

While retailers are clearly thinking customer-first when it comes to dreaming up ideas, logistics can be a challenge. So what is most important to consumers when it comes to delivery and what are retailers focusing on developing? **Lindsay Clark** finds out



Retailers pay for rising delivery demand

Whatever the problems at Tesco, growth in home delivery is not one of them. Over the six-week Christmas period in 2014, grocery home shopping was up 13% on the previous year, while general merchandise online was up 22% and clothing online rose 52%.

Multichannel ecommerce is here to stay. Whether retailers have led the charge, or been dragged kicking and screaming, they have to be in the game.

"The genie is out of the bottle," says Neil Saunders, managing director of retail analyst Conlumino. "You have to offer these services, including free delivery in many cases, because if you didn't, you wouldn't get the sales."

But in meeting increasing consumer expectation on home deliveries, retailers can be signing a blank cheque with their profit margin.

For example, grocery is not a great model to run online, Saunders says. "It is very cost intensive. The margins on food are not great to

begin with and although online is good for sales growth, for profit it is not a great model. In an ideal world, most of the grocers would like to forget the internet. Unfortunately they cannot, because if one offers online home delivery the rest have to offer it. It is a cost of doing business that retailers have to adjust to."

The costs are multiple too, and can soon add up on lower margin goods as Saunders explains.

"It is not just the van, but also packaging, handling at warehouse, and returns that come back: all of those things have a cost attached. Most retailers have lower margins on products that are ordered online because of this. For retailers with both online and physical stores, they are squeezed between the two," Saunders says.

CONSUMERS WANT CHOICE

Yet growth in online commerce comes as consumer expectations of home delivery is exceeding what retailers are offering. A survey of 2,362 adults by YouGov conducted in May 2014



Consumers want a choice of delivery methods, including services such as click-and-collect

shows that 21% would prefer same day deliver for online shopping but only 11% of retailers offer the service.

"Consumers want choice. A greater number of delivery options is what people are looking for," says Darryl Adie, managing director Amper-sand, an ecommerce consultancy.

It recently worked with Harvey Nichols ➔

to help devise a “click-and-try” service as a free ecommerce delivery option, alongside the free click-and-collect service, £6 standard delivery and £10 next-day delivery. Click-and-try allows customers to select any item from the Harvey Nichols range and have it delivered to the nearest store. A style adviser will arrange a customer appointment when the item is ready, maximising opportunities to cross sell and minimising returns, Adie says.

He adds: “It also becomes part of the luxury experience Harvey Nichols creates. It is a good example of a retailer creating a menu of delivery options for consumers.”

GROWING EXPECTATIONS

Forrester research found 85% of UK retailers have seen a positive and measureable impact on key customer metrics such as net promoter score, customer satisfaction, customer loyalty, and customer retention by offering multiple delivery options with increased flexibility.

The study, based on responses from 101 retail organisations in France, Germany and the UK, found customer expectations are changing. “In the UK, next-day home delivery is becoming the new standard, rather than the express delivery option,” according to the report, commissioned by MetaPack, which provides software to help allocate deliveries to the right carrier.

Angela O’Connell, strategy and marketing director, MetaPack, says: “Five or six years ago delivery of five days was standard, and not a cause to complain. Now, people want next day and same day. They want flexibility and choice.”

Customers also expect retailers to keep them informed, says Andrew Starkey, head of e-logistics at the IMRG, a membership body for retailers. “What home delivery boils down to is predictability, information and choice,” he says.

IMRG surveyed 1,500 consumers in 600 households with 60 questions about their home delivery preferences in spring 2014. It found that speed of delivery is not necessarily the most important factor.

INFORMATION AS GOOD AS SPEED

“When you group answers, the most popular options are those where the customer can specify a day and time slot but equal to that is the desire to be informed. Customers want to be able to make an informed choice about delivery when they order goods and be kept up to date while

You have to offer services, including free delivery, because if you didn’t, you wouldn’t get the sales

Neil Saunders, Conlumino

UBER AND TICTAIL GIVES SMES ONE-HOUR DELIVERIES

In September last year small retailers were able to offer customers one-hour delivery times within Stockholm, without creating massive logistics infrastructure or negotiating with large carriers.

Ecommerce platform Tictail, which offers SMEs free entry into the market, partnered with global taxi network Uber to launch the service as a 24-hour experiment. Retailers had a 500% uplift in trade, says Tictail chief executive Carl Waldekranz.

The company provides website, shopping carts and secure transactions for free and has attracted 60,000 independent stores in 140 countries across the world. Users pay for add-on features and apps, such as email marketing.

The number of retailers using the services allows

them to negotiate with home delivery carrier en masse, striking far better deals than they could individually, Waldekranz says.

Tictail started a conversation with Uber to see if a one-hour delivery service was possible. By tagging sellers in the Stockholm area, merchants were able to book an Uber taxi as orders come in and deliver within an hour, with no extra cost to consumers.

Waldekranz says the service is well suited to its retailers, which are made up of low volume, high-value items such as boutique fashion and jewellery.

