

## The Last Mile

Exploring the online purchasing and delivery journey

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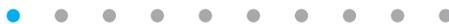
This report has been produced by Conlumino for Barclays.

All content has been researched, developed and produced by Conlumino at the request of Barclays for the purpose of this report. All charts, data and statistics featured in this report are the product of this research.

Sample sizes are as follows: 2,159 people (UK nationally representative sample), 51 UK retailers with online/multichannel operations and 18 logistics and delivery providers.

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# Packaging in the UK

In 2013, letterbox-sized packages and small parcels made up 59.5% of all deliveries from orders made online.

Our research shows that deliveries of letterbox-sized packages are set to see the highest growth by 2018. A number of retailers are working with logistics companies to decrease the size of packaging, providing numerous benefits for both the consumer and the retailer. Packages that can fit through a recipient's letterbox can be delivered on the first attempt, leading to a reduction in costs associated with repeat delivery services.

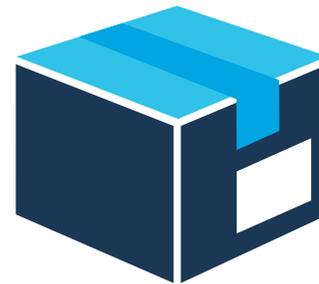
In terms of delivery method, the Royal Mail is considered by over 70% of consumers as the best method for the delivery of letterbox-sized and small packages, whereas consumers prefer large and fragile deliveries to be made by the retailer or a third-party courier. For fragile items, nearly 30% of buyers would prefer to collect their purchases from the retailer's premises.

## Volume of physical packages delivered, by size



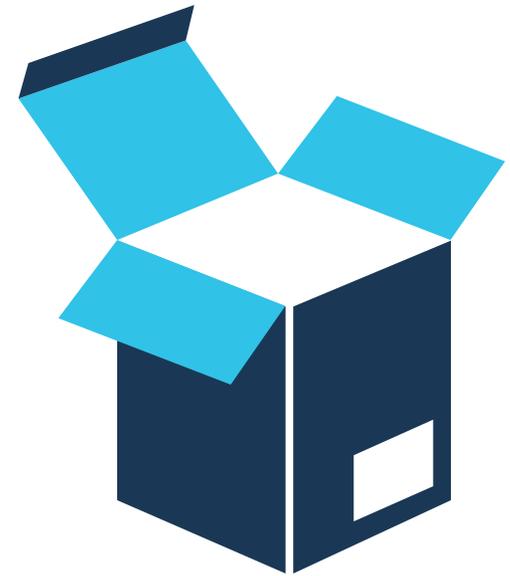
Letterbox package

Can fit through standard UK letterbox



Small parcel

No larger than a standard UK shoebox



Larger deliveries

Larger than a standard UK shoebox

Number of packages 2013 (m)	185.4	344.6	360
Number of packages 2018 (m)	268.4	479.6	507.2
Growth rate 2013-18	+44.8%	+39.2%	+40.9%



# International delivery methods

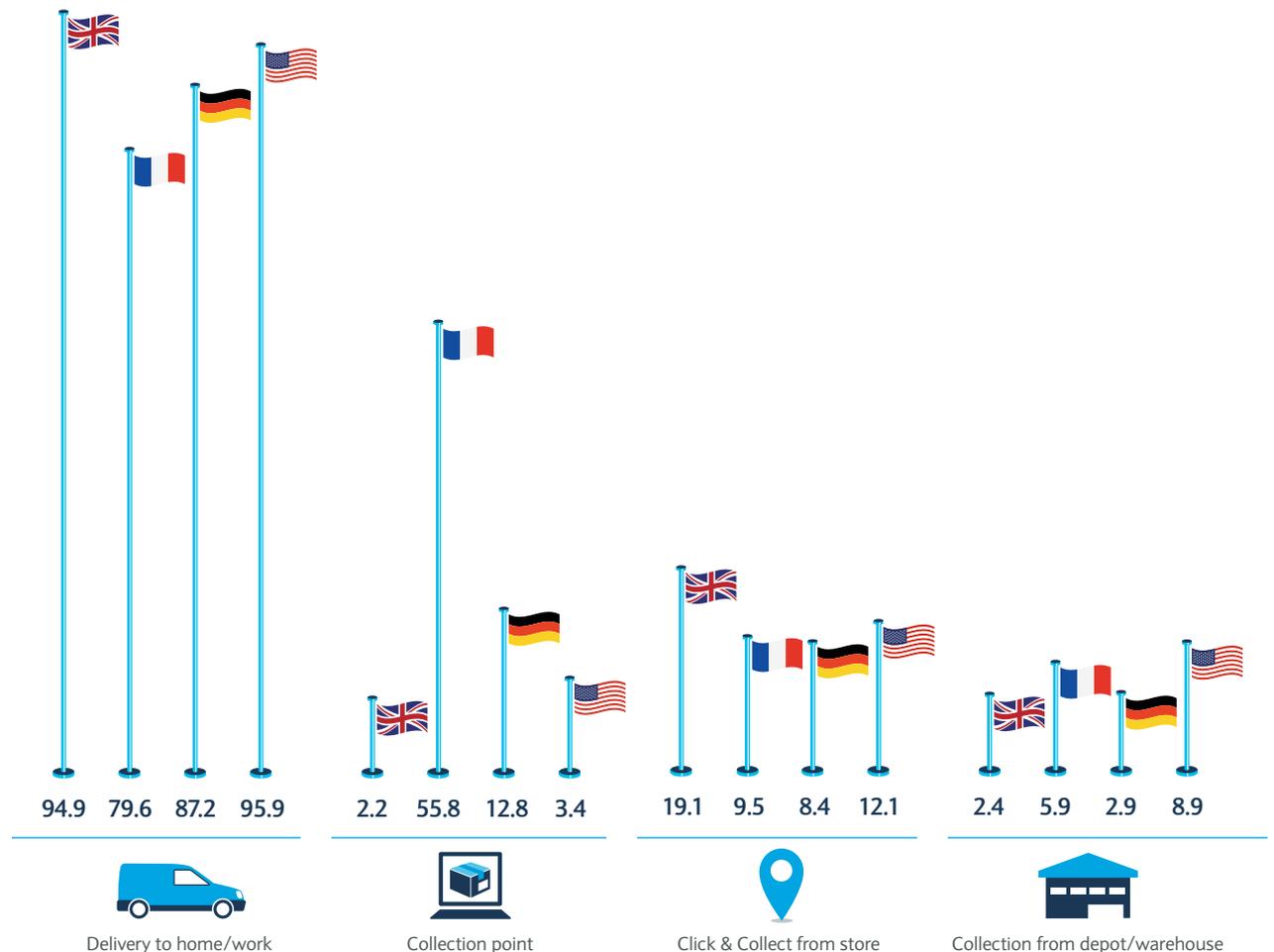
While delivery to home or workplace is the most popular option for consumers in Europe and the USA, preferences for alternative methods vary across countries.

