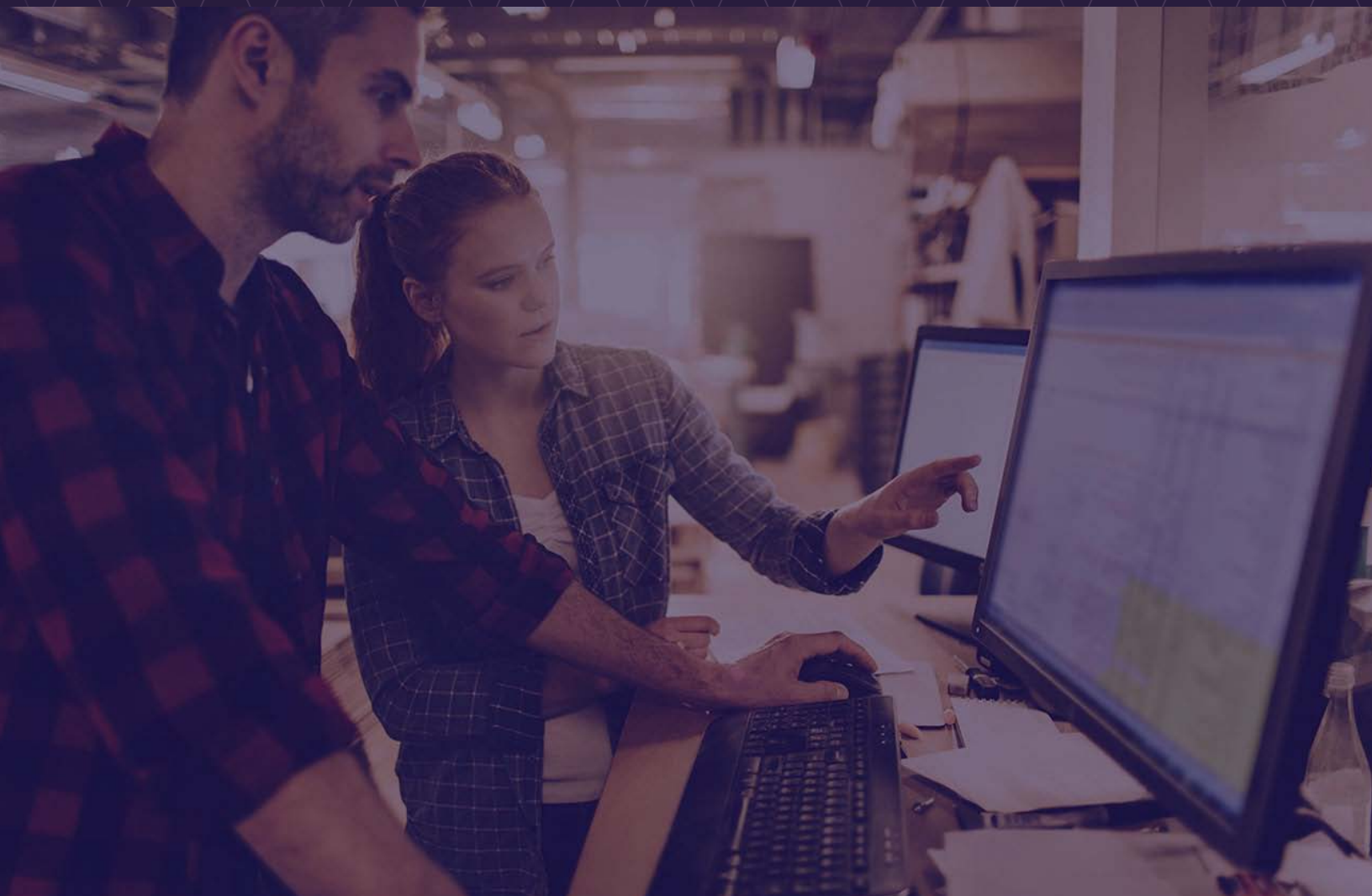


# The Cost of Poor Delivery: Four Steps To Go From “Cost Center” To “Competitive Advantage”



# Final-Mile Experiences Leave Lasting Impressions

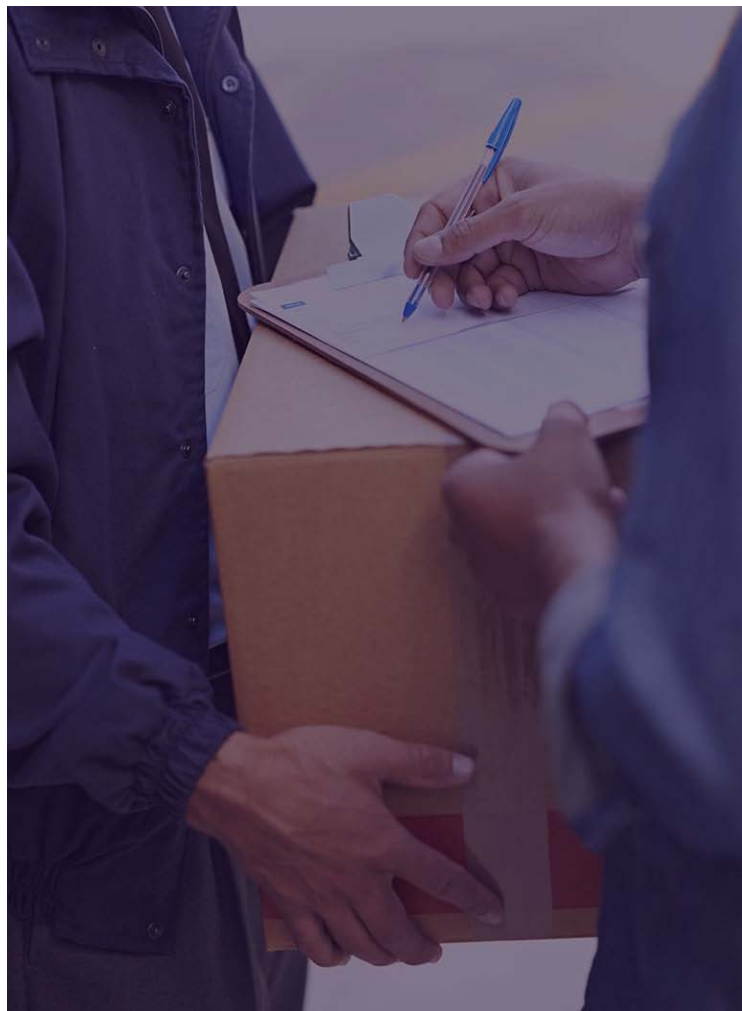
Logistics teams have long been focused on minimizing costs while maintaining efficiency and quality. While these metrics continue to play a vital role, we are seeing a monumental shift to a deeper focus on the customer delivery experience. In fact, in 2016, 89% of companies expect to compete on the basis of customer experience.<sup>1</sup>

Why the shift? Customer expectations are rising; retaining and growing loyalty is becoming more difficult. The customer is forming impressions about the brand throughout the purchase experience and these impressions are reaffirmed or destroyed by the experience they receive through the delivery process. Research has shown that 40% of shoppers consider the post purchase experience the most memorable aspect of the overall brand experience. Additionally, 79% that say it's important that these experiences be positive.<sup>2</sup> Yet, only 1% of customers feel that vendors consistently meet their expectations.<sup>3</sup>

## *70% of consumers report they are unlikely to return after a poor delivery experience*

Poor delivery is costly to retaining customers. In fact, 70.1% of consumers report they are unlikely to return after a poor delivery experience. \$41 billion is lost by U.S. companies each year due to poor customer service or experiences.<sup>4</sup> Still, few consumers (only 11.3%) say delivery experience is a strength of retailers today.

The world's largest retailers are turning to customer delivery for their next competitive advantage. So, where to start? Read on to learn the four steps to improving the customer delivery experience.



## About the Research

We asked 500 consumers 11 questions about their experiences and expectations for delivery. We wanted to understand the importance shoppers place on various aspects of the experience and preferences around things like communication and issue management. As with all research, some of the findings were expected and some were quite surprising. The survey was completed using Google Consumer Surveys and respondents were 50.3% Female and 49.7% male.

