



YOU SHIPPED IT, BUT... DID IT MAKE MONEY?

**STRATEGIES TO PROTECT PROFITABILITY
FOR EVERY ORDER AND EVERY CUSTOMER**

FREE SHIPPING ISN'T FREE

Remember when adding shipping and handling charges to every order was a common practice everyone accepted? Customers rarely balked at paying extra S&H for every catalog, mail order and home shopping purchase.

Then Amazon changed the game. First came Prime membership promising 2-day shipments for a flat, year-long fee. Same-day and next-day strategies emerged soon thereafter.

To keep up, B2C companies quickly turned down the free shipping path. The B2B sector was not far behind. Now every customer is expecting a “\$0” in the shipping field on their invoices.

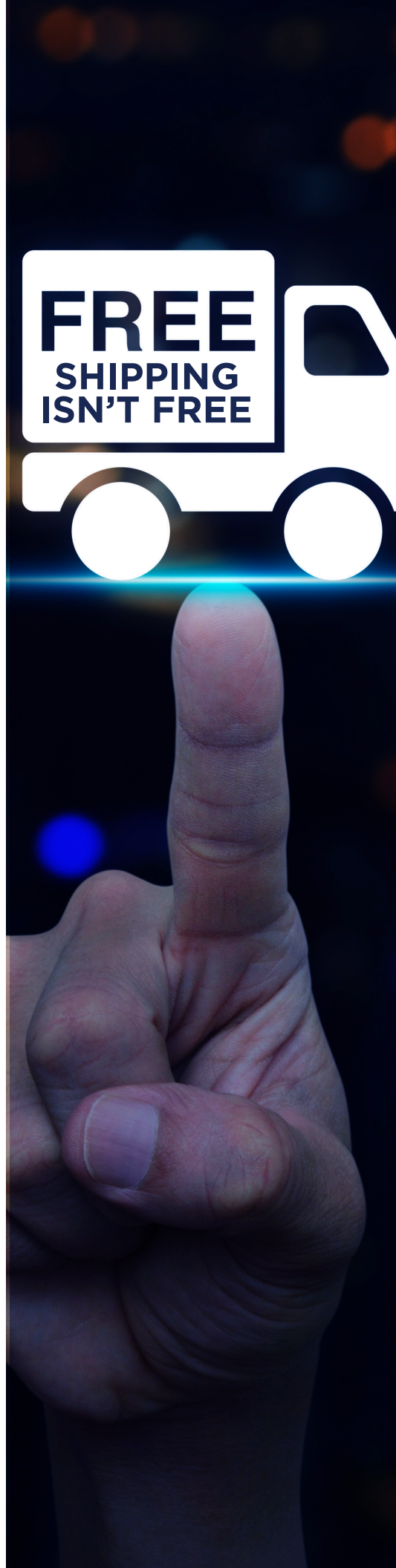
This free shipping bonanza became a race to the bottom for many shippers — particularly those dealing with heavy parcels. **Companies are sacrificing profits in lieu of getting the order.** With the next competitor one mouse click or screen tap away, charging that S&H fee is no longer an option.

Protecting the “free-shipping” customer experience leads quickly to an unprofitable order:

- What if it has to be split into three different boxes?
- What if it is immediately returned because it doesn't fit or meet customer expectations?
- What if a small item is packed in a box that is too large (because the right-sized one wasn't at the packing station)?

Even companies handling extremely high order volumes can wind up losing a lot of money.

In this guide, we explore the key challenges facing today's product-oriented companies and detail six best practices they can use to ensure the highest level of profitability on every order.





YOU CAN'T AFFORD TO IGNORE THIS PROBLEM

If you continue to ship products without closely examining the time, effort and money that goes into sending out each package, you will soon find yourself under water. Remember, Amazon only needs to break even on shipping costs to win.

The market was already volatile entering 2020. A pandemic pushed e-commerce sales and residential orders to new heights. Was your organization among those that raced into reactive mode?

