



# Can Online Retailers Deliver?

A Specialist Report for MetaPack

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## Introduction

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The significant growth in e-commerce over the last few years can be attributed to the gradual seduction of consumers by the convenience of shopping online, as well as the dramatic rise in broadband penetration.

As this quest for convenience continues, it is more important than ever that online retailers offer reliable and cost-effective delivery services that meet their customers' lifestyle needs.

Recent research however, reveals that the majority of the UK's online retailers currently provide limited customer choice and insufficient information when it comes to the delivery of the products they sell.

Retailers can create an optimum delivery solution that addresses these issues by placing MetaPack's Delivery Management System (DMS) at the heart of their delivery systems and processes.

Those retailers who invest in their delivery propositions can look forward to increased conversion, better margins and reduced costs, as well as improved customer satisfaction and retention.

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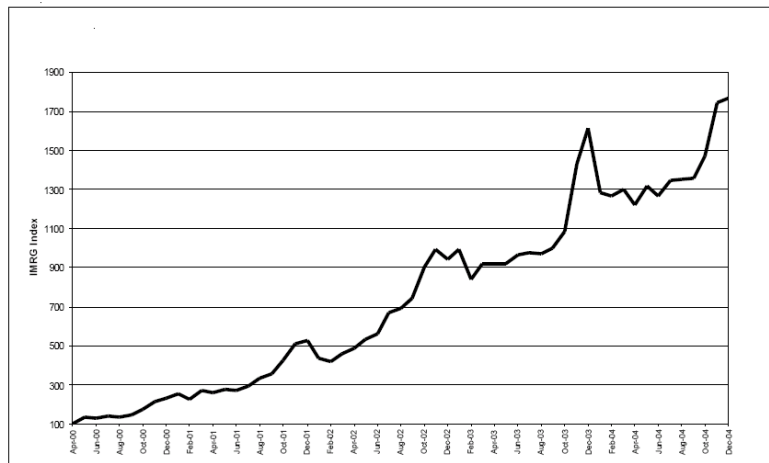
## The Quest For Convenience

### The quest for convenience is helping fuel the growth in e-commerce.

According to Verdict, e-commerce saw exceptionally strong growth in 2004 - over six times the level of overall retail spending growth<sup>1</sup>. IMRG also paint a picture of dramatic growth, with sales in December 2004 up 20% year on year - eight times the pace of growth on the high street<sup>2</sup>

IMRG believe that fears about online security have largely been overcome by their Internet Shopping Is Safe (or ISIS) scheme. This means that consumers are more willing to shop online and benefit from the convenience, huge choice, rich information and significant savings offered by the internet.

Figure 1. IMRG E-Retail Index: April 2000 - January 2005



Although forecasts of future growth vary enormously from £14.5bn in 2008<sup>1</sup> to £80bn in 2009<sup>3</sup> there is general agreement that e-commerce will continue to grow apace for the foreseeable future, as broadband penetration increases and customers avail themselves of the convenience that shopping online has the potential to provide.

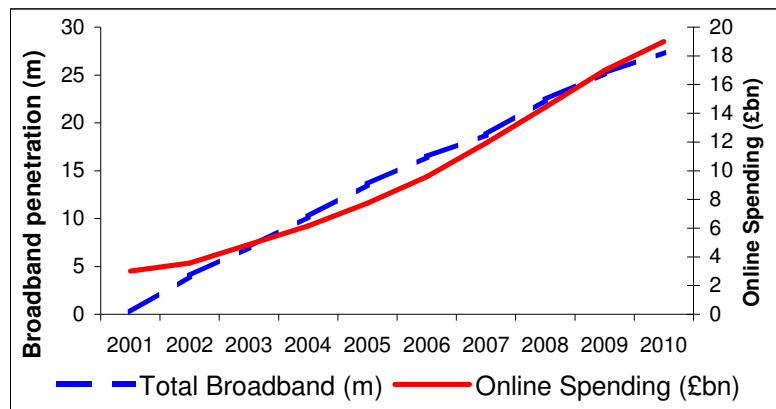
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<sup>1</sup> Verdict on e-Retail 2004

<sup>2</sup> IMRG press release January 2005

<sup>3</sup> IMRG Senate Annual Statement 2004

Figure 2. Broadband and Online Shopping Growth



Sources: Verdict, Forrester, Broadband Industry Group

**As convenience becomes more important, it is essential that retailers provide cost-effective product delivery services that meet their customers' needs.**

Given the importance of convenience to consumers, it follows that every aspect of the online shopping process should be designed with this in mind. This includes providing delivery solutions that meet varying lifestyle needs, communicating effectively with customers and ensuring that goods arrive when expected. Ranging the right goods at the right price will not be enough to ensure long-term success in online retailing.