For example, the UK is the most active nation in terms of Click & Collect services, whereas France's collection points are integral to its delivery networks. All countries offer a type of consumer collection service, which may see increased popularity in the coming years with the introduction of new initiatives. In contrast to mainland Europe, many UK couriers will deliver to a neighbour, whilst in France and Germany many homeowners have secure boxes on their property to receive packages whilst out.

Throughout France, Chronodrive's drive-through supermarkets allow customers to purchase online and collect their order from a specialised distribution warehouse within 90 minutes of placing the order. The 'Click and Drive' concept is particularly useful for time-constrained urban customers, who can now order their groceries online and collect at their convenience without booking time slots or incurring delivery costs.

Similarly, US-based The Container Store is a specialist retail chain that sells a range of storage solutions, and allows customers to order online and pick up their order in less than an hour of purchase. As part of their 'GoShop! Click and Pickup' initiative, staff bring customers' orders out to their cars, saving shoppers both time and effort when collecting their purchases.

Percentage of consumers that have used various delivery methods at least once over the past 12 months, per nation





# Consumers: delivery preferences and priorities

Nearly 30% of retailers would use Click & Collect as their preferred delivery option, yet less than 20% of consumers have used this service in the past 12 months.

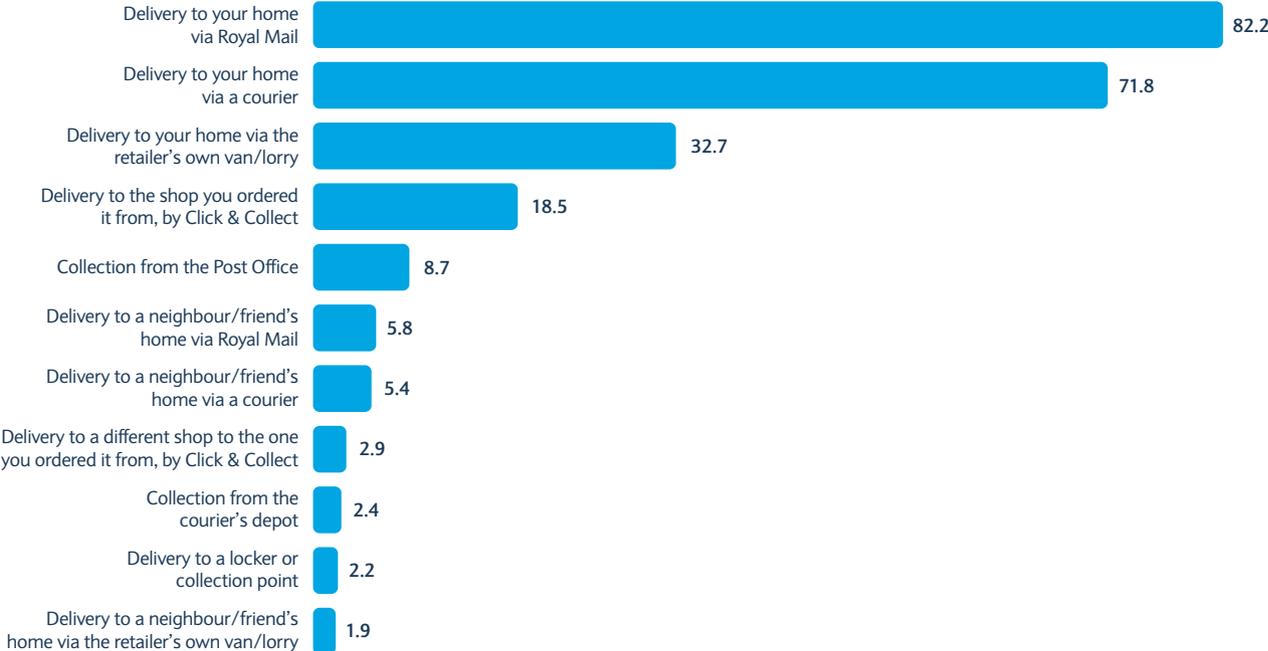
Just under 70% of consumers believe that couriers should deliver on a Sunday, and almost 45% would order online if delivery services were improved. These figures suggest that further sales opportunities exist for online retailers, if they can offer consumers more choices to suit their lifestyles.

Although consumers are looking for increasingly innovative and rapid delivery options, they are still conscious of keeping delivery prices low. Cost matters most to consumers when choosing delivery options whereas, unexpectedly, service ranks least important. This may come as a surprise to retailers and carriers, who continue to view service as a vital component of an e-retail and delivery experience.

