



Redefining Final Mile Delivery in the Age of the Customer

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We would like to thank the following retail supply chain executives for their inputs throughout this Whitepaper. It has helped supplement the survey data with first-hand view-points:



Neiman Marcus

Willis Weirich
Vice President Logistics



build.com

Kevin Scott
Logistics Manager



Boxed
WHOLESALE

Joseph Bobko
VP Transportation



BuildDirect

Jim Hourigan
COO

Executive Summary

Retail has entered a new, digital world that has redefined the delivery process.

For supply chain executives, the focus is shifting from how goods move from place to place, to providing the ultimate customer experience when shoppers receive (or need to return) them. This creates new challenges to improve the visibility, speed and real-time communication between retailers and their most valued customers, or risk losing competitive advantage.

The Survey Found that Retail Supply Chain Leaders:

Understand the importance of the customer experience: Retailers are coming to know the importance of gaining control of the delivery process and leveraging the technology to create a transparent and flexible supply chain, to provide the customer the optimal experience.

Are struggling with technology that does not address CX needs: Many retailers are still not up to speed with the technology necessary to upgrade the supply chain. This requires commitment and investment in innovation.

Want to integrate the CX into their operations: The gathering, aggregating and analysis of real-time data is essential to providing an optimal customer delivery experience. Third-party knowhow is often key to leveraging that data.

Desire innovation that is often at odds with the traditional operational metrics: Though most retailers still consider margins as critical, some increasingly consider customer loyalty the top priority. Ultimately, the customer delivery experience may become a vital market differentiator.

Introduction

Digital technology is rapidly changing the world we live in and the way we live in it, including how we shop. Amazon and other e-commerce giants have transformed the retail ecosystem by demonstrating how the technology can be leveraged to provide customers a more transparent and efficient delivery experience. Consequently, most consumers now expect a shopping experience that is a visible and seamless part of their digital lifestyle – and to have their purchases delivered within days, if not hours.

This trend is well documented by leading voices in the space like the National Retail Federation, that reported 44% of 2016 Thanksgiving weekend consumers shopped online¹, and UPS, whose annual Pulse of the Online Shopper study revealed that 51% of all purchases made by respondents were made online². Furthermore, in a Convey survey, 70.1% of shoppers said they would no longer shop with a retailer after a single poor delivery experience. The same survey found that 75% of shoppers expect proactive communication about their package and 43% of shoppers want retailers to reward their loyalty by personalizing the delivery experience to their order and purchase history.

The ‘message’ from these surveys is clear enough: For retailers to succeed, they must embrace the digital disruption and

upgrade the supply chain to meet these new consumer expectations. This convergence of customer experience and supply chain is transforming old technologies and processes, as teams adapt to the new shopping paradigm.

To better understand how retailers are tackling these changes, Convey and eft recently completed a survey of 200 supply chain leaders that found a clear awareness of the new retail ecosystem and the need to align CX goals while still delivering on more traditional KPIs, such as cost.

About the Research

eft asked 200 supply chain executives in retail and brands eight quantitative questions about the role and importance of customer experience in final-mile or last-mile delivery and how this affected supply chain performance as well as internal operational decision making. Furthermore, we wanted to explore if current technology was sufficient in helping retailers achieve their goals of providing appropriate final-mile delivery experience and transparency in routing and tracking an order. As with all research, some of the findings were as expected and some were quite surprising. We have supplemented the data with some first-hand interviews with leading supply chain executives in top retail companies.

1 nrf.com <http://bit.ly/2fXovb5>

2 ups.com <http://bit.ly/2kGpm62>

1

Retailers Understand the Importance of the CX

83% 

Of retailers report that CX is now a company-wide goal and that they are feeling the pressure to improve it

56% 

Report CX measurements are becoming key to making operational decisions

67% 

Said that gaining greater control of the CX was crucial or very important to delivery

What They Are Saying

Most retailers understand how digital technology and customer expectations have changed the supply chain ecosystem. **Joseph Bobko, Vice President of Transportation at Boxed** says, as technology has evolved:



The whole delivery process in the retail environment has changed. Because technology now makes it so easy with the click of a button, or the touch of a mouse, to compare prices, get an understanding of the products and get relatively strong comparative reviews, that once people have checked something out on the web, or on their mobile device, they want to buy it and they want to have it. In some cases, they want to have it within an hour; in some cases they want it that same day.

We want to invest in a situation where if a customer orders patio furniture from us they're not thinking about the delivery, they're not thinking about the set-up, they're thinking about the party they're going to have that weekend, so we'd like to be able to come in, bring in the patio set to the backyard, do some light assembly, take the packaging away and they're able to enjoy their party. We want to invest in those types of things to make that experience happen.