This presents a considerable challenge for retailers who sell goods that can't be posted through a letterbox or where proof of delivery is required, as slim online margins provide limited scope to fund the improvements necessary for increased customer choice and convenience.

## Research

**The majority of the UK's online retailers provide their customers with limited choice and insufficient information when it comes to product delivery.**

In December 2004, MetaPack conducted the first comprehensive research into the delivery propositions offered by the UK's online retailers.

This research examined the delivery options on offer from 130 of the UK's top online retailers, based on revenue and website hit ranking.

### Research Findings

#### 1. Customer Choice

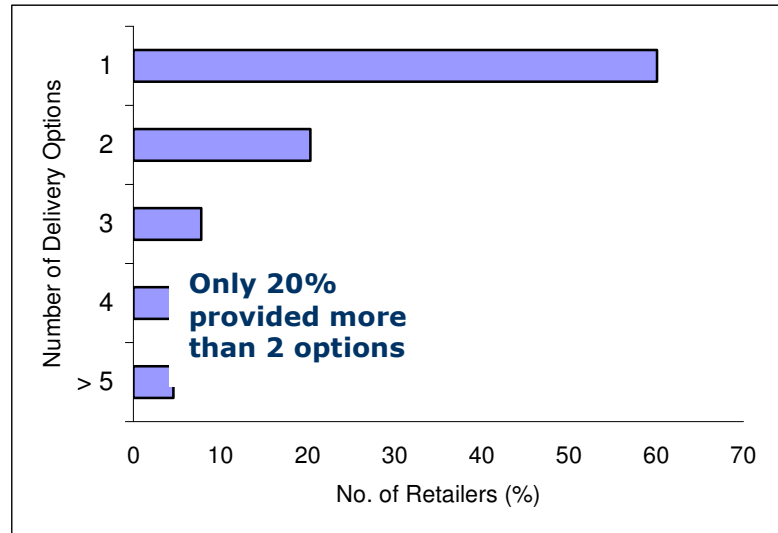
The research looked at the number of delivery options available; the nature of those options and the extent to which customers can specify a preferred delivery date or time.

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The research found that the majority of online retailers provide a very limited number of delivery options and that very few allow customers to select a specific delivery date or time.

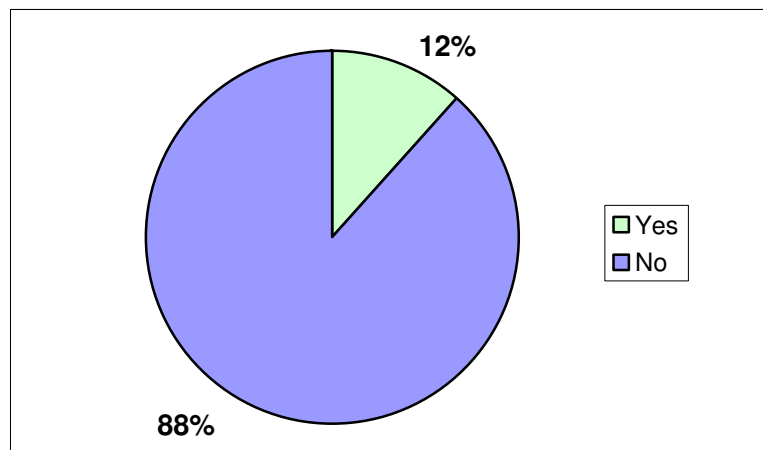
- 60% of retailers provided only one delivery option and a further 20% provided just two.

Figure 3. Delivery Options Provided By Retailers



- Where a single delivery option was offered, this was most commonly an unspecified delivery window such as “3 to 5 working days”.
- Second delivery options, where available, were typically an express version of the first option, typically offering delivery “within 2 working days” for an additional charge.
- Just 20% of retailers were able to deliver the customers’ goods on a Saturday.
- Less than 12% of online retailers allowed customers to choose a specific delivery date for their goods.

