Turning Home Delivery into a Competitive Advantage

Retailer Insights on Successful Technology Strategies

Descartes surveyed a number of retailers engaged in home delivery and the results are clear that home delivery has become the new "battle ground" for competitive advantage. Leading retailers know they are not simply competing on products, but on availability, convenience, and service and that home delivery is a critical part of the overall customer experience. Equally these retailers are seeing the impact that advanced home delivery solutions have on their ability to drive top and bottom line performance.

Home delivery is rapidly evolving and this Descartes study offers insights from global retailers on their proven approaches for home delivery success. It provides a closer look into some of the strategies, tactics and technologies that have transformed home delivery into a "game changing" part of their business.

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Home Delivery Technology Impacts Business Goals

Creating Customer Value to Drive Revenue

The goal of the home delivery study was to gain insight into leading retailers' perspectives on successful home delivery strategies and their impact on business goals. Here's a quick snapshot of the survey respondents:

- Large and mid-size retailers from a range of industries in North America, Europe and Australia.
- Products included electronics, appliances, DIY, home furnishings, groceries and wine.
- Most run national operations serving diverse geographies.
- The majority have centralized home delivery planning with local dispatching.
- The number of vehicles and routes per planner varied, ranging from as few as one planner per 100 vehicles/routes with five to 50 stops per route.

When asked about the primary business reasons for using advanced home delivery technology, the top objectives cited were:

- Revenue growth/service differentiation
- Improved customer service
- Operational efficiency/productivity
- Visibility

It's clear that the survey participants are focused on positively impacting their customers to create value and ultimately drive revenue. Respondents acknowledged the need for a more collaborative approach with buy-in from colleagues who "own the customer" as well as cross-functional steering committees and implementation teams. Universally, they agreed that home delivery needs to be harmonized across all of the sales channels to support omni-channel strategies which are becoming more prevalent.

In the following pages:

We'll take a look at further insights and lessons learned from the retailers surveyed to get their perspectives on how they are using **home delivery technology to successfully** achieve their business goals.

Delivery Strategies Generate Incremental Revenue

Leveraging Premium and Value-added Services

Survey respondents agree that revenue growth is the Holy Grail of home delivery value. Yet, the debate regarding free versus paid delivery continues, although the two concepts are not mutually exclusive.

There's a point where consumers will pay for convenience, presenting potential revenue opportunities. Providing customers with time-of-day and day-of-week choices can drive incremental revenue and help load-level delivery capacity demand. Plus value-added services (installations, removal, returns) present additional opportunities to drive revenue growth and product sell-through.

Survey insights at-a-glance:

- The majority of respondents (85%) charge for home delivery.
- An all-day window was the only option for retailers not offering free delivery.
- 40% offered free deliveries as part of promotional activity.
- In highly competitive situations, there was discretion to make free deliveries.
- 25% offered premium pricing above free or standard delivery fee for tighter time windows; approximately 20% of consumers select premium windows when offered.
- Delivery pricing was static by service type according to respondents; not dynamically pricing capacity could be a missed opportunity.

Providing customers with time-of-day and day-of-week choices can drive incremental revenue and help load-level delivery capacity demand.

Customer learnings:

- **Revenue growth** opportunity easily exceeds cost reduction and is easier to track than service differentiation.

- Time is money and customers **will pay more** for discernably superior delivery service.

- There is more money for **premium service** than most believe and it doesn't take many customers to make a big difference.

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Delivery Strategies Generate Incremental Revenue

Strategies in Action: Enabling New Revenue Streams

A leading UK retailer turned home delivery operations into a strategic differentiator and profit center by offering variable time windows and upselling value-added services online and in-store.

The challenge: Every company that delivers to the customer's door faces the same challenge: how to let the customer make the delivery decision without making logistics unacceptably expensive. That challenge increases for retailers working within multi-channel or omni-channel environments. This retailer set a goal that scheduling a product for delivery had to not only be as easy, as fast, and as flexible for the customer as buying the product was, but it had to be profitable as well.