PRESSURE BUILDING

- E-commerce volume predicted for 2025 is filling transportation networks today, and there is no end in sight for the online buying boom.
- The customers who do not want to pay for shipping are also demanding tighter delivery windows.
- Facing their own profitability challenges, parcel carriers like UPS and FedEx are implementing new surcharges that further complicate transportation costs – especially in the final mile.

Getting the right products to the right place at the right time will only become more complicated in an era when the “normal” expectations are never normal.

How was your response to the “perfect storm” of pandemic, e-commerce demand spike and higher transportation costs and complexity?

Without the ability to make advance preparations for urgent demand, essential/non-essential status or alternative shipping strategies, new cost drivers can inflate your transportation spend quickly.

Left unmanaged, your true shipping cost puts your company at risk.

- **A manufacturer of outdoor goods serving big box retailers began shipping directly to consumers when more orders started coming in online.**

Shipping a pallet of 25 outdoor umbrellas at no charge to a large retailer was still a profitable venture. Free shipping for those 9-foot, 75-pound umbrellas bound for 25 different households via Parcel carrier takes a huge chunk out of the bottom line.

6 PRACTICES FOR PROFITABLE SHIPMENTS

Shipping profitably is an attainable goal, even in today's uncertain environment. Getting there requires extra effort, good logistics partners, and the application of best practices. Here are six practices to protect profit on your B2C and B2B shipments:



1. Differentiate winners and losers.

When you understand SKU viability, you can refine your marketing messages, pricing, pass-through costs, and other elements that determine whether you make money on an order (or not). Determine which products are “winners” and which are “losers,” and then focus on the former. Weed out the products that are not making money, and focus on the ones that are profitable.

There aren't many companies that have a good handle on profitability at the individual SKU level, particularly when factoring in fulfillment costs, inbound costs and shipping costs. Combined, these drivers can make a major difference in whether an order is profitable.



2. Think down to the package level.

If you are handling multiple pick-and-pack orders, you need to know what you are putting into different sized packages. Align that information with the actual transportation costs, and then figure out the profitability level on each.

This can be a complex process, but ultimately it is important to understand that the dollar amount on your transportation invoice does not tie into your product profitability. Once you determine what it costs to ship each SKU, it becomes clear that offering free shipping at a \$50 order threshold, for instance, may not yield a profitable order for your company.

By taking a broader view and looking at specific packages, you see more accurate picture of your profitability on each order.

Dissecting those charges and ensuring that everything was charged correctly can be time-consuming and onerous. At Transportation Insight, our audit team constantly reviews the applicability of the charges and the actual rates that were charged to ensure accuracy.



The Pareto Principle (80/20 Rule) asserts that roughly 80% of the effects come from 20% of the causes. Recognizing that 20% of your SKUs typically represent 80% of your sales volume, determine a baseline. Focus on what it costs to pick, pack, and ship each of those different SKUs.

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6 PRACTICES FOR PROFITABLE SHIPMENTS



3. Involve everyone in good margin management

Make sure your marketing and sales teams are onboard. They must be committed to sending out more profitable orders.

When the “Buy \$50 worth of stuff and get free shipping” promotion launches, make sure the “losers” do not fill-up e-commerce shopping baskets and drive your cost above profit. Share relevant information across your organization to keep everyone marching in the same direction.



4. Put data to work.

“Data is the new oil,” but in the shipping world, it is also the safety net for companies that want to run profitably. **Awareness of freight cost as a percentage of product cost can mean the difference between making or losing money on an order.** If you let it, the data can tell you much more than that.

Look not only at carrier data, but also at sales data, product costs, fulfillment costs and other metrics that go into a single order. Transportation Insight helps shippers gather and consolidate all of that into a unified dashboard used to:

- Track trends
- Pinpoint winning/losing SKUs
- Single out areas where the company may be losing money

With a goldmine of data at your fingertips and a tool that enables high levels of visibility, it is feasible to ensure profitability on every order.