Figure 4 - Customers can choose a date for delivery



**“Less than 12% give the customers a chance to select a preferred delivery date”**

The major grocery retailers provided customers with the option to select a delivery day – once these were excluded, just 9% of non-grocery online retailers allowed customers to do this.

## 2. Channel Differences

The research looked for significant differences between Multi-Channel, Catalogue and Pureplay retailers in their approach to delivery.

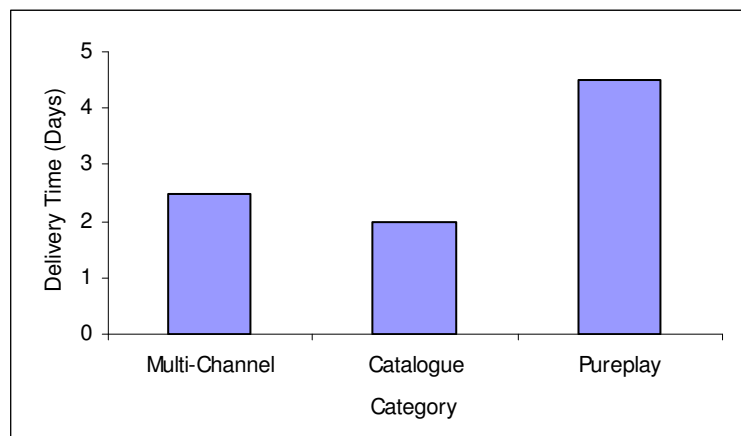
It revealed that there were differences in the amount of choice offered to customers, reflecting the degree of maturity in providing home delivery services and the availability of alternative fulfilment channels.

- Multi-Channel retailers provided the least choice, with 70% offering only one delivery option and a further 16% providing just two.
- Catalogue retailers provided the most choice, with 37% providing 3 or more delivery options.

There were also differences in the approach to delivery charges:

- 47% of Pureplay and 41% of Catalogue retailers provided a free 'standard delivery' service, compared to only 21% of Multi-Channel retailers.
- On average, the free standard delivery service from Pureplay retailers offered delivery in 4-5 working days, compared to 2-3 working days from Multi-Channel and Catalogue retailers.

Figure 4. Average Delivery Time When Free Delivery Offered



Few Multi-Channel retailers offered free delivery and did so only in certain categories, such as mobile phones, or as a promotion tool. Those retailers without a bricks and mortar presence were more likely to offer free delivery.

The lead-times offered by Pureplay retailers on their free delivery services tended to be longer than those offered by Multi-Channel and Catalogue retailers. This reflects a retail model still based on price over convenience in some cases, and a desire to sell-up to premium delivery services in others.

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### 3. Communication

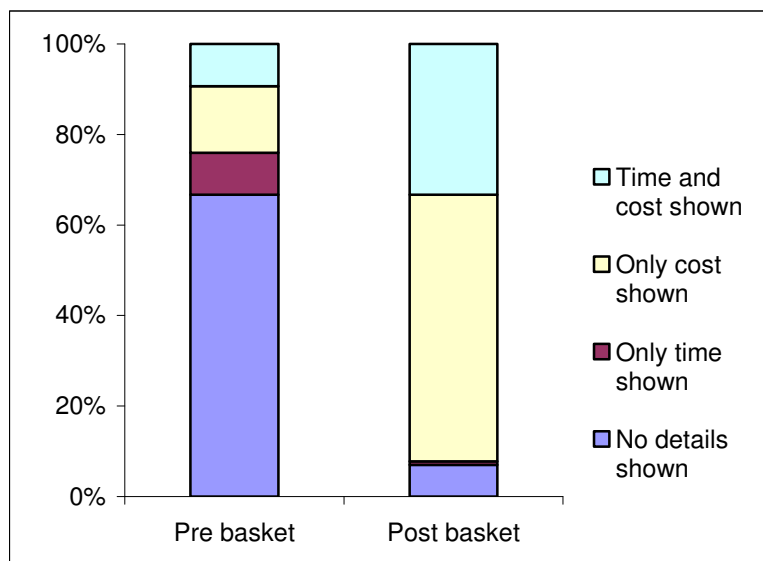
The research reviewed how well retailers communicated the various delivery options available. Particular attention was paid the quality of delivery information provided before viewing the shopping basket (pre-basket) and during the checkout process (post-basket).

The majority of online retailers provided very limited delivery information during the journey from product selection to order confirmation. Often this information was available only within the 'Terms and Conditions' pages.

