VOLUME 6, ISSUE 10 October2018

The Source

Inside this issue

Cover Story:

NAFTA redux— A view from China

USMCA trade pact: for Canada and Mexico, throwing China under bus was a no-brainer

Should anyone be surprised the two countries were ready to blow off the Chinese at the insistence of the Americans?

By Alex Lo, Senior Writer, South China Morning Post 6 Oct 2018 / UPDATED ON 8 Oct 2018

The China card was something Mexico and Canada were ready to play against the Americans when Donald Trump first came to power under a unilateralist banner of "America First". Who knew how far this volatile and inconsistent leader in Washington was willing to go after he denounced the North American Free Trade Agreement (Nafta) – which formed the basis of trade between the three countries for 24 years – as the worst trade deal in the history of his country? But when the three sides have finally agreed on a replacement trade pact – the so-called United States-Mexico-Canada Agreement (USMCA) – should anyone be surprised that the latter two countries were ready to blow off the Chinese at the insistence of the US?

Article 32.10 in the preliminary agreement – which still has to be ratified by all three governments and so is by no means a done deal – gives Washington virtual veto power over any bilateral deal Canada or Mexico may wish to reach with "a non-market country", for which read China. Any such deal could mean the end of the USMCA for that country. This is perhaps the worst feature of the USMCA for Beijing, as it may become a template for future trade talks Washington holds with allies such as Japan, India and the European Union. China presents itself as a defender of global free trade in the age of Trump, but its real fear is being isolated on multiple fronts, from trade to international politics and military competition.

It appears Article 32.10 was a last-minute demand made by the Americans, but there was probably little Canada and Mexico could or would do to resist it. To be sure, some lobby and business groups with interests in China have complained. The Asia Pacific Foundation of Canada and the Canadian International Council are none too pleased. Writing in the national newspaper The Globe and Mail, an associate of both groups thundered: "Of all the penalties we have had to pay to get the North American free-trade agreement essentially renewed, this is the highest. We have just sacrificed our independent trade [and arguably foreign] policy on the altar of the USMCA. What were our negotiators thinking?"

Actually those negotiators were thinking of Canadian interests first and foremost. Months before Trump became president, Ottawa and Beijing had started "exploratory talks" towards a bilateral trade deal, in September 2016. Such talks had continued on and off, but without gaining traction. Almost 70 per cent of Canadians support a free-trade agreement with China, according to a University of British Columbia survey published a year ago. Such majority support has been consistent according to several surveys over multiple years, despite widespread misgivings about China's rising dominance and human rights record.

Meanwhile, Mexican President Enrique Pena Nieto, who will leave office in December, had long explored ways to expand the China trade. In September last year, in the middle of playing host to American trade negotiators to revive Nafta/USMCA, he flew to Xiamen to attend the 9th summit of the BRICS (Brazil, Russia, India, China, South Africa) nations. It was widely seen as a snub to the Americans as the latter complained about the loss of American jobs and the trade deficit with Mexico. At the time, China and Mexico were rhapsodizing about their close and rosy relationship.

China already is Canada's second-largest trading partner and Mexico's fourth largest. But the harsh reality is that while China could be an alternative market, the US has been and will always remain the primary market for both countries; Continued on Page 2

Outsource Inc. 72 Sharp St., Hingham, MA 02043 Tel 781 340-5656 or 800 286-5306 outsourceoperations@outsourcefreight.com

USMCA…..throwing China under the Bus? (Front page article continued)

besides, their security is also dependent on the mighty US. Mexico's exports to the US were 28 per cent of its gross domestic product last year while Canada's were 19 per cent of GDP. It is impossible to know how successfully or effectively Canada and Mexico used the China card in their negotiating strategies, but clearly, they had no incentive to bet on the Chinese at the expense of the Americans. For both countries, the priority was to keep as many of the terms of Nafta as possible, and this they have more or less achieved. If the price was to throw China under the bus, it was a no-brainer.