1 Business to Community <http://ow.ly/oDET3005gZN>

2 Retail Dive <http://ow.ly/aAhs3005hhS>

3 Business to Community <http://ow.ly/oDET3005gZN>

4 Huffington Post <http://ow.ly/4H5n3005hAf>

## Step 1: Reduce Effort

Customer service organizations have historically focused on the noble goal of improving customer satisfaction. These efforts are typically measured as a means to achieving customer loyalty. But, in fact, research has shown there is little relationship between satisfaction and loyalty. When it comes to service, companies are much more effective at driving loyalty by quickly and easily solving problems.

*52% of consumers have said that efficiency and ease of service were the defining factors for brand loyalty<sup>5</sup>*

Reducing effort around delivery means ensuring self-service tools – which 60% of consumers prefer, are effective at answering questions.<sup>6</sup> This is

becoming increasingly important as 41% of the millennial generation favor digital communication.<sup>7</sup> Not to mention, 1/3 of shoppers would rather clean toilets than talk to a customer service representative!<sup>8</sup> Relying solely on carrier tracking data for your delivery communication is risky business. It is imperative that retailers translate confusing tracking messages into language customers can actually understand.

Reducing effort isn't limited to self-service tools. When shoppers do call, the need to solve problems quickly and easily still stands. Customers resent having to call repeatedly (or be transferred repeatedly) to get their issue resolved. Retailers must be prepared to put the right information in associates' hands whenever they engage with customers.

5 Retail Dive <http://ow.ly/aAhs3005hhS>

6 Retail Dive <http://ow.ly/aAhs3005hhS>

7 Huffington Post <http://ow.ly/IDep3005iRR>

8 CMO.com <http://ow.ly/diqe3005iWq>



## Step 2: Make It Personal

To be competitive, retailers must identify and cater to what matters most to each individual customer. Part of that is being able to optimize the fulfillment and delivery experience. While one customer may prioritize fast shipping, others may be cost sensitive or desire a higher quality experience.

Personalized experiences are nothing new to retail. 77% retailers have reported a trend towards customers wanting individualized experiences, and retailers estimate that offering these experiences could mean an extra 10% in revenue.<sup>9</sup>

*43% of shoppers say that the delivery experience should be personalized based on their order and purchase history*

Personalization has been a major focus of eCommerce teams for the last few years, it's about time the delivery experience caught up.

Personalizing the delivery experience requires knowledge of the order and customer history to map to the best method of delivery. We asked shoppers to tell us what order and personal information would cause them to expect a better delivery experience and

some of the results were surprising. Unsurprisingly, 42.1% of shoppers expect a better experience if they are paying for shipping. More interesting though was that 38.6% expect a better experience if they have shopped with the retailer before, and 29.3% expect a better experience if they are a member of the retailer's loyalty program. These results clearly indicate that shoppers expect to be rewarded for their loyalty.

Personalizing the delivery experience can also mean sending personalized shipment updates, either through a self-service portal, SMS, or email. In the event that shoppers call, conversations with customer care representatives should also be personal. Shoppers expect that when they call in to a service department that they will be able to talk to a human. 67% of customers have hung up out of frustration from not being able to do so.<sup>10</sup> Shoppers also expect that the service agent will be able to efficiently resolve their issues. For retailers, this means overcoming the challenge of disconnected systems and archaic UI's that prevent 42% of customer service agents from being able access the information necessary to resolve customer problems.<sup>11</sup>

Q: Check all that apply: I would expect a better delivery experience when...



9 Retailing Today <http://ow.ly/doAn3005uOG>

10 Huffington Post <http://ow.ly/4H5n3005hAf>

11 Business to Community <http://ow.ly/JDO83005v0I>

## Step 3: Be Proactive

We've established that delighting customers does not always build loyalty, whereas reducing effort does. Acting deliberately on insights into potential issues can help improve customer service, reduce costs, and decrease customer churn. In fact, 36% of shoppers have indicated that proactive service would boost their perception of the brand.<sup>12</sup> Furthermore, 75.2% have said that proactive communication is important.

When it comes to fulfillment and delivery, problems will happen – there's no way to avoid it. Almost ½ of all ecommerce customers will experience at least one customer experience issue each year. The three most common problems? Late deliveries, damaged or faulty goods, and goods not arriving at all.<sup>13</sup>

To be proactive, retailers must have the ability to predict issues and identify solutions in real-time before the customer knows there is a problem. Whether it's a delay, damage or other exception, retailers should communicate transparently, set expectations, and offer solutions. Additionally, the timeliness of the communication matters.

