

Boost eCommerce Revenue By Enhancing Delivery Capabilities

Retailers Leverage A Multicarrier
Strategy To Offer Consumers Better
Choices And More Flexible Delivery
Options

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Executive Summary

Fulfillment of online orders continues to be a challenge for retailers. Retailers are beginning to acknowledge the significant impact fulfillment has on customer satisfaction and repeat purchase, yet the customer experience is in the hands of their carrier partners. Fulfilling orders of all different shapes and sizes, alongside customers' increasing expectations of convenience, speed, and cost of delivery, adds to the challenge. On top of this, many retailers have to work with multiple carriers — across multiple markets — to be able to provide a range of delivery options to serve customers who expect to be able to choose between a comprehensive selection of delivery options based on their needs for a specific purchase.

In August 2014, MetaPack commissioned Forrester Consulting to evaluate the impact of providing flexible delivery options on key customer metrics, including customer satisfaction and repeat purchase. To further explore this, Forrester tested the assertion that retailers investing in flexible delivery options (providing more convenience and freedom to choose for customers) are seeing their key consumer metrics improve, and the most effective way to do this is with a multicarrier approach.

In this study, Forrester conducted an online survey of 101 retailers across France, Germany, and the UK, supplemented with 10 in-depth phone interviews with executives in eCommerce, marketing, logistics, and supply chain, with knowledge of the fulfillment operations of their organization. Forrester found that retailers closely monitor the impact of delivery options on customer satisfaction and expect customers to demand even greater flexibility — the ability to choose between speed, convenience, and cost of delivery — over the next few years.

KEY FINDINGS

Forrester's study yielded four key findings:

- › **Delivery options have a direct impact on key customer metrics, including repeat purchase.** Retailers across markets, particularly in the UK, recognize that providing multiple and flexible delivery options to customers improves customer satisfaction. Cost, speed, and convenience all play a role in driving revenue, whether through repeat purchase, increased basket size, or increased customer lifetime value.
- › **Customer satisfaction is a top success metric for fulfillment.** Customer satisfaction is one of the top success metrics tracked by retailers across markets to monitor their fulfillment operations.
- › **Retailers are investing in delivery options, anticipating a shift in customer expectation.** All the retailers we spoke to anticipate a shift in customer expectations, with today's express delivery options becoming tomorrow's standard expectation. As such, retailers are currently investing or planning to invest in delivery capabilities over the next two years.
- › **Retailers tend to work with multiple carriers.** Retailers across all markets recognize that providing flexible delivery options improves their key customer metrics. Retailers tend to work with multiple carriers to provide this flexibility.

Cost Is King, But Flexible Delivery Options Keep Customers Coming Back

The cost of shipping is a key influencer of repeat purchase decisions for consumers across France, Germany, and the UK. Forrester's European Technographics Retail And Customer Experience Survey, 2013, shows that low cost or free shipping is the most common reason for online consumers in France, Germany, and the UK to buy again from an online retailer (see Figure 1).

However, cost is not the only lever available to retailers when it comes to the influence that delivery options have on repeat purchase or increasing basket size. The primary research conducted for this study, with retailers across the UK, France, and Germany, reveals that increasing the bottom line — whether through increasing conversation rates, repeat purchase, or customer lifetime value — is also influenced by:

- › **Increased speed.** A significant proportion of retailers across France (88%), Germany (67%), and the UK (70%) agreed that next-day home delivery drives repeat purchase and increases customer lifetime value. This is despite having a higher cost to serve, particularly for retailers in France (72%) and the UK (56%).
- › **Convenience.** The majority of retailers in France (88%), Germany (73%), and the UK (83%) agreed that next-day collect from store drives repeat purchase. Additionally, alternative collection points, particularly for retailers in France, give a significant uplift in conversion (60%), increase customer satisfaction (60%), and drive repeat purchase (60%). The convenience afforded by not being tied to a particular delivery time or location was also highlighted by interviewees.

“The most important delivery for us is pickup points — because customers can choose to collect from many points and they are not tied to a specific delivery time.”

