

## A white paper about: **Consumer-driven logistics**

The pace of digitalization is increasing rapidly, thus reinforcing consumer power. One key aspect of this is that logistics must be based on consumer needs, given that it constitutes a key part of the purchase process. Accommodating consumer preferences with regard to freedom of choice and convenience is therefore a mission-critical issue for e-retailers and conventional retailers who are looking to be successful.



### Find out more!

PostNord has prepared a set of five white papers that describe the new reality that companies are encountering in the digitalized world.

In addition to the white paper you are currently reading, the set covers the following topics:

**Product availability:**

Assuming a new perspective on the Supply Chain

**Logistics for physical stores:**

The rapid pace of change is making new demands on the Supply Chain

**Visibility:**

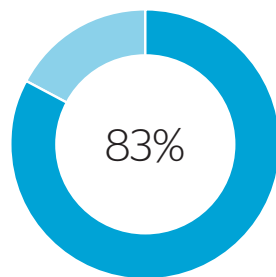
Generating overview and control in the Supply Chain.

**Customer insight:**

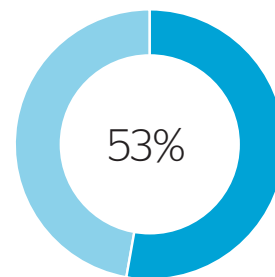
The driving force for an efficient Supply Chain

## Consumer-driven logistics: Assuring the consumer experience

Consumer-driven logistics – i.e. logistics strongly powered by consumer wishes – is the key to success in the field of e-commerce. Consumers are making increasingly stringent demands with regard to their capacity to choose how, where and when products are purchased and delivered. Accommodating consumer preferences is thus a mission-critical issue in the context of e-commerce. The winners will be the companies that best meet consumer requirements, make it simple for them to choose, and create a seamless purchasing process.



*Four out of five  
consumers want to be able to choose how  
an item is delivered...*



*...while half did not have the option to choose  
how to have their goods delivered  
when they made their most recent purchase.*

### Digitalization is ramping up consumer power

The pace of digitalization is increasing, thus reinforcing consumer power. Those retail businesses that best understand and customize the entire delivery chain to meet customers' wishes will be the ones that come out on top in the future. It is all about increasing customer choice in the context of goods delivery and making the whole shopping process more convenient for customers.

Consumers today want to decide for themselves where, how and when they make their purchases. They also want to perform their own research and maintain control of the entire purchasing process. And they also want to decide how goods are delivered to their homes. The primary reasons why consumers choose to shop online are that they feel the range is better than in physical stores, that goods are often cheaper, and that they can shop

at a time that is convenient for them. So why isn't a larger proportion of all purchases being made via the internet? One important factor is that consumers still do not find deliveries sufficiently convenient. Delivery is an important part of consumers' shopping experience. Good, consumer-driven logistics reinforces the product experience – in the same way that substandard delivery reflects negatively on the product. Consumers want to have certain products delivered to a store or distribution point and others delivered directly to their mailbox. Occasionally, they want same-day delivery to their door. In e-commerce purchases, the delivery options should always be clearly stated during the checkout stage of the process. Freedom of choice regarding the delivery point and precision build up the consumer's expectations, and clarify the promise the delivery is to keep.

**Consumer-driven logistics is a mission-critical factor**

The challenge today is that consumers hold the power throughout the entire purchase journey up to delivery, but that is where their power ends. A lot of operators have failed to give consumers the opportunity to influence the delivery itself.

When consumers have the opportunity to choose delivery method, know what delivery they have purchased, understand when, where and how the delivery will be made, and are given the chance to influence the delivery even after checkout, the logistics setup is functioning correctly and can contribute to forging an even stronger bond between consumer and company.

The consumer's perception of how the delivery of an item bought online is handled has a direct impact on the company's customer satisfaction rating. Consumers view the delivery as an integral part of the product. For the company, bespoke, consumer-driven logistics thus provides the opportunity to gain a competitive advantage that may lead to additional sales and help build loyalty. Consumer-driven logistics is therefore a mission-critical factor.

