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REPORTS

In partnership with



Bridging the delivery gap

How ecommerce and supply chain
teams can work together to create
a winning fulfilment strategy

RETAIL WEEK FOREWORD



KATE DOHERTY

COMMERCIAL PROJECTS CONTENT LEAD, RETAIL WEEK CONNECT

A winning delivery proposition is the key to unlocking a crucial competitive advantage – that much is beyond debate. With retailers concurring that a standout fulfilment offer is imperative for clinching consumer spend and loyalty in a crowded marketplace, there is little room for infrastructures to fall short or for business functions to be out of sync.

While some retailers have successfully aligned website and order-focused ecommerce teams with fulfilment and operations-driven supply chain leaders and their approaches to delivery, others confess that there is still some discord.

With that in mind, this report, produced in association with delivery management technology provider MetaPack, features exclusive, anonymous in-depth interviews with ecommerce and supply chain directors from leading retailers, comparing and contrasting their attitudes and priorities around fulfilment.

The report reveals valuable insight into what executives on the front line of retail believe consumers want from retailers' delivery propositions, where they think their company

should invest when it comes to delivery, who they should be partnering with, how effective current systems are in proactively responding to order surges and priorities for future success. It's a challenging and exciting time.

Today's consumers are traversing increasingly complex shopping journeys and, consequently, delivery is touching every part of business, which means siloed, segregated working is more detrimental to bottom lines than ever before.

The good news is that retailers are responding, promoting delivery and fulfilment strategy to the boardroom and endeavouring to make sure that commitment to a slick delivery proposition is ingrained in every aspect of the business.

Those working in fulfilment are also benefiting from a burgeoning network of carriers and software providers that are helping them use reliable, global supply chains with a flexibility and agility that accommodates the need to adapt in line with an astonishing pace of change. Opinions differ about where the retail evolution will take delivery in the next few years but one thing's for sure, unified working will be critical.



Today's consumers are traversing increasingly complex shopping journeys and delivery is touching every part of business



RETAIL WEEK CONNECT: BRIDGING THE DELIVERY GAP

Commercial Projects Content Lead

Kate Doherty 020 3033 2705
kate.doherty@emap.com

Commercial Production Editor

Abigail O'Sullivan 020 3033 2940
abigail.osullivan@emap.com

Production Manager

Jo Lambert 020 3033 2677
jo.lambert@emap.com

Cover image: Shutterstock

Head of Content Management

Tracey Gardner 020 3033 2769
tracey.gardner@emap.com

Contributors

Gemma Goldfingle, Dan Harder,
Emily Kearns

Account Director

Julia Jones-Collins 020 3033 2952
julia.jones-collins@emap.com

PARTNER VIEWPOINT



KEES DE VOS

CHIEF PRODUCT AND MARKETING OFFICER, METAPACK

For those of us working in the rapidly expanding online retail sector, there has, for some time, been a growing need for supply chain professionals and ecommerce experts to ensure they are aligned when it comes to their delivery strategy. So the development of this report, on which we are delighted to partner with *Retail Week*, has provided a fascinating insight into the breadth of views and shifting priorities on the topic.

There's no doubting the importance of delivery options to customers, which, as the report points out, can be as big a reason for a customer to buy as price. However, in the battle to satisfy customer requirements, retailers have lifted expectations to a very high level and the next step will be finding a balance between precision of delivery and speed of fulfilment.

This highlights a fundamental difference of opinion, with supply chain executives believing shoppers place more value on the packaging and care of delivery, while ecommerce decision-makers are more focused on growing premium services and improving the range of delivery options to drive that all-important website conversion.

Free delivery also continues to divide opinion, whether on the one hand it is regarded as a marketing investment or, on the other, having a negative impact on sales margins and proving unsustainable. This is discussed in the report, as is the topic of delivery loyalty schemes, highlighted on page 10. It will be interesting to see whether these initiatives, which work so well for the online grocers, can be adopted successfully by retailers from a range of sectors.

Also of interest is a summary of different views on how well communication was managed between carriers, the supply chain and the front end during the peak period.

What stands out most clearly from the report is not so much that there is a discrepancy between ecommerce and supply chain professionals, but rather that responsibilities for delivery and fulfilment depend very much on the individual retailer. Delivery is clearly a key differentiator, to the extent that retailers are prepared to push boundaries to ensure they meet even the highest customer expectations, so departments have to work together in tandem. It's the greatest priority of all.