A charitable interpretation of Article 32.10 is that the US is concerned about China dumping subsidized products into its market through Mexico and/or Canada. But there are more direct and effective preventive measures, such as tracking and certifying the origins of products and parts. There are no two ways about it. Washington wants to limit the trade options of its allies and to isolate China. And it is just getting started.

Maersk's integrator strategy takes shape in Bangladesh

JOC Bangladesh Special Correspondent | Oct 17, 2018 (Editor's note; This is a new, future direction for the ocean carrier globally)

Maersk Line, the world's largest container shipping company, will start an end-to-end logistics solutions service in Bangladesh in January, an official said. Maersk will house its operations and that of its logistics provider Damco under one roof, Maersk officials said. Maersk's announcement is the latest phase in its effort to reinvent itself as an integrated container transport and logistics provider. On Sept. 19 Maersk said that it will split the activities of its freight forwarding division Damco into two units, with origin-destination services rolled into Maersk and core forwarding kept within Damco.

"We focus now on offering simple, end-to-end logistics solutions to local customers, which enable them to reach new markets and focus on their product's development," said Steve Felder, Managing Director, Maersk Line South Asia. "[With] Bangladesh being the fastest-growing economy in Asia, and as part of the normal course of business, we will continue to look for opportunities in the country," Felder added. Felder noted that Maersk has been working in Bangladesh for more than two decades "and our commitment to facilitate global trade remains as strong as ever." "In that sense, as you might be aware, we have pioneered a number of services such as garments on hangers [and] barge service amongst many others," he added.

Maersk CEO Søren Skou visited Bangladesh's commercial capital Chittagong last week. According to officials, during the trip Skou toured the container freight station facility Summit Alliance Port Ltd (SAPL), located near Chittagong port. SAPL handles a large portion of Maersk Line's export-import containers, and Damco has a large shed there, officials said. "Søren Skou's visit to Bangladesh is part of his annual travel agenda to countries that hold great growth potential, Bangladesh being one of them," Felder said. An SAPL official told JOC.com it provides a vast array of services to Maersk Line in handling containers. "The CEO visited our facility to see how efficiently we provide the service," the official said. Currently, SAPL is Bangladesh's market leader in the off-dock sector, handling more than 25 percent of container export cargo and 15 percent of import cargo in Bangladesh. SAPL boasts a modern infrastructure and is capable of handling sensitive cargo during adverse weather conditions; it features more than 50 acres of land and 450,000 square feet of warehouse space.

Maersk provides end-to-end solutions in many countries globally, a Maersk official said. Its service creates one point of contact for the cargo's entire journey. "Whether your cargo travels by land or sea, by barge or train, we are with you all the way, vastly increasing the simplicity and reliability of your supply chain," Maersk said. Maersk Line has offered services in Bangladesh since 1996. It provides regular services to transshipment hubs in Colombo, Sri Lanka; Tanjung Pelepas, Malaysia; and Singapore, as well as weekly services to the Asia-Europe network.

TRIVIA QUESTIONS

1) **Mega container ships can cost over $200M to build, what can the cost of a luxury cruise ship rise to?**
   A. $500 M **B.** $1.4 B **C.** $850 M **D.** $1.8 B

2) **How many countries border Mexico?**
   A. 3 **B.** 2 **C.** 4 **D.** 5

3) **When was the electric battery invented?**
   A. 1876 **B.** 1927 **C.** 1800 **D.** 1903

4) **Approximately, what percentage of the population has an IQ above 100?**
   A. 65% **B.** 50% **C.** 30% **D.** 78%

5) **What is dry ice made of?**
   A. Ammonium Sulfate **B.** Nitrous oxide **C.** Carbonate **D.** Carbon Dioxide

6) **How many wings do Bees have?**
   A. 4 **B.** 2 **C.** 6 **D.** 8

Answers Later In The Newsletter

FUEL REPORT

U.S. On-Highway Diesel Fuel Prices* (dollars per gallon) http://www.eia.gov/petroleum/gasdiesel/