Tictail plans to launch the one-hour delivery services, with Uber or other carriers, during the middle of 2015.



they are in transit via SMS or email, and be able to change delivery preference in transit. If you can be good about in-transit delivery information and specify choice of service, the time it takes to get to the customer is less important,” Starkey says.

Retail software provider Micros surveyed 239 retailers about their deliver options. It found 86% of the retailers offered online order tracking, however, this varied in quality, from detailed carrier tracking to a simpler status update of ‘in warehouse’ or ‘despatched’.

WHERE TO INVEST

To meet rising customer expectations over home delivery retailers need to invest. But where?

A better understanding of stock is vital, Starkey says. “The single improvement retailers

should be looking at is a single view of inventory. Whether in stores, at the distribution centre, with the manufacturer, or in returns, locating all the inventory means you are better able to source the order from the most convenient, cost-effective location for the customer. For click-and-collect, if you know the item is in store, good, if not you can duplicate stock and waste money.”

Yet retailers rarely understand in-store stock as accurately as warehouse inventory, says Paul Durkin, business unit director, retail for Wincanton, whose home delivery clients include Marks & Spencer, Magnet and Screwfix. “There are very few, in reality, that are near that panacea. The challenge is, when you move outside warehouse environment and into store, many do not have the same level of

robust systems in place to ensure stock accuracy.

“Many organisations recognise that the more cost effective way to fulfil [home delivery orders] is store inventory. But unless the systems are integrated in such a way that you can do that, you’re on a hiding to nothing.”

Conlumino analyst Saunders says retailers also need to invest in good quality couriers and logistics firms. “In the logistics sector quality of service can lag retail. There’s no delivery on Sundays and products can get lost.”

Jeremy Vernon, joint managing director at ecommerce services firm Core Fulfilment, says courier providers vary, but some have made significant investments to improve services. “DPD tracking information is superb; you can pinpoint the delivery on a Google map, but they made a heavy investment. It is a very popular service but you have to pay for it.”

MARGINS OR LONG-TERM ROI?

With continual pressure on online pricing, paying for customers to have a premium delivery service can be difficult to justify on financial return on investment alone. But retailers seeing the bigger picture can justify investment in improving home delivery.

A survey of 500 people by Research Now found 59% of consumers are less likely or unlikely to order from a retailer again if they have a negative delivery experience and 78% are likely to tell their friends about it. Conversely, 95% of consumers say a positive delivery experience would encourage them to shop more with that retailer in the future. The IMRG research also shows that 35% of customers are influenced by online reviews of the delivery experience.

Ampersand’s Adie says: “The most progres-



DPD’s tracking information is a popular service with consumers

“Consumers want choice. A greater number of delivery options is what people are looking for”

Darryl Adie, Ampersand

sive retailers are looking at the lifetime value of the customer when assessing delivery options. It is a trade-off between the margin

and the value of retaining customers.”

Retailers daunted at the scale of the investment required to improve home delivery and accrue ROI should note developments among SME retailers. In a 24-hour experiment last year, Tictail partnered with online taxi service Uber to allow SMEs to offer one-hour delivery times within Stockholm. Some retailers had a 500% uplift in trade, says Tictail chief executive Carl Waldekrantz.

If larger retailers do not meet rising customer expectations, smaller competitors will. In home delivery, standing still is not an option.

DELIVERY A PRIORITY AT AO.COM

In March last year Ao.com won the Oracle Retail Week Award for customer service. Danny Emmett, director of operations, explains the retailer’s approach to home delivery.

Why does Ao.com offer a range of delivery options and time slots at various costs to the customer?

We’ve always been a customer-centric business and as such have engineered our business to suit customer requirements, whether that be free, same day, evening or weekend delivery.

Our prices are ultimately defined by the flexibility of the logistics and warehousing operations needed to service the differing options available to the customer.

How important are delivery options, time slots and reliability to brand reputation and success in the market?

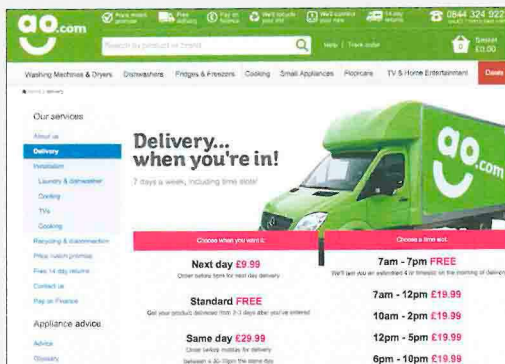
The importance of offering an excellent delivery and service proposition is something that Ao.com realised several years back, which is why we invested in acquiring our own logistics business.

We control end-to-end operations, which means that we can provide an excellent and consistent brand experience, right through to point of delivery. This is reflected in our repeat purchase propensity and market-leading net promoter score.

How do you see the future?

As consumers’ expectations continue to grow this will raise standards and retailers will need to adapt.

A great example of this is our same-day service. When we started the business in 2001, customers were happy to wait five days for delivery of their product. Today we have customers who want to place an order at noon and have their appliance in their home by 6pm. The types of services offered at point of delivery are also an area where we are starting to see customer expectations grow.



Ao.com invested in its own logistics business