

WHITEPAPER

# WHY SHIPPERS CAN'T AFFORD TO OVERLOOK REGIONAL CARRIERS

*By Lisa Blade*

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# Introduction



Due to the COVID-19 pandemic, [the retail landscape in 2020](#) looks vastly different from years' past.

[Supply chains worldwide have been disrupted](#), and increases in e-commerce have limited shipping capacity and obstructed delivery times. Many retailers were less prepared than they could've been to minimize the impact of the pandemic, but those [embracing omnichannel capabilities](#) were able to swiftly shift some e-commerce fulfillment to stores they had converted to distribution centers or even offline by offering flexible delivery options like curbside pickup; buy online, pick-up in store (BOPIS); and more.

With another wave of COVID-19 cases potentially set to collide with flu season heading into winter, retailers are preparing for an unprecedented holiday shopping season, most of which may take place online.

[According to a consumer insights survey by Radial:](#)

66%

of U.S. shoppers anticipate they will increase their online purchases during the 2020 holiday season

60%

of U.S. shoppers are planning to shop less in-store this season due to fear of COVID-19 exposure

# Increased Carrier Demand



As e-commerce keeps growing, **carrier demand has surged**, while resources and capacity dwindle. Between rapid job growth in other areas of the economy that may be **inhibiting some carriers' ability to hire and retain workers** and **DMV backlogs due to COVID-19** closures, driver shortages that plagued the trucking industry pre-COVID-19 have only grown worse.

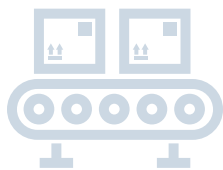
Carriers' responses to this intensifying demand and industry volatility have been two-fold. First, many carriers started alerting enterprise shippers in recent months they would not be able to fully handle peak season shipping. Second, several carriers announced **surcharge increases for the 2020 holiday season**, including the United States Postal Service (USPS) imposing surcharges in the U.S. this year. Globally, carriers in all hemispheres are taking similar steps to offset costs.

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*Choosing to work with regional and specialty last-mile carriers may prove to be particularly wise in 2020*

Facing the challenges posed by an unusual online shopping landscape, with tight carrier capacity and high shipping costs, fulfillment teams face significant obstacles entering peak season 2020. Retailers and eTailers will be on the order fulfillment end of record levels of online orders, and to manage these volumes successfully and offer cost-effective ways to meet rapidly evolving customer demands, necessary operations and fulfillment strategy implementations should already be underway. Growing its carrier network can help any merchant, regardless of its preparedness, by introducing more options and capacity into the parcel delivery mix. Long a successful strategy but often overlooked, choosing to work with regional and specialty last-mile carriers may prove to be particularly wise in 2020 to reduce transportation costs and provide a consistent level of service to customers, despite the surging demand for carrier capacity.

# Advantages of Leveraging Regional Carriers



Because of their abilities to rejuvenate a fulfillment operation, regional carriers are getting more attention from companies of all sizes and industry sectors in 2020.

As experienced shippers will attest, when compared to national carriers, regional carriers can be the key to faster, cheaper and more flexible delivery services, along with solving the oft-most challenging aspect of parcel delivery: the last mile. Adding regional carriers to cover or augment specific regions of their delivery network enables shippers to lower overall transportation costs and offer customers a broader choice of shipping options.

For merchants competing against retailers that offer one-day and same-day delivery, adding regional carrier services to a shipping strategy can help level the playing field.

400 mi

from a shipment's origin is usually offered by regional carriers on next-day ground delivery, often at a lower rate and with fewer surcharges

200 mi

from a shipment's origin is the next-day footprint of most national carriers' ground service

**For retailers looking to build a resilient fulfillment network that helps control costs while adapting their services to customers' changing delivery preferences, regional carriers offer many advantages, including:**

**1. Lower freight rates**

Most regional carriers transport packages via truck hubs, which can be operated at a much lower cost than airfreight operations.