	10/1/18	10/8/18	10/15/18	Change from week ago	Change from year ago
U.S. National Average	$3.313	$3.385	$3.394	↑0.009	↑0.607

CONTACT OUTSOURCE FREIGHT FOR ANY TRANSPORTATION OR LOGISTICS NEEDS

outsourceoperations@outsourcefreight.com John Nickandros, VP Sales Tel # 774 222-0087

Trump Eyes Slower Sulfur-Rule

By Jennifer Smith, wsj.com, Oct. 19, 2018

The Trump administration is jumping into the shipping-industry debates over looming new pollution restrictions. The White House wants to slow the rollout of the rules taking effect in 2020 aimed at slashing the amount of sulfur in marine fuel, the WSJ's Timothy Puko and Benoit Faucon write. The target already has maritime operators and their shipping customers sparring over the higher costs of cleaner fuel "scrubber" technology being added to ships. The rising costs could send ripples across commodities markets just ahead of the U.S. presidential election. The White House is backing a proposal to gradually phase in enforcement of the new rules to avoid disruption to the shipping and energy markets and shield consumers from "the impact of precipitous fuel cost increases." That ship may already have sailed: American energy companies oppose a slowdown, and the U.S. has yet to make a formal objection to the International Maritime Organization.

Japan's Top Container Shipping Line Projects $600 Million Loss

The merged Ocean Network Express business says technology 'teething problems,' staff shortages weighed down carrier in a sagging shipping market

By Costas Paris Oct. 16, 2018

Japan's Ocean Network Express, one of the world's largest container shipping operators, faces a $600 million loss in its first year in operation as it struggles with a new information technology, staff shortages and a rapidly rising fuel costs. The shipping line known as ONE was formed in April after Japan's three biggest shipping companies—Mitsui O.S.K. Lines, and Nippon Yusen Kaisha —pumped $3 billion to merge their container operations. The company had originally forecast a $110 million annual profit. The company largely missed the early summer season in trans-Pacific services, when U.S. importers stepped up imports from Asia ahead of a series of tariffs launched between the U.S. and China.

It struggled with what it called "teething troubles" of a new IT system that led to booking delays and many angry customers switching to other operators. There were also staff shortages across the world as new teams were formed and employees were relocated from Japan. "ONE sought to regain lost ground during the peak season from July to September, but (container) liftings and utilization remained lower than the outlook because the negative impact remained on its main Asia-North America routes and intra-Asia routes," the company said in a statement.

Container shipping lines more broadly are struggling with weak freight rates and excess capacity in major trade lanes. Maersk Line parent A.P. Moeller-Maersk A/S and Hapag Lloyd AG are among carriers reporting weak results in the first half of 2018, in part because of fuel costs and shipping prices. ONE Chief Executive Jeremy Nixon said the carrier's launch issues are now resolved, but ONE is struggling with higher fuel prices, which it will to pass on to already-unhappy cargo owners. "Fuel went from $350 a (metric) ton in March to around $460 now, and potentially heading higher. We burn about 4.4 million tons of fuel a year and saw our cost base go up over $450 million," Mr. Nixon told The Wall Street Journal in an interview earlier this month in Hong Kong.

The broader shipping industry faces an additional $40 billion energy bill as carriers and fuel providers meet new rules taking effect in 2020 requiring them to burn cleaner fuels. "The current forecast is $220 more per ton, on top of what we got now," Mr. Nixon said. "It's a very significant increase and there will be a premium in freight rates. We are trying to pass on the fuel charge to customers, but we are not doing it very effectively."

Panama Canal weighs in with record tonnage

The waterway's expansion enabled a 9.5 percent increase in tonnage. Friday, October 12, 2018

The Panama Canal closed its 2018 fiscal year with a record tonnage of 442.1 million Panama Canal tons (PC/UMS), a 9.5 percent increase from the previous year. The canal surpassed the cargo projections of 429.4 million PC/UMS tons for FY 2018, as well as the 403.8 million PC/UMS tons registered in FY 2017. Jorge L. Quijano, the Panama Canal administrator, said the record tonnage reinforces "the importance of the waterway's expansion and its impact on global maritime trade."