The solution: To satisfy that mandate, the retailer implemented a delivery scheduling system that lets the thousands of customers who schedule deliveries each day choose and schedule the delivery date at the point-of-sale. They bundle in any required services (like electrical, installation or takeaway) at the same time. The technology which enabled these new revenue streams is readily available and affordable for any retailer with delivery offerings.

The results:

- The company **increased revenues by tens of millions of pounds**, due to increased service orders and increased purchases of premium delivery windows.

- Fulfillment costs were lowered by £1.8 million.

- Providing this kind of instantaneous customer choice has **increased** completed online carts, with purchases directly contributing to the company's top line.

£1.8

Choice Increases Customer Satisfaction

*Dynamic Scheduling Provides More Delivery Options*

Retailers surveyed indicated that improving customer service and satisfaction was a top reason for using advanced home delivery technology. Giving customers a choice of delivery options can achieve that goal, and dynamic scheduling can help retailers provide those options.

Dynamic booking understands the delivery network capability and existing order book. Therefore, it allows retailers to customize delivery options offered to each customer that balance choice and cost.

Survey insights at-a-glance:

- All survey respondents stated that they treat each home delivery uniformly, i.e. the best, most loyal and the infrequent customers get the same level of delivery options.

- Several retailers offered multiple window options, which is critical to a premium delivery strategy.

- A 4 hour/half-day delivery window was the most common given by those surveyed; the tightest window was 2 hours.

- Retailers with the tightest time windows, premium windows and delivery services indicated they use dynamic booking.

- Dynamic booking can be counterintuitive for many retailers as it combines delivery choice with improved profitability.
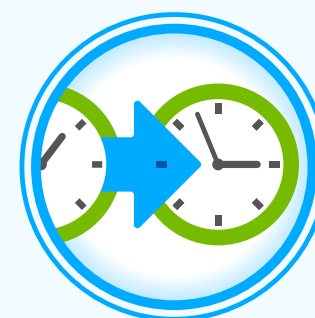
Customer learnings:
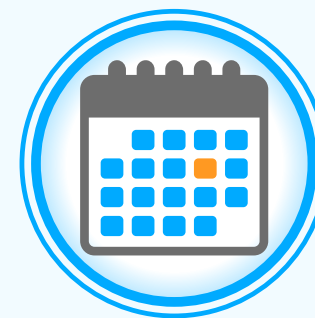
- Tighter time windows are critical for differentiated delivery services or premium pricing.

- Same-day, time-definite delivery can enable competitive differentiation and premium pricing, but that level of precision requires real-time delivery appointment promising and vehicle status.

- Blending time windows improves delivery reliability.

Choice Increases Customer Satisfaction

Strategies in Action: Offering Dynamic Delivery Options

A leading specialty furniture retailer in North America, not only delivers new furniture and other items, but also provides setup services and hauls away old items. The retailer wanted to reduce its delivery failure rate which was related to customer availability. If they could do this, they could not only enhance service, but reduce costs.

The challenge: Like many traditional retailers they didn't communicate the delivery until the day before it happened. In addition, the delivery window was all day. Enough customers were not staying home all day and this resulted in a high number of deliveries that had to be returned to the distribution center. This negatively impacted customer relationships, could have resulted in a loss sale if the customer changed their mind, and made it difficult to control costs associated with returning and reloading the merchandise, and rescheduling the delivery.

The solution: The retailer implemented a point-of-sale system that included dynamic scheduling and a routing solution that offered customers a choice of several delivery options at the time of purchase. The system allowed the company to schedule deliveries with four-hour windows and provide the delivery date in advance. Because it understands what resources are available—including equipment, personnel, and existing orders, it can reliably provide tighter time window during the buying process.

The results:

- Delivery success rates improved and customer satisfaction was enhanced as customers were more likely to be home for the planned delivery with the **tighter window**.

