

# **SHIPPING PEAK DEMAND FOR ONLINE SELLERS: RESERVE AND SURCHARGE**

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## **ABSTRACT**

Online retailing is changing the landscape of retail industry in countries as Amazon's market cap has recently doubled that of Wal-Mart in the US. Different from brick and mortar, online sellers rely on 3rd party logistics for the delivery of the goods but the hugely spiked demand during holiday seasons (Christmas in the US, Singles' day in China) poses a substantial challenge for the 3PLs to deliver on time. To better manage demand, 3PLs such as UPS, require the sellers to make reservation and to pay a surcharge for extra work. In this paper, we discuss how these shipping arrangements may affect the online sellers' inventory decisions, how to coordinate the channel for the sellers and shippers to win-win.