## Most important factor for consumers when choosing a delivery option



## Percentage of consumers using different delivery methods for goods purchased online over the past 12 months



# Consumers: delivery preferences and priorities

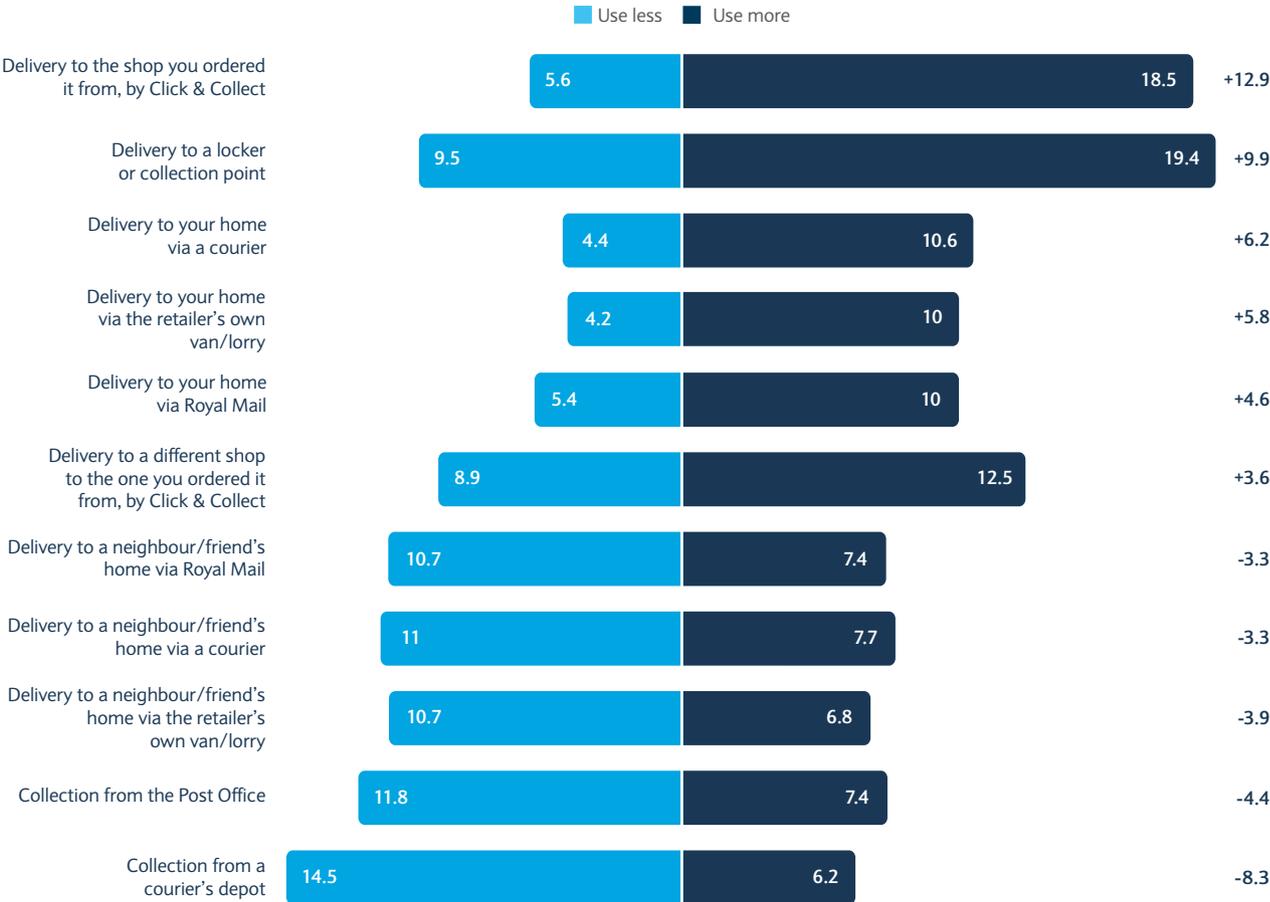
According to our research, consumers anticipate that they will use in-store or locker collection services more frequently in the future, and many expect to visit courier depots and Royal Mail offices less in the next 12 months.

This shift away from courier depots may be a result of new delivery options that fit around an individual's lifestyle, such as Click & Collect and locker collection points, which are seeing a rise in popularity.

Royal Mail services were rated highly by consumers, who ranked them top for speed, reliability and service. Conversely, shoppers preferred to rely on the retailer's own delivery vehicle for flexibility. Just over 22% also favoured Click & Collect, which was rated third most popular for flexible delivery.

Consumers also said they would request delivery to a neighbour or friend's home less frequently in the future, as more convenient delivery options and safer methods negate this need. Many carriers are working to improve the reliability of delivery and build trust from consumers, by allowing them to specify a safe place for a package to be delivered.

Percentage of consumers using different delivery methods over the next year, compared to the last



# Consumers: satisfaction with services

Although consumers rank cost as one of the most important factors of delivery service, satisfaction with delivery pricing remains low.

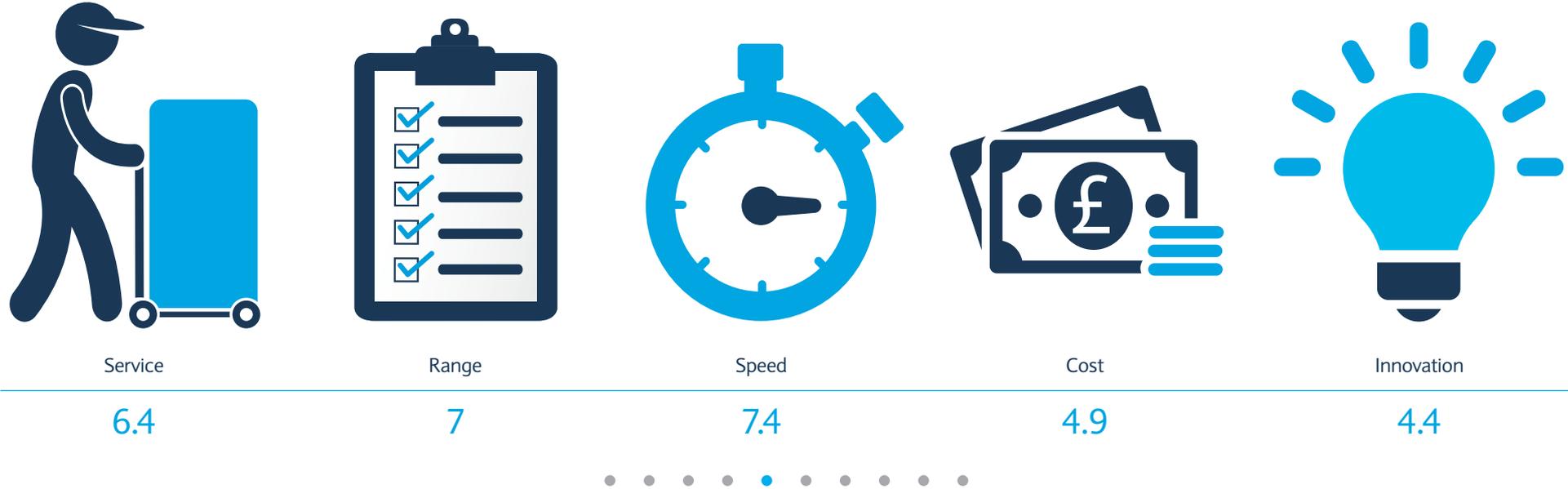
Interestingly, consumers seem to be least impressed with innovation surrounding delivery services, despite the range of solutions available to online shoppers scoring highly.

