

Why **Single-Source Shipping** is Eating Away at Your Bottomline

Want to balance speed with accuracy on shipping? Here's what you need to know about navigating carrier complexity as a scaling company to ensure you are getting the best rates and service level to meet your customers' shipping expectations

Fulfillment Challenges of a Growing & Scaling Company

As a company grows and scales, the highlevel fulfillment process does not change—receive, putaway, order, pick, pack, ship—but the complexity and number of decisions that need to be made in each step increase exponentially, and most companies never reevaluate their processes despite doubling or tripling revenue. Companies using traditional warehouse and fulfillment processes do one of two things to manage exponentially increasing complex decisions in the warehouse: **(1) they use**

inflexible static logic or (2) unscalable manual decisions by workers. This dynamic plays out across the whole enterprise, but in this paper, we'll focus on the static logic, manual decision conundrum as it relates to **shipping carrier selection.** We will also share how you can overcome this conundrum and ensure you **choose the best service level to meet customers' expectations** by not just finding the lowest rate. The approach should be more nuanced than 'find me the cheapest rate' as we'll outline below.

| Current State

Companies using traditional warehouse and fulfillment processes leave manual decisions up to warehouse workers. For example, a company has workers rate shop manually, putting the onus on them to determine what they believe is the best carrier and service rate per shipment. However, this creates higher labor costs, decision mistakes, and a painfully slow warehouse as rate shopping takes place across many carriers and services to match end-customer expectations.

Another common approach is using static logic to determine how to fulfill orders. With rate and carrier selection, this could mean that companies single-source and ship with one carrier or a service level, not considering what is ordered or to what destination. These processes are efficient to set up and manage but ultimately come with financial tradeoffs. Yes, the warehouse process steps move efficiently, but the company is blind to the real cost, and potentially lost revenue over the long run.

Shipping with only one carrier does not always leverage the best rate to meet service level, even taking into account preferential rates and treatment that a customer can get from a major shipping provider when they ship enough volume with that one provider. Furthermore, if a customer selects two-day shipping, it might not be necessary to ship with two-day service; if the end customer lives in a zone that is closer to where a product is being shipped from, it might have been possible to send the parcel via ground and achieve the expected delivery at a much lower cost. In other words, a company and/or the customer are overpaying when they don't have to. **In essence, static logic is a dramatic oversimplification of decisions.**

Most companies choose one of the above approaches or a combination of both. Let's explore the implications of this dilemma within the context of shipping carrier selection in more detail.



Manual Decision Rate Shopping: Unscalable & Painfully Slow

It sounds simple, and it is until it's not. At its core, manual decision rate shopping means a company is relying on warehouse workers to manually choose the best rate per shipment in hopes that the human selecting rates will yield more shipping costs savings. A typical manual decisionmaking process consists of warehouse workers finding the best rate or using a traditional, simplistic fulfillment rate shopping tool that often leads to static and inflexible decisions.

The common denominator of the manual approach is a painfully slow and clunky fulfillment process. In the time it takes a worker to select the optimal rate for a shipment and complete the order process, it's likely that numerous orders have been placed and are waiting for the worker to go through this same arduous process, again, and again. While some companies may think manual rate shopping will increase accuracy and save money, ultimately, having a worker manually select a rate for each shipment is simply not scalable, especially as order volumes grow.

Even if that worker can keep up with orders today, what happens when there is a seasonal spike or orders grow by two or three times—over a year or as we saw with the pandemic—overnight. Of course, there's the option to hire more staff, cross-train and share knowledge, but labor is difficult to find and the costs associated with onboarding and training new warehouse workers add up.

Additionally, there's the challenge of retaining your experienced staff and the problems that arise if they leave the company. These workers hold an immense amount of tribal knowledge that basic shipping technology and processes can't make up for when warehouse workers leave.

So, if you don't want to make manual decisions at every step, applying general rules for all processes and workers can help, right?

According to the U.S. Bureau of Labor Statistics:

The average turnover rate across all industries in the U.S. is between 12% to 15% annually. Employee turnover in the warehouse industry stands at a whopping 46.1%”

Source:
Harver: <https://harver.com>



Static Logic Single Sourcing: Expensive & Inefficient

There are big players in the global shipping industry, like UPS, FedEx, and DHL. They've earned a reputation for excellence with unprecedented reach and service. Building a relationship with one of the giants is an effective way to get discounted rates with that carrier. The more you ship, the less you pay for each shipment, goes the logic.

High-volume shippers might even receive benefits in addition to discounted rates, like prime pickup and delivery windows and access to extra services. It's impressive to get to this point as a business because it means you're getting a high volume of orders and successfully delivering these to customers.

