

Differentiating delivery: How to win the eCommerce battle

Accenture eTailers research report

High performance. Delivered.



Most people have a story to tell about a new toy that missed a birthday, a gift too late for a wedding or some other frustrating failure of online order delivery. Many of these stories end with: "I won't be shopping there again." And as delays increase, so does the number of dissatisfied consumers.

This issue became painfully obvious for eTailers over the most recent holiday season as higher than expected online orders overwhelmed several delivery services¹ and led to thousands of angry customers and cancelled orders.²

While safe, secure, timely delivery has always been a priority for post and parcel organizations, delivery has never been as essential to the bottom line as it is today. This increasing importance means it now affects pre-purchase decisions just as much as repeat sales. Two-thirds (66 percent) of consumers have chosen between eTailers based on delivery options.³ Most alarming of all is the moment of decision, where dissatisfaction with delivery options causes 68 percent of instances where shopping carts are abandoned before orders are submitted.⁴

Selecting the right delivery partner has become a critical business decision for eTailers. Our research, based on a survey of more than 1,000 eTailers across 10 countries (Australia, Brazil, Canada, China, France, Germany, Italy, Japan, United Kingdom and the United States) reveals how digital is dramatically blurring the boundaries between eTailers, marketplaces and delivery providers. It highlights both the new opportunities and the new threats emerging as eCommerce evolves, and why adapting to both—urgently—is critical to future growth.



eTailers get strategic about delivery

Nearly half of eTailers (46 percent) are seeing their online sales growing above 11 percent, while 86 percent are investing in expanding their eCommerce activities over the next 12 months. They are chasing a rapidly expanding market, in which delivery is becoming a critical differentiator and a strategic priority.

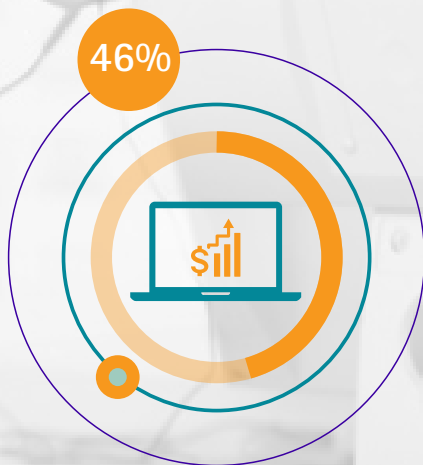
Seven out of 10 eTailers (70 percent) use more than one parcel provider to ensure they get the best price (73 percent) and to

mitigate the risk of relying on a single provider (68 percent). This makes good business sense, so it is not surprising to see that larger businesses with between 251 and 500 employees, are more likely to use multiple providers.

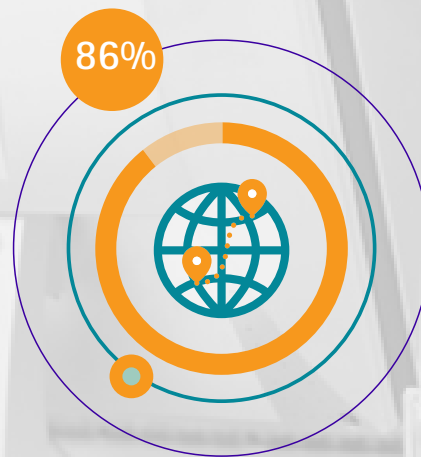
One-half of eTailers using only one provider had less than 50 employees, suggesting that organizations that win customers in the small business segment have a greater chance of an exclusive relationship.

This is a missed opportunity for many post and parcel organizations, with only a few leading this segment.

But beyond small businesses, post and parcel organizations should not expect exclusive relationships. When we asked eTailers to imagine that they had one delivery provider that offered all the services they needed, nearly two-thirds (65 percent) said they would still prefer to work with multiple providers.



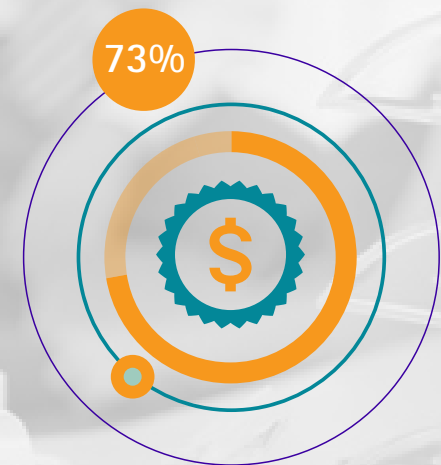
46% of eTailers are seeing their online sales growing above 11%.