*In the event of an issue, 62% of shoppers expect notification within a day, while 38% expect a notification immediately*

For shipment issues, the method of communication is also important to brand perception. 61.7% of shoppers prefer email notification followed by 29.8% who would like to receive a text message – only 18.7% would like to learn about issues through a tracking page. This preference towards active communication methods are reflective of the fact that shoppers expect to be offered a solution to these issues. In the case of a delay or damaged goods, 53.1% of shoppers would expect expedited shipping on a replacement product, 43.9% would expect a refund or discount of shipping costs, and 19.4% would expect a coupon for their next purchase. Retailers should create processes for how to manage exceptions, as well as when and how to communicate with the customer.

For shipment issues, the method of communication is important to brand perception. Shoppers prefer...



**62%**

email notification



**30%**

text message



**19%**

tracking page

<sup>12</sup> Retail Dive <http://ow.ly/aAhs3005hhS>

<sup>13</sup> Huffington Post <http://ow.ly/i4pZ3005wAX>



## Step 4: Optimize & Adapt

Recent research has found that 80% of retailers feel unprepared for the supply chain changes that are going to be required to meet customer demands.<sup>14</sup> When tailoring the delivery experience to each shopper, one of the real complexities is being able to tie carrier network to desired service-level expectations. After all, retailers are not directly in control of the experience carriers offer and carriers have not been adequately incentivized to deliver exceptional experiences. Despite the lack of control, these experiences reflect on the retailer's brand.

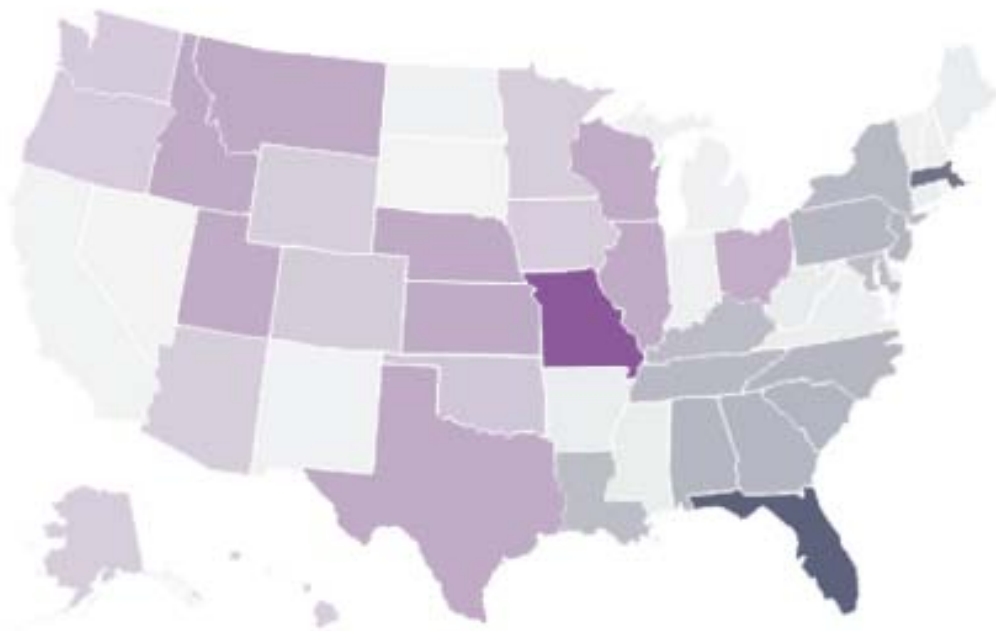
*The average on-time performance of any given carrier can vary by as much as 94%*

It is important that retailers tackling the delivery challenge regularly analyze and score carrier performance across a broad range of metrics. A carrier may do well in a specific region, lane, or mode for any single KPI but may fall short of expectations in other areas. Within our own

network we've seen that the average on-time performance for any given carrier can vary by as much as 94% depending on the lane. Treating carrier decisions the same across every lane and mode limits your ability to choose the absolute best carrier for your goals.

