



A Flight Plan to Successfully Navigate Retail Logistics

The definitive guide for using disruptive innovations to maximize fulfillment speed and savings.





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Ecommerce and brick-and-mortar retailers are being hit by successive waves of business challenges, starting with the COVID-19 pandemic creating a tsunami of demand for online shopping.

In 2020, worldwide ecommerce sales rose by 19% and remained high. In the United States, online purchases are expected to crest \$1 trillion in 2022. Undercurrents of supply chain delays, capacity shortages, gridlocked roads and ports, and high inflation have made it difficult to meet customer demands reliably and profitably, however.

Fortunately, the retail logistics landscape is being transformed by disruptors with innovative services and technologies that make it possible for retailers to quickly connect to a logistics ecosystem that escapes the bounds of surface transportation.

Buoyed by online shopping, the retail logistics market is predicted to grow 11% annually and reach \$109.31 billion by 2030, according to Grand View Research. Investors see clear skies ahead, and, in 2021, poured more than \$24 billion of venture capital funding into 220 logistics companies, according to McKinsey & Companies.

Innovative technology and fulfillment services are now jetting through supply chains, helping retailers increase delivery speed and efficiencies. To navigate the changes in retail logistics, this guide serves as a flight plan for quickly reaching innovations that:

- Address the biggest pain points in ecommerce
- Meet evolving customer demands
- Scale efficiencies by utilizing existing capacity and infrastructure
- Exceed the service levels of entrenched parcel delivery companies

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Solving the Pain Points

Over the past decade, retailers have focused heavily on front-end connectivity to power their ecommerce initiatives. The connectivity has increased website traffic by reaching more prospects and customers via automated emails, texts, and advertisements based on digital footprints.

More recently, retailers have turned their attention to omnichannel fulfillment and the more difficult aspects of managing ecommerce and physical retail. Many businesses had to create omnichannel strategies to survive the pandemic, but curbside delivery and other services quickly became table stakes and did not do enough to prevent more than 12,000 stores from closing in 2020.

Physical retail has emerged from the COVID abyss in different forms. Companies have unboxed strategies that make better use of stores. Macys, for example, is bringing smaller stores to local markets to give its customers access to the latest fashion items as well as more flexible fulfillment options for online orders.





Going forward, having better connectivity in the middle and final mile of ecommerce is essential to successfully meet customer expectations for rapid fulfillment and lower delivery costs.

The most immediate needs are threefold:

1

Prevent cart abandonment.

Between 60% and 80% percent of items that enter online shopping carts never make it through the checkout line. The top reasons for stalled orders are:

- Extra costs (shipping, taxes and fees).
- Too much complexity in the checkout process.

2

Meet delivery expectations.

No matter where consumers shop, they expect an Amazon-like delivery experience.

- When choosing free shipping options, 62% of shoppers expect orders to arrive in less than 3 business days.
- The “Amazon Effect” has made two-day fulfillment a competitive necessity.

3

Reduce fulfillment costs. Traditional pricing models by large parcel carriers are complex and lack transparency. They are also rising.

- FedEx and UPS had a 5.9% general rate increase for 2022, on top of surcharges like fuel increases and other fees that are constantly changing.
- Amazon is planning to raise fulfillment fees during the upcoming holiday season, on top of the fees merchants already pay to sell their products.

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Meet the New Retail Ecosystem

Retailers of all sizes are now connecting to retail logistics ecosystems with innovative platforms and services that can match, and in many cases, exceed the capabilities of big-box retailers, ecommerce behemoths and large parcel delivery companies.

Some retail logistics providers have technology platforms and integrated networks that scale efficiencies in the middle and final mile by utilizing existing capacity and infrastructure. These ecosystems use cloud-based shipping and logistics-as-a-service platforms that leverage artificial intelligence (AI), digital workflows, and real-time integrations with retailers' back-end systems to optimize the flow of information and synchronize supply chains.

The innovations have a common thread: using the power of cloud computing to coordinate transport capacity and supply chain assets in ways that simplify transactions, increase speed and reduce costs.



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Getting Connected



Retail logistics providers with cloud-based technology platforms can connect businesses to their ecosystems by integrating with one or more native systems:

Transportation management system (TMS).

Retailers use this system to plan and execute inbound and outbound shipments between locations using internal fleets or third-party capacity.

Warehouse management system (WMS):

Businesses use this platform to control and administer common warehouse operations, such as stocking and picking inventory, and coordinating order fulfillment.

Enterprise Resource Planning (ERP):

An ERP system manages core processes, such as receiving and creating orders that flow into WMS and TMS platforms for execution.

Customer Relationship Management (CRM):

This platform functions as the main source for tracking and managing all phases of the customer lifecycle, from marketing to sales, digital commerce and service interactions.

When an order enters an ERP system, for example, shipment details can be instantly planned and executed by integrated service providers that cover all aspects of online and store-based fulfillment.

By using existing technology to connect to a retail logistics ecosystem, businesses can increase order throughput and delivery speed while getting direct paybacks from:

- Having more time, attention and resources to focus on perfecting the customer experience.
- Reducing fulfillment costs and increasing profit margins.
- Using innovative solutions created by partnerships between logistics providers.



