

The Home Delivery Market in the UK – Remote Retailing: Foreword by Steve Bolton, Managing Director of Scoco Ltd.

Let's start by defining "remote retail". You don't go to the store; the store comes to you. The retailers' aim: to capitalise on a market channel that's growing nineteen times faster than bricks and mortar¹.

The latest projections for home shopping growth¹ suggest that 28-30% of total retail sales will be generated on-line over the next three to five years, with implicit growth in parcels delivered to home addresses. The surge is driven by:

- growing consumer confidence in online payment security;
- the penetration of broadband, with three million households currently using the service;
- Retailers' discovery of the halo effect, where customers who shop from more than one channel spend more overall than those who use only one.

The crunch for home delivery is that this multi-channel retailing growth is driving the need for enhanced services to satisfy the expectations of increasingly time-poor customers. What they want are the four "C's": control, choice, convenience and consistency. To satisfy such demands requires real technology and infrastructure investment. Difficulties in both creating and realising the necessary business case is blocking progress as true costs of failure and poor service get fragmented across the delivery and returns process flow, lost in functional budgets which have no method of attaching symptom with root cause.

High street retailers lack the volume to give them home delivery scale and invariably have to sub-contract to fulfilment houses and parcel carriers, a market now dominated by the in-house carriers of traditional home shopping companies. Historically, these carrier divisions have been run as cost centres, with low customer service criteria. The general quality of home delivery services reflects this legacy. Currently as many as 60% of small package deliveries may fail first time², resulting in increased cost to the retailer and carrier, and inconvenience to the customer.

New entrants to the home delivery fulfilment market are struggling to get established despite having embraced new order management and delivery solutions, offering the facilities customers increasingly expect such as logical online delivery arrangement, parcel tracking and specified time of delivery.

In summary there are four key factors driving the need for investment in home delivery service improvements: increased **Proliferation** of on-line shopping, changes in UK **Demographics**, greater **Customer sophistication**, and increased **Awareness** by retailers of customer home delivery needs.

- There will be an increasing proliferation of brands offering home delivery with established customer expectations beyond the capabilities of many current services.
- The trend of increasing single households will impact delivery failure levels, emphasizing the need for enhanced delivery options including viable unattended solutions with effective customer communication.
- The sophistication of consumers' shopping requirements will grow and the focus will shift to customer control.
- Retailers are becoming more aware of customer needs when buying their delivery services and will increasingly look to those carriers who have developed quality services with logical pricing structures, and the ability to quickly and easily integrate systems and communications capabilities.

In conclusion, the current choice of high quality, cost-effective, modern delivery partners for retailers is severely limited, with the success of their home delivery proposition frequently dependent on archaic legacy infrastructure and cost-driven service capabilities. Carriers must urgently address customer service issues to provide the integrated service required and support remote retail growth whilst retailers must accept that improved service comes at a price. Margin on home delivered product can quickly be eroded by poor delivery performance; the emphasis must shift to getting it right first time.

¹ Source IMRG (Interactive Media in Retail Group)

² Source: Foresight delivery@home