Innovative methods of online delivery do exist and are evolving continuously – for example, the development of station locker services and delivery drones. The methods used to promote new delivery options to consumers may be a reason for the low satisfaction with innovation,

with messaging focusing on the technology that makes innovative delivery possible, rather than the benefit to the client.

Increased awareness of flexible, innovative and manageable delivery solutions for internet consumers may result in further business for retailers and logistics providers, as nearly 45% of shoppers would order more online if delivery services were more suited to their needs.

Average consumer satisfaction score, from 1-10 (1 = extremely dissatisfied, 10 = extremely satisfied), across different aspects of the delivery process



# Section three: a retailer's perspective

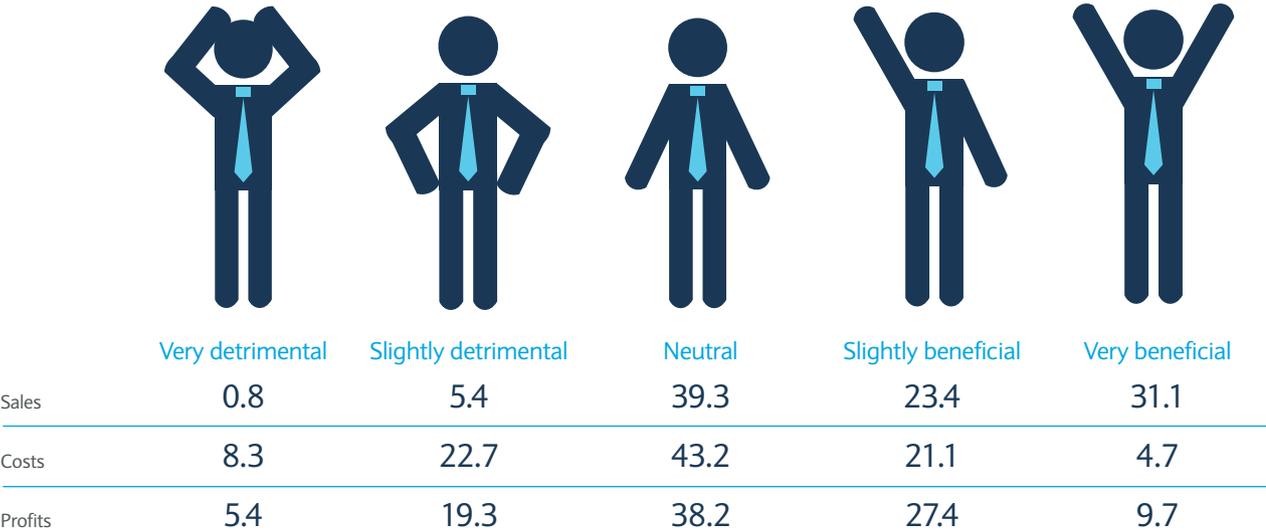
Whilst the majority of retailers consider online shopping and delivery services to have benefited their sales numbers, over 30% believe it has been detrimental to costs.

Over 50% of retailers believe that delivery services have benefited their sales figures; however, a significant number of retailers are conscious that costs and profits have been detrimentally impacted by online purchasing.

Interestingly, over 44% of retailers think that Click & Collect services can cause capacity issues in store, suggesting that many may not be fully optimised for the multi-platform retail environment, having started as bricks-and-mortar companies.

Consequently, problems may occur for retailers that do not have a single stock-keeping file and are unable to track goods across outlets and warehouses collectively. With Click & Collect opportunities increasing, it may be financially beneficial for retailers to invest in stock tracking technology, to avoid central stock being delivered to stores which can already offer the goods.

Retailers' views on how delivery from online purchases has impacted their sales, costs and profits (%)



# Retailers: delivery preferences

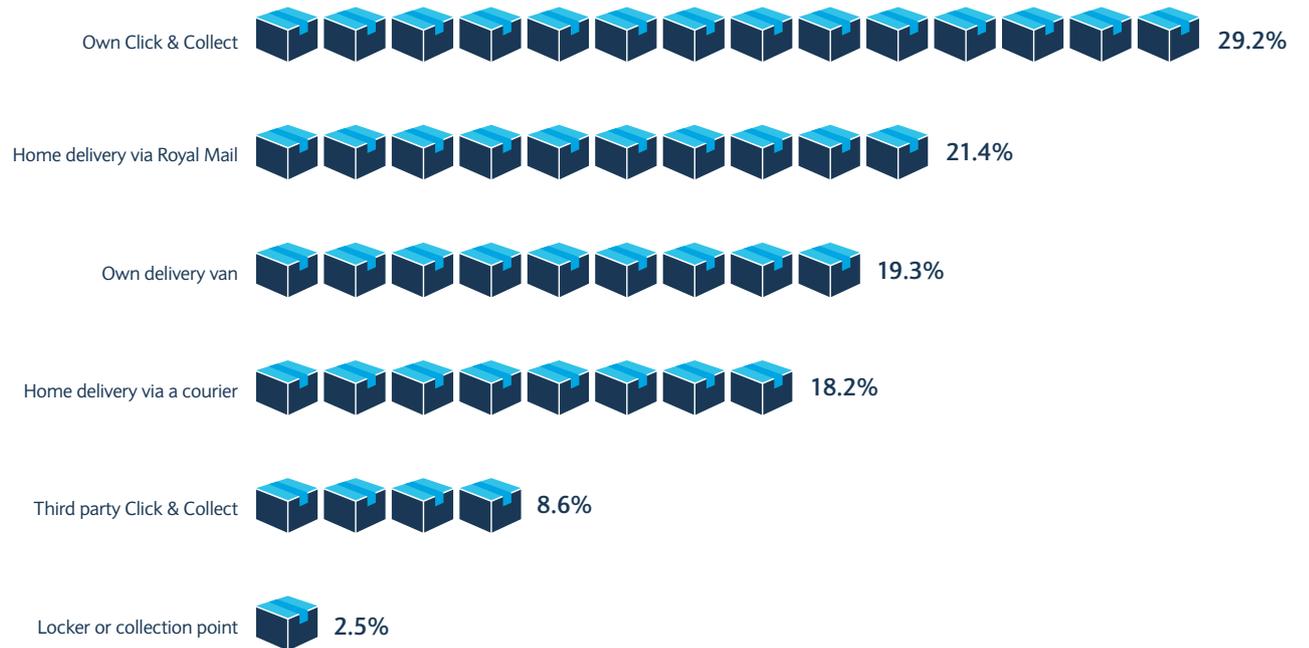
Just over 29% of retailers would prefer to offer their own Click & Collect scheme to consumers as a delivery service.

