

THE SOURCE

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'TIS THE SEASON: COMPLEXITIES IN HOLIDAY RETAIL

Deloitte's Retail and Distribution practice predicts that retail holiday shopping sales will climb between \$961 and \$965 billion this year, a 3.5% to 4% increase (excluding motor vehicles and gasoline) over last year's shopping season. This is attributed to an improving labor market, with unemployment rates at a seven-year low, increasing home values, and lower prices at the pump. In other words, consumer confidence.

How and where will they shop? According to the results of Pitney Bowes' 2015 Holiday Shipping Survey, most Americans plan to shop both in-stores (94%) and online (92%), with 94% of consumers planning to shop from a computer and 49% making their purchases from a mobile device.

"Options are no longer a privilege during the shopping experience. This holiday season consumers will expect the ability to choose their preference," says Christoph Stehmann, COO of Digital Commerce Solutions, Pitney Bowes. "Retailers must focus on offering diverse options—whether for shopping channel, shipping and return methods, or even promotional offers—in order to attract customers throughout their shopping experiences."

Most consumers surveyed indicated that shipping options would be an important factor in their decision to shop online, with an overwhelming percentage willing to forego faster delivery times for free shipping. Also attractive are promotional codes or coupons, with 80% of respondents saying that they would be more willing to purchase online if they had a promotional code or coupon, or if there was a sale event.

Rod Sides, Vice Chairman, Deloitte LLP and Retail and Distributions sector leader, claims that "online sales continue to be a growth channel, but more importantly, we've passed the tipping point where online and mobile engagement play a greater role generating sales in the physical store—where more than 90% of retail sales occur—than in digital channels alone." Deloitte forecasts that digital interactions will influence 64%, or \$434 billion, of retail stores sales this holiday season, reflecting the traditional brick-and-mortar sales impacted by shoppers' use of digital devices.

Retailers would be smart to pay attention. "Our research shows that people who shop on their phones, tablets and other devices while in stores are more likely to make a purchase and spend more overall," added Sides. "Also, nearly 80% of shoppers say they engage with a retailer or brand through digital channels before setting foot inside the store. These interactions are retailers' opportunity to engage shoppers seeking inspiration, reviews, product locators, or the option to buy online and pick up in the store. Retailers that are likely to come out ahead this holiday season are the ones connecting the dots between their digital channels and their stores—rather than focusing solely on the 'buy' button."

Caveat venditor!

SOURCE: Pitney Bowes 2015 Holiday Shipping Survey; Deloitte annual retail holiday sales forecast.

OF INTEREST

- **ARE WE DOING A GOOD JOB FOR YOU?** If the answer is yes, consider introducing us to a customer or supplier. If they go with the Outsource team you win, too. Ask us about our residuals program.
- **DO YOU SHIP WITH US SOME OF THE TIME?** Become a Program Customer and we will guarantee savings of 10%.

HOW WELL-POSITIONED IS YOUR INVENTORY?

It's October. Do you know where your inventory is?

Many major retailers' inventory stocks were up significantly at the end of August, year-over-year, due in part to the rapid influx of goods as backlogs were cleared up at West Coast ports in the wake of the long-protracted ILWU-PMA contract negotiations. Some even expect to feel the effects of their elevated inventory levels and the impact it is having on their margins and profitability through the end of the year.

The tricky part is to know where to keep all of this inventory to ensure they're in the right facilities at the right time, and at the lowest cost. For companies with multiple product lines and product types, with multiple distribution centers and/or retail stores, this can be a daunting task and can sometimes feel like guesswork.

Yet it is crucially important to the bottom-line health of any inventory-based company to optimize the positioning of their inventory. Inventory precision and positioning involves accurate product placement across shelves and channels, improved velocity, safety stock evaluation, and reduction of supply and demand variability. Properly handled, inventory optimization reduces the incidence of out-of-stock products, minimizes carrying costs, increases fulfillment speeds, and preserves gross profit margins.

There are a few key components that should be kept in mind throughout the process.

Ensure allocation and personnel functions are in line. It's important to define how to leverage inventory throughout the supply chain and how that inventory affects employees. Whether it is moving from a store, a distribution center, or a warehouse, the people working in each facility must be trained and able to fulfill orders. If store associates are part of the fulfillment team, retailers must be aware of how much time is available for orders to be packaged and shipped. Most use the 80-20 model, with 80% of orders sourcing from the DC and 20% from the store, but these numbers obviously require flexibility during the busy holiday season.



The type of inventory determines the positioning. The type of products you sell comes into play when optimizing inventory positioning. For example, apparel retailers tend to do less fulfillment from their stores because most stores carry only a minimum number of units of any given item in each size and color. As a result, stores are not the optimal source for fulfilling online orders—the DC is, in order to help avoid costly and inconvenient order splits.

Look at your particular demand trends to ensure the best inventory positioning; consider the category of product, in-store sales activity history, and price point. Consider also the volume that may be needed—and where it is needed—when products are featured in promotions or sales.