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5. Put your SKUs in the right place.

Optimize fulfillment and place SKUs as close to the end buyer as possible to reduce your shipping expenses. Importantly, this also creates “wow” moments for customers who will come back (and spread the good word about their experience).

Putting your SKUs in the right place may be straightforward under “normal” operating conditions, but it becomes extremely difficult during disruption. Prepare ahead by knowing your network’s strengths and weaknesses. Model what-if emergency scenarios:

- Where can we place critical inventory to ensure continuity of supply?
- Where will our biggest demand be coming from (and why)?
- What are fulfillment alternatives if there is a geography-specific supply disruption?

With contingency plans, you can manage inevitable interruptions knowing how quickly you can shift focus to best serve customers while also controlling cost.



6. Build - or buy - the Tools

With enough money and resources at their avail, many companies will choose to build versus buy. Is a new “build” really a core focus for your company — or will it detract from your mission?

For a sporting goods distributor to drill down into SKU-level profitability, for example, it would require a team of logistics, data and IT professionals — all of whom will either be hired or redeployed from other tasks.

A better approach is partner with a reputable provider that:

1. has built out the necessary systems
2. spreads the value of those systems across numerous different users.

The latter allows providers to leverage economies of scale and offer their services at an affordable cost.





THERE IS NO SILVER BULLET

We're never returning to the days when S&H is an accepted line item on a shipping invoice.

Here's your proof from the National Retail Federation (NRF):

- **75%** of consumers expect delivery to be free even on orders under **\$50** (up from **68%** in **2018**).
- Baby boomers (born 1946-1964) demand free shipping the most, with **88%** expecting it. That compares with **77%** for Generation X (1965-1980), **61%** for millennials (1981-1994), and **76%** for Generation Z (1995 and later).

Put simply, buyers across all generations expect their vendors to pay for and manage the transportation cost component. Left unchecked, **this customer expectation can quickly turn into a financial nightmare for companies trying to meet ever-tighter delivery windows while maintaining profitability.**

Applying these best practices can help your company remain agile and focused on customer service while protecting the bottom line.

Mastering your supply chain requires a partner that is able to work with the upstream and downstream in customer Supply Chain to understand what is happening in distinct nodes:

- How do suppliers ship and perform? How do they receive?
- What happens in transit?
- What happens on delivery?
- How do information systems trigger and support those flows that enable the customer experience?

In a never normal supply chain environment, you need a partner that can both execute the standard scope of 3PL services and help solve the problems that jeopardize your bottom line performance.

YOUR SUPPLY CHAIN. MASTERED.





Transportation Insight has the team, the tools and the technology to unlock the power of your supply chain so you can realize value today and drive growth tomorrow.

About Transportation Insight, LLC

Transportation Insight is a multi-modal, lead logistics provider that partners with manufacturers, retailers and distributors to achieve significant cost savings, reduce cycle times and improve customer satisfaction rates through customized supply chain solutions. Transportation Insight offers a Co-managed Logistics® form of 3PL, carrier sourcing, freight bill audit and payment services, state-of-the-art transportation management system (TMS) applications, parcel technology platform (audit, engineering, advanced analytics) and business intelligence. The Enterprise Logistics division of the Transportation Insight Holdings, LLC, (TI Holdco) portfolio, Transportation Insight operates alongside transactional freight brokerage Nolan Transportation Group (NTG) to help client shippers engineer efficient supply chain networks. Combined, the \$3.2 billion TI Holdco organization serves 7,000 clients with logistics management services that include domestic transportation (TL, LTL, Parcel), e-commerce solutions, supply chain analytics, international transportation, warehouse sourcing, LEAN consulting and supply chain sourcing of indirect materials including secondary packaging. Headquartered in Hickory, NC, Transportation Insight has secondary operating centers and client support offices across North America.

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