Click & Collect remains popular with retailers: research states that 38.2% are expecting it to grow more in terms of usage than any other delivery option. 22.6% anticipate that third-party Click & Collect services will increase the most, and just over 17% expect to see a rise in the use of lockers and collection points.

Royal Mail delivery services ranked highly with retailers; however, even Royal Mail – which consumers scored highly in terms of speed, reliability and service – is a secondary preference, for retailers, compared to Click & Collect. This service may be favoured as retailers look to minimise costs associated with delivery, as well as encouraging further purchasing opportunities when consumers collect in-store.

43% of retailers are investing more in Click & Collect, as nearly 84% believe it is a permanent fixture of the delivery market. With almost 53% of consumers not realising the benefits of this delivery option, however, it is difficult to say whether retailers' predictions will be realised in the coming years.

## Retailers' preferences for delivery methods



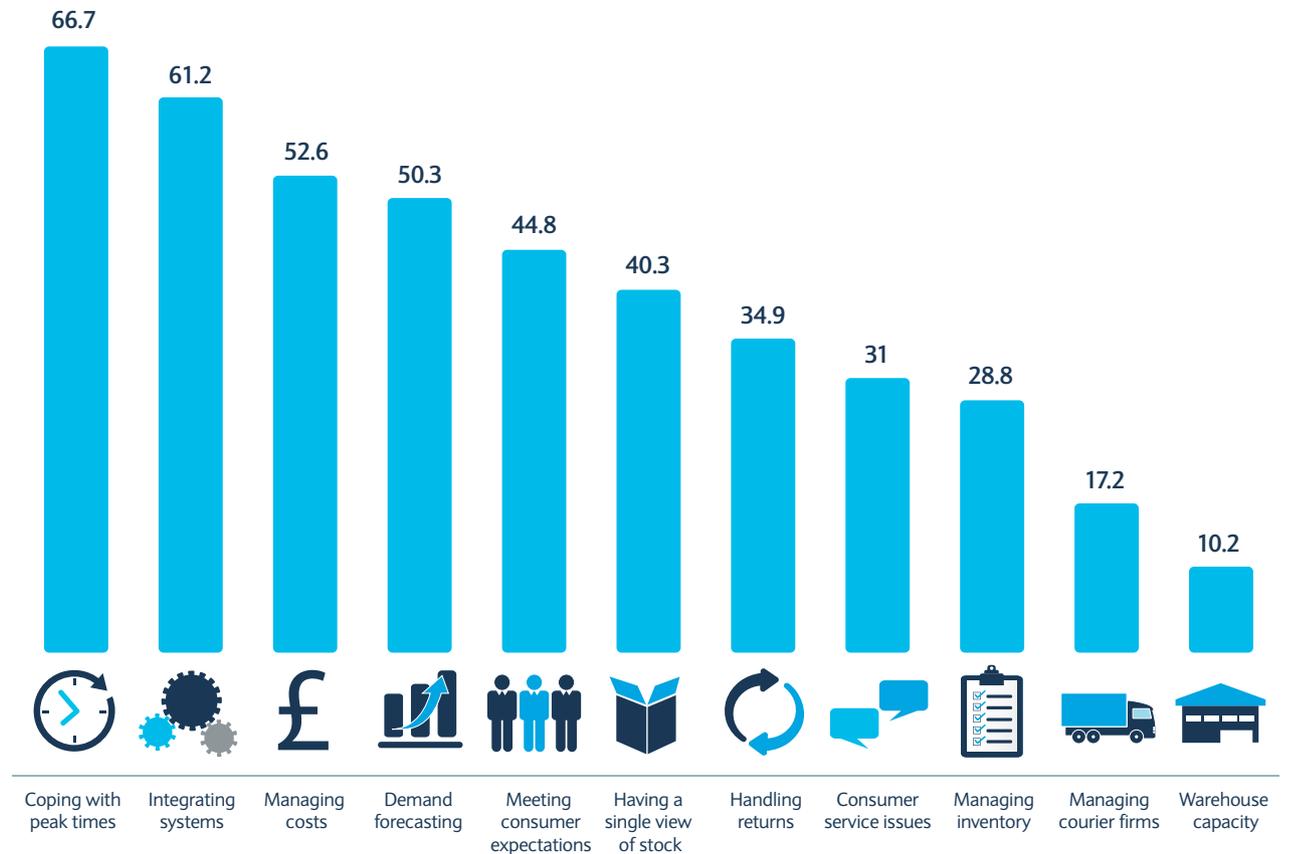
# Retailers: operational efficiency

For retailers, one of the major issues with delivery is coping with peak seasonal times such as Christmas. Although warehouse capacity does not seem to be a large problem, over 50% consider integrating systems across retail platforms and demand forecasting as areas of concern.

With more orders being placed via mobile and tablet devices, shopping has become a 24/7 experience for many consumers. For retailers this can cause a problem with demand forecasting and, as a result, meeting consumer expectations.