**Six steps to success**

The following section of this report features six steps that describe consumers' needs for freedom of choice, comprehension and precision in the delivery of items purchased online. The model constitutes PostNord's view of how consumer-driven

logistics in the Nordic region should be developed so as to reinforce the purchasing experience for consumers. Below, we lay out a number of recommendations intended to help retail companies make the right decisions for their logistics setup.

**RECOMMENDATION 1. Simplify and clarify the delivery options**

Delivery is playing an increasingly important role in the consumer experience of making purchases online. Retail companies should therefore present the delivery options that accommodate consumer wishes and requirements. By clarifying when, how and where the delivery will take place from the very start, the company can help the customer feel confident about the purchase.

Those retail companies that are already familiar with their customers can naturally suggest the most suitable option, based on this experience. Predicting which delivery option is the best match can help increase the conversion. For a returning customer, this can, for example, be suggested as the standard option during checkout. This builds loyalty and demonstrates knowledge about the customer. For new or incidental customers, however, the opportunity to choose the delivery method can make or break the decision to buy. Freedom of choice regarding speed and precision is a crucial factor. The various options should always be clearly stated as early as during the checkout stage.

When customers make their decision, they



simultaneously adopt expectations concerning the delivery. Customers want to know when, where and how it will be made. Occasionally, they are also interested in knowing which company is responsible for the delivery. And, of course, they want to know what it will cost.

#### **RECOMMENDATION 2.**

##### **Offer options: precision, speed or budget**

The delivery experience should match the pre-purchase experience. For consumers, this always involves weighing up the speed, precision and cost of the delivery.

Freedom of choice regarding delivery speed and precision is a crucial factor in deciding whether or not to complete a purchase. For most consumers, purchases are generally not so urgent that they consider it worth paying more for fast delivery. A day more or less typically makes little or no difference. However, many consumers would prefer to specify a precise delivery time or place, or have the delivery fit into their routine in a certain way. Retail businesses can no longer make do with stating that delivery will be made within three to five days. That is simply not acceptable to customers.

Consumers also want to know how price is affected by delivery speed and precision – ideally at the time they make the purchase. They need to understand from the very start what they are buying and paying for in terms of delivery. No matter which delivery option customers finally choose, however, they need to know what options are open to them – and what they cost – when they are actually making the purchase.

#### **RECOMMENDATION 3.**

##### **Offer the option to choose the delivery location**

Retail businesses should be able to offer freedom of choice and variety when it comes to delivery points.

Consumers want deliveries to fit into their daily lives. They expect everything to run as smoothly as possible. Their needs with regard to the delivery naturally vary depending on what they buy, when they buy it, and what the item means to them. The ability to choose a convenient delivery location during each purchase makes a major and significant difference in the work to generate satisfied customers. Closest does not always mean best. The opportunity and the freedom to influence the delivery is a key parameter. Some customers want items delivered to their home – and would ideally like to sign to confirm receipt. Some want to collect their purchases from their service point. Others do not want to have to keep an eye on delivery times, but would rather devote their time to other matters; they would therefore prefer to have goods delivered directly to their garage – or left in their back yard, for instance – without them having to

be home. No matter what they choose, customers want the option of choosing the delivery method and/or location.

#### **RECOMMENDATION 4.**

##### **Communication and transparency during delivery**

The company should make sure that customers receive sufficient information to allow them to understand what they have to do to receive the delivery. Given the choice the customer has made, the company should, for example, make it clear that the customer needs to be home at a certain time, and/or will need to present identification to take possession of the delivery. For deliveries without a receipt, consumers should understand that this option entails their taking over responsibility for the delivery. Customers are seldom prepared to adapt to the distributor. They want their specific needs accommodated – and they want to be in full control in the event that a delivery needs to be changed. Don't forget: the customer is always right! It is therefore important that the retail company, in consultation with its distributor, be in a position to offer a range of delivery options, backed by clear and reliable communication. When a delivery is on its way, many consumers want the option of tracking it on its journey. This is a part of the purchase experience. There is much to be gained by figuring out the customer's delivery preferences as early in the process as possible. How does the customer want to be contacted and notified? By email, SMS or a note in the mailbox? It is important to make it easy for the customer to choose an option in this regard.

