



The Retailer’s Dilemma: Fast, Convenient & Cost-Effective Delivery

Introduction

As the retail industry increasingly sees delivery as a key differentiator in exceeding consumer expectation, retailers such as Amazon, Asos, John Lewis and others are looking at innovative ways to make delivery cheaper and more convenient for customers. With this move towards convenience and speed, same-day delivery has increasingly come into the spotlight.

But in the scramble to keep up, those retailers preparing to embark on same-day delivery may soon find that giving customers what they want, as fast as they want, is trickier - and more costly - than they bargained for.

One thing is for sure. The promise of faster delivery resonates well with today’s consumers who increasingly demand greater choice, convenience and flexibility when it comes to receiving their online orders. Expectations which are being fuelled by the ‘I want it now’ generation of young Millennials who are less inclined to wait three days for purchases to be delivered.

As our research of UK consumers aged 18-24 reveals, these digital natives want their delivery fast and on their terms, with 33% saying that for them it’s all about speed. Yet when it comes to paying, 55% say they value free delivery the most.

For retailers, this creates a dilemma. As they strive to satisfy consumer demands for instant gratification, retailers need to confirm that demand for same-day delivery is high enough to remain profitable. How much will it cost? What product categories should be available? At what price point will it prove acceptable to customers using the service? And how can we educate consumers to take advantage of the offering?

While standard delivery options may suit some shoppers, most consumers increasingly expect delivery to fit around their lifestyle and the urgency of their demand. They’re happy to pay a premium for the immediacy of being able to order a product in the morning – and receive it at home or at work in the afternoon.



What today's shoppers want is ultimate flexibility. Those retailers that crack the same-day delivery challenge are likely to win consumer hearts and minds; indeed, when we asked consumers what new services they'd be most likely to use in the future, 76% of those participating in our 2014 [Delivering Consumer Choice](#) survey confirmed same-day delivery topped their wish list.

Ultimately, customer demand for speed will cause the delivery window for certain deliveries to reduce dramatically. Retailers must prepare for this change and establish how to achieve this in an effective way while keeping bottom line costs under control.

This report examines the questions retailers should ask as they evaluate the same-day delivery conundrum. It also sets out the operational considerations for getting it right. That includes being able to undertake automatic data transfer to carriers, having comprehensive visibility of order progress and providing progress notifications to customers.

As experts in helping you exceed delivery expectations, our [MetaPack](#) platform is designed to provide the delivery options your consumers demand.

Source: MetaPack

How is MetaPack (Options) helping retailers?

The way consumers want their goods delivered is changing. Consumers expect to be able to purchase goods online with the same ease and convenience as they do on the high street. Providing personalised delivery options is key to meeting and exceeding these changes in consumer demand.

MetaPack Options gives customers the choice of when and where they are united with their parcel, from home delivery, to click & collect and lockers at over 100,000 locations across Europe.

MetaPack Options plugs in to your website, providing only realistic and available delivery services to your customers and displaying a guaranteed delivery window. Depending on what products they have in their basket, where they live, the time of day and the services you offer; customers are presented with personalised delivery options for their particular order – ensuring you can always meet the delivery promise.

By using MetaPack Options you can provide your customers with the flexibility they want, safe in the knowledge that your warehouse can fulfil the order and deliver it when you said you would. Providing a positive delivery experience is one of the most effective ways to generate customer satisfaction, website conversion and ensure your customers shop with you time and time again.

So how does it work?

Single point of Integration

MetaPack allows retailers to offer a multitude of delivery options on their website via a single point of integration to the MetaPack Options plugin.



What delivery options can I use?

Take advantage of the latest delivery service offerings in the market from click and collect to lockers, pick up, drop off points and nominated day delivery.



