

**MFSA AWARDS FOR EXCELLENCE**  
**Fulfillment Ingenuity Award**

***SUCCEEDING IN INTERNATIONAL MARKETS***  
**APC Postal Logistics**

At this year's Triangle World Mail & Express Latin America Conference the Global Director and Vice President of the U.S. Postal Service, Pranab Shah, reported that 2009 was a record year for international mail volume and revenue. Both inbound and outbound numbers have grown significantly with a marked increase in the second half of the year driven by strong growth in the business to consumer category. The fourth quarter was particularly impressive with outbound traffic experiencing a record number of small parcels. Last year was the fourth straight year that the USPS has experienced growth in international volumes and 72% of all international mail revenue was derived from small parcels.

As evidenced by these statistics, more and more companies are looking to compete and expand in international markets. From brick and mortar operations, to mail order catalogs, to online retailers (e-tailers), U.S. companies are finding myriad opportunities to sell their wares abroad. As this demand increases, domestic producers and vendors will be faced with many logistical challenges of expanding their operations to serve this growing market.

### **Case Study**

A nationally known 3PL (third party logistics) company with a state-of-the-art pick and pack operation was focused primarily on distribution within the United States for e-commerce clients. However, their clients' web presence was affording worldwide exposure and the relatively low cost of U.S. products as a result of the declining dollar was attracting an increasing number of international buyers. The 3PL's current vendors offered limited options and were unable to provide a comprehensive international shipping solution. As a result, the 3PL was encountering cumbersome procedures for internal order fulfillment, a high rate of refused and returned parcels, and growing e-tailer concerns related to international customer satisfaction. In search of an effective solution to meet the increasing international demand, the 3PL turned to our company and we developed a multi-pronged strategy to address each of their major areas of concern.

### **Internal Order Fulfillment**

#### Problem

Order processing and inventory controls did not easily accommodate international orders and was burdensome for both the warehousing and customer service departments.

- Preparation of individual commercial customs invoices was labor intensive for warehousing operations.

- The lack of an effective tracking system available to both shipper and consumer resulted in high call center volume and complicated claims processing.

### Solution

- Offering a streamlined export process relieves the 3PL of the labor costs associated with preparing individual commercial customs invoices.
- Providing a comprehensive tracking system enables the shipper to close the book on orders once they have been shipped.
- Empowering the customer to track the status of their order decreases customer service call and e-mail volume related to order status inquiries and claims.

### Implementation

- We implemented a tracking system enabling both the shipper and their customers to follow the status of delivery.
- We created a consolidated customs manifest for each day's shipments, which required significantly less paperwork.

### Results

- The 3PL's customer service and warehouse operations became more labor and cost efficient.
- Shipping costs were reduced, which enabled the retailers to be more competitive and expand their presence to other countries.

## **Refused and Returned Parcels**

In addition to the difficulties faced in order fulfillment and processing, the 3PL was experiencing an unacceptably high number of parcel returns and refusals at delivery. These undelivered parcels were shipped back at considerable expense to the 3PL or abandoned overseas.

### Problem

We identified two major drivers of this problem both of which were related to the system of collecting duties and tax at the point of delivery.

- In order to pay customs fees upon delivery, customers were required to be at home to accept the package. After a limited number of delivery attempts, if no one was available to claim the package, it would be returned to the shipper.
- Customers surprised by the additional costs at the time of delivery, would sometimes refuse the package.

### Solution

If the consumer is aware of the total landed cost at the time of purchase and can choose a shipping option that does not require them to be at home then both major drivers are eliminated.

### Implementation

We provided the 3PL with a detailed methodology for calculating duties and taxes for varying parcel value levels and HTC codes. This empowered them to accurately assess and collect these fees at the point of sale.

### Results

Shortly after implementation of this program, the returns and refusals at delivery were reduced to nearly zero, customer satisfaction increased, and shipping costs were reduced.

## **Consumer Confidence**

Not only was the 3PL experiencing problems with fulfillment and delivery returns but their clients were faced with a significant consumer confidence issue at the point of purchase, which was negatively impacting sales.

### Problem

We identified two principal areas that contributed to consumer frustration.

- International consumers were not offered any options beyond the standard international courier services. Frequently the cost of shipping was greater than the cost of their purchase, resulting in the loss of repeat sales.
- Tracking of international shipments was unavailable or minimal leaving consumers in the dark about the status of their order, deterring first time buyers and reducing re-orders.

### Solution

- Introducing multiple shipping options at rates that are commensurate with the level of service expands consumer choice and raises consumer confidence. Once the options have been clearly outlined, asking the purchaser to make their own shipping choices creates a realistic level of expectation and establishes a shared responsibility.
- Providing the purchaser with full track and trace visibility gives the consumer confidence that their order has been processed and is on its way and that they are dealing with a reputable company.

### Implementation

- We expanded the shipping options to include three service levels: economy, expedited, and express.

- We installed a web-based tracking system that directs customers to a site so that they can track the movement of their orders.

### Results

- Etailers experienced fewer shipping and delivery inquiries from international consumers.
- The overall shopping experience from point of purchase to final delivery was significantly enhanced, which leads to more and larger international orders.

Absent an effective international distribution solution, the 3PL engaged in costly and time-consuming order processing, returns and refusals were high, and online retailers were faced with a significant consumer confidence issue that prevented them from fully capitalizing on growth opportunities in the international markets. The most notable consumer markets are in Europe(450 million) and Asia with some surprising increases in volume to Latin America. However, when one considers that the populations of China and India combined are around 2.5 billion people, the U.S. market with 308 million pales in comparison. Add emerging markets like Indonesia (231 million), Brazil (192 million), Pakistan (170 million), and the prospects for international growth are vast. As these markets develop and the availability of and demand for U.S. goods increases, so will the need for creative and cost-effective delivery solutions.

### **About APC Postal Logistics:**

APC Postal Logistics is a privately owned, full service, international mailing and shipping company with offices in Boston, New York, Washington DC, Baltimore, Chicago, Atlanta and London UK. APC Postal Logistics provides innovative and cost-effective solutions for all internationally bound mail and packages. We are client-focused and pride ourselves on offering unparalleled logistical and consulting services.