— COO, French pure play retailer

“To be competitive we do need to give the customer other options to receive merchandise — sometimes we will experiment and lower the purchase threshold for free shipping to drive conversion. But, being a multichannel organization, we can leverage our store base to offer click and collect (buy online and collect from store), which is also a benefit to us as it is likely to increase basket size.”

— European director of digital marketing, multichannel retailer, Germany

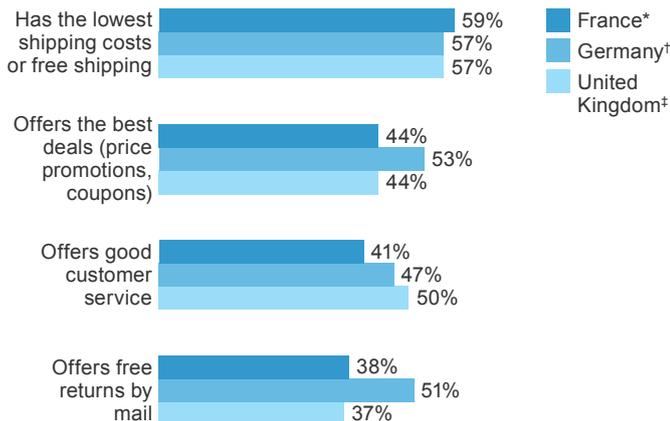
- › **More choice and flexibility.** The majority of retailers in all three markets have seen a measureable improvement in key customer metrics as a result of flexible delivery options — and significantly more in the UK compared with their European counterparts (see Figure 2). By monitoring the preferences and satisfaction of target customers and assessing the uptake and impact of pilot delivery options, retailers are able to identify the optimum combination of delivery options to present to their customers to drive repeat purchase and conversion.

“It all comes back to convenience and allowing customers to choose their ideal method to receive or retrieve merchandise.”

— European director of digital marketing, multichannel retailer, Germany

FIGURE 1
Low-Cost Shipping Is A Key Influencer For Repeat Purchases

“In general, what makes you buy again from an online retailer that you had bought products from before?”



*Base: 1,301 French online adults 16+ who buy online,

†Base: 1,441 German online adults 16+ who buy online

‡Base: 1,571 UK online adults 16+ who buy online

Source: European Technographics Retail And Customer Experience Survey, Q4 2013, Forrester Research, Inc.

FIGURE 2
Offering Multiple Delivery Options Improves Customer Metrics

“How strongly do you agree or disagree with the following statement?”

By offering multiple delivery options with increased flexibility, we have seen a positive and measurable impact on key customer metrics (e.g., Net Promoter Score, customer satisfaction, customer loyalty, customer retention).

(Respondents who answered “Strongly agree” or “Agree”)



Base: 101 retailers across France, Germany, and the United Kingdom

Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

Customer Metrics Are Key To Assessing Delivery Services

Delivery is an important component of the customer journey — often the most critical. Ensuring that the right product is delivered at the right time, at the convenience of the customer, has a significant impact on customer satisfaction with a retailer.

Retailers across France, Germany, and the UK:

› **Regularly track the impact of the delivery experience on key customer metrics.** Retailers across all three markets, Germany in particular, regularly monitor the impact of delivery services on key customer metrics, such as Net Promoter Score (NPS), customer satisfaction, customer loyalty, or customer retention (see Figure 3).

“... Customer satisfaction is much more sensitive to the delivery process — more things can go wrong and that has a massive impact on customer satisfaction. You can have a fabulous product, but if the delivery experience gets messed up it will be difficult to convince customers you are still a great retailer.”

— *Manager distribution and transport logistics, UK multichannel retailer*

› **Use customer satisfaction as a top success metric for delivery operations.** For retailers across all markets, customer satisfaction is one of the top two metrics used to assess the success of delivery and fulfillment operations, ranking above standard service metrics such as order processing turnaround time (see Figure 4). One retailer we spoke to also went so far as developing the necessary action plans to address delivery problems that decrease customer satisfaction as they arise.