Time Slot



Same Day



Locker



Next Day



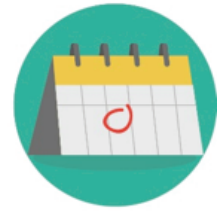
Free Delivery



Collect in Store



Pick up,
Drop off



Nominated Day

Getting the most out of Carrier's Services

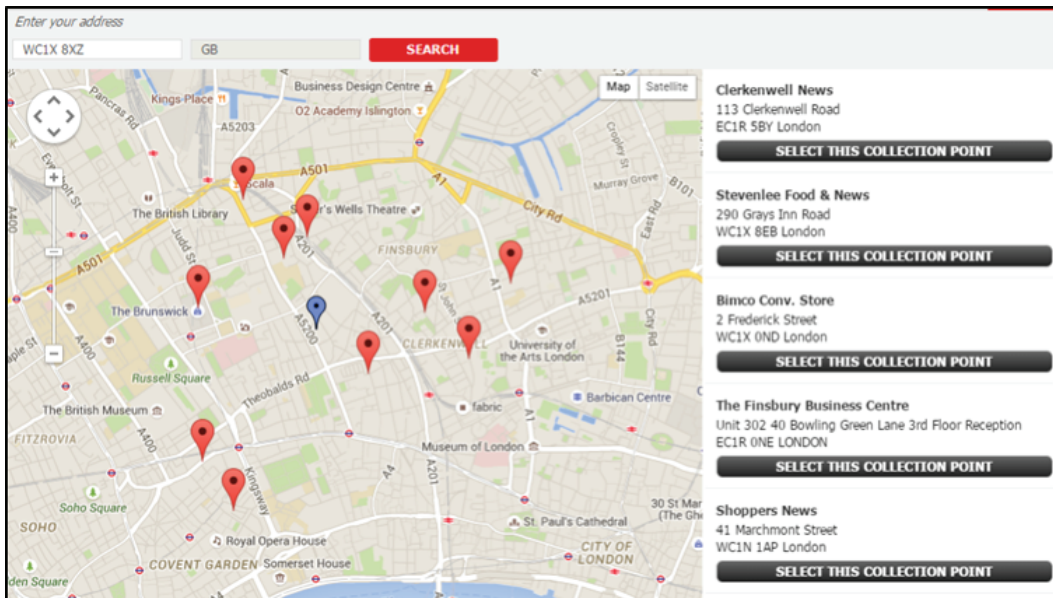
We integrate to over 300 different carriers and delivery providers worldwide, that means we can offer more than 3,500 unique delivery services, all through a single interface and platform. Whether you want to offer a nominated day delivery, next day, free or with a guaranteed delivery date – our network of carrier partners can help.

Select a delivery option

Home Delivery	Deliver to: Metapack, 200 Grays Inn Road, London, WC1X 8XZ <input type="radio"/> NEXT DAY, delivered before 2nd Jul 6:00 pm <input type="radio"/> STANDARD, delivered before 3rd Jul 6:00 pm <input type="radio"/> SUNDAY, delivered before 2nd Jul 6:00 pm <input type="radio"/> SATURDAY, delivered before 2nd Jul 6:00 pm	Change Address
Click and Collect	Delivered to a convenient location within 1 day Click "Find Locations" to search for your nearest pickup point.	Find Locations

Take advantage of third party networks

With the growth of pick up drop off services, consumers can have purchases delivered to a location convenient to them. How does it work? Providers supply options such as delivery to secure locker boxes, train stations and local shops. Using our platform, you can choose providers and services based on the needs of your buyers and your business. All locations can be presented on a map with the key information your customer's need, such as your store opening times and how they can get there.



Leverage your existing network

MetaPack Options can integrate to your own store network, providing click and collect services through use of a simple interface into our software which holds a centralised repository of all location information. You can use your own fleet to deliver or partner with other carriers which is a matter of a simple configuration on MetaPack. In fact, once you're using MetaPack Options, any location can be used as a delivery point – all we need is some key information to get you up and running.

Find out more

If you would like to understand more about how MetaPack Options can help you improve your delivery proposition then get in touch at info@metapack.com or head to <http://www.metapack.com/product/options/>

Source: MetaPack

Research from Gartner

How to Avoid the Perils of Same-Day Delivery

Many retailers are experimenting with or considering same-day delivery services in response to competition and demand for faster order fulfillment. Supply chain and marketing leaders should be cautious about fully committing to this initiative. This research provides guidance on key considerations.

Key Challenges

- Retailers are feeling competitive pressure to offer same-day delivery but are not sure it's right for their customers and products.
- Retailers struggle to balance the needs of consumers who express interest in same-day delivery but have a stronger preference for free shipping and returns.
- Same-day delivery can have a cannibalizing effect on other fulfillment services, making evaluation of the net margin impact challenging.
- Implementing same-day delivery requires additional and different capabilities from the processes and technologies that support existing fulfillment operations. It can require significant financial and process investment, even on a trial basis.