The increase was driven by the transit of liquefied petroleum gas (LPG) and liquefied natural gas (LNG) carriers, containerships, chemical tankers and vehicle carriers, according to the Panama Canal Authority (ACP). The container segment continued to serve as the leading market segment for tonnage through the canal, accounting for 159 million PC/UMS tons of the total cargo, of which 112.6 million PC/UMS tons transited the expanded canal, ACP said. Tankers, which include LPG and LNG carriers, represented 130.3 million PC/UMS tons. The next leading segments were bulk carriers at 73.7 million PC/UMS tons and vehicle carriers at 49.5 million PC/UMS tons. The main routes using the Panama Canal in FY 2018 were between Asia and the U.S. East Coast, the West Coast of South America and the U.S. East Coast, the West Coast of South America and Europe, the West Coast of Central America and the U.S. East Coast and intercoastal South America, ACP said. A total of 62.8 percent of the cargo transiting the canal had its origin or destination in the United States.

Analysis: It's all about the cube, US LTL carriers

Satish Jindel, SJ Consulting Group, Pittsburgh | Oct 09, 2018

If a carrier thinks its profitability is not negatively affected by this, it just needs to look back at the fate of Consolidated Freightways, which filed for bankruptcy in 2001 because it failed to fully understand the cost of serving shipments it was handling.

The focus on tonnage is understandable. Nearly all LTL carriers can provide the weight per shipment and the load factor per linehaul trailer in pounds. Even though cubic capacity of the trailers is the bigger constraint than weight, many LTL carriers still do not capture the cubic load factors of the linehaul trailers. With tight LTL capacity and growing concern by shippers about a further increase in LTL charges, the LTL carriers need to embrace development and measurement of metrics that will enable them to increase the cubic load factor of the linehaul trailers from 75 percent to 90 percent. That will yield an instant increase in operating margin of 3 to 5 percent that the industry needs to reinvest in its drivers, rolling stock, and technology.

For decades, publicly owned less-than-truckload (LTL) carriers have released tonnage information about the shipments handled. And, consequently, sell-side investment analysts have focused on that measure to assess the operating results and to forecast the future performance of the carriers. However, during past several years, the industry and the analyst community have made a big deal of the need to convert to dimensional pricing instead of the classification system of the regulated era that ended in 1980. As parcel carriers deployed dimensioning machines to capture actual dimensions of every parcel, LTL carriers started to take interest in capturing real-time cubic data on heavier shipments as they became more aware that their linehaul trailers cube out before exceeding the gross weight limit. As a result, Cubiscan, Mettler Toledo, and Freightsnap developed machines that provide LTL carriers with a similar capability as the parcel carriers to capture true dimensions of the heavy shipments for better costing and billing.

While the adoption of such dim machines had a slow start, it has ramped up rapidly and now most of the top 20 LTL carriers, who control over 85 percent of the LTL market, have a few too many such machines in use. The payback has been instant and is helping improve the operating margins of the LTL industry.

Answers to Trivia

While these changes are welcome developments, LTL carriers have failed to incorporate shipment dimensional characteristics in their list of key performance indicators measured internally and reported externally. The carriers still focus on weight per shipment and length of haul. Not one LTL carrier publicly reports cubic data on shipment.

As long as the carriers fail to share such information, the sell-side analysts are limited in giving credit to carriers that are doing a better job of getting paid for the cubic capacity of their network — how much of their trailers they fill, rather than how much weight they carry. This was evident in the research reports on the second-quarter earnings results and the August operating performance of Old Dominion Freight Line and Arcbest's ABF Freight System. While both carriers significantly improved their operating margins, the analysts were disappointed that tonnage did not improve, thereby completely overlooking the progress both carriers may have made in doing a better job of pricing and billing for cubic attributes of their shipments and thereby getting more revenue while handling less weight.

