10 and a half months of the year.



As greater familiarity has led to more Britons shopping online, the amounts they spend and the value of the items they buy on the internet have also gone up.

The nature of when they shop has also been dramatically affected. High street sales historically began on Boxing Day but the advent of e-commerce has meant that retailers can trade on Christmas Day itself while 'bricks and mortar' stores are still closed.

That, in turn, means that the lull which carriers expected once the pre-Christmas rush was over has disappeared. Their first three days of operation following December 25th saw 41 per cent of the number of items being shipped as during the December peak - 500,000 more items per day than the same period in 2006, the year the delivery industry began to witness the impact of internet retail.

Some home deliveries, of course, result in returns. The number of those can be expected to increase as the volume of B2C traffic rises.

Implications

The continuation of patterns seen during the 2011 pre-Christmas period and the issues extracted from them arguably have implications for all those businesses relying on the UK parcel industry.

If current trends continue, B2C traffic is likely to continue to increase during November and December while B2B volumes during that period decline. Those firms shipping packages to other businesses will need to be aware of the potential impact on capacity right across the network as the consumer parcel peak arrives, thereby emphasising the need to have a number of carrier partners to ensure reliable deliveries are maintained.

Projections of sustained growth within the e-commerce sector present their own issues. Carriers which are home delivery specialists will have limits on their number of items which they are able to process and, as everyone witnessed in 2010, those limits can be affected at relatively short notice by localised circumstances including weather.

That again raises the imperative even for high-volume shippers to establish a portfolio of carriers upon whom they can count. Such arrangements assume even greater premium when retailers are forced to consider carriers potentially capping the volume of parcels which they will accept from specific customers in order to ensure that they can make all deliveries.

Additionally, if carriers decide to prioritise the type of clients they are prepared to work with during peak period year as part of a strategy to manage parcel flow, retailers dependent on one delivery firm could find themselves being unable to make shipments.

Another consideration especially valid for the increasing number of e-tailers dispatching high value goods to customers is the provision of customer service. Just as there will be a ceiling on the volume of packages which carriers can physically move, there are likely to be limits on delivery firms' abilities to handle queries about late, lost or damaged items and those which need to be returned during and immediately after the Christmas parcel peak.

Given that online shoppers will focus only on their purchases not broader parcel numbers and the role which good delivery plays in the overall reputation of e-commerce and its generation of repeat business, retailers will need to consider effective and efficient order processing, dispatch and return management systems which are not cumbersome, expensive and distract from their ability to sell.

Finally, if B2C parcel volumes continue their current growth rate of 15 per cent during November and December, e-tailers might also amend their delivery promise. Instead of next-day, it may be prudent to offer two or three day shipments in order to guarantee delivery and the satisfaction of customers.

Recommendations

GFS believes that carriers and clients can continue to benefit from the seasonal uplift in e-commerce and the additional parcel business which it generates in November and December 2012 by adopting some simple measures:

- **Contingency is key**

The growth in e-commerce means that the pattern of Christmas parcel deliveries - and its consequence for everyone working within and with the industry - is now clear.

Delivery firms should consider their mix of clients and their impact on providing sustainable parcel volumes throughout the year. They also need to determine whether they have sufficient resources in place to cope with projected parcel volumes at peak periods, including arrangements with staff to work weekends and between Christmas and New Year to cover online sales traffic if necessary.

Client companies need to ensure that they have enough carrier contingency to get their parcels to their destination without a hiccup. Using a number of carriers offers firms not only effective service throughout the year but additional capacity when it's needed most during the peak season, whenever that may be and whatever the industry they're in.

- **Shop early**

More people doing their Christmas shopping online means more parcels for the UK's carriers to have to deliver before December 25th. Consumers tend to criticise companies with which they shopped rather than delivery firms if goods don't arrive in time, jeopardising repeat custom.

Persuading consumers to shop earlier, internet retailers extend the period in which they can attract business as well as reduce the prospect of late deliveries.

- **Preparation not perspiration**

Retailers with e-commerce operations need to make sure that they can maintain customer service by having robust systems to handle dispatches. The increasing volume and value of items bought online presents e-tailers with an issue of how to keep track of parcels - and prevent the loss of custom and reputation that can be caused by poor or failed deliveries. It is far better and easier to put in place measures to pro-actively manage the flow of packages, the carriers shipping them and deal with potential issues which might arise en route than waiting for customer complaints to arrive.

To discuss the contents of this White Paper, contact GFS on 08546 044011 or visit us at www.justshoutgfs.com to arrange a meeting with one of our specialists.