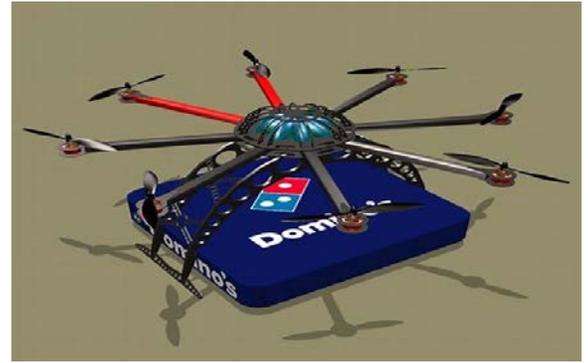


ECommerce AND OMNICHANNEL – RETAIL CHANGES DRIVING TLD MODELS



JUNE 2018 TECH BRIEF FOR THE TRANSPORTATION, LOGISTICS AND DISTRIBUTION
TALENT NETWORK

Leveraging Technology to Meet Industry Demands

Online ordering and delivery-to-doorstep is a trend already proceeding at an accelerated pace. The trend is driving quantum changes in the TLD sector. The old business model involved pallets of product shipped in semi-trailers and warehousing followed by regular deliveries to local shops. Now, smaller, customized shipments, **rapid (and often same day) delivery** are expected; followed by product returns.

The anticipated trend is to **further accelerate**. Portions of the supply/return chain not already digitized will miss out on the newest technology offerings. These include customized automation and shifting data to the Cloud, allowing a business to differentiate services as well as grow and thrive in the new economy.

Labor Force Takeaway

As with all digital transformation, employees will need training to support the company-specific **software, tools, and devices** targeting product selection, packaging and shipping to locations and end users. Workers with **software certifications** will be in great demand as will **industry trained technicians** who are able to update, manage, and maintain mobile support devices and dedicated handheld devices.

Commercially licensed drivers will still be needed. However, as smaller, greener trucks take over in both urban and more remote areas, fewer commercial licensed drivers will be needed. As drones become more widely used, **people certified in their operation and maintenance** will have roles in the savvy TLD organization.

Reporting management, including trends, costs, returns and restocking needs, will be in greater demand as the warehouse floor replaces the retail floor in terms of management. Since returns in the brick and mortar space average around 7.3%, but in the eCommerce space run closer to 20-30%, the new “breakage” (meaning returns, not theft) will need to be tightly managed to keep losses to a minimum.

TLD recommends upskilling classes for (1) customer service staff – to provide online chat support, shipment status and updates, (2) classifications of solution systems (software with handhelds, drones and other hardware) and their implications for change in various subsectors of TLD (3) classifications of reporting management and trends in their offerings.

TLD also recommends including **FAA certification for remote pilots** as an industry valued credential.

NEW CUSTOMER SERVICE PATHWAYS = JOBS

To better understand the scale of this change, consider the history of Supply Chain logistics. In 1973, [FedEx](#) set the world on its ear with the huge paradigm shift to intermodal transport and storage. The U.S. Postal Service, long the only game in town, was bypassed almost overnight by FedEx commitment to next day delivery. The cost was significant - \$12.00 vs. a 24-cent stamp – but depending on the value of the exchange was perceived as highly worth it. However, packages were typically individualized, not bulk. A contract here, pictures there – corporate use was initially minimal, then began to grow as market entrants like UPS, and DHL drove cost down and added services, making shipments of products accessible, available in rural areas, and even internationally, and good for customer service.

Then, in 1995, Jeff Bezos and Amazon created the virtual marketplace, enabling anyone to order anything at anytime from anywhere. When partnered with delivery options now widely available from the logistics companies, the resulting phenomena was [eCommerce](#). And, when this online market is combined with physical store presence and phone ordering partner options, the resulting omnichannel consumer experience has increased and expedited the availability of goods and services throughout America and around the world.

The opportunity for retailers is staggering. Consider [the following trends](#):

- (1) Consumer Expectations – Over 51% of all purchases were fulfilled using eCommerce services – and that was in 2016 alone
- (2) eCommerce tools and software - Current inventory management systems cannot accommodate the shift – new tools are making the ordering, shipping, tracking of orders and returns simple and immediate
- (3) Supply Chain innovations – Decentralization of inventory, shipping using drones, prepaid shipping returns, auto delivery and Logistics As A Service– are increasing sales opportunities and convenience to valued clients
- (4) How are logistics companies adapting? Inventory management is changing rapidly. Inside, the use of robots and other machines to pick, restock, and move product internal to warehouses is speeding up and reducing costs to order picking and assembly

Outside, the need for same day service has its largest impact in urban areas. Retailers are forwarding frequently ordered items to smaller, imbedded sites, called [forward positioning](#), in order to achieve target delivery times. Real estate is accordingly impacted, as larger, warehouse environments are being augmented by these staging sites in urban core areas. Additionally, smaller trucks, essential for last mile delivery of smaller, less homogenous orders, are needed to drive down cost and add nimbleness. Drones have even been trialed by Amazon for small rapid shipments that will not even require the overhead of a driver.

The US Census Department reports that [eCommerce sales hit a new high at \\$450B at the end of 2017, up 15.7% from the previous year](#). Amazon again was the largest benefactor of this windfall, fulfilling as many of those orders as the next nine companies combined. Forecasts predict sales will account for [17% of all retail purchases in 2018, growing to 20% by 2028](#). TLD can expect to continue to be the fastest growing sector of the NJ labor market.

According to [EMSI](#), Amazon is not the only company hiring workers in NJ. EMSI provides job posting analysis akin to Burning Glass's analytics used by [LMI](#). CRST International, Inc., C.R. England, Inc., U. S. Xpress, Inc., Barr-Nunn Transportation, Inc., USA Truck, Inc., Swift Transportation Company, Instacart Inc., Postmates Inc., J.B. Hunt Transport Services, Inc. posted a total of 92,203 unique, NJ-based positions between May 2017 and April 2018.