86% of eTailers are investing in expanding their eCommerce activities over the next 12 months.

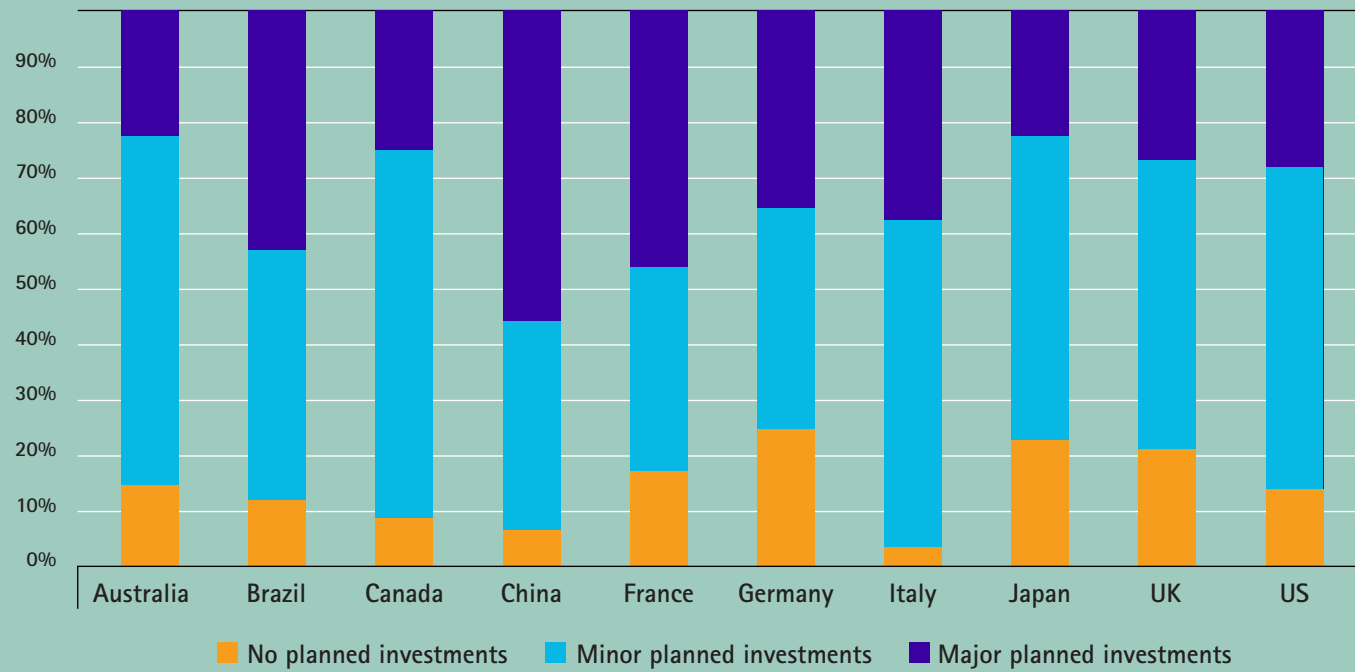


70% of eTailers use more than one parcel provider.

