

Next steps in the delivery journey

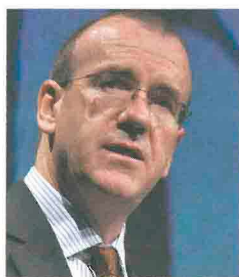
Delivery has never been so crucial to retailers' success, and industry leaders agree there is more work to be done. Rebecca Thomson reports

Few would have predicted a decade ago that fulfilment would become the difference between making a sale or not – and few would argue now that it doesn't play a central role in the online purchase decision.

The final stage of the fulfilment journey has become perhaps the most important element of a strong online or multichannel offer. Free and efficient delivery and returns, or convenient click-and-collect designed around a shopper's day, have become cornerstones of growth.

Delivery's importance has been thrown into sharp relief over the past year. Tube stations have become collection points, retailers such as House of Fraser launched evening delivery, eBay orders can be picked up at Argos stores, and Waitrose launched click-and-collect lockers.

As B&M Bargains chairman and MetaPack non-executive board member Sir Terry Leahy said at MetaPack's Delivery Conference last week: "It's extraordinary how much has changed in the industry in two years." Asos



"WHAT STILL NEEDS TO CATCH UP IS THE PHYSICAL FULFILMENT OF CROSS-BORDER TRADE"

Sir Terry Leahy, B&M Bargains/ MetaPack

founder Nick Robertson said seamless delivery is becoming more important to customers. "Increasingly shoppers migrate towards sites with the best, seamless, most reliable customer care. Customers do reward you with loyalty if service is reliable," he said.

Onwards and upwards

The delivery industry has come a long way over the past couple of years, but more innovation is still needed.

New services and ideas are coming through thick and fast – courier firm Hermes revealed at the conference it is launching Sunday delivery – but retailers and suppliers agree there is more work to be done.

Leahy said: "The customer delivery experience isn't optimal yet. The customer used to do all the work, and now we try to navigate through to them. It's difficult, and we're catching up now with the implications of that."

Much of the work required centres around international expansion, where a successful logistics operation can be difficult to achieve. Leahy said: "Going international is becoming much easier. You've got customers ready to do business with you. Tesco was 60 years old before it went overseas – some e-commerce businesses go international virtually on day one. What still needs to catch up is the physical fulfilment of cross-border trade."

Leahy also discussed the health of the wider e-commerce market, pointing out the UK has become a world leader in retail, providing opportunities for retailers and suppliers to export their expertise and reach new customers.

Leahy said: "The UK's reputation of being a leader is growing around the world. That provides opportunities for e-commerce."

But, while there are plenty of opportunities for UK retailers and e-commerce suppliers, the market is becoming increasingly crowded.



Asda has launched collection on the Underground; eBay orders can be collected at Argos stores (below right)



Waitrose has launched temperature-controlled delivery lockers

Leahy said: "Being a pure e-commerce player is less unique than it was. There is more competition. Increasingly consumers won't think about online and offline – they will just think about retail."

"It will be a case of the winners are good retailers and the losers are those who didn't develop traditional retail skills. It's less about technology and more about who understands the customer."

Humphrey Cobbold, former chief executive of cycling retailer Wiggle, agreed there are many opportunities in e-commerce but said they are becoming harder to seek out in a more crowded market. He believes the easy days of e-commerce are over and that it has become more expensive to build an e-commerce business. "Five years ago it was cheaper to build a business. The increasing cost of things like pay-per-click means it is much harder now. Things are changing," Cobbold said.

He added there is still funding available for new e-commerce businesses,

step is mobile and the continued effect it will have on the way shoppers interact with retailers.

According to Carphone Warehouse chief executive Andrew Harrison, so far only the tip of the iceberg of mobile's impact has been seen. He said 4G will have big implications for retailers with new, innovative services in fields including delivery being developed that will make the most of the faster network.

"It is going to be like the difference of moving from dial-up to broadband and we have to think of all the changes that has made," he said.

Some people remain to be convinced about the necessity of 4G when most are happy with 3G he noted. But Harrison said: "What people don't realise is, as the technology changes, so do the things you do and the way you behave. Think of all the things that were launched since 3G was invented 10 years ago.

"People will become more reliant on their phones and that will continue to change what we do."

Taking stock

Harrison maintained retailers will need to think adventurously in the future. "I run a large physical business and [stores are] important but I do think as retailers we will have to be prepared to think incredibly differently."

One issue the industry will need to tackle is products being out of stock, he added. "There's probably more business to be gained by sorting that out than growth in online," he said.

Robertson agreed, and said customers in the future won't shop at retailers that are routinely out of stock.