Many retailers, like **Jim Hourigan at BuildDirect**, are making investments to ensure the delivery experience is as positive as possible:

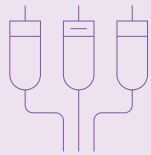


According to **Willis Weirich, Vice President of Logistics at Neiman Marcus**, e-commerce has completely disrupted the traditional supply chain, making delivery far more flexible, and now provides the means for the retailer to control the experience from warehouse to the customer's front door:



The traditional model was from vendor to DC, DC to store, store to customer. With the growth of e-commerce, you can deliver from any one of those components. We do dropship from vendor, direct from store, direct from DC which is obviously additive to the traditional model of just fulfilling products to the store. The biggest change in the supply chain is the growing prominence of omni-channel customers wanting to buy from any channel and using fulfillment and therefore logistics to do that across those different channels.

2 Current Technologies Are Not Addressing CX Needs

3% 

Of retailers “have current systems that fully support efforts to improve the customer experience”

66% 

Of respondents said their existing systems do nothing to improve the customer delivery experience

What They Are Saying

Key to optimizing the customer delivery experience is improving visibility and accessibility of the entire supply chain. Doing this inevitably requires advancement in technology, **Bobko** says:



We’re investing more in tracking solutions and customer interfacing so that we can take the supply chain components and give the customer a better experience to understand where their order is at from creation through delivery and give them proper notifications and we can manage the exceptions better when they do happen, whether it’s weather related, provider related, or internally. So, we’re investing more in those types of solutions that have a customer impact, to improve the overall experience.

What They Are Saying

To have a flexible omni-channel supply chain requires in-house technology and, often, third-party expertise. **Kevin Scott, Logistics Manager at Build.com**, says his company uses both:



Innovation is definitely important for us. We've worked with [outside] companies that help us auto-decision, [finding] the cheapest LTL carrier and things like that. But we're also always working on the customer experience, such as upfront tracking capabilities and exception management, so we can reach out to our customers when something goes wrong without them having to come to us first. All those things we feel tie back into the customer experience.

For example, a customer orders on Monday, it's promised to be delivered on Wednesday, the carrier delivers it on Thursday because there was a weather issue somewhere along the way. As far as the carrier is concerned, the weather is an act of God, and is an acceptable reason for delay. As far as the customer is concerned, the order is a day late. This gap can be closed by third parties who can provide the objective analysis of performance. The other option is for the internal resources in the organization to strip out all of the – and I use the term loosely – carrier “excuses”, or the carrier reasons for failure, to get the true picture of what that customer perspective is. That's absolutely necessary in getting a true picture of order-to-delivery cycle time.

Bobko agrees, explaining that there is occasionally a ‘gap’ between a shipper’s understanding of delivery and the customer’s expectations, and that analytical expertise is often required to bridge that gap:

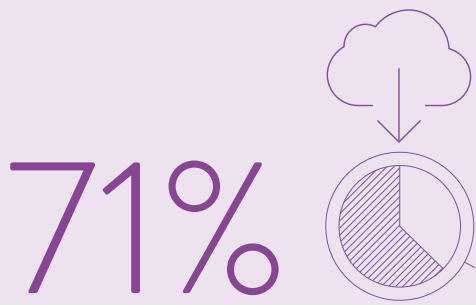


Retailers who understand that customer loyalty is essential to long-term profitability will make delivery decisions by always keeping in mind the big picture, says **Bobko**:



I think every retailer or anybody who's going to ship a product to somebody attempts not to make those decisions at an order-by-order level, but on a higher level as far as the potential lifetime value of a customer, the goodwill that can be attained by servicing the customer. It's an investment, so of course I, as well as everybody else in my role, am always willing to lose money on shipping as long as there is a greater objective in sight.

3 Supply Chain Leaders Are Integrating CX into Their Operations



Of retailers said improving access to clear order, consumer and carrier data for in-transit shipments across consumer service, operations and logistics teams was crucial or very important



Said it was either crucial or very important to improve “bidirectional communication” with consumers regarding their delivery expectations, package tracking and resolution of delivery options



Said “the ability to take dynamic and proactive action on in-transit issues (i.e., re-routing or expediting shipments, communicating efficiently with carriers),” was crucial or very important

What They Are Saying

In addition to cost and speed, or perhaps in lieu of those, customers often want to know precisely when their package will arrive. This necessitates a personalization of the customer delivery experience – that is, identifying the customer and tailoring delivery to her needs. Says **Weirich**:



We are really trying to understand the components of the e-commerce platform that are important to our customer and then create solutions that tie back to that. What may be more important to our customer is not necessarily speed but the accuracy of the estimated date on which we say we're going to deliver. Our customers may have a home in Florida, even though their primary residence is in New York. If we say that product is going to get there on a Monday and it gets there the previous Friday that could be a problem because they may not be home. So, we're really trying to understand what's important for the customer and then balance that. I think once you understand specifically what your customer is trying to get, you have a better chance of developing solutions that work for both of you.

Part of that is the basics of gathering, aggregating, analyzing the data. But the other part of that, and perhaps the more uncommon conversation from my perspective, is do we have the right organizational talent and resources to do that. Logistics has primarily been an execution-oriented group of people whom have figured out how to get things done, but now we're asking them to leverage data to make some of those decisions and that's just not a skill set that a lot of people have developed or are comfortable with.