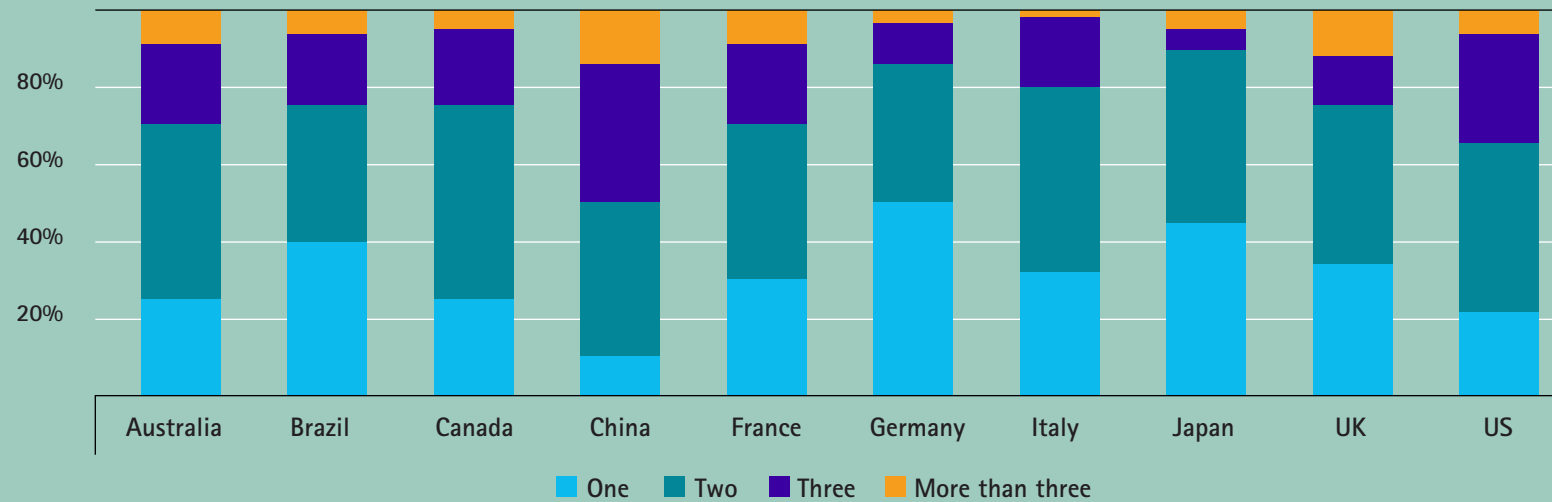


73% of eTailers use more than one parcel provider to ensure they get the best price.

eTailers' planned investments for expanding eCommerce activities in the next 12 months



Number of parcel delivery providers used by eTailers

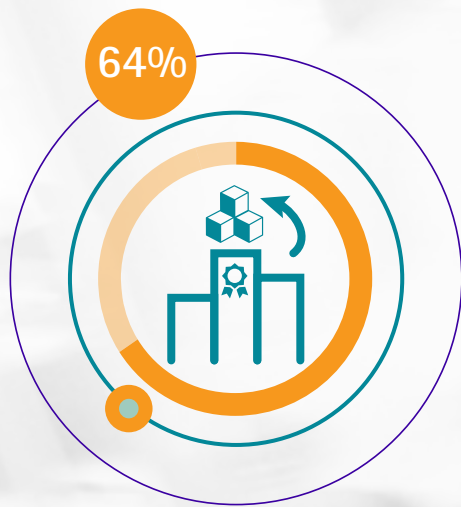


From exclusive to primary provider

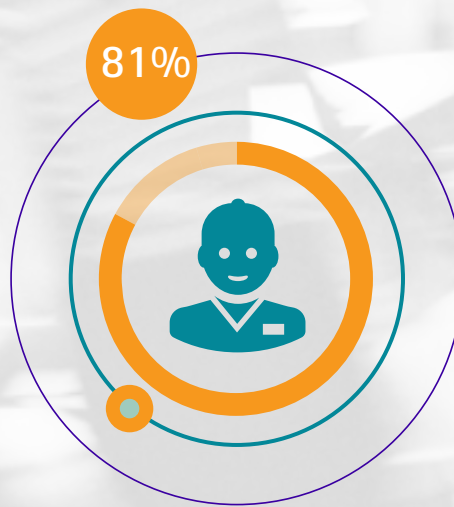
The aim instead should be to become an eTailer's *primary provider*. Our survey indicates that making the jump from the second to top spot would increase parcel volume by 64 percent.

Overall, a high proportion (81 percent) of eTailers are happy with the delivery provider they use the most, perhaps because switching providers has become so easy. In many markets that primary provider is likely to be one of the big three parcel integrators: DHL, UPS and FedEx.