#### **RECOMMENDATION 5.**

##### **Make the delivery easy to change**

The fundamental advantage of e-commerce is the opportunity it offers to save time and money. However, customers can easily find themselves enmeshed in time-consuming complications in cases where they want to change the agreed delivery terms. What seemed like a good option at the time of purchase may subsequently prove to be extremely inconvenient for the customer. If, in this case, the distributor is unable to adjust to the changes in the customer's wishes and requirements, what started out as a positive purchase process can quickly become the exact opposite. This, in turn, will have a negative impact on the company. Successful companies should offer customers the options of making changes to the delivery process, for example by allowing someone other than the stated receiver to collect the parcel, or by changing the delivery location.

The ability to influence the delivery even after checkout is crucial if logistics are to function smoothly and thus contribute to establishing an

even stronger relationship between the consumer and company. Successful e-commerce is built on the distributor having the opportunity to accommodate changes consumers wish to make, and supplying accurate information about the delivery via the relevant channel(s).

Following up to discover consumers' reactions and opinions in the wake of a purchase is important as well - especially because this generates a sense of confidence in the consumer link and assures consumer power. The relationship should be seamless from start to finish, without any disruptions in the process.

#### **RECOMMENDATION 6.**

##### **Create smart returns solutions**

When consumers purchase something they seriously want, they are quite willing to accept minor complications in the delivery process. However, in cases where they have to return an item and they find the returns process complicated, it doesn't take them long to run out of patience.

The emotional link they had to the item - and thus to the supplier - can easily be lost. The precondition for ensuring that each and every consumer enjoys a good purchasing experience is therefore the capacity of the company to handle returns in an efficient, flexible manner. This will make sure that customers come back again.

Efficient returns handling is essential to success. One in ten Nordic consumers returns goods every

month (Source: E-commerce in the Nordic region - Six-month report 2017). At the same time, 85 percent of consumers state that unambiguous procedures for returns are important. Around one Nordic consumer in five has declined to purchase a product from an e-retailer because he/she did not approve of the company's returns policy. This is a challenge that e-commerce is facing.

The company should offer simple solutions for returns, such as easy access to places where items can be dropped off, clear instructions about how to handle returns, and information about how refunds will be issued.

It must be simple for consumers to find returns forms to fill in, as well as information about what the returns process entails. The description must be unambiguous, and it must provide information about any costs involved. This must be stated early in the process. Having the courage to promise a time by which a refund will be paid increases customer confidence and helps remove obstacles to purchasing. Feedback about the delivery is important for the consumer. It helps build loyalty and gives the company the chance to expand its knowledge and play an active role in the delivery. Consumers can communicate experiences from the purchase, including with regard to the relationship with the retail company. Good system integration can be used to create a transparent relationship between the company and the distributor regarding the customer's experience.

#### **In summary: Freedom of choice, convenience and transparency make winners**

Successful consumer-driven logistics should always be based on the consumers' needs and respond to same. The concept of "the customer is always right" is more relevant here than in most other cases. Today, many online purchases are not completed on account of poor delivery options.

Consumers do not want to have to adapt to the delivery. They want full control themselves. It is a question of being able to choose an individually tailored delivery process from the perspectives

of price, speed, time and method. Consumers want not only to track the precise location of the product in the delivery process, but also to have access to a simple returns procedure. Time really is money today, and deliveries need to match the new requirements consumers are making with regard to convenience, freedom of choice and control. Those companies that succeed in increasing freedom of choice and making the process more secure and convenient for the consumer will be the winners in commerce.