- They were able to operate with greater **fleet productivity** as the delivery choices provided improved route density, while still offering more personalized delivery times.

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Technology Integration Improves Productivity

Integrating Routing and Mobility to Gain Operational Efficiencies

Because survey respondents were concerned with providing an optimal home delivery experience for customers in a cost-effective manner, they also ranked operating efficiency as an important objective using advanced home delivery solutions. Not only were they looking for the lowest cost time windows to offer their customers, they wanted the system to squeeze out any additional costs in the final planning process before the routes were released for execution.

By integrating wireless applications with routing solutions, retailers can ensure that what was planned got executed. The result is reduced "leakage" of anticipated plan benefits and more consistent delivery execution. Mobile capture of field information can reduce the overall paper-trail, reducing processing costs, the cash cycle, disputes and improving customer service.

Survey insights at-a-glance:

- While the main driver for using advanced home delivery solutions was improved service and revenue, retailers wanted cost "optimization" to be an important capability.

- Mobile solutions give visibility to delivery operations in real-time that can be used to keep delivery productivity high, use that data as part of their customer engagement process and streamline "paperwork".

Customer learnings:

- From appointment booking to execution, there are a number of points in the home delivery process where costs can be **optimized**.
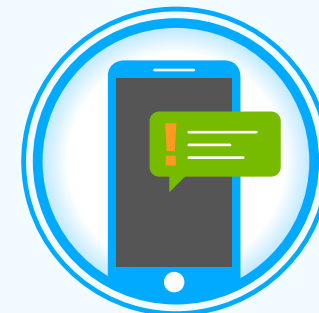
- **Mobile data** helps delivery consistency, precision and driver performance.

- Mobile can help beyond delivery operations performance reducing financial processing and customer service costs.

By integrating wireless applications with routing solutions retailers can tie field-level information directly into logistics decision support and dispatch.

Technology Integration Improves Productivity

Strategies in Action: Streamlining Operations with Integrated Solutions

With more than $30 billion in revenue, a leading department store and retailer in North America offering home delivery service, including installation and removal of old products, wanted to transform its delivery operations to increase efficiency and save money.

The challenge: Routing for this retailer's home delivery, which makes 4 million deliveries annually, is very complex, involving large items and appliances. It requires insuring that the technicians with the right skills are assigned to a particular job, and the coordination of their dedicated carriers. It's made even more difficult with 10 percent of customers changing their delivery time when they get the reminder call about the next day's delivery. To transform delivery operations, the company needed a solution that could understand the complex relationship between delivery resource requirements, work across multiple carriers and combine real-time planning and mobile information.
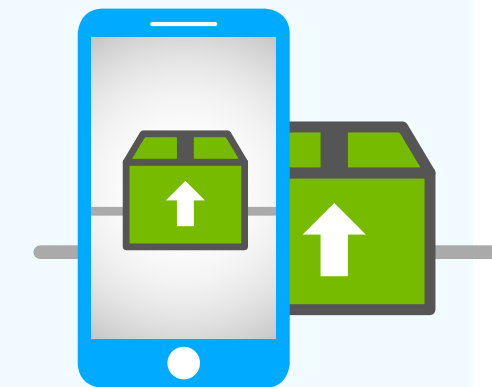
The solution: The retailer decided to deploy an enterprise-class home delivery solution that spanned from delivery appointment booking through the dispatching, tracking and mobile systems used by their dedicated carriers. This provided the retailer with a single solution that could model the unique delivery requirements of goods requiring additional services, end-to-end visibility of the status of deliveries and real-time updates to address customer changes or delivery execution exceptions. The planned versus actual comparison capabilities allowed the retailer to fine tune service times, delivery addresses and other operational processes. Because everything was in a single environment, they were able to move from local to regional planning and they were able to reduce the total number of planners and dispatchers.