Unfortunately, by single sourcing with one company, you are going to overpay. It's not a matter of if, but when. There are times when other carrier rates will be cheaper and still meet the desired service level. [Shipware](#), a leading parcel contract optimization service, estimates that companies that utilize a diverse carrier mix save between 15%-22% on shipping costs. Josh Taylor, senior director of professional services at Shipware, explains it best, "Shippers need to keep an open mind, get creative, and be proactive. Best practices from even a few years ago are already outdated... single-sourcing with FedEx or UPS is becoming a thing of the past. Carrier diversification is necessary now to ensure companies always have a way to reach their customers".

This doesn't just apply to shipping, but any industry. It's the typical market monopoly dynamic: when one company has all the power, they can do as they wish and prices will go up and the risk for a company leveraging one company increases. However, specific to shipping and fulfillment, the big players know that the preferential treatment and rates will get them more business and many companies leverage this effectively.

What's more, according to the U.S. Department of Transportation the total number of for-hire carriers in the United States is nearly 1 million. By single sourcing, you are limiting yourself to one of these. And these thousands of carriers each offer countless services, like special reduced regional pricing, or specialization in particular types of cargo.

Additionally, having access to only one provider can lead to higher shopping cart abandonment, leading to lost revenue. If only one rate is shown and the rate is perceived to be too high, the customer is much more likely to abandon their shopping cart.

Another big issue is that companies leveraging static logic also commonly match exactly what a customer selected for shipping as the service they send.

**According to
Baymard Institute:**

69.82%

The average documented online shopping cart abandonment rate.

Source:
<https://baymard.com/lists/cart-abandonment-rate>

49%

The reason for abandonment is extra costs too high (shipping, tax, fees).

Standard shipping is free in the shopping cart. Two-day shipping uses two-day shipping services and one-day shipping uses overnight services. The reality is that most two-day service level agreements for a customer could be met with a cheaper carrier service based on time in transit and geographical calculations. In other words, if a customer is geographically close to where the product is shipping from, two-day shipping could be much more expensive than necessary, ground may offer the same or faster service at a much lower cost.

So the question becomes, is there an opportunity that your business can have it both ways? What if you didn't have to give up your negotiated rates with a major carrier and you could build on them so that, when they are the cheapest for the service level you can still use them, while also having the flexibility to use other carriers when appropriate? And use dynamic logic and rules so that the service a parcel is shipped with matches customer expectations, not the label of the service by the carrier?

And even better, what if you could build in certain 'if this happens, then do this' rules that ensure you aren't leaving decisions up to inflexible static logic or manual decisions made by workers. This could mean, you define certain scenarios where you want to single source with your negotiated rates—and other scenarios where you would like to leverage automated rate shopping. **Essentially, wouldn't it be nice to gain best practices while still keeping control over how and when decisions are made?**

| Rate Shopping Tools to the Rescue?

Companies that don't want to rely on the manual decisions of a warehouse worker or static logic often supplement with an off-the-shelf rate shopping tool. There are many options available that do an adequate job of finding rates. A traditional fulfillment rate shopping tool can help automate warehouse worker steps of rate shopping, but these tools are inflexible systems that make static decisions. They are a hammer when not everything in the warehouse is a nail.

So the tool will find the best rate, but what else can it do? Can it take into account real-time order data and custom business rules put in place for certain if/then scenarios? **No.** These tools exist to find the cheapest rate and print a label, leaving it up to the warehouse workers to make manual decisions for every other step in the process. Simply put, this does not help to automate or scale a business.

It comes down to a traditional warehousing and fulfillment process or advanced processes. **The companies that implement the right advanced warehouse and fulfillment processes supported by the right solutions, at the right time, can grow and scale.**



Advanced Fulfillment Process Done Right

At ShipHawk we've worked with thousands of companies who were facing implications of leveraging traditional warehouse and fulfillment processes. We've found that the best way to fight back against the manual decision or static logic conundrum is to implement advanced warehouse and fulfillment processes supported by worldclass solutions. By learning from thousands of use cases, we've built solutions that solve the manual and static conundrum with real-time automation.

ShipHawk supports both parcel and LTL carriers in one system that scales with your growth, to optimize order-level routing across carriers, services, and modes to guarantee the lowestcost option, while still meeting your delivery promise.

Which, as highlighted above, is much more nuanced than just selecting the same rate that a customer selects in their shopping cart.

ShipHawk can easily add and use your negotiated rates and route every order to the optimal carrier and service.

Access hundreds of carriers and 3PLs from one platform. ShipHawk is not a broker and our goal is not to change rates, but rather to automate and optimize existing carrier relationships in the background without human intervention, all based on your business rules specific to your warehouse and your needs.

Imagine, enforcing all your carrier-specific and channel-specific policies in one place, eliminating manual steps and dependence on warehouse worker expertise, while reducing errors and avoiding duplicate entries.

Nikunj Patel from Ergomotion said it best, "At Ergomotion, our customers are our top priority. While UPS has been a great provider for us and continues to be, we really needed the flexibility to work with carriers and services that both drive our costs down and fulfill our customers' needs."

Break the static logic or manual decisions conundrum and improve your overall fulfillment process to grow your business.
Ready to get started?

TALK TO A TEAM MEMBER