In many cases, personal information (including credit or debit card details) was requested before any information about delivery arrangements for the goods being purchased was provided.

- 66% of online retailers provided no information about delivery during the product selection process and prior to viewing the shopping basket.
- In 59% of cases, the cost of delivery was communicated during the checkout process, but no other information about delivery was provided.

*Figure 5. Communication before and after basket*



This suggests that retailers either don't consider the communication of product delivery information to be important or that they believe that to provide this information during the sales process would not enhance conversion.

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## Summary

The majority of the UK's online retailers are still employing a 'one-size-fits-all' approach to delivery and failing to communicate effectively with their customers when it comes to the delivery of goods they are buying.

As a result, many consumers shopping online can expect little or no choice when it comes to delivery options and a little or no information about the options available to them.

**Retailers will need to improve their approach to delivery if they are to compete effectively as more offline business migrates online.**

These research findings support recent industry comment that the majority of retailers need to improve their approach to product delivery.

- "The physical delivery of goods and services remains the 'Achilles heel' of consumer direct commerce"  
(James Roper, IMRG 2004)
- "A one size fits all approach to deliveries is no longer good enough, customers will demand better"  
(Verdict On Home Delivery 2004)
- "Online customers are becoming more demanding, they expect fast, flexible and effective delivery to suit their convenience. They want cheaper delivery charges, yet have more specific delivery windows."  
(Verdict On E-Retail 2004)

## MetaPack DMS

**Retailers who place MetaPack Delivery Management System (DMS) at the heart of their fulfilment solutions can overcome these limitations and create an optimum delivery solution.**

Many of the UK's leading online retailers have implemented **MetaPack DMS** technology to achieve significant improvements in customer service and cost reductions.

MetaPack DMS provides retailers with the widest range of delivery options at the point of order, thus meeting the needs of even the most demanding customer. These options are made available through a single interface to all of the major UK carriers. Once a customer has chosen their preferred delivery arrangements, the configurable rules-based decision engine within MetaPack DMS streams goods to the most suitable carrier based on these requirements and rules pre-set by the retailer.

**"The physical delivery of goods and services remain the 'Achilles heel' of consumer direct commerce"**

**"MetaPack DMS allows retailers to make dramatic improvements to their customer delivery proposition"**

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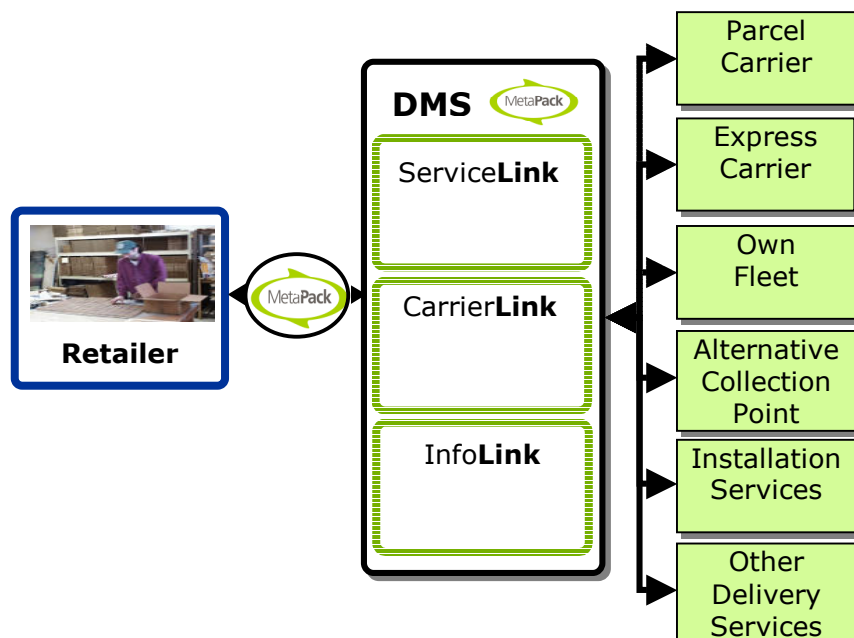
The system is made up of 3 core modules:

**DMS ServiceLink** – provides complete flexibility in the customer delivery proposition by providing the widest range of delivery options at the point of order, including next day, nominated day, timed slots, alternative delivery points, collect@store and many others. By providing customers with the ability to choose the best delivery option, and certainty of delivery date and time, DMS ServiceLink allows the rate of first time delivery success to be maximized.