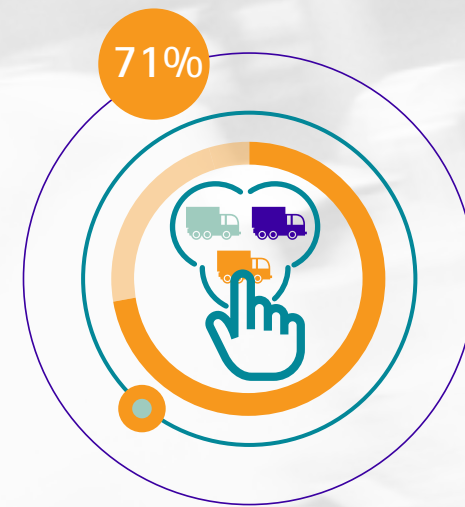
In fact, on average, 71 percent of eTailers in the United States, Canada, Germany and France use one of the big three as their primary delivery provider. Even where these providers are less dominant, they compete strongly across all business sizes in all but two countries: China and Japan, indicating a very different market in Asia.



Making the jump from the secondary to primary provider would increase parcel volume by 64%.

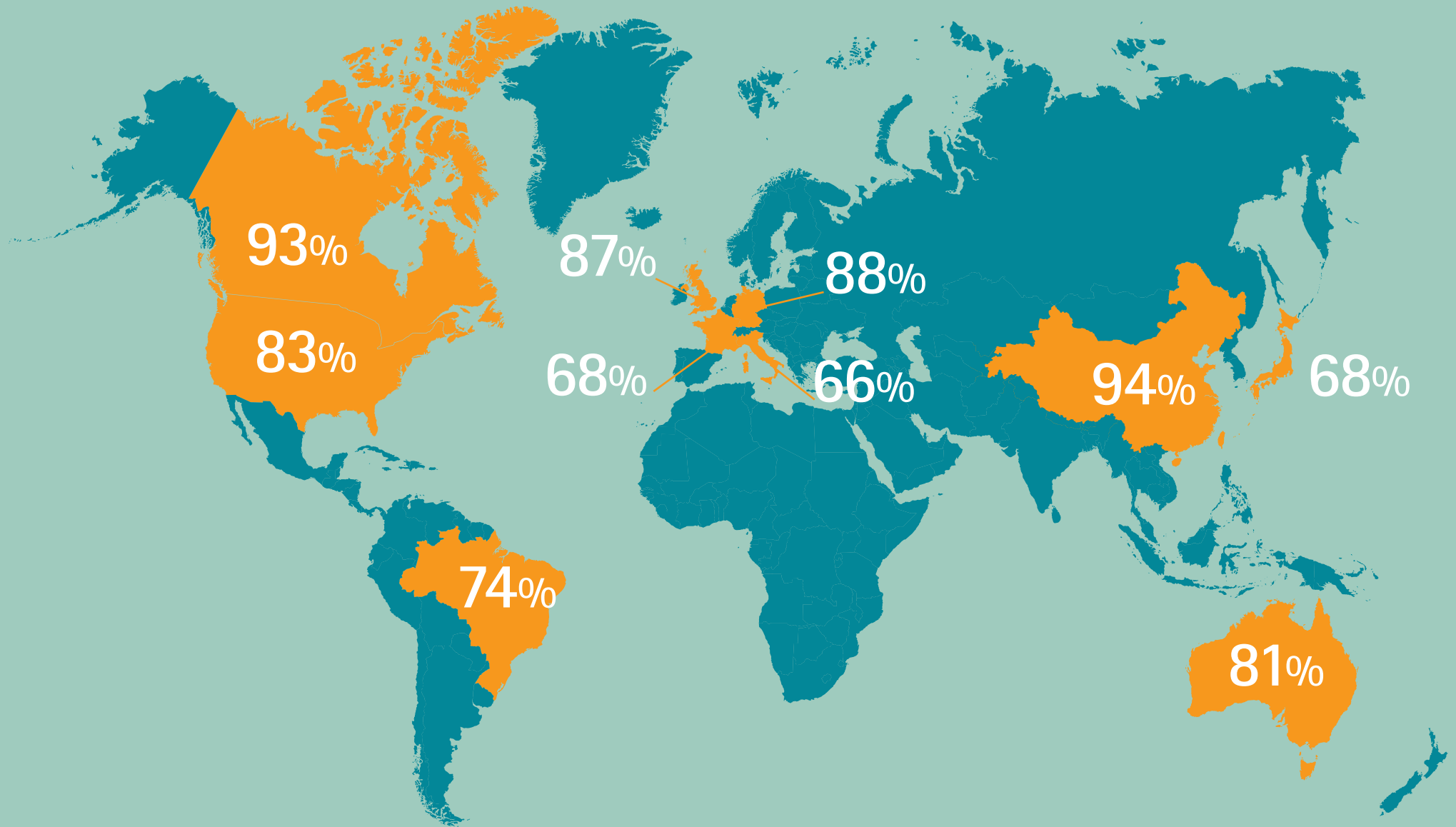


81% of eTailers are happy with the delivery provider they use the most.