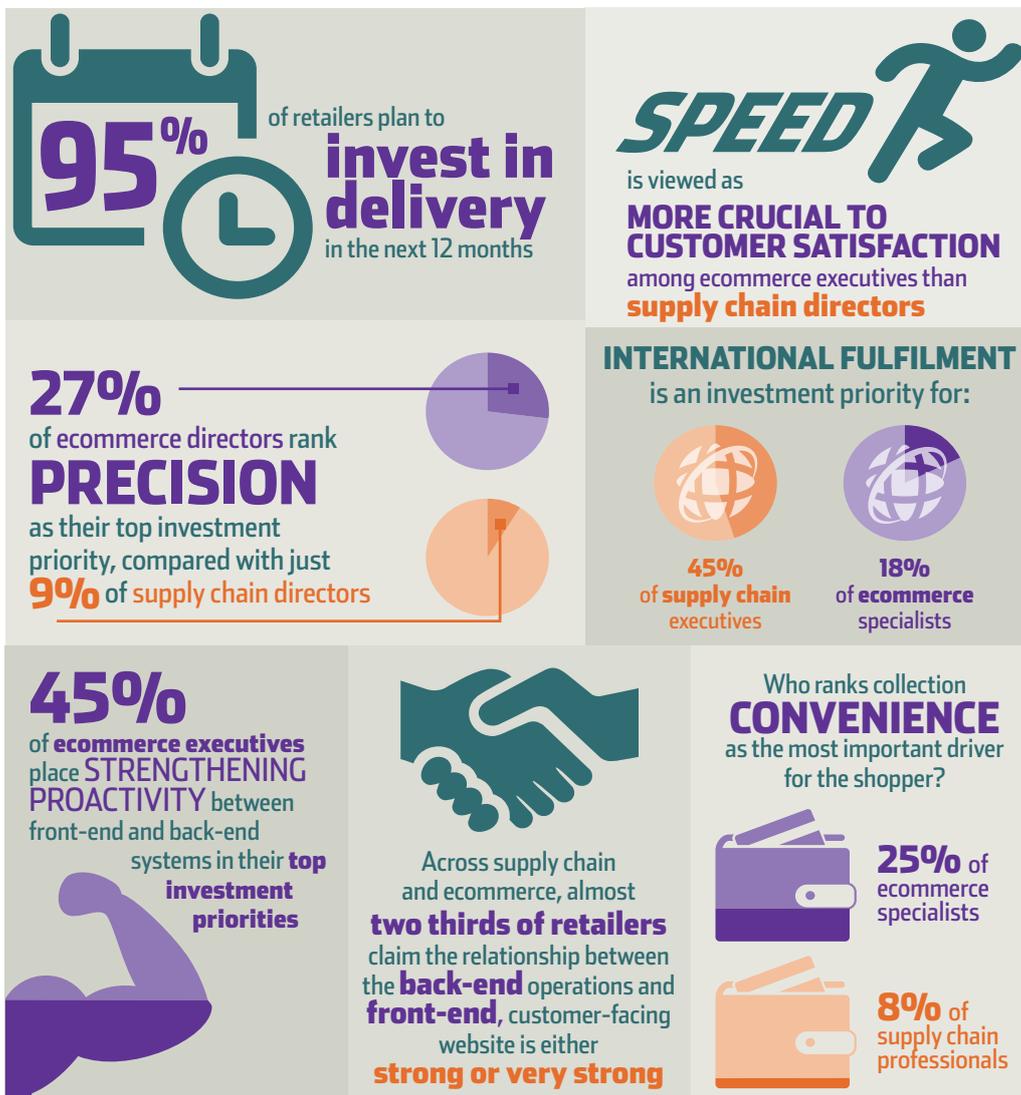


Retailers have lifted expectations to a very high level and the next step will be finding a balance between precision and speed



INTRODUCTION

THE DEMAND FOR FULFILMENT



Delivery has become a crucial battlefield for retailers that trade online. Today's time-poor consumers refuse to wait around all day for parcels and demand speedy, convenient and precise delivery.

Fulfilment has grabbed the spotlight like never before and has become a key strategic focus for retailers that realise delivery options can be as big a reason to buy as price.

How retailers are approaching this increasingly important part of their offer changes dramatically from

company to company. Fundamental matters such as who leads delivery, what the customer wants from delivery and whether businesses should charge for delivery, shift radically across the industry.

Through exclusive, anonymous in-depth interviews with leading retailers, this *Retail Week* and MetaPack report reveals a notable split in delivery ownership between the operationally focused supply chain and more trading-minded ecommerce teams. Where responsibility for delivery lies can shape what the



proposition looks like and where investment is made. For instance, speed is viewed as more important to consumers by ecommerce executives, with 83% of those surveyed ranking it as a top three customer priority compared with just a third of supply chain personnel.

This disparity could indicate bias towards aspects of delivery that directly impact their job role. Premium services such as speedy delivery are helping to boost website revenue and could have a direct impact on the profitability of a website. One fashion ecommerce director said growing premium services as part of the mix is one of his main objectives in the year ahead.

This slight discord may also be down to the current relatively low consumer uptake of truly speedy delivery services. Indeed, in today's retail landscape, next-day delivery is increasingly perceived as a given, while same-day delivery and delivery within the next hour are the new, more expeditious options. Consequently, supply chain directors are likely to, at present, experience low numbers of parcels being shipped through these truly fast services, while for ecommerce teams new waves of speedy delivery options mean being able to offer consumers more options and potentially more sales conversions. As same-day delivery adoption rises, speed is likely to be seen as more influential for customer satisfaction among supply chain professionals too.

Meanwhile, supply chain executives believe shoppers place more value on the packaging and care

83%
OF ECOMMERCE EXECUTIVES
VIEW SPEED OF DELIVERY AS A
TOP THREE CUSTOMER PRIORITY
COMPARED WITH A THIRD OF
SUPPLY CHAIN PERSONNEL

of delivery, a part of the process universally owned by their teams.

Investment priorities around delivery can also swing based on job function. Some 27% of supply chain specialists claim investing in fulfilment hubs is their company's main capital expenditure around delivery, compared with just 9% of ecommerce professionals. Adopting new software and technology is a far greater priority for ecommerce directors than their supply chain counterparts.

A slick delivery proposition is critical to the all-important customer experience and the demands on organisations' infrastructures have never been greater. This report addresses those at the frontline of the supply chain, examining whether retailers have a clear strategy when it comes to fulfilment and delivery, and whether priorities are consistent across business functions.

CHAPTER ONE

WHAT MAKES DELIVERY GREAT?



The world of delivery has changed at an unprecedented rate, particularly over the past 18 months. Sunday deliveries and next-day deliveries have become commonplace, delivery windows have shrunk, and the high street and transport network are awash with collection points.

Consumer demands in regard to delivery have risen dramatically over the past few years, driven in part, according to several of the executives interviewed by *Retail Week*, by the success of Amazon Prime, the next-day loyalty delivery scheme run by the retail giant.

Furthermore, Prime Now, Amazon's one-hour delivery service that launched in the UK last year, is lifting customer expectations even higher.

THE IMPORTANCE OF SPEED

The surge in super-quick delivery services may give the impression that speed matters above all else, however, the results of the survey carried out for this report reveal that precision is viewed as the biggest driver of customer satisfaction around delivery.

Some 42% of retail executives interviewed say precision of delivery time has had the biggest impact on brand sentiment. This was given equal footing by both ecommerce and supply chain directors in terms of being their number one driver for boosting customer

satisfaction, and is set to be a key area of investment over the next couple of years.

"There's a race in the industry to offer the quickest and cheapest delivery, but our customer is more concerned about reliability," says the supply chain director of a toy retailer.

The more precise retailers can be around delivery times, the better. Options such as nominated day, morning or evening delivery are becoming even more precise. One-hour delivery windows are already commonplace in grocery and are expected to be launched across other sectors imminently.