**DMS CarrierLink** – automatically allocates each shipment to the most effective carrier, based on specific carrier capabilities, retailer preferences, customer requirements and shipment attributes. During dispatch, DMS CarrierLink uses standard processes for activities such as label printing, manifest generation and carrier communication, which improves operational efficiency.

**DMS InfoLink** – generates parcel status and performance reports for multiple carriers. Real-time information for all carriers is provided at a single point, either through the web-based DMS InfoLink enquiry screens, to the retailers own CRM system, or direct to the customer via web-front end or mobile SMS. This enables retailers to respond proactively to the unexpected, so that customers' expectations are managed and allows retailers to refine their carrier strategy and delivery service offering.

### MetaPack DMS Solution Outline



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MetaPack DMS can be deployed alongside other services that have a unique capability, to provide an optimum fulfilment solution, allowing retailers to improve their service yet further. For example:

- By using MetaPack DMS to stream suitable items to Royal Mail as well as the range of carriers selected by the retailer, each with their individual strengths, retailers can eliminate manual allocation in the warehouses and minimise overall delivery costs.
- By integrating MetaPack DMS with an alternative delivery service, such as Collectpoint, who offer a network of secure delivery locations, customers can select an alternative location for delivery from which goods can be collected at their convenience.

MetaPack DMS also allows retailers to make dramatic improvements to their customer delivery proposition by:

- Offering a wider range of flexible delivery options to customers, even allowing customers to book their chosen delivery slot in real-time during the checkout process.
- Improving customer communication about delivery both during the shopping process and as the order progresses from confirmation to receipt of the goods.
- Improving the reliability, scalability and robustness of the delivery services provided.

### **Retailers who invest in improvements to their delivery solutions can look forward to significant business upsides.**

Experience has shown that retailers who develop convenient, efficient and reliable delivery solutions, with MetaPack DMS at their centre, can look forward to significant upsides across many aspects of their business.

#### **1. Improved Sales Conversion**

The availability of more convenient delivery solutions can improve overall sales performance.

Recent reports from Royal Mail found that more than half of consumers with access to the internet may browse for goods, but still choose not to shop online, citing that they cannot “wait in all day to receive deliveries” as one of the main reasons. (Royal Mail, 2010 Vision & Royal Mail Tracking Research 2003). This shows the enormous potential for increased online conversion if improved delivery propositions can be made available to those browsing for goods to purchase offline.

**Boots**, the UK’s leading health and beauty retailer, found that the improved delivery service they were able to offer after implementing MetaPack DMS, had a positive impact on their online sales conversion.

**“Retailer who invest in improvements to their delivery solutions can look forward to significant business upsides”**

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## 2. Improved Delivery Margins

The ability to offer a range of delivery options allows retailers to introduce additional services, such as evening, weekend or named day deliveries, which attract premium delivery rates. This introduces greater potential to turn product delivery, which is often a net cost, into a margin earning part of a retailer's online proposition.

## 3. Reduced Operating Costs

- The use of a number of carriers, each carrying the parcel traffic to which their network is best suited, can not only improve delivery reliability, but also lead to reductions in overall costs. The integration of other services (such as those provided by Royal Mail and Collectpoint) within the delivery solution can reduce costs further.
- The availability of more convenient delivery options, combined with improved customer communication can help eliminate the inefficiencies and inconvenience embedded in traditional carrier processes. Figures from the carrier industry suggest that around 10% of all deliveries currently 'fail', resulting in an 'out-card', a re-delivery attempt, a requirement for the customer to visit the carrier's depot or a product return.
- The ability to provide more convenient and consistent delivery services, combined with improved customer communication can help to dramatically reduce the number of after-sales customer contacts and their related costs. With the ratio of after-sales contacts to online orders reaching 1:1 for some retailers, this can be a source of major customer inconvenience as well as significant additional cost.

By implementing MetaPack DMS, **Mothercare**, the UK's leading mother and baby retailer, have been able to increase the number of carriers they use and leverage their core competencies to achieve savings of 15%. They are now also able to track parcel progress and respond proactively to any delivery problems, which allows them to manage customer expectations and has improved customer communication.

Similarly, **John Lewis Direct**, the UK's leading online department store, opted to implement MetaPack DMS as part of their overall carrier management strategy to increase flexibility, improve customer service and achieve cost savings.