71% of eTailers in the US, Canada, Germany and France use one of the "big-three" parcel integrators as their primary delivery provider.

Overall level of satisfaction with primary delivery provider (sum of extremely satisfied and satisfied)



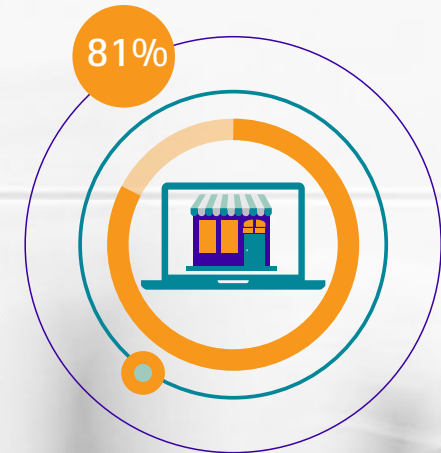
Customers are competitors

Increasingly, eTailers are using marketplaces such as Amazon to reach more customers and grow their revenues. Only two percent are not using a marketplace, while 81 percent get more than 41 percent of their eCommerce revenue via an online marketplace. Our research showed a positive correlation between the use of online marketplaces and the eTailers' sales growth but only to some extent. Indeed, a majority of eTailers relying on marketplaces for more than 51 percent of their sales have seen their sales declining or remaining stable.

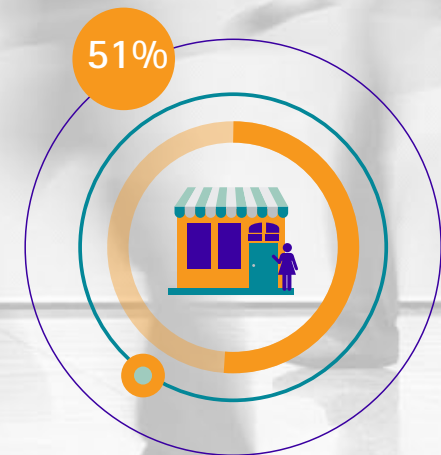
However, marketplaces are no longer satisfied with intermediary sales and are increasingly building delivery capabilities. Some 36 percent of eTailers are already using marketplaces to manage order fulfillment.

This puts delivery companies in competition with the likes of Amazon—a daunting challenge for any business. Over the past year, Amazon has ramped up the formation of its own global delivery network, leasing 40 freight planes and purchasing thousands of truck trailers.⁵ Each move underlines the impending competitive threat this represents, particularly considering close to three quarters (72 percent) of eTailers we surveyed in 8 countries use Amazon to sell their products.

Amazon's stated objective, according to CFO Brian Olsavsky, is to: "add more of our own capacity to supplement our carriers and our partners."⁶ But the pace and extent of recent moves suggest Amazon will ultimately establish a global logistics and delivery network to cover its entire supply chain.⁷ It would then not only bypass current partners, but potentially become a direct competitor, offering integrated global delivery services to the whole market.