As evidence of the need for carriers to report cubic information, consider that in the second quarter of 2016 — XPO Logistics' best quarter of LTL operating ratio improvement since the Con-way acquisition — tonnage per day declined 7.4 percent while revenue per hundredweight grew 2.6 percent, and operating ratio improved 6.9 percent. However, in addition to the change in cubic attributes, other factors such as length of haul and mix of customers can impact hundredweight, hence the need for separate reporting on cubic attributes. Some would argue that reporting the cubic dimensions of the shipment is not practical at present, with only a portion of the shipments being measured. So, until further progress is made on capturing actual shipment density, the industry can utilize the National Motor Freight Classification (NMFC) system by reporting distribution of shipments by the 18 freight classes. The LTL carriers receive NMFC class on bill of lading for every shipment and use such class data to invoice the customers. They just need to aggregate the data and report them for the investment community.

It is quite likely that some LTL carriers have not instituted measures for capturing dimensional attributes as part of their internal key performance indicators. For them, it is imperative they start doing so to recognize the progress or lack of it in their ability to capture the cost and value associated with dimensional attributes of shipments handled. Failure to do so will result in these carriers not recognizing the true shipping cost and pricing some shipments below true cost, thereby having those shipments dumped on them by shippers who would like to avoid paying higher charges for those shipments to other carriers.

Companies Split on U.S. Exit From Postal Pact Benefiting China

By Heidi Vogt, Austen Hufford and Paul Ziobro, WSJ, Oct. 18, 2018

Many American companies applauded the Trump administration's move this week to pull out of an agreement that makes it cheaper to ship goods to U.S. customers from China than from within the U.S. But some business organizations worried it could crimp the flow of global e-commerce. The administration announced Wednesday that it had begun withdrawing from the United Nations agency that negotiates international postal rates because the organization had failed to address international discounts the U.S. calls unfair. The discounts, aimed at helping developing countries, have continued to apply to China even as it has grown to become the world's second-largest economy. The U.S. Chamber of Commerce said the rate system is "exploited by a handful of countries." The National Association of Manufacturers also applauded the U.S. move. But the International Chamber of Commerce, the world's largest business organization, with more than six million members, said that while postal rates should be updated, a U.S. exit from the Universal Postal Union could splinter an essential system for international commerce.

"The global postal system plays a central role in enabling global trade flows—more so now than ever with the growth of e-commerce. We are therefore naturally concerned by any potential fragmentation of the Universal Postal Union system," John Denton, the group's secretary-general, said. "Being able to make last-mile shipments to consumers efficiently is vital."

Others warned that U.S. companies that depend on small components shipped from China could see costs rise. "Suddenly the cost of that goes up tremendously for someone who's manufacturing something in the U.S. and has all these components going into it. That's troubling," said Jonathan Huneke, a spokesman for the United States Council for International Business.

The treaty governs rates on packages weighing 2 kilos (about 4.4 lbs.) or less. The rates have allowed merchants in countries like China, Hong Kong and Singapore to sell goods to American consumers for only a few dollars. The service has been popular with merchants selling wares on online marketplaces such as AliExpress.com, eBay.com and Amazon.com Inc.

"I think what a lot of people don't know is we're the No. 1 exporter out of China," Chief Executive Devin Wenig said in February (CEO, Ebay). "We have a multi, multibillion-dollar business exporting Chinese goods to the United States, to Europe, all around the world." Asked in April about the cheaper Chinese shipping rates, the company said it had encouraged Chinese sellers to move products to end-market warehouses to increase shipping speeds. The company declined to comment Thursday.

Parcel carriers such as FedEx Corp. and United Parcel Service Inc. have called for updating the agreement, which puts them at a disadvantage on some international shipping routes because of the treaty's lower rates. "Foreign postal operators should not be given government-approved advantages in what is a competitive market," UPS Chief Executive David Abney said. "All parties should pay the same parcel delivery rates for the same services from the U.S. Postal Service."

