Auto Remarketers & Dealers: Five Predictions about the State of ShipTech Industry 2016

Backstory:

Sharing economy startups are facing do or die fight for survival in 2016.

Ongoing slowdown in tech funding is forcing a trend back to longstanding companies like uShip and away from unstainable delivery business models.

In contrast, uShip has combined mobile and web-based technical innovation with deep supply chain knowledge and sound economics to facilitate over & 5M shipment listings.

Here 5 Prediction and Assessments of the Current Shipping Market from Dick Metzler, Chief Marketing Officer at uShip and a 30-year shipping and logistics veteran who sees several changes and shifts over the rest of 2016 and into 2017 within Ship-Tech industry .

1. VCs Dole Out Less Funding for On-Demand Delivery

As VC funding dries up for tech, so too will on-demand delivery funding. It won't be impossible but the bloom is off the rose. In recent times, we have seen numerous delivery startups shutter their doors following the realization that VC funding could not prop up unsustainable business practices and lack of a true value prop forever. That trend will continue and likely accelerate in the year ahead.

2. Same Day Delivery Costs Curb Consumer Demand

The 2010s have been a near repeat of the late 1990s with technology promising instant gratification. While technology has certainly advanced, the real-world physics of moving objects from A to B have not. Many companies have looked at the mechanics of providing delivery, but they have forgotten about the core logistic requirements, associated costs and profit margin. For those companies that continue to offer 1-2 hour delivery times, this cost will more closely come to represent the true cost in the year ahead, rather than the VC-subsidized cost. For the rest of the companies in the space, this 1-2 hour delivery time will rationalize to same-day or 1-2+ days based on what consumers say they want.

According to a survey by Forrester Research, just 29 percent of U.S. online shoppers said they're interested in guaranteed same-day delivery—and that number is likely much smaller when you consider who is willing to pay for that same-day delivery. In the long run, when given the decision to pay the premium or opt for free or cheap 2nd/Next Day delivery, the former will likely trump a need for speed.

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3. Free Shipping Gets Less 'Free'

"Free shipping" has been the carrot to lure the consumer for years now, but much like the delivery startups shuttering due to dry funding, free shipping will likely become harder to achieve as companies reconcile real-world logistics with budgetary concerns. Look for companies to raise the purchase amount required to receive free shipping, and for consumers to validate this decision in the long run. Studies show that consumers prefer free shipping over expensive on-demand delivery, and many no longer need the coercive effects of the carrot—buying online has become an unbreakable habit.

4. E-commerce Goes Big: Consumers Want Home-Delivery of Large Items

Larger-than-Parcel (LTP) will continue to grow at a faster and faster rate as people get more comfortable with buying big stuff online. Home deliveries by traditional trucking companies, for example, have increased by more than 40% since 2010 and the trend shows no signs of slowing. According to the Wall Street Journal, ecommerce now comprises 10% to 20% of deliveries in trucking's $35 billion Less-than-Truckload segment.

The implications of this for shipping technology companies have yet to be fully realized, but this will be one of the big problems to be tackled in the year ahead. Already, companies like UPS and FedEx are increasing fees on large items to account for the fact that these large items don't fit their automated systems and cut into profit margins. Look for technology to match large trucking companies that despise residential deliveries with thousands of local trucking companies better equipped to handle the jobs. But this will require transparent pricing and service quality to keep it cost down for the consumer, who ultimately foot the bill.

5. FedEx, UPS Shake Off the Sharing Economy

While we have come to expect and even cheer for disruptive technology, the big players in shipping and delivery like FedEx and UPS are not going anywhere any time soon. While Amazon and Uber are expanding their logistical aspirations in a major way beyond their core businesses, they won't unseat the mainstays. Why? Because the biggest players run incredibly sophisticated businesses and operations that will take more than a on-demand and sharing economy startups--even newcomers with deep pockets—to replicate.

Contact for Dick Metzler & uShip, in Austin (800) 698-7447