Where is time being wasted? Fix it. Whether order fulfillment is sourced from in-store or a DC, time can make or break a retailer's business when it comes to shipping times and the time it takes associates to fulfill orders.

Analyze your processes and understand where time is being wasted in order to improve fulfillment times. Map your supply chain, from vendor—every single vendor—to store and everything in-between to understand lead time and variability. Find out and document lead times for all carrier modes, by carrier and by lane. This lead-time variability should be calculated not only for every vendor, but also within your own DC to store, and the returns process from store to DC.

To optimize your own specific inventory flow, you should start by determining what your requirements are in terms of cash on hand, and also what is important to your particular customer—whether it is product availability, price, free shipping, or ample shipping options. The answer will inform your strategy to optimize your inventory, gain efficiencies, control your costs, and improve your gross profit margin. All of which sets up your business for customer satisfaction and sales success.

SOURCE: Journal of Commerce, "How to best execute inventory positioning" - 9/12/15; Wall St. Journal, "Retailers Scale Back After Big Inventory Buildups" - 9/25/15.

KEEPING THOSE HOLIDAY POUNDS AT BAY

As we approach the season of holiday spending, we are also approaching the season of holiday overindulging. The Halloween candy that is so easy to pop in your mouth without thinking, the Thanksgiving turkey and trimmings and pies—all so very hard to resist, Christmas parties and get-togethers with endless opportunities for excess. Before you know it, your trousers are shrinking and your scale is groaning.

How well you manage your weight has a lot to do with how well you manage your portion sizes. Most of us pile the food on our plates without really paying much attention, and when we're in the midst of the holidays and want to sample everything (because it's all so good!), it's very easy to lose sight of how much is too much.

It might help if you could visualize what a portion is by relating to a common item. For example:

- 3 oz. lean meat = a deck of cards
- 1Tbs. mayonnaise = 1 poker chip
- 2 Tbs. salad dressing = a golf ball
- 1 tsp. butter = a postage stamp
- 1 medium potato = a computer mouse
- 1 cup fruits or vegetables = a baseball
- ½ cup ice cream = 2 ping pong balls

One very simple way to successfully manage portion control is to use small plates. And take small bites—small bites are just as tasty as big bites!

And, of course, it is important to keep to your exercise regi-

men as best you can during this time, not just for the fit of your pants but for a multitude of health reasons—such as reducing the risk of cardiovascular disease, Type 2 diabetes, and metabolic syndrome, strengthening bones and muscles, improving mental health and mood, increasing your energy and ability to think, improving sleep, and helping you to live a longer more active life.

For those of us who have a hard time feeling motivated to get regular exercise even when we have plenty of time, there are a few ways we can make it easier:

- If 20-30 minutes a day is difficult to do, break it up. It doesn't have to be a continuous 20-30 minutes.
- Vary the type of exercise activity you do. Not only will you keep from being bored, but you will also ensure that there is *something* you can do regardless of the time of day or the weather. And find activities you can enjoy—you're more likely to stick with it if it's enjoyable.
- Commit to another person. Maybe an exercise buddy you don't want to let down, or maybe a spouse, family member or good friend who will encourage you.
- Make a non-negotiable priority pact with yourself. Even if you're "too tired". Exercise causes you to breathe more deeply and provide more oxygen to your body, so it is energizing. You'll feel better—really!

Holiday season doesn't have to mean lots of holiday pounds. You can enjoy and, yes, even indulge a little....just remember that you are the one who has the power over the result.

DISTRACTED DRIVING

According to the NHTSA, at any given daylight moment across America, approximately 660,000 drivers are using cell phones or manipulating electronic devices while driving.

The most alarming distraction is texting because it requires visual, manual, and cognitive attention. Consider this: five seconds is the average time your eyes are off the road while texting. When traveling at 55 mph, that's enough time to cover the length of a football field. Blindfolded.

A quarter of teens respond to a text message once or more every time they drive; 20% of teens and 10% of parents admit that they have extended, multi-message text conversa-

tions while driving.

Engaging in visual-manual subtasks (such as reaching for a phone, dialing, texting) associated with the use of hand-held phones and other portable devices increases the risk of getting into a crash by three times.

Drivers in their 20's make up 27% of the distracted drivers in fatal crashes.

These are frightening statistics pointing to a serious, often deadly, problem.

Thank you for driving safely.

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TRIVIA

1. "First of all, it was October, a rare month for boys." These are the opening lines of which book: *Brave New World* by Aldous Huxley, *Nineteen Eighty-Four* by George Orwell, *Something Wicked This Way Comes* by Ray Bradbury, or *Harry Potter and the Sorcerer's Stone* by J.K. Rowling?
2. Sean Connery played Captain Marko Ramius and Alec Baldwin played CIA analyst Jack Ryan in a thrilling 1990 movie about political defection. Can you name the movie, and also the author of the book upon which it was based?
3. What TV star's face formed the basis of the mask worn by Michael Myers in the *Halloween* films?
4. Which two teams played in the first World Series? Which team won?

[Click here for answers to Trivia questions.](#)