Fillogic specializes in providing physical and online retailers with omnichannel solutions

Fulfillment at Airspeed

The partnership between Fillogic and SmartKargo is an example of a retail logistics ecosystem that exceeds the delivery times of Amazon while decreasing fulfillment costs. It also provides retailers with greater insights, transparency, and clarity to manage supply chains.

Fillogic specializes in providing physical and online retailers with omnichannel solutions. The company utilizes existing retail space to operate a nationwide network of localized, tech-enabled micro distribution hubs.

Fillogic hubs are strategically located near shopping malls and major retail areas to reduce transit times and retailers' carbon footprints. Each hub offers a full range of services that can include sort/seg, store-based fulfillment, last-mile delivery, and reverse logistics/returns.

The Fillogic Delivery Marketplace is a proprietary multi-carrier network and sort/seg solution that helps retailers efficiently deploy inventory closer to customers as well as provide fast and efficient store-based fulfillment, last-mile delivery, returns and reverse logistics.





SmartKargo utilizes airline partners for the middle mile to bring the speed of flight to ground rates. By connecting retailers to the Fillogic Delivery Marketplace, the partnership creates an end-to-end shipping solution for parcel packages with two-day service levels for items shipped up to 3,000 miles.

Fillogic and SmartKargo can seamlessly integrate with other logistics and commerce systems. With the integration, retailers can make instant decisions based on transparent pricing and reporting. As well, they can offer their customers a checkout process with no hidden fees, full control and item-level visibility.

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Other benefits of the partnership include:

- Increasing the sustainability of supply chains by leveraging existing stores and flights
- Having end-to-end visibility of orders throughout the supply chain
- Reversing the trend of building new distribution centers
- Covering 95% of the US population with at least 800 daily flights across the contiguous United States, in two days or less
- Access to consistent and advantageous pricing

SmartKargo and Fillogic were able to quickly integrate their solutions to provide detailed real-time information at each step of the delivery journey.

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Mapping the Market



The retail logistics ecosystem has several rising stars whose innovations utilize existing capacity in the market to challenge well-heeled providers like UPS, FedEx, and Amazon in the middle and final mile.

With new connectivity options and platforms, retailers can simplify and accelerate decision making while automating end-to-end transactions.

Companies succeeding in this market are those with flexible pricing and capacity solutions to save shippers time and money. The pricing and capacity procurement tools can integrate directly with ERP, TMS and other business systems via real-time APIs to present shipping rates and other options for instant selection.

A few companies who are making waves of their own are:

- Flock Freight, a logistics startup that specializes in shared truckload delivery. The company's algorithms help bundle less-than-truckload (LTL) freight into multi-stop full truckloads.
- Happy returns, a company with a network of "Return Bars" that make it easy and convenient for customers of ecommerce stores to return items and saves merchants on return shipping costs.
- Loadsmart, an online marketplace that automates the booking of trucking services. Users can generate instant rate quotes by providing pick-up and delivery addresses. The rates are guaranteed for 24 hours.
- Locus Robotics, a manufacturer of robots for warehouses. The technology can augment human-centric environments or work autonomously to fulfill orders.
- Fabric, a company that implements automated micro-fulfillment centers to speed orders and reduce costs.

For a more comprehensive map of fast-growth startup companies in the supply chain and logistics market, visit www.logisticsiq.com and www.cbinsights.com.

Planning Your Next Steps



UPS, FedEx and Amazon are no longer the only players in order fulfillment. In the midst of successive waves of business challenges, online merchants and physical retailers are finding turbulence-free solutions from retail logistics providers.

The Big 3 have the largest parcel delivery operations, but a growing number of retail logistics providers have technology platforms that coordinate a vast network of fulfillment and delivery services by leveraging existing assets in the marketplace.

When evaluating new and emerging retail logistics options, consider using a three-step process for planning and implementing innovative solutions:

- 1 Look** at the customer service benefits of greater transparency in the shipping process.
Tip: It pays to work with companies who reduce accessorial fees.
- 2 Focus** on a geographic area with the greatest impact to your business based on population size and sales volume.
Tip: Determine how quickly a retail logistics provider can scale to your needs.
- 3 Evaluate** solutions that directly compete with Amazon's 2-day delivery window.
Tip: Transparent shipping rates and best-in-class fulfillment speed are a winning combination.

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The fastest and shortest distance between any two points is by air. Businesses now have the ability to stay connected to a cloud-based logistics ecosystem that coordinates air transportation to accelerate cost savings and customer satisfaction for e-commerce and physical retail.

Fillogic

About Fillogic

Fillogic is a NYC-based team of retail and logistics professionals, technologists, serial entrepreneurs and creative problem solvers with more than 160 years of combined experience. We are driven by a mission to help our partners decipher the writing on the wall as technology continues to rapidly transform the retail landscape.

For more information, please visit: www.fillogic.com.

SmartKargo

About SmartKargo

SmartKargo empowers airlines and small package shippers with the technology platform to leverage the speed only an airline can provide. SmartKargo is the innovative solution that enables retailers to battle the status quo. With deep expertise in air cargo, technology, and ecommerce, SmartKargo enables airlines to open new revenue streams through ecommerce package shipping and delivery.

Learn more about SmartKargo at www.smartkargo.com.