

## Getting The Last-Mile Delivery Service To Go The Distance

The increasing frequency with which shoppers place orders online for goods, ranging from furniture to electronics, and smaller items such as apparel, books and beauty products or medications, has significantly impacted both the retail and logistics industries. Retailers are faced with competing not just with the store next door but also simultaneously with an untold record number of online stores.

How consumers buy, online or in-store, and their expectations for delivery, have created a multitude of last mile logistical challenges for both retailers and e-tailers.

While the logistical solutions have been in place for some time to handle larger items such as furniture and home appliances,

*Total e-commerce sales for 2012 were estimated at \$225.5 billion, which is an increase of 15.8 percent ( $\pm 1.1\%$ ) from 2011.*

*Total retail sales in 2012 increased by 5.0 percent ( $\pm 0.7\%$ ) from 2011.*

*E-commerce sales in 2012 accounted for 5.2 percent of total sales whereas e-commerce sales in 2011 accounted for 4.7 percent of total sales.*

*– U.S. Census Bureau*

consumer electronics and convenience items have added a new dimension to the delivery options and the in-home service experience expectation.

Recent trends in major cities and heavily populated communities have created a rise in convenience delivery requests. While items that used to be strictly ‘cash and carry’ are now frequently purchased online, phoned in, or even purchased in-store, a new dimension of convenience delivery is preferred over carrying the purchase out as the consumer goes about their busy day. Retailers are experiencing **higher revenues per transaction when consumers opt for delivery** over carrying out their purchases, which is incentivizing store managers to promote customized delivery options.

Whether it is due to a value perception or customer satisfaction, purchase to mailbox or purchase to doorstep no longer completes the delivery options that consumers demand. Retailers are now pressured with the competitive challenge of multiple delivery options. Beyond the items that consumers cannot carry out or install on their own, convenience deliveries have become more prevalent, especially in major metropolitan areas. Retailers need to be prepared to deliver the sale at the customer’s convenience including completing the delivery on the same day and within a specified time frame.

The e-commerce boom has also added pressure on retailers and distributors to offer customers a variety of shipping choices, making it crucial for them to combine delivery speed and cost effectiveness. Because consumers have so many different options available for online shopping, they are not likely to purchase an item from a website if they feel that the shipping costs are too high or that they cannot receive the same in-home experience.

For example, if a customer is unhappy with a delivery charge or the lack of available service, they will order from a competitor. Likewise, if a customer has a need or desire for an item or items to arrive on the same or next day, they will visit a competitor who offers a wider range of delivery options.

While a consumer might not be initially evaluating retailers based on their communications systems and practices, surely the aftermath of delivery delays and communications blackouts will find their way onto websites that thrive on customer feedback such as Yelp, Epinions and others, which potential customers can see.

***Having delivery options and a well documented and executable delivery and logistics process is paramount; having a great communication system is crucial.***

## **The Last Mile To Happy Customers**

*Murphy's Law - "Anything that can go wrong, will go wrong."*

- The salesperson didn't review the service options in detail and the customer assumed that they were getting a service that was not scheduled – it happens.
- The inventory system indicated that the item was in stock, but it turns out that it wasn't – it happens.
- Distribution point doesn't have the order ready for pickup at the scheduled time, delaying the delivery – it happens.
- Goods were not inspected at the pickup point, improperly packed, damaged in transit, or ruined on site – it happens.
- Traffic jams and accidents on the road delay a delivery – it happens.
- Customer sees for the first time what they ordered and have buyer's remorse – it happens.

## **In-house or Outsource Last Mile Delivery and Assembly Services?**

Investing in the development and maintenance of a supply chain network of warehousing, staff, equipment, vehicles, and software may not make economic sense. Warehousing inventory and fulfillment of orders requires a sizable initial investment if done in-house. While relying on services such as FedEx, UPS, or USPS for delivery might suffice for some or even most of the order fulfillment, it is no longer enough to stay competitive and keep consumers satisfied. Same day service, inside delivery, room of choice delivery, and set-up/assembly are factors to now be considered. Fulfilling these services requires an investment in vehicles, equipment, and staff, all of which come with management and human resource burdens.

The ongoing management and financial support of a distribution, delivery and assembly service can be the death toll if not managed well. Seasonal volume flux adds to the complexities of balancing assets and personnel, making third party providers an affordable solution. Working with a third party last mile provider keeps the deliveries as transactional, so that as sales go up or down, the retailers have the financial benefit of only paying per unit. And, as volumes fluctuate, retailers are not funding underutilized assets.

While the financial and operational arguments to outsource are strong points, there remains the reality that the intimate connection with customers inherent in home deliveries separates last mile from other delivery options such as FedEx, UPS or even USPS. When your goods are delivered inside someone's home, delivery personnel have to be careful about soiling carpets and dinging walls, or worse, breaking lamps, ornaments or works of art.

In many cases, the final mile delivery provider may be the only customer-facing organization involved in this portion of the supply chain.

While a third party provider for last mile service can be an operations manager's optimal choice, there are still operational issues that can help or hurt the outcome. While the following is not a complete checklist of suggestions to improve delivery and service outcomes, they are key topics to assist in overall and ongoing improvement, whether it is outsourced or maintained in-house.

### **Partnering For Success:**

What is important to recognize is that a successful home delivery process is a team effort. From the sales person on the selling floor through all staff on the retailer's side, and completed with the last mile provider from pickup, through to travel and destination, and returns. Obtaining buy-in and providing on-going training and orientation with all involved parties is critical to achieving customer satisfaction.

### **Selecting A Third Party Last Mile Provider:**

The last mile is always the most important one in the supply chain as it is the final connection between you and your customers.

Beyond price, there are a multitude of points to evaluate when considering a third party last mile provider:

- Financially secure
- Ownership or management involvement
- Dedicated operational staff
- Ongoing training, and certification where required, of all customer facing personnel
- Licenses and insurance that meet or exceed industry standards
- Assets and/or network that cover necessary territories
- Technology that integrates with retail system
- Access to online, real time status of all deliveries
- Continual monitoring for on-time deliveries
- Communications systems and protocols to confirm delivery or notify of any delays
- Flexibility and capability in offering a range of delivery options
- Skilled and trained staff to assemble or install items being sold
- Management Reporting tools
- Aftercare services from touchup, to removal of the old merchandise and debris, to full reverse logistics services

## **Measure, Monitor, Adjust:**

While continually improving systems and personnel are key to securing customer satisfaction, things happen that are out of anyone's control, or someone simply drops a ball.

It is a best practice to regularly, if not with each delivery, survey customers. This service can either be an in-house practice or performed by your service provider. Regardless of who executes the survey, both parties should be regularly reviewing the feedback and results.

*The idea of a perfect world  
or a perfect system has yet  
to become a reality.*

Establishing a regular review and meeting schedule with your supplier(s) goes a long way toward continual improvement. By agreeing up-front about which metrics are important, customized and regular reports should be generated for review and on-going discussion. These and the customer survey insights will enable you and your team to improve best practices and secure happy and loyal customers.



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