Some U.S. companies say the discounts have hurt American sellers of low-price products, including those that make products in China but ship, in bulk, to U.S.-based warehouses. The chief executive of New Jersey-based Mighty Mug, which sells mugs that stick to tables to avoid spilling, has spoken out about the issue, including in a Wall Street Journal opinion piece in February. Jayme Smaldone said he discovered that it costs him $6.30 to ship a mug within the U.S. while the postal service charges a Chinese shipper just $1.40 for the same size package. "I was shocked," Mr. Smaldone said. "A feeling of somewhat like betrayal." His mugs are made in China and shipped to customers from its U.S. warehouse.

But lower prices aren't assured if the U.S. sets its own rates, said Peter Yeo, a senior vice president at the United Nations Foundation. "There's a real danger that a withdrawal from the UPU would set off postal wars," he said, arguing that if the U.S. sets rates unilaterally, other countries might as well. "That can make it far more expensive for U.S. companies to ship their products abroad." The U.S. says it hopes the impending withdrawal—which will take a year to complete—forces negotiations that will eliminate the discounts, thereby making an exit unnecessary. Mr. Yeo argued that timeline was unrealistic. "If you're serious about negotiating objectives on a global scale, you need more time than that, and you need more diplomatic resources," he said.

Forwarders: Unreasonable demurrage-detention on the rise

Greg Knowler, JOC Senior Europe Editor | Oct 03, 2018

Forwarders are raising the alarm about what they see as an uptick in unreasonable detention and demurrage charges and "strong indications" that shipping lines are abusing the charges to maximize profits. In a report, the International Federation of Freight Forwarders Associations (FIATA) said that during the last few years free time periods have been reduced and tariffs for demurrage and detention have increased considerably. Marine terminals and ocean carriers counter that they continue to use detention and demurrage as way to encourage shippers to pick up and return containers in order to boost cargo fluidity that's challenged by the larger discharges of mega-ships. "It is understood that shipping lines have been suffering in a very tough business environment and do everything they can to develop revenue streams that are not necessarily derived from freight, but FIATA does not believe that merchants should be subjected to predatory pricing of this nature, especially as delays often occur through no fault of the merchant," FIATA said.

Those delays, which are out of the hands of shippers, were a result of larger container shipping call sizes choking terminals, increasing port congestion, schedules thrown out by bad weather, environmentally driven modal shifts, delays in sailing, increasing scrutiny of cross-border documentation, and tighter security measures. "Labor issues, choice of terminal, and terminal congestion related to the impact of increasing size of vessels on ports and terminals that are already geographically constrained are examples of issues that are within the control of supply chain partners, but beyond the control of the merchant," FIATA said. "These issues lead to detention and demurrage charges for merchants who are unable to obtain release of laden containers or return empty containers through no fault of their own. There is no logic insisting on a charge that is supposed to motivate the merchant to pick up or return a container quickly if the terminal is not able to comply with this request." While the association agreed that demurrage and detention charges were an important tool for shipping lines to ensure the efficient use of their container stock that represented a large investment, carriers have been accused of abusing their position with "unjust and unreasonable" charges to the merchant. "The opinion prevails that shipping lines abuse such charges in order to increase income and profits," FIATA said.

Demurrage refers to a charge that the merchant pays for a container excessively idling at a terminal without being picked up by a trucker. Detention is the charge for not returning the container to the terminal or depot within the free time period. In the case of demurrage, the terminal incurs the extra costs of acting as a storage yard, while in detention, ocean carriers miss out on a business opportunity to turn their box for other shippers needing to move freight. But the excessive charging is on the radar of regulators. The US Federal Maritime Commission (FMC) is busy with an investigation into detention and demurrage practices that it launched in early 2017 following a petition from the Coalition for Fair Port Practices, a group comprising 26 organizations representing thousands of US shippers, in December 2016.