Recommendations

- Confirm that consumers sufficiently want — and will pay for — same-day delivery to produce significant business growth. Then determine the attractiveness of your assortment for this premium service.
- Evaluate how same-day delivery will impact other parts of your business and whether the cost justifies the return.
- Start in a small geographic area to see how well the model works, if same-day delivery makes sense for your business

Introduction

Delivering a product to a consumer on the same day the order is placed is often lauded within the retail industry as an expression of multichannel supply chain excellence. Consequently, a number of retailers are either operating same-day delivery (SDD) pilot initiatives or are considering them to meet consumer requirements for faster order

fulfillment. In many cases, retailers begin these pilots with some degree of uncertainty about the extent to which consumers will find SDD an attractive and valued service.

Retailers are right to proceed cautiously in expanding or starting these trials across their market geographies. Many published studies into consumer shopping behavior indicate that the current SDD model, which involves a premium shipping fee, will not be widely used by consumers who are more interested in free shipping and are, consequently, willing to accept the accompanying delivery lead times. UPS's report, "2014 UPS Pulse of the Online Shopper,"¹ stated that the average time consumers are willing to wait for a delivery is seven days, with 85% of consumers willing to wait five days or more.

Faced with such a signal from consumers, it is clear that SDD in its current fee-carrying format will remain a niche shipping service, used by a minority of consumers and only for particular products, in particular geographies, when products are required because of exceptional circumstances. Consequently, retailers need to make sure the amount of resources and capital spent on SDD is at an appropriate level.

Analysis

Confirm Consumer Demand for Same-Day Delivery, and Determine the Attractiveness of Your Assortment for This Service

SDD is not a suitable model for all retailers. In determining its appropriateness for your business, consulting your consumers is a mandatory starting point. Consumers need to have a desire to have their orders fulfilled within such a short lead time to justify the fee. In fact, according to the UPS study, 93% of consumers will take action to secure free shipping, such as by spending up to the free shipping limit or by accepting longer fulfillment lead times.

On the other hand, surveys show that consumers do want a range of shipping services. These include SDD, next-day delivery and standard shipping times, as well as options to secure free shipping.

Retailers considering starting or expanding SDD services should answer these fundamental questions:

- Do your consumers want an SSD service?
- What sort of products are they likely to buy using this service?
- Are they prepared to pay for SDD and, if so, how much?
- Where would a program offering SDD make economic sense?

From our ongoing conversations with retailers across the industry, we see that multichannel shipping policies are often driven by the desire to replicate competitor policies or from a sense that retailers have to offer services such as SDD to remain relevant. Supply chain and brand marketing leaders are frequently not considering or fully answering the questions above before they bring SDD and other services to market. With SDD likely to be the least used and, potentially, the most disruptive and expensive service to offer, it can be very risky to simply copy your competitors.

According to “Same-Day Delivery: Should It Be a Priority for Your Business?” published by Shop.Org, 4.2% of consumers used SDD frequently, while another 7.2% used this service occasionally. This report also highlighted that SDD becomes more used during peak sales periods, providing evidence of the emergency appeal of this service.

In addition to canvassing consumers, retailers need to evaluate whether their product mix is a good fit for SDD. The most appropriate products will be those the consumer wants or needs urgently, such as groceries, flowers, medicines, office products, or categories such as large and small kitchen appliances, or repair parts required in an emergency situation. Trade professionals make a clear case for consumers wanting SDD. Plumbers, builders and electricians frequently have an urgent need for provisions to allow them to complete jobs and contracts on time. They consider SDD fees as a cost of doing business and a way to avoid tying up cash in holding inventory. Compare this need to apparel consumers, and it is clear why one set of consumers can afford to wait five days and another cannot.

Flexible delivery destinations also need to be considered as part of the SDD service. For certain products and the urgency for which they are needed, consumers may find a delivery to their

workplace more convenient than one to their home.

In assessing your product mix, ask these questions:

- Do consumers view your product as necessary in an emergency or distress situation?
- Does the cost of SDD make sense, in comparison to the value of the product?
- Is the product trendy, such as new technology, or an impulse purchase that consumers may want urgently before everyone else gets one?
- Is the product tied to an event or deadline-driven, such as a toy at Christmas, a gift at Mother’s Day or a back-to-school item?

While SDD remains an emerging consumer service, it’s not realistic to expect retailers to provide it on a free-shipping basis. Consequently, SDD will remain more prevalent in sectors such as grocery and distressed emergency purchases for the foreseeable future. It may never be a suitable option for some product sectors, especially for those where urgency of receipt is not a driver of consumer behavior.

