Consumer-driven logistics: driving forces and challenges

Consumer-driven logistics, i.e. logistic solutions that are strongly driven by the preferences of consumers, are the key to the future in e-commerce. Consumers are making ever-clearer demands that they themselves should be able to decide how, where and when their goods are bought and delivered. Satisfying the consumers' preferences is therefore a business-critical issue for e-commerce. The winners will be those companies that best meet the consumers' demands, make it easy for them to choose, and create a seamless buying process.

Nearly four out of five consumers want to choose how their goods should be delivered... but nearly half did not get to choose how their goods would be delivered at their last purchase.

Digitalisation is driving consumer power

The pace of digitalisation is increasing, and this in turn is strengthening consumer power. The retail companies who best understand this, and adapt their whole delivery chain to their customers’ terms, will be the winners of the future. It is about increasing the customer’s freedom of choice in the delivery of goods, and making shopping more convenient.

Today’s consumers want to decide for themselves where, when and how they buy their goods. They want to do their own research and have control over the whole purchasing process. And they also want to decide how the goods are delivered to their homes. In Sweden today 40 per cent of all purchases of goods (excluding foodstuffs) are multi-channel purchases. In particular, many consumers do research on the internet before then buying in physical shops. But only 12 per cent of all purchases (excluding foodstuffs) take place online.

The main reason that consumers do buy online is that they feel that the offering is better than in physical shops, that it is often cheaper, and that they can buy when it suits them. So why does a larger share of all purchases of goods not take place on the internet? One important explanation is that consumers still feel that the deliveries are not sufficiently convenient.

The delivery is an important part of consumers’ shopping experience. Good consumer-driven logistics strengthen their feeling for the product, in the same way that a poorer delivery reflects negatively on the product. Consumers want to have some goods delivered to a shop or delivery point, and want to have others sent direct to their own letterbox. Sometimes they want them sent direct to their door the same day. With any e-commerce purchase the delivery alternatives should be clearly specified at the store’s online checkout. Freedom of choice regarding the delivery point and the exact details builds up the consumer’s expectations and defines the promise that the delivery should live up to.
Consumer-driven logistics are business-critical

The challenge today lies in the fact that the consumer has power throughout the purchasing sequence right up until delivery, but the power ends there. Many sellers have not given the consumer the opportunity to be able to control the delivery. When consumers do get the options of choosing the method of delivery, knowing what delivery has been bought, and understanding where, when and how the delivery will take place – and are also given the ability to affect the delivery even after checkout – then the logistics are working and can contribute to an even stronger relationship between the consumer and the company.

Consumers’ experience of how the delivery of an e-purchased item is handled has a direct impact on the company’s customer-satisfaction. Consumers view the delivery as an integral part of the product. Hence, for the company, a tailored consumer-driven logistics can create a competitive advantage that can lead to further sales and build up loyalty. Consumer-driven logistics are thus a business-critical issue.

Six steps to success

The following section of this report describes in six steps consumers’ needs for freedom of choice, together with clarity and precision, in the delivery of goods ordered on the internet. The model forms PostNord’s view of how consumer-driven logistics in the Nordic region ought to be developed in order to strengthen consumers’ buying experience. Detailed below are a number of recommendations that will help retail companies to get their logistics right.

**RECOMMENDATION 1.**

Make delivery options clear and simple

Delivery is playing an ever more important role in the consumer’s experience of buying online. Retail companies need to be able to offer the delivery options that will meet the consumer’s needs. Making it clear right from the start when, how and where the delivery will take place creates confidence in the customer about every aspect of the purchase.

Retail companies who know their customers from earlier can suggest the most suitable option based on this experience. By predicting which delivery option will suit a customer best, the conversion rate into orders may increase. For a returning customer this can, for example, be offered as standard at the checkout. This builds loyalty and indicates knowledge of the customer. But for new or occasional customers the ability to choose the right delivery options may be the difference between an order won or lost. Freedom of choice regarding speed and exact timing may be determining factors.

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![Diagram showing the six steps and options for delivery]

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The options should be clearly specified at the store’s checkout. When the customer makes his choice, expectations about the delivery are created at the same time. The customer wants to know when, how and where it will take place. Sometimes, who will be responsible for the delivery is also important. And what it will cost.

**RECOMMENDATION 2.**

Offer a choice: low cost, speed or exact timing

The experience of the delivery should match the experience prior to purchase. For the consumer this always involves a trade-off between speed, exact timing and cost.

Freedom of choice, speed of delivery and exact timing are factors determining whether a purchase takes place. For most customers the purchase is not so urgent that a speedy delivery is worth paying extra for. One day’s delay usually makes little or no difference. But many customers like to specify a firm delivery time to a particular place or in a particular manner that suits their habits. Retail companies can no longer say that the delivery will take three to five days. This is not acceptable to the customer.