“We measure each step between placing an order in the basket online and receiving the final delivery . . . (through a) weekly customer satisfaction survey . . . (we) have a special action when we see a decrease in customer satisfaction during the delivery stage. . . . We make an action plan to improve the efficiency from the distribution center to the final customer.”

— *COO, French online-only retailer*

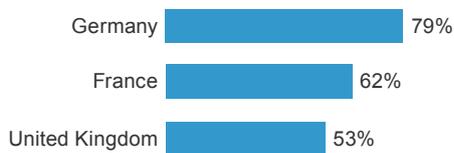
FIGURE 3

Retailers In Germany Are Most Likely To Track The Impact Of Delivery On Customer Satisfaction

“How strongly do you agree or disagree with the following statement?”

We regularly measure or track the impact of our delivery service on key customer metrics (e.g., Net Promoter Score, customer satisfaction, customer loyalty, customer retention).

(Respondents who answered “Strongly agree” or “Agree”)



Base: 101 retailers across France, Germany, and the United Kingdom
Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

Rising Customer Expectations Demand Enhanced Delivery Capabilities

Customer expectations are changing. Overwhelmingly, our interviewees expect a shift in customer expectations over the next two to five years. They anticipate:

- › **Today’s express delivery will be tomorrow’s standard.** Retailers across the board anticipate that customer expectations of faster delivery will only increase. In the UK, next-day home delivery is becoming the new standard, rather than the express delivery option. Retailers in France and Germany are taking note and expect this trend to happen within their markets as well.

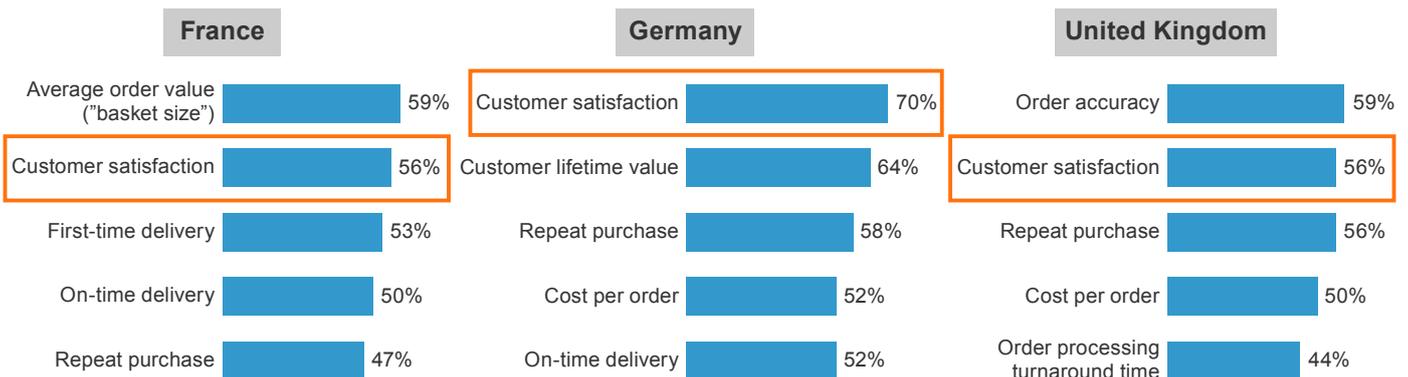
“Everything will go down to next-day delivery. . . . That will become the standard option rather than the express or paid-for option.”

— *European logistics manager, UK-based multichannel retailer*

FIGURE 4

Customer Satisfaction Is A Top Success Metric For Delivery And Fulfillment Operations

“What are the top five metrics you use to assess the success of your delivery and fulfillment operations?”



Base: 101 retailers across France, Germany, and the United Kingdom
Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

“Today (in France) the standard is to have free delivery for small items though delivery within 48 hours, not next day. . . . All customers want to have free delivery. In the next few years the standard will be free next-day delivery after a cut-off time the day before.”