Determine If Same-Day Delivery Makes Broader Financial Sense for Your Business

If your products do lend themselves to SDD, supply chain, marketing and finance need to consider the wider implications for your business and the economic model to support such a service. Like any other investment, SDD will need to demonstrate a tangible and acceptable return. The costs of SDD need to be comprehensively assessed and measured and should not be underestimated. SDD orders will primarily be fulfilled from stores or from distribution centers, and, with the vast majority of consumers living closer to a store than a distribution center, store fulfilment will offer shorter delivery lead time. However, using stores will incur investment in new in-store technology to manage the process of dispatching product to consumers and integrating the store to ERP and e-commerce technology platforms. Order management systems also may be needed to determine the optimal picking location within the store and DC network.

Although losing money may well be the case in a pilot phase, retailers will not want to offer an SDD model that sustains long-term losses on each delivery. It is important to understand the criteria for implementing a financially successful model. Fundamental to this will be the

recognition that only a selection of the overall assortment may be commercially appropriate, namely where:

- Products have a margin structure to support the delivery cost that may have to be absorbed by the retailer rather than fully passed on to the consumer.
- An SDD service offers a competitive advantage compared to similar products not offered as SDD by other retailers.
- Higher levels of consumer loyalty to the retailer brand compensate for the potential impact offering SDD has on margin.
- Proximity to the customer allows a significantly large customer base to be served within short cycle times and with low delivery costs.
- The returns policy may be a critical factor. If SDD products can be returned for free, then SDD becomes more attractive to the consumer, but more costly for the retailer. Products that have a sufficiently high margin to absorb the returns cost should be prioritized for consideration.

Another important consideration is the effect SDD may have on other shopping services that you offer. Where the consumer has options — to buy the same products as SDD, to buy online and collect in-store, or to buy in-store — retailers need to be mindful that consumers may switch to an SDD service. This would, potentially, cost the retailer a significant loss in additional revenue from an in-store impulse purchase, along with additional costs where the SDD fee charged does not cover the true delivery cost. Some consumers will adopt a dominant, and perhaps permanent, method of buying, while others will switch from one to the other, based on their preferences at the time.

Understanding these movements and appropriately positioning your inventory and resources to maximize order fulfilment will only be sustainable through forecasting demand for each of these services independently. This new, granular level of demand forecasting is emerging within the multichannel retail sector, but the need for such capabilities will become more key for leading retailers to understand the impact of SDD on the other shopping services they offer. Crucially, it will also afford companies the visibility of consumer shopping activities across all channels — a capability frequently considered to indicate multichannel excellence.

Another vital aspect of determining the economic model for delivering SDD is the physical logistics challenge of delivering orders to consumers. This represents a new complication for retailers who traditionally use their distribution centers for order fulfillment. In the SDD world, orders will potentially need to be sent from stores; therefore, delivery scheduling becomes a key hurdle that retailers need to overcome when assessing how they will handle SDD.

Again, granular demand forecasting becomes a key dependency in determining future dispatch volumes and having the transportation resources available to deliver every order, every day, to the time scale expected by the consumer.

Retailers running SDD pilots are using their own fleet, third-party courier providers or crowdsourcing-based arrangements, such as Instacart, which employs part-time personal shoppers to deliver groceries to consumers. In determining the appropriate physical distribution model, the challenge is to meet the consumer requirements for on-time and in-full deliveries, the retailer's desire for controllable costs, and the availability of reliable and flexible transport appropriate to the scale of likely SDD volumes.

Regardless of the transportation method used, slot assignment and delivery scheduling will need to be planned and executed to a consistent level of performance, most probably at a level of granularity to which retailers may be unaccustomed due to the short lead times between order taking and delivery.

Consumers use SDD on the understanding that the promised delivery window is narrow — hourly or less delivery windows — rather than the typical parcel promise of any time after 3 p.m. In the grocery scenario, for example, late-day delivery-time windows are also required because shipments must arrive after work for consumers. In grocery, the perishability and temperature-control requirements also complicate the logistics of last-mile delivery.

However, integrating the new required solution for visibility and control can offer additional benefits for all other delivery models. The fast-paced SDD model requires high supply chain and logistics maturity to successfully operate. For SDD, each assigned delivery slot is the result of orchestrating people, processes and inventory from the most economic point of fulfilment. The ongoing analysis of performance, data quality and executional practices will not only fine-tune SDD operations; it also offers opportunities to improve

other delivery models where fulfilment lead times are less urgent.

Finally, although SDD represents a new fulfilment service to retailers, it shares commonality with existing ones from a cost-to-serve perspective. Calculating the true cost of providing this service requires the same discipline of understanding the cost components for fulfilling each order and their assignment on an individual order basis.