**10-40%**

Savings can often be achieved with regional carriers compared to UPS and FedEx pricing

*Regional carriers may not charge for rural or weekend deliveries*

**2. Fewer surcharges**

Many regional carriers do not assess the same delivery surcharges and fees charged by national carriers. Regional carriers may not charge for rural deliveries, for example, while national carrier charges can vary based on rural ZIP codes. Other regional carriers may not add a surcharge for weekend deliveries. Calculated over a year's worth of shipments, the elimination of such surcharges can add up to thousands of dollars in savings.

Holiday delivery surcharges also vary by carrier. Companies expecting their highest shipping peaks during this period should consider adding regional carriers to handle some of the volume and control costs.

**\$1-3** Surcharge  
Per Package

will be imposed by UPS on high-volume U.S. residential shippers during the eight-week peak cycle, which begins November 15

[FreightWaves](#)

### 3. Faster delivery for a lower cost

Regional carriers may also offer faster transit times at lower costs than national carriers. This can be a huge advantage for shippers with many customers in certain geographic regions. For example, an online retailer in California with a high density of customers in metropolitan New York can save time and cut costs by using a less-than-truckload (LTL) carrier or airline to deliver its orders to a NY-based regional carrier—who then makes the last leg of customer deliveries. Efficiencies like this can help companies grow revenues by wooing new customers away from their competitors.

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*Regional carriers are not required to standardize their services to accommodate a broader network*

### 4. Responsive service

Regional carriers may be willing to take on special shipping requirements or provide additional services, because, unlike national carriers, they're not required to standardize their services to accommodate a broader network. They may be in a better position to move certain kinds of products that require special handling or set up, for example, or be better positioned to respond more quickly to service inquiries.

For instance, many regional parcel carriers utilize live customer service teams versus an automated system. These live customer service teams are usually more involved at an operational level and can have greater front-line authority to directly resolve customer issues.

Whether the volume of packages shipped is low or high, rates can still be negotiated

### 5. Lower damage rates

Many regional carriers also damage goods far less than major carriers, which can greatly help shippers trying to attract customers for repeat business. Some of this may be attributed to a mindfulness to minimize damage on shipments, but it may also be related to the regional carrier's operational characteristics.

### 6. Improved negotiating power

Adding regional carriers to the mix places shippers in a better position to negotiate more competitive contracts with their national carriers. Regional carriers are likely to be more flexible in order to compete with the massive volume of business that national carriers draw from the market. Whether the volume of packages shipped is low or high, rates can still be negotiated, as some carriers seek to fill capacity in specific lanes and regions. Data on a shipper's historical volumes will provide the carrier an idea of annual or seasonal volume, and rates can be adjusted accordingly.

Similarly, fuel surcharges, general rate increase (GRI) caps, accessorial charges, and other fees can all be up for negotiation.

30%

savings can easily be achieved in some cases when large companies utilize regional carriers

With e-commerce changing the way companies ship and how carriers approach rate negotiations, contracts should be reviewed more regularly to ensure rates are competitive relative to the current market.

With these benefits in mind, merchants increasingly agree that utilizing a regional carrier strategy will be critical to meet demand for peak season 2020. Incorporating last-mile carriers can help retailers diversify their supply chain to address shortages in carrier availability and accessibility.



Marc Magill, Vice President of Business Development at OnTrac, says,

*“With many shippers having experienced national carrier rate increases from 18-50%, the current pandemic has clearly illustrated the need for shippers to diversify their carrier mix. Furthermore, the largest online retailers are flocking to regional parcel carriers not only for the cost reduction but to gain the necessary capacity they require, especially at peak season... The parcel environment has changed from one to simply look for the best solution to a dire one focused on self-preservation. The first and most important step a large shipper should take is to add a multi-carrier software solution that enables them to achieve stability through diversifying their suite of parcel carriers.”*

In some zones, these regional carriers offer cheaper rates and perform better than major carriers like UPS and FedEx. Incorporating these carriers into rate shopping initiatives can decrease parcel delivery costs and transit times by providing greater flexibility to allow retailers to select local carriers in different regions that have optimal delivery networks for serving their customers.