— COO, French online retailer

- › **Flexible delivery options are required to meet changing customer expectations.** As consumers are increasingly connected through multiple devices, including smartphones and tablets, they have heightened expectations of their experience and ability to access information and services they want, when they want.¹ This will also dissipate through the rest of the customer journey to include fulfillment. Consumers will expect retailers to provide them with multiple delivery options to select from to serve their needs for a particular purchase at a particular point in time — whether that is based on speed, the convenience of using an alternative collection point, or lower cost.

“We are of a generation where everyone expects instant gratification. The window of standard shipping will shrink. Click and collect will go from next day to next few hours to within minutes.”

— European director of digital marketing, multichannel retailer, Germany

- › **Sales will be increasingly international.** Across all three markets, retailers increasingly view retailers in other markets as direct competitors, particularly in France (59%).² The majority of retailers surveyed currently have at least 5% of their eCommerce revenue coming from sales outside of their domestic market.³ Cross-border sales will add to the complexity of fulfillment operations for retailers across markets. Even when a retailer has chosen to work with a single carrier within its domestic market, if it sells across multiple European markets, it will likely have to manage relationships with multiple carriers in any case. Added to this complexity is the difficulty of reliably assessing carrier specialisms outside a retailer’s domestic market.

INVESTMENT IN DELIVERY CAPABILITIES IS EXPECTED TO INCREASE

With rising customer expectations anticipated and flexible delivery options significantly improving key customer metrics, it comes as no surprise that the majority of retailers surveyed expect the investment in delivery capabilities to

increase or significantly increase in the next two years (see Figure 5). There are, however, slight differences between the markets:

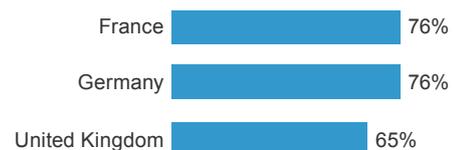
- › **UK retailers already invest more in delivery capabilities.** As highlighted previously, UK retailers currently have a more marked recognition of the positive influence of flexible delivery options on key customer metrics. As such, they are already investing more of their online revenue in delivery capabilities compared with their European counterparts (see Figure 6).
- › **French and German retailers expect investment in delivery capabilities to increase.** French and German retailers’ investment in delivery capabilities, as a percentage of their online revenue, currently lags significantly behind retailers in the UK. However, 76% of French and German retailers, respectively, anticipate that investment in delivery capabilities will increase over the next two years.

FIGURE 5

French And German Retailers Expect Investment In Delivery Capability To Increase

“How do you expect investment in delivery capabilities, as a percentage of online revenue, to change in the next two years?”

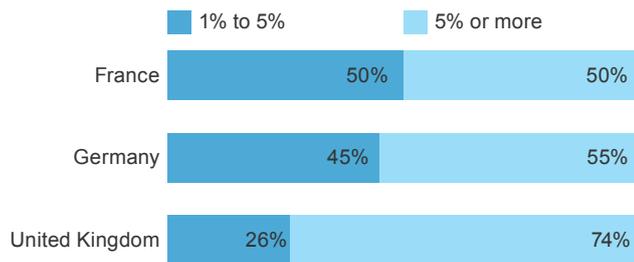
(Respondents who answered “Increase” or “Significant increase”)



Base: 101 retailers across France, Germany, and the United Kingdom
Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

FIGURE 6
UK Retailers Currently Allocate More Budget To Delivery Capabilities Than Their European Counterparts

“Indicate the percentage of online revenue that is currently allocated to investment in delivery capabilities.”



Base: 101 retailers across France, Germany, and the United Kingdom
 Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

PILOT PROGRAMS HELP INFORM FULFILLMENT STRATEGY AND INVESTMENT

Retailers across all three markets recognize the need to invest in fulfillment capabilities; however, retailers in the UK are more likely to be increasing investment already. As a result:

› **UK retailers lead the way for piloting new and alternative delivery options.** UK retailers, compared with their European peers, are significantly more likely to be piloting new delivery options. For example, 59% of UK retailers are piloting next-day home delivery, compared with 47% of French retailers and 33% of German retailers. Similarly, 66% of UK retailers are piloting same-day home delivery versus 35% of French retailers and 39% of German retailers.