FMC commissioner Rebecca Dye and Acting Chairman Michael Khouri expressed an inclination to broker a business solution to resolve the detention and demurrage issue, rather than formal rulemaking. "Rulemaking is not our first choice, but at the end of the day if there are persistent practices that are found to be unjust and unreasonable, and stakeholders do not want to listen and proactively adjust business practices, then [rulemaking] will remain on the list," Khouri said. After the meeting, Dye told JOC.com no such behavior has been exhibited by shippers, ocean carriers, or terminals.

"We will decide [in December] how to best implement change ... but I am not feeling any lack of cooperation. We can't drive meaningful change in the industry without leaders stepping up, and they are doing that right now," Dye told JOC.

Less expensive to store container in Midtown Manhattan. However, the FIATA report said demurrage and detention charges have been known to accrue to 20 times and more than the value of the container itself. The forwarder association referred to one extreme example where an FMC witness noted that it would have been less expensive to park his container in Midtown Manhattan than at the Port of New York-New Jersey. (Midtown Manhattan in New York City is the world's largest central business district and has some of the highest parking rates in the world.)

A National Retail Federation and Coalition for Fair Port Practices release in December 2016 gave three examples of excessive charging:

- A retailer was charged $80,000 because it took up to nine days to retrieve containers when only four free days were allowed.
- A trucking company was charged $1.2 million after long lines at New York and New Jersey ports kept it from returning containers on time.
- A transportation company was charged $1.25 million after containers it tried to return were turned away at West Coast ports; the amount was eventually reduced to $250,000 but only a year after the company was forced to pay the fees upfront.

FIATA has released a best practices guide aimed at protecting shippers from charges that were levied despite shippers having no way to have their containers released by the terminals. In the paper, FIATA suggested that commercial partners negotiate terms to extend free time for a period that was equal to the duration of the inability of the terminals to release a container for import or receive a container for export, and the inability of the depots to receive an empty container.

The introduction of mega-ships has led directly to increasing delays and dwell times within terminals, FIATA said. Many terminals and landside operations were dealing with bigger vessels, bigger peaks, congestion, and unreliable vessel schedules.

Higher peaks led to a greater concentration of landside delivery and pickups, with the result that many ports also have to deal with road congestion. The association said while additional landside infrastructure investment might be required, the easing of peaks through extended free time periods must be considered as well. "Instead of decreasing free time periods, FIATA suggests that commercial partners negotiate an increase in free time periods to allow merchants more flexibility in their planning."

Retailers set to ban "serial returners," survey finds

Following Amazon's lead—and as a way to curb the high costs associated with reverse logistics processes—two-thirds of retailers say they would stop doing business with problem shoppers, ERP provider says. By DC Velocity Staff 10/19/2018

Nearly two-thirds of U.S. retailers say they are considering banning shoppers who deliberately and regularly buy multiple items with the intent to return some, according to a survey released today by enterprise resource planning (ERP) platform provider Brightpearl. The news comes as retailers prepare for the holiday peak shopping season and as many report an uptick in so-called "serial returners" over the last 12 months. It also underscores the strain excessive returns place on the already-expensive reverse logistics process. The situation has caused some big-name brands to take action this year: LL Bean announced in February that it was ending its more than 100-year-old "no questions asked" returns policy, and in May, Amazon.com said it would begin closing the accounts of customers who request too many returns.

Following Amazon's lead, a quarter of retailers surveyed by Brightpearl said that introducing lifetime bans for problem shoppers is a necessary step to protect their margins. The survey also showed that nearly half of U.S. retailers would impose bans to save time and administrative resources—"an indication that chronic returns are eroding retailers' margins," according to the survey. Among the survey's findings:

42 percent of U.S. retailers say they have seen an increase in "serial returners" over the last 12 months;

61 percent of U.S. retailers say they would ban serial returners;

64 percent of all clothing and fashion retailers, 67 percent of consumer electronics firms, and 80 percent of baby and toddler retailers say they would implement similar measures to Amazon.