These costs extend beyond the activities and resources for pick, pack and dispatch to include all the additional costs that would be incurred through delivering an SDD service. Technology costs will need to be assigned to each order being processed. Such technology could include:

- RFID and real-time inventory accuracy management solutions
- In-store picking software to optimize picking speed and efficiency, especially as SDD volume grows
- Software and hardware to receive, change and orchestrate orders
- Back-office solutions to manage store inventory in real time
- Dispatch scheduling software to manage multiple deliveries to customer appointments
- Tracking software to provide customer service look-up of order progress
- Integrated applications to share data with third-party transportation providers
- Consumer payment and credit-checking processing solutions

On the other hand, there will be some reductions in the cost-to-serve calculations of other delivery services, where the same technology can be used for SDD — such as alert messaging to consumers — and therefore reduce the overall cost per order across the supply chain.

Implement Same-Day Delivery on a Small Scale to See How It Works

If you determine SDD is appropriate for your business, start small. Begin with a location strategy that details within which cities or from which stores you will offer SDD and the finite geographical areas that will be included. You can focus on two or three major cities in order to determine if the model works and the level of demand. The goal is to make sure the geographic area covered is not too onerous by limiting eligibility by zip code or a certain distance, such as 100 miles from the stores or the warehouse.

It is also key to establish the performance measures of the trial that, if met, could trigger a more wide-scale rollout. Such measures should focus on overall trading profitability and fulfilment levels, as SDD could add new consumers, as well as move existing ones from their previously preferred shipping methods.

Innovative, leading retailers are all proceeding with caution regarding scale and speed. Recent SDD launches by Target, Macy's, Nordstrom and e-retailers such as ASOS and Amazon involve selected geographical areas in less than 1% of their customer base.

Even where a retailer can make a viable case for launching an SDD service, it will most likely not be able to do so across the entire geographic area of its consumers. Geographic selection and viability will be critical to assess profitability. Most of the pilot programs underway are in dense urban areas where delivery times are short, and a high number of customers can be reached within very short distances with minimal transportation costs.

The store locations or warehouses chosen need to have all of the underlying capabilities from the outset to deliver the service successfully. These include:

- An assortment of products appropriate to the SDD model
- Store associate resources to fulfill SDD without compromising customer service for non-SDD transactions

- Warehouse operations that support item-level picking and dispatch without disturbing regular store order replenishment
- A local consumer base willing to use and pay for the service on an ongoing basis
- High levels of inventory accuracy, maintainable in perpetuity
- Store systems, integrated to core legacy applications and e-commerce transactional platforms
- Process models for picking that reflect the cutoff times and delivery windows offered by the shopping cart

Additionally, you will need to determine the locations for fulfilment:

- Do you have a network of stores or warehouses that can be configured to be used for the fulfilment of these orders?
- Do you have visibility of, and access to, available inventory across stores and distribution centers?
- Do you know, for each geographical territory in which SDD will be offered, which stores and/or warehouses would offer the most favorable point of fulfilment from a cost and speed point of view?

About Us

MetaPack is the leading provider of delivery management solutions to retailers and retail delivery partners across the world. Our MetaPack Manager platform integrates to hundreds of carriers and thousands of delivery services such as Next Day, Click and Collect, Locker Boxes and International Delivery – ensuring that retailers can offer their customers a better choice in delivery service.

For each and every order, MetaPack identifies the most appropriate delivery service for that particular customer, providing a seamless and personalised delivery experience, whilst removing manual and time consuming processes in the retailer's warehouse. Using MetaPack enables retailers all over the world to strengthen their delivery proposition, generate customer loyalty and website conversion through delivery and ensure every customer has the best delivery experience possible.

Operating at the heart of eCommerce for more than 15 years, we have a proven track record of helping the retail industry to keep pace with consumer demand for online shopping. We serve millions of consumers every year, working with carriers and 3PLs to open new international trade lanes and opportunities.

Backed by Index Ventures and former Tesco CEO Sir Terry Leahy, the MetaPack Group works with many of the top global retail brands (including 80% of the UK's leading retailers), customers include Marks & Spencer, John Lewis, House of Fraser, ASOS, B&Q, Tesco, Halfords, eBay, Adidas, Urban Outfitters and many more.

MetaPack has a global footprint with offices in the UK, Germany, France, Poland, Spain, Netherlands, US & most recently Hong Kong – helping retailers in all markets to capitalise on the trends in cross border trade.

Contact Us

If any of the information has raised questions for you about growing your business through personalised delivery options, and you'd like to discuss the findings with one of our team. Please contact us on 0207 843 6720 or email info@metapack.com.