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*Having more carrier services can help minimize the impact of surcharges*

When tied to just one or two carriers, on the other hand, shippers cannot reduce costs or supplement capacity. Having access to more and different types of carrier services can help minimize the impact of surcharges during peak season and obtain the best value for every destination, delivery date and product shipped. To succeed in keeping costs low during peak season, retailers should aim to choose the best fit carrier and service for each fulfilled order and leveraging regional and last-mile carriers can significantly expand carrier service options to help achieve that goal.

# Criteria for Choosing Regional Carriers



While numerous benefits can be gained by adding regional carriers to a merchant's portfolio, it takes the right alignment of the carrier's services to the shipper's specific needs and the right shipping system technology to yield measurable benefits.

## For the best results, consider the following tips:

### 1. View regional carriers as complementary, not competitive

Taking this approach enables retailers to uncover new opportunities that result in a win-win for them and their customers. Some shippers hesitate to consider regional carriers, largely because they are more accustomed to the delivery services offered by large national or global carriers such as UPS and FedEx. However, regional carriers are quick to note they view their services as complementary to national carriers, rather than competitive.

Tom Mara, Vice President of Customer Experience for LaserShip, a regional last-mile delivery company says,

*"National carriers like FedEx and UPS play an important role in helping many shippers manage their delivery networks and we certainly don't operate on the belief that we're here to replace them... But in certain situations, we can offer a very competitive solution that may also address service needs that national carriers cannot accommodate."*

*It's important to think about the bigger picture when considering a regional carrier strategy*

## 2. Take a broader view, beyond lowering freight rates

Noting the dramatic changes in the shipping industry in recent years – and 2020 in particular – it's important to think about the bigger picture when considering a regional carrier strategy. Rather than entering carrier discussions with a focus on lower freight rates, consider questions such as:

- What business problems are causing the biggest pain points in the delivery network today?
- What are the top three things to improve related to the business's carrier services?
- What customer service issues are top of mind for customers, and how are they affecting the business?
- Can delivery services be identified and added that attract and retain new customers?

Ideally, a shipper's regional carrier strategy will empower them to:



**Expand capacity**



**Reduce surcharges and fees**



**Improve fulfillment performance**

## 3. Don't underestimate the value of data analysis: business intelligence/analytics

Shippers can achieve the best results when they base their decisions on a comparison of current shipping processes versus new potential delivery methods. This requires data analysis, but no “one size fits all” approach exists. However, merchants with systems that accommodate regional carriers may be able to easily add new carriers and perform a cost-comparison based on historical shipping orders. [Logistyx's TME](#) cloud-based multi-carrier shipping system automates this, for example.

Shippers can leverage data to streamline their transportation activity, increase efficiency, improve delivery performance and save money

Business intelligence capabilities also offer invaluable insights into how merchants can scale their shipping strategies, including the ability to monitor every shipment to ensure carriers perform services as contracted. From there, shippers can leverage data to streamline their transportation activity, increase efficiency, improve delivery performance and save money.

#### 4. Analyze a visual customer map

If a retailer ships large amounts of orders to customers in the same corner of the world, there's no need to pay the highest price for every parcel.

Instead, merchants can reduce total shipping spend by:



**Employing zone skipping and consolidating parcels**



**Using one carrier to move a consolidated shipment across borders**



**Switching to a local carrier for last-mile delivery**

By using zone skipping, parcels no longer travel to multiple sorting facilities to reach their final destination. Instead, shipments to local carriers are faster, which in turn creates quicker deliveries for customers. In areas of higher customer concentration, it may make more sense to use LTL carriers in conjunction with regional carriers.