The survey showed that shoppers largely agree with retailers on the issue: 58 percent said they support bans for serial returners while just 7 percent disagree with such policies. Younger shoppers—those 18- to 24-years-old—are the most likely to disagree, the survey showed. Although the ease and popularity of online shopping has given rise to the serial returns problem, Brightpearl also found that retailers are partly to blame, noting that many do not have the right technologies in place to identify repeat offenders. Nearly 60 percent of respondents said they cannot identify—or do not know whether they can identify—who their serial returning customers are, highlighting the growing need for new technologies that can track shopper behaviors.

Complicating the matter, just 21 percent of retailers said they think banning serial returners would lead to a reduction in return rates overall—suggesting that the growing number of returns in the U.S. retail sector is a trend that is here to stay, and that demand for technology to address the issue is likely to grow as well.

"In today's consumer-led retail environment, intentional returning could spell disaster for retail business owners if they do not have visibility over regularly returning customers," Derek O'Carroll, Brightpearl CEO said in a statement. "Without this, retailers will struggle with the definition and consistent application of their returns strategies—and could face a resulting backlash from shoppers."

Think Twice Before Returning That Online Purchase: Retailers Are Ready To Ban You From Shopping Again **by Andria Chang, Forbes, 10/18/2018**

In the age of online shopping, many consumers are used to ordering more items than they need and sending back the rest, especially with many retailers offering free returns. But more retailers than ever are ready to ban those who abuse the system as customers, a study has found. More than three-fifths of U.S. retailers and 45% of U.K. retailers said they would ban serial returners from shopping on their websites permanently, according to a survey of 200 retail executives from both countries by retail software firm Brightpearl, conducted in September and released Thursday. The percentage went up to at least 80% among U.S. retailers selling toys and gifts or baby and toddler gear. Why? Some 42% of U.S. retailers, and a third of U.K. retailers, said they've seen an increase in serial returners over the past 12 months.

Who are the likely culprits? The study, which also surveyed 4,000 online shoppers from both countries, found that over a third of those ages 18 to 34 — more than other age groups — confessed to having bought extra items with the intention to return some. The Wall Street Journal reported in May that online retail giant Amazon might ban shoppers who returned too many items, and the study credited Amazon's move with helping embolden other retailers to follow suit. "We want everyone to be able to use Amazon, but there are rare occasions where someone abuses our service over an extended period of time," Amazon told The Journal at the time. "We never take these decisions lightly, but with over 300 million customers around the world, we take action when appropriate to protect the experience for all our customers."

Without the ability to try or see products in person, consumers tend to return more items when shopping online.For instance, a Shopify study found that while up to 10% of purchases at physical stores are returned, that rate goes up to 20% online and 30% during the holiday e-commerce shopping period. Regardless of where a product is purchased, returns are a big headache for the industry. According to the 2017 Consumer Returns in the Retail Industry report by Appriss Retail, which included trade group National Retail Federation's organized retail crime survey, some $350 billion in U.S. retail sales — or 10% of the total — was returned last year. About $23 billion, or 6.5% of the returns, constitute return fraud or abuse, the study showed.

Retailers are fighting back. Nordstrom, for instance, says it asks for personal ID for a return without receipt. "Because of our liberal return philosophy, we have this internal auditing procedure to give us the ability to monitor and investigate refunds and returns without a record of sale," the company says on its website, adding that consumers can't return special-occasion dresses or some designer items if the tags are missing. "Over the years, we have also found that we received a disproportionate number of returns of what appeared to be worn special-occasion dresses and designer items."

L.L. Bean, famous for its lifetime guarantee policy, generated big headlines this year by changing its return policy to one year. "Increasingly, a small but growing number of customers has been interpreting our guarantee well beyond its original intent," L.L. Bean said in a Facebook post in February. "Some view it as a lifetime product replacement program, expecting refunds for heavily worn products used over many years. Others seek refunds for products that have been purchased through third parties, such as at yard sales." With retailers seeking to please increasingly fickle shoppers and fight costly return abuse at the same time, they will have a fine line to tread.