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Will the growth of ecommerce grow new last-mile delivery opportunities?

I was having an interesting chat with my letter carrier in early December, just last month. He has worked for the US Postal Service for 30 years. We have known each other for ten, maybe even close to fifteen years now, so I have known my letter carrier for a significant part of his long career. And in true customer service fashion, it is great having a letter carrier who knows me and who I can trust.

During our early December conversation, my letter carrier showed me his already over-flowing postal vehicle that was filled with parcel boxes for holiday delivery. The postal service has been increasing their ecommerce deliveries, opening up services on the weekends, to boost revenues amid declines in regular mail volume as people engage more in electronic media for bills and magazines, especially with magazines struggling to make it in a digital world.

However, as my letter carrier pointed out, while those tiny mail trucks may be fine for the majority of the year, they are generally too small to handle the volume of packages during the holiday season. The postal service won't invest in larger vehicles because there is no justification to do so: the capacity analysis just doesn't pan out because there are no problems during the rest of the year. This places a stress on the postal service fleet and risks compromising the speedy delivery of holiday packages.

The alternative for shippers looking for a last-mile solution is to use the only other two options: FedEx and UPS. But my belief is that companies look to the USPS first because the shipping costs are less, so converting to alternate carriers may increase costs.

The capacity gap faced by the USPS may be an opening for an entrepreneurial company to step in and offer some additional delivery help during the holiday season. A transportation or technology company with a ready fleet of vehicles or drivers (think Uber or Lyft) could partner with the postal service and help lighten some of the load by utilizing some of their capability and capacity. And a third-party could offer delivery times outside of when the USPS normally functions, e.g. evening and nighttime hours. This would reduce the incidences of package theft by delivering when the customer is home.

Inasmuch as the main carriers – FedEx, UPS, and the USPS – seemingly got the holiday happiness delivered this without the capacity headaches of years' past – the growth of ecommerce will only put more stress on the big – or shall we say "only" – three main parcel carriers at holiday time. Will this, plus the increasing theft of packages at the front door, (here's a suggested solution: have holiday packages delivered to the workplace), push consumers back to the stores to ensure they get their gifts safely, securely, and on-time?

Holiday shopping in the omnichannel world brings with it new supply chain opportunities, and that includes the possibilities of some unique partnerships that improve delivery safety and security which reduce costs and help ensure everyone has a happy holiday season right from the early start.

The end of 2017 brings to a close the 22nd year of business. As I look to 2018 and the beginning of year 23, I look forward to another year of providing insightful help to my clients in the areas of data, operations, software, supply chain, risk, and fraud. And I'll keep sharing my insights and thoughts through my monthly newsletters.

Thanks.

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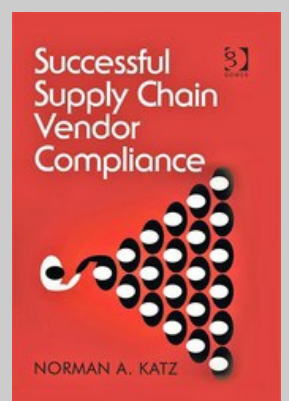
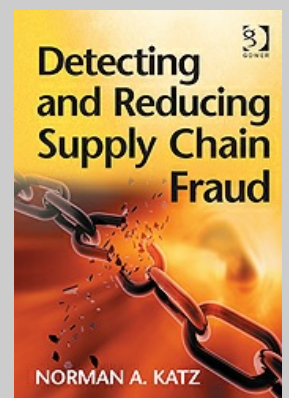


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