



Logistics Providers Shift Focus with the Rise of DTC

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Logistics brokers have been undergoing a steady metamorphosis in recent years, stemming from the influx of direct-to-consumer brands and the unrelenting rise of e-commerce.

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“We are living through a renaissance in the logistics space,” said CEO of American Global Logistics (AGL), Jon Slangerup. “It changes the [supply chain](#) for all our customers.”

The cultural shift to shopping online represents “the largest disruption in retail supply chain logistics in many years,” Vincent Iacopella of Alba Wheels Up, agreed. The EVP of growth and strategy said the hunger that retail brands feel to compete in the online marketplace “poses challenges for all the players” in the logistics arena. “It also creates new opportunities,” he added.

Brick-and-mortar hasn’t completely given way to e-commerce, but there’s no question that retail brands must maintain an online presence in order to survive. Now, the digital space is becoming crowded with small, specialty DTCs that are conducting all of their business online—much of it through social media. The trend has legacy retailers racing to bolster their web presence. To compete with the agile upstarts, they must deliver an optimal shopping experience from first click through fulfillment.

“There’s no question that the traditional retail storefronts have learned how to merge their e-commerce businesses with their brick-and-mortar operations,” Slangerup said. “They’re grappling with the e-commerce part of fulfillment because they have to.”

Iacopella believes consumers’ reliance on technology is the driving force behind the shift in shopping habits. “I think the biggest factor is digitalization,” he said. “We live in a world where we all connect digitally, and that’s fueled an appetite to make purchases in real time.”

Today’s consumers, Slangerup agreed, aren’t oriented toward going into a store or a showroom and buying anymore. Rather, he added, “Customers are going to go home and price shop and have their things delivered as quickly as possible.”

This reality has AGL’s customers feeling the heat, and the company has responded in kind by ramping up its tech offering.

“We’ve evolved as an organization over the past three years from being a strictly third party logistics company or freight forwarder to a 4PL,” Slangerup said, adding that 25 percent of AGL’s incoming business now relates solely to technology enablement. “The traditional freight forwarder of yesterday wouldn’t survive today,” he explained, without the ability to provide end-to-end visibility to its customers. Arming brands and retailers with a line of sight into their supply chains allows them to better manage their consumers’ expectations, which are growing every day.

AGL is taking a heavy editing hand to those supply chains, too. “We map our customers’ key performance indicators, along with their speed and adeptness,” Slangerup explained. Using mapped

“In a supply chain there’s typically between seven and 10 critical handoff points,” Slangerup said. “Those handoff points are where the money is made or lost in this business.”

Another potential hangup that both new and established brands can face is in cross-border logistics. If speed to market is the modern mantra, then removing roadblocks is a must. Iacopella served on the commercial advisory committee for Customs and Border Protection, becoming an adept navigator of regulatory issues. He believes that 2015’s Trade Facilitation and Trade Enforcement Act, which raised the de minimis amount for duty free shipments from \$200 to \$800, was a huge boon to the [DTC](#) industry. Around that time, “there was this explosion of online purchases,” he said. “The law made it easier for cross-border small package movement, which fueled DTC.”

Despite tides turning in the favor of DTC brands, Iacopella believes newcomers without the relevant expertise could run into trouble. “At the beginning of DTC e-commerce, I don’t know how many people were paying attention from a regulatory standpoint, but I think they are now,” he said.

“The biggest pitfall with startups is the same thing that makes them great,” he explained. “They have the energy and the drive. But they also have to take a deep breath and look at whether the products are in compliance with our regulatory laws, if they’re safe for the consumer, if they’re infringing upon someone else’s IP or if they’re in a position to have their own IP infringed upon.”

These potential blind spots represent opportunity for logistics providers, who are now embracing their roles as guides on a supply chain journey. With increased scrutiny from government agencies, Iacopella said it’s more important than ever for brands to partner with brokers who are comfortable navigating the issues.

At this point, though, DTC retailers represent only a small part of Alba’s portfolio.

“The majority of our legacy customers are volume movers,” Iacopella admitted. “But even those brands are all starting some kind of DTC vehicle. We have to be open to the new startup mentality, because eventually everyone is going to have to pivot.”

A similar story is playing out at AGL, which Slangerup said has taken on “dozens, but not hundreds” of DTC companies as customers. But he knows not to underestimate the business of fledgling brands because “they’ll become the next iteration of medium-to-large-sized retailers.” Slangerup said this new wave of businesses has inspired AGL to embrace the most effective new technology. “Those brands are a small part of our business, but an important one. They’re the ones who are making the point to us that it’s important to add technology to your supply chain management.”

“Ten years ago, the logistics space was an old, dusty, uninspired environment,” he added. “Now, things are shifting so quickly that you have to be tech-oriented or you can’t keep pace. You’ll become just a commodity player, and that’s the last thing we want to be.”