## 5. Consider realigning the distribution network

In addition to comparing actual shipping costs across the existing carrier network, what savings could be gained by shifting parcel distribution points? It's definitely worthwhile to compare existing options with augmented options incorporating (a) regional carrier(s). It's possible that a regional carrier might offer a significant enough advantage that a merchant would want to stock inventory nearby so they can use that carrier more frequently.

## 6. Avoid volume commitments

If current carrier contracts include a guaranteed volume of business with existing carriers, merchants may or may not incur a price increase by diverting some of that volume to regional carriers. Build this consideration into all analyses and future contract negotiations. Volume commitments may prevent merchants from allocating a portion of shipments to more cost-effective and efficient carriers and limit their abilities to fully optimize their supply chains.

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*Logistyx TME includes regional carriers such as LaserShip, OnTrac, and Speedee Delivery*

## 7. Leverage multi-carrier shipping technology

Some shippers hesitate to take on additional carriers, because they think it will create more work for warehouse staff. In reality, the decision to add new carriers to a delivery network need not be an arduous process, particularly for merchants using a multi-carrier shipping system that already accommodates regional carriers.

Some systems, such as Logistyx TME, offer an [extensive carrier network](#) that includes dozens of regional carriers—including LaserShip, OnTrac and Speedee Delivery—making it much easier and faster to add carriers' rates and services to a merchant's carrier network. Additionally, TME allows shippers to embed their shipment processing rules into the system so carrier selection decisions can be as automated as desired. Many companies configure TME to select carriers and services based on their internal shipping rules as well as their customers' shipping preferences. Once the carrier service is determined, the system automatically generates the right carrier-compliant labels. As a result, shipments routed via regional carriers are handled as quickly and efficiently as those routed via national carriers.

# Be Diligent



As shippers seek solutions that enable them to meet customer demand and make decisions about their multi-carrier distribution strategy, they should be asking the following questions:

- What is my organization's shipping strategy?
- Is the right carrier network in place to achieve it?
- Are regional carriers being used for cost/fulfillment advantages?

**In addition to ensuring that a regional carrier can meet service requirements, shippers should verify their regional carriers offer the same kinds of value-added services and technology capabilities offered by other carriers in their networks.**

Shippers should also determine whether their last-mile carriers have relationships with other regional carriers that would allow them to move their shipments through a broader network.

# Integrate with Processes and Systems

## TAPPING MULTIPLE CARRIERS

from a single system enables shippers to seamlessly secure the best rate, route, service level and transit time for each shipment—key factors in optimizing customer service during peak season. To achieve this, it's important shippers activate the right business rules in their systems to effectively execute their shipping strategy. They should continuously update these business rules to ensure they select the carrier service best suited for each shipment and guarantee customers get their packages on time and at the best value.

A cloud multi-carrier parcel management system like TME will quickly access different carriers' (including regional carriers') shipping rates through a single system, enabling retailers to instantly and automatically compare rates and select the optimal carrier service for each shipment according to business rules.

Looking ahead to peak season, retailers and eTailers need the right strategy and tools to ensure their carrier transportation network can meet their delivery promise to satisfy customers and increase business in an unprecedented year.

**Contact Logistyx today** for guidance in evaluating regional carriers for your distribution network to ship smarter and spend less and be better prepared for the next disruption.

# About the Author



Get in touch



## Lisa Blade, Global Carrier Program Manager

Lisa Blade brings more than 16 years of international shipping, parcel logistics and multi-carrier software experience to her role as Global Carrier Program Manager for Logistyx Technologies. In this position, Lisa manages all carrier compliance for Logistyx, helping shippers locate the best value across the company's extensive global carrier network.

Prior to Logistyx, Lisa worked on both sides of the table in carrier management; first as a manager of U.S. multi-carrier vendor relations at DHL Express and, most recently, as the manager of carrier relations at ProShip, Inc.