Integrating systems to cope with the logistical complexities of new delivery services such as Click & Collect, as well as the return of online purchases to stores, can cause imbalances of stock across stores and warehouses. Interestingly, warehouse capacity seems to be less of a problem than handling returns and managing inventory.

Percentage of retailers mentioning that certain areas cause them problems







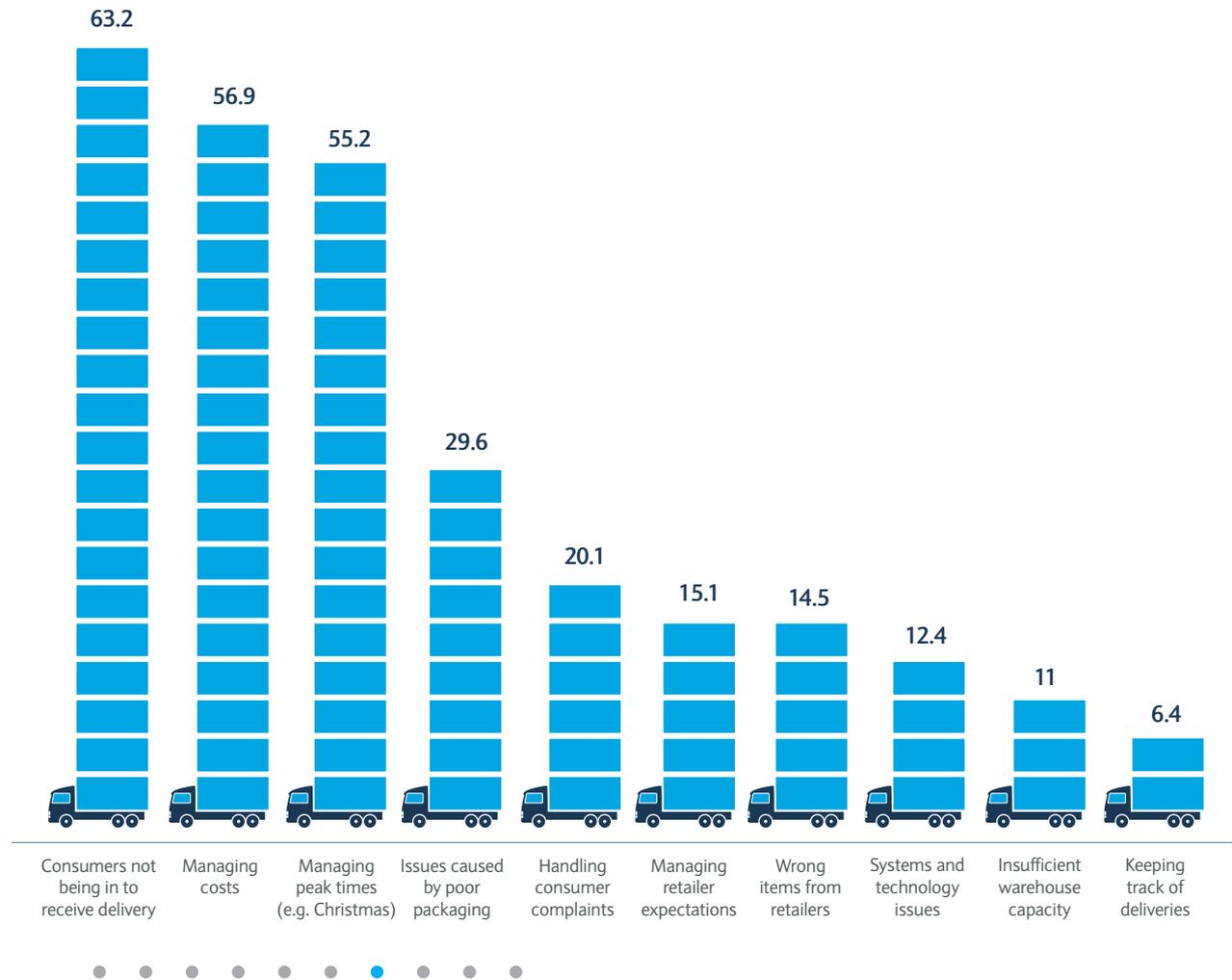
# Logistics providers: operational efficiency

The biggest issue facing logistics firms is delivering goods when recipients are not present, with over 63% of carriers stating this as a concern.

Similar to retailers, managing peak times and costs is a concern for the majority of logistics firms, suggesting that there is more to be done between retailers and carriers to prepare for holiday seasons and key delivery times. Poorly packaged goods cause problems for nearly 30% of logistics providers, potentially incurring costs for retailers also, who will bear the price of returns on faulty items.

In comparison to retailers, systems and technology issues are less of a concern for logistics providers with just over 12% citing this as a problem area.

Percentage of logistics firms mentioning that certain factors cause them problems