"Time slots are getting tighter and tighter," says the ecommerce director of an electricals retailer. "Offering slots such as pre- or post-school run can add real value."

Nearly a third of retailers say building their choice of customer delivery windows is one of their top three investment priorities over the next 12 months. Interestingly, it is viewed as more important by ecommerce professionals, with 27% of those surveyed ranking precision as their top investment priority, compared with just 9% among their supply chain counterparts.

"The whole industry will be operating to one-hour delivery windows in the near future," predicts the ecommerce director of a fashion retailer.

While retailers believe precision is important to

Which three of the below do you think are most important to boosting consumer satisfaction when it comes to delivery and fulfilment?

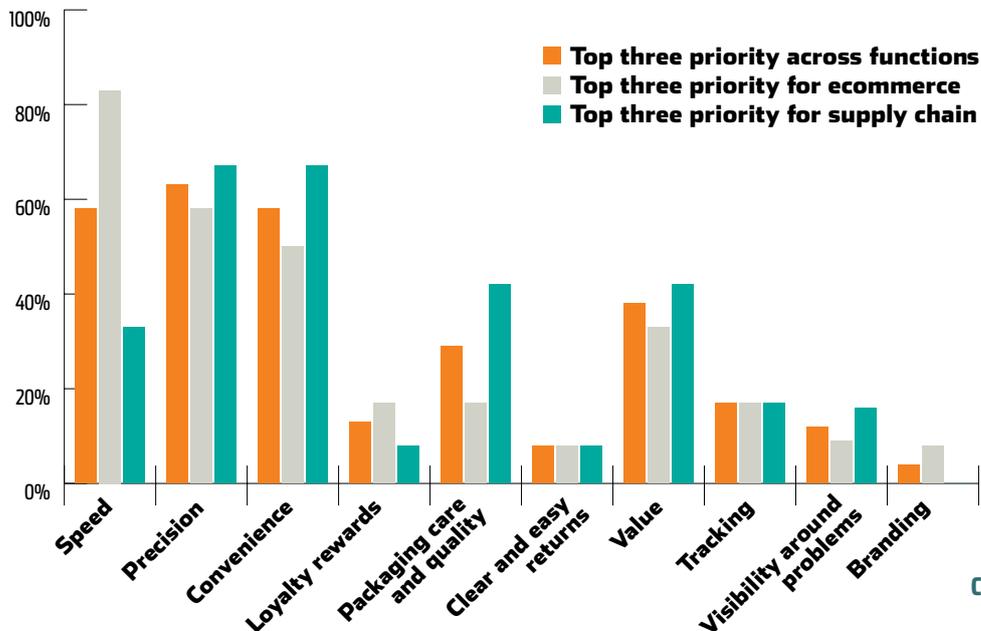


Chart 1

consumers, speed is certainly still high on their wish list. The uptake of next-day delivery at one fashion pure-play has jumped from 30% of the mix in 2013 to more than 50% today, according to its delivery boss.

Twenty-nine percent of executives surveyed say speed has had the biggest impact on consumer satisfaction. However, there is still some discrepancy about what 'speed' looks like in today's delivery environment. Next-day delivery is arguably expected by consumers as the norm, while same-day and next-hour delivery options are setting new express standards. As uptake of these services grows over the next year or so, ecommerce and supply chain personnel's attitudes to speed may also shift.

With shoppers now expecting retailers to have, at the very least, a next-day delivery option, there is a race in the industry to make the next-day delivery cut off later and later. Retailers leading the field in fulfilment, such as Asos and Next, are processing orders placed up to midnight.

Despite the fact that precision of delivery is viewed as the area that most impacts customer satisfaction, speed is the top investment priority. Almost a quarter of retail executives interviewed said their main investment over the next year would be in cutting delivery times, while 41% put it within their top three priorities.

The reason for investment in cutting delivery times differs from retailer to retailer. For some, the decision is based purely on incremental revenue. Most ecommerce directors constantly test the impact of such initiatives on both conversion and absolute revenue. However, there is also the need to be competitive with others that have extended the next-day delivery window.

"There is a degree of science with changing cut-off

times. However, ultimately we know there's lots of competition. Other retailers are selling the same brands as us, so we've got to keep up with the competition," says the ecommerce director of one fashion retailer.

Interestingly, despite a greater proportion of ecommerce specialists believing speed is of the utmost importance to consumer satisfaction, supply chain directors view cutting delivery times – which poses a big challenge to their team – as a greater investment priority, perhaps recognising same-day and next-hour delivery as growth areas of the near future.

DELIVERY AS A MARKETING TOOL

Brand perception is a key aspect of deciding where investment is made – and not just among directors with ecommerce and marketing responsibilities.

The supply chain boss of one pure-play says it has extended the delivery cut-off time, not because tests prove it brings in more sales, but because it wants to be known for being the best retail delivery service.

"It feels right for our customers. We should give them the best service we can. On a personal level, I want our offer to be better than our peers," he admits.

Having said that, 0% of supply chain directors go as far as placing branding in their top three for lifting customer satisfaction.

41%

OF RETAIL EXECUTIVES PLACE INVESTMENT IN CUTTING DELIVERY TIMES IN THEIR TOP THREE PRIORITIES

Which three areas of delivery/fulfilment do you think should be an investment priority?