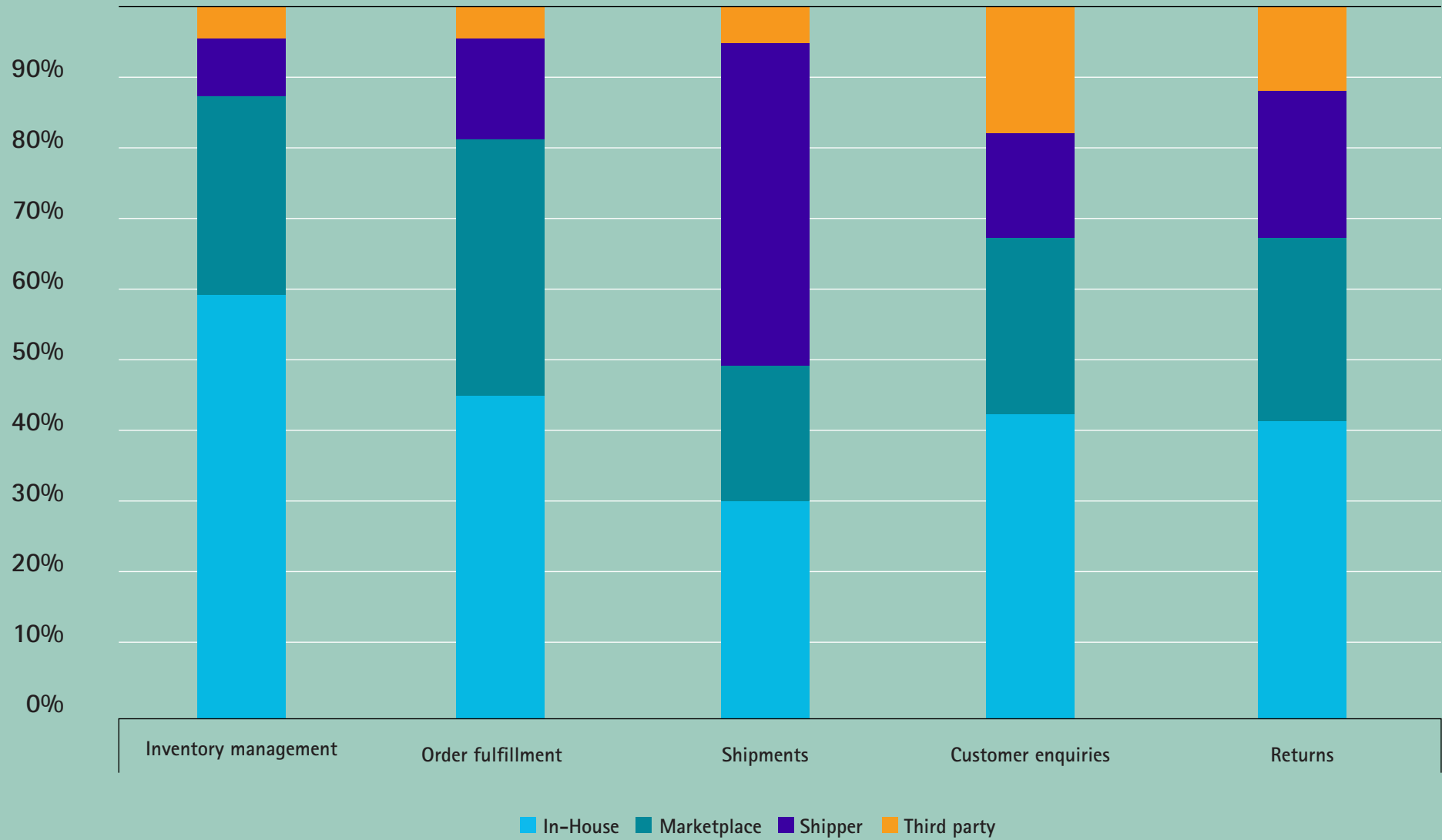


81% of eTailers get more than 41 percent of their eCommerce revenue via an online marketplace.



51% of eTailers relying on marketplaces for more than 80 percent of their sales have seen their sales declining or remaining stable.

Provider primarily responsible for managing each of the following fulfillment steps



Five key strategies to make eCommerce the engine of growth for delivery organizations

Clearly, this is a critical time for post and parcel organizations. They need to prioritize the competitive edge offered by delivery options to increase market share or, at the very least, investigate innovative solutions that will slow further parcel and package erosion.

Here are five areas of focus:





eStrategy #1 - Happy consumers

Above all, eTailers want happy customers, and the way to do that is through offering greater control and predictability. Indeed, our study reveals that the three most important delivery provider features for eTailers all relate to consumer needs. Large and small companies alike were united on wanting services that allow their customers to choose delivery times.

Top three most important delivery provider features for eTailers.



Top three new services of greatest interest to eTailers.



