



eDelivery
Fulfilling the multichannel promise

What a difference a year makes

Emma Herrod shares insights from operations and logistics directors about changes in retail delivery in 2016 and looks at what they could mean for 2017.

2 016 STARTED with speculation over a possible acquisition of Argos owner Home Retail Group (HRG) by Sainsbury's. Edelivery.net wrote at the time that acquiring HRG would give Sainsbury's not only the opportunity to switch on a whole new stream of non-food product lines but also give it a head start in delivery. At the time, Argos was the only major non-food retailer in the UK offering anything approximating the same service level that the grocery sector was able to provide, via its Fast Track service. Launched in time for Christmas 2015, Fast Track saw the retailer offering same-day delivery as standard with four time slots across the day cutting off at 6pm for delivery of orders by 10pm.

At the same time, Amazon was rolling out its Amazon Prime Now one-hour service to Manchester following its initial offering in London, Birmingham and Newcastle, and giving "no comment" interviews about its fleet of Amazon Air planes (a fleet of 40 will deliver to DCs around the US and connect with the retailer's network of final-mile solutions). It remained secretive about tests of drones in the Cambridgeshire countryside for home deliveries.

Meanwhile, on the ground, Google had been given a US patent for a driverless delivery van with secure lockers, and carriers, including Doodle, DPD and Parcelforce, continued to innovate with new services.

The year also saw more faster delivery options launched with speedy delivery continuing its rise against cheaper or economy delivery methods. In August, next-day

delivery became the most popular choice as the service continued to be a way for retailers to differentiate. As Andrew Starkey, Head of E-logistics, IMRG, comments: "We've been tracking a general increase in the percentage of next-day orders for a while now, and in August it became the most popular option domestically for the first time."

He adds: "There are a number of factors potentially influencing this. Some retailers see delivery as a differentiator and are offering next day as standard; others offer it if the customer's basket value is above a specific threshold; and for others the charge for next day is smaller than it has been on average in previous years. A move toward faster delivery is not unexpected."

The theme of delivery and returns as a differentiator continued a trend seen in previous years and this carried on throughout 2016. A survey by MetaPack found that 61% of respondents had purchased goods from one online merchant over another because the delivery choices were better suited to their needs. Shoppers also said that they wanted more flexibility in delivery beyond that offered at the time of making the purchase. Some 46% wanted the freedom to make in-flight changes to their delivery even after it had left the warehouse or was out for delivery with a carrier.

DPD launched a service in the summer of 2016 which helped with these consumer requirements. Its Precise delivery service allowed shoppers to choose a specific one-hour delivery slot for their order on a retailer's website. The first retailer to offer it was Asos,

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Argos pioneered same-day delivery as standard

a fashion retailer which has continually innovated with delivery choice and offers customers a Prime-style annual delivery service, too. When its customers receive their text message telling them which hour the DPD driver will be with them, they can respond and either accept the package at that time or choose a different day and one-hour time slot. They can pick any time up to 7 days ahead.

Busy lives and uncertainty about where we'll be at any given time has led to shoppers wanting greater control of delivery. The time of waiting in all day for a delivery is long past. Shoppers want to decide when and where to have their parcel delivered, to make in-flight changes, and have the option of it being delivered to another location such as one of the ever-expanding number of pick-up points. They also still want the free option of picking up an online order from one of the retailer's stores – or from another retailer.

While one-hour delivery to a specific location is at the cutting edge of delivery in the UK, South African retail group Foschini Group has gone a step further with its trial of a "deliver to me" service. Customers can select this premium service at checkout, for

which they have to pay a fee. Items are sent to a centralised collection point, from where they are collected and delivered to the customer's phone GPS location. Jan Tukker, Head of TFG Logistics, The Foschini Group, says that a small pilot of the service is being run in Cape Town with stock from its outsourced ecommerce fulfilment centres. He adds: "We have no stats on this yet, but I'm sure it will only appeal to a very small portion of our customer base with specific needs. It is great to deliver innovation within this exciting area of our business."