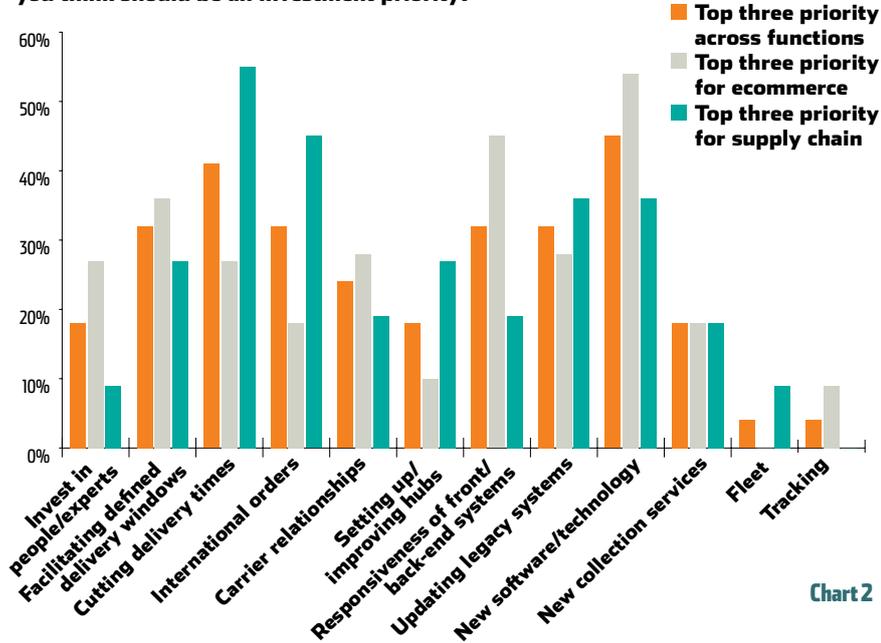


Chart 2

BEST PRACTICE CONVENIENCE

After precision and speed, convenience of pick-up is the next big driver in consumer satisfaction, according to *Retail Week's* survey. The rise of click-and-collect is testament to this convenience factor. Multichannel retailers have capitalised on their store network, using shops as collection points for online orders. More than half of John Lewis's online orders were collected in store in its 2015/16 financial year.

Such is the popularity of click-and-collect that retailers are beginning to generate additional revenue by allowing retailers to use their stores as collection points.

Argos has partnered with eBay, allowing its customers to pick up parcels at its stores. Meanwhile, Asos has launched click-and-collect at Boots stores. More tie-ups of this nature are expected as retailers seek to capitalise on the valuable asset of convenient store locations.

Third-party services, such as local convenience shop network Collect+ and dedicated collection point Duddle, have given both pure-play and multichannel retailers the opportunity to widen their pool of click-and-collect options.

Other retailers have invested in creating their own convenient pick-up points. Amazon has rolled out own-brand collection lockers in locations such as shopping centres, Co-op stores, bank branches and



More than 50% of John Lewis's online orders were collected in store over the 2015/16 financial year

gyms. Meanwhile, Asda has launched collection points at business parks, universities and London Underground stations.

Convenience is the single biggest driver of consumer satisfaction according to 17% of those interviewed and 18% say expanding their collection points is one of their top three investment priorities this year. It is viewed as a greater consumer priority by ecommerce specialists, with a quarter ranking it the most important driver for the shopper compared with just 8% of supply chain professionals.

The ecommerce director of one fashion retailer says launching on the transport network was top of his to-do list. "We want to be where our customers are. I want to help people on their commute," he says.

METAPACK ACTION POINTS



- Delivery is a key consideration during the purchase process. Reduce this barrier to purchase by displaying available and accurate delivery options on the product page.

- Deliver your customer promise by only offering available delivery and collection options based on stock, time of day, location and target destination.
- Drive traffic from the website to your retail store by offering convenient click-and-collect options, or if you are a pure play consider collaborating to leverage existing store networks.

CHAPTER TWO

SHOULD CUSTOMERS PAY FOR GREAT DELIVERY?



Customers have high expectations around delivery, but are they willing to pay when these expectations are met? For both ecommerce and supply chain specialists, this is a thorny issue currently being grappled with.

“Delivery shouldn’t be free,” says the ecommerce director of one value fashion retailer. “There’s a cost associated with it for us. It impacts our margins. The problem is the UK public have been spoilt and it’s difficult to introduce a charge when your rivals are giving it away for free.”

Retail Week’s survey identified that retailers do not think cost is the be all and end all for consumers. Only 8% of ecommerce and supply chain directors say value for money was the main lever for consumer satisfaction around delivery, however 38% say it is among shoppers’ top three priorities.

“WE SEE IT [DELIVERY] AS A MARKETING INVESTMENT. WE DON’T HAVE RENT OR RATES; THIS IS HOW WE BUILD OUR BRAND”

ECOMMERCE DIRECTOR OF AN ONLINE DEPARTMENT STORE

8%
OF ECOMMERCE AND SUPPLY CHAIN DIRECTORS SAY VALUE FOR MONEY IS THE MAIN LEVER FOR CONSUMER SATISFACTION WHEN IT COMES TO DELIVERY

Supply chain directors who are responsible for managing delivery costs believe it has a greater impact on the consumer than ecommerce directors.

There is understandably some reticence among retailers to make the move to introduce a charge for standard delivery, although a value fashion ecommerce director says it has raised the threshold for free delivery and has witnessed no impact on sales.

Online-only retailers have led the charge when it comes to offering free deliveries and are the most reluctant to move away from this model. And for ecommerce directors thinking from a marketing perspective, image matters.

“We see it as a marketing investment. We don’t have rent or rates; this is how we build our brand,”

DELIVERY LOYALTY SCHEMES: THE NEXT BIG THING?

Many large retailers have introduced delivery loyalty schemes as a way to build customer loyalty through their fulfilment offer. Customers buy into a proposition that offers free delivery, often next day, for a year.

The big four grocers all offer a delivery pass, as does fashion retailer Asos. However, the most well-known delivery scheme is Amazon Prime.

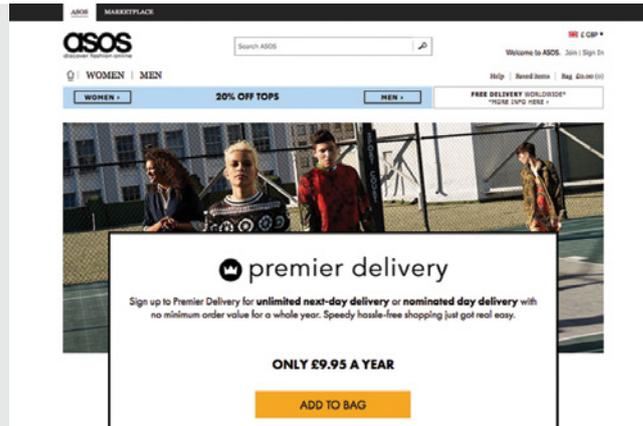
Globally, Amazon is understood to have between 60 and 80 million Prime

customers and, put simply, these shoppers spend more. According to research by RBC Capital, 73% of Prime customers say they shop at Amazon at least two to three times a month, compared with just 22% of non-Prime customers.