› **Retailers use a test-and-learn approach to evaluate new options.** There is not a one-size-fits-all approach, and retailers need to monitor customer preferences and behavior to identify the optimum mix of delivery options based on their category and target customers. Of the retailers we spoke to in the UK, many employ a test-and-learn approach to implementing alternative and new delivery options, closely monitoring customer metrics associated with each new delivery option.

“We actively pilot new delivery options and monitor impact on conversion rates, uptake by customers, and cost to serve. Currently, we are exploring opportunities for alternative collection points but tend to use our store networks.”

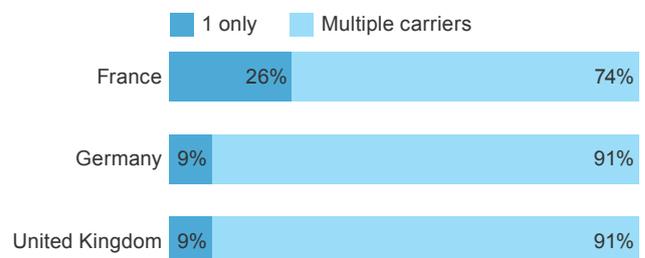
— *Distribution program manager, multichannel retailer, UK*

Retailers Work With Multiple Carriers To Advance Their Delivery Service

Not only do retailers measure the impact of delivery options on customer metrics, but they also see that the flexibility of offering multiple delivery capabilities improves key customer metrics, including retention. However, the majority of retailers face the challenge of working with multiple carriers to provide this increased flexibility through multiple delivery options (see Figure 7).

FIGURE 7
Most Retailers Work With Two Or More Carriers In Their Domestic Market

“How many carriers do you work with in your domestic market?”



Base: 101 retailers across France, Germany, and the United Kingdom
 Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

RETAILERS SEE BENEFITS OF WORKING WITH MULTIPLE CARRIERS

An individual carrier is not always able to provide the full range of delivery options to customers, and an exclusive relationship is not always scalable, particularly when considering cross-border sales. Retailers in France, Germany, and the UK all recognize a number of benefits to working with multiple carriers (see Figure 8). On the surface it appears that UK retailers do not agree as strongly with these benefits. However, the data tells us that the de facto standard for UK retailers is to use four or more carriers, which is more than their European counterparts. As such, for UK retailers, the benefits of a multicarrier approach are more likely to be viewed as standard aspects of day-to-day business rather than specific benefits.

Nonetheless, retailers across all markets recognize that working with multiple carriers allows them to provide multiple and flexible delivery options to customers. Beyond that, the benefits most commonly recognized by UK retailers differ from those in France and Germany:

› **UK retailers benefit from improved service levels and peak planning.** For UK retailers, the most common benefits of working with multiple carriers come from the ability to support peak planning and provide improved service levels to customers. UK retailers benefit from being able to pick and choose which carriers will help meet customer expectations for cost, speed, and convenience, no matter the volume of orders or time of year.

› **Retailers in France and Germany benefit from contingency planning and increased efficiency.** French and German retailers in particular prefer to work with multiple carriers as it is easier to have a contingency plan for events such as weather extremes or unexpected demand spikes. However, French and German retailers, compared with those in the UK, are less likely to be piloting or planning new delivery options. As such, maintaining efficient operations is more of an immediate benefit compared with meeting customer expectations for faster delivery during peak periods.

“I think it is always healthy to have multiple carriers to drive cost effectiveness and competition. It comes along with the idea of putting ‘all your eggs in one basket’ — you are putting yourself at risk.”