Customers also want to know – at the time of purchase – how the price is affected by speed of delivery and exact timing. They need to understand in advance what they are buying and paying for in terms of delivery. But regardless of what delivery option customers finally choose, they need to know at the time of purchase what the available choices are and what they will cost.

**RECOMMENDATION 3.**

Give a choice of delivery points

The retailer should be able to offer a choice and variety of delivery points.

Customers want deliveries to fit into their daily lives. They expect everything to go as smoothly as possible. What they need from a delivery varies depending on what they buy, when they buy it and what it means to them. Being able to choose an appropriate delivery point for every purchase makes a big and significant difference in the ambition to achieve satisfied customers. Closest is not always best. The ability and freedom to choose between delivery to home, workplace or a chosen person on each occasion is a more important variable.

**RECOMMENDATION 4.**

Be flexible and communicate with the customer

The supplier must ensure that the customer is given enough information to understand what is needed to receive the delivery. Based on the choice that the customer made, it must for example be made clear whether the customer needs to be at home at a particular time, or if identification is needed to receive the delivery. In case of delivery without a signature, the customer must understand that in this case he or she is taking over the responsibility.

Customers are seldom prepared to adapt to the carrier. They want their specific needs to be met – and they want to be in full control in the event that the delivery has to be changed. Remember that the customer is always right! This makes it vital that the retailer, in collaboration with his carrier, can offer a spectrum of delivery options together with clear, reliable communication. Once a delivery is on the way, many customers also want to be able to track where the product is. This is part of the shopping experience. There is much to be gained by discovering the customer’s delivery preferences as early as possible in the purchasing process. How does the customer want to be contacted and notified – by e-mail, text message or in the letterbox? It is important to make it simple for the customer to choose an option here.

**RECOMMENDATION 5.**

Make changing the delivery easy

The basic benefit of buying online is the opportunity to save time and money. However, customers can easily run into time-consuming complications if they want to change the agreed delivery arrangements. What seemed to be a good choice at the time of purchase may later turn out not to suit the customer at all. If the carrier cannot then adapt to the buyer’s changed requirements, what was originally a positive shopping experience can quickly become just the opposite. This in turn will reflect on the supplier. Successful companies need to offer the ability to change the delivery arrangements, for example by allowing someone other than the designated recipient to collect the parcel or by changing the place of delivery.

Being able to alter the delivery even after checkout is crucial to ensuring that the logistics will work and will thereby contribute to an even stronger relationship between consumer and supplier. Successful e-commerce is based on the carrier’s ability to respond to changes that the customer wants, and then to provide accurate information about the revised delivery in appropriate channels.

Follow-up procedures to gather reactions and views from the consumers after purchase are also important, not least because this creates trust among consumers and ensures consumer power. The relationship should be seamless throughout, with no disturbances in the process.
RECOMMENDATION 6. 
Provide smart return solutions

When customers buy something they want very much, they are usually willing to accept minor delivery complications. But if the item needs to be returned and the process seems difficult, their patience often runs out quite fast. Their emotional connection to the item – and hence the supplier – is quickly lost. For every customer to have a good shopping experience, it is vital that the supplier can handle returns efficiently and flexibly. This will keep the customers coming back.

Efficient handling of returns is a key to success. According to ‘E-commerce in the Nordics – six month report’, the proportion of consumers in the Nordic region who returned an item during the last month (June 2016) was low – 12 per cent. But around 90 per cent of the respondents said that clear return arrangements are important. 40 per cent considered it too complicated to pack and deliver goods that have to be returned to a service point (E-commerce in the Nordics 2016).

This is a challenge for e-commerce. The supplier should offer simple solutions for returns – for example, good access to the point where the item can be left, clear instructions about how returns should be handled, and information about how crediting takes place.

It needs to be easy for the customer to find return forms to fill in and information about how returns are organised. Instructions should be clear and information about any costs should be included.

This should be made clear early in the process. By being willing to promise firm times for repayments, the customer’s security is increased and the threshold for buying is lowered. Feedback about delivery is important for the customer. It builds loyalty and gives the supplier an opportunity to learn more and become a participant in the delivery. Customers can report their experience of the purchase and of their relationship with the retail supplier. By means of good systems integration a transparent relationship between the supplier and the carrier regarding customers’ experiences can be created.

In summary:

Freedom of choice creates winners

Successful consumer-driven logistics should always start from the customer’s needs and respond to them. The slogan ‘The customer is always right’ fits better here than in most contexts. Today a lot of online purchases do not take place solely because the delivery options are too poor. The customers are not willing to adapt themselves to the delivery. They want to feel in full control at all times. It is a matter of being able to choose a delivery that is individually adapted to their wishes regarding price, speed, delivery point and delivery method. The customer often likes to be able to follow where the delivery has currently got to. And it must be easy to return the product. Those companies that increase the consumer’s freedom of choice, that make the operation more convenient and more secure for the consumer, will be the winners in retail trading.