The delivery boss at a retailer that operates a delivery programme warns that its loyalty customers also tend to return products more often. However, he says this is offset by the dramatic impact it has on the frequency with which they shop with the brand.

Despite the potential benefits of delivery loyalty schemes, it is not a priority for most. Only a couple of retailers interviewed by *Retail Week* said it was something they were currently researching. "Loyalty schemes are only relevant in high-frequency, high-loyalty sectors such as grocery or department stores," says the ecommerce director of a fashion retailer.

An electricals ecommerce boss concurs. "It's not relevant for my business. Our shoppers spend with us two or three times a year. They're not going to buy into a delivery programme when they shop so infrequently," he says.



Fashion retailer Asos offers customers an annual delivery pass

says the ecommerce director of an online department store. Having said that, supply chain directors are also focused on putting the customer first to help clinch their loyalty.

The supply chain director of a fashion pure-play says: "Free delivery has a huge impact on whether consumers shop with us. A free, easy returns process is also critical. As a non-store retailer we know our customers need a straightforward way to return goods. We don't think returns are a bad thing. If it's free and easy to return, people will shop more. This is a fact that lots of retailers have struggled with."

The consensus among multichannel retailers is that in order to keep up with "aggressive" pure-plays, free delivery in some format is still essential, regardless of the impact on margin. "Our view is that to appeal to all shoppers, we need to make every product available for free delivery, if they're willing to wait," says the ecommerce director of an electricals retailer.

However, an increasing number of shoppers are happy to pay for premium services such as next day, nominated day and delivery windows. The ecommerce director of a value retailer says 20% of online shoppers pay for premium fulfilment. "Our shoppers are paying £7.99 for evening delivery, which is the same price as a lot of our products," she says.

"A FREE, EASY RETURNS PROCESS IS CRITICAL. AS A NON-STORE RETAILER WE KNOW OUR CUSTOMERS NEED A STRAIGHTFORWARD WAY TO RETURN GOODS"

SUPPLY CHAIN DIRECTOR OF A FASHION PURE-PLAY

METAPACK ACTION POINTS



- Retailers can boost customer loyalty and website conversion by offering an effective mix of paid for and free services – providing choice and convenience to consumers to suit their lifestyles.
- Return options are now a key factor for consumers and they expect returning items to be as painless as receiving. Easy returns alongside convenient delivery encourages consumers to shop more often, while a comprehensive returns system ensures retailers can quickly and efficiently process items, issue refunds and understand the complete picture.

CHAPTER THREE

WHO IS RESPONSIBLE FOR DELIVERY?



Delivery touches all parts of retail businesses, so where does the all-important responsibility for a seamless experience lie? Supply chain or operations directors take ownership of each parcel for a significant length of time during the fulfilment process while they ensure those orders are delivered to stores, collection points or homes in the most proficient way possible. From the moment an order arrives with the supply chain team, it is in control of decisions around which carrier is best aligned to deliver that particular order. For just one parcel the chain ordinarily comprises numerous carriers, each contributing to the process through its specialism.

Meanwhile, some retailers have a designated head of delivery strategy role, with responsibility for defining the customer proposition, while in other companies it falls under the remit of the logistics or ecommerce director.

The logistics director of a grocery retailer says, although his team works closely with online trading and IT, it leads fulfilment strategy. “We know what can be done and whether we can do it affordably. It wouldn’t make sense if a team who didn’t understand this was putting forward our strategy,” he says.

However, the ecommerce director of a fashion retailer puts forward a compelling reason why his team is best placed to drive delivery strategy, not only being inspired by clinching a winning marketing mix

but recognising what that means from a logistical perspective. “I look at whether our mix of options is right and the impact of what we offer. My team measures the impact of any change in delivery option and decides whether to progress based on the maths,” he says.

Measuring the impact of delivery is a core part of the ecommerce team’s role. Changes such as extending the cut off for next-day delivery are introduced based on the impact they have on conversion and a programme of testing is run before any modifications are made.

However, that does not mean the ecommerce team necessarily gives the green light to new delivery options. The ecommerce director of one pure-play business says it is the marketing and trading teams that have the final say on strategy. “It might affect my conversion rate but the accountability for delivery sits elsewhere. We view our delivery proposition as a marketing cost and decisions on what our offer looks like are made by marketing and trading,” he says.

COURIER CONSIDERATIONS

Reliability is the most important factor when it comes to choosing fulfilment partners. Three quarters of those surveyed said it was their main consideration, and 95% placed it in their top three priorities.

“Fundamentally, customers want their parcel to turn up when you say it will,” says the ecommerce direc-

What do you think your organisation's top priority should be when it comes to choosing delivery carrier companies?

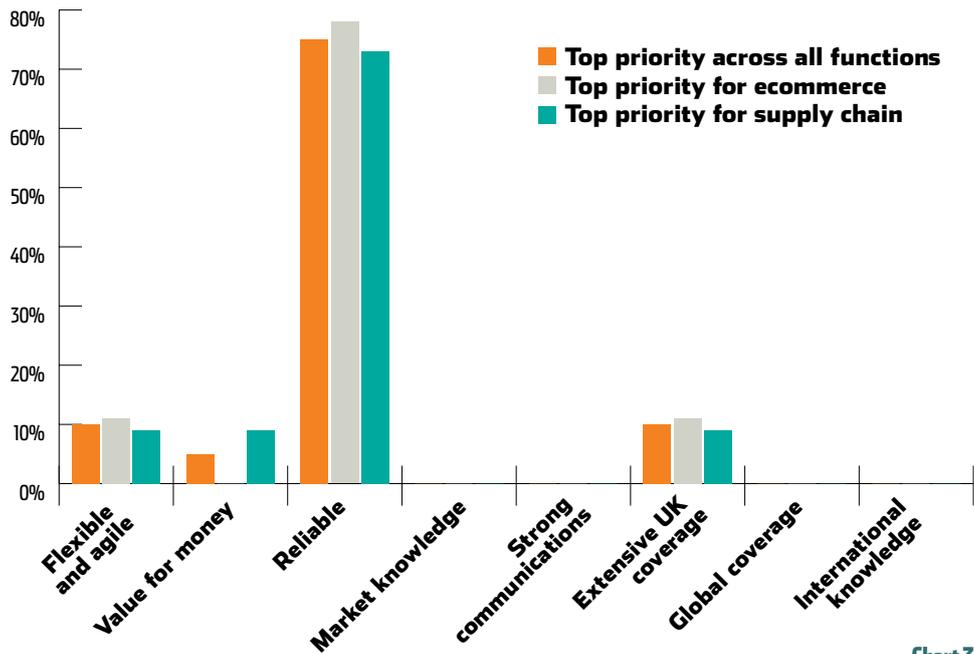


Chart 3

**ACT GLOBALLY,
THINK LOCALLY**

A third of those surveyed say international fulfilment is among their top investment priorities for the year ahead.