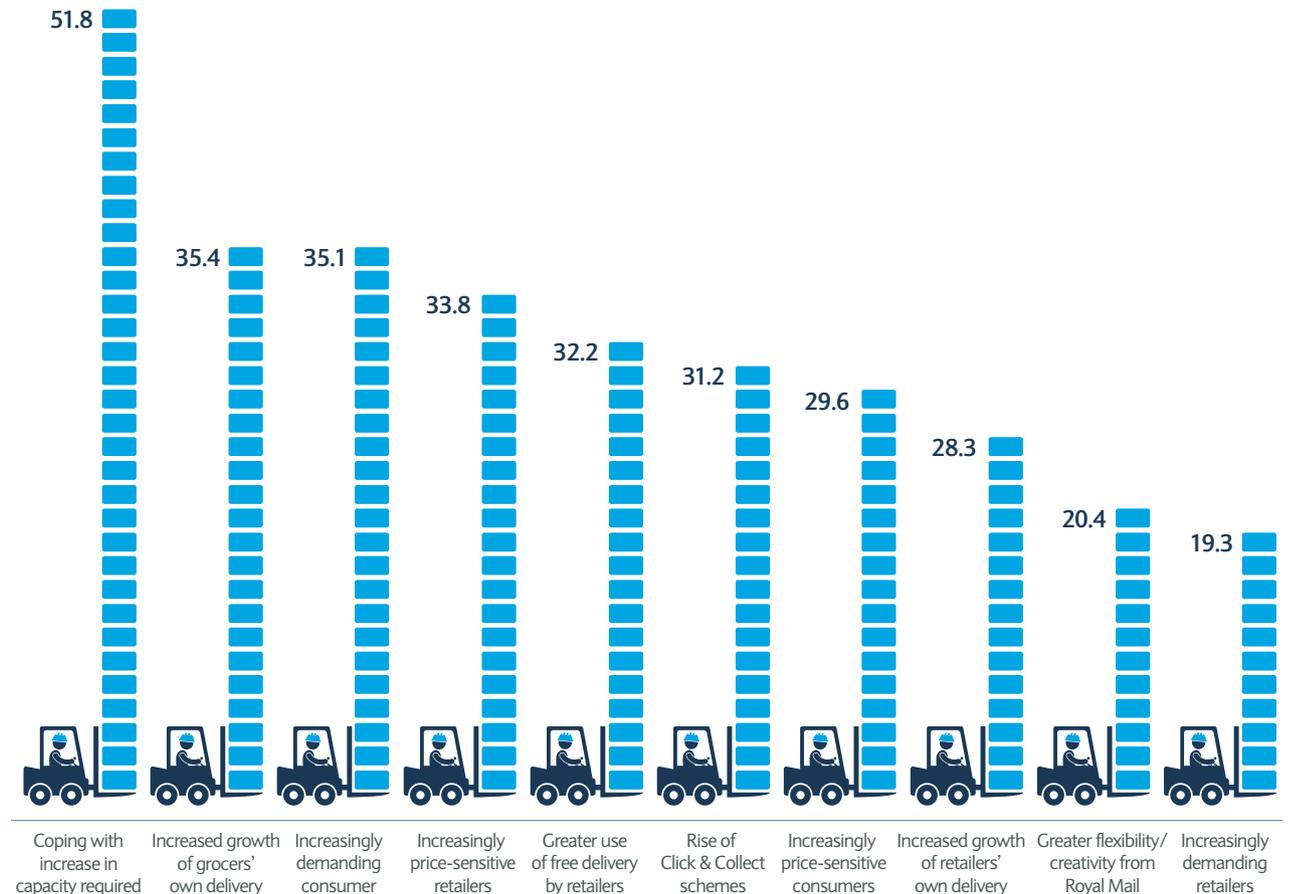
# Logistics providers: opportunities and threats

The growth of online shopping will boost business for logistics firms, as will the growth in customer online marketplace sales. Opportunities exist to increase flexibility in delivery options, along with the introduction of more premium services.

In general, logistics providers are optimistic about the future: according to our research, over 92% of providers believe that continued growth in online shopping will provide future opportunities for growth. However, over 50% stated that a key area they see as a threat to future growth was coping with the increased capacity requirements.

Nearly 35% envisage growth potential through better technology and increased international delivery, which may be bolstered by investment in further delivery options. 28.3% are concerned about increased delivery by retailers' delivery services, and 33.8% are concerned by increasingly price-sensitive consumers, which may result in online shoppers opting for cheaper, retailer-led services.

Percentage of logistics firms mentioning factors that they see as future threats to growth



# Section five: strategies for success

When optimising services to appeal to all members of the delivery chain, there are a number of considerations that retailers and logistics providers can keep in mind.

## Retailers

- Explore cut-off windows for next-day delivery and how this can affect your business. Many retailers are now offering next-day delivery for orders placed up to 5pm
- Work with logistics providers to manage peak times, making efforts to forewarn carriers of expected busy periods
- Ensure that packaging is smart and safe, to avoid returns of faulty items and also to support first-time delivery success
- Return services may support online sales if consumers are hesitant about purchases. Explore how to promote your return services to support the end consumer
- Technology providing a single-stock view can be expensive to implement for bricks-and-mortar retailers; however, in the long term, this technology can drive efficiencies and reduce costs associated with delivery services.

## Both

- Both retailers and carriers should communicate the range of options that they can provide, to ensure that consumers choose the most suitable solution
- Retailers and logistics providers can partner to offer swift Click & Collect services
- Cost remains an important element of online purchasing for consumers; however, many will only value service quality once they've had a bad delivery experience. Try to balance good service with low-costs by exploring in-house operational efficiencies.

## Logistics providers

- Explore further delivery options to support the needs of busy consumers – Sunday services and collection options may be key to this success and could lead to increased online purchases by shoppers
- Technology can improve customer service, with some carriers investing in messaging services to help consumers manage deliveries around their daily schedule
- As more logistics providers enter the delivery market, it is important for companies to identify their unique selling point. Whether this is technology, service or price, carriers can benefit from clarifying their proposition to their target audience.



# Case study: Oasis



Clothing retailer Oasis offers a unique and flexible range of delivery options to meet growing customer demands.

For Oasis, online sales are an integral part of the business, and will continue to grow as a proportion of revenue in the future. Despite the range of delivery services on offer, 90% of orders are delivered using their standard service – delivery within 3-5 working days. Briony Garbett, Head of Ecommerce & Customer Experience at Oasis, explains how the business is working to communicate the range of delivery options available, as well as the challenges faced to meet increasing demand and remain competitive in the crowded online high street.

## A unique proposition

Oasis maintains flexibility and fluidity of stock by using a split-order system: orders are fulfilled from a distribution centre, or if the product is out of stock, Oasis uses a 'Seek and Send' service whereby products can be sourced and sent directly from one of their stores. This means that the full order can be split, with certain elements fulfilled from the distribution centre, and the rest of the order being deployed directly from the store.

Delivery options include standard, next-day and nominated delivery. The customer can also choose hourly timeslots throughout the week to suit their needs or a 90-minute delivery service, both powered by Shutl and available in selected cities throughout the UK.

## Communicating the offering

The business has a wide range of delivery services available, and communicating these clearly to customers poses a real challenge. "We launch each service with an email to the whole client database to promote it and clear communication on the homepage," comments Garbett. "Our suite of service messages in-store also promotes the various options." By understanding the online reading habits of their consumers and testing the page layouts of marketing emails, Oasis ensures that clients are fully informed and can choose the most convenient service for them.