This is echoed by shoppers themselves. In other research, 91 percent said an allocated delivery time was the most important shipping feature for them, and 74 percent said they would shop more online if they had more control over delivery.⁸ Consumer needs have to be at the center of everything as delivery organizations transform their eCommerce and digital capabilities.



eStrategy #2 – Parcel returns impact financial returns

Research has found that about 30 percent of all products that are purchased online will be returned.⁹ Consumers want better returns options and services—81 percent would shop more with a retailer that made returns easy.¹⁰ Understandably, 79 percent of eTailers place returns capabilities among the most important criteria when evaluating a delivery provider.

Innovative returns services are now key differentiators for delivery organizations. Singapore Post (SingPost) has recognized this as a key part of its expansion into eCommerce services. Last year it purchased 30 percent of Hubbed, an Australian company that uses hundreds of newsagents as hubs for the collection of eCommerce returns.¹¹ SingPost revenue surged by 20.1 percent in the first half of the Group's current financial year (2015 to 2016), much of this due to eCommerce growth which now accounts for 29 percent of total revenue.¹²



79%

of eTailers place returns capabilities among the most important criteria when evaluating a delivery provider.



59%

of eTailers selected "Handling returns is difficult" as the most frequent and occasional customer experience issue.





eStrategy #3 - Price intelligence

eTailers are not only highly sensitive about angry customers, they are equally sensitive about something else: price.

The top reason eTailers give for sticking with one provider is to consolidate volume and get the best volume discount on price (70 percent). This suggests that post and parcel organizations should test volume discount levels to make sure they offer terms that will help promote eTailer exclusivity, or at least primary provider status. However, the top reason providers give for choosing to use multiple providers is also to get the best pricing (73 percent).

Price is both the biggest reason for remaining loyal and for shopping around-what should delivery organizations take from these findings?

Clearly, pricing offers delivery organizations an excellent lever to capture market share. With 64 percent more parcels going to the primary provider, the key is to use pricing effectively. The aim is not to be the only provider, but to move from being a second choice to first place. These organizations will need to be more sophisticated about price setting, leveraging as much information as possible. The right digital tools, particularly analytics, can help post and parcel organizations make smarter pricing decisions. This will not only help to maintain customer loyalty. Richer market data on how prices impact demand for services will help maximize profitability through faster, more evidence-based pricing decisions.



70%

of eTailers that use one delivery provider do this to consolidate volume and get the best volume discount on price.