This requires real-time data from the supply chain and the ability to leverage it to make the best decisions, **Weirich** explains:



What They Are Saying

Ultimately, there is no way around the fact that, technology is key to success, whether it's in-house or third-party. **Bobko** says:



How can we reduce cost in order to pass that saving onto the customer? How can we improve the service to the customer? I think it all starts in the technology used to support your operation behind the scenes. The level of automation that you put into your facilities that do things on a longer-term basis at a lower cost and, once the product leaves the doors, [recognizing] the breadth of services that are available, not only from the large transportation companies, but the local and regional carrier companies that exist. That is how you identify how you can innovate, and in many cases there are companies that exist to service the delivery needs of companies that may not be apparent until you actually develop the relationships. The investment dollars have to be on how to do it better, and better means faster and/or cheaper.

Yes, very much so, and we look at that quite a bit as far as how is our organization structured. And really our view, as is with most people, we want look at the strategy and then put the structure around that and if you think about this customer experience, all four of those areas that you just spoke about, logistics, operations, customer service, even ecommerce, are all tied together from presenting to the customer what they're looking for, what are the expectations that are set, based on what we can actually deliver and provide and what the customer is willing to pay for it. So yes, absolutely, we look at cross-collaboration, the communications, the processes, how does that all come together.

Integration isn't just about technology, however, it's also about people and processes, **Hourigan** reports an emerging need for cross-collaboration internally:



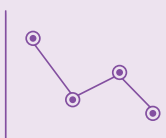
4 The Desire to Improve the CX Is at Odds with Traditional Operational Metrics

51%



Of respondents said reducing costs and improving margins is still crucial

28%



With another saying it was very important

This is a significant, since it suggests that, despite the importance of the customer experience, four of five retailers feel that any omni-channel upgrade must be coupled with operational efficiency.

What They Are Saying

The customer delivery experience has become so important that many companies understand that it sometimes calls for a near-term sacrifice in the interest of a long-term customer loyalty gain. One approach to this, according to **Scott**, is modifying the network of common carriers at any given organization:



Obviously, speed has become a bigger priority for customers these days. Everybody wants it to arrive at their door much more quickly. I think one of the big changes is that we're seeing a lot more regional parcel carriers come up, guys like OnTrac and LaserShip, who are coming in and challenging the FedEx/UPS 'duopoly' and really trying to ship more quickly and less expensively.

What They Are Saying

“Fast & free” has become an unofficial mantra of the new delivery paradigm. To offer timely delivery at no extra charge, or at a price that is market-competitive, obviously puts pressure on profit margins. This is forcing retailers to innovate. As

Scott puts it:



We definitely want to be able to absorb that shipping cost, so we offer a lot of free shipping on a large majority of our items, certain free shipping thresholds and things like that. But, at the same time, we're always working to improve sourcing, use carriers that may be able to cut transit days, so we're really trying to optimise how we ship, who we ship with and where we ship from.

There are definitely times we are paying more on shipping than we charge the customer. Ideally, I would like to see us charge the customer about what we get paid, what we pay on shipping in the circumstances where we actually charge shipping. That's obviously not possible, so we do lose money on shipping and that's just an accepted thing for us, that's what we have to do to stay competitive. But, hopefully, we gain more in return customers.

Scott suggests that customer loyalty is so valuable that it makes it acceptable to occasionally ship at a loss:



Consequently, the future of retail delivery lies in the omni-channel supply chain that connects, in real time, every party involved in the customer delivery experience As **Rob Taylor, CEO of Convey** puts it:



Based on what we've heard from clients and others, the “future” of the delivery is likely to look less like flying drones and more like what you would expect from a great “concierge.” We are seeing efforts to create greater collaboration between retailers, carriers, and customers. Part of making this effective will be improving end-to-end supply chain visibility and improving communication channels between all parties.

About Convey

Convey enables retailers to take control of the customer delivery experience. We provide the experience shoppers demand and the efficiency retailers require. Our cloud-based platform aggregates and normalizes disparate data across carrier, retailer and customer systems, giving retailers the insights they need to make smarter decisions

and the tools required to take action to improve the customer experience. From parcel to freight and cart to door, Convey helps the world's largest retailers reduce costs, improve visibility and transform the delivery experience into their next competitive advantage. Founded in 2013, Convey is based in Austin, Texas. Learn more at: <https://www.getconvey.com>

About eft

eft Supply Chain and Logistics Business Intelligence is the global leader in business intelligence and C-level networking for the transport, logistics and supply chain industry. We specialize in connecting senior industry executives with their industry peers, and with the crucial information they need to excel in their work. For 16 years, eft has provided

the industry with essential business intelligence in the form of news, reports, benchmarking data, white papers and C-level events. Through constant direct engagement with industry leaders, we ensure our products and events are directly tailored to meet the industry's needs. Learn more at: <http://events.eft.com/d3>