COLLABORATION

Back in Europe, retailers have been sharing facilities – from Asda's toyou service, which allows other retailers to use its logistics capacity to move customer orders and its stores as delivery and returns points, to Zalando, which is enabling online shoppers to purchase branded goods from its site and pick them up in the brands' own stores in Berlin. Efficiencies are being made everywhere possible but in innovative ways which enhance the customer experience rather than detracting from it. ►

In a move similar to Zalando's online/offline link with brands, French flash sales site Vente Privee is trialling a pick-up solution linking its online sales to stock held in brands' outlet stores. As Ilan Benhaim, Director of Strategy and Innovation, Vente Privee, explained at Manhattan's Exchange conference, when a customer places an order, they are given the option to collect it from any of the brand's locations in France. The chosen store is sent a message and given 24 hours to confirm that the stock is in the store, or to get the item from another store or warehouse. Because of the nature of the sales stock, if it's found not to be available, the customer is given a discount voucher.

Benhaim explains that the service is available only to brands which already offer click and collect.

The trial, which has been running for the past six months, has not increased conversions on the Vente Privee site, according to Benhaim, and has the same conversion rate as its standard model.

John Lewis, meanwhile, has formed a joint venture with Clipper Logistics to provide next-day delivery and click-and-collect services to high street stores. This formalises a collaboration between the duo first announced in July 2015, since which time they have been extending their knowledge of the specific needs of retailers and their customers' demands around click and collect.

This includes timed delivery to store in a retailer-friendly format; integration with retailers' customer service systems to provide customer and store updates; text messaging to retailers' end customers; and delivery to store in roll cages with clear parent and child relationships between the cage and parcel to enable parcels to be retrieved quickly.

Needless to say, the service has been trialled with John Lewis parcels and their delivery into Waitrose stores.

As the year ended, shoppers in selected postcodes were able to get their Morrison's groceries delivered from store in an hour, by Amazon, pick up their Argos order from 200 digital collection points in Sainsbury's stores or have items delivered by bike courier.

But where does this leave the runners, riders and delivery drivers upon whom the customer experience of the brand or retailer rides? Has the love being shared with customers in services and choice been extended to the delivery person they meet on their doorstep?

It would appear not. Retailers and the carrier industry are competing on wages and

conditions to recruit the best drivers and those who are able to be the physical manifestation of the retail brand on customers' doorsteps offering a good delivery experience – as well as hitting drop targets. I was told repeatedly during 2016 that there is a shortage of drivers and the industry needs to do more to attract people across many other supply chain positions as well. So why did the year end with an uprising of Uber and Deliveroo workers protesting against working conditions and pay, and looking towards unionisation of the gig economy. I think it's an employment taxation issue more than a brand strategy one.

What does this all mean for 2017?

Autonomous vehicles will eventually solve some of the driver shortage issues, but it will remain a problem that the industry needs to address while it takes on the increasing number of parcel drops that are the consequence of online retailing. Whether customers are collecting their order from a store or a pick-up point, or having it delivered to their home, it still needs to be transported.

Shoppers have become used to next-day delivery as the norm because it has moved from being an incentivised offer to push sales, to being the standard, free-delivery model. This will carry on because shoppers continuing to sign up for Amazon Prime will expect other retailers to follow suit with next-day, same-day and within-an-hour delivery options. The fact that Amazon rewards its Prime customers who choose not to have their order delivered next day shows how far it has gone in changing customer behaviour and expectation.

As ever, where one leads, the rest will have to follow. And for the customer, the winner will always be choice. In these times of constantly connected, instant gratification, that choice is becoming whatever's fastest. For retailers that don't have Amazon's deep pockets to soak up billions of pounds of fulfilment costs in a bid to capture markets, delivery must be factored into the product price and the promotional budget or passed onto the customer. They are making greater efficiencies throughout the supply chain to reduce costs using various means, including optimising packaging, reducing empty running of vehicles and speeding up throughput of product from goods-in to collection point. Every part of the supply chain is being squeezed and optimised for omnichannel retailing and to give the customer an experience that matches the brand, but how many of those customers care if the part being squeezed most is the person delivering their parcel. 🇧🇷

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