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Now or never



SHOULD RETAILERS DO MORE TO SHELTER THEIR LOGISTICS NETWORKS FROM THE DEMANDS OF MILLENNIAL SHOPPERS BY INCENTIVISING LATER DELIVERIES? **DAVE BERRIDGE**, SECRETARY OF THE AUTOMATED MATERIAL HANDLING SYSTEMS ASSOCIATION (AMHSA), LOOKS AT THE THORNY ISSUE OF DELIVERY SPEED.

Retailers need to harness the power of today's technologies to offer consumers the greatest degree of delivery flexibility



The rise of e-commerce continues apace. According to the Office for National Statistics (ONS), average UK weekly spending online in February 2017 was £1.0 billion, an increase of over 20% compared with February 2016; it accounted for 15.3% of all retail spending, compared with 13.3% the previous year.

E-commerce growth is driving the trend for more automation in distribution warehouses, to deal cost-effectively with its more labour-intensive picking. In fact, every part of the supply chain is being squeezed to optimise it for omni-channel retailing. Automation is making later order cut-off times and faster deliveries possible – but are they profitable?

FREE DELIVERY

The use of free delivery in the early days of e-commerce as a means of customer acquisition led to high levels of expectation among online shoppers. This was highlighted in the recent 'MetaPack 2016 State of eCommerce Delivery Consumer Research Report', based on polls across the US and Europe's six largest e-commerce markets by revenue (UK, Germany, France, Italy, Spain and The Netherlands). The report showed that 50% of UK respondents ranked free delivery as the most important consideration for the majority of their purchases, which was amongst the highest of the countries surveyed.

In addition, 72% of UK respondents said they would purchase more products in order to take advantage of a minimum-spend 'free delivery' option.

DEMANDING MILLENNIALS

With free delivery as the benchmark, e-tailers have differentiated their offers through speed and convenience of delivery. Anyone under the age of 25 would doubtless be horrified to learn that distance shopping once meant placing an order by telephone or post and waiting up to a month for delivery! The past few years



has seen e-commerce delivery drifting from 3-5 days, to next-day, to same-day and even same-hour.

In August 2016, next-day delivery became the most popular choice of the UK's online shoppers. This is the effect of millennials – born between 1989 and 1997 – who have grown up as digital natives with technology-fuelled expectations of convenience and speed. The MetaPack survey, for example, found that 61% of respondents had bought goods from one online merchant rather than another because the delivery choices were better suited to their needs.

This hunger for rapid delivery is largely being met via the 'gig' economy, with swathes of self-employed couriers enabling retailers to offer next-day and same-day services – even when that happens to be a Sunday or Bank Holiday – without the burden of a huge and potentially idle workforce. HMRC is, however, taking an interest now and there has been some disquiet among drivers about their lack of employment rights.

CLICK & COLLECT

Helping to ease the challenges of home delivery for retailers has been the rising popularity of Click & Collect, either from store or from the increasing range of pick-up networks. Some retailers have even opened mini outlets in convenient locations – such as railway and tube stations – or partnered with complementary retailers.

Asda's 'youyou' service, for example, is effectively a trading mechanism between retailers of spare capacity – vehicles, drivers and storage – and seems a sensible and sustainable solution.

Consumers' uncertainty about their location at any given time in their busy lives has led them to demand greater control of delivery and retailers and couriers are having to respond. DPD's 'Precise Delivery' service, for example, allows shoppers to choose a specific one-hour delivery slot for their order on a retailer's website. Customers receive a text message advising which hour the driver will arrive and can respond by either accepting the time or choosing another day and one-hour slot in the week ahead.

PSYCHOLOGY

The MetaPack research found that 45% of respondents had abandoned a basket on an e-commerce site due to unsatisfactory or unavailable delivery options. Given the importance of delivery speed and convenience for consumers, retailers need to harness the power of today's technologies to offer them the greatest degree of flexibility. By pricing the various delivery options in line with the psychology of online shopping, retailers can use this flexibility to their commercial advantage and ease the pressure on their logistics systems. ■

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