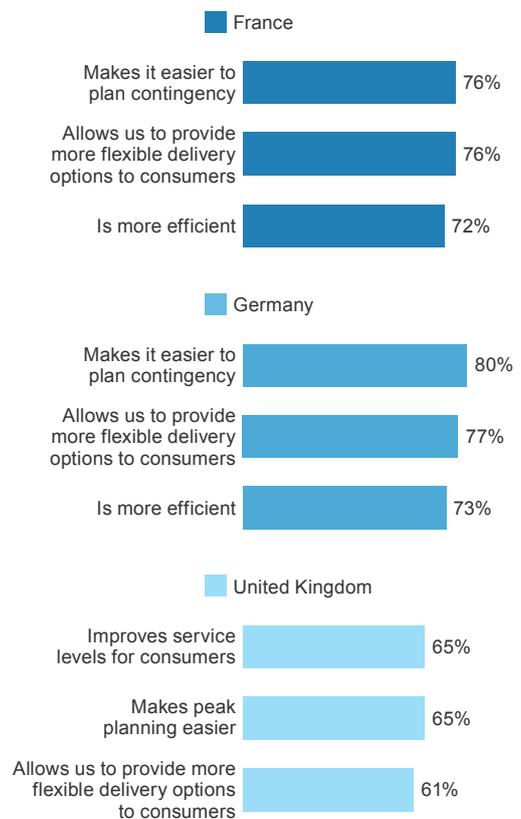
— European transport manager, UK-based multichannel retailer

“... You don’t find one global carrier or supplier that can deliver from France across all of Europe and be cost-effective.”

— COO, French online retailer

FIGURE 8
French And German Retailers Benefit From Flexible Delivery Options, UK Retailers From Improved Services Levels

“How strongly do you agree or disagree with the following?” Working with multiple carriers . . .
(Respondents who answered “Strongly agree” or “Agree”)



Base: 89 retailers across France, Germany, and the United Kingdom that work with multiple carriers

Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

YET WORKING WITH MULTIPLE CARRIERS CREATES COMPLEXITY

Retailers tend to work with multiple carriers in order to provide customers with multiple and flexible delivery options. Across all three markets, retailers recognized the same three challenges of working with multiple carriers (see Figure 9), including:

› **Missing the price benefit of carrier exclusivity.** Forty-nine percent of all retailers surveyed acknowledge that working with multiple carriers inhibits pricing deals based on exclusive carrier relationships. As such, those retailers who maintain one exclusive carrier relationship continue to cling to the benefits of pricing deals at the expense of the benefits afforded from offering customers flexible delivery options.

“We work with multiple carriers. . . . We manage each relationship separately.”

— COO, French online retailer

› **Managing multiple relationships.** Across all three markets, 31% of retailers acknowledge the difficulty of managing multiple carrier relationships, and 45% of retailers recognize the challenge of managing multiple technical interfaces. Each carrier has its own processes and systems interface that have to be managed and integrated with the internal systems and processes of the retailer. When a retailer has multiple carrier relationships to manage, this adds technical complexity for internal operations.

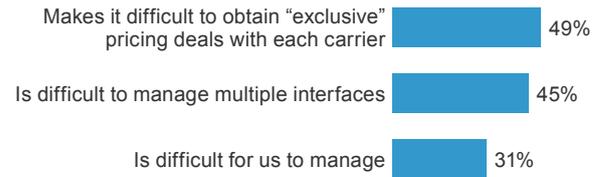
› **Requiring additional resources.** In light of the multiple processes and systems that need to be managed and integrated internally, retailers require additional personnel to manage them.

“We work with multiple carriers (and have) . . . dedicated personnel to monitor and manage all courier contract.”