The results:

$3M ANNUAL SAVINGS

- **Truck productivity increased by 2.8 %** while miles per shipment decreased by 5.4%.
- **Annual savings of $3 million were reported** in the first year with ongoing savings of another $400,000 anticipated.

- The number of full-time equivalents in the planning department was cut by one third.
- Carrier partners appreciated the mobile solution's ability to take pictures of the goods delivered to prove the goods were on time and undamaged, reducing disputes.

On-demand Visibility Optimizes Performance

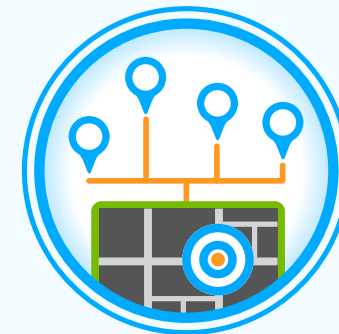## Providing a Consistent Delivery Experience

It's not surprising that retailers cited visibility as one of the top reasons for using advanced home delivery technology. Real-time visibility is a fundamental capability impacting customer service and operational efficiency – two key business objectives also indicated by survey respondents.

While the majority of home deliveries were sourced from distribution centers, a number of retailers surveyed are sourcing from stores or a combination of stores and distribution centers. Drop shipping from suppliers is a growing approach as retailers expand product assortments, creating a new set of delivery visibility and service quality challenges.

Survey insights at-a-glance:

- Visibility and consistent delivery were top issues impacting multi-channel retailers, with inconsistent delivery experiences being reflected in their consumer metrics.

- As drop-ship operations expand, delivery visibility deteriorates with retailers losing control and sight of the order upon arrival at the supplier.

- Thought leaders are looking to bring disparate delivery modes under a single transportation platform with a common visibility environment for all deliveries. This would allow retailers to make delivery choices based on both new orders and existing orders headed to the same area and ultimately provide a more consistent delivery experience across all channels.

Customer learnings:

- Providing the customer with consistent and **real-time** delivery updates is as important as the consistent delivery of the customer's order.

- Creating a **closed loop** delivery information experience significantly enhances the customer service perception and brand.

Drop shipping from suppliers is a growing approach as retailers expand product assortments, creating a new set of delivery visibility and service quality challenges.

On-demand Visibility Optimizes Performance

Strategies in Action: Enhancing Visibility to Optimize Deliveries

Since first opening its doors over 50 years ago, an upmarket housewares and furniture retailer has expanded its operations to over 170 stores in the U.S. To complete more than 300,000 annual deliveries and meet growth projections, the company needed more strategic information to drive continuous improvements in their delivery operations.
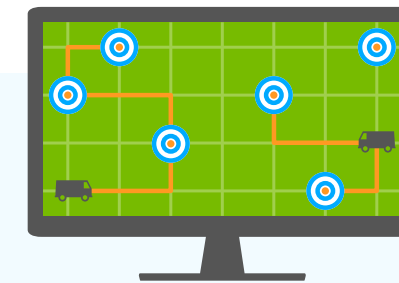
The challenge: The retailer's delivery process had always been managed manually with schedules fine-tuned and mapped out by hand. The biggest challenge was the lack of visibility into new deliveries and their impact on the existing schedules. Because there was no closed-loop execution process, there was no easy way to know which deliveries had already been made and which were pending. The company struggled to balance work and this would result in delayed deliveries that would impact the "high service" brand that they were known for.

The solution: Because the company did not consider itself that technologically sophisticated, it chose to deploy a cloud-based route planning and mobile solution. The web-based solution provided immediate, anywhere access to delivery information and little internal IT support. The hosted approach eliminated the need to install software at every site and common practices and supporting metrics could be rolled out as the retailer expanded to new markets. With a common platform, management had visibility to the performance of all of their delivery operations and they could focus on process and operations improvement.

The results:

- The company has **real-time visibility** into the status of deliveries anywhere in the country.
- Smaller routes have been **consolidated** into larger routes covering greater areas, so it's rare that a customer has to wait for an open delivery day.

