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The emergence of convergence

Express carriers are still adjusting to a world where home deliveries play an increasingly important role

Consultancy Triangle's Mail & Express Delivery Service conference has established itself as one of the highlights of the multi-channel fulfilment calendar, focusing on the sometimes subtle interplay between retailers and contractors. This year's event just missed the last issue of F&E, so here we bring you some selected highlights

Are B2B and B2C parcels operations the same or different? That was the question addressed by **Carole Woodhead**, chief executive of Hermes. She said she had asked four other parcel company chief executives this question, and come up with four different responses.



Looking back over recent years, she said the market had seen "the emergence of convergence". In the past, home deliveries had been a specialist activity, but in the 1990s B2B carriers started handing B2C deliveries. By the 2000s B2B was in decline, but the B2C market was flourishing, driven by new phenomena such as multi-channel retail, mobile internet and social networking.

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Posctom said B2B and B2C were the same market, Woodhead reported, "but there is a difference in terms of failed deliveries."

She cited various figures confirming the growth of online sales, which she said now accounted for 11 per cent of all retail sales. "Multi-channel consumers spend more," she said, but added that delivery companies have to be where the

consumers are shopping - "and that means cross-border deliveries."

A recent trend had seen a rise in multi-carrier strategies on the part of shippers, she said, encouraged by carrier selection services such as those of MetaPack and GFS. This resulted in "best in class purchasing", she said, "but it won't necessarily drive convergence."

When it came to service/price comparisons, B2B and B2C operated under different circumstances. "B2B usually provides plenty of 'drop coincidence'," she said, "whereas B2C doesn't." She added that B2B had historically needed to respect more time-sensitive time windows, "but B2C is catching up." And there was a convergence in next-day tracked deliveries, she said.

Carriers offering both kinds of service enjoyed some benefits, she said, such as being able to do B2B deliveries in the morning and B2C in the afternoon. "And 50-50 carriers have more options, such as the choice between using the same vehicles and drivers for both, or using separate fleets."

There was not enough synergy between the mail and express operations of the old TNT to merit keeping these two sides of the business together. This is how **Paul Witham**, strategic management officers at TNT, explained the decision by the Dutch parent company to split the business into two parts earlier this year.

"There was limited overlap," he said. He admitted that mail was a strong cash generator, but pointed out that express had a different market profile and a global

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synergies. "There was a need for divergence, to ensure that the organisations remained agile and flexible."

The digital world was now driving the physical, Witham said. "Customers want flexibility, and will only pay for what they get."

Of many factors now driving the express market, he itemised the commoditisation of express freight, where price was taking priority over speed; the rise in bad debts; the move to re-deploy resources outside the UK; and the use of the internet by shippers to manage accounts and develop their business.

Although TNT has not historically been a major player in B2C parcel deliveries, Witham commented that e-commerce was breaking boundaries and driving income in the express sector. "Online shopping is easier, but people miss out on the retail experience," he said.

"Delivery is still trailing behind expectations," he added, posing the question: "Is the expectation being managed?" He said the B2C market was continuing to evolve, "but the challenge remains to achieve first-time delivery. The key is to involve the consumer earlier in the process."



"These days everyone has the technology and the confidence to shop online," said **Mark Lewis**, chief executive of drop-off and pick-up service Collect+. "What we don't know is what will happen when we press the button to buy."

He pointed out that one in ten deliveries fails, adding: "Online retailers are winning and losing on the basis of delivery and returns."

Evidence indicated that half of disappointed customers don't come back, he said, and he argued that there was increasing frustration with returns. "Just do a search on 'Parcel collection' on Twitter to see what people are saying about it," he challenged his audience.

"Getting it right can drive incredible loyalty," he argued. "The prize is enormous."

Lewis said Collect+ now had more than 3,700 locations. "Typically 40 per cent of customers come in late in the day," he reported, "but 80 per cent of stuff is picked up the same day."

Online merchants "are pushing the boundaries of price and service," thought **Ken O'Rahilly**, an independent consultant working in the packaging sector. He wondered if the market had reached the point where it was having to take on uneconomic operations. "Profitability is an issue," he said.

He cited research contained in Postcom's *Retail Market Summary 2010*, which noted that 70 per cent of consumers don't care which carrier delivers their home shopping, though where there is a preference, it is for Royal Mail.

An intriguing statistic was that men seem more keen on fast delivery than women, choosing it 3.8 times a year, compared with 2.4 times by women.

The snow and bad weather that hit home deliveries last December brought many lessons for the online retail market, said **Phil Courtney**, head of multi-channel fulfilment at the John Lewis Partnership.

Changes in customer behaviour had resulted in increased online activity, he said, and this put carriers under pressure. Meanwhile, some retailers switched their work between carriers in their efforts to get the product through to customers. "This must be avoided in future," Courtney said.

Carriers were not without fault, he added. "Carriers focused on the physical operations, rather than on administration, which in some cases resulted in loss of the ability to track consignments." He said his company's planned cut-off date for Christmas orders had been 21 December, but in reality it was on the 19th.

He said success had varied from one carrier to another. "Click and collect was extremely successful. The cut-off date of 21 December worked here."

He explained that John Lewis used three carriers, offering a standard five-day delivery service alongside premium services. The company's online sales had grown by 30 per cent in 2010 alone, and the number of stock-keeping units offered online had increased from 80,000 to 150,000. The company had expanded from one fulfilment site to three to improve its efficiency.

Courtney had several pieces of advice for retailers as they approached next Christmas. "Build relationships with carriers," he said. "Understand the cost to serve. Balance physical fulfilment with accurate administration, and book carrier volume in advance."

Although **Doug Haworth** was carrier manager with fulfilment house iForce, he explained that he only managed carrier relationships for some retail customers, while the retailer took responsibility with others.

He asked whether customer relationship management was working in the express market. "No," was his response. "Only sixty per cent of consumers are satisfied with the service they get, and 61 per cent are satisfied with returns."

"Customers want on-time, in-full deliveries," he said, adding that there were many different ways to achieve this. "You can try timed am/pm deliveries. You can use lifestyle couriers. You can deliver on a nominated day or at the weekend." These approaches could all help, but none was the complete solution.

There were improvements, though. He cited increasing use of SMS delivery alerting, interactive voice response systems, use of lifestyle couriers, carrier partnerships, and improved consignment visibility.

Ending on a high note, Haworth said carriers were in fact responding to the increasing demands of the home shopping market, and providing the kind of service that was required.



However, he also had a warning for the market. "The consumer's voice is increasingly being heard, but it can be fickle."

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