However, it is more of a priority for supply chain executives, with 45% placing it among their major investment priorities, compared with 18% of ecommerce specialists.



Picking the right fulfilment partner, which comes under the remit of supply chain, is critical to success overseas.

"We've opted for big global brands. Scalability, capacity and professionalism are of the utmost importance, so we partner with brands we can trust," says the head of delivery at a pure-play with a large international business.

"It is important to take a local approach to delivery in different markets and we try to understand the differences of shopping behaviour and preferences in each country.

"We know that Germans want payment on delivery and expect free returns so that's what we offer them," says the ecommerce director of a fashion retailer. "We want to behave like a local retailer. The last thing we want our international shoppers to think is that they're being treated like a UK shopper."

There are also duty implications of delivering in certain countries that retailers must understand and factor in before trading in these territories.

Local couriers can be a great source of information when trying to understand new markets, according to the pure-play delivery boss. "Their in-depth knowledge about customer expectations in a country can help you tailor your delivery offer and make sure it is fit for purpose" he says.

WHY SHARED OWNERSHIP OF DELIVERY IS THE NEW NORM

An increasing number of departments are becoming vital to the delivery process. IT ensures real-time information about stock availability and order processing is shared across retailers and couriers; marketing plans delivery promotions; stores are an increasingly popular pick-up point; merchandising determines which products are on site and where they are placed; and trading forecasts demand.

All of these departments need to work in tandem to ensure a seamless delivery operation. With delivery truly becoming a cross-company function, there is a growing trend to involve all key stakeholders in fulfilment decisions.

One fashion retailer has formed a multichannel board, which determines what its multichannel offer should look like. The board includes directors across operations, ecommerce, IT, digital, country managers and even the chief executive.

“Multichannel cannot be owned by one person,” explains



the retailer’s ecommerce director. “It impacts all of our roles. It’s a company-wide decision what we want our delivery to look like. Do we want to lead the market or just match our competitors?”

In other companies, the burgeoning role of the chief customer officer is taking increasing ownership of delivery. The chief customer officer is responsible for understanding what the customer wants and to tailor the experience around that. The role can help break down the functional silos that exist around issues like delivery, which will have costs which are assigned to specific teams, and to make sure the offer is genuinely customer-focused.

tor of a fashion firm. “If your courier drops the ball, it impacts you. We make sure we work with the right couriers and measure the performance of our services. We hold our couriers to account.”

An extensive UK network is also crucial for retailers that want certainty that their courier of choice can deliver anywhere. However, this is unlikely to rely on one carrier alone. Indeed, developments in software mean today’s retailers are increasingly working with third-party providers of delivery management technology to regularly use multiple carriers along the parcel’s journey. This ensures that the retailer benefits from each carrier’s strength, whether that is moving bulkier items, or providing a premium service, or reach in certain global markets. Today, a slick fulfilment system ordinarily relies on using an effective mix of carrier partners.

Unsurprisingly, value for money is a consideration when it comes to carrier choices. Although just 5% of executives say value for money is their main priority when choosing a carrier, 40% concede it is among their top three considerations as retailers vie to make the economics of delivery stack up.

Logistics directors, who hold the relationship with couriers and are responsible for managing delivery costs, have a greater eye for value, with 45% ranking it as a top three priority compared with 33% of ecommerce staff.

“I would love to send all of my parcels through a highly personalised service but unfortunately I can’t. We have to save that for our most loyal customers,” admits the head of delivery at a pure-play retailer.

However, the ecommerce director of an electricals retailer disagrees and believes if the customer experience is impaired by using a carrier that offers a lesser service, retention will ultimately drop.

Few retailers can justify the capital investment of creating their own fulfilment network and the vast majority rely on providers of delivery management technology to establish an effective mix of carriers, with great success. Those few retailers that have built their own fleet, which tend to be grocers and large general merchandise retailers, have reported tangible benefits in performance and customer connection with the brand.

There is also a burgeoning opportunity for retailers that have created their own network to fulfil on behalf of others. Asda is among those that have opted to capitalise on their fulfilment prowess and branched into third-party fulfilment.

For those that rely on carriers to fulfil their orders, monitoring of performance and investigation of customer complaints is carried out to identify potential problems.

METAPACK ACTION POINTS



- Invest in collaborative and responsive technology to ensure you can reflect any changes in the warehouse or delivery experience on your web front end and teams always know what’s going on.
- As delivery innovation continues to flourish, retailers should use an effective mix of carrier partners, playing to the strengths and specialisms of each delivery provider, while ensuring they have a reliable method to manage these crucial decisions.

CHAPTER FOUR

HITTING PEAK PERFORMANCE



The introduction of Black Friday to the UK market has had a dramatic impact across retail, but no area is feeling this shake-up more than the delivery sector. Black Friday has changed the shape of Christmas trading and made retailers' peaks spikier than ever before. "Shoppers know Black Friday is coming so we see trade drop off in the month leading up to it. Then we have a huge spike and do a month's worth of trade in three or four days," says the supply chain boss of one ecommerce pure-play.

PRECISION PLANNING

Although Black Friday 2015 was a success story, when it first exploded in the UK in 2013 many retailers found themselves unprepared to deal with such overwhelming demand. Retailers such as Amazon have suffered website crashes over the past few years and delivery delays have become synonymous with the shopping event.