- With route optimization, the retailer is using fewer trucks to handle increasingly more deliveries.
- Driver **compliance of schedules and routes is now typically at 98%**.
- Delivery windows narrowed from four hours to two, providing added convenience for customers.
- Real-time access to delivery information allows call center staff to begin doing customer surveys almost immediately after a delivery is completed.

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Omni-channel Home Delivery Presents New Opportunities

Fulfilling a Customer-centric Delivery Promise

Personalization and consistency are two foundational characteristics of omni-channel retailing present at the point-of-sale. Customers can purchase a product via physical, online and mobile channels and expect the same selection and services. The same is true for home delivery and the transportation modes used to execute it.

Survey insights at-a-glance:

- 100% of respondents cited the need for home delivery to support multiple/all sales channels.

- No respondents indicated they were implementing different home delivery strategies, tactics or technology per sales channel.

- Home delivery technology has become a critical component of the omni-channel strategy.

- Gaining consensus across the online and physical store business lines is the greatest challenge to getting a common home delivery platform necessary to successfully implement an omni-channel strategy.

Another significant element of the retail experience is fulfillment, especially end-to-end customer home delivery that offers choice, convenience and certainty.

Customer learnings:

- Home delivery can make a **significant difference** to many parts of the retail enterprise, but it takes education and ties to key commercial (not logistics) metrics.

- **Different metrics** may be used to measure the value of home delivery for different channels, e.g. revenue growth, market basket size, sell-through, premium services used, etc.

- It's important to gain **enterprise-wide agreement** on where delivery services cause customers to spend more.

Omni-channel Home Delivery Presents New Opportunities

Strategies in Action: Turning Omni-Channel Delivery into a Revenue Generator

Every time a new delivery schedule is presented to the customer, it reflects the up-to-date route.

The challenge:

A leading UK retailer was struggling with how to offer new and high value delivery services consistently across their selling channels. They also wanted a simple way to provide those value-added services across their selling channels that would cause customers to buy more of their products.

The solution:

The retailer chose to use an advanced home delivery solution that could harmonize home delivery across their selling channels. Their customers see a unified delivery appointment booking as part of their buying experience – in shop or online. While customers are purchasing their products, they are presented with simple "one click" options to add installation services and choose premium delivery windows. Delivery appointments are dynamically produced at that time to make it easy for customers to choose those services. Providing instant answers and taking the guess work out of installation scheduling has resulted in greater sales of products, value-added services and premium windows.

The results:

Revenue Increase

- **More products** such as appliances are being sold than previously.
- Non-product revenue increased and new **revenue streams** were created.

- The retailer's brand, its reputation as an innovative omni-channel retailer, and its **customer loyalty** were significantly strengthened.

Descartes Solutions for Home Delivery

Turning Home Delivery into a Competitive Advantage

Descartes works with retailers of all sizes to create and implement home delivery technology solutions that provide consumers with a positive delivery experience which translates into a competitive advantage for our customers.

Respondents in our home delivery benchmark study cited improved customer service, service differentiation, revenue growth, visibility and operational efficiency as their top business reasons for using advanced home delivery technology. Our cloud-based and on-premise solutions are designed to successfully achieve those business objectives by offering the following:

- Real-time integrated route planning and mobility solutions that enable retailers to grow revenue, increase margins and provide differentiated customer service.
- Advanced continuous delivery appointment and route optimization technology.
- Comprehensive capabilities addressing the entire delivery lifecycle, from appointment scheduling, route planning, execution and dispatch, to GPS-enabled mobile tracking, gathering point-of-delivery and delivery status notifications.
- Web-based architecture that connects and synchronizes all of the internal and external parties involved in the delivery process.

To learn how Descartes can transform your delivery operations visit the:

Descartes Home Delivery Resource Center

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About Descartes

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses.

Customers use our modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community.

Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at **www.descartes.com**, and connect with us on **LinkedIn** and **Twitter**.

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