— Distribution program manager, UK-based multichannel retailer

FIGURE 9 Multicarrier Approaches Can Be Difficult To Manage And Hinder Negotiation Of Exclusive Pricing Deals

“How strongly do you agree or disagree with the following?” Working with multiple carriers . . .
(Respondents who answered “Strongly agree” or “Agree”)



Base: 89 retailers across France, Germany, and the United Kingdom that work with multiple carriers

Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

Key Recommendations

Forrester's in-depth interviews and online survey with retail executives conducted for this study reveal several important observations. Retailers across France, Germany, and the UK need to:

- › **Keep pace with changing consumer expectations of flexible delivery.** Retailers across France, Germany, and the UK expect customer expectations to change — and quickly. Standard delivery options will continue to become faster and more convenient. Customers will expect to be able to choose between multiple delivery options that give them the ability to choose between speed, cost, and convenience as needed. This choice and flexibility in delivery options is already recognized as improving repeat purchase and conversion. As such, retailers will need to keep pace with changing customer expectations of fulfillment to continue to differentiate and drive revenue. Retailers across markets will need to continually monitor customer preferences and pilot new delivery options to optimize their delivery capabilities to serve target customers.
- › **Continue to evaluate the capability of preferred carriers.** Retailers across markets will need to continually evaluate the capabilities of their preferred carriers to ensure they are keeping up with changing customer expectations. The majority of retailers surveyed already monitor the impact of delivery on key customer metrics. Retailers should use this insight to actively manage the service and capabilities provided by their carrier partners in order to dial up successful delivery pilots or be ready to act on dips in customer satisfaction.
- › **Embrace a multicarrier approach.** It is unlikely that any one carrier will be able to enable all possible delivery options with the same standard of service to support piloting or doing a full rollout of new delivery capabilities. As such, retailers should evaluate the capabilities of multiple carriers and consider working with a variety in order to benefit from the combined strengths of each. As customer expectations of delivery capabilities, and speed in particular, increase, this approach will also help to mitigate the risk of reduced service levels to customers, as there will be multiple carriers to fall back on.
- › **Assess partner support to manage carrier relationships.** Despite the benefits of working with multiple carriers, retailers still have to contend with integration and management of different systems and processes for each carrier. Retailers should consider working with partners that are able to reduce the integration complexity and help to manage these multiple carrier relationships efficiently.

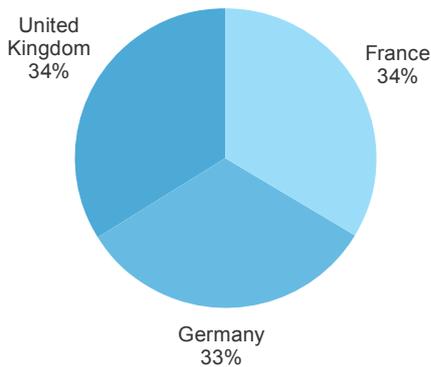
Appendix A: Methodology

In this study, Forrester conducted an online survey of 101 retail organizations in France, Germany, and the UK, and supplemented it with 10 in-depth interviews with eCommerce, marketing, and logistics professionals to evaluate the impact of flexible delivery options on key customer metrics. Participating retailers have to ship at least 30,000 parcels a year. Questions provided to the participants asked about the benefits and challenges of working with multiple carriers and offering multiple delivery options, the metrics used to assess the success of delivery operations, and return options they current offer. The study was completed in August 2014.