**"As our brand goes from strength to strength, it can be a challenge to ensure legacy systems are coordinated, particularly during seasonal spikes."**

**Briony Garbett**, Head of Ecommerce & Customer Experience, Oasis

## Challenges remain

"As our brand goes from strength to strength, it can be a challenge to ensure legacy systems are coordinated, particularly during seasonal spikes," comments Garbett. In addition to managing stock through fluctuations in the year, achieving unity between Oasis and the carrier can also be a challenge, particularly when multiple logistics providers are used.

Oasis currently uses multiple carriers to meet demands, to enable a full suite of services and innovation which is seen as more attractive to the business. Delivery remains a large cost for the brand and, in order to remain competitive and meet growing customer expectations, the business is working to optimise their existing offering, as well as considering alternative delivery options such as Click & Collect services.

## The future of delivery

Adapting existing services to meet trends and refining how customers can return items is key to increasing sales value. "We need to develop better ways to track the returns journey, so that customers are more comfortable buying larger orders," says Garbett. In addition, the business already ships to over 20 countries; however, achieving the required scale and volume needed for international fulfilment will be an area of focus for Oasis in the future.



# Case study: DPD UK



Using leading technology, DPD UK provides tailored, reliable delivery services to everyday consumers and retailers.

In a competitive delivery market, express parcel carrier DPD UK has experienced growth of £100m per year since 2012. Tim Jones, the company's Director of Marketing, discusses how advances in technology, as well as attention to customer needs, has helped DPD to develop a successful business strategy and grow its share of the market.

## Understanding customer needs

The UK delivery market has become increasingly crowded. As online consumer numbers continue to increase, carrier companies must be able to distinguish themselves from competitors. As Jones says: "At DPD, we have our clients (retailers) and then our clients' customers, who are the end consumers receiving deliveries. Despite these being two very different audiences, they both value quality service, fast delivery and attention to detail."

By building close working relationships with its customers, DPD has identified ways to achieve all three factors, using an impressive and unique piece of technology that tracks the delivery process from start to finish.

## Investing in technology

DPD is currently the only UK carrier service that can provide a one-hour delivery window on all purchases. Having identified 50% of households as empty during the day, the company has seen a rise in successful delivery

since introducing notification services. By messaging delivery recipients via text or e-mail, DPD can confirm the hour in which a delivery will be made, helping consumers to manage their schedules. Should this time be unsuitable, recipients can ask DPD to leave packages with a neighbour or at an identified safe place on their property. Failing this, an option exists to arrange delivery at a later date.

**"At DPD, we have our clients (retailers) and then our clients' customers, who are the end consumers receiving deliveries. Despite these being two very different audiences, they both value quality service, fast delivery and attention to detail."**

Tim Jones, Director of Marketing, DPD UK

Since using this technology, DPD's clients have noticed an uplift in repeat purchases, providing mutual benefits for both parties.

The technology also allows delivery staff to photograph goods left at a safe place, and send a picture of the successful delivery to the recipient. This provides proof of delivery to both consumers and retailers, and helps to minimise fraud risks within the process.

## Quality service

Feedback services are essential to DPD's continuous improvement. Customers can register queries via their 'How can we help you?' website portal, or can engage via Twitter and Facebook. Social media has proved successful for DPD, as they have turned any public negative posts into positive experiences, by monitoring and resolving any flagged issues with immediate effect.

When looking to the future, Jones predicts that technological developments will pave the way for further enhanced service, and people will want more specific delivery information with more options, including inflight options and alternative pick-up points. One thing is for sure, the company will continue to focus on quality in order to remain a key player in an ever-evolving market.



# Focus on innovation: Barclaycard Anywhere

A more compact version of a traditional card-reader, Barclaycard Anywhere connects to a smartphone allowing instant card payments to be accepted on the move. For delivery service providers, Barclaycard Anywhere offers consumers a simple way of paying for their order on delivery.

Barclaycard Anywhere is a mobile payment solution that allows a merchant to take a consumer's payment independent of traditional point-of-sale technology. As long as a data connection, or WiFi coverage, is present and the merchant owns a smartphone, the software can be used on the move for issuing refunds as well as taking payments.

With nearly 52% of consumers nervous about paying online for goods and services\*, one potential use for Barclaycard Anywhere could be to allow shoppers to pay for products on delivery. Such a solution could be beneficial to online grocery retailers, who, because of substitutions and weight variations of some products, do not know exactly what a consumer will be charged before delivery has been made.

Payment upon receipt of goods could also help logistics companies who want to offer flexible delivery options for which they charge extra. For example, a consumer may have opted for a standard delivery when placing an order with a retailer but, having missed their initial delivery window, may opt to subsequently have the delivery made before 10am on a Saturday at an increased cost. Using Barclaycard Anywhere, the logistics company would be able to take payment for this as the product is delivered.

More than just a payment device service, Barclaycard Anywhere gives users access to a 24/7 online account for in-depth business management, providing access to sales and stock monitoring, customer data and payment history.

## 52%

The percentage of consumers who are nervous about paying online for goods and services\*

Although this technology is at the early stages of development, over the next few years it could change the online delivery landscape – potentially increasing the number of online orders as a result of increased confidence around payment. It could also allow a split between payment for items and payment for delivery, with consumers selecting the delivery company, method and option they want from a retailer's site but then paying the company that delivers when they turn up.



\*Source: Conlumino Consumer and Business Panel, May 2014.

## Section six: key takeaways

- The delivery market is growing and logistics providers are facing increased competition, not only from other carriers but also from retailers choosing to deliver via in-house services
- Consumers prioritise cost over service, whilst retailers and logistics providers are being pushed to invest in delivery innovation to meet consumer needs
- Retailers that offer their customers a variety of delivery options are differentiating themselves in the market
- High-quality delivery service is much more than a well-trained driver: carriers should provide flexible service, based around technology and reflective of a consumer's preference
- Click & Collect remains popular with retailers, with over a third expecting the service to grow in use; however, less than 20% of consumers have used this service in the last 12 months.

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