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Forwarders Find Direct-to-Consumer Niche

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In today's fast-paced and technologically savvy society, consumers in increasing numbers are turning to the convenience of online shopping. And as the practice grows, increasing numbers of retail brick-and-mortar businesses are providing the option of shopping at their stores via the Internet.

One reason for this is an attitude shift by the now-aging Baby Boomers, who have on the one hand become technologically enabled, and on the other are less tolerant of the crowds, hassles, walking distances and parking difficulties of shopping malls and big-box stores. Online ordering is tailor-made for this segment of the population.

It's reached the point where most retail businesses today must provide online shopping to remain competitive, but there are many benefits as well. One advantage for retailers is the ability to offer a wider variety of products and options online than are available in the physical store. That's because instead of fitting each product into a Main Street storefront, products purchased online can reside in a large warehouse, waiting to be picked and packed specifically for each customer's order.

This direct-to-consumer market niche has not gone unnoticed by traditional freight forwarders. With the online marketplace growing at a soaring rate in the past few years and the abundance of online retailers, some freight forwarders have quickly adapted their service offerings to accommodate the demands of computer-literate stay-at-home customers.

This new home-delivery market provides freight forwarders both with benefits and challenges.

The benefits include greater revenue opportunities. By replacing the decline of domestic heavyweight air-freight tonnage with the additional revenue of home deliveries, forwarders can justify the purchase of their own pickup-and-delivery equipment, such as flatbed trucks and vans.

The increased shipment volumes gain revenue of scale from both pickup and delivery costs per shipment, providing an opportunity to grow revenue dollars.

In addition, these assets provide increased transportation purchasing leverage from their providers by enabling them to operate profitably in smaller markets where air freight alone cannot support a brick-and-mortar presence.

There are challenges involved in this changing market, however.

Thanks to the speed and convenience of the Web, today's customers expect a higher level of service all around. Information technology advances have enabled direct-to-consumer forwarders to provide customers with various Web-based initiatives to

enhance their online shopping and shipping experience.

Some forwarders provide interactive voice response systems, or IVR, to send automated telephone calls or e-mails directly to consumers, enabling them to leave messages or schedule appointments for the delivery of goods while updating information on a real-time basis. This enables forwarders to connect directly with customers and/or integrate directly with the retailer's operating system to confirm delivery status and expedite the entire shipment process for a more positive customer service experience.

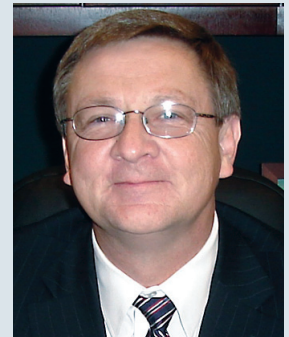
However, there also are liability concerns that become apparent once the product has reached the home of the consumer. It is important to have properly trained delivery personnel for the company to remain successful at home deliveries. Potential liability problems include a delivery truck leaking oil on the driveway, damage to lawns and sprinkler systems, damage to walls inside the home and faulty packaging assembly — major factors when evaluating the home-delivery market.

Another perspective for a company to consider is that most goods sold online for home delivery are not packaged properly for an LTL environment. The goods are typically manufactured overseas, retail packaged and then packed tight in an ocean container. Once stateside, the LTL environment the individually purchased goods move through requires stronger packaging to get to the residential destination undamaged. More expensive goods allow the manufacturer or retailer to spend more money on packaging to ensure a higher success rate on delivery.

The convenience of shopping online — and the ever-increasing number of Internet users, worldwide — are just two factors in the booming Internet sales home-delivery market. This is particularly true during the fall-winter holiday season, when shopping centers are jam-packed with consumers on last-minute shopping sprees.

By identifying — and conforming to — this growing segment of the marketplace, freight forwarders are becoming more successful at accommodating customer demands while growing business revenues. The direct-to-consumer delivery niche, as a growing business segment for freight forwarders, is here to stay and will remain strong as long as the cost of transportation is reasonable as a percentage of the cost of goods.

Tom McIntyre is director of business-to-consumer sales for SEKO, a global provider of freight forwarding and logistics with world headquarters in Chicago.



Opinion