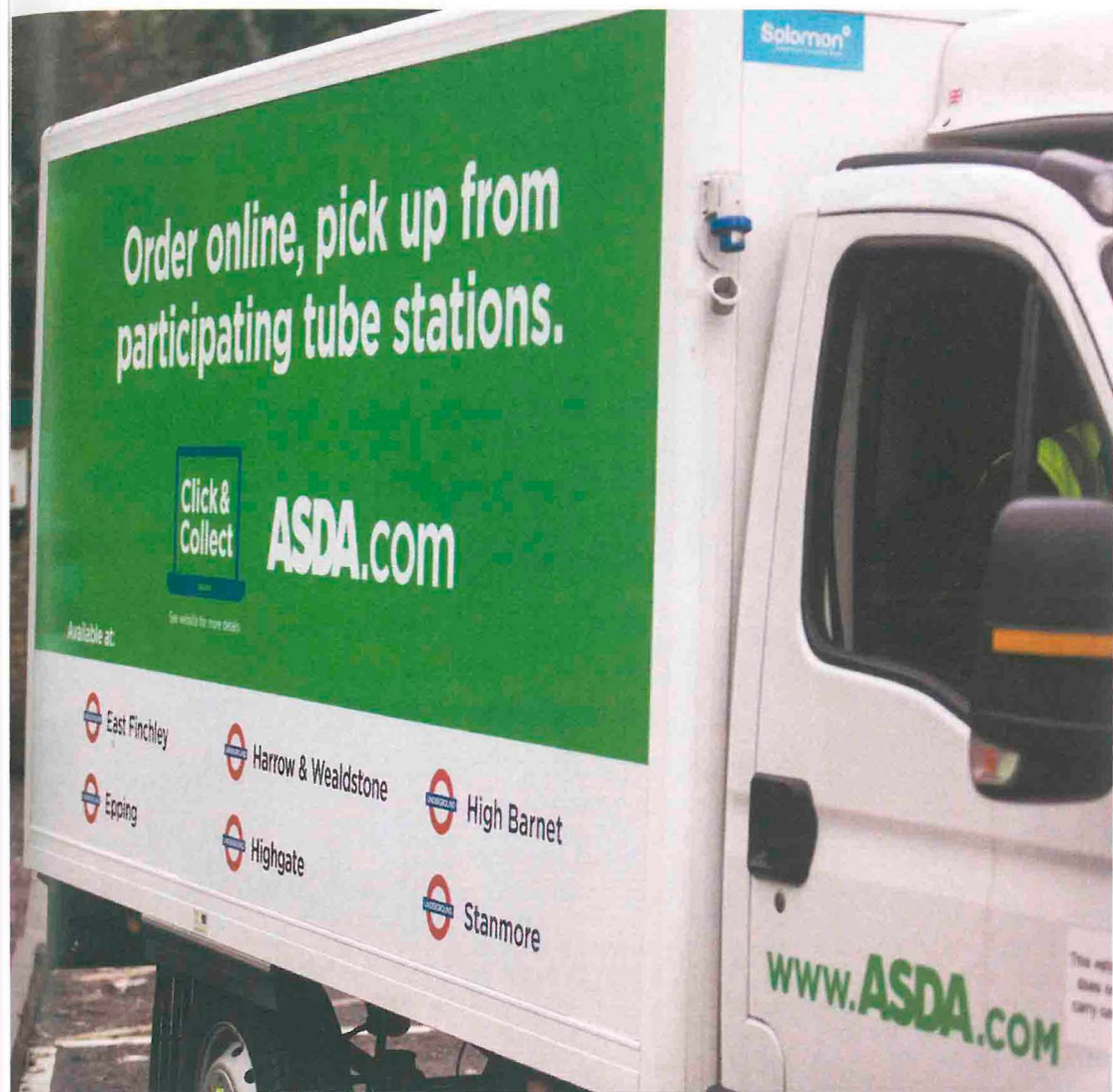
"You've got to put yourself in the mind of a 12 year old today. Out of stock will be an alien concept. In my head they won't accept that. Delivery will be so amazing – drones and things – they'll just click and buy online."

Harrison said retailers that don't accept the world is changing will have a problem. "We have a host of competitors who have ripped up the rule book," he observed.

Such businesses have been built with online in mind, he said, with a digital-friendly infrastructure.

"If you're online only you look at business in a different way. You drive it through data. In retail generally there's been more art than science."

Harrison argues this will need to change, with data being used in every part of the retail process. Delivery has come a long way, but it still has a long journey ahead of it.



and that there is plenty of money to be made. However, many of the overheads have increased, and etailers need to grow their businesses quickly to achieve scale and profitability.

Cobbold said there are only a couple of niche markets left that are not well served online. "We are lucky to be living through a revolution of this nature and opportunities abound. There is still huge room for growth but it's getting harder and more crowded. There are relatively few verticals [left], there are a couple of niches which I am looking at, but it's getting harder."

Leahy pointed out that the delivery industry is a particularly active source of ideas. He said: "It's a lively scene, a real hothouse, and the sector is producing some interesting businesses."

The most important thing online retailers and suppliers can do is keep innovating – which, Cobbold observed, having started a businesses online, etailers should all know how to do.

Whichever category retail entrepreneurs decide to enter, delivery will



play a crucial part in their success. And they need to make sure they provide something different to giants such as Amazon.

Cobbold said: "Retailers have to stop thinking about just being retailers. No one is going to out-Amazon Amazon. You do have to be good at the practical elements but you also have to have something different.

"For us it was about building content. We started to think about ourselves as a media business." For many, the next big

"SHOPPERS MIGRATE TOWARDS SITES WITH THE BEST, MOST RELIABLE CUSTOMER CARE"

Nick Robertson, Asos