However, the retail industry has learned from past mistakes and made planning for Black Friday a top priority, requiring more integration between business functions than ever – so much so that Black Friday in 2015 ran extremely smoothly and has been hailed across retail as a great success. Many retailers now adopt a 12-month planning cycle to get into gear for the big day. The supply chain director of a general merchandise retailer says the whole event is planned with "military precision".

Some retailers lock down carrier capacity as early as January. "There's limited capacity in the network, you need to secure it," says the supply chain director of a fast-growing pure-play. The general rule with securing space with couriers is "the more you spend with them, the easier it is", he says.

Forecasting is critical in order to deliver a successful Black Friday. Retailers work alongside couriers to predict demand and marry that with capacity. Efforts have also been made to level out demand around Black Friday to relieve the pressure on the delivery network. Retailers such as Shop Direct last year launched a week's worth of promotions around the shopping event.

While supply chain directors endeavour to cope with the surge in orders as smoothly as possible, ecommerce and marketing directors do their share to manage the incoming demands. The ecommerce director of a fashion retailer says it used email marketing to attempt to move trade away from what it predicted would be its busiest trading hours.

CROSS-COMPANY COLLABORATION

The relationship between key functions such as trading, retail, logistics, customer services and IT are crucial for Black Friday success. Real-time information is needed about stock levels, availability, site performance and projected sales.



One pure-play supply chain director says it has devised a “cross-function masterplan” since Black Friday first started making waves in the UK three years ago. That plan is constantly updated and refreshed.

The head of operations of a department store retailer says it has also put together a cross-company working group, which he compares with the Government’s crisis response committee, Project Cobra. The group contains representatives from IT, supply chain, marketing, retail, ecommerce, retail, legal and communications, and meets every month, increasing to every few hours as the trading period nears.

Retailers pore over the lessons of the previous year, examining which delivery options were chosen and how they expect trends to grow in the year ahead.

Some multichannel retailers have tried to heavily promote their click-and-collect options over Black Friday, directing customers to store, which one general merchandise retailer says “simplified delivery”.

Intensive testing is also carried out on the website to determine what traffic it can take. One ecommerce director says it “tested the minutiae” of the website from changing banner colours and where promo information was positioned to ensure the retailer’s performance was optimised.

RENEWING THE DELIVERY PROMISE

Following Black Friday 2014, which was beset with delivery problems across the industry, many retailers opted to change their standard delivery promise during Black Friday last year.

“As long as you’re open and honest and tell your shoppers upfront, extending delivery times is not an issue,” says the supply chain director of a fashion pure-play. “The consumer knows they’re getting a bargain so is prepared to accept slightly different terms.”

45%
OF ECOMMERCE PROFESSIONALS
SAY STRENGTHENING THE
RELATIONSHIP BETWEEN THE FRONT
AND BACK END OF THEIR WEBSITE
SHOULD BE A TOP THREE PRIORITY

It’s not just the supply chain directors who recognise that flexibility and agility is key. The ecommerce director of an electricals retailer says it withdrew next-day delivery options ahead of the promotional event.

When dealing with such extreme volumes, ad hoc decisions have to be made. The relationship between the back-end operations and the front end of a website has to be stronger than ever to communicate to customers what is happening to orders and delivery times.

A speedy decision-making process on whether to change customer messages is critical. Retailers have made good use of “war rooms” on the day, gathering the main protagonists across the process to make well-informed, on-the-spot decisions and offer support if any issues arise. These gatherings often include representatives from third-party support services, such as IT providers and carriers.

When a decision to change the marketing or delivery message has been made, the website can be altered instantaneously.

Almost two thirds of retailers interviewed claim the relationship between the back-end operations and front-end, customer-facing website was either strong



“THE FRONT END AND BACK END MUST WORK IN TANDEM. IF THERE’S AN ISSUE AT EITHER END, THE WHOLE PROCESS WILL FALL DOWN”

ECOMMERCE DIRECTOR OF AN ELECTRICALS RETAILER

or very strong. However, ecommerce executives were slightly less positive about the relationship.

Clear, definitive communication is needed between carriers, the supply chain and those controlling the front end. “We had really unspecific information from our fulfilment partner last year,” says the customer director of a fashion retailer. “Being told ‘we’re having delivery problems’ doesn’t help me. I need to know in which postcodes and how long delays will be.”

Throughout an organisation’s supply chain the ability to be agile, flexible and adaptive is imperative. Shifting traffic where necessary across the network may prevent a spate of delivery failures and the loss of customers. Having the right technology in place to reassign traffic when one carrier is having problems is crucial and will prevent problems for both ecommerce and supply chain teams.

The head of logistics at a department store retailer felt hampered by the lack of flexibility on the front end of its system, which prevented him from tailoring website messages for shoppers based on their delivery address or product type. “We knew we’d reached capacity in certain postcodes but could have continued offering

How would you best describe how proactive and reactive the relationships are between your front and back-end systems?

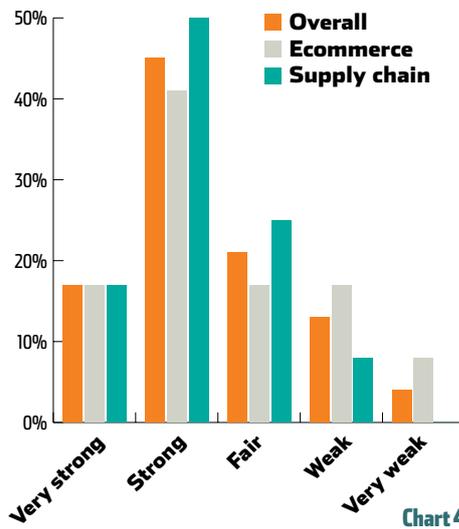


Chart 4

services in other areas. Unfortunately we could only add a blanket message to all shoppers,” he says.

Strengthening front and back-end relationships was deemed one of the three main investment priorities in the year ahead by a third of those surveyed. This is of greater importance to ecommerce executives, with 45% placing it in their top investment priorities.

INVESTING IN INFRASTRUCTURE

Many retailers found their websites and delivery network caved under the pressure of Black Friday in 2013 and 2014 when the event exploded into the UK retail market. Since then, substantial investments have been made both in IT infrastructure, to ensure website stability, and resourcing warehouses to pick and pack such large quantities.