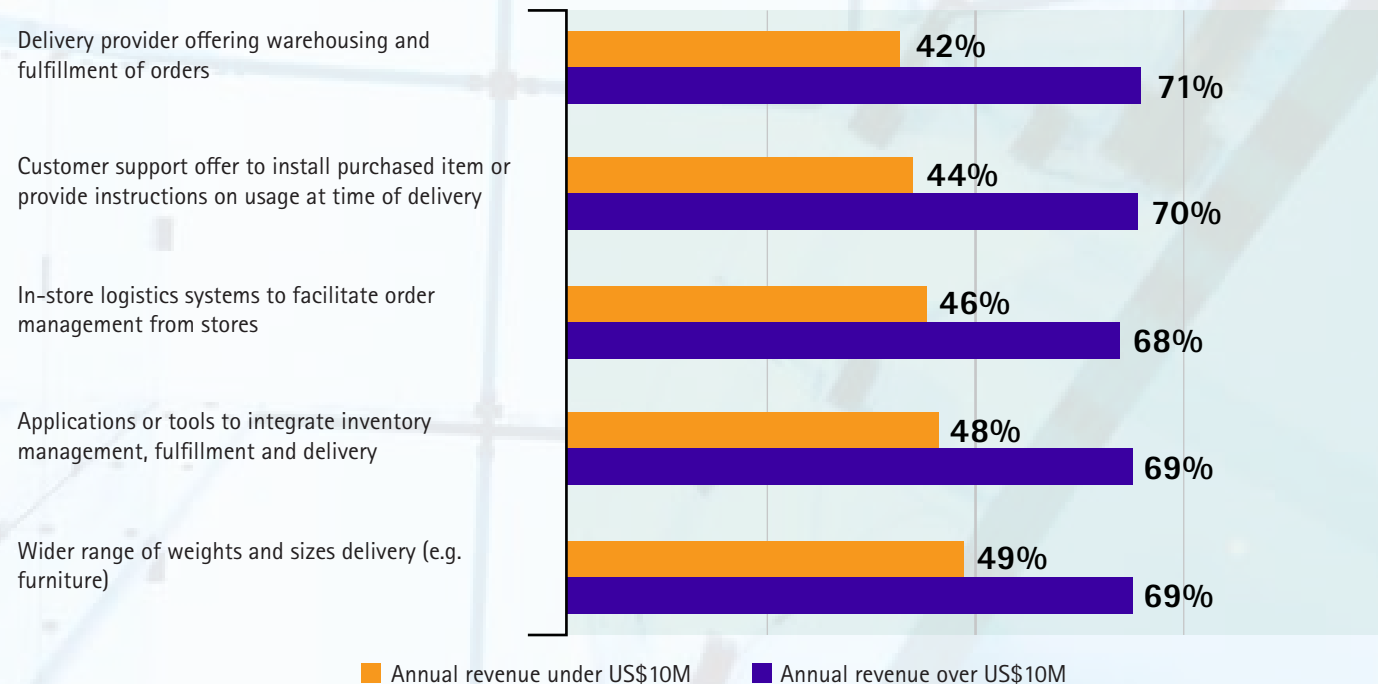




eStrategy #4 - Segmented features

Whatever their size, eTailers want the best price—yet the needs of smaller and larger eTailers diverge in other areas. Our survey shows that as companies grow bigger the complexity and diversity of services they require increases rapidly. For example, larger eTailers are significantly more interested in services like warehousing and fulfillment, onsite installation of purchases. This suggests that while basic services are sufficient to capture smaller businesses, more robust features will be necessary to keep them as they grow. Properly segmenting customers to develop targeted products will be the key to win both the price and feature battle.

Delivery services that eTailers would like, but are not currently receiving.



Having the right services available is not enough. To gain market share among larger eTailers, delivery providers need to take a clearly segmented approach to marketing their suite of offerings—targeting larger businesses with new features, promoting the breadth of services and continuously delivering new innovations tailored to the needs of large and fast-growing eTailers.



eStrategy #5 - Cross-border easiness

Finally, one critical area that requires post and parcel organizations to customize their offerings is cross-border business-to-consumer (B2C) eCommerce. Globally, this market is set to grow to US\$994 billion by 2020, when it will represent 29 percent of all B2C eCommerce. Seventy-eight percent growth is forecast to come from new customers in emerging markets, particularly those in the Asia-Pacific region.

These new cross-border shoppers have different needs and expectations compared to traditional cross-border customers. Tailoring services has become critical for global eTailers to successfully take advantage of these new market opportunities. Providers that ensure seamless, simplified and reliable international delivery services will quickly become the primary and preferred provider that eTailers seek. Despite identifying the importance of cross-border services, only 26 percent of eTailers fill out the required customs documentation for customers online and, in general, cross-border services scored low satisfaction ratings in our survey.

Global integrators are already investing heavily to localize and improve the efficiency of cross-border services. FedEx, for example, has purchased Bongo International, a cross-border technology provider with capabilities such as duty and tax calculations, export compliance management, fraud protection, currency services and local language interfaces.¹³ This followed UPS's acquisition of a similar company, i-parcel, in mid-2014.¹⁴

Both acquisitions provide localized look-and-feel plus fully-landed total prices—seamlessly integrated into eCommerce websites. This kind of customization helps merchants attract more business and makes international shopping much easier for consumers, thereby fueling ever-greater use of cross-border delivery services.



26%

of eTailers fill out required customs documentation for the customer online.



76%

of global eTailers place "determine and complete the right customs forms" among the most important criteria when evaluating a delivery provider.

Focused efforts across these five areas will be critical for delivery organizations—today and for several years to come—in the hunt for growth and market share within the rapidly transforming global eCommerce ecosystem.



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About the research

The Accenture eTailers study surveyed businesses with one to 500 employees and global revenue from online sales (fiscal year 2014) representing 20 percent or more of their total sales. All businesses surveyed sold goods that required physical delivery to customers. The online survey was completed by McGuire Research in 10 countries: Australia, Brazil, Canada, China, France, Germany, Italy, Japan, the United Kingdom and the United States in June 2015. It collected the views of 1,124 decision makers, mostly director level, involved in fulfillment and/or delivery functions. Respondents were surveyed in their local languages.

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