## 4. Improved Customer Retention

For online retailers, the completion of every transaction relies on goods being satisfactorily delivered to the customer. For online retailers without an offline presence, delivery is often the only physical aspect of their relationship with their customers. It could not be more important.

Getting delivery right is a key differentiator that allows online retailers to win loyal customers and generate repeat sales. The provision of convenient and reliable delivery services at the right cost are essential



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to customer loyalty and customer retention, as customers who experience services that meet or exceed their expectations will return.

This is reflected in the decision by **Dixons Group**, Europe's leading electrical retailer, to implement MetaPack DMS to help offer their customers a range of delivery times and dates that are convenient and suit different lifestyles.

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## Glossary

**Multi-Channel Retailers** – Retailers who use a variety of methods to sell goods and services, including via high street stores, the internet and catalogues.

**Catalogue Retailers** – Retailers who have traditionally sold direct to the home via product catalogues. Increasingly, Catalogue Retailers have developed an e-commerce website to sell products too, which is the channel investigated in this report.

**Pureplay Retailers** – Retailers who only sell online and have no physical presence on the high street.

**DMS** – Delivery Management System by MetaPack

**IMRG** – Interactive Media Group in Retail

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## Appendix

247Electrical.co.uk  
24Studio (Findel)  
7DayShop.com  
AJ Electronics  
Allders  
Amazon  
American Golf Discount Centre  
Appliance Direct  
Argos Retail Group  
Asda Group Ltd (Wal-Mart)  
Avon  
B&Q plc  
BigScrewDriver.com  
Blacks Leisure Group  
Blackwells  
Bol.com  
Book People Ltd  
Boots  
BT  
Buy Electrical Direct  
Cameras2u  
CameraShop.co.uk  
CD Wow  
CDJungle.com  
Comet  
Computer Manuals  
Courts Plc  
Currys  
DABS.com Plc  
Debenhams  
Dell  
Digital Direct UK  
Disney Store  
Dixons  
Early Learning Centre Ltd  
Ebuyer  
Electrical World  
Electrical-Shopping.com  
ElectricShop.com  
ElectricShopping.com  
Empire Direct  
Empire Stores (Redcats)  
Escentual.co.uk  
EuroOffice  
Express Chemist  
Farepack  
Farnell Electronics  
Fly on the wall  
Focus Wickes Ltd  
Fragrance Direct  
Freemans  
Gardening Direct (Flying Brands)  
Go1better.co.uk  
Grattan  
Haburi.com  
Halfords  
Harrods Holdings Ltd  
HealthyHerb  
HiFix.co.uk  
HMV Media Group Plc  
Iceland Foods  
Ideal Hardware  
Index  
Industrial Tool Supplies  
Innovations  
J D Williams  
J Sainsbury non food  
Jessops Plc  
John Lewis Partnership Plc  
Kays Lifestyle  
Laura Ashley Holdings  
Littlewoods Plc  
Loaded247.co.uk  
M and M Sports  
MachineMart  
MacMillan Publishers  
Maplin  
Marks & Spencer Plc  
Mesh Computers  
MFI Furniture Group Plc  
MicroWarehouse  
Miller Brothers  
Misco Computer Supplies  
Mothercare  
Next Plc  
Nomatica.co.uk  
Orange Retail  
Panasonic eShop  
Panther Online  
PC World  
Perfumes4u  
Pharmacy2u  
Pixmania  
Play.com  
Powerhouse Holdings Ltd  
PRC Direct  
Prime2000.co.uk  
QED-uk.com  
RGB Direct  
Richer Sounds  
Robert Dyas  
RS Components  
Sainsburys Kitchen Appliances  
ScalesExpress  
Screwfix  
Shoe-Shop.com  
Simply Computers  
Sony Style  
Sound and Vision Online  
Staples  
StrawberryNet.com  
SupaDrugstore.com  
Tesco food  
Tesco non food  
The Carphone Warehouse  
The Flat TV Company  
The Link  
Thinknatural.com  
Thorntons Plc  
Time  
TooledUp.com  
Tool-net.co.uk  
Toolshop Direct  
Tribal UK  
TrueShopping.co.uk  
Unbeatable.co.uk  
Viking Direct  
Virgin MegaStore (V. Retail Group)  
Vodafone  
WHSmith Plc  
Woolworths Plc

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