The ecommerce director of an electricals retailer says investing in both ends of the process is vital to ensure your business gets the most out of Black Friday.

“The front end and back end must work in tandem. If there’s an issue at either end, the whole process will fall down,” he says.



Software and technology remains a key area of investment for retailers, with 45% of executives ranking it among their three main priorities this year. This is deemed more important by ecommerce specialists.

The systems that process orders and share information between carriers and retailers are increasingly critical, according to the ecommerce director of an electricals retailer. "We need data to be passed seamlessly across all systems. We've had to upgrade our technology," he says.

THE FUTURE OF BLACK FRIDAY

The logistical headaches attached to Black Friday are set to intensify as it becomes more of an online event. Last year, retail footfall was down 9.6% year on year over Black Friday weekend, according to analyst Springboard, as shoppers switched to online. Visa reported that online spending on its cards surged 25%, while store sales dipped.

There are concerns among the supply chain directors interviewed that the delivery network might not be able to cope with growth during Black Friday. "There's a finite capacity across the delivery network. We all work with the same couriers and are fighting for that capacity," says the supply chain director of a fast-growing pure-play.

METAPACK ACTION POINTS



- Collaboration between retailers, delivery providers and technology partners is fundamentally key in order to execute the delivery promise successfully. Retailers should forecast accurately, minimise 'delivery peaks' to ease the strain on warehouse and delivery networks, and dynamically shift volume during peak where possible.
- It's crucial to remain agile during peak, reacting to increased strain on the network quickly and effectively to ensure a consistent and well communicated customer experience. Be accurate, open and honest with the delivery promise.

CHAPTER FIVE

THE FUTURE OF DELIVERY



The unprecedented rate of investment and innovation in fulfilment is set to continue, with 95% of executives surveyed committed to ploughing money into their proposition in the year ahead.

For both ecommerce and supply chain bosses, the main challenge is keeping up with what customers want and what frontrunners such as Amazon are giving them.

“Deciding what is truly relevant is our biggest challenge,” says the ecommerce director of one electricals retailer. “Changing our fulfilment involves significant heavy lifting so we need to have a clear idea of what the future is going to look like.”

Retailers are putting significant resources into forecasting the future. Customer research, consumer groups, think tanks and working groups are prevalent across the industry.

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Speed, convenience and precision are likely to remain vital to the consumer, and retailers are seeking to push the boundaries in these areas.

Same-day delivery will soon become ubiquitous, according to one ecommerce director, who admits his company is already working on introducing the option. Amazon and Argos have already launched same-day services in the UK and eBay-owned fulfilment firm Shutl is working with the likes of Hotel Chocolat, Maplin, Schuh, Coast, Karen Millen and Warehouse to offer delivery within 90 minutes.

Meanwhile, taxi app Uber last year launched UberRush, a same-day delivery service for small vendors in US cities including New York and San Francisco, leveraging its vast network of on-demand drivers.

The supply chain director of a UK grocer believes using Uber drivers will take off in the UK and could even reduce fulfilment costs.

The race for later next-day delivery cut-off times is also predicted to continue and in the near future all mainstream players will allow customers to place orders up to midnight and receive their goods the next day.

However, the ecommerce director of an electricals retailer believes cut-offs could disappear altogether. “It appears arbitrary to the customer that they order at five past the hour so have to wait an extra 24 hours to get their order.



DELIVERY SUCCESS WILL CONTINUE IF COURIERS KEEP PACE

Couriers are stretched to meet online growth but the carrier market will continue to flourish as long as they keep pace with change. While the UK is blessed with a huge number of carriers, each with their own specialisms, it is vital that those companies stay ahead of the evolving demands of retailers and consumers.

A case in point is the administration of City Link – a major player in parcel delivery that fell into administration in 2014, arguably because it struggled to differentiate its offer among the sea of carriers on the market.

Keeping pace with the constant state of change across the industry will ensure that both retailers and supporting delivery providers continue to prosper.

“Parcels are just waiting around in a depot for an extra day. If we can get your goods to you in 10 hours, you should be able to get it in 10 hours.”

Meanwhile, the popularity of click-and-collect shows no sign of waning and there is set to be a proliferation of ever-more convenient pick-up locations. The use of transport locations such as train and tube stations is in its infancy and is set to gain more widescale appeal.

Retailers are also focusing on how to make click-and-collect in their own stores an easier experience. A grocery supply chain director says it is exploring how to recognise that shoppers have arrived at a store through recognition of their mobile devices.

The director says it would make the experience slicker for shoppers. House of Fraser has already trialled technology to help customers collecting goods avoid queuing through checking in at kiosks when they enter its department stores.

Supply chain specialists believe the challenge of making delivery economics work will come to a head in the near future. “Amazon is training consumers to expect speedy delivery. How can I compete with them with my infrastructure?” asks a pure-play delivery boss. “We can’t afford to build the small hubs they do, so we’re going to have to rely on innovation.”

However, innovating and improving the delivery offer costs money and some supply chain executives believe the era of free standard delivery will have to end in order to reclaim these costs and maintain margin from these parcels.

The delivery market looks set to be a hotbed of innovation. Although the likes of taxis and drones may be delivering our parcels in years to come, the industry

is unlikely to give all this away free of charge. However, if savvy retailers can provide the quick, convenient, unique parcel delivery that shoppers crave, they will not object to paying for this valuable commodity.

Driving and facilitating the necessarily agile and flexible supply chains that are taking the strain of these new opportunities is increasingly being recognised as a shared responsibility, which demands greater integration and collaborative working than ever before. Investing in ensuring that ecommerce and supply chain functions are on the same page when it comes to delivery strategy will undoubtedly pay off in an exciting future for retail.

METAPACK ACTION POINTS



- In a climate of constant innovation, retailers that have nailed the basics of delivery, offering a range of options, providing clear communication and a seamless returns process are one step closer to providing a best-in-class customer experience.
- With drones, hyper-local delivery, one-hour slots, lockers, pick-up points and consolidated ‘greener’ deliveries, the rate of innovation in the delivery arena is more dynamic than ever. As your business grows and expands, it’s never been more important to have a system that develops and responds to consumer demands, while empowering you to make key decisions and manage your delivery strategy.

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