Beyond simple information like on-time percentage, damage ratios, and cost, retailers should actively seek out and respond to customer feedback around the delivery experience. This provides the retailer with a golden opportunity to resolve clear, stated issues before a final impression is solidified. The related review data can also be used as qualitative tool to power carrier mix decisions.

Delivering consistent, personalized experiences means being able to adapt and potentially diversify carriers based on real, timely data around how they are performing.



<sup>14</sup> Internet Retailer <http://ow.ly/eAWG3005x7j>

# The Large Item Delivery Challenge:

Hopefully by now it's clear that in order to build loyalty among modern shoppers, retailers must invest in creating positive and memorable delivery experiences. However, there are a few categories that have struggled to deliver on the promise of an exceptional experience more than others. In particular, retailers shipping or drop-shipping large items have found delivery to be an incredibly complex and costly portion of their business.

Delivery can make or break a business for large item retailers as 54% of shoppers have indicated that delivery concerns are at least somewhat likely to prevent them from making large-item purchases online. Despite the complexity that exists with delivering large items, shopper expectations remain equally as high. In fact, 72.2% of shoppers have said that they expect to receive the same level of experience regardless of shipment size.

*54% of shoppers have indicated that delivery concerns are at least somewhat likely to prevent them from making large-item purchases online*

Speed and flexibility are huge obstacles for large item retailers. A recent study found that 51% of shoppers want a guaranteed delivery date at checkout and 53% are not satisfied with their ability to change that date if they are not able to be home.<sup>15</sup> For large items this means having to factor in the complexity and time involved with setting a delivery appointment. Many retailers are forced to give generic estimated delivery dates that may be longer than is actually accurate, leading to lost conversions.

Furthermore, shoppers have been bred to expect free, quick shipping. When shipping is not free, expectations around delivery speed rise and the tolerance for speed of delivery drops from 8 days for free shipping to only 6 days.<sup>16</sup> The four steps highlighted above are especially imperative as a bad experience not only costs you repeat customers, it can also have real implications on your operating costs.

## Large Item Retailers Should Make Sure To:

- Take control of the shopper-facing in-transit experience by providing branded tracking that is capable of identifying the nuances involved with these shipments (i.e. scheduling delivery appointments).
- As an item enters the destination market, proactively communicate with the shopper about the status of the shipment. (Within our network, we've seen this one tactic reduce average time at a delivery terminal by 22%.)
- Ensure that carriers – especially white glove carriers that will enter a shopper's home, adequately represent the brand you are trying to create.

<sup>15</sup> UPS Pulse of the Online Shopper <http://ow.ly/pJ3y3005vby>

<sup>16</sup> UPS Pulse of the Online Shopper <http://ow.ly/pJ3y3005vby>

# The Rise of Data-Driven Fulfillment

Increased customer expectations for delivery are beginning to influence how retailers manage their logistics and supply chain operations. More than ever, supply chain and customer service goals are becoming intertwined. In 2016, 26% of executives said enhancing customer service would be the primary supply chain strategy (more than double the response from 2015).<sup>17</sup>

Despite only 19% of executives believing that omni-channel order fulfillment strategies improve company profitability,<sup>18</sup> research has shown that customer-focused fulfillment can have a dramatic impact on whether a customer will stay or leave to shop with a competitor.

To transform delivery into a competitive advantage will require finding a balance between simply reducing costs and metrics that impact the customer's experience. The key will be to focus on real-time performance data to drive fulfillment decisions that are tied to each unique customer and order but still aligned to business goals.



<sup>17</sup> Chain Store Age <http://ow.ly/HBnr3006XC1>

<sup>18</sup> Retail Dive <http://ow.ly/qLEa30070Jr>

## About Convey

### *The First Concierge Solution Focused Exclusively on Customer Delivery*

Our Intelligent Fulfillment Platform transforms the most frustrating part of your customer's experience into one that delights at every turn. Convey leverages unique intelligence to predict and adapt to changes in real time all while proactively communicating changes to customers. From parcel to freight, we transform customer delivery into a competitive advantage for the world's largest retailers.

Learn more about the platform at [www.getconvey.com/technology](http://www.getconvey.com/technology)