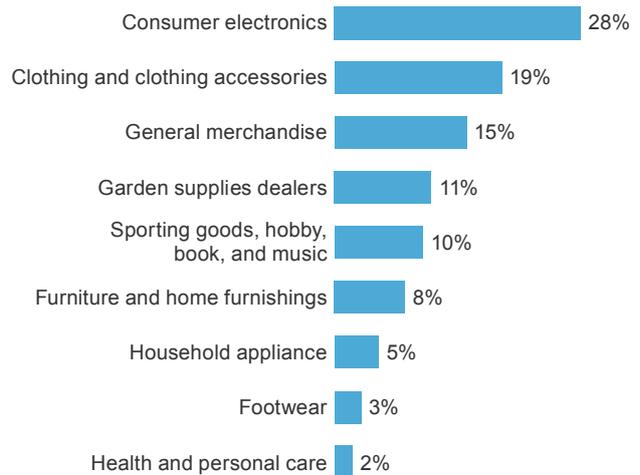
Appendix B: Demographics

FIGURE 10
Survey Demographics — Location, Retail Vertical, Revenue

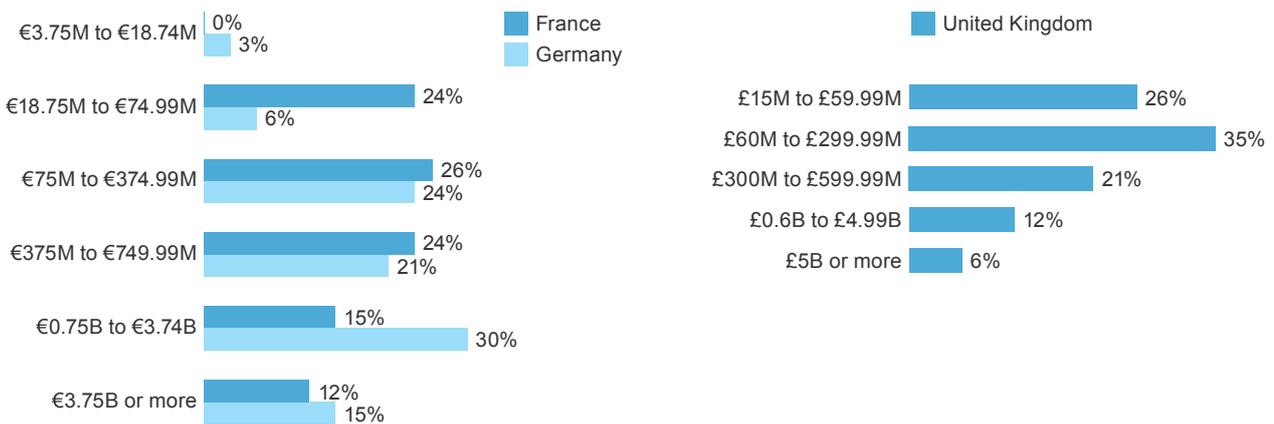
“In what country is your organization headquartered?”



“Which of the following best describes the retail vertical industry in which your company operates?”



“Which of the following most closely describes your company’s total annual revenue?”



Base: 101 retailers across France, Germany, and the United Kingdom

Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

FIGURE 11
Survey Demographics — Interviews

Retailer type	Locations	Job title
Multichannel retailer	Multinational (including France, Germany, and the UK)	Distribution and transportation logistics manager
Online retailer	France	Logistics and COO director
Multichannel retailer	Germany	Supply chain manager
General merchandise	UK	Program manager
Footwear	UK	Transportation manager
Multichannel retailer	Germany	Director of digital marketing
Furniture and home furnishings	Germany	Customer delivery manager
Clothing and clothing accessories	Multinational (including France and Germany)	Director of logistics
Clothing and clothing accessories	Germany	Director of supply chain management
Healthcare and personal care	France	Customer supply chain development manager

Base: 10 retailers across France, Germany, and the United Kingdom

Source: A commissioned study conducted by Forrester Consulting on behalf of MetaPack, August 2014

Appendix C: Endnotes

¹ Your customer is experiencing a mobile mind shift: the expectation that she can get what she wants in her immediate context and moments of need. As a result, mobile is central to customer experience (CX). To master these moments, use the IDEA cycle: identify the mobile moments and context; design the mobile interaction; engineer your platforms, processes, and people for mobile interactions; and analyze results to monitor performance and optimize outcomes. This report explains how to apply the IDEA cycle to transform customer experiences with mobile. Source: "Mobile Moments Transform Customer Experience," Forrester Research, Inc., January 24, 2014.

² Fifty-nine percent of French retailers, 47% of UK retailers, and 36% of German retailers strongly agreed or agreed that retailers in other markets are increasingly viewed as direct competitors due to their cross-border sales capabilities. Source: A commissioned study (online survey) conducted by Forrester Consulting on behalf of MetaPack, August 2014.

³ Eighty-two percent of UK retailers, 79% of French retailers, and 79% of German retailers surveyed indicated that at least 5% of online revenue currently comes from cross-border sales. Source: A commissioned study (online survey) conducted by Forrester Consulting on behalf of MetaPack, August 2014.